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| TO: | Ken Cotrone, Chair, Investment Designation Analysis (E) Working Group<br>Members of the Investment Designation Analysis (E) Working Group |
| FROM: | Charles A. Therriault, Director, NAIC Securities Valuation Office<br>Marc Perlman, Assistant Director-Investment Counsel, NAIC Securities Valuation Office<br>Hankook Lee, Assistant Director, NAIC Structured Securities Group |
| RE: | Proposed Amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the "P&P Manual") to Publish the List of Broadly Syndicated Loan CLOs Impacted by the Tranche Thickness RBC Guidance |
| DATE: | September 22, 2026 |

**Summary:** The Capital Adequacy (E) Task Force, at the recommendation of the American Academy of Actuaries, adopted instructions to continue relying upon credit rating provider (CRP) ratings to determine the risk-based capital (RBC) factors for collateralized loan obligations (CLOs). The new RBC factors for these investments include an additional RBC factor adjustment for Broadly Syndicated Loan CLOs with an NAIC Designation Category of 2.C or below if the current tranche thickness is less than or equal to 4%. Current tranche thickness is defined as the difference between the attachment point (AP) and the detachment point (DP) of a CLO tranche. AP refers to a tranche's subordination percentage, and DP is the percentage of total par amount of the underlying portfolio including principal proceeds, that will completely write off the tranche. The current tranche thickness is to be measured using the most recent periodic report available, without being stale, as of the investment reporting date.

The AAA proposal was adopted by the RBCIRE on Jun. 23, adopted by the Capital Adequacy (E) Task Force on Jun. 30, adopted by the Financial Condition (E) Committee on Jul. 8, and adopted by NAIC's Plenary during the 2026 Summer National Meeting.

**Proposed Amendment** – Given the policy directive, the SVO is proposing the following changes to authorize SSG to publish a list of CLOs to assist regulators in the consistent identification of CLO bonds that are subject to the tranche thickness RBC factor surcharge and include this in the P&P Manual's Compilations and Publication of the SVO List of Investment Securities. The attached P&P Manual update reflect with additions in red underline and deletions in ~~red strikethrough~~.

## PART TWO
## OPERATIONAL AND ADMINISTRATIVE INSTRUCTIONS APPLICABLE TO THE SVO

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**Directive**

3. On a quarterly basis, the SVO shall:

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- Compile, or cause to be compiled, sub-lists from the informational content of the Counterparties Designated by the SVO process, the Qualified U.S. Financial Institutions process, the Funds process, the Credit Ratings Eligible for Translation to NAIC Designations process, the Sovereign NAIC Designation Equivalent process, the RSAT Index process, list for the determination of CLO bonds that are subject to the tranche thickness RBC factor surcharge, and any other SVO processes mandated by this Manual (each an SVO Sub-List bearing the name of the corresponding Process and collectively the "Other Information").

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## PART FOUR
## THE NAIC STRUCTURED SECURITIES GROUP

**Certain Administrative Symbols**

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**List For the Determination of CLO Bonds Subject to the Tranche Thickness RBC Factor Surcharge**

4. SSG will compile and publish with the SVO List of Investment Securities a list for the determination of Broadly Syndicated Loan (BSL) CLOs that are subject to the tranche thickness RBC factor surcharge. The RBC factor surcharge, as defined in the Risk-Based Capital Instructions, is applicable to BSL CLOs with an NAIC Designation Category of 2.C or below if the current tranche thickness is less than or equal to 4%. Current tranche thickness is defined as the difference between the attachment point (AP) and the detachment point (DP) of a CLO tranche. AP refers to a tranche's subordination percentage, and DP is the percentage of total par amount of the underlying portfolio including principal proceeds, that will completely write off the tranche. The current tranche thickness is to be measured using the most recent periodic report available, without being stale, as of the investment reporting date.

https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2026 IDAWG/2026-10-28 Interim meeting/06-CLO Thin Tranche/2026-014.01 PP_Manual_Part_Four_CLOs_Thin.docx