

MEMORANDUM

TO: Members of the Committee on Financial Services

FROM: Committee Majority Staff

DATE: April 17, 2026

SUBJECT: April 22, 2026, Subcommittee on Housing and Insurance Hearing: “Diversifying Risk: The Benefits of Reinsurance and Credit Risk Transfers”

On Wednesday, April 22, 2026, at 10:00 a.m. ET, the Subcommittee on Housing and Insurance will hold a hearing in Room 2128 of the Rayburn House Office Building, entitled “Diversifying Risk: The Benefits of Reinsurance and Credit Risk Transfers.” The following witnesses will testify:

- **Mr. Anthony Vidovich**, Executive Vice President and General Counsel, Everest Group
- **Mr. Ben Walker**, Executive Managing Director, Aon Reinsurance
- **Mr. Jerry Theodorou**, Director of the Finance, Insurance, and Trade Policy Program, R Street Institute
- **Dr. Susan M. Wachter**, Albert Sussman Professor of Real Estate, Professor of Finance, The Wharton School of the University of Pennsylvania, and co-director of the Penn Institute for Urban Research

This hearing will examine how risk sharing mechanisms can diversify concentrated financial risk across insurers, guarantors, and taxpayer-backed entities by shifting a portion of risks to private counterparties. Such risk sharing can take place in several forms, including through traditional reinsurance as well as through credit risk transfers (CRTs). While these tools do not eliminate risk from a system, they can significantly promote market stability by reallocating overall risk exposure across multiple entities and noncorrelated markets.

Reinsurance functions as insurance for insurance companies, where a primary insurer shares a portion of its risk to a reinsurer in exchange for an agreed share of premiums.¹ A reinsurer assumes these transferred risks, usually operating across a geographically diverse portfolio, which allows it to absorb large losses.² Beyond protecting consumers and the government, these mechanisms strengthen insurers themselves.³ By spreading risk across multiple parties,

¹ Insurance Information Institute: *Background on: Reinsurance*, Insurance Information Institute (Apr. 9, 2024), <https://www.iii.org/publications/insurance-handbook/regulatory-and-financial-environment/background-on-reinsurance>.

² *Id.*

³ *Insuring Against Wildfire Risks*, Marsh (Apr. 2023), <https://www.corporate.marsh.com/insights/publications/2023/april/insuring-against-wildfire-risks.html>.

reinsurers provide primary insurers a financial backstop, allowing them to remain solvent, and avoid the premium hikes or coverage withdrawals that often ensue catastrophic events.⁴

CRTs serve a similar purpose in the housing finance system. CRTs work by shifting a portion of the mortgage credit risk from the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, to private investors through securities issuances for a fee. This model allows CRT investors to cover a portion of the mortgage credit risk retained without having to fund mortgages directly.⁵ By using CRTs, the GSEs can place private capital ahead of taxpayers in absorbing potential credit losses and reducing the risk on their – and taxpayers’ – balance sheets.⁶

Expanding risk mitigation through these tools not only creates a buffer between taxpayer dollars and potential losses, but can also improve market liquidity. By attracting diverse private capital, the use of risk transfers can help bring down insurance costs for consumers.⁷ Through distributing potential losses across a wide range of private market participants, reinsurance and CRTs give insurers and government programs additional tools to manage volatility, maintain capacity, and continue serving consumers during periods of stress and economic uncertainty.⁸

⁴ Alejandro Drexler & Thanases Plestis, *How Do Property and Casualty Insurers Manage Risk? The Role of Reinsurance*, Fed. Reserve Bank of Chi. Letter No. 334 (2015), <https://www.chicagofed.org/publications/chicago-fed-letter/2015/334>; Jason B. Kurtz, *Insurance Economics and Underwriting Projections: A Forward View*, Ins. Info. Inst. & Milliman (May 15, 2025), <https://www.iii.org/press-release/triple-i-milliman-us-p-c-insurance-reports-best-underwriting-results-since-2013-but-california-wildfire-losses-and-potential-economic-impacts-of-tariffs-pose-challenges-051525>.

⁵ Jonathan Glowacki, *CRT 101: Everything you need to know about Freddie Mac and Fannie Mae Credit Risk Transfer*, Milliman (Oct. 10, 2021), <https://www.milliman.com/en/insight/crt-101-everything-you-need-to-know-about-freddie-mac-and-fannie-mae-credit-risk-transfer>.

⁶ *Credit Risk Transfer*, Fed. Hous. Fin. Agency (Sept. 19, 2025), <https://www.fhfa.gov/policy/credit-risk-transfer>.

⁷ Insurance Information Institute: *Background on: Reinsurance*, Insurance Information Institute (Apr. 9, 2024), <https://www.iii.org/publications/insurance-handbook/regulatory-and-financial-environment/background-on-reinsurance>.

⁸ Kenneth Araullo, *Reinsurance sector stable as capital hits record levels – Guy Carpenter*, Reinsurance Business (Sept. 4, 2025), <https://www.insurancebusinessmag.com/reinsurance/news/breaking-news/reinsurance-sector-stable-as-capital-hits-record-levels--guy-carpenter-548411.aspx>.