NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Draft date: 7/1/26

Virtual Meeting

LIFE RISK-BASED CAPITAL (E) WORKING GROUP
Thursday, July 16, 2026
12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

ROLL CALL

Ben Slutsker, Chair	Minnesota	William Leung	Missouri
Philip Barlow, Vice Chair	District of Columbia	Michael Muldoon	Nebraska
Sheila Travis/Sanjeev Chaudhuri	Alabama	Jennifer Li	New Hampshire
Thomas Reedy	California	Seong-min Eom	New Jersey
Wanchin Chou	Connecticut	William B. Carmello	New York
Hannah Howard	Florida	Andy Schallhorn	Oklahoma
Matt Cheung	Illinois	Rachel Hemphill	Texas
Mike Yanacheak	Iowa	Tomasz Serbinowski	Utah

NAIC Committee Support: Kazeem Okosun/Maggie Chang

AGENDA

1. Consider Adoption of its June 11, April 30, April 23, and Spring National Meeting Minutes—*Ben Slutsker (MN)* — Attachment 1A, Attachment 1B, Attachment 1C, Attachment 1D

2. Consider Adoption of Generator of Economic Scenario (GOES) (E/A) Subgroup May 28, Minutes —*Ben Slutsker (MN)* — Attachment 2

3. Consider Adoption of Longevity Risk (E/A) Subgroup June 9 Minutes —*Ben Slutsker (MN)* — Attachment 3

4. Receive Updates From its Subgroup—*Ben Slutsker (MN)*
   A. Disbandment of Variable Annuities Capital and Reserve (E/A) Subgroup

5. Discuss 2025 Life Risk-Based Capital (RBC) Statistics—*Ben Slutsker (MN)* — Attachment 4

6. Consider Adoption of the 2026 Newsletter—*Ben Slutsker (MN)* — Attachment 5

7. Consider a Working Group Referral to the Statutory Accounting Principles (E) Working Group on Collateral Loans BA Schedule Reporting —*Ben Slutsker (MN)* — Attachment 6

8. Consider Exposure of GOES C-3 Specifications —*Ben Slutsker (MN)* Attachment 7
   A. Hear Updates on C-3 Alignment Drafting Group Report

9. Discuss Any Other Matters Brought Before the Working Group
   —*Ben Slutsker (MN)*

10. Adjournment

Draft: 6/22/26

Life Risk-Based Capital (E) Working Group
Virtual Meeting
June 11, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met June 11, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sanjeev Chaudhuri and Sheila Travis (AL); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak, Kevin Clark, and Carrie Mears (IA); William Leung (MO); Jennifer Li (NH); William B. Carmello (NY); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Adopted Proposal 2026-06-L MOD (LR027 Annual Statement Source)

Slutsker said proposal 2026-06-L MOD makes editorial changes to LR027 to update annual statement source references. He noted that no comments were received after the proposal was re-exposed on April 23.

Reedy made a motion, seconded by Hemphill, to adopt proposal 2026-06-L MOD (LR027 Annual Statement Source) (Attachment X). The motion passed unanimously.

2. Adopted Proposal 2026-01-L (AVR Changes)

Slutsker said proposal 2026-01-L aligns the asset valuation reserve (AVR) default, equity, and other invested asset component tables with changes adopted by the Blanks (E) Working Group in proposal 2025-27BWG MOD. He noted the proposal was originally exposed on Feb. 10, with one comment letter from the American Council of Life Insurers (ACLI) received, and additional discussion occurred in the Investment Risk and Evaluation (E) Working Group and the Blanks (E) Working Group after the exposure period.

Barlow made a motion, seconded by Leung, to adopt proposal 2026-01-L (AVR Changes) (Attachment X). The motion passed unanimously.

3. Adopted Proposal 2026-09-L MOD (LR008 Schedule BA Collateral Loans Annual Statement Source 2026 Update)

Slutsker stated that adoption of proposal 2026-09-L MOD would align the 2026 risk-based capital (RBC) schedule with the more granular blanks changes adopted for collateral loans. He also highlighted a paragraph in the LR009 instructions, titled "Avoidance of Doubt," which was intended to clarify RBC treatment in situations where loan documentation is unavailable. However, after further research and discussion with NAIC committee support, he said it was determined that the appropriate RBC treatment in such cases is not yet sufficiently clear. Accordingly, Slutsker said the Working Group would consider adoption without the "Avoidance of Doubt" paragraph. He indicated that, because the paragraph was intended only as a clarification and not as a substantive change, its removal would not require re-exposure. He added that further discussion of the appropriate RBC treatment in these situations is expected on future calls as part of the 2027 implementation process.

Adam Knepp (ACLI) said the ACLI had no further comments and viewed the proposal as editorial rather than substantive. He said the ACLI reviewed the changes with NAIC committee support, and the latest version in the meeting materials reflects the ACLI's source statement edit. Slutsker added that no additional exposure was needed because the revision was editorial and reiterated that the proposal would exclude the paragraph on unavailable underlying documentation but include the ACLI's editorial change.

Clark made a motion, seconded by Chou, to adopt proposal 2026-09-L MOD (LR008 Schedule BA Collateral Loans Annual Statement Source 2026 Update) (Attachment XX). The motion passed unanimously.

Maggie Chang (NAIC) clarified that the adopted treatment applies for 2026 and that the NAIC will refresh the guidance memorandum on the Blanks (E) Working Group page, which will continue to serve as the interim solution, consistent with the approach used for the 2024 and 2025 filings. She noted that AVR lines K1 and K2 now exist but are not used under the interim approach. In response to Slutsker, Chang confirmed that the interim solution will continue the Statutory Accounting Principles (E) Working Group-based mapping for collateral loans with mortgage characteristics through 2026, with any remaining gaps to be addressed through future guidance.

4. Adopted Proposal 2025-16-L MOD (Collateral Loans)

Slutsker reviewed the history of the collateral loan RBC proposal. He said the Working Group had previously agreed to replace the 6.8% flat factor with a look-through approach based on the underlying collateral, permit a reduction for overcollateralization, and implement the change in 2027. He noted that NAIC committee support had originally proposed a flat 20% reduction for overcollateralization, while the ACLI proposed a tiered approach with lower charges for higher levels of overcollateralization. Slutsker said generally favorable feedback on the concept led NAIC committee support to focus on the two most recently exposed approaches for overcollateralization adjustments: the ACLI's tiered proposal and an alternative that shifts the tiers and applies a higher floor on reductions.

Knepp, speaking to the ACLI's comment letter, said the ACLI supports the latest exposed version of the modified proposal for JV/LP/LLC interests reported on Schedule BA and endorses option two as its preferred approach, subject to refinements. He said the ACLI believes the proposal advances a framework that is both risk-sensitive and operationally feasible, particularly through tiered look-through adjustments based on overcollateralization and a requirement for independent verification. Knepp then outlined the ACLI's two recommended calibration refinements: 1) a 40% adjustment to the base look-through factor for loans with 30% to 50% loan-to-value (LTV) ratio; and 2) a 6.8% floor for loans with LTVs of 30% or less, aligned with the current C-1 factor for similar assets. He said these refinements would improve risk alignment, maintain simplicity, preserve consistency within the broader RBC framework, and support continued investment in this asset class where credit ratings may not be practical.

Slutsker observed that the ACLI's revised proposal was similar to option two because it incorporated the 10% shift, but differed by adding a 30% to 50% tier and applying a 6.8% floor rather than a floor equal to 50% of the underlying factor. He asked Knepp to confirm that characterization, and Knepp agreed.

Slutsker further clarified that each of the proposed options would require independent verification. Absent such verification, no reduction would be allowed to the factor for the underlying collateral. He added that the proposals also contemplate a range-and-value report to show the valuation range of the assets, consistent with the Working Group's focus on validating asset values.

Clark stated that he supported the ACLI's revised proposal because it incorporates elements of both exposed options. He said a floor is appropriate, but in his view, it should not be established above the current RBC factor. Clark further stated that the proportional haircut approach already incorporates conservatism, noting that overcollateralization does not reduce risk on a one-for-one basis, but rather serves to absorb first losses. Accordingly, he expressed the view that a higher floor was unnecessary and indicated his support for the ACLI methodology. Barlow asked whether there was a specific rationale for selecting 6.8% as the floor, or whether that level was viewed as reasonable primarily because it is consistent with the current charge. He noted that any floor may be somewhat arbitrary and requested clarification regarding the basis for that selection. Clark responded that the proposed charge aligns with the current treatment and remains conservative even at 70% overcollateralization. He added that for assets with greater overcollateralization, the 6.8% factor may still be conservative, but the proposal would at least avoid increasing the existing charge.

Serbinowski questioned the rationale underlying the proposal, noting that while the relationship between collateralization and risk may not be linear, higher levels of collateralization would generally be expected to mitigate, rather than increase, the effect of changes in asset value on the loan. Using the example of a loan backed by collateral equal to 120% of the loan amount, he observed that a 20% decline in the underlying asset's value would appear to have a limited effect on the loan because of the excess collateral buffer. Therefore, he requested further clarification regarding the proposal's treatment of risk for highly collateralized loans. Clark responded that the key consideration is the loss floor. Using the example of a $30 loan supported by $100 of collateral, he explained that the collateral could absorb up to $70 of losses before the loan would incur any loss. On that basis, Clark expressed support for using a factor that more accurately reflects the level of collateral protection.

Serbinowski stated that the proposed RBC treatment may not be proportionate to the underlying risk, noting that a relatively high RBC factor could apply to reflect potential declines in asset value even where the loan position itself may remain protected despite a significant reduction in collateral value. In his view, the resulting capital charge appeared disproportionate to the actual level of risk exposure. Clark asked whether he was suggesting eliminating the floor and returning to the ACLI's prior approach. Serbinowski clarified that he was not proposing to eliminate the floor but viewed a 15% floor as overly conservative. Clark stated that 6.8% was a reasonable factor, noting that loans with more than 70% overcollateralization are already subject to that charge and that retaining the existing factor would not be unduly punitive.

Hemphill noted that independent valuation is important because the key issue is not only potential loss, but also uncertainty regarding current asset values. She added that while there was support for allowing some loan-to-value adjustment under option two, the ACLI proposal did not resolve concerns about creating excessive regulatory review burden for a small asset class. Overall, Hemphill expressed support for a practical, less granular approach.

Serbinowski agreed with portions of Hemphill's comments and stated that the look-through methodology was not the preferred approach. He noted that the primary issue was the credibility and reliability of the collateral's stated value, emphasizing the need for stronger independent evaluation to ensure that reported values are supportable. Serbinowski further stated that, if the valuation concerns could be adequately resolved and the collateral value were determined to be reliable, the applicable factors should be lower than proportional. Referencing Hemphill's reasoning, Clark questioned the rationale for applying a floor as overcollateralization increases. He noted that when overcollateralization is limited, the approach already relies on a proportional haircut and expressed the view that valuation concerns should generally diminish as the collateral cushion grows. Clark further indicated that there was no need to establish the floor at a level above the current factor.

Hemphill noted that uncertainty about independent verification and the reliability of values is a greater concern for assets with lower overcollateralization and higher leverage. She stated that, while small adjustments may still be inaccurate, larger adjustments are more material and therefore raise greater concern from an RBC perspective.

Carmello said he agreed with Hemphill that option two is acceptable as presented and that he did not support the ACLI changes. He said he had consistently viewed 6.8% as too low and did not support retaining 6.8% in any of these options.

Reedy supported option two and emphasized the importance of independent verification while noting the practical limits of regulatory review for this asset class. Serbinowski and Carmello questioned whether empirical support exists for concluding that the 6.8% factor is insufficient, rather than relying on judgment alone. Clark reiterated support for option two, stating that a comprehensive actuarial study would not be an efficient use of resources, given the asset class's limited size. Slutsker noted that the matter remains under review and that a joint meeting with the Capital Adequacy (E) Task Force is scheduled for the following week. He emphasized the importance of materiality in determining when formal studies are warranted versus when more expedient approaches may be appropriate.

Douglas Brown (CL Life and Annuity Insurance Company) said a relative risk analysis may be more efficient than a full study. He noted that 6.8% reflects the spread between investment-grade and non-investment-grade bonds, while 15% is more consistent with CCC-level credit risk, and suggested considering which is more appropriate relative to a 20% LTV ratio. Brown also said lenders generally have incentives to overstate, rather than understate, LTV ratios and noted that maximum LTV covenants allow earlier intervention through paydowns, additional collateral, or default remedies. He emphasized that LTV is, therefore, a key risk management measure.

Slutsker said the discussion had narrowed to two approaches, with the primary difference being the floor under option two compared with the ACLI's latest proposal. He said that, if option two were not adopted, the ACLI's latest proposal would remain and would require a brief fatal-flaw exposure. He then called for a motion and roll-call vote.

Slutsker reported that the roll-call straw poll showed support for option two, which includes the 50% floor, with nine members in favor, one opposed, and one abstention. He said a referral would be prepared for the Statutory Accounting Principles (E) Working Group to address value range issues. Chang said she would prefer that, if deemed appropriate, NAIC committee support be directed to have these items disclosed in the Annual Statement Blanks Investment Schedules. Slutsker said 2026 items would take priority, but this item could be considered for adoption at the June 30 Capital Adequacy (E) Task Force meeting to meet Summer National Meeting deadlines.

Barlow made a motion, seconded by Reedy, to adopt proposal 2025-16-L MOD (Collateral Loans) with option two (Attachment XX). The motion passed unanimously.

5. Received a Referral from the Investment Analysis (E) Working Group (Residential Mortgage Loans: Definition, Disclosure, and Risk-Based Capital Charges)

Slutsker said the Working Group received a referral from the Investment Analysis (E) Working Group regarding residential mortgage loans.

Mears, speaking on the referral (Attachment XX), said the Invested Assets (E) Task Force reviewed growth in residential mortgage loans and identified concerns regarding limited reporting and the possible inclusion of loans with commercial-like characteristics. She explained that the referral was made for further review of reporting guidance and RBC treatment, noting that the current flat RBC factor may not fully reflect the underlying risk. Mears emphasized that the referral is intended solely for further evaluation and does not presume any particular accounting, reporting, or capital outcome.

The Working Group noted that this item will be a key focus of future discussion and plans to revisit it during its July meeting to determine how to proceed with the referral.

6. Discussed the Statutory Accounting Principles (E) Working Group Notice of Exposure: AVR Affiliated Common Stock

The Working Group noted the Statutory Accounting Principles (E) Working Group's notice of exposure regarding AVR treatment for affiliated common stock. Slutsker said the exposure was developed in response to a referral from the Working Group at the 2025 Summer National Meeting based on ACLI comments on a separate proposal. He said the comments requested clarification of the Life AVR Blanks and Instructions for reporting subsidiary, controlled, and affiliated common stock (SCA), consistent with *Statement of Statutory Accounting Principles (SSAP) No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*. Slutsker said the exposure would assign certain SCA items to the "SCA – Certain Other" category, which carries a lower AVR factor, and would clarify the treatment of other SCA common stock lines. He reminded members that comments are due to the Statutory Accounting Principles (E) Working Group by June 22 and added that a related annual statement blanks proposal with a 2027 effective date is under development.

7. Discussed Other Matters

Slutsker stated that the Working Group will meet again in July to discuss RBC statistics, newsletters, adoption of minutes, administrative items, and the residential mortgage referral. He also noted that the Working Group will not meet in person at the Summer National Meeting.

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

Draft: 5/12/26

Life Risk-Based Capital (E) Working Group
Virtual Meeting
April 30, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met April 30, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak and Kevin Clark (IA); Matt Cheung (IL); William Leung (MO); Michael Muldoon (NE); Seong-min Eom (NJ); William B. Carmello (NY); Andy Schallhorn (OK); Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Re-Exposed 2025-16-L MOD (Collateral Loans)

Slutsker said the first agenda item was listed as a follow-up to the prior Life Risk-Based Capital (E) Working Group's April 23 meeting, which ended before the full agenda was completed. He said the primary focus was a continuation of the discussion on re-exposure of the collateral loan proposal and that staff reviewed the outcome of the prior vote, which approved re-exposing two options: 1) the American Council of Life Insurers (ACLI) proposal; and 2) the Alternative Credit Council (ACC) proposal. Slutsker added that the ACC proposal mirrored the ACLI structure but shifted the loan-to-value (LTV) tiers by 10 percentage points, creating a band with an 80% midpoint to reflect common collateral loan structures. Slutsker noted that questions were raised regarding how the ACC proposal would treat lower LTV tiers, as this was not clearly discussed during the prior meeting, and that the Working Group and NAIC committee support attempted to solicit clarification from the ACC representative on its current position.

Slutsker said further discussion among state insurance regulators and NAIC committee support highlighted concerns with the treatment of very low LTV tiers under the ACLI proposal. Specifically, he said the proposal would apply significant haircuts at low LTVs (e.g., a 90% haircut), resulting in materially reduced effective factors under the look-through approach. He said regulators expressed concern that such outcomes may warrant additional regulatory scrutiny and enhanced disclosures, including the independent verification requirements already contemplated in the ACLI proposal. Slutsker said, as a result, committee support suggested continuing to expose an alternative proposal alongside the ACLI proposal, with modifications intended to address these concerns. In particular, he said the alternative exposure would introduce a floor within the tiering structure to mitigate extreme reductions at low LTV levels. He stated that the purpose of the discussion was to clarify what the alternative proposal would look like for exposure, and he then displayed comparative tiering tables to illustrate the differences between the two approaches.

Slutsker walked through the key differences between the ACLI proposal and the alternative option. He confirmed that under the ACLI proposal, when there is no independent verification, the top tier would receive no haircut (0%), consistent with the intent expressed in the comment letter and discussed during the prior meeting. He then described the intended structure of the alternative exposure option. He said the option was based on the ACC's earlier comment letter and uses LTV bands shifted by 10 percentage points. He then highlighted two refinements that were incorporated. First, the top LTV band (90%–100%) would receive a 0% haircut, regardless of whether there is independent verification. Second, the alternative proposal would introduce a floor at the lowest tier, so that LTVs below 50% would receive a 50% haircut.

Slutsker explained that the floor would prevent highly overcollateralized loans from receiving proportionately lower effective factors (e.g., floor at 15%). He noted that while this approach limits the ability to reflect very low LTVs, it was intended to address regulatory concerns about haircuts and the resulting need for extensive review, particularly for assets that may be Level 3. He also noted that insurers retain the option to securitize and seek

Securities Valuation Office (SVO) ratings for very low-risk assets if more refined capital treatment is pursued. Slutsker then proposed rescinding the motion passed on April 23 call and look for a revised motion to expose, for a new 21-day comment period, modified proposal to reflect these clarifications: 1) the ACLI proposal with explicit confirmation that there is no haircut when there is no independent verification; and 2) the revised ACC alternative proposal incorporating the shifted LTV bands and a 50% floor.

Carmello shared his perspective regarding haircuts at higher LTV ratios. He expressed clear support that loans above 80% LTV do not warrant a haircut. He indicated support for introducing a haircut floor and suggested combining the concepts by incorporating a haircut floor into the ACLI proposal rather than maintaining separate approaches. Slutsker then clarified that both features under discussion (no haircut in the top LTV band and a haircut floor at low LTVs) apply to only Option 2, and that neither feature is included in Option 1 (the ACLI proposal). Slutsker then noted that under Option 1 as presented, loans in the 80%–100% LTV band would receive a 10% haircut. Therefore, a loan with a 90% LTV would be subject to a 10% haircut under the ACLI structure. Slutsker restated his understanding that under Option 2, loans in the 80%–90% LTV range would receive a 20% haircut and suggested that this treatment appears to be the source of Carmello's concern; Carmello agreed.

Slutsker explained that the Working Group is attempting to balance simplicity, accuracy, and regulatory workload in developing an appropriate haircut approach for this asset class. He said that early discussions did not contemplate any haircut, followed by an initial proposal to expose a flat 20% haircut. Slutsker noted that the ACLI proposal later introduced a more refined, tiered approach but intentionally stopped short of a fully continuous formula (e.g., one minus LTV). Slutsker noted that this restraint reflects both the relatively limited materiality of the asset class at an industry-wide level and a desire to avoid unnecessary complexity. He emphasized that further refinement would increase regulatory review and operational burden and would add complexity to the risk-based capital (RBC) schedules (e.g., additional rows, formatting, and review effort). He concluded that the current debate reflects the challenge of finding the right tradeoff between precision and practicality while maintaining proportional oversight.

Clark noted that he originally made the motion for the prior exposure and stated that he would be willing to make a new motion to rescind that exposure and replace it with the revised proposal. He indicated that the revised approach aligns with Iowa's preference, specifically, an option that includes both a floor on haircuts and no haircut for LTVs above 90%. Slutsker confirmed that Option 2 would be the approach moving forward, incorporating the discussed floor and revised tiering structure, and that it would be subject to a 21-day exposure period.

Barlow asked whether the original flat (straight) haircut proposal discussed earlier remained under consideration as a potential option. Slutsker said the question was valid and noted that because the Working Group previously exposed that option, his understanding is that it would remain available for potential adoption, even though the Working Group has not focused on it recently. Maggie Chang (NAIC) explained that committee support have designated the proposal now being considered for exposure as Version 3, and clarified that earlier references were to Version 1, which included a flat 20% haircut. She noted that although that version was later modified, those modifications do not preclude the Working Group from considering the original flat-haircut version. Julie Gann (NAIC) confirmed that a proposal previously exposed may still be considered for adoption even if it is not the most recently exposed version and added that, if directed by the Working Group at the time of adoption, committee support could make all previously exposed versions available so the Working Group can choose which option to move forward with.

Slutsker acknowledged that the Working Group has not spent much time discussing the straight (flat) haircut approach and noted that recent discussions have shifted toward tiered structures. Barlow stated that Option 2 is a viable approach and expressed comfort with proceeding with the two options currently under discussion. He clarified that his earlier question was intended to confirm whether the straight (flat) haircut option remained technically available. Barlow acknowledged that while the flat approach remains theoretically on the table, the Working Group appears to be moving away from it in favor of more nuanced, tiered approaches. Slutsker noted that Option 2 is intended to strike a middle ground between a single flat factor and the more granular tiering of Option 1. He emphasized that the discussion reflects a broader tradeoff regarding how granular the approach should be, depending on Working Group preferences, and agreed that the clarification was helpful.

Reedy expressed support for the floor concept, stating that it strikes a practical balance between analytical granularity and regulatory workload. He said the floor would help limit review effort where additional scrutiny is not warranted, making the approach more practical while still addressing risk appropriately. Hemphill, in her comment, agreed with proceeding to exposure and likewise supported the floor concept, stating that it appropriately balances regulatory oversight with the limited size of the asset class. She added that the floor would help manage review burden while still providing meaningful risk differentiation. Slutsker noted that there appears to be general support within the Working Group for the directions discussed.

Carmello reiterated his view that the highest LTV band should begin above 80%, with a narrower second tier (e.g., 70%–80%). He said a 20% haircut applied to a 90% LTV loan is excessive and, while unsure whether others share that concern, indicated that absent broader support for revising the upper tiers, he would ultimately support Option 2. In response, Slutsker noted that some states impose statutory maximum LTV limits and recalled that several states cap LTVs at 80%, which may explain why 80% is commonly used as a threshold and why higher LTVs (e.g., 90%) are less frequently observed. He asked whether that understanding is correct and whether some states permit higher limits. Clark agreed that 80% is a common statutory threshold across many states, while noting that some states permit higher limits (citing Iowa's 90% cap) and that some states may have no explicit limit. He did not dispute Carmello's concern and emphasized that the issue is about striking the right balance. He indicated comfort with a 90% threshold but also saw merit in an approach that applies no haircut for LTVs above 80%.

Engelhard, speaking on behalf of the ACC, thanked the Working Group and NAIC committee support for their continued engagement and acknowledged significant progress toward a more risk-sensitive capital framework for collateral loans. He said the ACC strongly supports a look-through approach based on the underlying collateral type, viewing it as a meaningful improvement over a single uniform factor, and emphasized that overcollateralization is a genuine risk mitigant that should be reflected in RBC charges. He reiterated concerns with a generic 20% haircut or a rigid floor, noting that such approaches may not capture meaningful risk differences across the LTV spectrum. In particular, he said loans at very low LTVs (e.g., 25%–40%) present fundamentally different risk profiles than loans closer to 75%–80% and cautioned that insufficient tiering or granularity could compress risk differentiation.

Engelhard noted that the ACC's prior comment letter expressed openness to two conceptual frameworks: 1) a revised tiered structure with an 80% midpoint; and 2) a continuous rolling factor, both of which have theoretical merit. He said, from an industry perspective, the ACC favors maintaining a 30% haircut at 80% LTV, reflecting what it understands to be a common statutory limit in many states, and cautioned that this approach may require more bands to preserve appropriate risk differentiation. Engelhard noted that while the ACC has not yet taken a firm position on how floors should be calibrated, it remains concerned that floors could mask meaningful risk differences at very low LTVs. He then indicated that the ACC intends to provide more detailed feedback during the upcoming 21-day exposure period. Overall, Engelhard stated that ACC is generally aligned with the current direction, viewing the proposed approach as clearer and more administrable while still reflecting sound risk differentiation, particularly in the lower LTV bands, and thanked the Working Group and committee support for their diligence.

Serbinowski questioned whether the proposed collateral loan factors will be validated through a subsequent experience study to assess whether they are reasonable and supported by actual performance data. He expressed skepticism that the look-through approach fully captures risk, noting that fluctuations in collateral value do not necessarily imply loan nonperformance. He further asked whether the Working Group plans to review performance data over time to evaluate whether the approach is sound, or whether the factors will be accepted without empirical validation. Slutsker, in his response, agreed that data validation is important and said that while comprehensive performance and experience data are not currently available, additional information is expected over time, potentially beginning with the upcoming year-end. He noted that prior outreach to companies yielded limited data, so a full experience study was not feasible at this time. Slutsker said the proposal reflects a balance between the asset class's materiality and a desire for increased risk sensitivity and granularity under RBC principles. He added that contemplated future disclosures under both ACLI-related options, such as independent verification information and ranges of collateral values, should provide more data over time and enable regulators to conduct more meaningful analysis of loan-to-value relationships and overcollateralization going forward.

Serbinowski then clarified that his concern was not about future data collection, but about the proposal's underlying theoretical premises, specifically, the assumption that the risk of a collateralized loan is equivalent to the risk of the collateral itself. He argued that changes in collateral value do not necessarily affect loan performance, noting that a loan can remain fully performing even if collateral values decline. He questioned whether this foundational assumption behind the look-through approach will be examined or validated against actual experience, particularly to assess whether loan performance aligns with collateral volatility as implied by the framework. Slutsker acknowledged the clarification and agreed that it raises a valid question. He noted that the discussion builds on a prior decision to apply a look-through approach to mortgage loans used as collateral and characterized the current proposal as an extension of that earlier policy direction. He then noted that similar considerations have been discussed in prior years.

Clark argued that for collateralized loans in which repayment depends on the collateral, loan risk is inherently tied to collateral valuation risk, supporting the logic of the look-through approach. He emphasized that the alternative proposal appropriately balances recognizing overcollateralization without overengineering the framework, noting that a full empirical study would be disproportionate given the relatively small size of the asset class. He further explained that the framework provides a practical, proportional capital treatment for collateral loans that may not be large enough to justify obtaining external ratings. He added that insurers retain the option to pursue an SVO designation or rating agency assessment and move assets to Schedule D if they believe the collateral loans' RBC treatment does not adequately reflect risk. Clark then characterized the approach as a reasonable middle ground that preserves flexibility while maintaining appropriate risk sensitivity.

Jeremy Rosenbaum (Guggenheim Investments) added that, from a statutory accounting perspective, the framework contains inherent conservatism and a regulatory buffer, as loans with LTVs above permitted limits are not admitted beyond those limits. As LTVs approach or exceed allowable thresholds, he said, this accounting treatment already provides a safeguard, reinforcing the overall conservatism of the proposed factors. Clark sought clarification that the statutory accounting limit referenced is 100% of the collateral value (i.e., loans are admitted only up to the full value of the collateral). Rosenbaum emphasized that, even under Option 1, the proposal does not move far outside reasonable balance or regulatory bounds; rather, it remains conservative and constrained and does not allow excessive or extreme treatment of the loans.

Slutsker called for a motion and explained that it would: 1) expose both options for a 21-day comment period; and 2) rescind and replace the exposure from the prior meeting. He further noted that because the motion included rescinding the prior motion, NAIC procedures require a supermajority (two-thirds) vote. Clark made a motion, seconded by Hemphill, to rescind the prior exposure of 2025-16-L MOD collateral loans. The motion passed.

After the motion, Slutsker confirmed that the Working Group approved exposing both options for a 21-day comment period, as well as rescinding and replacing the exposure package from the prior meeting. He noted that the ACLI comment letter also included a draft blank proposal and that NAIC committee support plan to refer the items to the Statutory Accounting Principles (E) Working Group to add additional annual statement disclosures—specifically, disclosures regarding the use of independent verification and the range of fair value of collateral to the annual statement investment schedules. Slutsker emphasized that this referral would not be made until the Working Group decides on and adopts an approach for the collateral loan framework.

Slutsker also stated that the framework is not expected to be effective until year-end 2027, and that the next Working Group discussion is expected in early June. He said that in the absence of a major new proposal, the Working Group will likely take a straw poll between the two exposed options to continue making progress while preserving room for further refinements, if warranted.

Slutsker re-exposed proposal 2026-16-L MOD (Attachment XX) for a 21-day public comment period ending May 21.

2. Exposed Proposal 2026-09-L (LR008 Schedule BA Collateral Loans Annual Statement Sources 2026 Update)

Slutsker stated that proposal 2026-09-L addresses annual statement source reporting for Schedule BA collateral loans. He said the proposal is intended to support 2026 year-end reporting changes by: 1) updating the LR008 annual statement source references column for Schedule BA collateral loans; and 2) adding clearer guidance that if an insurer lacks sufficient information to perform look-through for collateral loans backed by mortgage loans, those collateral loans should not qualify for look-through and should instead be categorized as "collateral loans – others" and reported in LR008.

Slutsker exposed proposal 2026-09-L (Attachment XX) for a 30-day public comment period ending June 1.

3. Adopted Proposal 2026-02-L (BA Residential Mortgage Loans)

Slutsker noted that proposal 2026-02-Lwould add a separate line for unaffiliated residential mortgages in good standing (all other), clarifying distinctions that previously focused primarily on affiliated exposures. He added that the change would better mirror the existing affiliated treatment by more clearly separating affiliated and unaffiliated categories. Slutsker further noted that one comment was received from the ACLI.

Tip Tipton (ACLI), speaking on the ACLI's comment letter, stated that the ACLI supports the proposed change. He said that after discussion with NAIC committee support, the ACLI does not believe it is necessary to pursue its prior comment on this item at this time and that the issue could be revisited in future discussions, if appropriate. He reiterated the ACLI's support for the adoption, offered to address any questions, and thanked the Working Group. Slutsker thanked Tipton and opened the floor for any discussion or questions from Working Group members regarding the proposal before considering adoption.

Reedy made a motion, seconded by Yanacheak, to adopt proposal 2026-02-L (Attachment XX). The motion passed unanimously.

4. Received Comments on C-3 Alignment Specs

Slutsker stated that the fourth agenda item concerns the C-3 Phase I field test specifications. He explained that the American Academy of Actuaries (Academy) has provided extensive presentations and education on the project, which aims to better align C-3 Phase I principle-based capital (covering single-premium life insurance and annuities) with the more modern C-3 Phase II framework (used for variable annuities). He said that because Phase I reflects an older methodology, the goal is to modernize it by aligning its structure and principles with those of Phase II. Slutsker noted that the field test specifications were developed and exposed, and that the Working Group received one comment from the ACLI.

Marc Altschull (ACLI) expressed overall support for the objectives of the C-3 alignment initiative and thanked regulators, NAIC committee support, and the Academy for their extensive work and stakeholder engagement. He said the ACLI supports efforts to better align C-3 Phase I with C-3 Phase II through updated scenarios, metrics, and discounting approaches. At the same time, he said the ACLI believes several key design and implementation issues remain unresolved and would benefit from more focused collaboration before the field test proceeds. Altschull added that the ACLI's primary recommendation is to establish a formal drafting group that includes regulators, NAIC committee support, Academy representatives, and industry participants. He said that the ACLI believes such a group would be more effective than iterative exposure comments to clarify technical intent, improve internal consistency across the specifications, and ensure the field test is operationally feasible and produces decision-useful results. He then highlighted several technical concerns previously raised:

- Support for allowing net asset earned rate (NAER) discounting in C-3 Phase I, but opposition at this stage to introducing a guardrail due to increased complexity without clear objectives. If pursued, the ACLI recommended that the guardrail be optional, tested prior to implementation, and evaluated under both asset-based and surplus-based metrics.
- A need for clearer guidance on metrics and scalers and how they interact with sensitivities, including testing a range of metrics (e.g., 25%, conditional tail expectation [CTE] 90–CTE 99, and value at risk [VAR] 100) and evaluating whether current weighted metrics may be overly sensitive to extreme scenarios.
- Openness to testing both asset-based and surplus-based metrics, while noting that surplus-based approaches raise practical issues that require further discussion.
- A recommendation for consistent treatment of voluntary reserves across C-3 Phase I and Phase II to avoid distorted comparisons.
- Concern about highly granular block-level reporting, which the ACLI believes provides limited insight because C-3 Phase I is an aggregate calculation and could lead to misleading comparisons.

Altschull expressed caution about including *Valuation Manual* (VM)-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, retroactivity in the field test, noting that related regulatory decisions are not yet final and that further dialogue is needed if VM-22 remains optional. In closing, he reiterated the ACLI's support for continued collaboration and stated that a formal drafting group would be the most effective way to resolve outstanding issues and strengthen the field test design.

Slutsker thanked the ACLI and acknowledged that the C-3 alignment field test specifications raise numerous complex and technical issues. He emphasized that the field test is intended to assess the impact of a proposal that is still under development and is part of a long-term, multi-year project. Slutsker agreed with the ACLI's request to form a drafting group, noting that such a group would be appropriate for addressing unresolved technical topics in greater depth. He said the drafting group would include regulators, NAIC committee support, Academy representatives, and industry participants, and would provide a forum for more detailed technical discussions outside the constraints of full Working Group meetings. Slutsker added that participation will be open to interested parties, including Working Group members, regulators, and other stakeholders. He asked interested individuals to contact NAIC committee support or the chair to express interest and noted that the group is expected to hold multiple calls over the next few months to address key issues. Slutsker clarified that the drafting group would be informal, would not be part of the official NAIC committee structure, and would not conduct votes or follow formal procedures; instead, its role would be to develop and refine technical work products for later consideration by the Working Group.

Rick Hayes (Academy), representing its C-3 subcommittee, expressed full support for the formation of a drafting group, stating that it will help expedite and improve discussions on the C-3 alignment work. He noted that the subcommittee has reviewed the ACLI letter and is preparing responses and additional educational materials to supplement prior work. Hayes emphasized alignment with the proposed process and reiterated the Academy's support for continuing to move the project forward collaboratively. Slutsker thanked the Academy for its extensive efforts, acknowledging that the C-3 alignment work is a large and highly technical actuarial project. He expressed appreciation for the Academy's commitment and collaboration and stated that he looks forward to continued discussions as the project moves forward.

5. Discussed NAIC Fixed Deferred Annuity (FDA) Default Cost Analysis

Slutsker said that about six months earlier, the Working Group discussed whether the Academy’s C-3 Phase I proposal should include an adjustment to address potential double counting of default costs between C-1 (asset default charges) and C-3 (principle-based calculations using moderately adverse default assumptions). He said the concern was that C-3 Phase I prescribed defaults already include a margin for moderately adverse conditions, raising the question of how material any overlap with C-1 default charges might be. Slutsker said the Working Group discussed whether addressing this issue should be part of the initial phase of the C-3 Phase I modernization effort or deferred to a later phase, depending on materiality and project complexity. He said that was what informed the decision to have NAIC committee support conduct an analysis to assess materiality.

Scott O’Neal (NAIC) summarized results from an analysis assessing the materiality of potential double-counting of default costs between C-1 and C-3. Using an existing Ernst & Young model developed for the VM-22 field test, he said committee support analyzed a deferred annuity product and evaluated impacts at the CTE 90 level. He added that the analysis compared results using the prescribed Table A defaults and an “unloaded” version of Table A (i.e., with the embedded margin removed). O’Neal clarified that the only change from the baseline model was substituting the unloaded Table A defaults and that results showed a very small reduction in total asset requirement (TAR), from approximately $280.42 million to $280.28 million, indicating the embedded margin in Table A has a minimal impact on capital requirements in this test.

O’Neal noted that the differences reflect the margin embedded in the prescribed defaults across weighted-average lives, with both A- and AA-rated bonds included among initial assets and in the reinvestment guardrails. He said the overall findings suggest the potential double-counting effect is not material, providing context for decisions on whether to address this issue in the initial phase of the C-3 Phase I modernization.

Slutsker thanked O’Neal for conducting the work. He said the key takeaway was that the analysis suggests no significant material impact from potential double counting of default costs in the model office example analyzed, while noting that results could vary by company. Slutsker observed that adjustments for default cost double counting are currently included in the field test specifications, and that prior survey results indicate many potential field test participants have the capability to model this adjustment.

As a result, he said the Working Group plans to continue evaluating this issue, using the NAIC analysis as an initial reference point rather than a conclusion. Slutsker also noted that this analysis represents only a first step and that equity double counting was not addressed and will need to be considered separately. He added that the discussion will continue as the field test and the broader C-3 Phase I modernization effort progress.

6. Discussed Other Matters

Slutsker stated that Working Group members should expect an invitation for the next Working Group meeting in early June. He said the Working Group may revisit and discuss the collateral loan options that were exposed during the first half of the meeting.

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

Draft: 5/6/26

Life Risk-Based Capital (E) Working Group
Virtual Meeting
April 23, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met April 23, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sanjeev Chaudhuri and Sheila Travis (AL); Thomas Reedy (CA); Wanchin Chou (CT); Hannah Howard (FL); Mike Yanacheak, Kevin Clark, and Carrie Mears (IA); Matt Cheung (IL); William Leung (MO); Michael Muldoon (NE); Seong-min Eom (NJ); William B. Carmello (NY); Andy Schallhorn (OK); and Rachel Hemphill (TX). Also participating was: Tish Becker (KS).

1. Adopted Proposal 2025-14-L (C-3 GOES Implementation)

Slutsker provided a brief update on the first agenda item: consideration of adoption of proposal 2025-14-L, which addresses implementation of the economic scenario (GOES) for C-3 calculations, including single premium immediate annuities (SPIAs) under C-3 Phase I and variable annuities under C-3 Phase II. He noted that the proposal has been extensively discussed over the past year and that the most recent exposure revised the discount rate from 105% of the 1-year Treasury path to 105% of the 10-year Treasury path. He said that two comment letters were received.

Larry Chadwick (Everlake Life) expressed support for adoption of the GOES under C-3 Phase I and Phase II, but he raised a narrow technical concern regarding its application to closed, ultra-long-duration structured settlement annuity blocks. He said the affected block consists of pre-2017 SPIAs with no surrender values, written between 1998 and 2014, is currently in orderly runoff under Illinois Department of Insurance (IDOI) supervision, and has demonstrated long-term stability through asset adequacy testing (AAT) across multiple interest rate environments. Chadwick stated that the standard GOES methodology yields capital results that do not reflect the actual interest rate or reinvestment risk for these liabilities, given their extreme duration (30 to 100+ years). To address this, he proposed three targeted amendments applicable only to these closed blocks: 1) use company-specific moderately adverse assumptions aligned with AAT; 2) allow discounting at the net asset earned rate (NAER) rather than Treasury rates; and 3) apply a reduced C-3 charge (25% of CTE 95) when the risk-based capital (RBC) ratio exceeds a specified company action level. Chadwick emphasized that the proposal is not an exemption or broad industry carve-out; applies to a population of one; and retains all actuarial, certification, and reporting requirements. He requested that the amendments be implemented as soon as practicable and offered to discuss the proposal and modeling approach in a confidential regulator-only setting.

Slutsker noted that the proposal has been under development for some time and that timing is becoming tight for potential year-end 2026 implementation. He said the structured settlement block that Everlake Life described appears unique and warrants further discussion. Slutsker added that this issue also related to the American Academy of Actuaries' (Academy's) ongoing work to modernize C-3 Phase 1 and better align it with C-3 Phase 2, and he encouraged continued discussion within that broader project. With respect to the GOES proposal, given the extensive prior debate on discounting, thresholds, and assumptions, he indicated a preference for proceeding with adoption as currently drafted, while ensuring the identified issues remain under consideration as the C-3 Phase 1 project continues.

Cheung confirmed that the IDOI has been overseeing Everlake's structured settlement block and noted that the three elements of Everlake's proposal are not new, as they have been discussed over the past year. He said that given the current stage of GOES implementation, he supports proceeding with implementation for year-end 2026

RBC as planned. He added that the issues raised are appropriate for continued discussion and potential refinement within future updates to C-3 Phase 1. Cheung stated that he does not support adopting a company-specific construct for a single company and product for year-end 2026 reporting. He reaffirmed that Everlake's proposed approach should be considered as part of the ongoing C-3 Phase 1 update discussions but not implemented for year-end 2026.

Slutsker said that, based on prior comments, there appears to be preliminary agreement on the proposed approach, but he emphasized that discussions will continue. He said items such as the target risk metric and scaler, voluntary reserves, and NAER discounting were intentionally removed from the current proposal with the expectation that they would be revisited. He added that these issues are expected to remain in scope for future work and that the Working Group anticipates continued discussion as the C-3 effort progresses.

Brian Bayerle (American Council of Life Insurers—ACLI) expressed appreciation for the collaborative work with state insurance regulators over several years, including on matters beyond capital. He said the ACLI supports the proposal, noting that using a higher Treasury rate produces a more appropriate C-3 capital result while broader modernization efforts continue. Bayerle acknowledged the significant improvements made throughout the development process and described the proposal as an important milestone, while noting that additional work remains, particularly regarding governance and future parameter updates. He thanked the Working Group and regulators for their extensive efforts and emphasized the importance of maintaining this collaborative approach as RBC framework is refined and modernized.

Slutsker emphasized that adoption of the new generator represents a major milestone, reflecting nearly a decade of discussion that extends beyond the Life Risk-Based Capital (E) Working Group. He expressed appreciation to NAIC staff and key contributors, including the leadership of the generator subgroup, the GOES subgroup, and participants from the ACLI and the Academy for their sustained collaboration and effort. Slutsker noted that reserves are already using the new generator and that principle-based capital will begin using it at year-end, marking the start of implementation. While noting that this is only the first step and that governance and further refinement will continue, Slutsker underscored the significance of the achievement and thanked all parties for their contributions.

Cheung made a motion, seconded by Yanacheak, to adopt proposal 2025-14-L (C-3 GOES Implementation) (Attachment X). The motion passed unanimously.

2. <u>Re-Exposed Proposal 2026-06-L MOD (LR027 Annual Statement Sources)</u>

Slutsker said the next agenda item involves receiving comments and considering re-exposure of proposal 2026-06-L, which addresses updates to the annual statement source in LR027 used in the RBC calculation. He said the proposal includes a series of NAIC staff-driven updates to annual statement schedule references and related technical changes, and that one comment was received from the ACLI.

Bayerle expressed appreciation for the NAIC staff's cleanup effort and noted that the ACLI comment focused on a single potential oversight in proposal 2026-06-L related to LR027 references to Note 32. He said that under current LR027, references to Note 32 are interpreted to apply across all sections (A, B, and C), but the draft proposal appears to exclude Section C from certain LR027 line mappings. Bayerle questioned whether this exclusion was intentional and raised concerns that it could omit recognition of withdrawal characteristics in Note 32 and conflict with footnotes indicating that non-policyholder reserves should be excluded. He said Exhibit 7 may, therefore, include reserves that are not traditional policyholder liabilities (e.g., Federal Home Loan Bank [FHLB] reserves). Bayerle requested clarification on the intended treatment and noted that if this was an oversight, the ACLI proposed straightforward edits to include the Note 32 Section C lines within LR027 lines 2 through 28.

Slutsker noted that NAIC staff reviewed the ACLI submission and agreed with the proposed edits, acknowledging them as a good catch. He added that there was interest in a short re-exposure period.

Slutsker re-exposed proposal 2026-06-L MOD (LR027) for a 14-day public comment period ending May 7.

3. <u>Adopted Proposal 2026-07-L (Longevity Reinsurance)</u>

Slutsker said the third agenda item involves receiving a referral from the Longevity Risk (E/A) Subgroup and considering adoption of proposal 2026-07-L, which addresses the RBC treatment of certain longevity reinsurance arrangements that resemble longevity swaps with fixed and floating benefit payment legs, including certain international structures. He said the proposal focuses on the C-3 capital treatment, following extensive prior discussion at the Life Actuarial (A) Task Force regarding reserve treatment. Slutsker said the Subgroup, chaired by Eom, developed a structural RBC change that would be adopted with zero factors, resulting in no immediate financial statement or RBC impact. He added that NAIC staff indicated re-exposure was not necessary and that the Working Group could consider the proposal directly for adoption, allowing it to advance to the Capital Adequacy (E) Task Force.

Eom said the Longevity Risk (E/A) Subgroup discussed recommendations for recognizing longevity reinsurance within life RBC, focusing on the unique structure and cash flows of these transactions. She said longevity reinsurance differs from traditional annuities because net transaction amounts are small relative to the underlying pension liabilities, and reinsurer fees are fixed for life and largely insensitive to mortality experience. Eom added that when C-2 longevity capital was originally developed, longevity reinsurance was excluded due to the lack of a clear reserving standard. She said that changed in 2025 with the adoption of VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities, which established a principle-based reserving (PBR) framework for longevity reinsurance, including a reserve floor equal to 2% of the immediate next 12 months of benefits. With VM-22 in place, she said the Subgroup resumed work on establishing an appropriate C-2 capital approach.

Eom said four proposals were submitted by the Academy, the ACLI, Minnesota, and New Jersey. She said the Academy, ACLI, and Minnesota proposals were broadly similar, relying on present value-based approaches to measure longevity risk. However, they differed in methodology. Minnesota proposed a factor approach derived from PBR modeling, the ACLI proposed applying existing C-2 factors to present values of benefits (adjusted for fees excluded due to the VM-22 floor), and the Academy proposed a fully principle-based framework. By contrast, New Jersey proposed a simpler method focused on short-term volatility, applying factors to the immediate next 12 months of benefits, consistent with the VM-22 floor.

Eom said that after public exposure and discussion, concerns were raised that the Academy and ACLI approaches could produce zero capital for many years due to reliance on future fees and could incentivize fee structures that suppress capital. She noted that although a majority initially favored a principle-based approach with a floor, further discussion led the Subgroup to adopt the Academy's principle-based framework without a floor, recognizing concerns about unintended outcomes given the product's unique structure. Eom added that the ACLI supported this approach but recommended deferring implementation until 2027 to allow additional analysis and support for the mortality stress levels. She said that while supporting the Academy's framework, the Subgroup identified areas for further development, including: 1) exploring a single composite stress for mortality level and improvement (similar to C-3 Phase II); 2) defining explicit trend stress levels rather than fixed differentials; and 3) evaluating whether stress levels should vary by country, given the non-U.S. composition of covered populations.

For the 2026 reporting year, Eom said the Subgroup recommends only a structural change: adding a longevity reinsurance component to LR025-A, while instructing companies to report zero C-2 capital for longevity reinsurance. She concluded that thresholds and detailed calculation instructions will be developed through further study, with the goal of finalizing a principle-based methodology for 2027 reporting.

Slutsker thanked Eom for outlining the background and next steps and clarified that the proposed action at this meeting was limited to embedding longevity reinsurance into the RBC templates. He noted that while significant progress has been made, key methodological issues, particularly calculation complexities and appropriate shock levels, still require further work. As a result, he said the proposal retains an instruction to report zero capital at this stage. Slutsker reiterated that the Working Group was being asked to consider adopting only the structural template change at this time.

Eom made a motion, seconded by Reedy, to adopt proposal 2026-07-L (Longevity Reinsurance) (Attachment XX). The motion passed unanimously.

4. Re-Exposed Proposal 2025-16-L MOD (Collateral Loans)

Slutsker noted that the purpose of the meeting is to discuss the collateral loan proposal and acknowledged that, if needed, remaining agenda items would be addressed in a subsequent Working Group meeting. He said that collateral loans currently generally receive a flat RBC factor of 6.8% and that a proposal under consideration would adopt a look-through approach based on the underlying collateral (similar to the existing treatment for mortgage-backed collateral loans) and would also recognize reduced RBC charges for additional overcollateralization. Slutsker said that at this stage, the Working Group is considering two competing proposals. The first, drafted by NAIC staff and exposed prior to the Spring National Meeting, would apply a flat 20% reduction across all related RBC charges, without differentiation by collateral type or level of overcollateralization. The second, proposed by the ACLI, would apply a tiered reduction that varies based on the degree of overcollateralization. Slutsker added that during the Spring National Meeting discussions, the Working Group posed questions regarding the reliability of asset value measurements used to determine factor reductions and whether the proposed tiering structure is appropriate or should be adjusted. He said that two comment letters were received.

Marc Altschull (ACLI) thanked the chairs and Working Group for the opportunity to comment and for re-exposing the modified collateral loan proposal (Attachment XX). Regarding valuation concerns, he said the ACLI recommended that eligibility for the proposed banded RBC reductions require independent verification of fair values; if independent verification is not obtained, the full base look-through factor would apply. He said this would result in a more conservative capital charge and reinforce strong valuation discipline. Altschull also suggested enhanced transparency through disclosure of valuation ranges to state insurance regulators, rather than relying solely on a single-point estimate.

With respect to the loan-to-value (LTV) band structure, Altschull stated that the ACLI supports a slice-based framework, noting that overcollateralization is only one of several credit enhancements and that a banded approach appropriately reflects this while avoiding excessive penalties for loans near band thresholds. He added that placing 80% LTV at the top of a band would provide a prudential buffer against valuation uncertainty and limit the ability to reduce capital through minor valuation changes. Altschull then expressed appreciation for the Working Group's discussion of effective dates and the feedback supporting a Dec. 31, 2027, implementation date. He stated that the ACLI is willing to continue working with the Working Group to finalize a durable framework.

Joe Engelhard (Alternative Credit Council—ACC)) addressed his comment letter (Attachment XX). He thanked the Working Group and expressed support for the re-exposed collateral loan proposal, particularly the look-through approach based on underlying collateral and the codification of mortgage loan treatment. He commended the Working Group's progress and its efforts to develop a proportionate, meaningful update to RBC charges for collateral loans. Regarding LTV tiering, Engelhard raised concerns about artificial capital volatility caused by cliff effects around the 80% LTV threshold. He said portfolios tend to cluster near this statutory limit, and small valuation movements could cause large swings in capital requirements without corresponding changes in credit risk. Engelhard said the ACC, therefore, supports placing 80% LTV at the midpoint of a tier rather than at a tier boundary. He also noted that some members support an alternative approach using a continuous, rolling factor tied directly to reported LTV to avoid step changes. He added that both approaches would be improvements, with the key objective being to reduce artificial volatility.

Regarding valuation concerns, Engelhard said the ACC recommends addressing these issues through existing supervisory tools rather than through RBC factor design. He noted that state insurance regulators already have sufficient authority to assess valuation adequacy, including through asset admissibility, and that these tools are better suited than RBC factors to address valuation quality. Engelhard said the ACC appreciates the Working Group's approach and reiterated that the capital framework should reflect true risk rather than valuation-driven volatility.

Slutsker thanked the commenters and summarized the key points raised in response to the two cover questions. On asset valuation, he said the ACLI supports using independent verification to provide comfort with reported values, while the ACC emphasizes relying on existing supervisory tools rather than RBC factors to address valuation concerns. On the tiering structure, he said ACLI supports maintaining the structure in the most recently exposed proposal, while the ACC suggests alternative approaches, including shifting tier boundaries or using a more formula-based method to reduce artificial capital volatility. Slutsker noted these differing considerations as topics for further discussion and invited questions from Working Group members.

Mears expressed support for the ACLI's suggestion to disclose valuation ranges in addition to point estimates. She noted that regardless of where the final breakpoints are set, disclosing valuation ranges would provide useful information over time to assess whether valuations are relatively tight or wide and could inform future reconsideration of the ranges if significant dispersion is observed.

Slutsker thanked the prior commenter and noted that the ACLI's suggestion to disclose valuation ranges could be considered in a potential re-exposure. Turning to next steps, he outlined the key decision for the Working Group: whether to re-expose a revised version of the interested-party proposal incorporating feedback from ACLI, the ACC, or both, or instead pivot back to the earlier NAIC staff proposal applying a flat 20% reduction. He said the advantage of the interested-party proposal is greater risk sensitivity, as it varies RBC charges based on the level of overcollateralization to better reflect risk reduction. However, he noted that this approach relies on asset values and overcollateralization levels that may be difficult for state insurance regulators to independently observe or verify, raising supervisory challenges. By contrast, the flat 20% reduction approach does not require valuation review or auditing; it simply recognizes the commonly required 80% loan-to-value standard across states and hard-codes the reduction accordingly.

Clark expressed support for a more granular, risk-sensitive approach that differentiates RBC factors by LTV level. While he did not express a strong preference between the proposed band structures, he noted a slight preference for the alternative that places 80% LTV at the midpoint of a band. He emphasized flexibility and stated he would not oppose adopting the ACLI-proposed structure if other Working Group members preferred that approach. Slutsker then summarized his understanding of Clark's comments as supporting continuation of the interested-party draft, with incorporation of the ACLI's suggested enhancements (independent valuation verification and disclosure of valuation ranges) and potentially the ACC's suggested modification to the tiering structure. Slutsker asked whether that understanding was correct, and Clark confirmed that it was.

Slutsker suggested considering a formal motion to re-expose the collateral loan proposal, rather than proceeding via chair exposure, noting the range of views on the topic. He asked whether there were any objections to re-exposing a revised draft that incorporates:

- All ACLI-recommended edits, including independent valuation verification and disclosure of valuation ranges.
- The ACC's suggested adjustment to the tiering structure so that 80% LTV falls at the midpoint of a tier.

Slutsker framed the question as a no-objection check before proceeding with re-exposure of this combined draft.

Carmello asked for clarification on the LTV range that would apply to the tier in which 80% LTV would fall under the proposed tiering structure. Slutsker explained that under the revised approach, the band containing 80% LTV would likely shift from the previously exposed 60% to 80% range to approximately 70% to 90%, subject to confirmation. He said the change is intended to address concerns that assets with LTVs near 80% could otherwise receive a disproportionately large factor reduction (e.g., a 70% multiplier, implying a 30% reduction), even though 80% LTV is common in practice. He added that the adjustment is meant to avoid effectively providing an additional implicit benefit for assets clustered around the 80% level.

Altschull sought to confirm his understanding of the ACC's suggested LTV tiering framework. He outlined a potential structure with successive LTV bands and corresponding factor reductions, beginning with a 90% to 100% LTV tier with a small adjustment, followed by a 70% to 90% LTV tier with a larger reduction, and additional lower-LTV tiers with progressively greater adjustments. He noted uncertainty regarding calibration of the lowest tiers and asked how the bottom tier would be structured, deferring to ACC representatives for confirmation.

Engelhard confirmed that the ACC's prior discussion focused primarily on the 80% LTV issue and did not include detailed deliberation on the structure of the lowest LTV tier. He stated that the ACC is open to reasonable approaches for the lower tiers. Slutsker agreed with the approach and stated that, for re-exposure, the tiering structure would be revised as discussed, consistent with the changes outlined during the prior discussion.

Becker expressed support for the ACLI approach, including a more nuanced, risk-sensitive framework. However, she said she was not yet clear on the differences between the two competing approaches and emphasized the need for additional discussion and a clearer understanding of those differences through exposure. Becker also raised concerns that meeting materials were provided late and stressed the importance of giving state insurance regulators sufficient time to review proposals and comment letters to support transparency and meaningful regulatory dialogue. Slutsker thanked Becker and acknowledged the concern about the late distribution of materials. He said the Working Group will make an effort going forward to circulate proposals and comment letters earlier to allow sufficient time for review. Given the volume and complexity of the issues, he suggested that a potential path forward, if an exposure proceeds, could be a dual exposure presenting both tiering approaches so regulators and interested parties can clearly compare them.

Maggie Chang (NAIC) asked for clarification on the ACLI's comment, specifically whether the ACLI's proposal would require application of the full base RBC factors (e.g., 30% for certain Schedule BA asset types and 45% for residuals) when independent valuation verification is not obtained. She noted that the current exposure does not contemplate applying the full, unadjusted RBC charges in these circumstances and asked whether that was the ACLI's intent. Altschull confirmed that under the ACLI's proposal, if independent valuation verification is not obtained, the adjustment factors would not apply and the collateral would be subject to the full base look-through RBC factors. Chang noted that based on this clarification, the treatment of cases without independent verification would require additional refinement if the Working Group decides to proceed with another round of re-exposure.

Slutsker said that the clarification regarding treatment without independent verification should be incorporated into a potential re-exposure. Before calling for a motion, he raised a final question about the tiered proposal, asking whether it could result in cases where the adjusted RBC charge falls below the current flat 6.8% factor. Specifically, Slutsker asked whether very low LTV ratios (i.e., extremely high overcollateralization) could reduce RBC factors for certain assets below levels that would otherwise be subject to higher base charges (e.g., 30% or 45%). Altschull confirmed that under the ACLI proposal, the lowest LTV band (0% to 20%) would apply a 90% reduction to the base factor, meaning that for an asset otherwise subject to a 30% charge, only 10% of that charge would apply due to the high level of overcollateralization. Slutsker further sought to clarify that under the proposed tiering approach, the adjusted RBC charge could be reduced to approximately 3% or 4.5%, rather than applying the current flat 6.8% factor, in cases of very high overcollateralization. Altschull confirmed that the adjusted RBC charges (e.g., approximately 3% or 4.5%) would apply in those instances, acknowledging the earlier clarification as correct.

Noting the limited time remaining, Slutsker asked whether there were any final concerns or comments to ensure participants were comfortable moving forward. He noted that any unresolved issues could be addressed during the exposure period and proposed seeking a motion to re-expose the proposal. He said the re-exposure would be based on the ACLI draft and would explicitly clarify that no reduction for overcollateralization applies when independent valuation verification is not obtained. Slutsker then presented two alternative tiering structures for consideration: one with 80% LTV positioned at a band boundary and another with 80% at the midpoint of a band. Slutsker suggested a 21-day exposure period, given the multiple prior exposures, and requested a motion to proceed on that basis.

Slutsker asked for a motion from the Working Group members to re-expose proposal 2025-16-L MOD (Collateral Loans) for a 21-day public comment period ending May 14.

Clark made a motion, seconded by Carmello, to re-expose the proposal 2025-16-L MOD (Collateral Loans) (Attachment XX), The motion passed unanimously.

Slutsker then outlined the next steps for the collateral loans workstream. He said the upcoming exposure package (and/or NAIC website posting) will include the previously exposed NAIC staff proposal for reference because the Working Group ultimately will need to choose between the flat-reduction approach and the more detailed tiered proposal under development. He noted the Working Group will continue the discussion during a future meeting in May. In addition, noting that several agenda items were not reached, he said the Working Group will schedule another meeting next week to complete the remaining items.

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

Draft Pending Adoption

Draft: 3/30/26

Life Risk-Based Capital (E) Working Group
San Diego, California
March 22, 2026

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in San Diego, CA, March 22, 2026. The following Working Group members participated: Ben Slutsker, Chair (MN); Philip Barlow, Vice Chair (DC); Sanjeev Chaudhuri (AL); Shaowei Yang (CA); Wanchin Chou (CT); Mike Yanacheak and Kevin Clark (IA); Matt Cheung (IL); William Leung (MO); Michael Muldoon (NE); Jennifer Li (NH); Seong-min Eom (NJ); William B. Carmello (NY); Andy Schallhorn (OK); Rachel Hemphill (TX); and Tomasz Serbinowski (UT). Also participating were: Tish Becker (KS); Tom Botsko (OH); and Steve Drutz (WA).

1. Adopted its Feb. 25 and Feb. 10 Minutes

The Working Group met Feb. 25 and Feb. 10. During these meetings, the Working Group took the following action: 1) exposed the C-3 alignment field test specs for a 47-day public comment period ending April 13; 2) exposed proposal 2026-06-L LR027 (Blanks Page) for a 30-day public comment period ending March 27; 3) adopted its Nov. 14, 2025, minutes (*see NAIC Proceedings – Fall 2025, Capital Adequacy (E) Task Force, Attachment Two*); 4) adopted the Oct. 29, 2025, minutes of the Generator of Economic Scenarios (GOES) (E/A) Subgroup (*see NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachment Seventeen*); 5) exposed proposal 2025-16-L MOD (Collateral Loans) for a 24-day public comment period ending March 6; 6) exposed proposal 2026-02-L (BA Residential Mortgage Loans) for a 30-day public comment period ending March 12; 7) exposed proposal 2026-01-L (AVR Changes) for a 30-day comment period ending March 6; and 8) heard an update from the American Academy of Actuaries (Academy) on the C-3 field test survey.

Chou made a motion, seconded by Leung, to adopt the Working Group's Feb. 25 (Attachment X) and Feb. 10 (Attachment X) minutes. The motion passed unanimously.

2. Adopted its Feb. 11 Joint Minutes

The Working Group met Feb. 11 in joint session with the Variable Annuities Capital and Reserve (E/A) Subgroup. During this meeting, the Working Group and Subgroup took the following action: 1) adopted their joint Oct. 31, 2025, minutes (see *NAIC Proceedings – Fall 2025, Life Actuarial (A) Task Force, Attachment Eight*); 2) discussed comments received from the Academy, American Council of Life Insurers (ACLI), and Committee of Annuity Insurers (CAI) on the C-3 Phase I and C-3 Phase II framework; 3) re-exposed the updated proposal for the C-3 Phase I and C-3 Phase II framework for a 23-day public comment period ending March 6; and 4) re-exposed APF 2025-14 for a 23-day public comment period ending March 6.

Reedy made a motion, seconded by Yanacheak, to adopt the Working Group and Subgroup's Feb. 11 joint minutes (Attachment X). The motion passed unanimously.

3. Adopted the Reports of its Subgroups

Slutsker said verbal updates from the Working Group's subgroups would not be provided, and that written reports are available for the GOES (E/A) Subgroup, Longevity Risk (E/A) Subgroup, and Variable Annuities Capital and Reserve (E/A) Subgroup. Slutsker said that questions on these materials would be taken.

Draft Pending Adoption

Yanacheak made a motion, seconded by Reedy, to adopt the reports of the GOES (E/A) Subgroup Attachment XX), Longevity Risk (E/A) Subgroup (Attachment XX), and Variable Annuities Capital and Reserve (E/A) Subgroup (Attachment XX). The motion passed unanimously.

4. Re-Exposed Proposal 2025-14-L (C-3 GOES Implementation)

Slutsker provided background on proposal 2025-14-L, noting that the GOES underpins interest rate and equity assumptions for annuity and single-premium life C-3 calculations. He explained that the generator was updated following a five-year project to better capture tail risk in low-interest and volatile equity environments. While the updated generator has already been adopted for statutory reserves, the current proposal is limited to its adoption for risk-based capital (RBC) purposes. He added that prior exposures included additional C-3 changes, which were subsequently removed and deferred, leaving the proposal narrowly focused on the GOES update.

Brian Bayerle (ACLI) expressed appreciation for the multiyear work on the updated GOES and reiterated support for transitioning to a net asset earned rate (NAER) methodology as part of future C-3 efforts. As an interim step, he outlined the ACLI's proposal to adjust the discount rate framework by replacing the one-year Treasury with a 10-year Treasury and replacing the current 105% multiple with an explicit spread/default adjustment of approximately 85 basis points. He stated that the 10-year Treasury serves as a reasonable proxy based on NAIC investment data and Federal Reserve Bank of Chicago (Chicago Fed) research, and that the spread adjustment was derived from *Valuation Manual* Tables H and A. He noted that these changes would better reflect asset spreads, mitigate issues associated with negative short-term rates, and serve as a reasonable interim approximation pending adoption of a full NAER methodology.

Hemphill stated that the proposal is conceptually sound and agreed that a 10-year tenor could be representative of the industry on an aggregate basis. However, she raised concerns that an average-based approach may not accurately reflect individual products and emphasized the importance of an interim solution that avoids product-level distortions. She noted that a shorter tenor, such as five years, was considered but ultimately deemed unnecessary. Hemphill expressed support for using the 10-year Treasury as an interim measure but recommended deferring consideration of an additional spread adjustment at this time.

Bayerle agreed that adopting a 10-year Treasury alone represents a more straightforward and consistent interim approach that advances the framework while avoiding added complexity associated with spread adjustments. Cheung likewise supported a simpler interim solution, noting that although he initially favored a shorter tenor, the 10-year Treasury provides a practical simplification and mitigates issues associated with negative short-term rates. He reiterated support for adopting the 10-year Treasury without an additional spread as an interim measure.

Slutsker noted growing support for using a 10-year Treasury as an interim discount rate and shifted the discussion to the overall direction of the proposal. He outlined options including maintaining the current framework of 105% of the one-year Treasury, adopting the ACLI's proposal of a longer tenor with an added spread, or using a 10-year Treasury alone as a simpler interim approach, as suggested by Hemphill and Cheung. Slutsker asked whether Working Group members had concerns about increasing the discount rate on an interim basis concurrent with implementation of the updated GOES.

Yanacheak asked whether the interim discount-rate change was intended to be temporary or permanent and how long it was expected to remain in effect. Hemphill responded that the Working Group continues to view an NAER approach as the long-term objective but noted that unresolved issues, particularly regarding the basis and adversity level of asset return assumptions, preclude adoption at this time. Accordingly, she characterized the proposed discount-rate change as an interim measure, expected to be replaced once those issues are resolved, while acknowledging that interim solutions can remain in place longer than originally intended.

Yanacheak said the interim approach is consistent with his understanding but raised concerns about potential incentives. While supportive of a long-term transition to an NAER approach, he cautioned that an overly permissive interim change could reduce urgency to complete the more robust solution. He emphasized the need for shared responsibility between regulators and industry and asked the ACLI to confirm its continued commitment to advancing the longer-term framework.

Bayerle affirmed that the proposal is intended as a short-term measure and reiterated strong industry support for C-3 modernization and a transition to an NAER approach. He noted the upcoming C-3 field tests and stated that industry would support implementation as early as 2027 reporting, with resolution expected by 2028, and potentially sooner if issues are addressed promptly. He emphasized that the interim approach is intended to facilitate progress toward the long-term framework, not delay it.

Cheung agreed that the proposal is a true interim solution, with the expectation that an NAER approach will be adopted in the near term, and stated that the ACLI's proposed timeline is reasonable. Eom asked the ACLI to provide a comparative analysis showing how an NAER proxy compares with interim discount-rate approaches, including a 10-year Treasury rate with and without a spread, to better inform the Working Group's evaluation and any potential re-exposure.

Bayerle stated that the ACLI would attempt to provide a simplified comparative analysis between an NAER proxy and the proposed interim discount-rate approaches, noting limitations such as the absence of a representative portfolio. He added that while a scenario-based or simplified analysis may be feasible, the timing and scope of any potential life RBC exposure could limit what can be completed within the available timeframe. Slutsker noted strong interest in the interim proposal but highlighted outstanding questions regarding whether it could result in lower capital requirements than a future NAER-based approach. As a next step, he recommended re-exposing the amendment to allow for further consideration, indicating that a 23-day chair exposure would be appropriate.

Slutsker re-exposed proposal 2025-14-L (C-3 GOES Implementation) for a 23-day public comment period ending April 13, with the re-exposure narrowly focused on updating the discount rate to a 10-year Treasury. He noted that the re-exposure would provide additional time for stakeholder review and further discussion before final decisions are made.

5. <u>Re-Exposed Proposal 2025-16-L MOD (Collateral Loans)</u>

Slutsker stated that the Working Group would review comments received on proposal 2025-16-L regarding collateral loans and consider re-exposure. He noted that the proposal was initially exposed at the Working Group's Feb. 10 meeting. Four comment letters were received, and the affected assets currently carry a C-1 factor of approximately 6%–7%. He added that the proposal considers a look-through approach that would vary capital charges based on underlying collateral and apply a haircut for over-collateralization. Slutsker said the Working Group also discussed whether the proposal should be implemented for year-end 2026 or 2027 reporting.

Marc Altschull (ACLI) expressed appreciation for the Working Group's ongoing engagement and supported the goal of better aligning RBC capital requirements with underlying risk while maintaining simplicity. He stated that the ACLI views the modified proposal as a constructive step and referenced recommendations in its comment letter (Attachment XX), including an effective date of Dec. 31, 2027.

The Working Group noted that no American Investment Council (AIC) representative was available to address its comment letter (Attachment XX).

Serbinowski stated that Utah's comment letter (Attachment XX) did not propose specific calibration details but emphasized that the loan-to-value ratio should be a key driver of RBC charges for collateral loans. He noted that collateral loans differ fundamentally from structured securities because insurers retain a loan secured by collateral, rather than ownership of the collateral itself. Accordingly, applying the same RBC charge regardless of whether the loan-to-value is 80% or 20% does not appropriately reflect risk. Serbinowski supported a framework that recognizes lower risk and correspondingly lower RBC charges for loans with lower loan-to-value ratios, while leaving calibration and granularity decisions to the Working Group.

Joe Engelhard (Alternative Credit Council—ACC) addressed his comment letter (Attachment XX). He thanked the Working Group for addressing prior comments and expressed support for the proposed look-through approach for collateral loans, including extending look-through treatment beyond mortgage loans and incorporating over-collateralization, consistent with recent Risk-Based Capital Model Governance (EX) Task Force principles. While supportive of these enhancements, he noted that additional empirical, data-driven analysis would be beneficial to ensure appropriate calibration of capital charges and to confirm that the proposal appropriately reflects underlying economic risk.

Slutsker identified two primary issues for the Working Group's consideration: implementation timing and administration of the look-through reduction framework. He focused the discussion initially on timing, noting that the proposal could be implemented for either year-end 2026 or year-end 2027. He explained that a 2026 effective date would require an accelerated schedule with limited opportunity for further exposure and earlier resolution of structural decisions, whereas a 2027 effective date would allow additional time for refinement and implementation. He invited Working Group members to share their views prior to conducting a non-binding straw poll to assess the Working Group's preliminary preference.

Muldoon said he supported allowing additional time before implementation, noting that further data-driven analysis, particularly regarding the proposed 20% discount, would be beneficial and require time to evaluate. He stated that there was no urgent need to advance the proposal in 2026, especially given Nebraska's limited exposure to collateral loan portfolios, and favored targeting a year-end 2027 effective date to allow states with larger exposures adequate time to assess impacts. Reedy also supported a 2027 implementation date, emphasizing that additional time should be used to maintain momentum and advance the necessary quantitative analysis and technical work rather than delay progress.

Hemphill agreed, stating that there is insufficient time for the implementation of 2026 and supporting a move to 2027 while stressing the importance of maintaining momentum. She emphasized continuing detailed work now and supported establishing an early, clearly defined adoption timeline for 2027. Eom also supported continued analytical work, including refining the analysis and adjusting factors as needed. She suggested proceeding with development as though targeting a 2026 framework, while recognizing that implementation would occur in 2027, and emphasized that the proposal focuses on look-through treatment rather than the creation of new factors.

Barlow stated that there was sufficient information to proceed and that the proposal had been exposed long enough for affected companies to raise concerns. He expressed support for moving forward with a 2026 effective date and did not view potential company impacts as a basis for further delay. Clark expressed no strong preference between a 2026 or 2027 effective date, noting that a large empirical study was not necessary. He indicated support for 2027 implementation, provided the framework is simple, clearly defined, and finalized promptly to not distract working group attention from other RBC priorities. Carmello said he supported a year-end 2026 effective date, while Becker expressed support for a 2027 implementation date, emphasizing the need to allow sufficient time to finalize and implement a simple and workable framework.

Slutsker noted that while most comments favored a 2027 effective date, there was also support for 2026. He proposed conducting a non-binding straw poll to inform the Working Group's timing considerations, clarifying that it was not a formal NAIC vote. He added that the initial voice vote indicated stronger support for 2027 and that a roll call vote might be necessary to confirm the outcome.

Slutsker reported that the roll call straw poll demonstrated clear support for an effective year-end 2027 date, with 11 members in favor of 2027, 3 in favor of 2026, and 1 abstention. He confirmed that the Working Group would proceed with implementation effective year-end 2027. He then turned to the look-through reduction methodology, noting that the current exposure applies a single uniform reduction, while the ACLI has proposed a more granular alternative. He invited Working Group members to comment on the merits and concerns of the ACLI approach to inform whether to proceed with a chair exposure, facilitate side-by-side comparisons, and identify potential areas for further refinement.

Serbinowski expressed general support for a more granular look-through approach but raised concerns that tiering could create valuation incentives, particularly where collateral values lack independent market observability. He noted that broad loan-to-value (LTV) bands may encourage valuation behavior aimed at crossing thresholds, especially for less-capitalized companies. Small changes in LTV could result in disproportionate changes in RBC charges, creating unintended incentives. He clarified that his concern is primarily with less granular frameworks, as wide tiers increase the risk that modest valuation adjustments could shift loans into more favorable RBC categories. Clark noted that valuation incentives exist regardless of granularity, emphasizing that any framework relying on LTV inherently creates such incentives and that this risk should be acknowledged irrespective of the tiering approach.

Slutsker asked NAIC staff whether LTV -information disclosed in the annual statement is subject to audit. Maggie Chang (NAIC) responded that LTV will be reported in a new column on Schedule BA beginning in 2026, though audit treatment may vary by asset type. She noted that audited financial statements are required for collateral loan admittance, such as collateral loans backed by limited partner (LP) interests pursuant to *Statement of Statutory Accounting Principles (SSAP) No. 21—Other Admitted Assets*, but not for collateral loans backed by residual interests.

Clark stated that the ACLI proposal is reasonable in principle, particularly its reliance on loan-to-value-based factors, but raised concerns regarding the reliability and auditability of collateral valuations used to apply those factors. He noted that over-collateralization data would be reported on Schedule D, which is not audited, potentially limiting confidence in the resulting RBC treatment. Clark suggested that incorporating safeguards, such as requiring independent valuations through RBC instructions, could improve comfort with the approach. He emphasized that his concern was not with the framework itself, but with ensuring the credibility of valuation inputs.

Slutsker echoed concerns regarding valuation reliability, noting that many collateral assets are Level 3, affiliated, and not market-observable, which complicates verification. He added that these valuations directly influence loan-to-value ratios and corresponding RBC charges under the proposal and asked the ACLI to comment on potential safeguards to address unobservable asset values. Altschull responded that SSAP No. 21 provides an important safeguard by requiring audited financial statements for LP, limited liability company (LLC), and joint venture (JV) investments, along with documentation supporting the reasonableness of fair value determinations. He stated that these requirements help address concerns related to Level 3 valuations used in determining loan-to-value and RBC charges. Reedy agreed that valuation reliability and auditability are critical considerations and noted that greater confidence in these inputs supports a 2027 implementation timeline.

Slutsker asked the ACLI to clarify how loans at the 80% loan-to-value threshold would be treated under the proposed tiered framework, noting that 80% is a common statutory benchmark. Specifically, he asked whether a loan at that threshold would fall into the higher or lower RBC tier. Altschull responded that, under the ACLI's proposal, an 80% loan-to-value loan would fall into the second tier and receive a 70% adjustment factor.

Slutsker then asked whether ACLI members would be amenable to revising the tier breakpoints so that the first tier covers LTV 90%–100%, with subsequent tiers structured such that 80% loan-to-value is the midpoint, to better align with common statutory thresholds and improve intuitiveness. Altschull indicated tentative openness to this approach but noted that further consultation with ACLI members would be required before confirming support.

To conclude the discussion, Slutsker noted general conceptual support for the ACLI look-through proposal, while acknowledging outstanding concerns related to valuation auditability and tier design. He stated that the Working Group plans to proceed with a chair exposure of the ACLI proposal, accompanied by two targeted cover questions: 1) what specific changes or safeguards could address regulators' concerns regarding fair value determinations for assets with unobservable inputs, including whether a reduced look-through benefit should apply when collateral values are not market-observable; and 2) whether an alternative tiering structure is appropriate such that 80% loan-to-value represents the midpoint of a tier, given its prevalence as a statutory investment limit.

Slutsker re-exposed proposal 2025-16-L MOD (Collateral Loans) for a 23-day public comment period ending April 13.

6. Adopted Proposal 2025-17-L (LR027 Scope Clarification)

Cheung explained that this proposal includes a clarification to the C-3 Phase I instructions, specifying that payout annuities reserved under VM-21: Requirements for Principle-Based Reserves for Variable Annuities are not subject to C-3 Phase I, as they automatically flow into C-3 Phase II. He emphasized that the proposal makes no substantive changes and is intended solely as a clarification.

Cheung made a motion, seconded by Hemphill, to adopt proposal 2025-17-L (LR027 Scope Clarification) (Attachment XX). The motion passed unanimously.

7. Heard a Report from the Academy on RBC Ratios and Impairment Risk

Steve Jackson (Academy) presented Phase 1 research examining the relationship between authorized control level (ACL) RBC ratios and impairment probability across insurance sectors, with a focus on life insurers. He said that using logistic regression, the analysis evaluated impairment risk over a five-year horizon, with each year modeled independently (Attachment XX). Jackson emphasized that the results are preliminary and based solely on RBC ratios, without additional explanatory variables. He noted that Phase 2 will incorporate additional factors, with further results expected by the Summer National Meeting and a final report anticipated by year-end.

Slutsker emphasized the importance of the Academy's analysis in evaluating whether RBC ratios effectively signal impending insolvency, noting that this remains a fundamental issue in solvency regulation. He thanked the Academy for its work and indicated that questions would be deferred, adding that the Academy will be available for follow-up discussions and will present the findings at other RBC and Capital Adequacy (E) Task Force meetings.

8. Discussed Other Matters

Drutz provided an update on the H-2 proposal, noting that proposal 2025-15-CA MOD was exposed at the Health Risk-Based Capital (E) Working Group's Feb. 13 meeting and received no comments. He stated that the Working Group plans to refer the proposal to the Capital Adequacy (E) Task Force for re-exposure at the Summer National Meeting. He added that the proposal expands LR020 reporting and, in its updated form, separates the investment income adjustment factor into two components (an initial underwriting factor and an excess underwriting factor) to better implement the stand-alone investment income adjustment recommended by the Academy.

Slutsker noted that due to the volume of life RBC activity, the Working Group plans to meet again in late April to discuss pending items and the two re-exposed items from this meeting. He advised Working Group members to watch for the meeting notice. He also reminded participants of the upcoming Longevity Risk (E/A) Subgroup meeting scheduled for early April.

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

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Draft: 7/6/26

Generator of Economic Scenarios (GOES) (E/A) Subgroup
Virtual Meeting
May 28, 2026

The GOES (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force met May 28, 2026. The following Subgroup members participated: Mike Yanacheak, Chair (IA); Peter Weber, Vice Chair (OH); Ted Chang (CA); Wanchin Chou (CT); Philip Barlow (DC); Matt Cheung (IL); Scott Shover (IN); Ben Slutsker (MN); William Leung (MO); Seong-min Eom (NJ); William B. Carmello (NY); Haiyan (Hattie) Wang (TX); and Craig Chupp (VA).

1. Exposed the GOES Model Governance Framework With Edits Suggested from NAIC Committee Support

Scott O'Neal (NAIC) provided an overview of the Generator of Economic Scenarios (GOES) Model Governance Framework. He reviewed the key sections of the framework, including governance roles, sign-off protocols, stakeholder responsibilities, models subject to governance, model selection and validation, model update and review, model findings, model change management, documentation requirements, and access controls. O'Neal described the governance roles: 1) Conning is the model developer, developing the GEM software that produces the GOES scenarios and ancillary tools, such as the scenario selection tool; 2) Conning's professional services team is the model owner, owning the production environment and ensuring results are available monthly and accurate; 3) the Subgroup, with NAIC committee support, is the model steward, responsible for model development and ensuring governance is followed; 4) the Subgroup also serves as the model oversight group, reporting to the Life Actuarial (A) Task Force, the Life Risk-Based Capital (E) Working Group, and superior committees; and 5) model users are primarily U.S. insurance organizations and state insurance regulators, who use the scenarios for regulatory requirements, report issues, request model enhancements, and conduct field testing when changes are made.

O'Neal described the model update and review processes contemplated in the framework: 1) an annual model review comparing model performance to actual prior-year outcomes to identify issues and consider whether parameter changes are needed; 2) software updates, typically considered alongside the annual model review as best practice; 3) off-cycle updates for issues arising outside the normal cadence; and 4) a five-year model recalibration cycle. Under the recalibration cycle, the GOES became effective at the beginning of 2026, and four years of additional economic data would be gathered before Conning and NAIC staff present a recalibration recommendation in the first quarter of 2030, if warranted by changes in the economic environment. This would be followed by field testing and model office testing, adoption in the second or third quarter of 2030, and a new calibration effective in 2031.

O'Neal reviewed the models subject to governance, which include the GEM software producing the basic data set, the stochastic exclusion ratio test (SERT) scenario tool, the scenario reduction tool, Conning scenario statistics, and NAIC scenario statistics. He introduced the GOES model inventory file, which provides information on each model subject to governance, including documentation links and risk ratings. O'Neal noted that the risk ratings are all set to high due to the high impact across the industry, but he said that this could be reconsidered. He also introduced the GOES model change templates, which document the technical details of any proposed model change, a summary of impacts on model outputs, and a summary of testing results.

O'Neal then presented the suggested edits to the governance framework from NAIC Committee Support: 1) adding to the maintenance section that the governance framework would be exposed for no fewer than 30 days during the second quarter each year; and 2) specifying that changes to the governance framework would go into effect immediately upon adoption by the Life Actuarial (A) Task Force and Life Risk-Based Capital (E) Working Group. He added that feedback is sought on the timing of changes resulting from the annual model review.

Chang asked about the difference between the Conning scenario statistics and the NAIC scenario statistics. O'Neal said the Conning statistics are produced on a Power BI web-based interactive platform accessible from the NAIC/Conning website, while the NAIC statistics workbook is an Excel document. There is some overlap between the statistics shown in each of the Conning and NAIC statistical packages, but each has unique displays. O'Neal said redundancy is intentional, as it demonstrates both the NAIC and Conning are independently evaluating the scenarios each production cycle. Chang asked whether the five-year recalibration cycle was for just the initial recalibration or expected to be the timing going forward. O'Neal said it is proposed as an ongoing five-year cycle but noted the governance framework is expected to be a living document, exposed annually, so this could change.

Yanacheak exposed the GOES Model Governance Framework with suggested edits from NAIC Committee Support for a 45-day public comment period ending July 13.

2. Exposed the Software Update Recommendation and Supporting Materials

Yanacheak noted that the scenario generation software has an available update and that diligence is required before adopting the most recent version. O'Neal said the proposed update to the GEM software platform would allow the 10,000 scenarios and SERT scenarios to be generated in a single process instead of a multistage process, improving production efficiency. O'Neal said the intent of the update was not to change any outputs; the intent was to keep them the same. He said the change is classified as a "cosmetic update" under the governance framework.

O'Neal described the testing performed by both Conning and the NAIC. Conning conducted its standard validation procedures and also produced a comparison of the first 10 scenarios between the two software versions, finding no differences. NAIC committee support reproduced its statistics using the new software and compared them to the statistics produced by the old software and compared the SERT scenarios from each respective software version, finding no differences in both cases. O'Neal said the model change templates documenting the proposal, testing, and controls, along with all testing work papers, were included in the meeting materials for transparency.

O'Neal said the intended implementation time frame is the July scenario delivery. Per the governance framework, a 30-day exposure is required, and if no comments are received, the change can proceed with the Subgroup chair's consent. Yanacheak noted that if no comments are received, the software update would proceed for the July scenario sets, and if comments are received, the Subgroup would evaluate the best next step.

Yanacheak exposed the software update recommendation and supporting materials for a 30-day public comment period ending June 29.

Having no further business, the Generator of Economic Scenarios (E/A) Subgroup adjourned.

Draft: 7/13/2026

Longevity Risk (E/A) Subgroup
Virtual Meeting
June 9, 2026

The Longevity Risk (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and Life Actuarial (A) Task Force met June 9, 2026. The following Subgroup members participated: Seong-min Eom, Chair (NJ); Tomasz Serbinowski, Vice Chair (UT); Mike Yanacheak (IA); Ben Slutsker (MN); William B. Carmello (NY); Matt Elston and Adam Farris (OH); and Rachel Hemphill (TX).

1. Adopted its April 9 Minutes

Slutsker made a motion, seconded by Hemphill, to adopt the Subgroup's April 9 minutes. The motion passed.

2. Heard a Presentation on the American Academy of Actuaries' Proposed 2026 Work Plan for Longevity Reinsurance

Eom recalled that at its April 9 meeting the Subgroup adopted structural and instructional changes to LR025-A that were subsequently adopted by Life Risk-Based Capital (E) Working Group on April 23. These changes established a blanks structure for the C-2 longevity risk capital charge for longevity reinsurance and instructed companies to enter zero for the 2026 longevity reinsurance longevity risk capital requirement. The Subgroup asked the American Academy of Actuaries (Academy) to develop additional analysis supporting a methodology that produces a longevity reinsurance capital amount that appropriately reflects the risk of the product line. Eom recalled key discussion items from April 9 requiring further development: whether a single combined stress on both the mortality level and mortality improvement trend can replace three separate scenarios; whether the Academy should specify a mortality improvement trend level rather than a fixed differential to the baseline; how the reserve interacts with the total asset requirement (TAR) calculation; and whether the same stress can be appropriately applied to mortality or mortality improvement in different countries.

Carmello confirmed with Eom that the C-2 factor development is intended for application in 2027 risk-based capital (RBC), with development occurring during 2026.

Linda Lankowski (Academy) presented the Academy's proposed approach. The Academy work group determined that developing an illustrative model would be the most effective way to demonstrate longevity reinsurance product mechanics and the implications of proposed structural changes to the Subgroup. The Academy is building a simple spreadsheet model for internal use. The Academy does not intend to publish the model, consistent with the Academy's position that it is not in the software business. Lankowski identified the following concerns with public release: the need for extensive caveats, cell protection, and other safeguards; and the loss of Academy control over how the model is used. The Academy reviewed whether existing stochastic mortality models could be leveraged and did not identify a practical option; the literature discusses the concept but does not provide a workable starting point. The Academy views a simple model as preferable because every real transaction differs in composition, and additional complexity would not improve regulator decision-making. The model allows the user to vary age ranges and starting mortality assumptions to illustrate cash flows for a hypothetical block of longevity reinsurance. Once cash flows are established, the model produces statutory reserves and capital measures under discussion by the Subgroup. The Academy requested Subgroup feedback on scenario priorities, presentation format, and whether the Subgroup prefers a single shock or separate mortality level and mortality improvement shocks.

Slutsker asked whether the Academy considered leveraging prior longevity reinsurance models — particularly an Excel model developed in connection with the Valuation Manual (VM)-22 (A) Subgroup's work, which he identified as having been exposed in October 2024 — as a starting point to shorten the development timeline. Lankowski indicated the Academy would compare any regulator-supplied model to the work in progress. Eom stated that in prior VM-22 work the model was not exposed publicly; only sample illustrations, output graphs, reserve distributions, and sensitivity results were shared. Hemphill agreed with that recollection and asked Slutsker to share the source of any prior model with the other regulators and to identify whether it had been distributed as public or regulator-only material. Slutsker asked whether NAIC staff had access to prior Subgroup exposures; Scott O'Neal (NAIC) confirmed that 2024 exposures are accessible. Slutsker committed to forwarding the identified prior model to Lankowski for the Academy's review.

The Subgroup discussed regulator access to the Academy's spreadsheet model. Serbinowski asked whether the Academy could distribute the model to regulators, questioning the perceived risk. Lankowski said the Academy would discuss the request internally and referenced the Academy's separate work on the generator of economic scenarios (GOES). Hemphill said a tool used for regulator understanding during analysis of the proposed approach is much different from software distributed for broader purposes. Serbinowski stated that without access to the model, results would function as a black box. He said visibility would allow regulators to understand the drivers of counterintuitive results and to build intuition through direct interaction with assumptions. Serbinowski emphasized that the Academy's model is intended solely to illustrate product dynamics for the Subgroup's methodology deliberations and is not intended to be used to compute RBC directly. Slutsker noted that the Academy's position on the GOES project ultimately shifted and encouraged an internal Academy discussion.

Slutsker asked whether, separate from shock illustrations, the Academy could review academic papers proposing mortality distributions or percentile suggestions for mortality levels or mortality improvement. Lankowski referenced a recent Society of Actuaries (SOA) webcast on post-COVID mortality by socioeconomic decile and stated the Academy is discussing baseline mortality assumptions and how to model projected future mortality so cash flow effects can be demonstrated even when the mortality assumption is unchanged. Lankowski observed that current product pricing margins may be thinner than those in the earliest U.S. longevity products and that the Academy intends to consider both thin-margin and larger-margin products. Serbinowski characterized distribution work as principally a calibration question — relevant once a stress structure is chosen — rather than a question about model dynamics. Lankowski added that VM-22 requires mortality assumptions to be based on credible data and that credibility varies by company, reinforcing the value of a simple illustrative model.

Eom summarized the path forward. For phase one as a first step, the Academy will demonstrate the model at the next meeting and illustrate longevity reinsurance cash flows. The Academy will also consider separately how, and under what conditions, the model could be shared with regulators. The next meeting is targeted for the week of July 6 or July 13. Lankowski confirmed the Academy will prepare representative cash flows and descriptions, will bring the model to the next meeting for a live walk-through, and is open to further feedback by phone or email. Eom encouraged the Academy to expand its phase two plan with additional detail or subtopics based on the day's feedback. Eom noted that Serbinowski is a member of the Academy work group and is available for regulator questions between meetings.

Having no further business, the Longevity Risk (E/A) Subgroup adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/A CMTE/LATF/2026-2 Summer/Longevity SG/06 09/LongevitySGMinutes_6.9.docx

AGGREGATED LIFE RBC AND ANNUAL STATEMENT DATA
2025 Data as of 6/1/2026

Attachment 4

		Year-End 2025	Year-End 2024	Year-End 2023	Year-End 2022	Year-End 2021	Year-End 2020
# of Companies Filed RBC		715	725	735	742	750	760
# of Companies Filed Annual Statement		728	741	749	755	766	774
% of RBC Companies		98%	98%	98%	98%	98%	98%
Company Action Level - Trend Test at 300%	5	13	5	1	6	8	5
Company Action Level - Trend Test at 250%					1	1	1
Company Action Level, excluding CAL- Trend Test	1	2	1	2	2	3	2
Regulatory Action Level	2	1	2	1	0	1	0
Authorized Control Level	3	0	1	0	0	0	0
Mandatory Control Level	4	2	2	3	3	3	4
Total		18	11	7	12	16	12
		2.52%	1.52%	0.95%	1.62%	2.13%	1.58%
# of Companies with RBC Ratio > 10,000%		45	41	44	45	55	52
# of Companies with RBC Ratio >1000 & ≤ 10,000%		319	319	312	298	292	306
# of Companies with RBC Ratio >500 & ≤1,000%		287	297	302	313	315	317
# of Companies with RBC Ratio >300 & ≤ 500%		46	52	62	69	73	
# of Companies with RBC Ratio >250 & ≤ 300%		5	4	9	9	9	
# of Companies with RBC Ratio >250 & ≤ 500%							78
# of Companies with RBC Ratio > 200 & ≤ 250%		8	6	1	3	2	2
# of Companies with RBC Ratio < 200% & <> 0%		5	6	5	5	4	5
# of Companies with RBC Ratio of Zero		0	0	0	0	0	0
Total		715	725	735	742	750	760
Total Adjusted Capital		794,610,204,204	752,566,690,699	733,909,113,489	696,198,240,900	710,746,904,192	635,213,337,716
Authorized Control Level RBC		89,742,553,001	86,652,329,484	84,142,856,020	81,640,007,079	80,264,014,541	74,177,610,650
Aggregate RBC %		885%	868%	872%	853%	886%	856%
Median RBC %		1016%	993%	978%	931%	965%	972%
Total C-0 Asset Risk - Affilates		37,921,012,977	35,259,977,766	34,300,788,830	33,786,700,697	32,282,896,095	27,669,014,696
Total C-1cs Asset Risk - Common Stock		63,825,083,986	58,516,684,017	57,768,527,572	54,900,737,718	55,182,980,709	45,635,935,886
Total C-1o Asset Risk - All Other		70,644,845,971	68,778,586,654	66,301,470,377	64,146,694,016	62,725,689,661	60,109,306,053
Total C-2 Insurance Risk		31,074,685,223	34,125,643,189	32,011,834,354	31,195,104,008	37,296,986,893	29,241,196,797
Total C-3a Interest Rate Risk		15,339,240,155	15,403,842,193	16,061,418,244	17,190,092,747	16,066,024,280	16,792,371,276
Total C-3b Health Credit Risk		35,279,872	43,442,646	19,114,152	18,337,840	111,552,562	104,729,771
Total C-3c Market Risk		1,775,845,341	1,610,503,560	2,342,014,491	3,529,226,438	4,295,739,257	6,181,583,664
Total C-4a Business Risk		13,366,560,243	13,062,931,991	11,797,283,285	10,224,912,322	9,240,542,060	8,816,493,013
Total C-4b Business Risk Admin. Expenses		510,024,056	570,883,709	585,932,801	583,359,049	620,386,794	680,883,943
		234,492,577,824	227,372,495,725	221,188,384,106	215,575,164,835	217,822,798,311	195,231,515,099
Net Basic Operational Risk		593,486,210	432,410,452	518,789,825			
Total C-0 Asset Risk - Affilates		16.17%	15.51%	15.51%	15.67%	14.82%	14.17%
Total C-1cs Asset Risk - Common Stock		27.22%	25.74%	26.12%	25.47%	25.33%	23.38%
Total C-1o Asset Risk - All Other		30.13%	30.25%	29.98%	29.76%	28.80%	30.79%
Total C-2 Insurance Risk		13.25%	15.01%	14.47%	14.47%	17.12%	14.98%
Total C-3a Interest Rate Risk		6.54%	6.77%	7.26%	7.97%	7.38%	8.60%
Total C-3b Health Credit Risk		0.02%	0.02%	0.01%	0.01%	0.05%	0.05%
Total C-3c Market Risk		0.76%	0.71%	1.06%	1.64%	1.97%	3.17%
Total C-4a Business Risk		5.70%	5.75%	5.33%	4.74%	4.24%	4.52%
Total C-4b Business Risk Admin. Expenses		0.22%	0.25%	0.26%	0.27%	0.28%	0.35%
		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Assets		10,074,766,054,371	9,429,183,092,654	8,915,394,823,594	8,439,367,712,664	8,832,312,765,460	8,297,856,845,231
Total Invested Assets		6,092,511,118,688	5,746,233,628,982	5,470,188,985,349	5,312,077,013,619	5,159,452,752,770	4,907,504,359,175
Reserves (Liabilities Line 1 + 2)		3,811,747,669,244	3,703,189,265,643	3,619,051,443,815	3,580,757,824,976	3,468,243,938,821	3,394,241,406,583
Surplus (Liabilities Line 37)		658,679,858,540	629,142,197,080	617,441,214,536	589,231,822,136	599,394,009,357	543,174,466,456
Premiums Earned (Page 4 Line 1)		793,907,416,128	829,082,617,115	687,761,484,264	714,406,215,905	649,749,402,737	635,918,317,202
Claims Incurred (Page 4 Lines 10 Through 13)		363,954,855,635	373,548,953,569	346,809,474,331	327,099,260,850	345,503,167,520	319,751,913,923

Source: NAIC Financial Data Repository

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Newsletter Items for Adoption in 2026 for Life and Fraternal RBC

Date: July 2026
Volume: 31

Page 1: Introduction

What Risk-Based Capital Pages Should Be Submitted?
For year-end 2026 life and fraternal risk-based capital (RBC), submit hard copies of pages LR001 through LR049 to any state that requests a hard copy in addition to the electronic filing. Beginning with the year-end 2007 RBC, a hard copy was not required for submission to the NAIC. However, a PDF of the hard-copy filing is part of the electronic filing.

If any actuarial certifications are required per the RBC instructions, they should be included in the hard-copy filing. Starting with the year-end 2008 RBC, the actuarial certifications were also part of the electronic RBC filing as PDFs, similar to the financial annual statement actuarial opinion.

Other pages, such as the mortgage and real estate worksheets, do not need to be submitted. However, the company still needs to retain them for documentation purposes.

Page 1+: Items Adopted for 2026

RBC Preamble
The Risk-Based Capital Model Governance (EX) Task Force and Capital Adequacy (E) Task Force adopted revisions to the RBC Preamble during their joint meeting on June 18. The purpose of the revisions was to better articulate the purpose, use, and limitations of the RBC formula and filings. The revised RBC Preamble included a newly developed section titled "Principles for RBC Requirements." These principles are intended to provide a shared framework for how the Task Forces consider transparency, consistency, and accountability in the RBC adjustment process.

Generator of Economic Scenarios

The Capital Adequacy (E) Task Force adopted proposal 2025-14-L MOD during its May 14 meeting. This proposal addresses the referral from the Generator of Economic Scenarios (GOES) (E/A) Subgroup to the Life Risk-Based Capital (E) Working Group to consider changes to the C3 Phase I calculation and C3 Phase II calculation and the necessary changes to the Life RBC Instructions. This proposal implements the technical changes for C3 Phase I and C3 Phase II to update for the adoption of the GOES economic scenario generator.

Accidental and Health Underwriting Risk Structure Changes

The Capital Adequacy (E) Task Force adopted proposal 2025-15-CA MOD during its May 14 meeting. This proposal incorporates the structural and alternate risk charge changes presented in the American Academy of Actuaries' (Academy's) *H2—Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report*. The proposal separates comprehensive medical and dental and vision columns into the individual lines of business, matching the Health Supplement Annual Statement, page 7, Analysis of Operations. The proposal impacts the following pages: LR019, LR020, LR020-A, LR024, LR026, LR029, and LR030.

LR027 Scope Clarification

The Capital Adequacy (E) Task Force adopted proposal 2025-17-L during its March 24 meeting. This proposal clarifies that for LR027 in the Life and Fraternal RBC blanks, companies that reserve for payout annuities resulting from variable annuities under *Valuation Manual* (VM)-21, Requirements for Principle-Based Reserves for Variable Annuities, are not subject to C-3 Phase I, as they automatically flow into C-3 Phase II.

Collateralized Loan Obligations RBC Structure

The Capital Adequacy (E) Task Force adopted proposal 2025-22-IRE during its May 14 meeting. This proposal incorporates a more granular reporting of long-term bonds into two buckets: i) collateralized loan obligations (CLOs) and ii) all other long-term bonds on the LR002 bonds page. The expanded presentation of bonds is a result of the work of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group under its working agenda item to evaluate the appropriate RBC treatment of asset-backed securities (ABS), including CLOs, collateralized fund obligations (CFOs), or other similar securities carrying similar types of tail risks. This proposal does not contemplate any changes to factors.

Asset Valuation Reserve Changes
The Capital Adequacy (E) Task Force adopted proposal 2026-01-L during its June 30 meeting. This proposal incorporates the adopted changes to the instructions and blanks of the asset valuation reserve (AVR), default component and equity, and other invested asset component tables pursuant to the NAIC Blanks (E) Working Group's adoption of 2025-27BWG MOD.

Schedule BA Residential Mortgages
The Capital Adequacy (E) Task Force adopted proposal 2026-02-L during its June 30 meeting. The proposal ultimately afforded "Unaffiliated BA Mortgage – Residential – All Other – In Good Standing" a risk charge of 0.0068. This charge mirrors the amount incurred with direct ownership of "Residential Mortgage – All Other – In Good Standing" as though the reporting entity owns the mortgages directly.

Underwriting Risk Factors (LR020)—Investment Income Adjustment
The Capital Adequacy (E) Task Force adopted proposal 2026-03-CA during its June 30 meeting. This proposal updated the comprehensive medical, Medicare supplement, and dental and vision factors to include a 4.0% investment yield adjustment. The proposal also included lines to separate investment adjustment factors from underwriting factors at the request of interested parties. The investment income adjustment factors are:

	Comprehensive Medical	Medicare Supplement	Dental and Vision
Initial Premium	0.9647	0.9467	0.9650
Excess Premium	0.9444	0.9194	0.9474

Remove Investment Affiliate Code 4
The Capital Adequacy (E) Task Force adopted proposal 2026-05-CA during its May 14 meeting. This proposal updates the RBC instructions and blanks for the Statutory Accounting Principles (E) Working Group's and Blanks (E) Working Group's adopted items (Statutory Accounting Principles [E] Working Group Ref. #2024-21 and Blanks [E] Working Group #2025-20BWG). The proposal removes Affiliate Type 4, Investment Subsidiary, from the Affiliated Investments pages. This proposal affects pages LR010, LR011, LR031, LR033, LR036, LR038, LR042, LR043, and LR044.

LR027 Annual Statement Source Update
The Capital Adequacy (E) Task Force adopted proposal 2026-06-L MOD during its June 30 meeting. This proposal updates the annual statement source and instructions to the LR027 Interest Rate Risk and Market Risk page.

Longevity Reinsurance
The Capital Adequacy (E) Task Force adopted proposal 2026-07-L during its May 14 meeting. This proposal added structural and instructional changes to the LR025-A Longevity Risk page to account for RBC treatment of longevity reinsurance products, as recommended by the Longevity Risk (E/A) Subgroup.

LR008 Annual Statement Source Update
The Capital Adequacy (E) Task Force adopted proposal 2026-09-L MOD during its June 30 meeting. This proposal updates the annual statement sources for schedule BA assets on page LR008 due to the expansion of reporting lines for CLOs, as adopted in Blanks (E) Working Group proposal 2024-19BWG and AVR references in proposal 2025-27BWG MOD.

CLO RBC Factors
The Capital Adequacy (E) Task Force adopted proposal 2026-12-IRE MOD during its June 30 meeting. This proposal applies CLOs' modeled C-1 factors, as presented by the Academy on June 23, to all CLOs, collateralized bond obligations (CBOs), and collateralized debt obligations (CDOs) as reported in the AVR Default Component Table, lines A9.1–A14. Broadly syndicated loan (BSL) CLOs with NAIC Designation 2.C. or lower AND with tranche thickness equal to or below 4% will be assessed a surcharge of 11.77% pre-tax. In addition, a new portfolio adjustment factor (PAF) of 1.0 is adopted for CLOs, CBOs, and CDOs.

Editorial Changes
On LR020-A, in the Annual Statement Source table, the "Total" column number was corrected to read column "9."

On LR038, the Additional Information Required page, Line (7.11), reference was corrected to "Company's Annual Statement Five-Year Historical Data Column 1 Line **50,**" and the line (7.2) reference was corrected to "Subsidiaries' Life Annual Statement Five-Year Historical Data Column 1 Line **50** Less Lines 45 and 46; Property and Casualty Annual Statement Five-Year Historical Data Column 1 Line **48** Less Lines 43 and 44," resulting from the adoption of Blanks (E) Working Group 2026-09BWG on May 28.

Last Page: RBC Forecasting and Warning

Risk-Based Capital Forecasting and Instructions
The life and fraternal RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2026 Life and Fraternal Risk-Based Capital Forecasting and Instructions for Companies* (Forecasting and Instructions). This publication is typically published around Nov. 1 each year and is available to download in PDF or CSV format from the NAIC publications

web page at *https://content.naic.org/publications*. Please note that the user guide is no longer included in the Forecasting and Instructions.

Warning: The RBC forecasting spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual statement software vendor should be used to create the electronic filing. If the forecasting worksheet is sent instead of an electronic filing, it will not be accepted, and the RBC will not be filed.

Last Page: 2026 National Association of Insurance Commissioners

2026 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Life Risk-Based Capital Newsletter, Volume 32. Published annually or as needed by the NAIC for insurance regulators, professionals, and consumers.

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NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

To: Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group
Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group

From: Ben Slutsker, Chair of Life Risk-Based Capital (E) Working Group
Philip Barlow, Vice Chair of Life Risk-Based Capital (E) Working Group

Re: Collateral Loans BA Schedule Reporting

Date: June 11, 2026

Life Risk-Based Capital (E) Working Group met June 18, 2025, and received a referral from Statutory Accounting Principles (E) Working Group (SAPWG) regarding collateral loan schedule BA reporting changes. The referral included the impetus of implementing more granular reporting:

The SAPWG identified that some reporting entities were using collateral loans as a way to access certain types of investment structures while obtaining more favorable RBC than if they held the underlying collateral directly. As such, the ability to incorporate RBC parity for certain collateral loans to what would be incurred if the collateral was held directly was a focus of the project to incorporate more granular reporting lines.

In response to SAPWG's request to reconsider risk-based capital (RBC) and Asset Valuation Reserve (AVR) factors for collateral loans, the Life Risk-Based Capital (E) Working Group deliberated RBC proposal 2025-16-L (Collateral loans) in late 2025 to early 2026. Ultimately, the Working Group adopted a modified proposal to assess RBC charges based on overcollateralization %, for two types of collateral loans only: i) collateral loans backed by Joint Ventures', Limited Partnerships' and Limited Liability Companies' Interests and ii) collateral loans backed by residual tranches, collectively "collateral loans in scope". The proposal will take effect from 2027 RBC filings.

To address regulators' concerns over valuation of collaterals, the adopted methodology requires independent verification of collaterals' fair value, absent of which will lead to full look-through in assessing charges as if the collaterals are owned directly. To further enhance transparency, American Council of Life Insurers (ACLI) further suggest in its comment letter dated April 10, 2026: "*insurers could disclose the valuation range associated with the independent valuation analysis. While regulators already have access to this information as required by SSAP 21, proactive disclosure of a valuation range, rather than a single point estimate, would allow regulators to better assess the reasonableness of the fair value used in the LTV calculation and provide additional context around estimation uncertainty.*"

In order to facilitate effective implementation of adopted proposal 2025-16-L MOD (Collateral loans), the Working Group directs this referral to Statutory Accounting Principles (E) Working Group, requesting additional disclosures in Annual Statement Blanks, Schedule BA Other Long-Term Invested Assets page such that the following information become readily available for collateral loans in scope:

a) Whether or not independent verifications of collaterals' fair values are obtained.
b) Details of the verification, date of appraisal, name of entity performing verification etc.
c) Range of valuations.

Note that with the adoption of 2024-19BWG MOD, insurers are already required to disclose "Fair Value of Collateral Backing the Collateral Loan" and "Current Overcollateralization Percentage to the Collateral Loan", with effect from 2026 Annual Statement filings.

Finally, proposal 2025-16-L MOD (Collateral loans) also made permanent the interim solution adopted for collateral loans backed by mortgage loans (Proposal 2024-15-L). As such, the Working Group would like to request refresh of SAPWG memo and/or guidance be incorporated into the annual statement instructions to effectuate the look through of collateral loans backed by mortgage loans in the Asset Valuation Reserve's Equity and Other Invested Asset Component table.

Please contact NAIC staff of the Life Risk-Based Capital (E) Working Group with any questions about this referral.

Cc: Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr, Maggie Chang, Kazeem Okosun

Alternative Proposal for FT Runs

	Requested or Optional	Surplus or Asset Based	FIA	Interest Rates	Equity	Defaults	Discounting
Baseline	Requested	Surplus	No	**GOES**	Company	Company	105% * 1-yr UST
Sens 0	Optional	Surplus	**Yes**	GOES	Company	Company	105% * 1-yr UST
Sens 1	Requested	**Asset**	If in Sens 0	GOES	Company	**VM-20**	105% * 1-yr UST
Sens 2	Requested	Asset	If in Sens 0	GOES	**GOES**	VM-20	105% * 1-yr UST
Sens 3	Requested	Asset	If in Sens 0	GOES	GOES	VM-20	**NAER or Direct Iteration**
Sens 4	Optional	Asset	If in Sens 0	GOES	Company	**Company**	105% * 1-yr UST
Sens 5	Optional	Asset	If in Sens 0	**GOES + shock up**	Company	VM-20	105% * 1-yr UST
Sens 6	Optional	Asset	If in Sens 0	**GOES + shock down**	Company	VM-20	105% * 1-yr UST
Sens 7	Optional	Asset & Surplus	If in Sens 0	GOES	**Academy**	VM-20	105% * 1-yr UST

Alternative Proposal for FT Runs[1]

Proposed	Original	Requested or Optional	Surplus or Asset Based	FIA	Interest Rates	Equity	Defaults	Discounting	Comment
Baseline (2025 C3P1)		Requested	Surplus	No	AIRG	Company	Company	105% of 1-yr UST	2025 C3P1 Reported
Unfloored without topside 2025 C3P1		Requested	Surplus	No	AIRG	Company	Company	105% of 1-yr UST	2025 C3P1 unfloored, remove any topside adj (unfloored and without topside thereafter)
Sens 0	**Baseline**	Requested	Surplus	No	**GOES**	Company	Company	105% of 1-yr UST	Compare to unfloored
Sens 1 (2026 C3P1)		Requested	Surplus	No	GOES	Company	Company	**105% of 10-yr UST**	Compare to Sens 0; not model run
Sens 2		Requested	**Asset**	No	GOES	Company	Company	105% of 10-yr UST	Compare to Sens 1
Sens 3	**Sens 0**	Optional	Asset	**Yes**	GOES	Company	Company	105% of 10-yr UST	Compare to Sens 2
Sens 4	**Sens 1**	Requested	Asset	if in Sens 3	GOES	Company	**VM-20**	105% of 10-yr UST	Compare to Sens 2 if no FIA; 3 otherwise
Sens 5		Optional	Asset	if in Sens 3	GOES	**GOES Levelized if GA equity only; Stochastic otherwise**	Company	105% of 10-yr UST	Compare to Sens 2 if no FIA; 3 otherwise
Sens 6		Optional	Asset	if in Sens 3	GOES	**GOES Levelized**	Company	105% of 10-yr UST	Compare to Sens 2 if no FIA; 3 otherwise
Sens 7		Optional	Asset	if in Sens 3	GOES	**AG-53**	Company	105% of 10-yr UST	Compare to Sens 2 if no FIA; 3 otherwise
Sens 8	**Sens 2**	Requested	Asset	if in Sens 3	GOES	**GOES Levelized if GA equity only; Stochastic otherwise**	**VM-20**	105% of 10-yr UST	Compare to Sens 4
Sens 9		Requested	Asset	if in Sens 3	GOES	**GOES Levelized**	VM-20	105% of 10-yr UST	Compare to Sens 4
Sens 10		Optional	Asset	if in Sens 3	GOES	**AG-53**	VM-20	105% of 10-yr UST	Compare to Sens 4
Sens 11	**Sens 3**	Requested	Asset	if in Sens 3	GOES	GOES Levelized	VM-20	**NAER or Direct Iteration wo guardrail**	Compare to Sens 9
Sens 12	**Sens 3**	Requested	Asset	if in Sens 3	GOES	GOES Levelized	**VM-20 + init asset spread cap**	**NAER or Direct Iteration w guardrail**	Compare to Sens 9
Sens 13		Optional* (strongly encouraged)	Asset	if in Sens 3	GOES	GOES Levelized	VM-20 + init asset spread cap	**NAER or Direct Iteration w guardrail**	Reflect VM-22 retroactivity, disclose any exclusion anticipated to be converted ; compare to Sens 12
Sens 14	**Sens 5**	Optional	Asset	if in Sens 3	**GOES + 10/31/89 UST Yield Curve (shock up)**	Company	VM-20	105% of 10-yr UST	Compare to Sens 4
Sens 15	**Sens 6**	Optional	Asset	if in Sens 3	**GOES + 03/09/20 UST Yield Curve (shock down)**	Company	VM-20	105% of 10-yr UST	Compare to Sens 4
Sens 16	**Sens 3**	Requested	Asset	if in Sens 3	GOES	**Full stochastic for GA equity-like assets**	**VM-20 + init asset spread cap**	**NAER or Direct Iteration w guardrail**	Compare to Sens 12

1. Open reporting questions:
a. Tail metric: When to use weighted average approach vs CTE;
b. CTE/scalar pairs: What should be reported? CTE(90), CTE(95) with 25%, CTE(98) with 25% minimum. We also proposed CTE(90)-CTE(99) - where would cutoff be for scalars, should they vary? Additionally, we proposed VAR(100).

Q #	Category	Ref	Topic	Description	Status	Resolution/Comment
Required for testing						
M1	Scenarios	NEW	Sensitivity Scenarios	Will the shock up and shock down scenarios be provided for 9/30/2025 and 12/31/2025? 6/29: What is the shock, +/-100bps?	Resolved	Conning/NAIC will produce shock up/down scenarios for 9/30/2025 and 12/31/2025 7/2: interest rate shocks will be consistent with GOES FT2; 3/9/20 (low), 10/31/89 (high)
M2	Guardrail	1.a/1.b	NAER Guardrail	Should this be included when it is unclear how to test when guardrail not yet defined 6/17: Is the VM-20/22 initial spread cap to be included? Does this only apply to the NAER run(s)?	Resolved	Apply VM-20/22 guardrail (2027 VM version) and net asset spreads Provided runs should be a) no guardrail, b) guardrail only, and c) greater of the two; greater of the two should be applied for sensitivities 6/25: Initial spread cap included in NAER run
M3	Testing Metric	1.c	Testing Metric	If surplus metric tested, need guidance on simplification for PBR models	Resolved	Apply asset-based metric; have surplus-metric as an optional run, with companies describing how they determined future reserve balances; Note: Surplus still applies for certain runs, companies will need to describe their process
M4	Reporting	3	Reporting Granularity	Granularity of reporting may impact how models are combined for testing purposes.	Resolved	Product splits would be encouraged; qualitative impacts are acceptable but at a minimum should identify the direction of impact by product. Splits should include payout vs deferred, with and without GLBs, and Life
M5	VM-22 Retroactivity	5	VM-22 Retroactivity	Determination if companies can reflect VM-22 for inforce blocks; requirements for retroactivity not fully defined 6/29: Not all business intended will be able to be tested in time; can companies just indicate what additional business would likely be moved to VM-22?	Resolved	Reflection of VM-22 retroactivity would be an optional run after "Sens 3" [final attribution run]; 7/2: clarify initial spread cap included in last requested run; additional retroactivity run strongly encouraged, and company to discuss what business was not testing under VM-22 that they anticipate would be.
M6	Assumptions	Add'l	VM-20 Defaults / Non-PBR Models	Need clarity on how VM-20 defaults are tested for non-PBR models and whether simplified approaches are allowed	Resolved	Companies should continue to do what is currently done, and should not remove any PADs (except for any default PADs when applying VM-20 defaults)
M7	Assumptions	Add'l	Assumption Framework	Need guidance on whether to use prudent estimates, remove PADs, or use prescribed assumptions	Resolved	Companies should continue to do what is currently done, and should not remove any PADs (except for any default PADs when applying VM-20 defaults)
M8	Equity	Add'l	Equity Return Assumptions	How to reflect other equity-like assets factor credit (30% for common equity); Addressing double counting	Removed	Addressing through reporting question below
M9	Model Start Dates	Add'l	Valuation Date	Will 9/30/2025 models be permitted; if so, will scenarios be provided?	Resolved	Companies can use 9/30/2025 or 12/31/2025, shock scenarios will be produced for both valuation dates
M10	Discount Rate	NEW	Discount Rate	10-year Treasury for discounting should be reflected in attribution as it is the YE2026 requirement; reflect in ACLI runs recommendation	Resolved	Should be part of the attribution
M11	Scope	NEW	"Checking account" style annuitization options	Clarification if in scope	Resolved	Companies should decide whether to include and document their choice

Q #	Category	Ref	Topic	Description	Status	Resolution/Comment
M12	Scenarios	NEW	Alternative Generators	Are alternative generators permitted if they produce results consistent with GOES?	Resolved	No. Generator would need to meet the comparable standard with respect to this exercise, not a specific baseline, so benefit to include is unclear

Reporting Questions

R1	Reporting	1	CTE Metrics & Scalars	Suggest collecting CTE(90), CTE(95) with 25% scalar, CTE(98) with 25% scalar, and VAR(100) as a check on results	Resolved	Company to disclose key CTE levels indicated in description; companies will also provide individual scenario results. Report CTE(70). If calculation pre or post tax? For scalars analysis to determine based on relationship to CTE(90) as the benchmark.
R2	Reporting	2	Voluntary Reserves	Consistent treatment between C3P1 and C3P2	Resolved	Specify any voluntary, AAT reserves
R3	Reporting	4	Supplemental Information	Should this be expanded with supplemental reporting V2 (in Section III)	Resolved	Include; Product splits would be encouraged; qualitative impacts are acceptable but at a minimum should identify the direction of impact by product. Splits should include payout vs deferred, with and without GLBs, and Life. Industry follow-up with concerns.
R4	Reporting	4	Additional Supplemental Metrics	Should companies provide block-level drivers (duration mismatch, convexity, etc.) given aggregate nature of calculation	Resolved	Include; Product splits would be encouraged; qualitative impacts are acceptable but at a minimum should identify the direction of impact by product. Splits should include payout vs deferred, with and without GLBs, and Life. Industry follow-up with concerns.
R5	Reporting	Add'l	Template	Will there be a standard template?	Resolved	Yes
R6	Reporting	Add'l	Equity Double Counting	Recommendation: • Applicable for all products, not just FIAs. • Any equity assets that are included in C3 Phase 1 modeling, with equity scenarios that come out of GOES and are very volatile, have no explicit charge, since their volatility impacts C3P1. • Equity assets not included in C3 Phase 1 modeling keep the old factor-based approach	Resolved	Apply to all products in the Academy categorization. Information gathering to better understand the last 2 bullets (companies disclose their approach). Full stochastic equity run to be required for companies with equity-like assets in GA.
R7	Reporting	NEW	Formulaic floor and factor-weightings	Recommend excluding floor from analysis; reflected in suggested model runs	Resolved	Floor removed after 12/31/2025 reported values, including any topside adjustments