



May 21, 2026

**Mr. Ben Slutsker, Chair**

Life Risk-Based Capital (E) Working Group  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1000  
Kansas City, MO 64106-2197

Re: Proposal 2025-16-L MOD Version 3 Collateral Loans (ACLI, Alternative Options)

*Submitted Electronically*

Dear Chair Slutsker:

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the re-exposed Version 3 of Proposal 2025-16-L addressing the risk-based capital (RBC) treatment of collateral loans reported on Schedule BA. ACLI continues to support the Working Group's objective of refining RBC charges to better reflect the risk characteristics of collateral loans while preserving operational feasibility and maintaining alignment with the NAIC RBC Principles. We also appreciate the Working Group's continued responsiveness to stakeholder input, including enhancements reflected in Version 3 such as the incorporation of independent verification as a prerequisite to applying overcollateralization-based adjustments and the presentation of alternative structural approaches for consideration.

Version 3 presents two similar, but distinct options for adjusting RBC charges based upon LTV of the collateral loan. ACLI conceived Option 1 because it was a meaningful step toward aligning charges that more closely reflect the risk characteristics of collateral loans and the NAIC RBC Principles.

After further consideration of the framework and objectives underlying the exposure, ACLI can support Option 2 as the preferred path forward with the inclusion of the targeted calibration refinements explained below. ACLI recognizes that Option 2 is intended to simplify the tiering structure, improve consistency across loan-to-value (LTV) ranges, and incorporate a floor to address supervisory and valuation considerations. In ACLI's view, these elements provide a clear and administrable framework that can be implemented consistently across companies while maintaining a level of prudence.

While ACLI supports the overall structure of Option 2, we believe targeted calibration refinements would further enhance alignment between capital outcomes and underlying risk characteristics.

**American Council of Life Insurers** | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

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The American Council of Life Insurers is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 93 percent of industry assets in the United States.

## 1. Intermediate LTV Band Adjustment (30% < LTV ≤ 50%)

ACLI recommends that exposures within the 30% to 50% LTV range be subject to a 40% adjustment to the look-through C-1 factor. This calibration more appropriately reflects the degree of overcollateralization present within this band and is consistent with the graduated structure already contemplated in Option 2, which applies graduated adjustments tied to the midpoint of LTV bands.

## 2. Floor for Lowest LTV Band (LTV ≤ 30%)

In addition, ACLI recommends that exposures with LTV at or below 30% be subject to a floor of 6.8% on the C-1 factor. Establishing a floor at this level provides a clear and conservative backstop that is consistent with other elements of the RBC framework and aligns with the existing 6.8% factor used within the RBC framework for certain Schedule BA exposures. At the same time, this approach continues to allow meaningful recognition of the risk-mitigating benefits of substantial overcollateralization.

Taken together, these refinements are intended to enhance the risk sensitivity of the framework while preserving the simplicity and clarity that Option 2 is designed to achieve. The recommended calibration better differentiates outcomes across LTV ranges, maintains appropriate incentives for insurers to retain or increase overcollateralization, and ensures that resulting capital requirements remain anchored within the broader RBC framework.

Following is an updated chart reflecting ACLI's suggested revisions:

### ACLI Recommended Overcollateralization Bands and Adjustment Factors for Collateral Loans Backed by Investments in JV/LP/LLC and Residual Tranches

| Overcollateralization Band (OC) | Loan-to-Value Band (LTV) | Adjustment Factor Applied to Base Look-Through RBC Factor | Collateral Loans Backed by Investments in JV/LP/LLC |                                | Collateral Loans Backed by Residual Tranches |                                |
|---------------------------------|--------------------------|---|---|--------------------------------|--|--------------------------------|
|                                 |                          |   | Net RBC Factor                                      | Equivalent NAIC LT Bond Rating | Net RBC Factor                               | Equivalent NAIC LT Bond Rating |
| OC < 111%*                      | LTV > 90%*               | 100%  | 30.0%   | 5.C                            | 45.0%  | >6                             |
| 111% ≤ OC < 143%                | 70% < LTV ≤ 90%          | 80%   | 24.0%   | 5.B to 5.C                     | 36.0%  | >6                             |
| 143% ≤ OC < 200%                | 50% < LTV ≤ 70%          | 60%   | 18.0%   | 5.A to 5.B                     | 27.0%  | 5.B to 5.C                     |
| 200% ≤ OC < 333%                | 30% < LTV ≤ 50%          | 40%   | 12.0%   | 4.B to 4.C                     | 18.0%  | 5.A to 5.B                     |
| 333% ≤ OC                       | LTV ≤ 30%                | 15%   | 6.8%  | 3.C to 4.A                     | 6.8%   | 3.C to 4.A                     |

\* No adjustment to the base look-through RBC factor for collateral loans without independent verification

ACLI appreciates the Working Group's thoughtful consideration of stakeholder feedback and its continued engagement on this issue. We support adoption of Option 2 with the calibration refinements described above and would welcome the opportunity to provide additional input as the proposal moves forward.

Thank you for the opportunity to provide these comments.

Sincerely,

Handwritten signature of Marc Altschull in blue ink.

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