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To: Industry and Interested Persons

From: NAIC, Structured Securities Group

Re: Macroeconomic Scenarios and Probability Weightings to be used for the Year-End 2021 Annual Surveillance of Insurer Owned RMBS and CMBS

Date: 11/1/2021

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This document contains the macroeconomic scenarios and probability weightings that the NAIC Structured Securities Group (SSG) will use in the 2021 Annual Surveillance of insurer owned RMBS/CMBS.

BlackRock Solutions will model the securities under four scenarios: Optimistic, Baseline, Conservative, and Most Conservative, with applicable weightings. The final losses will be a probability-weighted average of valuations across all scenarios. The descriptions of these scenarios and weightings are summarized in the tables and charts in **Appendix - A** for RMBS and **Appendix - B** for CMBS.

Please note that NAIC's year-end 2021 RMBS surveillance will be performed under the Through-the-Cycle macroeconomic scenarios. Previously presented [RMBS Through-the-Cycle Macroeconomic Scenarios slides](#) describe the detailed methodology and data used to derive the scenarios.

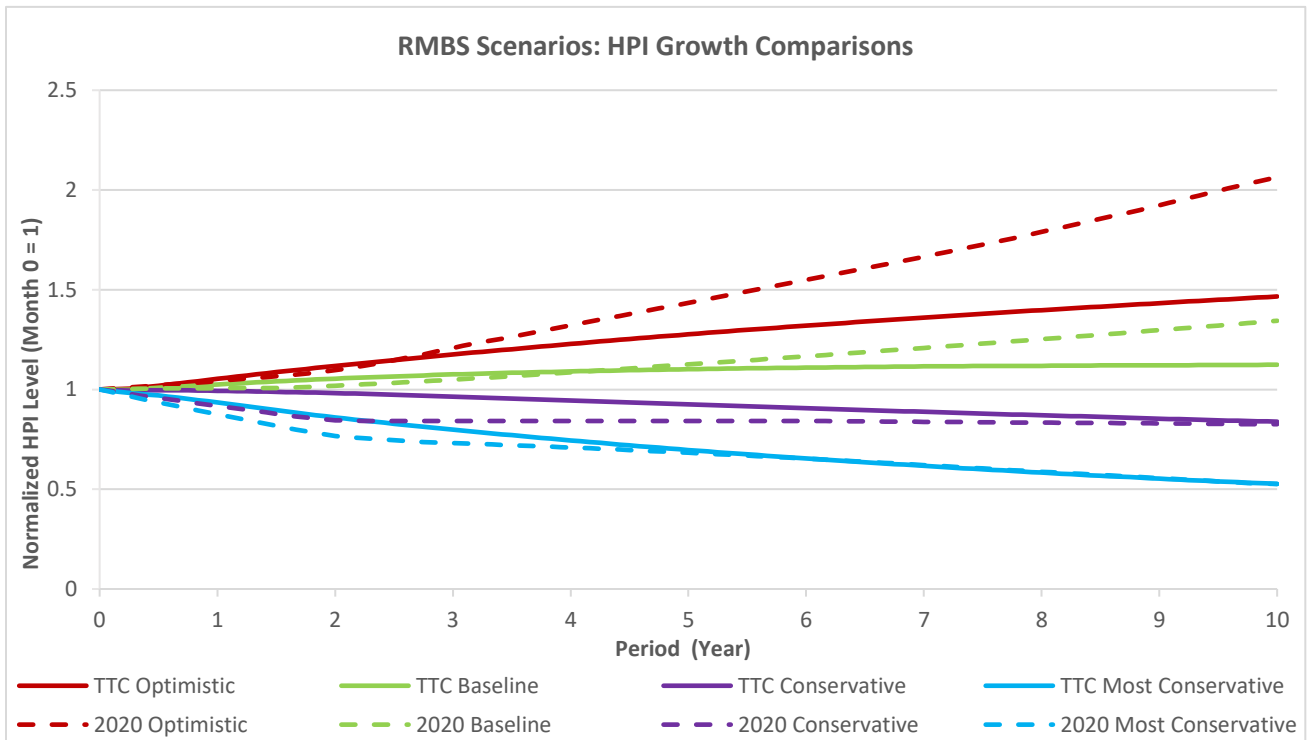
Please visit the SSG's [Structured Securities Reporting webpage](#) for additional information including relevant financial modeling methodologies, timeline for 2021 surveillance, reporting instructions, and RMBS/CMBS security listing. For questions pertaining to analytical methodologies, analytics, and financially modeled RMBS and CMBS list, please direct your inquiries to the Structured Securities Group at 212-398-9000 or [SSGinquirydesk@naic.org](mailto:SSGinquirydesk@naic.org).

To obtain details for billing and the instructions for the Automated Valuation Service+ ([AVS+](#)) system including when initial invoices will be sent, how to access the Structured Securities portfolios, and how to purchase modeled results, please contact us at 816-783-8300 or [securitiessupport@naic.org](mailto:securitiessupport@naic.org).

## Appendix - A

### RMBS: Comparison of Scenarios

RMBS Scenario	Probability	3-year HPI Growth	5-Year HPI Growth	10-Year HPI Growth
<b>2021 Through-the-Cycle (TTC) Scenarios and Forecasts<sup>1, 2</sup></b>				
Optimistic	10%	18%	28%	47%
Baseline	50%	8%	10%	12%
Conservative	25%	-4%	-7%	-16%
Most Conservative	15%	-20%	-30%	-47%
<b>2020 Scenarios and Forecasts</b>				
Optimistic	10%	21%	43%	106%
Baseline	50%	5%	13%	34%
Conservative	25%	-16%	-16%	-17%
Most Conservative	15%	-27%	-32%	-47%



<sup>1</sup> NAIC’s year-end 2021 RMBS surveillance will be performed under the Through-the-Cycle macroeconomic scenarios whose detailed methodology and data were previously presented in the [RMBS Through-the-Cycle Macroeconomic Scenarios slides](#) (RMBS TTC Slides).

<sup>2</sup> Minor data discrepancies between the RMBS TTC Slides and the 2021 Scenarios and Forecasts table in this document exist due to a non-technical error attributable to period misalignment in table population for the RMBS TTC Slides.

## Appendix - B

### CMBS: Comparison of Scenarios

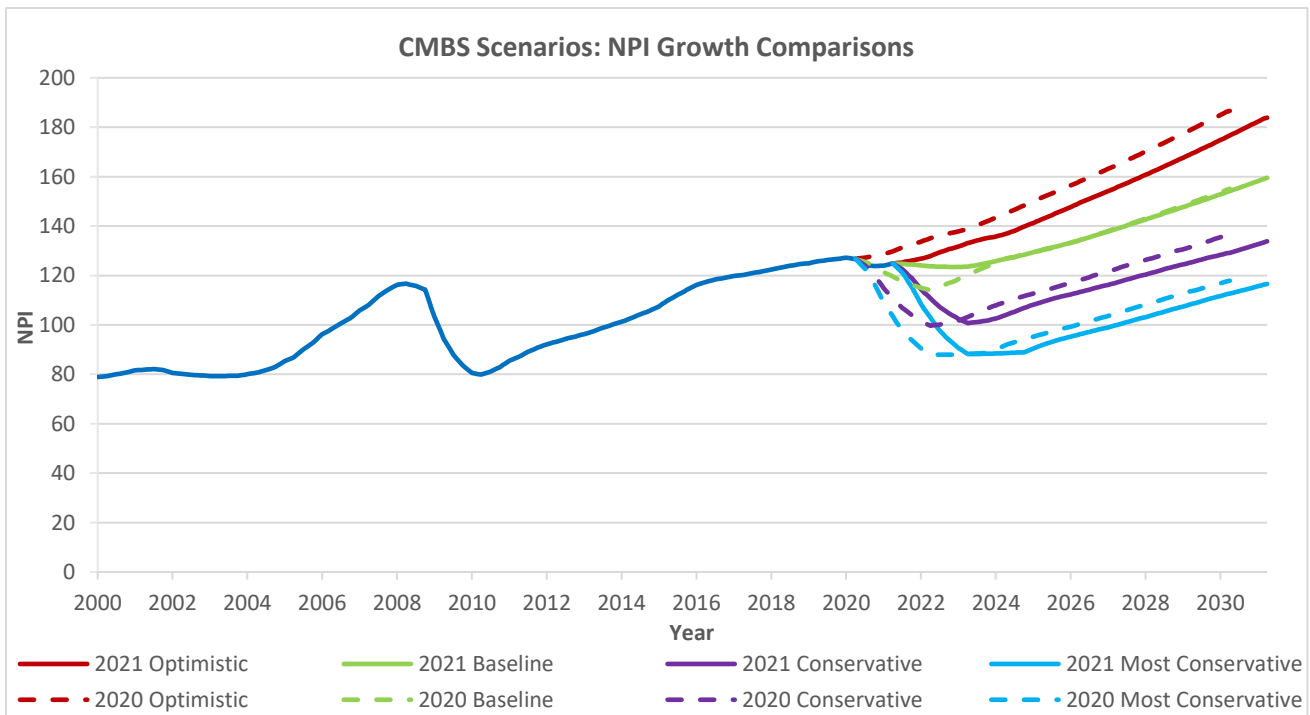
CMBS Scenario	Probability	Current to Trough	Time of Trough	3-year NPI Growth	5-Year NPI Growth	10-Year NPI Growth
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#### 2021 Scenarios and Forecasts

Optimistic	10%	N/A	N/A	10%	20%	47%
Baseline	55%	-1%	Q1 2023	1%	8%	28%
Conservative	25%	-19%	Q2 2023	-17%	-9%	7%
Most Conservative	10%	-29%	Q2 2023	-29%	-23%	-7%

#### 2020 Scenarios and Forecasts

Optimistic	10%	N/A	N/A	10%	20%	47%
Baseline	55%	-10%	Q2 2022	-5%	3%	22%
Conservative	25%	-21%	Q2 2022	-19%	-10%	8%
Most Conservative	10%	-31%	Q2 2022	-30%	-24%	-7%



Source: NCREIF and BlackRock Solutions

NPI (Indexed 1990M1 = 100)