Date: 12/1/2026

Virtual Meeting

STATUTORY ACCOUNTING PRINCIPLES (E) WORKING GROUP
Tuesday, December 1, 2026
12:00 – 1:00 p.m. EST / 11:00 a.m. – 12:00 p.m. CST / 10:00 – 11:00 a.m. MST / 9:00 – 10:00 a.m. PST

ROLL CALL

Kevin Clark, Chair	Iowa	Steve Mayhew/Kristin Hynes	Michigan
Dale Bruggeman, Vice Chair	Ohio	Ned Cataldo	New Hampshire
Sheila Travis/Richard (Hamp) Russell	Alabama	Bob Kasinow	New York
Kim Hudson	California	Diana Sherman	Pennsylvania
William Arfanis/Michael Estabrook	Connecticut	Jamie Walker	Texas
Rylynn Brown	Delaware	Doug Stolte/Jennifer Blizzard	Virginia
Cindy Andersen	Illinois	Amy Malm/Levi Olson	Wisconsin
Shantell Taylor/Tom Travis	Louisiana		

NAIC Committee Support: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden

AGENDA

1. Receive RSAT Presentation from the ACLI—*Kevin Clark (IA)* — Attachment 1
   A. ACLI: Adam Knepp (ACLI) & Joe Demetrick (MetLife) — Attachment 2

2. Discuss Presentation and Next Steps—*Kevin Clark (IA)*

3. Discuss Any Other Matters Brought Before the Working Group —*Kevin Clark (IA)*

4. Adjournment

© 2026 National Association of Insurance Commissioners

ACLI AMERICAN COUNCIL OF LIFE INSURERS

RSATs & Life Insurers

Prepared for NAIC 12/01/2026

Background

- What are Replicated Synthetic Asset Transactions (RSATs)?
  - A derivative transaction entered into in conjunction with other investment(s) in order to reproduce the investment characteristics of otherwise permissible investment.
    - Not classified as derivatives use hedging or income generation
- How are RSATs limited and regulated? Where is the guidance located?
  - Derivatives Use Plans (DUPs)
  - State Guidance
  - Model 280 Investment Limits
  - SVO P&P Manual
  - SSAP 86

Attachment 1

RSAT Usage

RSATs have grown ~5x since 2016, yet remain a small share of life insurers' derivatives and assets

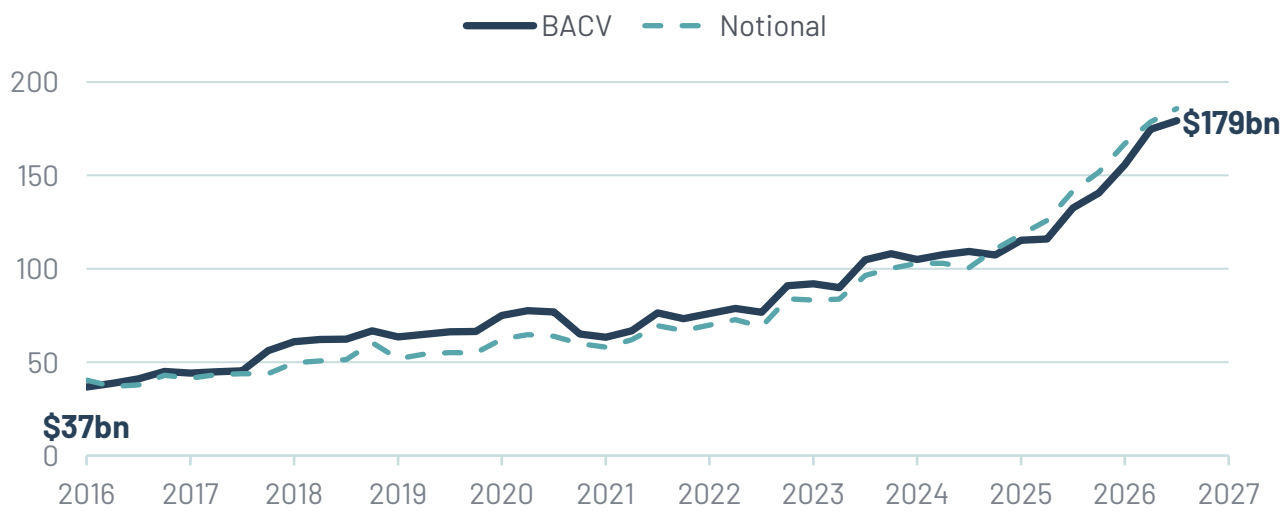
$179bn
RSAT book/adjusted carrying value, Q3 2026

4.9x
growth since Q1 2016 ($37bn)

16%
compound annual growth rate, Q1 2016 – Q3 2026

17 → 29
SNL Life groups with RSAT filings, Q1 2016 → Q3 2026

RSAT balances, quarterly ($bn)



To scale vs. industry totals, YE 2025

Derivative notional: RSAT $152bn of ≈$4.0tn

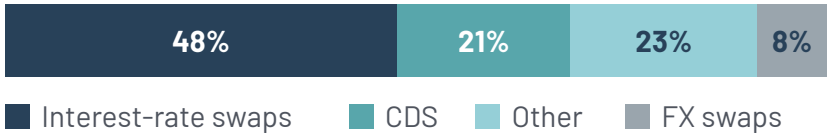
3.8% Other derivatives

Invested assets: RSAT $141bn of ≈$6.1tn

2.3% Other invested assets

RSAT notional by type, YE 2025

CDS-based RSATs: 99.9% IG by reference exposure



Sources: S&P Global Market Intelligence; NAIC Schedule DB Part C Sec. 1 (life insurers), Q1 2016 – Q3 2026 (Q1 2022 unavailable). Share and mix data: ACLI tabulations of NAIC data (Sch. DB Parts A, B, C), year-end 2025, used by permission. Group counts are S&P Global SNL Life Groups. Implied industry totals = RSAT values ÷ ACLI percentages.

ACLI AMERICAN COUNCIL OF LIFE INSURERS

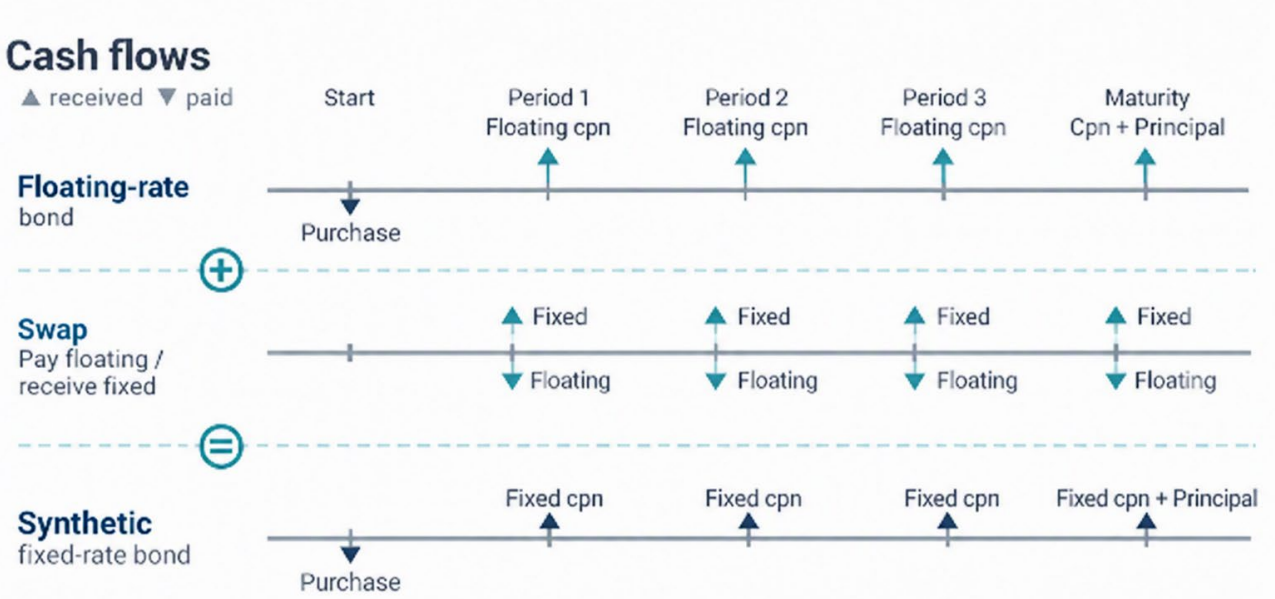
Business Reasons for RSAT Growth

- Increased awareness of RSAT's being an effective tool
- Enhanced liquidity
- Enhanced asset liability management (interest-rate RSATs)
  - Increased interest in floating rate opportunities
  - Efficiency of duration extension RSAT transactions
- Portfolio transition strategies

RSAT 1: Bond + Fixed-Float Interest Rate Swap

Attachment 1

Floating-rate bond(s) plus receive-fixed / pay-floating swap creates a synthetic fixed-rate security



Effectiveness tests

Approved RSAT
Safe Harbor structure: bond paired with a fixed-float swap

Permissible asset
Synthetic fixed-rate bond is a permissible investment

Maximum loss capped
Loss limited to carrying value of the bond and the swap

Cash instrument assigned
Bond(s) assigned exclusively to the RSAT at all times

Term within cash maturity
Swap maturity set at or below the bond maturity

Inception value aligned
Bond + swap value tie to the RSAT value at inception

WHY INSURERS USE IT

Can reduce interest rate exposure when matched against a long-duration liability

Does not change the credit profile of the cash instrument

Large portions of the structured market are investment grade and floating rate

CREDIT TREATMENT

No change in credit profile

NAIC designation = Cash instrument

TAKEAWAYS

Floating coupons offset the swap's floating leg, leaving fixed flows

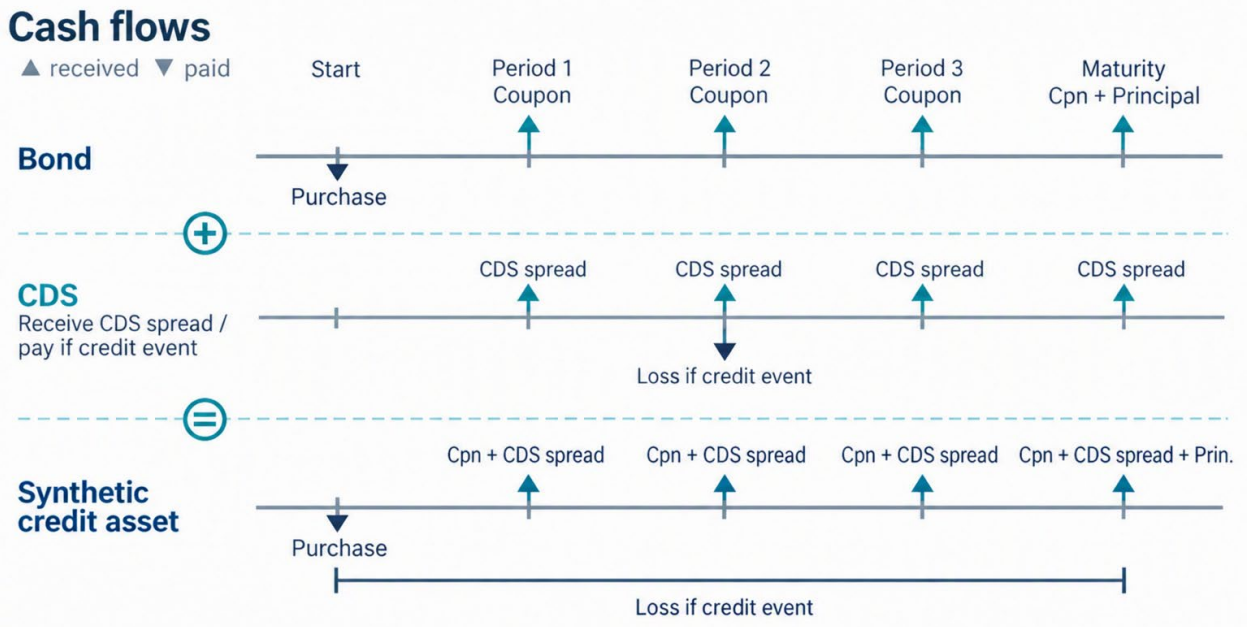
Credit-neutral: designation follows the cash instrument

ACLI AMERICAN COUNCIL OF LIFE INSURERS

RSAT 2: Bond + Credit Default Swap (CDS)

Attachment 1

Selling protection adds credit exposure and premium income to a bond, creating a synthetic credit asset



Effectiveness tests

Approved RSAT
Safe Harbor structure: bond paired with credit default swap

Permissible asset
Replicated credit exposure is a permissible investment subject to state investment guidelines

Maximum loss capped
CDS notional sized to bond; loss capped at bond + CDS values

Cash instrument assigned
Bond assigned exclusively to the CDS position

Term within cash maturity
CDS maturity set at or below the bond maturity

Inception value aligned
Bond + CDS value tie to the RSAT value at inception

WHY INSURERS USE IT

Insurer earns CDS premium on top of the bond coupon

Adds liquid, diversified credit exposure to the reference credit, e.g., CDX IG or HY

CREDIT TREATMENT

Changes credit profile of cash instrument

NAIC Designation is a function of the applicable credit quality of the cash instrument and CDS reference entity

TAKEAWAYS

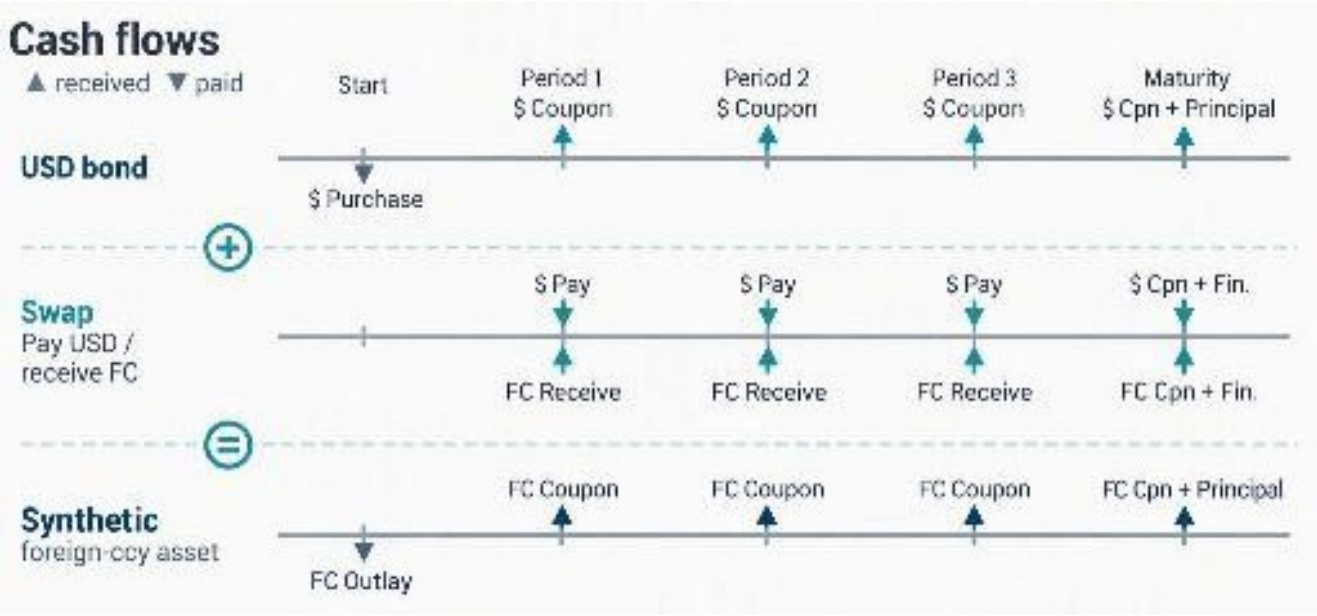
Bond coupon plus CDS premium; loss if a credit event occurs

Credit risk must be captured in the company's RBC calculation

RSAT 3: Bond + Foreign Currency Swap

Attachment 1

A USD bond swapped into foreign-currency flows creates a synthetic asset to match foreign-currency liabilities



Effectiveness tests

Approved RSAT
Safe Harbor structure: bond paired with a foreign currency swap

Permissible asset
Synthetic foreign-currency asset is a permissible investment

Maximum loss capped
Loss limited to carrying value of the bond and the swap

Cash instrument assigned
USD bond assigned exclusively to the RSAT at all times

Term within cash maturity
Swap maturity set at or below the bond maturity

Inception value aligned
Bond + swap value tie to the RSAT value at inception

WHY INSURERS USE IT

U.S. insurers can hold liabilities in currencies other than USD

Insurer uses the depth of U.S. capital markets to originate the cash instrument

CREDIT TREATMENT

No change in credit profile

NAIC designation = Cash instrument

TAKEAWAYS

USD bond flows are swapped for foreign-denominated flows

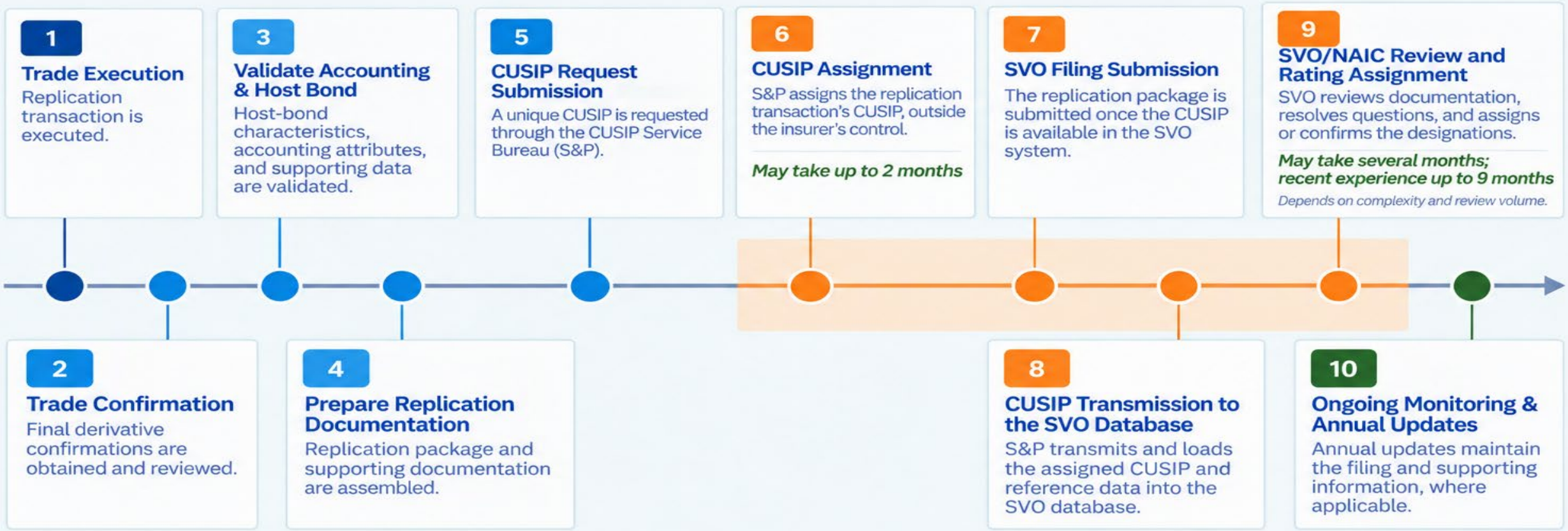
Synthetic asset matches foreign-currency liabilities

No credit change: designation follows the cash instrument

Replication Filing Process and Timing Considerations

Attachment 1

Completed SVO filings depend on operational and administrative steps following trade execution.



Factors affecting overall timing

CUSIP assignment, database transmission, and SVO review occur outside the insurer's direct control.

Accounting

Statutory measurement, designation and public reporting considerations

MEASUREMENT

Measurement basis

Amortized cost or fair value treatment is predicated on the valuation of the RSAT components.

Income presentation

Segregate cash flows between interest income and fair value changes reported in equity.

DESIGNATIONS

Required identifiers

Each RSAT requires an SVO filing, NAIC designation and RSAT number.

Non-credit RSATs

Interest-rate and foreign-currency RSATs take **the cash instrument's designation as these RSATs do not involve a change in credit profile.**

Credit RSATs

Credit default swap RSATs takes in consideration the **derivative reference credit's designation and the designation of the cash instruments.**

PUBLIC REPORTING

Schedules

Report each RSAT as a public line item on Schedule DB [Part A and C]

- Part A- list derivative component
- Part C- list derivative and cash instrument(s) components and the replicated asset
- Linkage between Part A and Part C are RSAT number and description
- LR013- RSAT RBC charge + any credits
- Cash instruments reported on Schedule D and RBC charge on LR002

Complete view

Reporting connects the accounting measurement to the applicable designation and RSAT number.

RBC ANALYSIS – Stylized Example

Attachment 1

RSAT Type	Cash Instrument RBC (LR002)	RSAT RBC (LR013)	Total RBC	% of Book/Adjusted Carry Value: Cash Instrument RBC (LR002)	% of Book/Adjusted Carry Value: RSAT RBC (LR013)	% of Book/Adjusted Carry Value: Total RBC
Bond + Interest Rate Swap Replication	288,647	0	288,648	0.82%	0.00%	0.82%
Bond + Credit Default Swap Replication	362,411	533,624	896,035	0.36%	0.52%	0.88%
Bond + Foreign Currency Swap Replication	60,920	990	61,910	1.50%	0.02%	1.52%
Total	**711,978**	**534,615**	**1,246,593**			

Total C-1 RBC reflects the combined RBC impact of the **cash instrument (LR002)** and **replicated asset (LR013)**.

RSAT RBC Charge: The table above reflects the additional C-1 RBC charge for the replicated asset. The replicated asset value may be greater than the sum of the cash instruments value due to the derivative statement value.

See Appendix for the corresponding Schedule DB Parts A and C, LR002, and LR013 examples. Inclusive of rating components on the cash instruments.