

MEMORANDUM

TO: Risk-Based Capital Investment Risk and Evaluation (E) Working Group members and interested parties
 FROM: Philip Barlow, Chair of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group
 DATE: January 6, 2025
 RE: Certain Bond funds reported in 2023 Annual Statement Filings

Background

On October 22, 2024, the Working Group met and discussed the status of the Working Agenda #2 & #4 (collectively the “Fund Review Project”). Representatives from the American Council of Life Insurers (ACLI) proposed, and the Working Group agreed, to narrow the scope of the project with the intent to achieve convergence in RBC treatment among three types of funds when they predominantly invest in bonds and receive SVO-assigned designations: 1) exchange-traded funds (ETFs), 2) U.S. Securities and Exchange Commission (SEC)-registered mutual funds; and 3) private funds.

NAIC staff was directed to summarize herein the amount of respective fund types reported on insurers’ 2023 annual statement filings to facilitate the Working Group’s discussions.

	Bond Exchange Traded Fund (SVO-identified) Schedule D – part 1 Bonds Line 1619999999 (as % of Total Invested Assets)	SEC Registered Bond Mutual Funds (SVO-identified) Schedule D – part 2 – Section 2 Common Stock Line 5319999999, 5519999999, 5719999999 (as % of Total Invested Assets)	Private Bond Funds (SVO-identified) Schedule BA, Part 1, Line 0799999999, 0899999999, 1399999999, 1499999999, 159999999999, 169999999999 ^{Note A} (as % of Total Invested Assets)	Total Invested Assets 2023 Asset Page Line 12
2023 Life	\$5,844,611,923 (0.11%)	\$95,524,695 (0.00%)	\$5,858,319,676 (0.11%)	\$5,470,188,985,349
2023 P/C	\$4,934,503,172 (0.19%)	\$1,652,371,654 (0.06%)	\$905,395,147 (0.03%)	\$ 2,662,293,397,830
2023 Health	\$1,292,501,879 (0.36%)	\$877,352,361 (0.24%)	\$118,990,522 (0.03%)	\$360,699,408,453

Note A, per 2023 AVR instruction, “... the book/adjusted carrying value of all Schedule BA assets owned where the characteristics of the underlying investment are similar to bonds (Lines 07999999 and 08999999 **and the portion of Lines 13999999, 14999999, 15999999 and 16999999 that applies to fixed income instruments similar to bonds**) that have been valued according to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* ...” should be reported on Line 22 through 28 of AVR Equity Component table, thereby afforded RBC charge based on NAIC Designation. As there is no AVR reporting for P/C and Health, the statistics are obtained directly from lines 07999999, 08999999, 13999999, 14999999, 15999999, and 16999999 of Schedule BA, Part 1. As such, overstatement is expected.

Please contact NAIC Staff of Risk-Based Capital Investment Risk and Evaluation (E) Working Group with any questions.

Cc: Julie Gann, Maggie Chang, Eva Yeung, Kazeem Okosun, Derek Noe