

Capital Adequacy (E) Task Force RBC Proposal Form

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| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input type="checkbox"/> Health RBC (E) Working Group | <input checked="" type="checkbox"/> Life RBC (E) Working Group |
| <input type="checkbox"/> Catastrophe Risk (E) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Longevity Risk (A/E) Subgroup |
| <input type="checkbox"/> Variable Annuities Capital. & Reserve Evaluation (E/A) Subgroup | <input type="checkbox"/> Economic Scenarios (E/A) Subgroup | <input type="checkbox"/> RBC Investment Risk & (E) Working Group |

<p style="text-align: right;">DATE: <u>04-13-2026</u></p> <p>CONTACT PERSON: <u>Kazeem Okosun</u></p> <p>TELEPHONE: <u>816-783-8981</u></p> <p>EMAIL ADDRESS: <u>kokosun@naic.org</u></p> <p>ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u></p> <p>NAME: <u>Ben Slutsker, Chair</u></p> <p>TITLE: <u>Director of Life Actuarial Valuation</u></p> <p>AFFILIATION: <u>Minnesota Department of Commerce</u></p> <p>ADDRESS: <u>85 7th Place East, Suite 280</u> <u>Saint Paul, MN 55101</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2026-09-L</u> Year <u>2026</u></p> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>EXPOSED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>REJECTED:</p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p>OTHER:</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- | | | |
|--|---|---|
| <input type="checkbox"/> Health RBC Blanks | <input type="checkbox"/> Property/Casualty RBC Blanks | <input checked="" type="checkbox"/> Life and Fraternal RBC Blanks |
| <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions | <input checked="" type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Formula | <input type="checkbox"/> Property/Casualty RBC Formula | <input type="checkbox"/> Life and Fraternal RBC Formula |
| <input type="checkbox"/> OTHER _____ | | |

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal incorporates adopted changes to Annual Statements as per 2024-19BWG, which introduces enhanced granularity in Schedule BA reporting for collateral loans. The proposal is to integrate these more detailed classifications directly into LR008, Line 51(Schedule BA Collateral Loans) annual statement source references column.

In addition, this proposal is drafted to incorporate comments received for proposal 2025-16-L MOD (Collateral loans). Specifically, (i) LR009 instruction is expanded to make clear that if the insurers own collateral loans collateralized by mortgage loans but lack requisite loan level details, such investments are excluded from scope of LR009 and should be categorized as collateral loans – others and reported in LR008. This is consistent with treatment of Interests in Joint Ventures, Partnerships or Limited Liability Companies (Including Non-Registered Private Funds) with Underlying Assets Having the Characteristics of Mortgage loans (ii) Asset Valuation Reserve Equity and Other Invested Asset Component table, all the factors for Basic Contribution, Reserve Objective and Maximum Reserve should be set at zero. This will retain the legacy AVR treatment for collateral loans, i.e. no AVR assessment until further work has been done to determine AVR factors for collateral loans.

Additional Staff Comments:

**** This section must be completed on all forms.**

Revised 2-2023

SCHEDULE BA MORTGAGES

LR009

Basis of Factors

For Affiliated **Commercial** Mortgages **included in, Schedule BA** Line 2499999, the factors used are the same as for commercial mortgages and are defined in Figure 9. Risk categories and factors are determined using a company generated worksheet (Figure 10).

For Unaffiliated **Commercial** Mortgages, **included in Schedule BA** Line 2399999, the factors used are the same as for commercial mortgages and are defined in Figure 9. Risk categories and factors are determined as follows:

- 1) For Investments that contain covenants whereby factors of maximum LTV and minimum DSC, or equivalent thresholds must be complied with and it can be determined that the Investments are in compliance, these investments would use the process for directly held mortgages using the maximum LTV and minimum DSC using the company generated worksheet and transferred to LR009 line (3) for mortgages with covenants that are in compliance.
- 2) Investments that are defeased with government securities will be assigned to CM1 and transferred to LR009, line (4).
- 3) Other investments comprised primarily of senior debt will be assigned to CM2 and transferred to LR009, line (5).
- 4) All other investments in this category will be assigned CM3 and transferred to LR009, line (6). This would include assets such as a mortgage fund that invests in mezzanine or sub debt, or investments that cannot be determined to be in compliance with the covenants.

For collateral loans backed by mortgage loans that are included in Schedule BA Lines 3199999 and 3299999, for the avoidance of doubt, insurers are expected to have loan level information to facilitate detailed property analysis appropriate for the corresponding risk-based capital factors. If the requisite details are not available for reporting, such collateral loans should be categorized as “collateral loans – others” and reported on LR008 Other Long-Term Assets.

Specific Instructions for Application of the Formula

Column (1)

Except for Line (1), (2), (13), and (17), calculations are done on an individual mortgage basis and then the summary amounts are entered in this column for each class of mortgage investment. Refer to the Schedule BA mortgage calculation worksheet (Figure 10) for how the individual mortgage calculations are completed. Line (21) should equal Schedule BA Part 1, Column 12, Lines 2399999 and 2499999, and collateral loans backed by mortgages, as reported in Notes to Financials 5S, Column 1 line 7a and 7b.

Company Name

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OTHER LONG-TERM ASSETS (CONTINUED)



Details Eliminated
to Conserve Space

(1) Book / Adjusted
(2)
(3)
(4)
(5) RBC

	Annual Statement Source	Carrying Value	Unrated Items ‡	RBC Subtotal †	Factor	Requirement
<u>Schedule BA - Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-es)</u>						
(42)	Schedule BA Unaffiliated Common Stock-Public	AVR Equity Component Column 1 Line 65			X § =	
(43)	Schedule BA Unaffiliated Common Stock-Private	AVR Equity Component Column 1 Line 66			X 0.3000 =	
(44)	Schedule BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 69			X 0.3000 =	
(45)	Total Residual Tranches or Interests	AVR Equity Component Column 1 Line 92			X 0.4500 =	
(46)	Total Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-es) (pre-MODCO/Funds Withheld)	Line (42) + (43) + (44) + (45)				
(47)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)				
(48)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)				
(49)	Total Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-es) (including MODCO/Funds Withheld.)	Lines (46) - (47) + (48)				
<u>Schedule BA - All Other (C-1o)</u>						
(50.1)	BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line 67				
(50.2)	BA Affiliated Common Stock - Certain Other	AVR Equity Component Column 1 Line 68				
(50.3)	Total Schedule BA Affiliated Common Stock - C-1o	Line (50.1) + (50.2)			X 0.3000 =	
(51)	Schedule BA Collateral Loans	Schedule BA Part 1 Column 12 Line 3399999 + Line 3499999 + Line 3599999 + Line 3699999 + Line 3799999 + Line 3899999 + Line 3999999 + Line 4099999 + Line 4199999 + Line 4299999, in part			X 0.0680 =	
(52.1)	NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line 100			X 0.0050 =	
(52.2)	NAIC 02 Working Capital Finance Notes	AVR Equity Component Column 1 Line 101			X 0.0163 =	
(52.3)	Total Admitted Working Capital Finance Notes	Line (52.1) + (52.2)				
(53.1)	Other Schedule BA Assets, including Surplus Notes and Capital Notes	AVR Equity Component Column 1 Line 99 + 102				
(53.2)	Less NAIC 1 thru 6 Rated/Designated Surplus Notes and Capital Notes	Column (1) Lines (22) through (27) + Column (1) Lines (32) through (37)				
(53.3)	Net Other Schedule BA Assets	Line (53.1) less (53.2)			X 0.3000 =	
(54)	Total Schedule BA Assets C-1o (pre-MODCO/Funds Withheld)	Lines (11) + (21) + (31) + (41) + (50.3)+ (51) + (52.3) + (53.3)				
(55)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)				
(56)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)				
(57)	Total Schedule BA Assets C-1o (including MODCO/Funds Withheld.)	Lines (54) - (55) + (56)				
(58)	Total Schedule BA Assets Excluding Mortgages and Real Estate	Line (49)+ (57)				

† Fixed income instruments and surplus notes designated by the NAIC Capital Markets and Investment Analysis Office or considered exempt from filing as specified in the Purposes and Procedures Manual of the NAIC Investment Analysis Office should be reported in Column (3).

‡ Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (53.3).


§ The factor for Schedule BA publicly traded common stock should equal 30 percent adjusted up or down by the weighted average beta for the Schedule BA publicly traded common stock portfolio

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subject to a minimum of 22.5 percent and a maximum of 45 percent in the same manner that the similar 15.8 percent factor for Schedule BA publicly traded common stock in the Asset Valuation Reserve (AVR) calculation is adjusted up or down. The rules for calculating the beta adjustment are set forth in the AVR section of the annual statement instructions.

 Denotes items that must be manually entered on the filing software.

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, PROPERTY, HEALTH & TITLE

SCHEDULE BA – PARTS 1, 2 AND 3

OTHER LONG-TERM INVESTED ASSETS – GENERAL INSTRUCTIONS

↓
↑
↓

Detail Eliminated To Conserve Space

Collateral Loans – Reported by Collateral that Secures the Loan

Backed by Mortgage Loans

Unaffiliated 3199999
 Affiliated 3299999

Backed by Investments in Joint Ventures, Partnerships or Limited Liability Companies

Unaffiliated 3399999
 Affiliated 3499999

Backed by Residual Tranches or Interests

Unaffiliated 3599999
 Affiliated 3699999

Backed by Debt Securities

Unaffiliated 3799999
 Affiliated 3899999

Backed by Real Estate

Unaffiliated 3999999
 Affiliated 4099999

Collateral Loans – ~~All Other~~ Backed by Other Collateral Types

Unaffiliated 4199999
 Affiliated 4299999

Non-collateral Loans

~~Unaffiliated~~ Related Party Loans/Affiliated Loans 3399999 ~~4399999~~
~~Affiliated~~ All Other Non-Collateral Loans/Other Unaffiliated Loans 3499999 ~~4499999~~
 Affiliated Loans 4599999

Yield Guaranteed State Tax Credit Investments

Unaffiliated 3599999 ~~4699999~~
 Affiliated 3699999 ~~4799999~~

Qualifying Federal Tax Credit Investments

Unaffiliated 3799999 ~~4899999~~
 Affiliated 3899999 ~~4999999~~

Qualifying State Tax Credit Investments

Unaffiliated 3999999 ~~5099999~~
 Affiliated 4099999 ~~5199999~~

All Other Tax Credit Investments

Unaffiliated 4199999 ~~5299999~~
 Affiliated 4299999 ~~5399999~~

Working Capital Finance Investment

Unaffiliated 4399999 ~~5499999~~

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p align="right">DATE: <u>04-20-2026</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Ben Slutsker, Chair</u></p> <p>TITLE: <u>Director of Life Actuarial Valuation</u></p> <p>AFFILIATION: <u>Minnesota Department of Commerce</u></p> <p>ADDRESS: <u>85 7th Place East, Suite 280</u> <u>Saint Paul, MN 55101</u></p>	<p align="center">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2026-##BWG</u></p> <p>Year <u>2026</u></p> <p>Changes to Existing Reporting [X]</p> <p>New Reporting Requirement []</p> <hr/> <p align="center">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</p> <p>No Impact [X]</p> <p>Modifies Required Disclosure []</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [No]</p> <p><i>***If Yes, complete question below***</i></p> <hr/> <p align="center">DISPOSITION</p> <p>[] Rejected For Public Comment</p> <p>[] Referred To Another NAIC Group</p> <p>[X] Received For Public Comment</p> <p>[] Adopted Date _____</p> <p>[] Rejected Date _____</p> <p>[] Deferred Date _____</p> <p>[] Other (Specify) _____</p>
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BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|---|---|---|
| <input checked="" type="checkbox"/> ANNUAL STATEMENT | <input type="checkbox"/> INSTRUCTIONS | <input type="checkbox"/> CROSSCHECKS |
| <input type="checkbox"/> QUARTERLY STATEMENT | <input checked="" type="checkbox"/> BLANK | |
| <input checked="" type="checkbox"/> Life, Accident & Health/Fraternal | <input checked="" type="checkbox"/> Separate Accounts | <input type="checkbox"/> Title |
| <input type="checkbox"/> Property/Casualty | <input type="checkbox"/> Protected Cell | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Health | <input type="checkbox"/> Health (Life Supplement) | <input type="checkbox"/> Life (Health Supplement) |

Anticipated Effective Date: Annual 2026

IDENTIFICATION OF ITEM(S) TO CHANGE

Update the AVR factors to zero in columns 7 and 9 for the Collateral Loan section.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

This proposal was prepared to update the collateral loan factors for Reserve Objective and Maximum Reserve to be zero. These should have been set at zero when the collateral loan section was added in 2025.

*****IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL*****

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments: _____

** This section must be completed on all forms.

Revised 11/17/2022

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL AND SEPARATE ACCOUNTS

**ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
COLLATERAL LOANS												
100		Backed by mortgage loans – collateral loans – unaffiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
101		Backed by mortgage loans – collateral loans – affiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
102		Backed by joint ventures, partnerships, & limited liability companies – collateral loans – unaffiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
103		Backed by joint ventures, partnerships, & limited liability companies – collateral loans – affiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
104		Backed by residual tranches or interests – collateral loans – unaffiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
105		Backed by residual tranches or interests – collateral loans – affiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
106		Backed by debt securities – collateral loans – unaffiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
107		Backed by debt securities – collateral loans – affiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
108		Backed by real estate – collateral loans – unaffiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
109		Backed by real estate – collateral loans – affiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
110		Collateral loans – all other – unaffiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
111		Collateral loans – all other – affiliated.....		XXX	XXX		0.0000		0.0000-0680		0.0000-0680	
112		Total collateral loans (Sum of Lines 100 through 111)		XXX	XXX		XXX		XXX		XXX	
ALL OTHER INVESTMENTS												
113		NAIC 1 working capital finance investments.....		XXX			0.0000		0.0042		0.0042	
114		NAIC 2 working capital finance investments.....		XXX			0.0000		0.0137		0.0137	
115		Other invested assets - Schedule BA.....		XXX			0.0000		0.1580		0.1580	
116		Other short-term invested assets - Schedule DA.....		XXX			0.0000		0.1580		0.1580	
117		Total all other (Sum of Lines 113 through 116).....		XXX			XXX		XXX		XXX	
118		Total other invested assets - Schedules BA & DA (Sum of Lines 29, 37, 64, 70, 74, 79, 92, 99 112, and 117)					XXX		XXX		XXX	

- (a) Times the company's weighted average portfolio beta (Minimum .1215, Maximum .2431).
- (b) This will be the factor associated with the risk category determined in the company generated worksheet.

*****Drafting Note: Changes in Blanks Proposal 2025-27BWG for AVR – CLO reporting are not shown on this proposal. Line numbers for AVR reporting are being updated in Blanks Proposal 2025-27BWG.*****

W:\QA\BlanksProposals\Proposals In Progress\AVR_Collateral Loan Factors.docx