REINSURANCE ASSOCIATION OF AMERICA, NICOLE C. AUSTIN

Proposal and Comment Information

Title: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations with Significant Trading Activity, and Optional Adoption for Other Banking Organizations, R-1887

Comment ID: FR-2026-0007-01-C36

Submitter Information

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Organization Type: Organization

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The Reinsurance Association of America (RAA) is pleased to submit the attached comments in response to the notice of proposed rulemaking, "Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations."

REINSURANCE ASSOCIATION OF AMERICA

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
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Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Jennifer M. Jones
Deputy Executive Secretary
Attention: Comments/Legal OES (RIN 3064-AF29)
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

June 17, 2026

RE: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations, Docket ID OCC-2026-0265 (Office of the Comptroller of the Currency) / Docket No. R-1887, RIN 7100-AH20 (Federal Reserve System) / RIN 3064-AF29 (Federal Deposit Insurance Corporation)

To Whom It May Concern:

The Reinsurance Association of America ("**RAA**"), on behalf of and in coordination with its members, is pleased to provide its comments to the Office of the Comptroller of the Currency (the "**OCC**"), the Board of Governors of the Federal Reserve System (the "**Federal Reserve System**"), and the Federal Deposit Insurance Corporation (the "**FDIC**" and collectively, the "**Agencies**") with respect to the March 19, 2026 notice of proposed rulemaking (the "**Proposal**") intended to modernize the Agencies' regulatory capital rules (the "**Regulatory Capital Rules**") applicable to Category I and II depository institution holding companies and depository institutions, as well as revise the market risk capital framework for banking organizations with significant trading activity.[1] The Regulatory Capital Rules implement the international capital standards issued by the

[1] OCC, Federal Reserve System and FDIC, Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets, 91 Fed. Reg. 14952 (March 27, 2026). In a second, concurrent notice of proposed

Basel Committee on Banking Supervision (the "**Basel Framework**"). Among other things, this letter responds to Question 51 of the Proposal. [2]

RAA is the leading trade association of property and casualty reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the United States and those that conduct business on a cross border basis. RAA also has life reinsurance affiliates and insurance-linked securities (ILS) fund managers and market participants that are engaged in the assumption of property/casualty risks. The RAA represents its members before state, federal and international bodies.

EXECUTIVE SUMMARY

- The RAA recommends and requests that, in advance of the Agencies' final rule with respect to the Proposal (the "**Final Rule**"), the Agencies revise the Proposal to include clarifying language regarding a bank's ability to transfer credit risk to prudentially regulated, well-capitalized property and casualty ("**P&C**") insurance and reinsurance companies,[3] specifically:
    1) To explicitly permit prudentially regulated, well-capitalized insurance companies to provide credit protection to banks by clarifying that insurance companies with parent holding companies can be "eligible guarantors" within the meaning of the Regulatory Capital Rules; and
    2) Adopt reduced risk weights for exposures to prudentially regulated, well-capitalized insurance companies that are aligned with those assigned to other prudentially regulated financial institutions, ensuring parity and enabling banks to better manage their risks through the use of eligible guarantees to transfer credit risk.

- Although the Basel Framework's credit risk mitigation provisions provide that credit protection given by "prudentially regulated financial institutions" with a lower risk weight than the counterparty may be recognized under the standardized approach and specify "prudentially regulated insurance companies" as an example of such an institution,[4] neither the Regulatory Capital Rules nor the Proposal permit this option.

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rulemaking (the "**Companion Proposal**"), the Agencies proposed to modify certain aspects of the Regulatory Capital Rules, including by revising the risk-based capital treatment of certain exposure categories under the standardized approach. *See* OCC, Federal Reserve System and FDIC, Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets, 91 Fed. Reg. 15332 (March 27, 2026).

[2] Proposal, *supra* note 1, at 14989.

[3] A full description of the RAA's recommendations is set forth in this letter under "Recommended Changes to the Proposal" beginning on page 8.

[4] Basel Framework CRE22.76(1), fn. 11. Note that the EU Capital Requirements Regulation (the "**EU CRR**") and the UK "onshored" Capital Requirements Regulation (the "**UK CRR**") both include insurance companies in their lists of specifically eligible guarantors (as "regulated financial sector entities"). *See* EU CRR Art. 201(1)(fa); UK CRR Art. 201(1)(fa). Furthermore, in accordance with the approach in the Basel Framework, eligible guarantors under both the EU CRR and the UK CRR include corporate entities that have a credit assessment by an "eligible credit assessment institution." *See* EU CRR Art. 201(1)(g); UK CRR Art. 201(1)(g). Presumably, many externally rated insurance companies qualify as eligible guarantors for purposes of the EU CRR and the UK CRR on this basis. In the United States, Section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") required the Agencies to remove all references to external ratings from their regulations, including capital adequacy requirements, and, therefore, the Regulatory Capital Rules do not take external ratings into account in defining who may be deemed an eligible guarantor.

- Adopting the RAA's recommended changes will: enhance the safety and soundness of the U.S. banking system; facilitate access to affordable credit; allow banks to better manage balance-sheet risk; enhance financial stability; and protect taxpayers.[5]

Included in this comment letter are recommended changes to achieve these objectives. We ask that the Agencies include these in the Final Rule.

We urge you to consider these comments as a complement to those submitted by individual RAA members.

INTRODUCTION TO INSURANCE/REINSURANCE INDUSTRY

Since the 15th century, reinsurance, or "insurance for insurance companies," has been "an essential tool insurance companies use to manage risk and the amount of capital they must hold to support those risks," specifically to "support the issuance of new policies, to minimize fluctuations in loss experience, and to limit and diversify individual and portfolio risks, particularly in the case of catastrophes and natural disasters."[6] Today, in the United States, private and public sector use of reinsurance plays an important role in the U.S. economy.[7]

1. Prudentially Regulated P&C Insurers and Reinsurers Present Lower Counterparty Credit Risk Than Ordinary Corporate Exposures

As the Agencies recognize in the Proposal, the capital treatment of guarantees and other credit risk mitigants depends on whether the arrangement effectively reduces the credit risk of the underlying exposure and whether the protection provider satisfies specified eligibility requirements.[8] Prudentially regulated property and casualty insurers and reinsurers operate under comprehensive solvency, capital, reserving, liquidity, governance, and supervisory frameworks specifically

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[5] *See* Hearing on "Diversifying Risk: The Benefits of Reinsurance and Credit Risk Transfers," U.S. House of Representatives Committee on Financial Services, Subcommittee on Housing and Insurance, https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=411081 (April 22, 2026) (testimony of Anthony Vidovich, Everest Group Ltd., on behalf of the RAA); Letter to the Agencies from American Bankers Association, Consumer Bankers Association, Housing Policy Council, Independent Community Bankers of America, Mid-Sized Bank Coalition of America, Mortgage Bankers Association, U.S. Chamber of Commerce, and U.S. Mortgage Insurers, "Improving Housing Affordability Through Bank Capital Modernization," https://www.aba.com/-/media/documents/letters-to-congress-and-regulators/jointclhousing20260220.pdf (February 20, 2026); *see also* Hearing on "Rules Without Analysis: Federal Banking Proposals Under the Biden Administration," U.S. House of Representatives Committee on Financial Services, https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=409121 (January 31, 2024) (testimony of Bryan Bashur, Director of Financial Policy, Americans for Tax Reform); Comment letter on 2023 regulatory capital proposal from coalition of taxpayer and consumer organizations, https://www.regulations.gov/comment/OCC-2023-0008-0178; Comment letter on 2023 regulatory capital proposal from insurance trade groups, https://www.regulations.gov/comment/OCC-2023-0008-0192.

[6] National Association of Insurance Commissioners, "Reinsurance," https://content.naic.org/cipr-topics/reinsurance (October 18, 2023).

[7] U.S. Department of the Treasury, "The Breadth and Scope of the Global Reinsurance Market and the Critical Role Such Market Plays in Supporting Insurance in the United States," https://home.treasury.gov/system/files/311/FIO%20-Reinsurance%20Report.pdf (December 2014).

[8] Proposal, *supra* note 1, at 14988-89.

designed to ensure the timely payment of claims and other contractual obligations following severe loss events. Unlike ordinary corporate counterparties, whose financial condition may be closely linked to economic cycles or sector-specific performance, P&C insurers and reinsurers are regulated financial institutions whose business model centers on the assumption, diversification, and management of risk. Accordingly, well-capitalized P&C insurers and reinsurers present a materially different counterparty credit profile than general corporate exposures and warrant differentiated consideration when evaluating credit risk mitigation under the Regulatory Capital Rules.

A. Comprehensive Solvency Supervision and Capital Oversight

Domestic P&C insurers and reinsurers are subject to comprehensive state-based solvency regulation implemented through a nationally coordinated framework developed by the National Association of Insurance Commissioners ("**NAIC**"). Although insurance regulation is administered at the state level, the NAIC accreditation program promotes substantial uniformity among the states and requires adoption of core solvency, financial reporting, and supervisory standards that form the foundation of the U.S. insurance regulatory system.

Unlike ordinary corporate entities, P&C insurers and reinsurers are subject to risk-sensitive capital requirements and continuous solvency oversight. Risk-Based Capital ("**RBC**") standards explicitly measure capital adequacy against the principal risks inherent in insurance operations, including underwriting risk, reserve risk, catastrophe risk, asset risk, credit risk, and business risk.[9] Regulators receive annual RBC filings and possess progressively stronger supervisory authorities as capital levels decline, including authority to require corrective action plans, restrict operations, and, where necessary, assume control of an insurer.[10] These mechanisms are specifically designed to identify financial deterioration and require remediation to ensure that policyholder claims are paid.

P&C insurers and reinsurers are also subject to extensive controls over the quality, diversification, and liquidity of invested assets. State insurance laws distinguish between admitted and non-admitted assets, with only admitted assets recognized for purposes of determining statutory surplus and regulatory capital adequacy. Insurers are further subject to investment limitations, concentration restrictions, reserving requirements, and periodic financial examinations. These requirements promote capital quality, preserve liquidity, and limit excessive risk-taking. In contrast to many corporate counterparties, insurers operate within a regulatory framework specifically intended to maintain sufficient financial resources to satisfy obligations under stressed conditions.

[9] NAIC, *Risk-Based Capital (RBC) for Insurers Model Act* (#312). The RBC framework measures insurer capital adequacy against specified categories of risk and establishes regulatory intervention thresholds.
[10] *See, e.g.*, NAIC, *Risk-Based Capital (RBC) for Insurers Model Act* (#312); *see also* applicable state insurance laws implementing Company Action Level, Regulatory Action Level, Authorized Control Level, and Mandatory Control Level requirements.

B. Demonstrated Ability to Perform Through Severe Stress Events

The insurance regulatory framework incorporates prospective risk assessment, enterprise risk management, and solvency assessments designed to evaluate an insurer's ability to withstand adverse conditions. Larger insurers and insurance groups are required to maintain a risk management framework and conduct an Own Risk and Solvency Assessment ("**ORSA**"), which evaluates material risks and the sufficiency of capital resources under current and prospective stress scenarios.[11]

Perhaps most importantly, the claims-paying capacity of the P&C insurance and reinsurance sector has been demonstrated repeatedly through periods of severe stress. The industry has continued to absorb substantial catastrophe losses while maintaining claims-paying capacity and continuing to provide risk-transfer services across economic and market cycles. The industry's ability to absorb infrequent but severe loss events reflects a combination of risk-based capital requirements, reserving discipline, global diversification, reinsurance protections, and active regulatory oversight.

Following the Global Financial Crisis, private mortgage insurers became subject to enhanced capital, risk management, stress testing, and operational requirements, including the Private Mortgage Insurer Eligibility Requirements ("**PMIERs**") established by Fannie Mae and Freddie Mac. These reforms significantly strengthened the resilience of the mortgage insurance sector and its ability to perform through severe economic downturns. Additionally, since the Global Financial Crisis, private mortgage insurers have substantially increased the use of reinsurance protection provided by diversified P&C reinsurers and capital markets investors, in order to minimize wrong-way risk and better diversify and manage risk concentrations.

C. Foreign Insurance Regulation

Foreign insurance companies in certain jurisdictions are also subject to comparable regulation. Section 502 of the Dodd-Frank Act authorizes the Secretary of the Treasury and the U.S. Trade Representative to jointly negotiate a "covered agreement" on behalf of the United States with one or more foreign governments, authorities or other regulatory entities. Such an agreement "relates to the recognition of prudential measures with respect to the business of insurance or reinsurance that achieves a level of protection for insurance or reinsurance consumers *that is substantially equivalent to the level of protection achieved under state insurance or reinsurance regulation*" (emphasis added).[12] To date, the United States has entered into such agreements with the European Union (2017) and the United Kingdom (2018).

Furthermore, the NAIC recognizes certain non-U.S. jurisdictions as "reciprocal jurisdictions" in accordance with the NAIC Credit for Reinsurance Model Law and Regulation. The NAIC has stated that—

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[11] NAIC, *Risk Management and Own Risk and Solvency Assessment Model Act* (#505); NAIC, *Own Risk and Solvency Assessment Guidance Manual*. ORSA requires insurers to maintain a risk management framework and assess material risks and the sufficiency of capital resources to support those risks.

[12] U.S. Department of the Treasury, Covered Agreements, https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/covered-agreements.

> The standard for qualification of a jurisdiction is that the NAIC must reasonably conclude that the jurisdiction's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is deemed acceptable for purposes of reinsurance collateral reduction, that the jurisdiction's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that the jurisdiction's laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models.[13]

In light of the high standards imposed on such insurers under covered agreements and in order to be recognized as a reciprocal jurisdiction, RAA believes that non-U.S. insurance companies subject to these requirements should receive comparable treatment for bank capital relief purposes.

D. Exposures to Prudentially Regulated P&C Insurers and Reinsurers are Fundamentally Different From Ordinary Corporate Exposures

Collectively, these regulatory safeguards, capital requirements, and demonstrated performance through severe stress events distinguish prudentially regulated P&C insurers and reinsurers from ordinary corporate obligors. Unlike general corporate entities, P&C insurers and reinsurers are regulated financial institutions whose primary function is the assumption and management of risk and whose solvency frameworks are specifically designed to ensure performance under adverse conditions. The combination of risk-based capital requirements, reserving standards, liquidity oversight, diversification requirements, reinsurance protections, enterprise risk management requirements, and early intervention authorities supports the conclusion that well-capitalized P&C insurers and reinsurers present materially lower counterparty credit risk than ordinary corporate exposures. Accordingly, the Agencies should recognize these distinctions when evaluating the regulatory capital treatment of eligible guarantees provided by such entities and when considering whether differentiated risk weights are appropriate for exposures protected by those guarantees.

2. Government Use of (Re)Insurance

The reliability of insurance and reinsurance capital as a source of risk absorption has also been recognized by numerous governmental entities. Since 2013, the reinsurance industry has transferred mortgage credit risk from Fannie Mae and Freddie Mac (collectively, the "**Enterprises**") to private sector balance sheets.[14] Prior to the Global Financial Crisis, the Enterprises retained 100% of the mortgage credit risk they accumulated; the concentration of credit risk on the Enterprises' balance sheets was a primary driver of their failure and ultimate

[13] NAIC, *Process for Evaluating Qualified and Reciprocal Jurisdictions*, at 9 (Aug. 17, 2021). Currently, the NAIC reciprocal jurisdictions include all European Union member states and the United Kingdom pursuant to Dodd-Frank Act covered agreements, plus Bermuda, Japan, and Switzerland. Bermuda's status as an NAIC reciprocal jurisdiction is currently applicable only to (re)insurers of Class 3A, Class 3B and Class 4, and long-term insurers of Class C, Class D and Class E.

[14] *See, e.g.,* Freddie Mac, ACIS® Deal Documents, https://capitalmarkets.freddiemac.com/crt/reinsurance/deal-documents; Fannie Mae, CIRT Transactions and Servicing Reports, https://capitalmarkets.fanniemae.com/credit-risk-transfer/single-family-credit-risk-transfer/credit-insurance-risk-transfer/cirt-transactions-and-servicing-reports.

conservatorship under the Federal Housing Finance Agency (the "**FHFA**").[15] Under conservatorship, in 2012, the Enterprises established a credit risk transfer ("**CRT**") program, which "…have included CRTs via capital markets issuances…, insurance/reinsurance transactions," and other transactions, to reduce taxpayer exposure to risks arising from credit guarantees extended by the Enterprises in the normal course of their business.[16] In June 2026, FHFA reaffirmed that "The Enterprises' credit risk transfer (CRT) programs continue to be a core part of their single-family credit guarantee businesses." FHFA reported that, "Since the beginning of the programs in 2013, the Enterprises have transferred a portion of credit risk on loans with approximately $7.4 trillion in UPB [unpaid principal balance] and total RIF [risk in force] of approximately $233 billion" to the capital markets and insurance/reinsurance.[17] The success of the CRT program renewed confidence in the revised practices of the Enterprises. CRT is also structured and incentivized as part of the FHFA's "Enterprise Regulatory Capital Framework" for the Enterprises.[18] Reinsurers that regularly evaluate and partner in this risk provide objective third-party feedback of the risk, which is not only valuable to the institutions ceding the risk, but also to regulators when exercising oversight. Critically, the Enterprises are able to access both the capital markets and the insurance and reinsurance markets, which allows the Enterprises to optimize their capital and risk management needs.

The reinsurance industry also has backed the Federal Emergency Management Agency's National Flood Insurance Program (the "**NFIP**"), and the NFIP recovered over $1 billion from private reinsurers to help pay claims after Hurricane Harvey in 2017. Since 2018, reinsurers have shared risk with the Export-Import Bank of the United States ("**EXIM**") to increase trade finance, reduce taxpayer risk, and provide an additional tool to EXIM "as part of its comprehensive risk management strategy."[19]

3. (Re)insurance CRT Would Enhance Financial Stability

Reinsurance is largely uncorrelated to financial markets in a time of stress, as demands for payment are conditioned on a loss event specified under the reinsurance contract, which are rarely correlated with economic cycles or financial crises. The long-term character of insurance liabilities also makes them virtually immune from a "run on the bank" scenario. Another reason why reinsurance is uncorrelated to financial stress is the diversification of risk. Reinsurance allows insurance companies to spread their risks across multiple insurers, who operate globally and have exposure to various geographic regions and lines of business. This diversification helps reduce the impact of localized financial stress events on the reinsurers' ability to honor their reinsurance contracts.

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[15] *See, e.g.,* Don Layton, Demystifying GSE Credit Risk Transfer: Part 1 – What Problems Are We Trying to Solve, Joint Center for Housing Studies of Harvard University (January 2020), https://www.jchs.harvard.edu/sites/default/files/media/imp/harvard_jchs_gse_crt_part1_layton_2020.pdf.

[16] FHFA, Credit Risk Transfer, https://www.fhfa.gov/PolicyProgramsResearch/Policy/Pages/Credit-Risk-Transfer.aspx.

[17] FHFA, *2025 Annual Report to Congress* (June 15, 2026), https://www.fhfa.gov/reports/annual-report-to-congress/2025.

[18] "Enterprise Regulatory Capital Framework Prescribed Leverage Buffer Amount and Credit Risk Transfer," 87 Fed. Reg. 14764 (March 16, 2022) (12 C.F.R. pt. 1240), https://www.federalregister.gov/documents/2022/03/16/2022-04529/enterprise-regulatory-capital-framework-prescribed-leverage-buffer-amount-and-credit-risk-transfer.

[19] Export-Import Bank of the United States, "Reinsurance & Risk Sharing," https://www.exim.gov/about/special-initiatives/risk-sharing#_ftn1.

By having a wide portfolio of risks, reinsurers are less susceptible to the financial stress experienced by the broader financial markets.

4. Banks Should Receive Credit for Transferring Risk to Prudentially Regulated, Well-Capitalized (Re)insurance Companies

RAA agrees with Vice Chair Bowman that "Capital requirements form the foundation of our prudential regulatory framework,"[20] and we broadly support the goals and objectives of the Proposal. We believe that the goal of increasing the safety and soundness of the banking system and an improved balance between economic costs and benefits can be best achieved, in part, by providing banks with a variety of meaningful capital management tools, such as transferring credit risk to well-capitalized and prudentially regulated insurance companies.

While the Proposal seeks to align the Regulatory Capital Rules with the Basel Framework in certain areas (such as treatment of "investment grade" corporate exposures), we believe that the standardized approach (as modified by the Proposal) still leaves meaningful gaps with respect to recognizing the benefits of credit risk mitigation through CRT transactions with insurance companies. These gaps not only place banks subject to the standardized approach at a competitive disadvantage, but we believe also undermine the resiliency of the U.S. banking system by depriving U.S. banks of a valuable credit risk mitigation tool through the transfer of risk to well-capitalized and prudentially regulated insurers.

RECOMMENDED CHANGES TO THE PROPOSAL

Under both the Basel Framework and the Regulatory Capital Rules, banking organizations may recognize certain types of credit risk mitigants (such as guarantees and credit derivatives) to reduce their capital requirements for certain credit exposures. As the Agencies state in the Proposal, "[p]rudent use of such mitigants can help a banking organization reduce the credit risk of an exposure…."[21] To that end, in determining whether a particular guarantee or credit derivative may be recognized for risk-based capital purposes, the Regulatory Capital Rules primarily look to (i) the creditworthiness of the guarantor and (ii) the features of the underlying contract.

Unfortunately, even though (re)insurance companies generally have a high degree of creditworthiness, and (re)insurance contracts are generally of "sufficiently high quality to effectively reduce credit risk,"[22] the Regulatory Capital Rules effectively preclude (re)insurance companies from being "eligible guarantors," thereby preventing a bank from transferring credit risk on a programmatic and consistent basis to prudentially regulated, well-capitalized and well-diversified (re)insurance companies. Furthermore, even if (re)insurance companies were eligible guarantors, the Regulatory Capital Rules treat exposures to (re)insurance companies as any other corporate exposure despite clear differences between the risks associated with exposures to (re)insurance companies and the risks associated with exposures to other types of companies and

[20] Federal Reserve System, Speech by Vice Chair for Supervision Michelle W. Bowman, https://www.federalreserve.gov/newsevents/speech/bowman20260312a.htm (March 12, 2026).
[21] Proposal, *supra* note 1, at 14989.
[22] *Id.*

the fact that insurance companies are prudentially regulated entities. Accordingly, RAA strongly encourages the Agencies to adopt the following changes as part of the Final Rule.

1. Eligible Guarantors—Outstanding Investment Grade Debt Requirement (Question 51 of the Proposal)

The Basel Framework and the Regulatory Capital Rules permit banks to recognize "eligible guarantees" provided by "eligible guarantors" as a credit risk mitigant. However, the approach of the Regulatory Capital Rules differs in certain key respects from that under the Basel Framework, which effectively prevents prudentially regulated, well-capitalized insurance companies from providing credit risk mitigation to banks on a programmatic and consistent basis.

The first prong of the definition of "eligible guarantor" in § __.2 of the Regulatory Capital Rules specifically includes, among others, depository institutions, bank holding companies, savings and loan holding companies, credit unions, foreign banks and qualifying central counterparties, but does not include insurance companies. The Basel Framework's credit risk mitigation provisions, on the other hand, include insurance companies by providing that credit protection given by "prudentially regulated financial institutions" with a lower risk weight than the counterparty may be recognized under the standardized approach and further specifying "prudentially regulated insurance companies" as an example of such an institution.[23]

The second prong of the eligible guarantor definition in the Regulatory Capital Rules sets forth the criteria for eligible guarantors other than the specifically eligible guarantors listed in the first prong:

> An entity (other than a special purpose entity):
>
> > (i) That at the time the guarantee is issued or anytime thereafter, has issued and outstanding an unsecured debt security without credit enhancement that is investment grade [referred to herein as the "**Outstanding Investment Grade Debt Requirement**"];
> >
> > (ii) Whose creditworthiness is not positively correlated with the credit risk of the exposures for which it has provided guarantees; and
> >
> > (iii) That is not an insurance company engaged predominately in the business of providing credit protection (such as a monoline bond insurer or re-insurer) [referred to herein as the "**Monoline Exclusion**"].

For the reasons discussed below, the second prong of the eligible guarantor definition, particularly the wording of the Outstanding Investment Grade Debt Requirement, effectively excludes insurance companies.

[23] Basel Framework CRE22.76(1), fn. 11.

In Question 51 of the Proposal,

> *"The agencies seek comment on the requirement that the entity has issued and outstanding an unsecured debt security without credit enhancement that is investment grade to meet the definition of an eligible guarantor. What, if any, alternatives to this requirement should the agencies consider to help ensure that eligible guarantors can be expected to perform on guarantees, and what would the pros and cons of those alternatives be?"*[24]

The difficulty with the Outstanding Investment Grade Debt Requirement is that insurance companies typically do not issue debt securities, investment grade, exchange traded or otherwise; instead, debt issuance and similar financing functions are performed by the insurance company's parent holding company. Thus, the insurance company itself (which is the licensed entity that has the financial and managerial resources to issue a guarantee) would not meet the Outstanding Investment Grade Debt Requirement.

Similar to the Outstanding Investment Grade Debt Requirement in the Regulatory Capital Rules, an eligible guarantor under the Basel Framework must have "securities outstanding on a recognised securities exchange." The Basel Framework's approach for other eligible guarantors, however, explicitly permits consideration of securities issued by the eligible guarantor's *parent company* (as well as those issued by the eligible guarantor itself). Specifically, "[i]n jurisdictions that do not allow the use of external ratings for regulatory purposes" (which would include the U.S.) it recognizes credit protection given by—

> Other entities, defined as "investment grade" meaning they have adequate capacity to meet their financial commitments (including repayments of principal and interest) in a timely manner, irrespective of the economic cycle and business conditions. When making this determination, the bank should assess the entity against the investment grade definition taking into account the complexity of its business model, performance against industry and peers, and risks posed by the entity's operating environment. Moreover, the following conditions will have to be met:
>
> (i) For corporate entities *(or the entity's parent company)*, they must have securities outstanding on a recognised securities exchange;
>
> (ii) The creditworthiness of these "investment grade entities" is not positively correlated with the credit risk of the exposures for which they provided guarantees.[25]

[24] Proposal, *supra* note 1, at 14989; *see* Companion Proposal, *supra* note 1, at 15345 (Question 22).

[25] Basel Framework CRE22.76(3)(a) (emphasis added). Note that, because the European Union and the United Kingdom *do* allow the use of external ratings for regulatory purposes, the EU Capital Requirements Regulation (the "**EU CRR**") and the UK "onshored" Capital Requirements Regulation (the "**UK CRR**") do not contain analogous provisions.

Unfortunately, the Proposal does not follow this approach in the definition of "eligible guarantor," which is necessary to clearly permit prudentially regulated, well-capitalized insurance companies to provide credit risk mitigation to banks.

Therefore, we urge the Agencies to address this in the Final Rule by amending clause (2)(i) of the definition of "eligible guarantor" as follows:

> (2) An entity (other than a special purpose entity):
>
> (i) That at the time the guarantee is issued or anytime thereafter, has **(or, if the entity is investment grade, is controlled by an entity that has)** issued and outstanding an unsecured debt security without credit enhancement that is investment grade;[26]
>
> ….

Note that the recommended language does ***not*** require reliance on the investment grade status or creditworthiness of the parent company in lieu of the eligible guarantor. Rather, it permits consideration of investment grade debt issued by an entity that controls the eligible guarantor only if the eligible guarantor ***itself*** is investment grade. The banking organization would be required to make investment grade determinations about ***both*** the eligible guarantor (as an entity) and the parent company's outstanding debt securities (as exposures). The determinations would be independent of each other, and there would be no need for the banking organization to rely on the creditworthiness of the parent company as an indication or evidence of the creditworthiness of the eligible guarantor. Our proposed amendment preserves the fundamental creditworthiness requirement for eligible guarantors while acknowledging that debt issuance and similar financing functions are performed by the insurance company's parent holding company.[27]

2. Risk-Weighting of Exposures to Insurance Companies

Both the Regulatory Capital Rules and the Basel Framework treat exposures to insurance companies as corporate exposures, to which the current Regulatory Capital Rules assign a 100% risk weight. The Basel Framework assigns risk weights ranging from 20% to 150% (in accordance with their "eligible credit assessment institution" ratings) to exposures to "rated" corporates in jurisdictions that allow the use of external ratings for regulatory purposes.[28]

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[26] Under the Regulatory Capital Rules, a company "controls" another company if the first company (i) owns, controls, or holds with power to vote 25% or more of a class of voting securities of the second company or (ii) consolidates the second company for financial reporting purposes.

[27] Survey results indicate that more than 90% of participating large U.S. banking institutions would have interest in executing transactions with insurance companies for credit risk mitigation if the "eligible guarantor" issue were clarified to recognize well-capitalized insurers as eligible guarantors. *See* International Association of Credit Portfolio Managers survey of U.S. bank members conducted May 28, 2026 (respondents were among the 30 largest U.S. banking institutions).

[28] *See* Basel Framework CRE20.42. For example, corporate exposures rated AAA to AA− are assigned a 20% risk weight, and those rated A+ to A− are assigned a 50% risk weight. The EU CRR and the UK CRR follow the Basel Framework approach. *See* EU CRR Art. 122; UK CRR Art. 122.

With respect to certain "investment grade" corporate exposures, the Proposal's "expanded risk-based approach" aligns the United States with the Basel Framework by providing for a 65% risk-weight for such exposures. Specifically, the 65% risk weight would apply to "a corporate exposure to a company that is investment grade, if the exposure is not a subordinated exposure."[29] Thus, an eligible guarantee provided by an investment-grade insurance company should qualify for a 65% risk weight under the expanded risk-based approach. However, this treatment would not apply to Category III and IV banking organizations, or to banking organizations subject to the community bank leverage ratio framework, unless they choose to adopt the expanded risk-based approach, which would limit the practical benefit of the 65% risk weight for a significant number of banking organizations.

Therefore, we urge the Agencies to address the risk-weighting of eligible guarantee exposures to insurance companies in the Final Rule by providing that the portion of an exposure that is covered by an eligible guarantee provided by a "prudentially regulated insurance company" (as defined below), to the extent that the eligible guarantee meets applicable recognition requirements for substitution or synthetic securitization treatment, should be assigned the same risk weight as an exposure to a U.S. depository institution or credit union (in the case of a U.S. insurance company) or a foreign bank (in the case of a foreign insurance company).

For purposes of the foregoing:

> *Prudentially regulated insurance company* means, with respect to any guarantee, (i) a U.S. insurance company (as defined in section 201 of the Dodd-Frank Act (12 U.S.C. 5381)) or (ii) a foreign insurance company domiciled and licensed in a foreign country that (A) is (or is a member state of) a jurisdiction subject to a covered agreement or (B) is a reciprocal jurisdiction.
>
> *Covered agreement* means a covered agreement as defined in section 502 of the Dodd-Frank Act (31 U.S.C. 313(r)(2)).
>
> *Reciprocal jurisdiction* means a non-U.S. jurisdiction that is included on the National Association of Insurance Commissioners (NAIC) List of Reciprocal Jurisdictions pursuant to the NAIC Credit for Reinsurance Model Law and Regulation.
>
> *Foreign insurance company* means any entity that is (1) organized under the laws of a foreign country; (2) engaged in the business of insurance; (3) supervised and regulated by a foreign insurance regulator in a manner similar to a U.S. insurance company; and (4) covered by a law of the foreign country that is designed to specifically deal with the rehabilitation, liquidation, or insolvency of an insurance company.

[29] Proposal, *supra* note 1, at 15162.

3. Eligible Guarantors—Monoline Exclusion

We further urge the Agencies to clarify the scope of the Monoline Exclusion by amending clause (2)(iii) of the definition of "eligible guarantor" as follows:

> (2) An entity (other than a special purpose entity):
>
> …
>
> (iii) That is not an insurance company engaged predominately in the business of providing credit protection (such as a monoline bond insurer or re-insurer)**, unless it has mitigated the associated risk**.

CONCLUSION

The RAA supports the Agencies' objective of maintaining a strong, resilient, and risk-sensitive capital framework. We believe that objective will be further advanced when the Regulatory Capital Rules appropriately recognize effective transfers of credit risk to prudentially regulated well-capitalized P&C insurers and reinsurers that have demonstrated the ability to perform through periods of severe economic and financial stress.

As discussed above, P&C insurers and reinsurers operate under comprehensive solvency frameworks, maintain substantial capital resources, and play a critical role in absorbing risk on behalf of both private and public sector entities. Clarifying that P&C insurers and reinsurers may serve as eligible guarantors and providing appropriate capital recognition for eligible guarantees would better align regulatory capital requirements with the underlying economics of risk transfer and expand prudent risk management options for banking organizations.

Accordingly, the RAA respectfully urges the Agencies to incorporate the recommendations set forth in this letter in the Final Rule. Doing so would support the Agencies' safety and soundness objectives while promoting a more resilient and diversified framework for managing credit risk.

Thank you for the opportunity to provide comments. The RAA and its members would welcome the opportunity to discuss these recommendations further.

Sincerely,

Nicole C. Austin
Senior Vice President and Director of Federal Affairs