

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: Disclosure of FABNs and Similar Structures

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue: This agenda item has been prepared to consider a February 17, 2026, referral received from the Macroprudential (E) Working Group to incorporate proposed disclosures for funding agreement backed notes (FABNs) and other funding agreement backed structures.

FABNs are debt instruments issued by Special Purpose Vehicles (SPVs) generally formed by life insurance companies. A life insurance company issues a funding agreement to the SPV, which is accounted for in accordance with *SSAP No. 52—Deposit-Type Contracts*, and the SPV then issues debt instruments (FABNs) that are backed by the principal and interest of the issued funding agreement. Although all funding agreements issued by the insurer are required to be captured in current reserves and detailed in Exhibit 7 – Deposit-Type Contracts, there is no current reporting of whether the issued funding agreements back FABNs or other similar structures. The Macroprudential (E) Working Group requests disclosures of this activity to allow for monitoring under their financial stability monitoring objectives. The referral identifies that the proposed disclosure will provide the Financial Stability (E) Task Force with the ability to identify transmission channels of potential risk to and from the insurance industry and the interconnectedness to the capital markets.

In accordance with the Macroprudential (E) Working Group’s review, it was identified that different structures exist that are backed by funding agreements. Their proposed reporting captures the total of all funding agreements that back SPV issuances, with additional reporting that divides the amount based on the type of agreement:

- Funding Agreement Backed Notes
- Funding Agreement Backed Commercial Paper
- Funding Agreement Backed Repurchase Agreements
- Funding Agreement Backed Loans
- Funding Agreements Issued into Muni Prepay Structures
- Other Funding Agreements Backing SPV Issuances

These additional structures are detailed as follows:

- *Funding Agreement-Backed Commercial Paper:* Under funding agreement-backed commercial paper (FABCP) structures, the insurer issues a master funding agreement to an SPV. The assets backing the master funding agreement consist of commercial paper with maturities of 360 days or less that are purchased by the insurer with the FABCP investors’ cash proceeds. The principal and interest payments on FABCPs are generally structured to align with the dollar amount of commercial paper backing the transaction. However, the insurer may not always be able to fully invest the proceeds due to the short maturities and frequent rollovers of commercial paper, which can create a duration mismatch. The short-term nature and high liquidity of the underlying commercial paper partially mitigate this ALM mismatch.

- **Funding Agreement-Backed Repurchase Agreements:** In a funding agreement-backed repurchase (FABR) agreement transaction, an SPV purchases a funding agreement issued by an insurer and then uses that funding agreement to enter into a repurchase agreement (repo) with a bank counterparty. In addition, the insurer pledges collateral into an account controlled by the SPV to support the repurchase transaction. The bank counterparty may rehypothecate, or repledge, all or a portion of the collateral pool. This FABN structure expands repurchase capacity and balance sheet flexibility for the insurer while reducing the bank counterparty's regulatory capital charge.
- **Funding Agreement-Backed Loans:** Funding agreement-backed loan (FABL) structures work similarly to FABNs, except the SPV is established by the bank counterparty, not the insurer. Another key difference from FABNs is that the FABL SPV enters into a loan directly with a bank instead of issuing notes. Effectively, though, the cash flows of the loan and notes operate similarly. Additionally, with FABLs, the insurer pledges securities to a collateral account, for which the bank counterparty has a security interest pursuant to an account control agreement.
- **Funding Agreement-Backed Municipal Pre-Pay/Energy Bonds:** Funding agreement-backed municipal gas and electric prepayment bonds (FABMBs) are a specialized segment of the municipal bond market that allows municipalities to secure a long-term, discounted supply of energy from a utility company. The municipality issues a tax-exempt bond to investors and uses the proceeds to prepay for typically 20 to 30 years of energy delivery. The SPV is a single-purpose entity whose sole purpose is to execute the prepayment with the commodity supplier, which is typically the commodity trading entity of an investment bank. The insurer's funding agreement provides interest payments on the bonds until such payments are recouped from consumers paying their utility bills.

The proposed disclosure also captures details on whether the SPV-issued debt instruments are puttable, and if the terms of the issued debt agreement differ from the backing funding agreement. The disclosure captures information on the maturity distribution of the funding agreements that back SPV issuances, including whether the funding agreement has a fixed or floating rate. Lastly, as the SPV could issue debt instruments backed by a non-US currency, the disclosure proposes to capture info on currency denominations and whether the foreign currency exposure is hedged.

Existing Authoritative Literature:

SSAP No. 52—Deposit-Type Contracts provides guidance for all contracts classified as deposit-type contracts as they do not subject the reporting entity to any risks arising from policyholder mortality or morbidity.

Although issued funding agreements are captured in scope of SSAP No. 52 for accounting and reporting, there are no disclosures on whether the issued funding agreements back debt issuances from SPVs.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): This agenda item responds to a referral and proposed disclosures received from the Macroprudential (E) Working Group on Feb. 17, 2026.

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): N/A

Staff Recommendation:

NAIC staff recommend that the Working Group receive the Macroprudential (E) Working Group referral, move this item to the active listing categorized as a SAP clarification and expose proposed revisions to SSAP No. 52—*Deposit Type Contracts* to incorporate the recommended disclosures pursuant to the Macroprudential (E) Working Group referral as well as to add details of the different structures into a glossary for SSAP No. 52. Further, due to the collateral pledged under FABR and FABL arrangements, the SAP staff has proposed an additional disclosure to capture the collateral pledged under the agreements. This revision is shown shaded to highlight the change from the referral. The Macroprudential (E) Working Group is also sponsoring a blanks proposal to incorporate the reporting revisions. The intent is for the disclosures to be effective for year-end 2026.

Proposed Revisions to SSAP No. 52—*Deposit-Type Contracts*:

Disclosures are captured in paragraphs 18-23. The new disclosures are proposed to be included after the FHLB agreement disclosure (after paragraph 21) and before the retained asset disclosure. The remaining SSAP paragraphs will be renumbered according.

22. For FHLB agreements accounted for under this statement, include information for the FHLB funding agreements with other reporting and disclosure requirements for deposit-type contracts under this statement and complete additional disclosure requirements in SSAP No. 30—Unaffiliated Common Stock, paragraph 20.
23. Each reporting entity shall disclose information on funding agreements issued by such reporting entity that support funding agreement backed SPV Issuances. (This disclosure is required for all known instances, even in situations in which the SPV was not sponsored or formed by the reporting entity and when the relevant SPV is bankruptcy remote from the reporting entity.) The balance of funding agreements supporting funding agreement backed SPV issuances shall be reported before reinsurance.
- a. Balance of funding agreements per type of issuance, per type of issuance where the transaction contains a put feature or embedded option¹, and per type of issuance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement², and the BACV amount of collateral pledged by the reporting entity by type of transaction:
- i. Funding Agreement Backed Notes (FABN)
 - ii. Funding Agreement Backed Commercial Paper (FABCP)
 - iii. Funding Agreement Backed Repurchase Agreements (FABR)
 - iv. Funding Agreement Backed Loans (FABL)
 - v. Funding Agreements Issued into Muni Prepay Structures
 - vi. Other Funding Agreements Backing SPV Issuances (Other)

¹ As used herein, a funding agreement is “Puttable” or contains a “put feature or embedded option” if such funding agreement contains a provision that allows a contract holder to withdraw from their account value at [book value] at any time, without being tied to a specific triggering event; under such provision, the insurer has no contractual alternatives to paying out at [book value].

² Instances in which the terms of the funding agreement are designed to be different from the SPV issuances should be reported as an Amount with Different Terms (even in instances where the SPV is not sponsored or formed by the reporting entity such as funding agreements issued into muni prepay structures).

- b. For instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV Issuance, include a narrative description identifying the different terms. For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc. For FABCP, reporting entities shall identify instances in which the terms of the SPV issuance do not match the terms of the deposit made under an FABCP master funding agreement. This disclosure is not required for funding agreements backed by muni prepay structures as the terms of the funding agreement are designed to be different from the SPV issuances.
- c. Disclose the maturity distribution of funding agreements backing SPV Issuances, separately identifying the funding agreements issues as fixed or floating interest rate prior to execution of any interest rate swaps.
- d. For SPV issuances backed by funding agreements issued in a non-US currency, disclose the currency denominations and whether all foreign currency exposure related to each currency denomination is hedged.

Proposed Glossary to SSAP No. 52:

- *Funding Agreement Backed Note:* Funding agreement backed notes (FABNs) are notes or bonds issued by bankruptcy-remote special-purpose vehicles (SPVs) that are secured by funding agreements (FAs) issued by the sponsoring insurance company to the SPV. The insurance company pays principal and interest under the terms of the FA to the SPV, which the SPV uses to pay principal and interest on the FABN.
- *Funding Agreement-Backed Commercial Paper:* Under funding agreement-backed commercial paper (FABCP) structures, the insurer issues a master funding agreement to an SPV. The assets backing the master funding agreement consist of commercial paper with maturities of 360 days or less that are purchased by the insurer with the FABCP investors' cash proceeds. The principal and interest payments on FABCPs are generally structured to align with the dollar amount of commercial paper backing the transaction. However, the insurer may not always be able to fully invest the proceeds due to the short maturities and frequent rollovers of commercial paper, which can create a duration mismatch. The short-term nature and high liquidity of the underlying commercial paper partially mitigate this ALM mismatch.
- *Funding Agreement-Backed Repurchase Agreements:* In a funding agreement-backed repurchase (FABR) agreement transaction, an SPV purchases a funding agreement issued by an insurer and then uses that funding agreement to enter into a repurchase agreement (repo) with a bank counterparty. In addition, the insurer pledges collateral into an account controlled by the SPV to support the repurchase transaction. The bank counterparty may rehypothecate, or repledge, all or a portion of the collateral pool. This FABN structure expands repurchase capacity and balance sheet flexibility for the insurer while reducing the bank counterparty's regulatory capital charge.
- *Funding Agreement-Backed Loans:* Funding agreement-backed loan (FABL) structures work similarly to FABNs, except the SPV is established by the bank counterparty, not the insurer. Another key difference from FABNs is that the FABL SPV enters into a loan directly with a bank instead of issuing notes. Effectively, though, the cash flows of the loan and notes operate similarly. Additionally, with FABLs, the insurer pledges securities to a collateral account, for which the bank counterparty has a security interest pursuant to an account control agreement.

- Funding Agreement-Backed Municipal Pre-Pay/Energy Bonds: Funding agreement-backed municipal gas and electric prepayment bonds (FABMBs) are a specialized segment of the municipal bond market that allows municipalities to secure a long-term, discounted supply of energy from a utility company. The municipality issues a tax-exempt bond to investors and uses the proceeds to prepay for typically 20 to 30 years of energy delivery. The SPV is a single-purpose entity whose sole purpose is to execute the prepayment with the commodity supplier, which is typically the commodity trading entity of an investment bank. The insurer's funding agreement provides interest payments on the bonds until such payments are recouped from consumers paying their utility bills.

The following illustrates the Macroprudential (E) Working Group's sponsored blanks proposal to capture the new disclosure information with the additional collateral pledged component. This is included for information purposes. Comments to the SAPWG should focus on the disclosure concepts. Comments on the format on the blanks proposal shall be directed to the Blanks (E) Working Group.

Note 11 - Debt

Note 11D – Instruction:

D. Disclose information on funding agreements issued by such reporting entity that support funding agreement backed special purpose vehicle (SPV) issuances. (This disclosure is required for all known instances, even in situations in which the SPV was not sponsored for formed by the reporting entity and when the relevant SPV is bankruptcy remote from the reporting entity.) The balance of funding agreements supporting funding agreement backed SPV issuances shall be reported before reinsurance.

(1) Balance of funding agreements (A) per type of issuance, (B) per type of issuance where the transaction contains a put feature or embedded option, and (C) per type of issuance where the terms of the SPV issuance differ from the terms of the corresponding funding agreement:

- Funding Agreement Backed Notes (FABN)
- Funding Agreement Backed Commercial Paper (FABCP)
- Funding Agreement Backed Repurchase Agreements (FABR)
- Funding Agreement Backed Loans (FABL)
- Funding Agreements Issued into Muni Prepay Structures
- Other Funding Agreements Backing SPV Issuances (Other)

(2) Please provide a narrative description for instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV issuance, identifying the different terms. (For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc.)

- With respect to FABCP, please respond to this question by identifying instances in which the terms of an SPV issuance do not match the terms of a deposit made under an FABCP master funding agreement.

- With respect to funding agreements issued into muni prepay structures, no response is necessary given that the terms of the funding agreement are designed to be different from the SPV issuances.
- (3) Disclose the maturity distribution of funding agreements backing SPV issuances, separately identifying the funding agreements issues as fixed or floating interest rate prior to execution of any interest rate swaps. (The total reported should agree to the total reported for disclosure 11D(1)).
- (4) Identify if the SPV issuances backed by funding agreements are issued in a non-U.S. currency. If so, disclose the currency denominations and whether all foreign currency exposure related to each currency denomination is hedged.
- (5) Is all foreign currency exposure related to funding agreements backing SPV issuances hedged via derivatives, asset matching, or otherwise mitigated? If not, please explain.

Note 11B – Illustration:

D. Funding agreements issued by such reporting entity that support funding agreement backed special purpose vehicle (SPV) issuances:

(1) Funding agreements Backing SPV Issuances

	<u>1</u> Total Amount	<u>2</u> Amount Puttable*	<u>3</u> Amount with Different Terms**	<u>4</u> BACV of Collateral Pledged by Reporting Entity
a. <u>Funding Agreement Backed Notes (FABN)</u>	\$	\$	\$	\$
b. <u>Funding Agreement Backed Commercial Paper (FABCP)</u>	\$	\$	\$	\$
c. <u>Funding Agreement Backed Repurchase Agreements (FABR)</u>	\$	\$	\$	\$
d. <u>Funding Agreement Backed Loans (FABL)</u>	\$	\$	\$	\$
e. <u>Funding Agreements Issued into Muni Prepay Structures</u>	\$	\$	\$	\$
f. <u>Other Funding Agreements Backing SPV Issuances (Other)</u>	\$	\$	\$	\$
g. <u>Total (a+b+c+d+e+f)</u>	\$	\$	\$	\$

Life Filers - 11D(1)g Column 1 should equal Exhibit 7 Footnote (b) Line 1

* As used herein, a funding agreement is “Puttable” or contains a “put feature or embedded option” if such funding agreement contains a provision that allows a contract holder to withdraw from their account value at (book value) at any time, without being tied to a specific triggering event; under such provision, the insurer has no contractual alternatives to paying out at book value.

** Instances in which the terms of the funding agreement are designed to be different from the SPV issuances should be reported as an Amount with Different Terms (even in instances where the SPV is not sponsored or formed by the reporting entity such as funding agreements issued into muni prepay structures).

(3) Maturity Distribution of Funding Agreements Backing SPV Issuances

	<u>1</u> Fixed Rate	<u>2</u> Floating Rate	<u>3</u> Total*
a. 1 year of Less	\$.....	\$.....	\$.....
b. After 1 year through 5 years	\$.....	\$.....	\$.....
c. After 5 years through 10 years	\$.....	\$.....	\$.....
d. After 10 years through 20 years	\$.....	\$.....	\$.....
e. Over 20 years	\$.....	\$.....	\$.....
f. Total (a+b+c+d+e)	\$.....	\$.....	\$.....

11D(3)f Column 3 should equal 11D(1)g Column 1

* Total should reflect the balance of all funding agreements backing SPV issuances reported as Deposit-Type Contracts. Include zero coupon funding agreements in the fixed rate column.

(4) Funding Agreements (FA) Backing SPV Issuances in currency denominations.

	Funding Agreements Backing SPV Issuances (in USD)
a. Year-End FA Balance (USD)	\$.....
b. Amount of FA Backing SPV Issuances in Foreign Currency:	
1. AUD	\$.....
2. CAD	\$.....
3. CHF	\$.....
4. EUR	\$.....
5. GBP	\$.....
6. Other	\$.....
7. Total Foreign Currency (1+2+3+4+5+6+7)	\$.....
c. Total FA Backing SPV Issuances (a+b7)	\$.....

11D(4)c should equal 11D(1)g Column 1

Exhibit 7 – Deposit Type Contracts

The following is also proposed to be captured as a new footnote on Exhibit 7:

(b) Funding agreements that back special purpose vehicle (SPV) issuances:

1. Total across all categories \$.....

2. Of the total, funding agreements that support funding agreement backed SPV issuances whereby the funding agreement contains a put feature or embedded option \$.....

Staff Review Completed by: Julie Gann, February 2026.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, classified as a SAP clarification, and exposed revisions to *SSAP No. 52—Deposit-Type Contracts*, as illustrated above, to incorporate disclosures and a glossary for funding agreement backed notes and other similar structures. The proposed disclosures predominantly reflect revisions recommended by the Macroprudential (E) Working Group. The Macroprudential (E) Working Group is also sponsoring a blanks proposal to incorporate the disclosure changes for year-end 2026.

On May 18, 2026, the Statutory Accounting Principles (E) Working Group adopted revisions to *SSAP No. 52—Deposit-Type Contracts*, to incorporate disclosures and a glossary for funding agreement backed notes and other similar structures for year-end 2026. The guidance was revised from the exposure and reflected below:

Adopted Guidance to *SSAP No. 52—Deposit-Type Contracts*:

22. For FHLB agreements accounted for under this statement, include information for the FHLB funding agreements with other reporting and disclosure requirements for deposit-type contracts under this statement and complete additional disclosure requirements in *SSAP No. 30—Unaffiliated Common Stock*, paragraph 20.

23. Each reporting entity shall disclose information on funding agreements issued by such reporting entity that support funding agreement-backed SPV Issuances. (This disclosure is required for all known instances, even in situations in which the SPV was not sponsored or formed by the reporting entity and when the relevant SPV is bankruptcy remote from the reporting entity.) The balance of funding agreements supporting funding agreement backed SPV issuances shall be reported before reinsurance.

a. For each type of funding agreement-backed transaction, report the total balance (outstanding issued amount) of funding agreements, the balance where the transaction contains a put feature or embedded option^{FN1}, the balance where the terms of the SPV Issuance differ from the terms of the corresponding funding agreement^{FN2}, and the book adjusted carrying value (BACV) amount of invested assets (i.e., not including the funding agreements) pledged by the reporting entity by type of transaction:

- i. Funding Agreement-Backed Notes (FABN)
- ii. Funding Agreement-Backed Commercial Paper (FABCP)
- iii. Funding Agreement-Backed Repurchase Agreements (FABR)
- iv. Funding Agreement-Backed Loans (FABL)
- v. Funding Agreements Issued into Muni Prepay Structures
- vi. Other Funding Agreements Backing SPV Issuances (Other)

^{FN1} As used herein, a funding agreement is “Puttable” or contains a “put feature or embedded option” if such funding agreement contains a provision that allows a contract holder to withdraw from their account value at the amount specified in the issuance at any time, without being tied to a specific triggering event; under such provision, the insurer has no contractual alternatives to paying out at the amount specified in the issuance.

^{FN2} Instances in which the terms of the funding agreement are designed to be different from the SPV issuances should be reported as an Amount with Different Terms (even in instances where the SPV is not sponsored or formed by the reporting entity such as funding agreements issued into muni prepay structures).

- b. For instances in which the SPV is sponsored or formed by the reporting entity and the terms (e.g., principal, interest rate, maturity, rating, or currency) of a funding agreement differ from the terms of the corresponding SPV Issuance, include a narrative description identifying the different terms. For example, if the funding agreement matures in 3 years, but the FABL matures in 3 months, instances of different interest rates, etc. For FABCP, reporting entities shall identify instances in which the terms of the SPV issuance do not match the terms of the deposit made under an FABCP master funding agreement. This disclosure is not required for funding agreements backed by muni prepay structures as the terms of the funding agreement are designed to be different from the SPV issuances.
- c. Disclose the maturity distribution of funding agreements backing SPV Issuances, separately identifying the funding agreements issues as fixed or floating interest rate prior to execution of any interest rate swaps.
- d. For SPV issuances backed by funding agreements issued in a non-US currency, disclose the currency denominations and whether all foreign currency exposure related to each currency denomination is hedged.

Adopted Glossary to SSAP No. 52:

- *Funding Agreement-Backed Note:* Funding agreement backed-notes (FABNs) are notes or bonds issued by bankruptcy-remote special-purpose vehicles (SPVs) that are secured by funding agreements (FAs) issued by the sponsoring insurance company to the SPV. The insurance company pays principal and interest under the terms of the FA to the SPV, which the SPV uses to pay principal and interest on the FABN.
- *Funding Agreement-Backed Commercial Paper:* Under funding agreement-backed commercial paper (FABCP) structures, the insurer issues a master funding agreement to an SPV. The FABCP master funding agreement contains a deposit schedule that is updated to reflect the terms of each new deposit under an FABCP program (each, a “Deposit”). The terms of a Deposit mirror the terms of a corresponding FABCP Issuance.
- *Funding Agreement-Backed Repurchase Agreements:* In a funding agreement-backed repurchase (FABR) agreement transaction, an SPV purchases a funding agreement issued by an insurer and then uses that funding agreement to enter into a repurchase agreement (repo) with a bank counterparty. In addition, the insurer pledges collateral into an account controlled by the SPV to support the repurchase transaction. The bank counterparty may rehypothecate, or repledge, all or a portion of the collateral pool.
- *Funding Agreement-Backed Loans:* Funding agreement-backed loans (FABL) are loans issued to bankruptcy-remote SPVs that are secured by funding agreements (FA) issued by the sponsoring insurance company to the SPV. Additionally, with FABLs, the insurer pledges securities to a collateral account, for which the bank counterparty has a security interest pursuant to an account control agreement.
- *Funding Agreements Issued Into Muni Prepay Structures:* These are a specialized segment of the municipal bond market that allows municipalities to secure a long-term, discounted supply of energy from a utility company. As part of this transaction an insurer issues a funding agreement to an SPV. The insurer’s funding agreement provides known scheduled principal payments to the SPV that supports the purchase of energy. The SPV whose sole purpose is to execute the prepayment with the commodity supplier.