



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

DRAFT

MEMORANDUM

TO: Members, Interested Regulators, and Interested Parties of the Financial Stability Task Force and Macroprudential Working Group

FROM: NAIC Committee Support

DATE: November 7, 2025

RE: Funding Agreement Blanks Proposal

Overview:

This memo contains NAIC staff recommendations for a Blanks Proposal to obtain additional disclosures for funding agreements that support Funding Agreement Backed Notes (FABNs) issued by life insurance companies.

FABNs are debt instruments issued by Special Purpose Vehicles (SPVs) formed by life insurance companies. The life insurance regulated legal entities issue funding agreements to the SPV to pay principal and interest and the SPV in turn pays the principal and interest to the holders of FABNs.

The current insurance statutory Annual Statement reporting framework does not require the reporting of FABNs. However, under the current reporting system insurers do report the amount of funding agreements issued in the aggregate for all purposes, with disclosure of funding agreements issued in connection with FHLB advances. This proposal seeks separate reporting of funding agreements that back FABNs.

The Financial Stability Task Force (FSTF) is seeking additional funding agreement disclosures to monitor the activity in the FABN market in accordance with its financial stability monitoring objectives. This proposed disclosure will provide the FSTF the ability to identify transmission channels of potential risk to and from (inward and outward risks) the insurance industry and the interconnectedness to the capital markets.

If the FSTF adopts the proposal detailed within this memorandum, a referral will be sent to the Statutory Accounting Principles (E) Working Group to incorporate a new disclosure to *SSAP No. 52—Deposit-Type Contracts* and the FSTF Chair will sponsor a blanks proposal to incorporate new footnote disclosures to Exhibit 7-Deposit-Type Contracts.

Proposed Disclosure for SSAP No. 52—Deposit-Type Contracts

Reporting entities shall disclose information on funding agreements issued by the reporting entity that back funding agreement backed notes (FABNs). Disclosed information shall include a general description, with information on the use of the funding. The reporting entity shall describe situations in which the funding agreement terms do not match the terms of the related FABNs and identify whether any funding agreement supports putable FABNs. Amounts of funding agreements by the structure they support (foreign currency FABNs and repurchase agreement FABNs), currency denomination, and by maturity date timeframe shall be reported.

New Potential Narrative Note 31:

For funding agreements issued as Deposit-Type Contracts, a general description on how the funding is used. For funding agreements that back any form of funding agreement backed notes (FABN), the entity shall describe situations in which the funding agreement terms do not match the terms of the related FABNs.

Proposed Blanks Revision – Exhibit 7 Footnote:

b) Funding Agreements Backed Note (FABN) Funding Agreement Disclosures					
	1) Foreign currency denominated funding agreements that support FXFABNs				\$
	2) Funding agreements that support repurchase agreements (FABRs)				\$
	3) All other funding agreements that support FABNs				\$
				Total	\$
	4) Of the Total, funding agreements that support putable FABNs				\$

(Total should reflect all funding agreements that back FABNs reported as Deposit-Type Contracts, with the amount putable a subset of the total.)

	Do all funding agreement terms mirror the terms of the FABNs?	Y/N
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Summary of Funding Agreements by Currency Denomination:		
	Year-End Balance (USD)	Hedged (Y/N)
USD	\$	
EUR	\$	
GBP	\$	
CHF	\$	
CAD	\$	
AUD	\$	
Other	\$	
Total	\$	

(Total should Agree to Total FX Funding Agreements in Line 1 Above)

Funding Agreement Maturity Buckets			
	Fixed Rate	Floating Rate	Total
Remaining Years to Maturity	\$	\$	\$
Due in One Year or Less	\$	\$	\$
Due After One Year Through Five Years	\$	\$	\$
Due After Five Years Through Ten Years	\$	\$	\$
Due After Ten Years	\$	\$	\$
Total	\$	\$	\$

(Total should Agree to Total Funding Agreements Above)

(Include funding agreements that back zero coupon FABNs in the fixed rate column)

Corresponding Annual Statement Instructions:

Below are the current instructions with proposed additions in **red text**.

7 Exhibit Instructions

Line 4 – Other Net Changes in Reserves

Include: The net difference between periods when the reserve amount held differs from the accumulated account balance, including income accumulations less withdrawal and applicable surrender charges. Enter appropriate amounts from Line 0399999 of Exhibit 5A Changes in Bases of Valuation During the Year.

Increase/(Decrease) by Foreign Currency Adjustment:

Report amounts needed to adjust from the spot rate to a periodic rate. **Include foreign currency denominated funding agreements that back foreign currency denominated funding agreement backed notes in this adjustment.** Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance.

Exhibit 7 Footnote Instructions

Footnote (b) Funding Agreement Backed Note (FABN) funding agreement disclosures

Line 1 Foreign Currency Denominated Funding Agreements

Include: foreign currency denominated funding agreements that back foreign currency denominated funding agreement backed notes in USD.

Line 2 Funding Agreements that support Repurchase Agreements

Include: funding agreements that support Repurchase Agreements

Line 3 All other Funding Agreements

Include: all funding agreements that back funding agreement backed notes not included in lines 1, 2 or 3.

Line 4 Funding Agreements that back funding agreement backed notes with put features

Include: all funding agreements that back funding agreement backed notes whereby the FABN contains a put feature or embedded option that allows the holder of the note to put or redeem the note at their discretion.

Do all Funding Agreement terms mirror the terms of the FABNs? Y/N

Indicate Yes or No affirming the terms of all the funding agreements issued mirror or match the terms of the corresponding FABN. By terms we mean principal, interest, maturity and fixed or floating rate of interest.

Provide an explanation if the terms of the funding agreement do not match the corresponding FABN.

Summary of Funding Agreements by Currency Denomination

Identify: separately the different currencies of foreign currency denominated funding agreements reported in Line 1 in USD.

Funding Agreement Maturity Buckets

Identify: all funding agreements that back FABNs by the specified maturity buckets identified in the table. Additionally, separately identify the funding agreements as fixed or floating interest rate. Include funding agreements that back zero coupon FABNs in the fixed rate column

Acronym Glossary

FABNs-Funding Agreement Backed Notes. Sometimes referred to as FABS-Funding Agreement Backed Securities.

Putable FABNs-Funding Agreement Backed Notes with a put feature or embedded option. The put feature or option allows the holder of the note to put or redeem the note at their discretion.

FXFABNs-Foreign Currency Denominated Funding Agreement Backed Notes.

FABRs-Funding Agreement Backed Repurchase Agreements.

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