

Draft: 2/28/22

Financial Stability (E) Task Force
and Macroprudential (E) Working Group
Virtual Meeting
February 22, 2022

The Financial Stability (E) Task Force met Feb. 22, 2022, in joint session with the Macroprudential (E) Working Group. The following Task Force members participated: Eric A. Cioppa, Chair (ME); Marlene Caride, Vice Chair (NJ); Ricardo Lara represented by Susan Bernard (CA); Andrew N. Mais represented by Kathy Belfi (CT); Karima M. Woods represented by Philip Barlow (DC); Trinidad Navarro represented by Tom Hudson (DE); Amy L. Beard represented by Roy Eft (IN); Doug Ommen (IA); Vicki Schmidt represented by Tish Becker (KS); Gary D. Anderson represented by John Turchi (MA); Chlora Lindley-Myers represented by John Rehagen (MO); Eric Dunning represented by Justin Schrader (NE); Mike Causey and Jackie Obusek (NC); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French represented by Tracy Snow (OH); Michael Humphreys represented by Kimberly Rankin and Melissa Greiner (PA); Elizabeth Kelleher Dwyer (RI); Raymond G. Farmer represented by Geoffrey Bonhom (SC); Carter Lawrence and Trey Hancock (TN); Cassie Brown represented by Jamie Walker (TX); Scott A. White represented by David Smith (VA); and Nathan Houdek and Amy Malm (WI). The following Working Group members participated: Justin Schrader, Chair (NE); Carrie Mears, Vice Chair (IA); Susan Bernard (CA); Kathy Belfi (CT); Philip Barlow (DC); Susan Berry (IL); Eric A. Cioppa (ME); Steve Mayhew (MI); Fred Andersen (MN); John Rehagen (MO); Bob Kasinow (NY); Melissa Greiner (PA); Mike Boerner (TX); and Greg Chew (VA).

1. Heard Opening Remarks

Commissioner Caride said materials for consideration and discussion for this meeting are available on the NAIC website in the Committees section under the Financial Condition (E) Committee.

2. Received a Working Group Update

Mr. Schrader said that the Working Group adopted the document titled “List of Regulatory Considerations Applicable (But not Exclusive) to Private Equity (PE) Owned Insurers” during its meeting on Feb. 1. He stressed that some of the work on the considerations will occur, or is already underway, at other NAIC committee groups, and the Working Group’s role is to monitor those activities and developments. He said that the Working Group has organized a meeting with the various groups’ chairs, vice chairs, and NAIC support staff to establish a baseline of their activities underway that relate to the considerations included on the list of regulatory considerations. He added that after the baseline meeting, the list of regulatory considerations will be updated to reflect changes, and the tracking document will be posted on the Working Group’s web page in the documents section. Mr. Schrader said that after establishing the baseline in early March, the Working Group will hold periodic meetings with the chairs, vice chairs, and NAIC support staff of the various groups to ensure proper coordination occurs. He also promised verbal status updates in open meetings of the Working Group, which will be reflected in the Working Group’s tracking document. Mr. Schrader concluded that the Working Group will consider the risks, existing measures to address the risks, if they are sufficient for now or if further measures should be considered, and if the latter, which group is appropriate to perform the work. He added that the Working Group may need to meet in regulator-to-regulator session when deliberating answers to those questions—for example, to speak about specific companies—but that the answers to these questions will be considered in open meetings with an opportunity for interested parties to comment.

Mr. Schrader said that the Working Group continues to use the unofficial Liquidity Stress Test (LST) Study Group to address the details for the LST project. He added that the LST Study Group has concluded its work on the 2021 LST Framework, which the Working Group will consider for adoption along with the Task Force. He said that the 2021 LST Framework calls for LST filings to be submitted to the lead state regulator by June 30, and once comfortable, the lead state will provide results to NAIC staff to aggregate results. He noted that the LST Study Group will use those results as part of the deliberations for whether and how to modify the 2022 LST Framework. Mr. Schrader added that the LST Study Group will consider issues related to separate accounts, because other than general account guarantees for separate accounts, separate accounts were excluded from the scope. He explained that further considerations to perform some sort of data call and study, as well as whether to modify a future LST Framework to include some aspects of separate accounts, will be considered in the second quarter with any recommendations brought to open meetings of the Working Group.

3. Adopted the “List of Regulatory Considerations – PE Related and Other”

Commissioner Caride said that the initial “List of Regulatory Considerations – PE Related and Other” was exposed for a 30-day public comment period, which was extended by two weeks to meet an interested party’s request regarding the year-end holiday season. She added that the Working Group provided its recommended responses in detail to comments received during the Working Group’s meeting on Feb. 1. Commissioner Caride concluded that since no controversial items were raised during the Working Group process, the Task Force is considering adoption without any comment period.

Mr. Schrader made a motion, seconded by Superintendent Cioppa, to adopt the “List of Regulatory Considerations – PE Related and Other” (Attachment 1). The motion passed unanimously.

4. Adopted the 2021 LST Framework

Mr. Schrader said that the 2021 LST Framework drafting began by incorporating the Lead State Guidance items issued last year after the Task Force adopted the 2020 LST Framework document. He added that there were only minor editorial items, such as updating the year and indicating differences of the 2021 LST processes compared to the 2020 LST. He stressed that there is a known set of metrics for the appendices that will need to be updated after the 2021 LST Framework document is adopted. Mr. Schrader said this change and any unexpected changes will be addressed using Lead State Guidance. He said that the 2021 LST Framework document is not being exposed for a public comment period because of this lack of substantive edits from the 2020 LST Framework adopted last year after multiple exposure periods both at the Working Group and the Task Force. Mr. Schrader clarified that all Lead State Guidance elements for the 2020 LST Framework were posted on the Task Force’s web page as they were made in 2021. He concluded that those items being incorporated into the 2021 LST Framework are not new guidance. He added that the insurers in scope that are affected by the minor edits to the 2021 LST Framework document have already signed off during the LST Study Group meetings this year.

For the Macroprudential Working Group’s consideration, Ms. Belfi made a motion, seconded by Ms. Mears, to adopt the 2021 LST Framework (Attachment 2). The motion passed unanimously.

For the Financial Stability Task Force’s consideration, Commissioner Ommen made a motion, seconded by Ms. Belfi, to adopt the 2021 LST Framework (Attachment 2). The motion passed unanimously by the Task Force.

5. Adopted the Working Group's Feb. 1 Minutes

The Working Group met Feb. 1 and took the following action: 1) adopted the List of Regulatory Considerations – PE Related and Other; 2) received an update on the 2021 LST Framework, Including Scope Criteria; and 3) heard a macroprudential risk assessment update.

Mr. Schrader made a motion, seconded by Mr. Rehagen, to adopt the Working Group's Feb. 1 minutes (Attachment 3). The motion passed unanimously.

6. Discussed Other Matters

Commissioner Caride recognized Superintendent Cioppa for his many years of excellent service to the NAIC and wished him the best in his retirement.

Having no further business, the Financial Stability (E) Task Force and Macroprudential (E) Working Group adjourned.