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**TESTIMONY OF**

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**FOR THE  
REINSURANCE ASSOCIATION OF AMERICA**

**U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON FINANCIAL SERVICES  
SUBCOMMITTEE ON HOUSING AND INSURANCE**

**HEARING ON  
“DIVERSIFYING RISK: THE BENEFITS OF  
REINSURANCE AND CREDIT RISK TRANSFERS”**

**April 22, 2026**

Chairman Flood, Ranking Member Cleaver, and members of the Subcommittee on Housing and Insurance, thank you for the opportunity to testify during today’s hearing on “Diversifying Risk: The Benefits of Reinsurance and Credit Risk Transfers,” and thank you for your interest in the U.S. property casualty (re)insurance industry.

RAA also thanks Chairman Flood for his leadership in advocating for the National Weather Service and the federal science infrastructure, personnel, and data that make forecasting and the assessment of natural hazard risk possible. These capabilities are critical for public safety and our national security. Federal science is foundational to an insurance system that makes it possible to build and buy homes, finance businesses, and sustain jobs across our country, while helping families and communities recover and rebuild after disaster strikes.

I am Anthony Vidovich, Everest Group Ltd. Executive Vice President and General Counsel, testifying on behalf of the Reinsurance Association of America (RAA).

The 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 U.S. and those that conduct business on a cross border basis. The 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.

Everest Group, Ltd. (Everest) is a global underwriting leader providing best-in-class property, casualty, and specialty reinsurance and insurance solutions that address customers' most pressing challenges. Known for a 50-year track record of disciplined underwriting, capital and risk management, Everest, through its global operating affiliates, is committed to underwriting opportunity for colleagues, customers, shareholders, and communities worldwide.

My testimony will provide a brief overview of property and casualty reinsurance, highlight a few programs where the federal government has decided to utilize reinsurance to minimize the burden on taxpayers, and to identify additional opportunities for U.S. banks and other federal programs to utilize reinsurance to minimize the burden on taxpayers.

## **Reinsurance**

Reinsurance is essentially insurance for insurance companies. It is an important, efficient risk management tool used by insurers and government programs to share risk. Reinsurance is purchased for essentially four reasons: (1) to limit liability on specific risks; (2) to stabilize loss experience; (3) to protect against catastrophes; and (4) to increase capacity. Depending on the purchaser's goals, different types of reinsurance contracts are available to bring about the desired result.

Reinsurance is not mandated for insurers or government programs. It is voluntarily purchased. Insurers and government programs have options, including purchasing reinsurance, which is a form of rental capital, or they raise other forms of capital, such as equity or debt. Aon reported that, "Reinsurance remains an accretive source of capital for insurers when compared with debt and equity."<sup>1</sup> In general, when insurers and government programs choose to buy reinsurance, it is because it works for them as a more cost-effective way than the alternatives for them to manage their catastrophic risk.<sup>2</sup> On average, reinsurance capital is less than half the cost of equity capital.<sup>3</sup>

Reinsurance is an important mechanism for spreading risk globally, thereby accessing a greater pool of capital to pay for inevitable catastrophic losses. Insurers purchase reinsurance to assist with losses for a single event or, in many cases, for an accumulation of losses for a variety of catastrophic events. In 2005, Hurricanes Katrina, Rita and Wilma caused over \$92 billion in insured losses, and reinsurers bore around 28% of the losses from those events.<sup>4</sup> Reinsurers paid 55% of the \$41 billion in insured losses from the September 11 terrorist event.<sup>5</sup> In 2012, reinsurers covered 30% of the \$25 billion in insured losses caused by Superstorm Sandy.<sup>6</sup>

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<sup>1</sup> Aon, "Reinsurance Market Dynamics," January 2023, (<https://www.aon.com/insights/reports/2023/reinsurance-market-dynamics>).

<sup>2</sup> Reinsurance Association of America, "Fundamentals of Property and Casualty Reinsurance," accessed April 2026, (<https://www.reinsurance.org/RAA/RAA/About-the-RAA/Fundamentals/Fundamentals%20of%20Property%20and%20Casualty%20Reinsurance.aspx?hkey=7c25eb0f-e6da-43d5-86ee-407ee2ed5219>).

<sup>3</sup> Reinsurance Association of America, "Dynamics and Challenges in California's Homeowners Insurance Market," September 2023.

<sup>4</sup> Holborn Corporation, "Holborn Perspectives, Looking Closer At...SuperStorm Sandy," December 12, 2012.

<sup>5</sup> Id.

<sup>6</sup> Id.

In recent years, reinsurers paid out most of what they collected in premium.<sup>7</sup> In some years, reinsurers paid more in loss and expense reimbursement than they collected in premium.<sup>8</sup> Despite this, they have remained solvent and modestly profitable over the last ten years, relying in part on investment income, while building and deploying record levels of capital.<sup>9</sup> With more capital and competition in the market, the cost of reinsurance has declined.<sup>10</sup>

U.S. property and casualty reinsurers are regulated by the states, and non-U.S. property and casualty reinsurers doing business in the U.S. are regulated by other jurisdictions, including those that have been recognized by the 2017 U.S.-EU Covered Agreement and 2018 U.S.-UK Covered Agreement and by the National Association of Insurance Commissioners (NAIC).<sup>11</sup>

### **Reinsurance Reduces Taxpayer Risk**

For the federal government, purchasing reinsurance can help absorb the financial impact of large-scale losses and reduce federal borrowing and taxpayer costs. The Congressional Budget Office (CBO) has importantly pointed out that “public-private risk sharing can reduce the government’s risk (by transferring some of it to private parties) and thus lower costs to taxpayers” and can “generate market-based information about the federal government’s total exposure to risk.”<sup>12</sup>

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<sup>7</sup> National Association of Insurance Commissioners, “U.S. Property & Casualty and Title Insurance Industries – 2024 Full Year Results” (2025); AM Best, Reinsurers’ Disciplined Capital Deployment and Underwriting Remain Key Foundations (2025); Artemis, “Reinsurance sector is softer in 2025, but remains profitable: AM Best,” August 19, 2025, (<https://www.artemis.bm/news/reinsurance-sector-is-softer-in-2025-but-remains-profitable-am-best/>); S&P Global, “Global Reinsurance Sector View 2026: Pricing Declines Amid Ample Capacity and Intensifying Competition,” February 4, 2026, (<https://www.spglobal.com/ratings/en/regulatory/article/global-reinsurance-sector-view-2026-pricing-declines-amid-ample-capacity-and-intensifying-competition-s101668619>); Artemis, “AM Best: Reinsurance outlook revised to stable on softening, warns ILS pressure could increase,” January 20, 2026, (<https://www.artemis.bm/news/am-best-reinsurance-outlook-revised-to-stable-on-softening-warns-ils-pressure-could-increase/>); Artemis, “Reinsurance capital disciplined, returns attractive, soft market may be different: Autonomous,” July 28, 2025, (<https://www.artemis.bm/news/reinsurance-capital-disciplined-returns-attractive-soft-market-may-be-different-autonomous/>).

<sup>8</sup> RAA analysis of NAIC data via S&P Capital IQ Pro, April 2026.

<sup>9</sup> Guy Carpenter, “January 1, 2026: Dedicated Reinsurance Capital,” (<https://www.guycarp.com/insights/2025/12/dedicated-reinsurance-capital-2026.html>); Aon, April 2026 Renewal, Reinsurance Market Dynamics, (<https://www.aon.com/en/insights/reports/reinsurance-market-dynamics>); Aon, “Record \$758B Reinsurance Capital at April 1 Renewal Drives Insurer Growth Ambitions,” April 2, 2026, (<https://aon.mediaroom.com/news-releases?item=138570>); Swiss Re Institute, Sigma Research, (<https://www.swissre.com/institute/research/sigma-research/sigma-2023-01.html#:~:text=Global%20economic%20losses%20from%20natural,from%20natural%20catastrophes%20are%20standard>); and S&P Global, “U.S. P&C Insurance Market Report: Profitability to Remain Elusive in 2023,” July 19, 2023, (<https://www.spglobal.com/marketintelligence/en/news-insights/research/us-pc-insurance-market-report-profitability-to-remain-elusive-in-2023#:~:text=%E2%9E%A4%20The%20S%26P%20Global%20Market,even%20point%20for%20underwriting%20profitability>); <https://www.fanniemae.com/about-us/investor-relations/sec-filings>; <https://www.freddiemac.com/investors/financials/sec-filings>; Insurance Journal, “Reinsurance Rates Continued Softening During April Renewals, Despite Iran War,” April 2, 2026, (<https://www.insurancejournal.com/news/international/2026/04/02/864470.htm>); Reinsurance News, “Reinsurance market will continue to thrive in 2025 despite modest softening: AM Best,” August 20, 2025 (<https://www.reinsurancene.ws/reinsurance-market-will-continue-to-thrive-in-2025-despite-modest-softening-am-best/>).

<sup>10</sup> S&P Global, “Global Reinsurance Sector View 2026: Pricing Declines Amid Ample Capacity and Intensifying Competition,” February 4, 2026, (<https://www.spglobal.com/ratings/en/regulatory/article/global-reinsurance-sector-view-2026-pricing-declines-amid-ample-capacity-and-intensifying-competition-s101668619>); Reinsurance News, “2026 renewal sees sharpest decline in risk-adjusted global property rates since 2014: Howden,” January 2, 2026, (<https://www.reinsurancene.ws/2026-renewal-sees-sharpest-decline-in-risk-adjusted-global-property-rates-since-2014-howden/>); Reinsurance News, “European reinsurer price declines less severe than broker headlines: JP Morgan,” February 13, 2026, (<https://www.reinsurancene.ws/european-reinsurer-price-declines-less-severe-than-broker-headlines-jp-morgan#:~:text=Property%20cat%20pricing%20saw%20its,typically%20make%20growth%20more%20challenging>).

<sup>11</sup> U.S. Department of the Treasury, U.S.-EU Covered Agreement (<https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/covered-agreements/us-eu-covered-agreement>); U.S. Department of the Treasury, U.S.-UK Covered Agreement (<https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/federal-insurance-office/covered-agreements/us-uk-covered-agreement>); and National Association of Insurance Commissioners, Listing of Certified and Reciprocal Jurisdiction Reinsurers ([https://content.naic.org/cmt\\_e\\_reinsurance\\_certified\\_reciprocal\\_reinsurers.htm](https://content.naic.org/cmt_e_reinsurance_certified_reciprocal_reinsurers.htm)).

<sup>11</sup> Congressional Budget Office, “Public-Private Risk Sharing in Federal Credit Programs,” September 2024 (<https://www.cbo.gov/system/files/2024-09/59408-Public-Private-Risk-Sharing.pdf>).

<sup>12</sup> Congressional Budget Office, “Public-Private Risk Sharing in Federal Credit Programs,” September 2024 (<https://www.cbo.gov/system/files/2024-09/59408-Public-Private-Risk-Sharing.pdf>).

Reinsurance credit risk transfer (CRT) can offer additional benefits. As reflected in research cited by CBO, and in related academic and industry analyses, transferring risk from government programs to private investors, including reinsurers, shifts a portion of potential losses away from the government, attracts private capital to absorb those losses, provides market-based signals about the cost of risk, and supports the availability of credit, particularly through the stable, long-term capital provided by reinsurance.<sup>13</sup>

Reinsurance has been successfully used in several federal programs within the jurisdiction of the House Committee on Financial Services, including (1) the Federal Housing Finance Agency (FHFA) Credit Risk Transfer (CRT) Program for the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, (2) the Federal Emergency Management Agency’s (FEMA) National Flood Insurance Program (NFIP), and (3) the Export-Import Bank of the U.S. (EXIM). These programs have continued through multiple Administrations and have bipartisan support, demonstrating how risk sharing can diversify risk, expand access to credit, and provide protection for program beneficiaries and taxpayers backing those programs.<sup>14</sup> RAA members have backed these programs—across mortgage credit, trade credit, and natural catastrophe—ultimately supporting people, businesses, and communities.

### **FHFA Credit Risk Transfer Program**

The reinsurance industry has supported the FHFA CRT program since inception in 2013. Fannie Mae and Freddie Mac—the GSEs for which FHFA serves as regulator and conservator—have transferred over \$230 billion of credit risk limit on over \$8 trillion of mortgage balances.<sup>15</sup> Over 30% of the credit risk transferred has been shared with 70 reinsurers.<sup>16</sup> FHFA established the program to reduce taxpayer exposure to the Enterprises’ credit risk, including through (1) capital markets issuances, (2) insurance and reinsurance transactions, and (3) other risk-sharing

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<sup>13</sup> Congressional Budget Office, “Public-Private Risk Sharing in Federal Credit Programs,” September 2024, (<https://www.cbo.gov/system/files/2024-09/59408-Public-Private-Risk-Sharing.pdf>); Edward Golding, Deborah Lucas, “Credit Risk Transfer and the Pricing of Mortgage Default Risk,” October 2022, (<https://mitsloan.mit.edu/sites/default/files/inline-files/CRT-paper-October-2022.pdf>); Michael Schmitz, Jonathan Glowacki, and Andrew Netter, “In it for the long-haul: A case for the expanded use of the GSEs’ reinsurance CRT executions,” (<https://us.milliman.com/en/insight/In-it-for-the-long-haul-A-case-for-the-expanded-use-of-the-GSEs-reinsurance-CRT-executions>).

<sup>14</sup> Congressional Budget Office, “Public-Private Risk Sharing in Federal Credit Programs,” September 2024, (<https://www.cbo.gov/system/files/2024-09/59408-Public-Private-Risk-Sharing.pdf>).

<sup>15</sup> Aon plc; Freddie Mac, ACIS® Deal Documents, (<https://capitalmarkets.freddie.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>); Federal Housing Finance Agency (FHFA), 2023 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions, December 2022, (<https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2023-Scorecard.pdf>); Devang Doshi, Kathleen Pagliaro, Rob Schaefer, “A Look Back: 10 Years of Credit Risk Transfer,” October 19, 2023, (<https://www.fanniemae.com/research-and-insights/perspectives/look-back-10-years-credit-risk-transfer>); FHFA, National Mortgage Database, Outstanding Residential Mortgage Statistics, (<https://www.fhfa.gov/data/dashboard/nmdb-outstanding-residential-mortgage-statistics>); Fannie Mae, “Fannie Mae Earns \$4.5 Billion in Fourth Quarter, \$14.4 Billion in 2025,” February 11, 2026, (<https://www.fanniemae.com/media/56636/display#:~:text=Fourth%20Quarter%202025%20Key%20Metrics,support%20market%20and%20lender%20liquidity>); FHFA, “2025 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions,” February 18, 2025, (<https://www.fhfa.gov/reports/conservatorships-performance-goals-scorecard/2025>).

<sup>16</sup> Aon plc; Freddie Mac, ACIS® Deal Documents, (<https://capitalmarkets.freddie.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>); FHFA, 2023 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions, December 2022, (<https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2023-Scorecard.pdf>); Devang Doshi, Kathleen Pagliaro, Rob Schaefer, “A Look Back: 10 Years of Credit Risk Transfer,” October 19, 2023, (<https://www.fanniemae.com/research-and-insights/perspectives/look-back-10-years-credit-risk-transfer>); FHFA, National Mortgage Database, Outstanding Residential Mortgage Statistics, (<https://www.fhfa.gov/data/dashboard/nmdb-outstanding-residential-mortgage-statistics>); Fannie Mae, “Fannie Mae Earns \$4.5 Billion in Fourth Quarter, \$14.4 Billion in 2025,” February 11, 2026, (<https://www.fanniemae.com/media/56636/display#:~:text=Fourth%20Quarter%202025%20Key%20Metrics,support%20market%20and%20lender%20liquidity>); FHFA, “2025 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions,” February 18, 2025, (<https://www.fhfa.gov/reports/conservatorships-performance-goals-scorecard/2025>).

structures.<sup>17</sup> Prior to conservatorship, the Enterprises retained significant mortgage credit risk, contributing to their near failure during the Global Financial Crisis. They were subsequently placed into conservatorship under the Housing and Economic Recovery Act of 2008, which also established FHFA.<sup>18</sup> FHFA incorporates CRT into its annual scorecard for the GSEs and incentivizes CRT through its “Enterprise Regulatory Capital Framework.”<sup>19</sup> Reinsurers that regularly evaluate and share in this risk provide objective, third-party feedback of the risk, which is valuable to investors in agency mortgage-backed securities, the GSEs ceding the risk, regulators exercising oversight, taxpayers ultimately backing the GSEs as well as homeowners who depend on a stable, accessible, and affordable mortgage market. Critically, the GSEs are able to access both the capital markets and the property and casualty insurance and reinsurance markets as part of FHFA’s CRT program, allowing the GSEs to optimize capital and risk management across market conditions, including periods of financial market stress, such as the onset of COVID-19, when reinsurance capacity remained available.<sup>20</sup>

## **FEMA NFIP Reinsurance Program**

The reinsurance industry has backed FEMA’s NFIP Reinsurance Program since its inception in 2017. The program includes traditional and capital markets reinsurance. Congress authorized the reinsurance program in bipartisan legislation enacted in 2012 and 2014 to address the program’s longstanding financial challenges, including its designation on the U.S. Government Accountability Office’s High Risk List since 2006 and \$18-24 billion debt.<sup>21</sup> FEMA launched its NFIP Reinsurance Program to transfer a portion of the NFIP’s financial risk to reinsurers and the capital markets, strengthen the program’s claims-paying capacity, and reduce reliance on taxpayer-funded borrowing following losses as a result of catastrophic flood events.<sup>22</sup> Since 2017, FEMA has secured approximately \$18 billion in total risk transfer protection (traditional reinsurance and capital markets).<sup>23</sup> In the program’s first year, FEMA paid \$150 million premium to transfer \$1.042 billion of risk to 25 reinsurers and recovered the full \$1.042 billion to help pay claims resulting from Hurricane Harvey.<sup>24</sup> In total, 48 reinsurers participated in FEMA’s traditional reinsurance program and, for \$1.49 billion in premium, assumed around \$9 billion of risk to

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<sup>17</sup> Federal Housing Finance Agency, “Credit Risk Transfer,” (<https://www.fhfa.gov/policy/credit-risk-transfer>); FHFA, “2025 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions,” February 18, 2025, (<https://www.fhfa.gov/reports/conservatorships-performance-goals-scorecard/2025?utm>).

<sup>18</sup> Joint Center for Housing Studies of Harvard University, Don Layton, “Demystifying GSE Credit Risk Transfer: Part 1 – What Problems Are We Trying to Solve?” January 2020, ([https://www.jchs.harvard.edu/sites/default/files/media/imp/harvard\\_jchs\\_gse crt part1\\_layton\\_2020.pdf](https://www.jchs.harvard.edu/sites/default/files/media/imp/harvard_jchs_gse crt part1_layton_2020.pdf)).

<sup>19</sup> “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>).

<sup>20</sup> Arch (TRACE, CRT Clarity, Data Dynamics); Milliman, “In it for the long-haul: A case for the expanded use of the GSEs’ reinsurance CRT executions,” May 14, 2024, (<https://us.milliman.com/en/insight/In-it-for-the-long-haul-A-case-for-the-expanded-use-of-the-GSEs-reinsurance-CRT-executions>).

<sup>21</sup> Federal Emergency Management Agency (FEMA), “FEMA Will Recover \$1.042 billion in Reinsurance from the Private Reinsurance Markets,” December 5, 2017, (<https://www.fema.gov/press-release/20250602/fema-will-recover-1042-billion-reinsurance-private-reinsurance-markets>); U.S. Government Accountability Office (GAO), “National Flood Insurance Program: Continued Attention Needed to Address Challenges,” September 18, 2013, (<https://www.gao.gov/products/gao-13-858t>); GAO, High Risk List, (<https://www.gao.gov/high-risk-list>).

<sup>21</sup> FEMA, “FEMA Will Recover \$1.042 billion in Reinsurance from the Private Reinsurance Markets,” December 5, 2017, (<https://www.fema.gov/press-release/20250602/fema-will-recover-1042-billion-reinsurance-private-reinsurance-markets>).

<sup>22</sup> Id.

<sup>23</sup> FEMA, “National Flood Insurance Program’s Reinsurance Program,” accessed April 2026, (<https://www.fema.gov/flood-insurance/work-with-nfip/reinsurance>); Guy Carpenter, a Marsh Business.

<sup>24</sup> FEMA, “FEMA Will Recover \$1.042 billion in Reinsurance from the Private Reinsurance Markets,” December 5, 2017, (<https://www.fema.gov/press-release/20250602/fema-will-recover-1042-billion-reinsurance-private-reinsurance-markets>); Office of Management and Budget, Fiscal Year 2019 Budget Documents, page 59, (<https://trumpwhitehouse.archives.gov/wp-content/uploads/2018/02/budget-fy2019.pdf>); Guy Carpenter, a Marsh Business.

support the program’s claims-paying capacity.<sup>25</sup> According to FEMA, “purchasing reinsurance transfers NFIP risk to the private sector, improving long-term financial outcomes for FEMA, the U.S. Treasury and federal taxpayers.”<sup>26</sup>

## **EXIM Reinsurance Program**

The reinsurance industry has partnered with EXIM since 2018 to share risk, reduce taxpayer exposure, expand trade finance, and support U.S. manufacturing and other sectors, jobs, and exports.<sup>27</sup> EXIM launched a pilot program to transfer a portion of its credit risk to reinsurers, reduce concentration of risk on its balance sheet, and enhance its overall risk management strategy.<sup>28</sup> Ten reinsurers participated in the inaugural pilot transaction and provided approximately \$1 billion in loss coverage for a significant portion of EXIM’s portfolio of large commercial aircraft financing transactions. The program was expanded in 2022.<sup>29</sup> Congress authorized the program as a pilot in EXIM’s 2015 reauthorization. During the U.S. House Committee on Financial Services Subcommittee on National Security, Illicit Finance, and International Financial Institutions March 18, 2026, hearing, EXIM leadership expressed support for expanding the program to further share risk with reinsurers and protect taxpayers.<sup>30</sup>

## **Reinsurance To Strengthen U.S. Banks**

Current U.S. bank regulatory capital rules do not clearly permit the use of insurance and reinsurance to provide capital relief, even though Basel III recognizes credit protection from prudentially regulated financial institutions, including prudentially regulated insurance companies, which include reinsurers. This puts U.S. banks at a competitive disadvantage relative to non-U.S. banks in jurisdictions that permit it. As a result, U.S. banks must hold more capital against risk and cannot access this cost-effective and proven form of private capital to better manage balance-sheet risk, increasing the cost of credit and reducing the availability of credit for households and businesses. The RAA encourages banking agencies to consider the views of a broad range of stakeholders and to update U.S. bank regulatory capital rules to make this risk management tool available to U.S. banks, with capital relief, thereby enhancing the safety and soundness of the banking system.

As noted in comments RAA previously submitted to federal banking agencies, reinsurance credit risk transfer would enhance financial stability:

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<sup>25</sup> FEMA, Traditional Reinsurance Contracts by Year, (<https://www.fema.gov/flood-insurance/work-with-nfip/reinsurance/traditional/archive>); FEMA, Traditional Reinsurance Details, Traditional Reinsurance Contracts by Year, (<https://www.fema.gov/flood-insurance/work-with-nfip/reinsurance/traditional>), Guy Carpenter, a Marsh Business.

<sup>26</sup> FEMA, National Flood Insurance Program’s Reinsurance Program, (<https://www.fema.gov/flood-insurance/work-with-nfip/reinsurance>).

<sup>27</sup> Export-Import Bank of the United States (EXIM Bank), “Reinsurance & Risk Sharing,” ([https://www.exim.gov/about/special-initiatives/risk-sharing#\\_ftn1](https://www.exim.gov/about/special-initiatives/risk-sharing#_ftn1)); EXIM Bank, “EXIM Bank Announces Landmark Risk-Sharing Program With Private-Sector Reinsurers,” March 29, 2018, (<https://www.exim.gov/news/exim-bank-announces-landmark-risk-sharing-program-private-sector-reinsurers>); EXIM Bank, “EXIM Increases Taxpayer Protections with Announcement of New Broker Partnership with Aon to Reinsure Portfolio Risk,” January 12, 2021, (<https://www.exim.gov/news/exim-increases-taxpayer-protections-announcement-new-broker-partnership-aon-reinsure-portfolio>).

<sup>28</sup> EXIM Bank, “Reinsurance & Risk Sharing,” ([https://www.exim.gov/about/special-initiatives/risk-sharing#\\_ftn1](https://www.exim.gov/about/special-initiatives/risk-sharing#_ftn1)).

<sup>29</sup> EXIM Bank, “Export-Import Bank President and Chair Reta Jo Lewis Launches Expanded Reinsurance/Risk-Sharing Initiative with Aon in London, March 6, 2023, (<https://www.exim.gov/news/export-import-bank-president-and-chair-reta-jo-lewis-launches-expanded-reinsurance-risk-sharing>).

<sup>30</sup> House Financial Services Committee, Subcommittee on National Security, Illicit Finance, and International Financial Institutions, hearing entitled, “Oversight of the Export-Import Bank,” March 18, 2026, (<https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=411036>).

“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 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. By having a wide portfolio of risks, reinsurers are less susceptible to the financial stress experienced by the broader financial markets.”<sup>31</sup>

The goal of increasing the safety and soundness of the banking system can be better achieved, in part, by providing banks with meaningful capital management and risk mitigation tools to better manage balance-sheet risk, such as transferring credit risk to well-capitalized and prudentially regulated insurance companies.

## **Conclusion**

Reinsurance is a proven risk management mechanism to share the cost of catastrophic loss, whether caused by a natural disaster, credit event, or other infrequent but severe event. By transferring risk from insurers and government programs to reinsurers, it brings global capital into the system, helping federal programs manage exposure, better assess and price risk, and reduce the likelihood that taxpayers are called upon to absorb large-scale losses. With the right policies in place, reinsurance can play a larger role in supporting insurers and government programs and those who benefit from their programs and services. Thank you for the honor of testifying today and for considering RAA’s views.

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<sup>31</sup> Reinsurance Association of America, RAA comments in response to July 27, 2023, notice of proposed rulemaking, “Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity, January 16, 2024, ([https://www.federalreserve.gov/SECRS/2024/March/20240315/R-1813/R-1813\\_011624\\_156822\\_424172000444\\_1.pdf](https://www.federalreserve.gov/SECRS/2024/March/20240315/R-1813/R-1813_011624_156822_424172000444_1.pdf)).