

DRAFT PENDING ADOPTION

Draft: 7/26/22

Financial Stability (E) Task Force
and Macroprudential (E) Working Group
Virtual Meeting
June 27, 2022

The Financial Stability (E) Task Force met June 27, 2022, in joint session with the Macroprudential (E) Working Group. The following Task Force members participated: Marlene Caride, Chair (NJ); Elizabeth Kelleher Dwyer, Vice Chair (RI); Ricardo Lara represented by Susan Bernard (CA); Andrew N. Mais represented by Kathy Belfi (CT); Trinidad Navarro represented by Tom Hudson (DE); David Altmaier represented by Ray Spudeck (FL); Doug Ommen (IA); Amy L. Beard represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Gary D. Anderson represented by John Turchi (MA); Kathleen A. Birrane represented by Lynn Beckner (MD); Timothy N. Schott represented by Vanessa Sullivan (ME); Chlora Lindley-Myers represented by John Rehagen (MO); Mike Causey represented by Jackie Obusek (NC); Eric Dunning represented by Justin Schrader (NE); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Michael Humphreys and Melissa Greiner (PA); Michael Wise represented by Daniel Morris (SC); Carter Lawrence represented by Trey Hancock (TN); Cassie Brown represented by Jamie Walker (TX); Scott A. White represented by Doug Stolte (VA); and Nathan Houdek represented by Amy Malm (WI). The following Working Group members participated: Justin Schrader, Chair (NE); Carrie Mears, Vice Chair (IA); Susan Bernard (CA); Kathy Belfi (CT); Carolyn Morgan (FL); Vanessa Sullivan (ME); Steve Mayhew (MI); Fred Andersen (MN); John Rehagen (MO); Bob Kasinow (NY); Melissa Greiner (PA); Ted Hurley (RI); Jamie Walker (TX); and David Smith (VA). Also participating was: Susan Berry (IL).

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. She said to simplify the process, the Task Force and Working Group will consider reception of five comment letters and adoption of the Proposed Regulator Responses to the List of the Working Group's Considerations together.

2. Received comments on the Proposed Regulator Responses to the List of the Working Group's Considerations

Mr. Schrader said the Macroprudential (E) Working Group met April 22 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) and paragraph 4 (internal or administrative matters of the NAIC or any NAIC member) of the NAIC Policy Statement on Open Meetings, to finalize the "Proposed Regulator Responses to the List of the Working Group's Considerations." The Working Group exposed the document on April 27 for a public comment period ending June 13. Mr. Schrader expressed the Working Group's appreciation for five comment letters received from: 1) Risk & Regulatory Consulting (RRC); 2) American Council of Life Insurers (ACLI); 3) American Investment Council (AIC); 4) UNITE HERE; and 5) Northwestern Mutual.

With respect to the UNITE HERE comment letter, Mr. Schrader said that none of the comments were included in Attachment 1 because the comments were not actionable or practical. He added that state insurance regulators must have laws allowing them confidential access to such documents so arguments for the public to get access to such documents are beyond the scope of current considerations. He reported that confidential regulatory tools are not to be presented for the public to assess if they are effective, but instead, the Working Group will focus on presenting the actions regulators propose to take within the NAIC committee structure, recognizing that the specifics of those confidential regulatory processes and their results will continue to remain confidential. Mr.

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Schrader summarized that insurance companies provide significant transparency and offered to set up a separate meeting with NAIC staff to explain specifics of the regulatory process in detail including:

- Publicly traded companies in the U.S. must file generally accepted accounting principles (GAAP) financial statements.
- Non-publicly traded companies are not required to provide public GAAP financial statements.
- Statutory financial statements are publicly available for all non-captive life insurers.
- Statutory financial statements provide significantly more detail than GAAP financial statements.
- Statutory financial statements provide information on the legal entity level compared to GAAP, which does so at the group level.
- Statutory financial statements include an annual listing of investments acquired, disposed of, and owned, so actual investment issuers can be assessed by anyone reviewing the filings rather than group-level GAAP financial statements.
- For publicly traded insurers, the public may access the group's GAAP financial statements, as well as the statutory financial statements for each legal entity in the group.

Mr. Schrader concluded that the nature of the UNITE HERE comments and concerns seemed more focused on actual solutions that will be developed for the Working Group's considerations rather than the exposed document listing how the Working Group plans to assign the work. He suggested the Working Group redirect some of those comments to specific work to address those Working Group considerations once they have been referred to the appropriate group and work begins.

For the Working Group, Ms. Mears made a motion, seconded by Ms. Bernard, to receive the five comments letters on the "Proposed Regulator Responses to the List of the Working Group's Considerations" (Attachment 1). The motion passed unanimously.

For the Task Force, Ms. Malm made a motion, seconded by Ms. Bernard, to receive the five comments letters on the "Proposed Regulator Responses to the List of the Working Group's Considerations" (Attachment 1). The motion passed unanimously.

3. Adopted the Proposed Regulator Responses to the List of the Working Group's Considerations

Mr. Schrader summarized how to incorporate the comments received to the "Proposed Regulator Responses to the List of the Working Group's Considerations" (Attachment 2) with no further changes discussed to the redlined document.

For the Working Group, Mr. Spudeck made a motion, seconded by Ms. Bernard, to adopt the "Proposed Regulator Responses to the List of the Working Group's Considerations" (Attachment 2). The motion passed unanimously.

For the Task Force, Mr. Schrader made a motion, seconded by Mr. Kasinow, to adopt the "Proposed Regulator Responses to the List of the Working Group's Considerations" (Attachment 2). The motion passed unanimously.

Commissioner Caride said that with the adoption, the word "Proposed" will be removed from the title of the final version of Attachment 2.

4. Received an Update on Key Initiatives

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Mr. Schrader said that the Liquidity Stress Test (LST) Study Group has met to discuss several questions for potential modifications to the 2022 LST framework. He added that these questions included concepts such as providing more consistency in certain stress test assumptions. Mr. Schrader reported that an LST Separate Accounts Study Group is going to be formed to tackle the questions of how to address non-insulated separate account sales, as well as whether, and if so how, to address insulated separate accounts in terms of macroprudential impacts to broader financial markets. He said that the LST Study Group will also be reviewing the results of running the most recent 2021 year-end data through the 2021 LST scope criteria and assessing the list of LST participants, as well as whether changes need to be made to the 2022 LST scope criteria. Mr. Schrader summarized that state insurance regulators are anticipating receipt of the 2021 LST filing on June 30, at which point results will be reviewed, assessed, and then provided to the Working Group and Task Force.

Mr. Schrader said that at the Spring National Meeting, the Working Group received comments on and later adopted a Macroprudential Risk Assessment Process document, which essentially describes what the system of Macroprudential Risk Assessment entails at a high level. He added that state insurance regulators had several volunteer group meetings to complete the 2020 Macroprudential Risk Assessment. Mr. Schrader said that after completing several further scheduled meetings, NAIC staff and state insurance regulators will turn to the report writing phase, which will summarize the results of the risk assessment and may offer ideas for additional areas of research or regulator action. He added that the report will likely represent the next opportunity for extended discussion on the Macroprudential Risk Assessment Process reflecting regulator views of industry risks and allow discussion of those views, as well as potential responses in a public setting. Mr. Schrader said that he expects a first edition of the Risk Assessment Process report later this year. He clarified that the analysis underlying the Macroprudential Risk Assessment Process is not new as regulators have long monitored industry developments with assistance from the NAIC. What is new is the publication of a summary risk dashboard report. As a result of the Risk Assessment Process further analysis of specific risks may be warranted. If further study is deemed necessary, the Working Group may seek input from the public prior to a consideration for a referral or further study of specific matters. He noted that even after a referral, there will be an opportunity for public input.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/2022 Summer National Meeting/