NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Date: 10/20/25

Virtual Meeting

RISK-BASED CAPITAL INVESTMENT RISK AND EVALUATION (E) WORKING GROUP
Tuesday, November 4, 2025
11:00 a.m. – 12:00 p.m. ET / 10:00 – 11:00 a.m. CT / 9:00 – 10:00 a.m. MT / 8:00 – 9:00 a.m. PT

ROLL CALL

Philip Barlow, Chair	District of Columbia	Tadd Wegner	Nebraska
Thomas Reedy, Vice Chair	California	Jennifer Li	New Hampshire
Wanchin Chou	Connecticut	Bob Kasinow/William B. Carmello	New York
Carolyn Morgan	Florida	Dale Bruggeman/Tom Botsko	Ohio
Matt Cheung	Illinois	Rachel Hemphill	Texas
Roy Eft	Indiana	Doug Stolte	Virginia
Carrie Mears/Kevin Clark	Iowa	Steve Drutz/Katy Bardsley	Washington
Fred Andersen	Minnesota	Amy Malm	Wisconsin
William Leung/Danielle Smith	Missouri		

NAIC Support Staff: Julie Gann/Maggie Chang

AGENDA

1.	Consider Adoption of its Sept. 8 Minutes—*Philip Barlow (DC*)	Attachment 1
2.	Receive Comments on Proposal 2025-12-IRE (Securities Valuation Office [SVO] Funds Alignment Project)—*Philip Barlow (DC)*	Attachment 2
	A. American Council of Life Insurers (ACLI)	Attachment 3
	B. BCS Insurance Company	Attachment 4
	C. The Doctors Company (TDC) Group	Attachment 5
3.	Consider Adoption of its Working Agenda—*Philip Barlow (DC)*	Attachment 6 Attachment 7
4.	Discuss Any Other Matters Brought Before the Working Group —*Philip Barlow (DC)*	
5.	Adjournment	

Draft: 9/12/25

Risk-Based Capital Investment Risk and Evaluation (E) Working Group
Virtual Meeting
September 8, 2025

The Risk-Based Capital Investment Risk and Evaluation (E) Working Group of the Capital Adequacy (E) Task Force met Sept. 8, 2025. The following Working Group members participated: Philip Barlow, Chair (DC); Thomas Reedy, Vice Chair (CA); Wanchin Chou (CT); Jane Nelson (FL); Carrie Mears and Kevin Clark (IA); Matt Cheung (IL); Roy Eft (IN); Fred Andersen (MN); William Leung and Danielle Smith (MO); Tadd Wegner (NE); Jennifer Li (NH); Bob Kasinow and William B. Carmello (NY); Dale Bruggeman and Tom Botsko (OH); Rachel Hemphill (TX); Doug Stolte (VA); Katy Bardsley (WA); and Amy Malm (WI).

1. Adopted its June 23 Minutes

The Working Group met June 23 and took the following action: 1) adopted its Spring National Meeting minutes; 2) discussed comment letters received on the American Council of Life Insurers' (ACLI's) risk-based capital (RBC) principles for bond funds presentation and the NAIC's memorandum of bond funds reported in 2023 annual statement filings; and 3) exposed proposal 2025-12-IRE (SVO Fund Alignment Project) for a 30-day public comment period ending July 23.

Botsko made a motion, seconded by Leung, to adopt the Working Group's June 23 minutes (Attachment XX). The motion passed unanimously.

2. Heard an Update from the Academy on the Structured Securities RBC Project

Stephen Smith (American Academy of Actuaries—Academy) presented a collateralized loan obligation (CLO) C-1 factors modelling update (Attachment XX). Smith started with a progress update. He said that in collaboration with the NAIC's Structured Securities Group (SSG), a working CLO C-1 factor model was built. The purpose of the meeting was to walk through the methodology and various key modeling decisions, which are still subject to future deliberations. As such, any C-1 factors, as output, generated by this work-in-progress model are labeled as "hypothetical" and are also subject to change. Another reason factors illustrated in the presentation are "hypothetical" is that they are generated at the individual assets/Committee on Uniform Security Identification Procedures (CUSIP) level, using just six CLO deals. Smith said this is not the project's ultimate goal. He then walked through the methodology summary page. With the use of visual aids on the C-1 modeling framework flowchart page and the overview of the C-1 CLO factors approach page, Smith gave a step-by-step depiction of the Academy's work plan to arrive at the ultimate goal, which is to define several risk buckets for CLOs according to comparable attributes and then assign a C-1 factor to each bucket. Currently, the Academy is operating under the assumption that comparable attributes can be identified.

Smith also emphasized that a key feature of the methodology is striving for consistency with C-1 corporate bond modeling and the SSG's modeling, where possible. Any deviations from those modeling methodologies were summarized in the presentations. Smith highlighted another caveat of the "hypothetical" C-1 CLO factors. Although residual tranches of CLOs are within the scope of the project, the factors for residual tranches are not included in the presentation. Smith said the distinctively different statutory accounting treatment of residual tranches, when compared to debt tranches, necessitated a distinctively different methodology for modeling residual tranches. The Academy is working on that methodology but cautioned that no one should conclude that residual tranches should be afforded extremely high charges by extrapolating the "hypothetical" C-1 CLO factors. The relatively conservative accounting principles for residual tranches make the extrapolation impossible.

Barlow asked whether the hypothetical C-1 CLO factors were modeled as new issues. Smith clarified that the factors are modeled as of Sept. 30, 2024.

Smith then presented the anticipated project timeline page. Smith reiterated that the "hypothetical" factors presented herein are not the proposed factors. He said he anticipates that the Academy will have proposed factors by January. Smith said the timeline in mind has a 2026 implementation date, and he emphasized that a lot of work needs to be done by the Academy and SSG to make this implementation plan possible. Smith walked through the acknowledgement page to give credit to parties who helped with the project.

Smith continued his presentation by taking a deeper dive into the approach (overview of C-1 CLO factors approach page). Carmello asked whether the analysis would come out differently if the loans that feed into the loan collateral model are private loans instead of bank loans. Smith said that while middle market (MM) CLOs are also in scope of the project, data are relatively limited, and the Academy will not have a better sense of the difference (or lack thereof) between bank loan CLOs and MM CLOs until the comparable attribute work is completed. He said the Academy will report to the Working Group if data limitation precludes it from drawing a conclusion.

Issac Lowenbraun (Guardian Life) pointed out that CLOs are actively managed, and residual tranches owners have a prepayment option, both of which might alter the collateral's default and recoveries. He asked how the dynamic nature of CLO collaterals is taken into consideration in the Academy's model. Smith responded that while the CLO cashflow model accounted for reinvestments, the Working Group's members had concluded in a prior meeting that no credit should be given to the potential value/benefit of active management.

Smith moved on to the conditional tail expectation (CTE)90 tail metric for C-1 CLO factors page. He noted a key distinction between the Academy's and SSG's modeling. The Academy uses 10,000 defaults and recovery scenarios to be consistent with the C-1 bond model, whereas the SSG uses 10 scenarios. Furthermore, the SSG's 10 scenarios are probability-weighted with an ultimate goal to solve for the no-RBC-arbitrage concept, whereas the Academy's 10,000 scenarios are equally weighted with no explicit goal to solve for no-RBC-arbitrage. Smith said that while his current model opted for CTE90, the Academy has no view on the appropriateness of the level of this risk measure and defers the issue to the regulators to decide on the magnitude (i.e., 90).

Smith walked through the scenario compression for the CTE90 estimation page. The scenario compression methodology is necessitated by computational limitations in running through 10,000 scenarios through the CLO waterfall structure. In this methodology, 17 scenarios that are past the 90th percentile were picked. In order to come up with a CTE measure, scenarios deep into the tail are picked as they better represent the severity of the losses. He briefly walked through the scope of the sample of CLO deals page, emphasizing the availability of data for the six CLOs selected. He said he believed the work could be replicated by anyone interested.

Smith then focused on the targeted modifications and loan collateral model parameters page. He said the "time step" model parameter differs between the C-1 bond and the loan collateral model. The Academy increased the frequency from "annual" to "monthly" to facilitate production of inputs into CDOnet. The Academy believes this does not bias the credit results up or down. Another key modification from the bond model, which used the 96th percentile only, was the use of 17 different percentiles of risk metrics for modeling CLO collateral. In addition, the Academy made a change to the recovery rates assumption, tailoring to the fact that collateral of CLOs, unlike bonds, which are senior unsecured, have a different priority of payment. Instead of using Moody's Ratings (Moody's) data for the recovery rate, the Academy used S&P Global Ratings' (S&P Global's) recovery data for the CLO collateral model. This is largely because S&P Global's data illustrated tail and distributional recoveries, not average recoveries as published by Moody's.

Smith said he believes the Academy needs to do more work to ensure alignment of S&P Global's recovery data with Moody's default rate data. While "% variance explained by systematic error" is not a model assumption that diverged between C-1 bond and C-1 CLO models, Smith explained what it measured. He said a high percentage (e.g., 10%) represented that broad market conditions primarily drive variance in credit results, whereas a low percentage (e.g., 5%) attributed the swing to idiosyncratic risks. The Academy sees a potential modification to its existing model as CLO collaterals are mostly below investment grade (BIG), and idiosyncratic risks are more pertinent to BIG investments.

Smith said a modification was made to the reinvestment assumption. The slides regarding reinvestments in the loan collateral model and reinvestment methodologies attempted to capture the complications and the methodologies considered by the Academy. Smith said that while the current model selected the second approach, the Academy is looking for alternatives because the selected approach tends to overstate tail losses.

Smith moved on to the step-by-step description of the loan collateral model. He said that, besides consistency with the C-1 bond model, another key aspect the Academy strived to achieve was prioritization of portfolio-level risk. To achieve this, the Academy treated the collateral within the six selected CLOs as one collateral pool in deriving default rates. The Academy believes the performance of the overall pool of loans is a better proxy for insurers' portfolio performance, not to mention that this method also simplifies computations.

Once the loan collateral defaults and recoveries are generated upon completion of the loan collateral modeling step, the data are ready to be input into the CLO cashflow model. Smith referred to the CLO cashflow model assumptions and parameters page and highlighted the key similarities and differences between the SSG and Academy in terms of how the two groups parameterize the cashflow model. The first two items Smith singled out were "collateral prepayment" and "collateral reinvestment price" assumptions. There is no divergence between the SSG and the Academy in those assumptions, but the Academy noted that the assumptions may not be realistic. For one, bank loans have relatively higher prepayment rates. Upon prepayment or default recoveries, it is common to reinvest the proceeds in other loans at a discount, especially during stressed circumstances. Despite these observations, the Academy opted to assume no prepayment and reinvestment at par, so as to achieve alignment with C-1 bond model assumptions. Smith said the biggest difference between the SSG and the Academy is in parameterizing the default vectors (i.e., 10 versus 10,000 scenarios, respectively).

Once the CLO cash flows are generated through the waterfall structure in the cashflow model, the last step is summarized in the page on converting CLO cash flows into C-1 factors. Among the five areas consistent with C-1 bond methodology, Smith explained the concept of risk premium and Greatest Present Value of Accumulated Deficiency (GPVAD). The former is the level of asset defaults that has already been reserved for within policy reserves. The latter describes the Academy's methodology of checking and using the worst possible quarterly outcomes (PV deficiency) within the 10-year projection period. On the area of statutory losses, Smith pivoted to the details page regarding simplified *Statement of Statutory Accounting Principle (SSAP) No. 43—Asset-Backed Securities* impairment modeling to illustrate the nuances of CLOs in terms of statutory losses. For CLOs, both defaults and impairments generate statutory losses, and the Academy opted for a simplistic approach to check for impairment, namely, to check for impairment when there is a missed interest payment (paid in kind (PIK)).

Smith then walked through the selected model decisions to be reconsidered page, including a summary of assumptions/parameters that the Academy is soliciting feedback on, should changes be made to certain assumptions as suggested in the "Potential Change" column. The "Potential Impact" column within the page gives a directional impact on C-1 factors without actual quantification of the magnitude of impact. Smith said the projection horizon assumption is an important consideration. The Academy is looking into an alternative methodology to set the effective tenor across the CLO senior and junior tranches level, thereby reducing the differences in modeled risks among the senior and junior tranches. Reedy asked about the materiality and impact of such a change.

Smith responded that since the Academy is still looking into how to level set the tenor, a materiality assessment could not be performed just yet.

Smith said there is empirical evidence of a positive correlation between defaults and severities; therefore, the Academy is looking for a potential change to the model to capture this correlation. That said, when Lowenbraun inquired whether the correlation would be differentiated by where the loan is in the capital structure, Smith responded that the availability of data to effectuate such a differentiation may be slim. Barlow asked if the model gives diversification credit, as CLO collateral tends to be diversified across industry/sector and geography. Smith responded negatively, as no such credit was explicitly given in the C-1 bond model. Smith said the reinvestments/aligning with the reinvestment period is an area of the model that the Academy is working to correct, mainly to better align the collateral reinvestment period with the CLO reinvestment period. He said he expects a marginal increase in the C-1 factor because of the correction. Smith then described an area of model refinement: identifying the pattern of default timing that results in greater CLO losses. Smith said the current methodology of rank ordering scenarios based on the present value of losses may not necessarily be a good reflection of CLO debt tranches' losses. He said the Academy expects an increase in the C-1 factor should refinement be introduced. Smith concluded the presentation of this page by stating that there is no intention for the Academy to implement every change on this page. This is just a way to memorialize the potential changes to facilitate discussion.

During the question-and-answer (Q&A) session, Felix Lurye (Guardian Life) commented that the assumption of "reinvestment at par" is punitive. He also said he is not surprised by the hypothetical C-1 factors, which portrayed the cliff risk inherent in a CLO securitization, brought about by the design of the capital stack. Smith concurred and said that the appendix of the presentation deck titled "Hypothetical Results for XXX Deal" provides a visual illustration of the cliff risk.

Mears asked if there is a list of open questions for regulators to weigh in on. Smith responded that there is a key conceptual question to run by the regulators: How and to what extent should the Academy strike a balance between prioritizing consistency with C-1 bond methodology versus striving for accuracy and precision for CLO in the model? Smith said that if the regulators favor precision and accuracy over consistency with the bond model, the Academy will refine its assumption on collateral reinvestment price to less than par. Mears stated that the availability of information, such as materiality, sensitivity analysis, and the complexity of modeling changes, will help her make a decision. She said that as long as deviations from the C-1 bond model are justifiable and documented, they are acceptable. Clark said understanding the rationale and context of C-1 bond modeling assumptions would also be helpful.

Frank Tallerico (Structured Finance Association—SFA) sought clarification on how the Academy's work on CLO RBC factors interplays with the CLO modeling work performed by the SSG. Barlow emphasized that RBC determination is under the purview of the Capital Adequacy (E) Task Force and its Working Groups.

Andersen asked whether A-rated CLOs tend to have higher gross yields than A-rated bonds. Smith responded that they do, despite the spread having compressed over time. Andersen asked if the higher yield could be attributable to higher risk. Smith was hoping the Academy's work, upon completion, could shed light on this question. Lurye said the call risk and prepayment optionality offered to CLO investors, coupled with the complexity of the investments, may account for the excess spread.

Lurye asked whether the Academy's CLO model has taken into account CLOs' historical performance. Smith said CLOs evolved over time, and their more than 25-year history may not be a good proxy for current CLO structures. That said, the Academy will investigate if the modeling results meaningfully contradict the historical losses.

Barlow discussed a path forward. Smith said he heard the regulators' desire to see impact analysis, and the Academy will pick out a few key modelling decisions and perform sensitivity and/or impact analysis. Barlow said that if any Working Group members, interested regulators, or interested parties have comments to help the Academy prioritize the sensitivity/impact analysis, they could be directed to the NAIC staff.

3. Discussed Other Matters

Barlow said the Working Group is not planning to meet in person at the Fall National Meeting. The Working Group plans to schedule a meeting in the future to receive updates from Smith.

Having no further business, the Risk-Based Capital Investment Risk and Evaluation (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/E CMTE/CADTF/2025-3-Fall/IRE/RBCIREWG 09-08-25 Minutes TPR'd.docx

Capital Adequacy (E) Task Force
RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☐ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ P/C RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve Evaluation (E/A) Subgroup ☐ Economic Scenarios (E/A) Subgroup ☒ RBC Investment Risk & (E) Working Group

DATE: 5/29/2025

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ON BEHALF OF: RBC Investment Risk and Evaluation (E) Working Group
NAME: Philip Barlow, Chair
TITLE: Associate Commissioner of Insurance
AFFILIATION: District of Columbia
ADDRESS: 1050 First Street NE Suite 801
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FOR NAIC USE ONLY

Agenda Item # 2025-12-IRE
Year 2026 or later

DISPOSITION

ADOPTED:
☐ TASK FORCE (TF) _____
☐ WORKING GROUP (WG) _____
☐ SUBGROUP (SG) _____
EXPOSED:
☐ TASK FORCE (TF) _____
☐ WORKING GROUP (WG) _____
☐ SUBGROUP (SG) _____
REJECTED:
☐ TF ☐ WG ☐ SG _____
OTHER:
☐ DEFERRED TO _____
☐ REFERRED TO OTHER NAIC GROUP
☐ (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

☐ Health RBC Blanks ☐ Property/Casualty RBC Blanks ☒ Life and Fraternal RBC Blanks
☐ Health RBC Instructions ☐ Property/Casualty RBC Instructions ☒ Life and Fraternal RBC Instructions
☐ Health RBC Formula ☐ Property/Casualty RBC Formula ☐ Life and Fraternal RBC Formula
☐ OTHER _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Risk-Based Capital Investment Risk and Evaluation (E) Working Group met on February 11 and during 2025 Spring National Meeting to deliberate the merits of aligning RBC treatment for three types of funds that are identified by the NAIC Securities Valuation Office (SVO): 1) exchange-traded funds (ETFs); 2) U.S. Securities and Exchange Commission (SEC)-registered fixed income-like funds; and 3) private bond funds. As a result of the discussions, NAIC Staff is directed to develop a formal RBC proposal for Life RBC formula. Proposal 2025-12-IRE is drafted in response to the Working Group's direction.

Note that the proposed changes to LR005 Unaffiliated Preferred and Common Stock page are predicated on the changes proposed to the Annual Statement Blanks Asset Valuation Reserve (AVR) instruction. The Working Group will need to sponsor the AVR instruction changes at NAIC Blanks (E) Working Group should the Proposal 2025-12-IRE be supported by the Working Group.

Additional Staff Comments:

5/28/25 NAIC Staff had prepared a drafting notes memo that memorialized decision points in the proposal drafting process.

** **This section must be completed on all forms.** **Revised 2-2023**

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

TO: Risk-Based Capital Investment Risk and Evaluation (E) Working Group members and interested parties

FROM: NAIC Staff

DATE: May 28, 2025

RE: Drafting Notes – Proposal 2025-12-IRE SVO-identified funds alignment project

Background

Risk-Based Capital Investment Risk and Evaluation (E) Working Group met on February 11 and during 2025 Spring National Meeting to deliberate the merits of aligning RBC treatment for three types of funds that are identified by the NAIC Securities Valuation Office (SVO): 1) exchange-traded funds (ETFs); 2) U.S. Securities and Exchange Commission (SEC)-registered fixed income-like funds; and 3) private bond funds. As a result of the discussion, NAIC Staff is directed to develop a formal RBC proposal for Life RBC formula. This memo memorializes the decision points when drafting the proposal.

Staff drafting notes:

(1) As seen in summary below, there is no complete alignment among three types of funds in scope, with the following justifications:

- **a)** Classification, measurement convention and reporting of these fund types are under purview of other working groups. With the current reporting of SVO's Fixed Income-Like SEC-Registered Funds reported as stocks, grafting these funds into LR002 Bonds would be inappropriate.
- **b)** NAIC Staff noted that funds in scope of SVO's Fixed Income-Like SEC-Registered Funds predominantly own bonds and/or preferred stocks. As such, grafting these funds into current LR005's preferred stock section would be justifiable, especially after considering the hybrid nature of these fixed income-like funds and the potential alignment that the proposed changes created.
- **c)** Given the relatively more opaque structure of the private funds, complete alignment among all 3 types is not preferrable.
- **d)** Operational efficiencies (e.g. structure of the forecasting files, ease of maintenance) are also factored into the drafting consideration.

(2) Upon review, the NAIC staff believe the Asset Concentration instructions for LR010 and LR011 could be further enhanced to provide the following guidance:

a) Whether or not SVO identified ETFs and SVO's fixed income-like SEC-registered funds should be considered in LR010 Asset Concentration page or LR011 Common Stock Concentration page?

b) How would diversification status of the funds impact the asset concentration exposure ranking?

The proposed edits addressed the above questions and to the extent possible, aligned LR010 and LR011 instructions with Supplemental Investment Risk Interrogatory (SIRI) Line 2 and/or Line 13 instructions.

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Summary of key similarities/differences among the various types of SVO designated fund, should the proposal be adopted (yellow highlighted):

	SVO-identified Bond ETFs	SVO-identified Preferred Stock ETFs	SVO-identified Fixed Income-Like SEC-Registered Funds	SVO-identified Private Bond Funds
Description	SEC registered	SEC registered	SEC registered	Non-SEC registered
Accounting Standard	SSAP 26	SSAP 32	SSAP 30	SSAP 48
Reporting Schedule	Schedule D –1 Bonds	Schedule D – 2- 1 Preferred Stock	Schedule D – 2 – 2 Common Stock	Schedule BA – Other Long-Term Assets
Measurement Convention	Fair Value unless Systematic Value elected	Fair Value	Fair Value	Equity Method
RBC Reporting	LR002	LR005	LR005	LR008
RBC Risk Component	C-1o	C-1o	C-1o	C-1o
RBC Charge Methodology	Driven by SVO Designation – 20 Designation Categories Same as Bond charges	Driven by SVO Designation – 6 Designations Unaffiliated Preferred Stock charges	Driven by SVO Designation – 6 Designations Same as Unaffiliated Preferred Stock charges	Driven by SVO Designation – 6 Designations Same as Unaffiliated Preferred Stock charges
Tax effect	0.168 for NAIC 1-5 0.21 for NAIC 6	0.1575 for NAIC 1-5 0.21 for NAIC 6	0.1575 for NAIC 1-5 0.21 for NAIC 6	0.1575 for NAIC 1-5 0.21 for NAIC 6
AVR Component	Default Component	Default Component	Default Component	Equity Component
AVR factors	Bond AVR Factors	Preferred Stock AVR Factors	Same as Preferred Stock AVR Factors	Same as Preferred Stock AVR Factors
AVR Treatment for Realized Capital Gains/Losses	Depends on NAIC rating changes	Entirely	Entirely	Entirely

UNAFFILIATED PREFERRED AND COMMON STOCK

LR005

Basis of Factors

Unaffiliated Preferred Stock and NAIC Fixed Income-Like SEC Registered Funds Designated by SVO

Starting with year-end 2004 RBC, the preferred stock factors were changed to be the same as for bonds. Starting (2026 tentatively), NAIC fixed income-like SEC registered funds designated by SVO are included in the preferred stock section.

Unaffiliated Common Stock, excluding NAIC Fixed Income-Like SEC Registered Funds Designated by SVO

Federal Home Loan Bank Stock has characteristics more like a fixed-income instrument rather than common stock. A 1.1% pre-tax factor was chosen. The factor for other unaffiliated common stock is based on studies conducted at two large life insurance companies. Both of these studies focused on well-diversified portfolios with characteristics similar to the Standard and Poor's 500 and indicate that a 30% pre-tax factor is needed to provide capital to cover approximately 95% of the greatest losses in common stock value over a two-year future period. This factor assumes capital losses are unrealized and not subject to favorable tax treatment at the time loss in fair value occurs.

Two adjustments are made to the 30% pre-tax factor to account for differences between the insurer's portfolio and the Standard and Poor's 500: first, the factor for publicly traded unaffiliated common stock is adjusted up or down by the weighted average beta of the insurer's portfolio subject to a maximum of 45% and a minimum of 22.5%; and second, a common stock concentration component is calculated, adding an additional requirement equal to 50% of the beta adjusted basic requirement for the five largest holdings of common stock in the insurer's portfolio.

Specific Instructions for Application of the Formula

Lines (1) through (6)

Column (1) amounts are from the Asset Valuation Reserve Default Component, Page 30, Column 1, Lines 10 through 15 of the annual statement. Since affiliated amounts are included for affiliated companies without an AVR in the Asset Valuation Reserve Default Component, Lines 10 through 15, these affiliated amounts should be deducted in Column (2). Affiliated companies with an AVR are reported on the Asset Valuation Reserve Default Component, Line 16 and should not be included in Column (2).

Line (7)

Column (1) should equal Annual Statement Assets, Page 2, Column 3, Line 2.1 less Asset Valuation Reserve Default Component, Column 1, Line 16 plus sum of Schedule D, Part 2, Section 2 Column 6, Line 5319999999, Line 5519999999 and Line 5719999999. Column (2) should equal Schedule D Summary by Country, Column 1, Line 22 less Asset Valuation Reserve Default Component, Column 1, Line 16.

Line (13)

Amount should reflect any non-admitted unaffiliated common stock that was included in Line (11) of this page.

Line (14)

Federal Home Loan Bank common stock reported on Schedule D, Part 2, Section 2 of the annual statement should be reflected on this line.

Line (16)

The pre-tax factor for other unaffiliated common stock should be equal to 30% adjusted in the case of publicly traded stock by the weighted average beta for the insurer's portfolio of common stock, subject to a minimum factor of 22.5% and a maximum factor of 45%. The calculation of the beta adjustment should follow the procedures laid out for the similar adjustment in the asset valuation reserve calculation. Insurers that choose not to calculate a beta for their portfolio should use the maximum factor of 45%.

~~Line (17)~~
~~Column (1) should equal Annual Statement Schedule D Summary by Country, Column 1, Line 25~~ 29 ~~less Schedule D Summary by Country, Column 1, Line 24~~ 28 ~~less line (13).~~

Lines (19) and (20)
To the extent that a modco or funds withheld transaction is backed by common stock included in Line (17) of the ceding company's RBC calculation, the ceding company's credit and assuming reinsurer's charge should include a beta adjustment that is calculated in a manner consistent with the Line (17) calculation of the ceding insurer.

ASSET CONCENTRATION FACTOR

LR010

Basis of Factors

The purpose of the asset concentration factor is to reflect the additional risk of high concentrations in single exposures (represented by an individual issuer of a security or a holder of a mortgage, etc.) The concentration factor doubles the risk-based capital pre-tax factor (with a maximum of 45% pre-tax) of the 10 largest asset exposures excluding various low-risk categories or categories that already have a maximum factor. Since the risk-based capital of the assets included in the concentration factor has already been counted once in the basic formula, the asset concentration factor only serves to add in the additional risk-based capital required. The calculation is completed on a consolidated basis; however, the concentration factor is reduced by amounts already included in the concentration factors of subsidiaries to avoid double-counting.

Specific Instructions for Application of the Formula

The 10 largest asset exposures should be developed by consolidating the assets of the parent with the assets of the company's insurance and investment subsidiaries. The concentration factor component on any asset already reflected in the subsidiary's RBC for the concentration factor should be deducted from Column (4). This consolidation process affects higher tiered companies only. Companies on the lowest tier of the organizational chart will prepare the asset concentration on a "stand alone" basis.

The 10 largest exposures should exclude the following: affiliated and non-affiliated common stock, affiliated preferred stock, home office properties, policy loans, bonds for which AVR and RBC are zero, NAIC 1.A to 1.G bonds, NAIC 1 unaffiliated preferred stock, CM 1 Commercial and Farm Mortgages and any other asset categories with RBC factors less than 0.85% post-tax (this includes residential mortgages in good standing, insured or guaranteed mortgages, cash, certain cash equivalents and short-term investments) and SVO-identified exchange-traded funds (ETFs) and SVO designated fixed income-like SEC registered funds that are diversified within the meaning of the federal Investment Company Act of 1940 [Section 5(b) (1)]. For SVO-identified ETFs and SVO designated fixed income-like SEC registered funds that are not diversified within the meaning of the Investment Company Act of 1940, reporting entities are required to identify actual exposures (unless excluded categories as above) and aggregate those exposures with directly held investments to determine the 10 largest exposures. .

In determining the assets subject to the concentration factor for both C-1o and C-1cs, the ceding company should exclude any asset whose performance inures primarily (>50%) to one reinsurer under modified coinsurance or funds withheld arrangements. The reinsurer should include 100% of such assets. Any asset where no one reinsurer receives more than 50% of its performance should remain with the ceding company.

Assets should be aggregated by issuer before determining the 10 largest exposures. Aggregations should be done separately for bonds including applicable Other Invested Assets with Underlying Characteristics of Bonds that are reported in Line 22 through 28 of Asset Valuation Reserve (AVR) Equity and Other Invested Asset Component table, and preferred stock (the first six digits of the CUSIP number can be used as a starting point) (please note that the same issuer may have more than one unique series of the first six digits of the CUSIP), mortgages and real estate. Investments held within SEC and foreign registered funds (open-end, closed end, unit investment trusts and ETFs) and non-registered funds such as Schedule BA funds in joint venture, partnerships or limited liability company structures (collectively "funds") that are not diversified within the meaning of the federal Investment Company Act of 1940 [Section 5(b) (1)] ~~Securities held within Schedule BA joint ventures partnerships limited liability and other fund structures~~ should be aggregated by issuer as if the ~~securities~~ underlying investments are held directly. Likewise, where joint venture real estate is mortgaged by the insurer, both the mortgage and the joint venture real estate should be considered as part of a single exposure. Tenant exposure is not included. For bonds and unaffiliated preferred stock, aggregations should be done first for classes 2 through 6. After the 10 largest issuer exposures are chosen, any NAIC 1.A to 1.G bonds or NAIC 1 unaffiliated preferred stock, from any of these issuers should be included before doubling the risk-based capital. For some companies, following the above steps may generate less than 10 "issuer" exposures. These companies should list all available exposures.

Replicated assets other than synthetically created indices should be included in the asset concentration calculation in the same manner as other assets.

The book/adjusted carrying value of each asset is listed in Column (2).

The RBC factor will correspond to the risk-based capital category of the asset reported previously in the formula before application of the size factor for bonds. Consistent with the aggregation noted above, applicable Other Invested Assets with Underlying Characteristics of Bonds receive the same RBC factor as bonds. To get the proper Asset Type for investments within the 'Other Invested Assets with Underlying Characteristics of Bonds' AVR category, use the NAIC Designation and NAIC Designation Modifier from the 'NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol' column as reported on Schedule BA – Part 1. The RBC filing software automatically allows for an overall 45% RBC cap.

Lines (17) through (22)

The Asset Concentration RBC Requirement for a particular property plus the Real Estate RBC Requirement for a particular property cannot exceed the book/adjusted carrying value of the property. Any properties exceeding the book/adjusted carrying value must be adjusted down to the book/adjusted carrying value in Column (6) of the Asset Concentration.

Line (18), Column (4) is calculated as Line (17), Column (2) multiplied by 0.1100 plus Line (18), Column (2) multiplied by 0.0925, but not greater than Line (17), Column (2).

Line (20), Column (4) is calculated as Line (19), Column (2) multiplied by 0.1100 plus Line (20), Column (2) multiplied by 0.0925, but not greater than Line (19), Column (2).

Line (22), Column (4) is calculated as Line (21), Column (2) multiplied by 0.1300 plus Line (22), Column (2) multiplied by 0.1125, but not greater than Line (21), Column (2).

Lines (23) through (54)

The Asset Concentration RBC Requirement for a particular mortgage plus the LR004 Mortgages RBC Requirement or LR009 Schedule BA Mortgages RBC Requirement for a particular mortgage cannot exceed 45% of the book/adjusted carrying value of the mortgage. Any mortgages exceeding 45% of the book/adjusted carrying value must be adjusted down in Column (6) of the Asset Concentration.

Line (32), Column (4) is calculated as the greater of 0.1800 multiplied by [(Line (31) plus Line (32)] less Line (32) or Line (31) multiplied by the appropriate factor for the CM class to which the loan is assigned.

Line (34), Column (4) is calculated as the greater of 0.0140 multiplied by [(Line (33) plus Line (34)] less Line (34) or Line (33) multiplied by 0.0068.

Line (36), Column (4) is calculated as the greater of 0.1800 multiplied by [(Line (35) plus Line (36)] less Line (36) or Line (35) multiplied by the appropriate factor for the CM class to which the loan is assigned.

Line (38), Column (4) is calculated as the greater of 0.2200 multiplied by [(Line (37) plus Line (38)] less Line (38) or Line (37) multiplied by the appropriate factor for the CM class to which the loan is assigned.

Line (40), Column (4) is calculated as the greater of 0.0270 multiplied by [(Line (39) plus Line (40)] less Line (40) or Line (39) multiplied by 0.0068.

Line (42), Column (4) is calculated as the greater of 0.2200 multiplied by [(Line (41) plus Line (42)] less Line (42) or Line (41) multiplied by the appropriate factor for the CM class to which the loan is assigned.

Line (43), Column (4) is calculated as Line (43) multiplied by the appropriate factor for the CM class to which the loan is assigned.

Line (52), Column (4) is calculated as the greater of 0.1800 multiplied by [(Line (51) plus Line (52)] less Line (52) or Line (51) multiplied by the appropriate factor for the CM class to which the loan is assigned.

Line (54), Column (4) is calculated as the greater of 0.2200 multiplied by [(Line (53) plus Line (54)] less Line (54) or Line (53) multiplied by the appropriate factor for the CM class to which the loan is assigned.

COMMON STOCK CONCENTRATION FACTOR

LR011

Basis of Factors

The purpose of the common stock concentration factor is to reflect the additional risk of high concentrations in a single exposure of common stock. The common stock concentration factor increases by 50% the risk-based capital factor for the five largest common stock exposures. The 50% increase was chosen by comparing the total variance of particular holdings of common stock to the portion of the variance that can be explained by movements of the overall stock market. The risk-based capital of the assets included in the unaffiliated common stock concentration factor has already been counted once in the basic formula; the common stock concentration factor only serves to add in the additional risk-based capital required. The calculation is completed on a consolidated basis; however, the common stock concentration factor is reduced by amounts already included in the concentration factors of subsidiaries to avoid double-counting.

Specific Instructions for Application of the Formula

The five largest common stock exposures should be developed by consolidating the assets of the parent with the assets of the company's insurance and investment subsidiaries. The concentration factor component on any asset already reflected in the subsidiary's RBC for the concentration factor should be deducted from Column (4). This consolidation process affects higher tiered companies only. Companies on the lowest tier of the organizational chart will prepare the asset concentration on a "stand alone" basis.

The five largest holdings should exclude common stock in the FHLB, ~~investment companies (mutual funds) and common trust funds,~~ SEC and foreign registered funds (open-end, closed end, unit investment trusts and ETFs) and non-registered funds such as Schedule BA funds in joint venture, partnerships or limited liability company structures (collectively "funds") that are diversified with the meaning of the Investment Company Act of 1940 [Section 5(b) (1)], and affiliated investments other than investments in non-insurance subsidiaries. For non-insurance subsidiaries, i.e., those with affiliate code 3 on LR044 (the portion of holding companies in excess of indirect subsidiaries) and those with affiliate code 9 (other subsidiaries), the total stock investment including both preferred and common stock should be used. For funds that are not diversified within the meaning of the Investment Company Act of 1940, reporting entities are required to identify actual common stock exposures and aggregate those exposures with directly held common stock to determine the 5 largest exposures. For example, if a reporting entity directly holds common stocks in Exxon Mobil and holds a non-diversified closed-end fund with common stock in Exxon Mobil, the reporting entity shall aggregate the directly held common stock investments with the common stock investments held in the closed-end funds to determine the aggregate exposure to Exxon Mobil.

Replicated assets in the nature of common stock other than synthetically created indices should be included in the common stock concentration calculation in the same manner as other investments in common stock.

Assets should be aggregated by issuer before determining the five largest exposures.

The book/adjusted carrying value of each asset is listed in Column (2).

UNAFFILIATED PREFERRED AND COMMON STOCK

		Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Less Affiliated Preferred Stock Without AVR	(3) RBC Subtotal	(4) Factor	(5) RBC Requirement
	Unaffiliated Preferred Stock **and NAIC Fixed Income-Like SEC Registered Funds Designated by SVO**						
(1)	Preferred Stock Asset NAIC 1	AVR Default Component Column 1 Line 10	$0	$0	$0	X 0.0039 =	$0
(2)	Preferred Stock Asset NAIC 2	AVR Default Component Column 1 Line 11	$0	$0	$0	X 0.0126 =	$0
(3)	Preferred Stock Asset NAIC 3	AVR Default Component Column 1 Line 12	$0	$0	$0	X 0.0446 =	$0
(4)	Preferred Stock Asset NAIC 4	AVR Default Component Column 1 Line 13	$0	$0	$0	X 0.0970 =	$0
(5)	Preferred Stock Asset NAIC 5	AVR Default Component Column 1 Line 14	$0	$0	$0	X 0.2231 =	$0
(6)	Preferred Stock Asset NAIC 6	AVR Default Component Column 1 Line 15	$0	$0	$0	X 0.300 =	$0
(7)	Total Unaffiliated Preferred Stock **and NAIC Fixed Income-Like SEC Registered Funds Designated by SVO** (pre-MODCO/Funds Withheld)	Sum of Lines (1) through (6)	$0	$0	$0		$0
	(Column (1) should equal Page 2 Column 3 Line 2.1 less Asset Valuation Reserve Default Component Column 1 Line 16 **plus Schedule D, Part 2, Section 2 Column 6, Line 5319999999 + Line 5519999999 + 5719999999**)						
	(Column (2) should equal Schedule D Summary by Country Column 1 Line 22 less Asset Valuation Reserve Default Component Column 1 Line 16.)						
(8)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					$0
(9)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					$0
(10)	Total Unaffiliated Preferred Stock **and NAIC Fixed Income-Like SEC Registered Funds Designated by SVO** (including MODCO/Funds Withheld.)	Lines (7) - (8) + (9)					$0
	Unaffiliated Common Stock, **excluding NAIC Fixed Income-Like SEC Registered Funds Designated by SVO**						
(11)	Total Common Stock, **excluding NAIC Fixed Income-Like SEC Registered Funds Designated by SVO**	**AVR Equity Component Column 1 Line 17 ~~Schedule D Summary Column 1 Line 29~~**	$0				
(12)	Less Affiliated Common Stock	**AVR Equity Component Column 1 Line ~~4+5+6+7+8+9+10+11+12+13+14+15+16 Schedule D Summary Column 1 Line 28~~**	$0				
(13)	Less Non-Admitted Unaffiliated Common Stock included in Line (11)	Company Records	$0				
(14)	Less Federal Home Loan Bank Common Stock	AVR Equity Component Column 1 Line 3	$0		$0	X 0.011 =	$0
(15)	Less Unaffiliated Private Common Stock	AVR Equity Component Column 1 Line 2	$0		$0	X 0.300 =	$0
(16)	Net Other Unaffiliated Public Common Stock	Lines (11) - (12) - (13) - (14) - (15)	$0		$0	X 0.450 † =	$0
(17)	Total Admitted Unaffiliated Common Stock, **excluding NAIC Fixed Income-Like SEC Registered Funds Designated by SVO** (pre-MODCO/Funds Withheld)	Lines (14) + (15) + (16)	$0		$0		$0
	(Column 1 should equal Schedule D Summary by Country Column 1 Line 29 less Line 28 less Line (13))						
(18)	Credit for Hedging	LR015 Hedged Asset Common Stock Schedule Column 10 Line **(**0299999**)**					$0
(19)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					$0
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					$0
(21)	Total Admitted Unaffiliated Common Stock, **excluding NAIC Fixed Income-Like SEC Registered Funds Designated by SVO** (including MODCO/Funds Withheld and Credit for Hedging.)	Lines (17) - (18) - (19) + (20)					$0

† The factor for publicly traded common stock should equal 30 percent adjusted up or down by the weighted average beta for the publicly traded common stock portfolio subject to a minimum of 22.5 percent and a maximum of 45 percent in the same manner that the similar 13 percent factor for publicly traded common stock in the Asset Valuation Reserve (AVR) calculation is adjusted up or down. The rules for calculating the beta adjustment are set forth in the AVR section of the annual statement instructions.

ASSET VALUATION RESERVE

This exhibit and its supporting calculations are designed to address the non-interest-related (default) and equity risks of the company's assets by calculating a basic contribution, a reserve objective and a maximum reserve amount and controlling the flow of the reserve from/into surplus. These instructions cover the Asset Valuation Reserve (AVR) for both the General Account Statement and the Separate Account Statement. If an AVR is required for investments in the Separate Accounts Statement, it is combined with the General Account AVR and accounted for in the General Accounts statement. Worksheets supporting the separate accounts portion of the reserve are included with the Separate Accounts Statement. The criteria for determining when an AVR is required for separate accounts are described in the Separate Accounts AVR Worksheet instructions.

Line 1 – Reserve as of December 31, Prior Year

Enter amounts from Line 16 of the prior year's Reserve Calculation.

Line 2 – Realized Capital Gains (Losses) Net of Taxes – General Account

Report all realized non-interest-related (default) and equity capital gains (losses) (which includes, but is not limited to, common stock, perpetual preferred stock, mandatory convertible preferred stock (regardless if redeemable or perpetual) and SVO-Identified Preferred Stock ETFs), net of capital gains tax, applicable to the assets in each component and sub-component. All realized capital gains (losses) transferred to the AVR are net of capital gains taxes thereon. Exclude all interest rate-related capital gains (losses) from the AVR.

Capital gains tax should be determined using the method developed by the company to allocate taxes used for statutory financial reporting purposes.

Report all realized capital gains (losses), net of capital gains tax, on each debt security (excluding asset-backed securities) whose NAIC/SVO designation at the end of the holding period is different from its NAIC/SVO designation at the beginning of the holding period by more than on NAIC designation shall be considered to reflect non-interest-related changes. Gains (losses) from those debt instruments shall be reported in the AVR. However, securities without more than one designation change shall be included in the AVR if it includes the following:

- Between the purchase and sale date there was an acute credit event (a known event that significantly negatively impacts the price of the security), that was not yet reflected in CRP ratings and/or the SVO feed at the time of the sale, where the resulting gain (loss) from the sale was predominantly credit related.

Determination of AVR gain (loss) on multiple lots of the same fixed income securities should follow the underlying accounting treatment in determining gain (loss). Thus, the designation, on a purchase lot basis, should be compared to the designation at the end of the holding period to determine IMR or AVR gain or (loss).

In accordance with *SSAP No. 26—Bonds*, securities with other-than-temporary impairment losses shall be recorded entirely to either AVR or IMR and not bifurcated between interest and non-interest components.

In accordance with *SSAP No. 43—Asset-Backed Securities*, for asset-backed securities only:

DEFAULT COMPONENT –
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS

This supporting form is used to calculate the basic contribution, reserve objective and maximum reserve amount for the bond, preferred stock, derivative instruments and mortgage loan sub-components of the default component of the AVR. Instructions apply to the general account and the separate accounts, if applicable.

Column 5 – Basic Contribution Factor

These factors, on average, will provide an amount that approximates expected annual losses.

Include: The reserve factor calculated for mortgage loans.

Column 7 – Reserve Objective Factor

These factors are set to provide an accumulation level estimated to cover, in the aggregate, about 85% of the distribution of losses for each asset category.

Include: The reserve factor calculated for mortgage loans.

Column 9 – Maximum Reserve Factor

These factors define the largest amount that may be accumulated in the AVR. They operate to limit the level of AVR in periods of unusual capital gains or when voluntary reserves are added to the AVR.

Include: The reserve factor calculated for mortgage loans.

Lines 1 through 7 – Long-Term Bonds

Report the book/adjusted carrying value of all bonds and other fixed income instruments owned in Columns 1 and 4. Categorize the bonds and other fixed income instruments into NAIC designations 1 through 6 as directed by the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, except that, exempt obligations should be reported separately. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7 and 9, and report the products by designation in Columns 6, 8 and 10, respectively.

Line 8 – Total Unrated Mortgage-Backed/Asset-Backed Securities Acquired by Conversion

"Unrated Mortgage-Backed/Asset-Backed Securities Acquired by Conversion" are securities acquired through the conversion of a portion of the company's assets, on or after January 1, 1993, into securities for which the company does not obtain a rating from an NAIC recognized rating agency and for which there is no recourse liability.

For instructions for completing this line, refer to "Basic Contribution, Reserve Objective and Maximum Reserve Calculation for Unrated Mortgage-Backed/Asset-Backed Securities Acquired by Conversion."

Line 9 – Total Long-Term Bonds

Column 1 should agree with Page 2, Line 1, Column 3 plus Schedule DL Part 1, Column 6, Line 2009999999.

Lines 10 through 15 – Preferred Stocks and NAIC Fixed Income-Like SEC Registered Funds Designated by SVO

Report the book/adjusted carrying value of all preferred stocks, mutual funds designated by SVO, unit investment trusts designated by SVO and closed-end funds designated by SVO (Schedule D, Part 2, Section 2, Lines 5319999999, 5519999999 and 5719999999 respectively, collectively "SVO-identified mutual funds, unit investment trusts and closed-end funds") owned in Columns 1 and 4. Note that these SVO-identified mutual funds, unit investment trusts and closed-end funds predominantly hold bonds or preferred stocks and are captured in NAIC Fixed Income-Like SEC Registered Fund List maintained by the SVO. Categorize the preferred stocks and SVO-identified mutual funds, unit investment trusts and closed-end funds into NAIC designations one through six as directed by the NAIC Securities Valuation Office instructions. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7 and 9, and report the products by designation in Columns 6, 8 and 10, respectively.

Line 16 – Affiliated Life Insurer with AVR

Report the book/adjusted carrying value of all preferred stocks owned in a controlled or affiliated company, or a subsidiary that is a life or fraternal insurance company that holds an AVR, in Columns 1 and 4. These companies are required to carry their own asset valuation reserve or an equivalent, and therefore the preferred stocks are not required to be included in the asset valuation reserve of an affiliated company.

Line 17 – Total Preferred Stocks and NAIC Fixed Income-Like SEC Registered Funds Designated by SVO

Column 1 should agree with Page 2, Line 2.1, Column 3 plus Schedule DL, Part 1, Column 6, Line 4509999999 plus Schedule D, Part 2, Section 2, Lines 5319999999, 5519999999 and 5719999999.

Lines 18 through 24 – Short-Term Bonds

Report the book/adjusted carrying value of all short-term bonds and other short-term fixed-income investments (Schedule DA, Part 1 (Line 0509999999) and short-term bonds included on Schedule DL, Part 1, Line 9509999999 owned in Columns 1 and 4. Categorize the short-term bonds and other fixed-income instruments listed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* into NAIC designations 1 through 6 as directed by the Securities Valuation Office instructions, except that exempt obligations listed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported separately. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7 and 9, and report the products by designation in Columns 6, 8 and 10, respectively.

Lines 26 through 32 – Derivative Instruments

Report the book/adjusted carrying value exposure to counterparty credit risk associated with the use of derivative instruments, net of acceptable collateral, for all counterparties by each SVO designation, from Schedule DB, Part D, Section 1, Column 8. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7 and 9, and report the products by designation in Columns 6, 8 and 10, respectively.

Line 34 – Total

Column 6 must be reported on Page 29, Line 7, Column 1.

Column 8 must be reported on Page 29, Line 10, Column 1.

EQUITY AND OTHER INVESTED ASSET COMPONENT –
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS

This supporting form is used to calculate the basic contribution, reserve objective and maximum reserve targets for the common stock, real estate and other invested assets sub-components of the equity component of the AVR. Instructions apply to the general account and to the separate accounts, if applicable.

Column 5 – Basic Contribution Factor

These factors, on average, will provide an amount that approximates expected annual losses.

Include: The reserve factor calculated for mortgage loans.

Column 7 – Reserve Objective Factor

These factors are set to provide an accumulation level estimated to cover, in the aggregate, about 85% of the distribution of losses for each asset category.

Include: The reserve factor calculated for mortgage loans.

Column 9 – Maximum Reserve Factors

These factors define the largest amount that may be accumulated in the AVR. They operate to limit the level of AVR in periods of unusual capital gains or when voluntary reserves are added to the AVR.

Include: The reserve factor calculated for mortgage loans.

Line 1 – Unaffiliated Common Stocks – Public, excluding NAIC Fixed Income-Like SEC Registered Funds Designated by SVO

Report the book/adjusted carrying value of all publicly issued common stock, including mutual funds, unit investment trusts, closed-end funds and ETFs (reported as common stock) in unaffiliated companies in Columns 1 and 4. Exclude money market mutual funds appropriately reported on Schedule E, Part 2 and exclude mutual funds designated by SVO, unit investment trusts designated by SVO and closed-end funds designated by SVO (Schedule D, Part 2, Section 2, Lines 5319999999, 5519999999 and 5719999999 respectively, collectively "SVO-identified mutual funds, unit investment trusts and closed-end funds"). Note that these SVO-identified mutual funds, unit investment trusts and closed-end funds predominantly hold bonds or preferred stocks and are captured in NAIC Fixed Income-Like SEC Registered Fund List maintained by the SVO. ~~.~~ Multiply Column 4 by the reserve factor calculated for Columns 5, 7 and 9, and report the products in Columns 6, 8 and 10, respectively.

See Footnote (a) on the Annual Statement Blank for reference on the minimum and maximum reserve factors for Line 1, Column 7 and 9.

The reserve factor is equal to 15.8% times the company's weighted average portfolio beta. The weighted average portfolio beta is the market value weighted average of four (4) portfolio betas, one from the end of the prior year and the remaining from the first three (3) quarters of the current year. Calculation of this weighted average portfolio beta is illustrated in the following worksheet:

Line 15 – Subsidiary, Controlled or Affiliated Common Stocks – Certain Other Subsidiaries

Report the book/adjusted carrying value of all subsidiary, controlled or affiliated company common stocks owned that have been valued according to *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* in Columns 1 and 4. Multiply Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 16 – Subsidiary, Controlled or Affiliated Common Stocks – Other

Report that portion of the book/adjusted carrying value of all common stocks of all subsidiary, controlled or affiliated companies, that have not been included on Lines 4 through 15, in Columns 1 and 4. Multiply Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

Line 17 – Total Common Stocks, excluding NAIC Fixed Income-Like SEC Registered Funds Designated by SVO

Column 1 should agree with Page 2, Line 2.2, Column 3 plus Schedule DL, Part 1, Column 6, Line 5989999999 minus Schedule D, Part 2, Section 2, Lines 5319999999, 5519999999 and 5719999999. The Columns 6, 8 and 10 amounts, respectively, must be reported on the Asset Valuation Reserve Page, Lines 7, 10 and 9, respectively, Column 4.

Lines 18 through 20 – Real Estate

Categorize the real estate as indicated on Lines 18 through 20. Real estate reported in Schedule DL, Part 1, Line 9209999999 would also be included in this section. Report the sum of Columns 1, 2 and 3 in Column 4. Multiply the amount in Column 4 by the reserve factors provided in Columns 5, 7 and 9 and report the products in Columns 6, 8 and 10, respectively.

NOTE: Related party encumbrances are loans from the reporting entity and the amount reflected in Column 2 should be deducted in Column 2 in the corresponding section of the AVR worksheet. If the real estate entity to which the loan was made is not wholly owned by the reporting entity, the related party encumbrance amount reflected in Column 2 should be based on the reporting entity's ownership percentage. The amount of the third-party encumbrances without recourse to be reflected in Column 3 is limited to the extent that the maximum reserve (Column 6) should not exceed the sum of the book/adjusted carrying value (Column 1) plus related party encumbrances (Column 2) and third-party encumbrances with recourse which are included in Column 3.

Line 21 – Total Real Estate

The Columns 6, 8 and 10 amounts must be combined with Line 83, Columns 6, 8 and 10 amounts and reported on the Asset Valuation Reserve Page, Lines 7, 10 and 9, Column 5.

Lines 22 through 28 – Other Invested Assets with Underlying Characteristics of Bonds

Report the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to bonds (Lines 0199999, 0299999, 0599999, 0699999, 0999999, 1099999, 1399999, and 1499999) that have been valued according to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* in Columns 1 and 4. Follow the SVO guidelines and categorize these assets into NAIC designations one through six as directed by the NAIC Securities Valuation Office instructions, except those exempt obligations (as listed in the AVR instructions for Line 2) which should be reported separately. Multiply the amount in Column 4 for each designation by the reserve factors provided in Columns 5, 7 and 9 and report the products by designation in Columns 6, 8 and 10, respectively.

ACLI
Financial Security for Life

August 14, 2025

Mr. Philip Barlow, Chairman
RBC Investment Risk and Evaluation Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: Proposal 2025-12-IRE SVO-identified funds alignment project

Submitted Electronically

Dear Mr. Barlow:

The American Council of Life Insurers (ACLI) welcomes the opportunity to comment on the exposed proposal for the Life RBC formula to align the RBC treatment for bond funds with ACLI principles. We appreciate the Working Group's consideration of our proposed RBC principles for bond funds in developing this proposal. The candidate principles were developed to evaluate and ensure consistent RBC treatment between various fund types where the underlying holdings are bonds and currently meet the criteria for the SVO WARF methodology.

Following our review of the exposed proposal and discussion with NAIC staff, we offer the following observations and recommendations:

1. Treatment through C-1cs Rather Than C-1o
   The exposed proposal suggests that SEC registered funds designated by the SVO should be included in the preferred stock section and ultimately flow through C-1o. To better reflect the nature of these investments and formulaic complexity, ACLI recommends that SEC-registered funds designated by the SVO be treated as unaffiliated common stock and reported through C-1cs.

   This would further reduce operational complexity by not having "preferred stock categories" that are mentioned several times in the annual statements and instructions. In certain instances, the annual statements would only be referring to true preferred stock amounts while other instances would be referring to preferred stock amounts inclusive of common stock mutual funds. Reporting SEC-registered funds designated by the SVO through C-1cs would help ensure accurate reporting in all instances and simplify reporting.

2. Creation of New Lines within C-1cs
   To facilitate accurate RBC factor application and avoid changes to the AVR schedule, ACLI suggests six new lines be created within C-1cs, corresponding to each NAIC designation. The six NAIC designations are the same for bonds on Schedule BA and preferred stock on Schedule D-2-1 and Schedule BA.

3. AVR Considerations
   The addition of lines for each of the six NAIC designations to C-1cs would alleviate the need to make any changes to the AVR schedule. However, if the existing C-1cs structure is retained without modification, AVR adjustments would be required to ensure proper update of RBC.

4. Clarification of Schedule D-2-2 Instructions
   We recommend that the instructions for Schedule D-2-2 be updated to clearly specify which subcategories (i.e., "Designation Assigned by SVO" for mutual funds, unit investment trusts, and closed-end funds) should be reported in the specific categories. This clarification will support consistent application of RBC treatment.

We appreciate the Working Group's openness to feedback and look forward to continued collaboration to ensure the RBC framework reflects the evolving investment landscape while maintaining regulatory integrity.

Sincerely,

Marc Altschull, CFA, FSA, MAAA
Senior Actuary
marcaltschull@acli.com
202-624-2089

Shannon Jones, CPA
Senior Director - Financial Reporting Policy
Shannonjones@acli.com
202-624-2029

BCS Insurance Company

August 4, 2025

Dear Chair and members of **Property and Casualty Risk-Based Capital (E) Working Group**,

While we support the principle of developing a proposal for harmonization that includes assigning bond-like treatment to SVO designated funds, we urge the Working Group to expand this from Life companies only to all insurer types.

Industry research notes that 96% of SVO-designated mutual funds and a significant amount of private funds reside on non-life insurance balance sheets. However, for fixed income funds, as a P&C insurer, presently we are subject to punitive RBC charges, i.e., Schedule D-2 Equity charge to mutual funds and Schedule BA charge to private funds. At the same time, Life insurers have been benefiting from bond-like treatment for SVO designated private funds and will likely be able to apply the same to mutual funds given the exposure draft. This inconsistency disadvantages us as a P&C insurer.

There are capital efficiency considerations to our investment decisions. We utilize fund vehicles such as mutual funds for certain fixed income exposures due to their liquidity, diversification, operational and expense efficiencies. In our view, the ability to invest in fixed income funds and to receive fair RBC treatment commensurate with the associated SVO designation is critical for leveling market access. This is primarily true for smaller insurers, where cost or complexity issues render funds as the only reasonable vehicle, but also impacts larger insurers seeking to access more niche strategies for similar benefit.

In our opinion, this movement furthers the guiding RBC principle of “equal capital for equal risk” and agrees with the recent Principles-Based Bond Definition initiative that stressed “substance over form.” Aligning these metrics improves solvency assessments for all insurance lines, not just Life companies where this has been exposed.

Sincerely yours,

Alexander D Hudson

Vice President, Investment Services & Treasury
BCS Insurance Company

THE DOCTORS COMPANY
medical ~~mal~~practice insurance

T.C. Wilson III
Chief Investment Officer

July 9, 2025

Dear Chair and members of Risk-Based Capital and Evaluation (E) Working Group members and interested parties:

While we support the principle of developing a proposal for harmonization that includes assigning bond-like treatment to SVO designated funds, we urge the Working Group to expand this from Life companies only to all insurer types.

Industry research notes that 96% of SVO-designated mutual funds and a significant amount of private funds reside on non-life insurance balance sheets. However, for fixed income funds, as a P&C insurer, presently we are subject to punitive RBC charges, i.e., Schedule D-2 Equity charge to mutual funds and Schedule BA charge to private funds. At the same time, Life insurers have been benefiting from bond-like treatment for SVO designated private funds and will likely be able to apply the same to mutual funds given the exposure draft. This inconsistency disadvantages us as a P&C insurer.

As allocators, there are capital efficiency considerations to our investment decisions. We utilize fund vehicles such as ETFs and mutual funds extensively for certain fixed income exposures due to their liquidity, diversification, operational and expense efficiencies. In our view, the ability to invest in fixed income funds and to receive fair RBC treatment commensurate with the associated SVO designation risk level is critical for leveling market access. This is primarily true for smaller insurers, where cost or complexity issues render funds as the only reasonable vehicle, but also impacts larger insurers seeking to access more niche strategies for similar benefit.

In our opinion, this movement furthers the guiding RBC principle of “equal capital for equal risk” and agrees with the recent Principles-Based Bond Definition initiative that stressed “substance over form.” Aligning these metrics improves solvency assessments for all insurance lines, not just Life companies where this has been exposed.

Sincerely,

TC Wilson
Chief Investment Officer
The Doctors Company Group

NAPA, CALIFORNIA
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Significant changes in working agenda are highlighted in yellow for illustration purposes only, any highlights will be removed upon posting of working agenda on CADTF webpage.

Priority 1 – High Priority
Priority 2 – Medium Priority
Priority 3 – Low Priority

CAPITAL ADEQUACY (E) TASK FORCE
WORKING AGENDA ITEMS FOR CALENDAR YEAR 2026

2026~~5~~ #	Owner	2026~~5~~ Priority	Expected Completion Date	Working Agenda Item	Source	Comments	Date Added to Agenda
Ongoing Items – RBC IR & E							
Carryover Items Currently being Addressed – RBC IR &E							
IR1	RBC IRE	2	2026~~4~~ or later	Supplemental Investment Risks Interrogatories (SIRI)	**Referred from CADTF** Referral from Blackrock and IL DOI	The Task Force received the referral on Oct. 27. This referral will be tabled until the bond factors have been adopted and the TF will conduct a holistic review all investment referrals.	**1/12/2022** 11/19/2020
IR2	RBC IRE	2	2026~~4~~ or later	NAIC Designation for Schedule D, Part 2 Section 2 - Common Stocks Equity investments that have an underlying bond characteristic should have a lower RBC charge. Similar to existing guidance for SVO-identified ETFs reported on Schedule D-1, are treated as bonds.	**Referred from CADTF** Referral from SAPWG 8/13/2018	10/8/19 - Exposed for a 30-day Comment period ending 11/8/2019 3-22-20 - Tabled discussion pending adoption of the bond structure and factors.	**1/12/2022** 10/11/2018
~~IR3~~	~~RBC IRE~~	~~2~~	~~2024 or later~~	~~Structured Notes - defined as an investment that is structured to resemble a debt instrument, where the contractual amount of the instrument to be paid at maturity is at risk for other than the failure of the borrower to pay the contractual amount due. Structured notes reflect derivative instruments (i.e., put option or forward contract) that are wrapped by a debt structure.~~	~~**Referred from CADTF** Referral from SAPWG April 16, 2019~~	~~10/8/19 - Exposed for a 30-day Comment period ending 11/8/2019 3-22-20 - Tabled discussion pending adoption of the bond structure and factors.~~ 11/4/25 – structured notes are supposed to be classified as Derivatives – Others under SSAP No. 86 and	~~**1/12/2022** 8/4/2019~~

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						therefore non-admitted. Since there is not a current reporting provision to separately identify these assets in Schedule DB and due to non-admittance, propose to remove this topic from Working Agenda, considering materiality assessment.	
IR34	RBC IRE	2	20264 or later	Comprehensive Fund Review for investments reported on Schedule D Pt 2 Sn2	**Referred from CADTF** Referral from VOSTF 9/21/2018	Discussed during Spring Mtg. NAIC staff to do analysis. 10/8/19 - Exposed for a 30-day comment period ending 11/8/19 3-22-20 - Tabled discussion pending adoption of the bond structure and factors.	**1/12/2022** 11/16/2018
IR4	RBCIRE	1	2026 or later	Evaluate the appropriate RBC treatment of Asset-Backed Securities (ABS), including Collateralized Loan Obligations (CLO), collateralized fund obligations (CFOs), or other similar securities carrying similar types of tail risk (Complex Assets). Address the tail risk concerns not captured by reserves for these privately structured securities.	**Request from E Committee, SAPWG, VOSTF** **Referral from the Macroprudential (E) Working Group**	Per the request of E Committee comments were solicited asking if these types of assets should be considered a part of the RBC framework.	1/12/2022 8/13/2022
IR5	RBC IRE	1	2026 or later	Evaluate the appropriate RBC treatment of Residual Tranches.	**Request from E Committee, SAPWG, VOSTF**	Per the request of E Committee comments were solicited asking if these types of assets should be considered a part of the RBC framework. Proposal 2023-09-IRE was adopted in 2023	1/12/2022

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						to effect a 45% factor for residual tranches/interest with effect from YE 2024 reporting. This was deemed an interim solution, subject to positive or negative adjustments based on American Academy of Actuaries' study. (IR4)	
IR6	RBC IRE	1	2026 or later	Phase 2 Bond analysis - evaluate and develop an approach to map other ABS to current bond factors following the established principles from Phase I where the collateral has an assigned RBC. This project will likely require an outside consultant, and the timeline could exceed 2-3 years.	**Request from E Committee**	Per the request of E Committee comments were solicited requesting the need for outside review.	1/12/2022
IR7	RBC IRE	2	2026 or later	Evaluate asset concentration related issues and the potential changes to the risk-based capital formulas to address the risk.	**Referral from CADTF**	4/30/24 – Task Force referred to the Working Group.	10/22/2024
New Items – RBC IR & E							
~~IR5~~	~~RBCIRE~~	~~1~~	~~2024 or later~~	~~Evaluate the appropriate RBC treatment of Asset-Backed Securities (ABS), including Collateralized Loan Obligations (CLO), collateralized fund obligations (CFOs), or other similar securities carrying similar types of tail risk (Complex Assets).~~	~~Request from E Committee, SAPWG, VOSTF~~	~~Per the request of E Committee comments were solicited asking if these types of assets should be considered a part of the RBC framework.~~	~~1/12/2022~~
~~IR6~~	~~RBC IRE~~	~~1~~	~~2024 or later~~	~~Evaluate the appropriate RBC treatment of Residual Tranches.~~	~~Request from E Committee, SAPWG, VOSTF~~	~~Per the request of E Committee comments were solicited asking if these types of assets should be considered a part of the RBC framework.~~	~~1/12/2022~~
~~IR7~~	~~RBC IRE~~	~~1~~	~~2025 or later~~	~~Phase 2 Bond analysis - evaluate and develop an approach to map other ABS to current bond factors following the established principles from Phase I where the collateral has an assigned RBC. This project will likely require an outside consultant and the timeline could exceed 2-3 years.~~	~~Request from E Committee~~	~~Per the request of E Committee comments were solicited requesting the need for outside review.~~	~~1/12/2022~~
~~IR8~~	~~RBC IRE~~	~~1~~	~~2024 or later~~	~~Address the tail risk concerns no captured by reserves for privately structured securities.~~	~~Referral from the~~		~~8/11/2022~~

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					~~Macroprudential (E) Working Group~~		
~~IR9~~	~~RBC IRE~~	~~2~~	~~2025 or later~~	~~Evaluate asset concentration related issues and the potential changes to the risk-based capital formulas to address the risk.~~	~~Referral from CADTF~~	~~4/30/24 – Task Force referred to the Working Group.~~	~~10/22/2024~~

National Association of Insurance Commissioners & The Center for Insurance Policy and Research

TO: Commissioner David Altmaier (FL), Chair of the Capital Adequacy (E) Task Force
Kevin Fry, (IL), Chair of the Valuation of Securities (E) Task Force

FROM: Dale Bruggeman (OH), Chair of the Statutory Accounting Principles (E) Working Group

DATE: April 16, 2019

RE: Ref #2018-18 – Structured Notes

During the 2019 Spring National Meeting, the Statutory Accounting Principles (E) Working Group adopted as final, agenda item 2018-18, Structured Notes to clarify the accounting and reporting guidance for structured notes. Pursuant to the adopted definition, a structured note is defined as an investment that is structured to resemble a debt instrument, where the contractual amount of the instrument to be paid at maturity is at risk for other than the failure of the borrower to pay the contractual amount due. Structured notes reflect derivative instruments (i.e. put option or forward contract) that are wrapped by a debt structure. The adopted revisions include the following:

1. *SSAP No. 2R—Cash, Drafts, and Short-term Investments*: Derivative instruments shall not be reported as cash equivalents or short-term instruments regardless of their maturity date.

2. *SSAP No. 26R—Bonds*: Structured notes are explicitly excluded from the scope of SSAP No. 26R. Although these instruments are structured to resemble a debt instrument with a "debt wrapper" these instruments are not bonds.

3. *SSAP No. 43R—Loan-Backed and Structured Securities*: Structured notes that are mortgage-referenced securities are in scope of SSAP No. 43R.

4. *SSAP No. 86—Derivatives*: Structured notes, excluding mortgage-referenced securities in scope of SSAP No. 43R, are considered derivative instruments and shall be captured in scope of SSAP No. 86.

The adopted statutory accounting revisions were adopted with a Dec. 31, 2019 effective date. A blanks proposal was also exposed at the Spring National Meeting to incorporate new reporting lines on Schedule D, Part 1 to separately identify mortgage-referenced securities reported within the scope of SSAP No. 43R.

With adoption of the revisions, the Working Group directed a referral to the Capital Adequacy (E) Task Force and the Valuation of Securities (E) Task Force:

- Capital Adequacy (E) Task Force – The Working Group has identified that the book/adjusted carrying value (BACV) of a structured note reported on Schedule DB will be fair value (and likely captured as an "other" derivative), and RBC will be determined based on the reported BACV. With a structured note, the principal amount to be returned is contingent on the specific performance of an underlying variable as of a stated date. So, although structured to resemble a debt instrument, interest and the return of principal (original investment amount) may only occur if underlying variable (often an equity index) meets a performance threshold on a designated date. Furthermore, the Working Group identified that the IMR/AVR annual statement instructions only address hedging, income generation and replication derivatives. This referral requests consideration of appropriate RBC charges, and the elements used in determining the RBC (perhaps considering "potential exposure" instead of BACV"), for structured notes

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(and "other" derivatives) as well as determination on how gains and losses on these derivatives shall be reported through IMR/AVR.

- Valuation of Securities (E) Task Force – With the adoption of a structured note definition in SSAP No. 26R and SSAP No. 86, the Working Group requests that the Task Force revise the structured note definition in the *Purposes and Procedures Manual of the Investment Analysis Office*. The Working Group requests that the Task Force mirror the adopted statutory accounting definitions or simply refer to the SSAP No. 86 definition to ensure continuity.

SSAP No. 26R—Bonds

2. This statement excludes:

c. Securities that meet the definition in paragraph 3, **but for which the contractual amount of the instrument to be paid at maturity (or the original investment) is at risk for other than failure of the borrower to pay the contractual amount due. These investments, although in the form of a debt instrument, incorporate risk of an underlying variable in the terms of the agreement, and the issuer obligation to return the full principal is contingent on the performance of the underlying variable. These investments are addressed in *SSAP No. 86—Derivatives*, unless the investment is a mortgage-referenced security addressed in SSAP No. 43R**. This exclusion is specific to instruments in which the terms of the agreement make it possible that the reporting entity could lose all or a portion of its principal amount due / original investment amount (for other than failure of the issuer to pay the contractual amounts due). These instruments incorporate both the credit risk of the issuer, as well as the risk of an underlying variable (such as the performance of an equity index or the performance of an unrelated security). Securities that are labeled "principal-protected notes" are captured within this exclusion if the "principal protection" involves only a portion of the principal / original investment amount and/or if the protection requires the reporting entity to meet qualifying conditions in order to be safeguarded from the risk of loss from the underlying linked variable. Securities that may have changing positive interest rates in response to a linked underlying variable or the passage of time, or that have the potential for increased principal repayments in response to a linked variable (such as U.S. Treasury Inflation-Indexed Securities) that do not incorporate risk of original investment / principal loss (outside of default risk) are not captured in this exclusion. Securities within the scope of SSAP No. 43R, foreign denominated bonds (if only by virtue of their denomination in a foreign currency) and securities comprising elements of risk consistent with Replication (Synthetic Assets) transactions (RSATs), as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, are also not captured in this exclusion. This exclusion does not impact RSATs as defined in SSAP No. 86.

SSAP No. 86—Derivatives

5. Derivative instruments include, but are not limited to; options, warrants used in a hedging transaction and not attached to another financial instrument, caps, floors, collars, swaps, forwards, futures, structured notes with risk of principal / original investment loss based on the terms of the agreement (in addition to default risk), and any other agreements or instruments substantially similar thereto or any series or combination thereof.

g. "**Structured Notes" in scope of this statement are instruments (often in the form of debt instruments), in which the amount of principal repayment or return of original investment is contingent on an underlying variable/interest**[FN]. Structured notes that are "mortgage-referenced securities" are captured in *SSAP No. 43R—Loan-backed and Structured Securities*.

Footnote: The "structured notes" captured within scope of this statement is specific to instruments in which the terms of the agreement make it possible that the reporting entity could lose all or a portion of its original investment amount (for other than failure of the issuer to pay

the contractual amounts due). These instruments incorporate both the credit risk of the issuer, as well as the risk of an underlying variable/interest (such as the performance of an equity index or the performance of an unrelated security). Securities that are labeled "principal-protected notes" are captured within scope of this statement if the "principal protection" involves only a portion of the principal and/or if the principal protection requires the reporting entity to meet qualifying conditions in order to be safeguarded from the risk of loss from the underlying linked variable. Securities that may have changing positive interest rates in response to a linked underlying variable or the passage of time, or that have the potential for increased principal repayments in response to a linked variable (such as U.S. Treasury Inflation-Indexed Securities) that do not incorporate risk of original investment/principal loss (outside of default risk) are not captured as structured notes in scope of this statement.

Please contact NAIC staff of the Statutory Accounting Principles (E) Working Group with any questions.

cc Julie Gann, Robin Marcotte, Fatima Sediqzad, Jake Stultz, Jane Barr, Charles Therriault

Attachment: Agenda Item 2018-18

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