STATEMENT OF THOMAS E. WORKMAN
THE COUNCIL'S INDEPENDENT MEMBER WITH INSURANCE EXPERTISE

November 3, 2023

Thank you, Madam Secretary. I will vote for the two proposals before us today. That said, I want to offer a few remarks about the change regarding activities and entities, about cost-benefit analysis in the determination process, and about the importance of the Council continuing to work closely with state insurance regulators.

Madam Secretary, as you stated at our April meeting, "The Council does not broadly prioritize one type of tool over another. Rather, we plainly examine a risk—and design our response to address the risk we are seeking to mitigate."

In the Proposed Analytic Framework, it states: "The actions the Council may take depend on the nature of the vulnerability[:]

[F]or example, vulnerabilities originating from activities that may be widely conducted in a particular sector or market over which a regulator has adequate existing authority may be addressed through an activity-based or industry-wide response[.]

[I]n contrast, in cases where the financial system relies on the ongoing financial activities of a small number of entities, such that the impairment of one of the entities could threaten financial stability, or where a particular financial company's material financial distress or activities could pose a threat to financial stability, an entity-based action may be appropriate."

As for cost-benefit, consistent with the logic of making all the tools available to "plainly examine a risk—and design our response," I believe conducting a cost-benefit analysis can be an important tool in the analytical process prior to making a determination. Cost-benefit is a tool that is well-recognized in federal and state statutory, regulatory, and case law, and I believe it is generally understood by the public as a way to make efficient use of government and private resources.

In light of the significant attention given cost-benefit analysis in the comments received, I suggest that going forward thought be given, as a matter of policy, to having the Council deem the cost of designation to be an appropriate risk-related factor. It may be difficult to calculate the benefit of a designation in a given case, but it could well provide valuable information as to the cost it would impose on the designee.

Turning to the third element of my remarks, I want to emphasize that the insurance sector has a strong, sophisticated state regulatory system. In fact, we have two leaders of the National Association of Insurance Commissioners on this Council. In the Guidance Preamble, it states: "The Council appreciates the expertise and experience of primary financial regulators, . . . Under the Final Guidance, the Council will maintain its previous commitment to engaging extensively with existing regulators." In that regard, I am certain the NAIC will likewise continue to engage fully with the Council in resolving potential risks to financial stability in the U.S. insurance sector.

Finally, I want to again express my appreciation for the fine work of staff in developing the Proposals before us today.''

Thanks again, Madam Secretary.

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Financial Stability Oversight Council