

**To:** All Insurers  
**From:** Financial Condition (E) Committee  
**Date:** June 12, 2020  
**RE:** Guidance for Troubled Debt Restructurings for March 31 - September 30 Statutory Financial Statements and Related Interim Risk-Based Capital Filings (where required)

### **Background Information**

This guidance is being issued by the Financial Condition (E) Committee to all U.S. insurers filing with the NAIC in an effort to encourage insurers to work with borrowers who are unable to, or may become unable to meet their contractual payment obligations because of the effects of COVID-19. The Committee, which is the NAIC parent committee of all the solvency policy making task forces and working groups of the NAIC, supports the use of prudent loan modifications that can mitigate the impact of COVID-19.

### **Parameters of Guidance**

This guidance applies to a troubled debt restructuring issued as a result of COVID-19 and is applicable to the term of the loan modification, but solely with respect to a modification, including a forbearance arrangement, an interest rate modification, a repayment plan, and any other similar arrangement that defers or delays the payment of principal or interest, which occurs during the applicable reporting period for a loan that was not more than 30 days past due as of December 31, 2019. Nothing in this guidance supersedes the requirement or authority of any state, particularly any state that has separately issued COVID-19 orders, directives or other guidance the impact of which may lead to debt becoming troubled and/or needing to be restructured.

### **Direct Mortgage Loans & Schedule BA Mortgages**

For purposes of any risk-based capital calculations prepared by insurers for March 31, June 30 and September 30, all direct mortgages and Schedule BA mortgages for which the insurer chooses, or is government mandated, to allow delays in any required principal and interest payments in accordance with the above parameters are not required to be reclassified to a different RBC category (e.g. will not affect the origination date, valued date, and net operating income or be treated as delinquent) than was utilized during the December 31, 2019 RBC filing and which may have otherwise required a higher capital charge for such a mortgage.

### **RMBS and CMBS Securities**

For purposes of the reporting of NAIC designations in the financial statements prepared for March 31, June 30, and September 30 or any risk-based capital calculations prepared by insurers for March 31, June 30 and September 30, all RMBS and CMBS securities which were modeled by the NAIC for year-end 2019 and for which any required principal and interest payments have been deferred in accordance with the above parameters may be reported with the same NAIC designation as used for year-end 2019 and are not required to receive an updated NAIC designation despite the fact that payments may have been deferred as previously described.

### **Related Accounting Guidance & Updates**

Please see the following for both related accounting guidance and updates to this guidance via Q&A.

[https://content.naic.org/cmte\\_e\\_app\\_blanks.htm](https://content.naic.org/cmte_e_app_blanks.htm)

(Please see related documents tab)

### **Questions**

Any questions on this guidance should be directed to Dan Daveline by e-mail at [ddaveline@naic.org](mailto:ddaveline@naic.org)

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