Capital Adequacy (E) Task Force

RBC Proposal Form

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

	DATE: 1/12/2026	**FOR NAIC USE ONLY**
CONTACT PERSON:	Kazeem Okosun	Agenda Item # 2026-02-L Year 2026
TELEPHONE:	816-783-8981	**DISPOSITION**
EMAIL ADDRESS:	kokosun@naic.org	**ADOPTED:** ☒ TASK FORCE (TF) 6-30-2026 ☒ WORKING GROUP (WG) 4-30-2026 ☐ SUBGROUP (SG)
ON BEHALF OF:	Life Risk-Based Capital (E) Working Group	**EXPOSED:** ☐ TASK FORCE (TF) ☒ WORKING GROUP (WG) 2-10-2026 ☐ SUBGROUP (SG)
NAME:	Ben Slutsker, Chair	**REJECTED:** ☐ TF ☐ WG ☐ SG
TITLE:	Director of Life Actuarial Valuation	**OTHER:** ☐ DEFERRED TO ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY)
AFFILIATION:	Minnesota Dept of Commerce	
ADDRESS:	85 7th Place East, Suite 280 Saint Paul, MN 55101	

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

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

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

During first half of 2024, Life Risk-Based Capital (E) Working Group and Capital Adequacy (E) Task Force adopted Proposal 2024-05-L and 2024-17-L, which ultimately afforded "Affiliated BA Mortgage – Residential – All Other – In Good Standing" a risk charge of 0.0068. This charge mirrors what is incurred with direct ownership of "Residential Mortgage – All Other – In Good Standing" as though the reporting entity owns the mortgages directly and reports on LR004. The affiliated BA residential mortgage provision is considered a "look-through" treatment, on the premise that if the BA structure is affiliated, then the reporting entity has the ability to obtain and assess the underlying residential mortgage loans to determine appropriate RBC treatment.

In Feb 2025, while deliberating Proposal 2024-24-L Principle Based Bond Definition Project, both ACLI and Pacific Life included in their comment letters a request to revisit "Unaffiliated BA Mortgage – Residential – All Other – In Good Standing", which is currently not separated out in AVR and therefore in RBC. This proposal is drafted to address that comment. A concurrent exposure of Proposal 2025-27BWG MOD was made at Blanks (E) Working Group to facilitate this proposal.

Additional Staff Comments:

2-10-2026 Proposal was exposed with comments due 03-12-2026

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

SCHEDULE BA MORTGAGES

		Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Involuntary Reserve Adjustment †	(3) RBC Subtotal	(4) Cumulative Writedowns ‡		(5) Average Factor		(6) RBC Requirement
	In Good Standing									
(1)	Insured or Guaranteed	AVR Equity Component Column 1 Line **E6** + Line **E8**	$0	$0	$0	XXX	X	0.0014	=	$0
(2)	Affiliated / **Unaffiliated** Mortgages - Residential - All Other	AVR Equity Component Column 1 Line **E7 + Line E24**	$0	$0	$0	XXX	X	0.0068	=	$0
(3)	Unaffiliated Mortgages with Covenants	AVR Equity Component Column 1 Line **E20**	$0	$0	$0	XXX	X	0.000	* =	$0
(4)	Unaffiliated Mortgages - Defeased with Government Securities	AVR Equity Component Column 1 Line **E21**	$0	$0	$0	XXX	X	0.0090	=	$0
(5)	Unaffiliated Mortgages - Primarily Senior	AVR Equity Component Column 1 Line **E22**	$0	$0	$0	XXX	X	0.0175	=	$0
(6)	Unaffiliated Mortgages - All Other	AVR Equity Component Column 1 Line **E23**	$0	$0	$0	XXX	X	0.0300	=	$0
(7)	Affiliated Mortgages - Category CM1	AVR Equity Component Column 1 Line **E1**	$0	$0	$0	XXX	X	0.0090	=	$0
(8)	Affiliated Mortgages - Category CM2	AVR Equity Component Column 1 Line **E2**	$0	$0	$0	XXX	X	0.0175	=	$0
(9)	Affiliated Mortgages - Category CM3	AVR Equity Component Column 1 Line **E3**	$0	$0	$0	XXX	X	0.0300	=	$0
(10)	Affiliated Mortgages - Category CM4	AVR Equity Component Column 1 Line **E4**	$0	$0	$0	XXX	X	0.0500	=	$0
(11)	Affiliated Mortgages - Category CM5	AVR Equity Component Column 1 Line **E5**	$0	$0	$0	XXX	X	0.0750	=	$0
(12)	Total In Good Standing	Sum of Lines (1) through (11)	$0	$0	$0					$0
	90 Days Overdue, Not in Process of Foreclosure									
(13)	Insured or Guaranteed 90 Days Overdue	AVR Equity Component Column 1 Line **E10** + Line **E12**	$0	$0	$0	XXX	X	0.0027	=	$0
(14)	All Other 90 Days Overdue - Unaffiliated	AVR Equity Component Column 1 Line **E25**	$0	$0	$0	XXX	X	0.1100	=	$0
(15)	All Other 90 Days Overdue - Affiliated	AVR Equity Component Column 1 Line **E9** + Line **E11 +** Line **E13**	$0	$0	$0	XXX	X	0.1100	=	$0
(16)	Total 90 Days Overdue, Not in Process of Foreclosure	Lines (13) + (14) + (15)	$0	$0	$0	~~$0~~				$0
	In Process of Foreclosure									
(17)	Insured or Guaranteed in Process of Foreclosure	AVR Equity Component Column 1 Line **E15** + Line **E17**	$0	$0	$0	XXX	X	0.0054	=	$0
(18)	All Other in Process of Foreclosure - Unaffiliated	AVR Equity Component Column 1 Line **E26**	$0	$0	$0	XXX	X	0.1300	=	$0
(19)	All Other in Process of Foreclosure - Affiliated	AVR Equity Component Column 1 Line **E14** + Line **E16+** Line **E18**	$0	$0	$0	XXX	X	0.1300	=	$0
(20)	Total In Process of Foreclosure	Lines (17) + (18) + (19)	$0	$0	$0					$0
(21)	Total Schedule BA Mortgages (pre-MODCO/Funds Withheld)	Lines (12) + (16) + (20)	$0	$0	$0					$0
(22)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)								$0
(23)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)								$0
(24)	Total Schedule BA Mortgages (including MODCO/Funds Withheld.)	Lines (21) - (22) + (23)								$0

† Involuntary reserves are reserves that are held as an offset to a particular asset that is clearly a troubled asset and are included on Page 3 Line 25 of the Annual Statement.
‡ Cumulative writedowns include the total amount of writedowns, non-admissions, and involuntary reserves that have been taken or established with respect to a particular mortgage.
* This will be calculated as Column (6) divided by Column (3).