



Draft date: 2/19/26

2026 Spring National Meeting
San Diego, California

RISK-BASED CAPITAL INVESTMENT RISK AND EVALUATION (E) WORKING GROUP

Monday, March 23, 2026

11:30 a.m. – 12:30 p.m.

Manchester Grand Hyatt—Grand Hall A—Level 1

ROLL CALL

Philip Barlow, Chair	District of Columbia	Tadd Wegner	Nebraska
Thomas Reedy, Vice Chair	California	Jennifer Li	New Hampshire
Wanchin Chou	Connecticut	Bob Kasinow/William B. Carmello	New York
Carolyn Morgan	Florida	Dale Bruggeman/Tom Botsko	Ohio
Matt Cheung	Illinois	Rachel Hemphill	Texas
Roy Eft	Indiana	Doug Stolte	Virginia
Carrie Mears/Kevin Clark	Iowa	Steve Drutz/Katy Bardsley	Washington
Fred Andersen	Minnesota	Amy Malm	Wisconsin
William Leung/Danielle Smith	Missouri		

NAIC Committee Support: Julie Gann/Maggie Chang

AGENDA

1. Consider Adoption of its March 2 Minutes—*Philip Barlow (DC)* Attachment A
2. Receive Updates from the Invested Assets (E) Task Force and the Statutory Accounting Principles (E) Working Group—*Philip Barlow (DC)*
3. Hear an Update from the American Academy of Actuaries (Academy) on the Collateralized Loan Obligation (CLO) Risk-Based Capital (RBC) Project —*Philip Barlow (DC)* Attachment B
4. Receive Comments on Proposal 2025-22-IRE CLO RBC Structure—*Philip Barlow (DC)* Attachment C
Attachment D
A. American Council of Life Insurers (ACLI)
5. Consider Exposure of Modified Proposal 2025-22-IRE MOD: CLO RBC Structure—*Philip Barlow (DC)* Attachment E
6. Discuss Any Other Matters Brought Before the Working Group —*Philip Barlow (DC)*
7. Adjournment

Draft: 3/10/26

Risk-Based Capital Investment Risk and Evaluation (E) Working Group
Virtual Meeting
March 2, 2026

The Risk-Based Capital Investment Risk and Evaluation (E) Working Group of the Capital Adequacy (E) Task Force met March 2, 2026. The following Working Group members participated: Philip Barlow, Chair (DC); Thomas Reedy, Vice Chair (CA); Wanchin Chou (CT); Carolyn Morgan (FL); Carrie Mears and Kevin Clark (IA); Matt Cheung (IL); Fred Andersen (MN); William Leung and Danielle Smith (MO); Tadd Wegner (NE); Jennifer Li (NH); Bob Kasinow and William B. Carmello (NY); Judith L. French, Dale Bruggeman, and Tom Botsko (OH); Jamie Walker and Rachel Hemphill (TX); Doug Stolte and Dan Bumpus (VA); Steve Drutz and Katy Bardsley (WA); and Amy Malm (WI).

1. Adopted its Dec. 15, 2025, Minutes

The Working Group met Dec. 15, 2025, and took the following action: 1) adopted its Nov. 4 minutes; 2) heard an update from the American Academy of Actuaries (Academy) on the collateralized loan obligation (CLO) risk-based capital (RBC) project; and 3) exposed proposal 2024-22-IRE (CLO RBC Structure) for a 45-day public comment period ending Jan 29, 2026.

Reedy made a motion, seconded by Malm, to adopt the Working Group's Dec. 15 minutes (Attachment XX). The motion passed unanimously.

2. Received Comments on the Academy's Dec. 15, 2025, Presentation

Marc Altschull (American Council of Life Insurers—ACLI) spoke on the ACLI's comment letter (Attachment XX) and reiterated the ACLI's support of the Academy's ongoing effort to modernize and rationalize the capital framework applied to structured securities, including CLOs. He said the ACLI understands the interim nature of the results presented and requests that the Academy provide robust documentation once the results are finalized, such that the model can be assessed and validated. He said the ACLI expects similar documentation should the NAIC opt for financial modeling of CLOs by the Structured Securities Group (SSG).

Daren Moreira (American Investment Council—AIC) spoke on the AIC's comment letter (Attachment XX) and reiterated that: 1) the AIC supports the development of new C-1 factors without requiring individual modeling of CLOs; and 2) the AIC recommends that the Academy take time to refine model assumptions around CLO recovery rate, prepayments, and collateral reinvestment discounts. Barlow asked if the AIC has done an analysis to quantify the impact of the suggested refinement. Moreira said the AIC deferred to the Academy to perform drill down and analysis.

Joe Engelhard (Alternative Credit Council—ACC) presented a joint comment letter from ACC, AIC and Loan Syndications and Trading Association (Attachment XX). He said the ACC commends the Academy's work and believes it provides a much clearer picture of the economic risks and benefits of CLOs. That said, the ACC identified areas for further calibration, namely prepayment reinvestments and probability-of-default assumptions.

3. Heard an Update from the Academy on the CLO RBC Project

Stephen Smith (Academy) presented a CLO C-1 factors modeling update (Attachment XX). Smith said that since the Academy's Dec 15, 2025, presentation, it has broadened the scope of work by modeling all U.S. broadly syndicated loan (BSL) CLOs issued. At a very high level, the Academy has found that ratings include substantial

information on tail risk so that ratings can serve as a comparable attribute when appropriate adjustments are made for horizon and tranche thickness. Smith then walked through the “Appendix 3 – Alternative Models Considered” page, illustrating the various regressions performed by the Academy in search of comparable attribute(s) with satisfactory predictive power for C-1 risk. Based on the results of regressions performed, ratings are valuable comparable attributes, outperforming various variables tested. He said the only way to improve the predictive power is to layer in detachment point, at the expense of making the model much more complex.

Smith then explained key definitions for terms such as “raw C-1 factors” versus “modeled C-1 factors” and “tranche thickness,” etc. Smith stated that the attachment point is the level of collateral losses at which a particular tranche begins to experience principal losses. The detachment point is the level of collateral losses at which the principal of a particular tranche is completely wiped out. As an example, for a typical BBB- tranche, it could be 12% and 18%, respectively. Tranche thickness is defined as the difference between the two.

Barlow asked whether the tranche thickness is easily identifiable. Smith said that while tranche thickness is not disclosed in statutory filings, it is fairly straightforward to identify. Smith said the Academy observed that CLOs rated BBB- or lower have a meaningful difference in risk between those with thicker and thinner tranches, even within the same rating bucket. A 4% tranche thickness is used to draw the line between thicker and thinner tranches. Modeled C-1 factors summarized in the “Option 2 – Rating & Tranche Thickness (After-Tax Factors)” page have two sets of factors for BBB- and below tranches as a result of the observation. Modeled C-1 factors, summarized in the “Option 1 – Rating Only (After-Tax Factors)” page, do not delineate tranche thickness, as thin tranche CLOs are removed from the dataset. Smith used the scatter plots in the presentation to explain how the Academy arrived at a 4% tranche thickness as the watershed.

Smith also noted that, for the BBB- tranche alone, rating agencies like Fitch Ratings (Fitch) and S&P Global rated more thin-tranche CLOs than Moody’s Ratings (Moody’s) and KBRA. The C-1 factors modeled for Fitch and S&P Global-rated CLOs tend to be meaningfully higher than those rated by Moody’s and KBRA. Smith attributed this observation to differences in the rating methodologies used. Both Fitch and S&P Global are rating to the first dollar of loss, and henceforth, only the attachment point matters. On the other hand, both Moody’s and KBRA incorporate loss given default to their ratings, and henceforth, detachment point also matters, and thin tranche CLOs likely will not get a BBB- rating under their methodology.

Smith then explained that the reinvestment horizon is another attribute that needs to be adjusted to produce C-1 factors. Like bond C-1 factors, CLO C-1 factors are calibrated to be horizon neutral, and the reinvestment horizon is used as a proxy for the horizon for CLOs. Smith highlighted the value of reinvestment horizon adjustment as he discussed the “Reinvestment Horizon” pages in the presentation, highlighting the fact that after the adjustment was made, C-1 factors increased as ratings became less favorable, which is more intuitive.

Smith said isotonic regression was applied to CLO tranches rated A3 or higher. This methodology allows the Academy to assign greater weight to buckets with greater credibility due to larger sample sizes, and helps smooth C-1 factors. Smith also pointed out that the bar chart in the “Isotonic Regression – Applied to A3/ above CLO C-1 Factors” page provides a visual for the cliff risk inherent in CLOs.

Barlow sought clarification as to whether only BSL CLOs are modeled. Smith confirmed that they are, but clarified that the modeled C-1 factors for BSL CLOs are likely a better estimate of middle-market (MM) CLOs than if bond C-1 factors are used. He further clarified that the factors proposed in the second option should not be used for MM CLOs, as more information is needed to define the tranche thickness threshold, and 4% may not be the right answer.

Andersen observed that the recommended C-1 charges for CLOs with NAIC 2.C versus NAIC 3.B demonstrated significant cliff risk. He said he would like to understand the details/characteristics of those two types of CLOs to help explain how the differences in charges are justified. Smith responded that the modeling was performed with the conditional tail expectation (CTE) 90 metric on a weighted average of 17 tail scenarios. The cliff risk manifested itself in the modeled factors as expected. Andersen also commented that it would be helpful to discuss the accuracy of CLO ratings. He foresaw insurers' motivation to improve/engineer the ratings.

Andersen said he wondered if there is potential for unmodeled risk, especially among the tranches with higher credit ratings. Smith responded that he cannot rule out the possibility of having unmodeled risk, but emphasized that the Academy strives for consistency between modeling for bond C-1 versus CLO C-1.

Andersen also wondered whether the second option would incentivize gamesmanship, such as engineering CLO tranches to a 4.01% tranche thickness to obtain more favorable RBC treatment. Smith acknowledged the possibility and noted that structuring already exists, though it is not prevalent. He explained that, without using the second option, theoretically, the simple average of a BBB- CLO tranche is about 5%, which, in his view, is too high for the majority of BBB- CLOs owned by insurers. Smith also pointed out that tranche thickness is somewhat dynamic and changes as the CLO pays down. He thought structuring a tranche at 4.01% would not give enough cushion to prevent the CLO tranche thickness from eventually shrinking and falling into the thin tranche bucket. Mears also expressed concern about the dynamic tranche thickness that may produce counterintuitive RBC results. Smith understood the concern but pointed out that there are also rating upgrade associated with paydown that may mitigate the risk.

Stolte expressed concerns with private equity-owned insurers and their investment in MM CLOs. Smith responded that MM CLOs are rated, but the underlying loans/collaterals are not typically rated. Since the Academy's current methodology relies on collateral ratings as the basis of generating default vectors, further study is needed to understand the credit modeling of loans/collaterals backing the MM CLOs. Smith said that this can be done through partnering with credit agencies and would require additional time and corroboration.

Mears asked if the SSG can review and monitor CLOs on an ongoing basis to make sure the assumptions the Academy used remain fit for the purpose in the future. Hankook Lee (NAIC) responded that the SSG has modeling capabilities to monitor CLOs in the future and has been tracking them since 2018.

Bumpus sought clarification as to whether only four rating agencies (Fitch Ratings, KBRA, Moody's, and S&P Global) rate CLOs. Smith clarified that DBRS also rates CLOs. DBRS is not listed in the presentation, as the CLO tranches rated by DBRS are not BBB-.

Bumpus asked whether the ratings are public. Smith confirmed that both the CLO tranche ratings and the collateral ratings are public.

Richard Cantor (Moody's) said he thought there are privately rated CLO tranches and suggested a way to identify them by running the unrated CLO tranches against the nationally recognized statistical rating organization (NRSRO) designation database. Cantor also said he expects that the distinction of thickness matters not just for BBB- or below, but that it has an even more profound impact as one goes up the rating scale. Smith responded that the scatter plot on the "Tranche Thickness 4% Cut-Off Baa1/Baa2" page supported Cantor's expectation.

Dan Castaline (Apollo) agreed with the Academy's observations about tranche thickness. He said that based on what he observed in the current market practice, thin BBB- tranches are effectively senior parts of the traditional BB tranches. S&P Global rating methodology allows those to be rated as BBB- but, in substance, applying BB tranche factors to them is justifiable. Castaline said he also believed that using the original tranche thickness is

better than the current thickness because CLOs amortize sequentially, and the tranche thickness increases in non-senior tranches that are yet to take their turn in amortization. Smith clarified that the Academy model uses current thickness, and additional analysis is needed to prove whether original thickness may work better.

Barlow led the discussion on the Working Group's next steps. He noted that neither the Working Group nor any interested parties raised objections to the Academy presentation being exposed for a 45-day public comment period ending April 16. He requested interim comments during the Spring National Meeting, specifically regarding the structural proposal, as the NAIC plans to re-expose it during the meeting or shortly thereafter.

In light of the lack of readily available tranche thickness data in the annual statement, Barlow expressed his preference to move forward with a rating-only proposal (i.e., Option 1) for 2026 and revisit tranche thickness as a comparable attribute the following year. Stolte expressed reservations about not addressing tranche thickness. Carmello suggested getting tranche thickness into the RBC structure without deploying the bifurcated factors for the first year, so as to facilitate data collection. Clark said he believed information such as holdings of thin tranches by insurers, materiality assessment, etc., should help the Working Group members. Smith pointed to the "Distribution by Tranche Thickness" page of the presentation, highlighting that only Baa3 and Ba3 are meaningful for consideration, given how CLOs are structured and the life insurers' ownership. He said the page provides data for materiality assessment, as it shows allocation between high and low thickness within each rating category, by count and by dollar balance.

4. Discussed Other Matters

Barlow said that for the sake of time, the Working Group plans to receive comments from the ACLI regarding proposal 2025-22-IRE (CLO RBC Structure) at the Spring National Meeting.

Barlow said the Working Group sponsored the blanks proposal 2025-27BWG to effectuate changes to the asset valuation reserve (AVR) schedule to facilitate RBC blanks proposal 2025-22-IRE. The Blanks (E) Working Group plans to meet March 5 to receive comments and discuss modifications to proposal 2025-27BWG.

Having no further business, the Risk-Based Capital Investment Risk and Evaluation (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/E CMTE/CADTF/2026-1-Spring/IRE/RBCIREWG 03-02-26 Minutes TPR'd.docx

ATTACHMENT B

PENGING

Update on CLO C-1 Factors

Modeling –

American Academy of

Actuaries

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|--|--|
| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input type="checkbox"/> Health RBC (E) Working Group | <input 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 (E/A) Subgroup | <input type="checkbox"/> Economic Scenarios (E/A) Subgroup | <input checked="" type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<p style="text-align: right;">DATE: <u>11/11/2025</u></p> <p>CONTACT PERSON: <u>Maggie Chang</u></p> <p>TELEPHONE: <u>816-783-8976</u></p> <p>EMAIL ADDRESS: <u>mchang@naic.org</u></p> <p>ON BEHALF OF: <u>Risk-Based Capital Investment Risk and Evaluation (E) Working Group</u></p> <p>NAME: <u>Philip Barlow, Chair</u></p> <p>TITLE: <u>Associate Commissioner of Insurance</u></p> <p>AFFILIATION: <u>District of Columbia</u></p> <p>ADDRESS: <u>1050 First Street, NE Suite 801</u> <u>Washington, DC 20002</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2025-22-IRE</u> Year <u>2026 or later</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 checked="" type="checkbox"/> Life and Fraternal RBC Formula |
| <input type="checkbox"/> OTHER _____ | | |

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal incorporates a more granular reporting of Long-Term Bonds into two buckets: i) collateralized loan obligations (CLOs) and ii) all other Long-Term Bonds on the LR002 Bonds page. The expanded presentation of bonds is a result of the work of Risk-Based Capital Investment Risk and Evaluation (E) Working Group under Working Agenda item: Evaluate the appropriate RBC treatment of Asset-Backed Securities (ABS), including Collateralized Loan Obligations (CLO), collateralized fund obligations (CFOs), or other similar securities carrying similar types of tail risk (Complex Assets).

Please note that this proposal does not contemplate any changes to factors. Any changes of factors, if deemed necessary, will be dealt with by a separate proposal. Likewise, residual tranche structural changes, if any, are to be contemplated in separate proposal form.

The accompanying changes proposed to the instructions and blanks of the AVR – Default Component & Equity and Other Invested Asset Component tables are under purview of NAIC Blanks (E) Working Group. As such, the proposed changes to “Annual Statement Source” in LR002 are contingent on the adoption of such Blanks proposal.

Additional Staff Comments:

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

Revised 2-2023

BONDS

LR002

Basis of Factors

The bond factors are based on cash flow modeling using historically adjusted default rates for each bond category. For each of 2,000 trials, annual economic conditions were generated for the 10-year modeling period. Each bond of a 400-bond portfolio was annually tested for default (based on a “roll of the dice”) where the default probability varies by designation category and that year’s economic environment. When a default takes place, the actual loss considers the expected principal loss by category, the time until the sale actually occurs and the assumed tax consequences.

Actual surplus needs are reduced by incorporating anticipated annual contributions to the asset valuation reserve (AVR) as offsetting cash flow. Required surplus for a given trial is calculated as the amount of initial surplus funds needed so that the accumulation with interest of this initial amount and subsequent cash flows will not become negative at any point throughout the modeling period. The factors chosen for the proposed formula produce a level of surplus at least as much as needed in 92% of the trials by category and a 96% level for the entire bond portfolio.

The factor for NAIC 6 bonds recognizes that the book/adjusted carrying value of these bonds reflects a loss of value upon default by being marked to market.

*Specific Instructions for Application of the Formula*Lines (1) through (7)

The book/adjusted carrying value of all bonds, ~~excluding collateralized loan obligations and related fixed income investments~~ should be reported in Column (1). The bonds are split into seven different risk classifications. For long-term bonds, these classifications are found on Lines A1 through A7 of the Asset Valuation Reserve Default Component, ~~Page 30~~ of the annual statement.

~~The book/adjusted carrying value of all collateralized loan obligations should be reported in Column 2. The collateralized loan obligations are split into six different risk classifications. These classifications are found on Lines A9.1 through A14 of the Asset Valuation Reserve Default Component, Page 30 of the annual statement.~~

Line (8)

The total should equal long-term bonds ~~and other fixed income instruments~~ reported on Page 2, Column 3, Line 1 plus Schedule DL Part 1, Column 6, Line 2009999999 of the annual statement.

Lines (9) through (15)

The book/adjusted carrying value of all short-term and cash equivalent bonds ~~and related fixed income investments~~ should be reported in Column (1). The bonds are split into seven different risk classifications. For short-term bonds, these classifications are found on Lines ~~18-C1~~ through ~~24-C7~~ of the Asset Valuation Reserve Default Component, ~~Page 30~~ of the annual statement. For cash equivalent bonds, these classifications are found in Footnotes to Schedule E, Part 2.

Line (16)

The total should equal short-term bonds reported on Schedule DA, Part 1, Column 6 Line 0509999999 plus Schedule DL Part 1, Column 6, Line 9509999999 plus Schedule E, Part 2, Column 7, Line 0509999999.

Line (22)

Class 1 bonds (highest quality) issued by a U.S. government agency that are not backed by the full faith and credit of the U.S. government should be reported on this line. The loan-backed securities of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) would be examples of the securities reported on this line. Line (22) should not be larger than the sum of Lines (2) and (10). Exempt obligations should not be included on this line.

Line (24)

Bonds should be aggregated by issuer (the first six digits of the CUSIP number can be used). Exempt U.S. government bonds and bonds reported on Line (22) are not counted in determining the size factor. The RBC for those bonds will

not be included in the base to which the size factor is applied. If this field is left blank, the maximum size factor adjustment of 2.40 will be used.

Line (25)

The size factor reflects the higher risk of a bond portfolio that contains relatively fewer bonds. The overall factor decreases as the portfolio size increases. The size factor is based on the weighted number of issuers. (The calculation shown below will not appear on the RBC filing software but will be calculated automatically.)

<u>Line (25)</u>	<u>Source</u>	(a) <u>Number of Issuers</u> <u>(for bonds, excluding CLOs)</u>				(b) <u>Weighted Issuers</u> <u>(for bonds, excluding CLOs)</u>
First 50	Company Records		X	2.40	=	
Next 50	Company Records		X	1.53	=	
Next 100	Company Records		X	0.85	=	
Next 300	Company Records		X	0.85	=	
Over 500	Company Records		X	0.82	=	
<u>(i) Total Numbers of Issuers from Line (23) Column (1)</u>						
<u>(ii) Total Weighted Issuers (for bonds, excluding CLOs)</u>						
	<u>Source</u>	(a) <u>Number of Issuers (for CLOs)</u>				(b) <u>Weighted Issuers (for CLOs)</u>
<u>First XX*</u>	<u>Company Records</u>		<u>X</u>	<u>TBD</u>	<u>=</u>	
<u>Next XX*</u>	<u>Company Records</u>		<u>X</u>	<u>TBD</u>	<u>=</u>	
<u>Next XXX*</u>	<u>Company Records</u>		<u>X</u>	<u>TBD</u>	<u>=</u>	
<u>Next XXX*</u>	<u>Company Records</u>		<u>X</u>	<u>TBD</u>	<u>=</u>	
<u>Over XXX*</u>	<u>Company Records</u>		<u>X</u>	<u>TBD</u>	<u>=</u>	
<u>(iii) Total Number of Issuers from Line (23) Column (2)</u>						
<u>(iv) Total Weighted Issuers (for CLOs)</u>						
Size Factor = Total Weighted Issuers <u>(ii)+(iv)</u> Divided by Total Number of Issuers <u>(i) + (iii)</u>						

* Total number of breakpoints, as well as weights assigned to each, are subject to American Academy of Actuaries' recommendation and Working Group's review.

BONDS

Company Name

Cocode: 00000

BONDS

SVO Bond Designation Category	Annual Statement Source	(1) Non-CLOs		(2) CLOs		(3)	
		Book / Adjusted Carrying Value	Factor	Book / Adjusted Carrying Value	Factor	RBC Requirement	
<u>Long Term Bonds</u>							
(1) Exempt Obligations	C(1) AVR Default Component Column 1 Line A1 C(1) AVR Default Component Column 1 Line A2.1	\$0	X 0.00000	XXX	XXX	=	\$0
(2.1) NAIC Designation Category 1.A	C(2) AVR Default Component Column 1 Line A9.1 C(1) AVR Default Component Column 1 Line A2.2	\$0	X 0.00158	\$0	X TBD	=	\$0 =ROUND(MAX(0,D10)*F10 + MAX(0,G10)*I10,0)
(2.2) NAIC Designation Category 1.B	C(2) AVR Default Component Column 1 Line A9.2 C(1) AVR Default Component Column 1 Line A2.3	\$0	X 0.00271	\$0	X TBD	=	\$0
(2.3) NAIC Designation Category 1.C	C(2) AVR Default Component Column 1 Line A9.3 C(1) AVR Default Component Column 1 Line A2.4	\$0	X 0.00419	\$0	X TBD	=	\$0
(2.4) NAIC Designation Category 1.D	C(2) AVR Default Component Column 1 Line A9.4 C(1) AVR Default Component Column 1 Line A2.5	\$0	X 0.00523	\$0	X TBD	=	\$0
(2.5) NAIC Designation Category 1.E	C(2) AVR Default Component Column 1 Line A9.5 C(1) AVR Default Component Column 1 Line A2.6	\$0	X 0.00657	\$0	X TBD	=	\$0
(2.6) NAIC Designation Category 1.F	C(2) AVR Default Component Column 1 Line A9.6 C(1) AVR Default Component Column 1 Line A2.7	\$0	X 0.00816	\$0	X TBD	=	\$0
(2.7) NAIC Designation Category 1.G	C(2) AVR Default Component Column 1 Line A9.7	\$0	X 0.01016	\$0	X TBD	=	\$0
(2.8) Subtotal NAIC 1	Sum of Lines (2.1) through (2.7)	\$0		\$0			\$0
(3.1) NAIC Designation Category 2.A	C(1) AVR Default Component Column 1 Line A3.1 C(2) AVR Default Component Column 1 Line A10.1	\$0	X 0.01261	\$0	X TBD	=	\$0
(3.2) NAIC Designation Category 2.B	C(1) AVR Default Component Column 1 Line A3.2 C(2) AVR Default Component Column 1 Line A10.2	\$0	X 0.01523	\$0	X TBD	=	\$0
(3.3) NAIC Designation Category 2.C	C(1) AVR Default Component Column 1 Line A3.3 C(2) AVR Default Component Column 1 Line A10.3	\$0	X 0.02168	\$0	X TBD	=	\$0
(3.4) Subtotal NAIC 2	Sum of Lines (3.1) through (3.3)	\$0		\$0			\$0
(4.1) NAIC Designation Category 3.A	C(1) AVR Default Component Column 1 Line A4.1 C(2) AVR Default Component Column 1 Line A11.1	\$0	X 0.03151	\$0	X TBD	=	\$0
(4.2) NAIC Designation Category 3.B	C(1) AVR Default Component Column 1 Line A4.2 C(2) AVR Default Component Column 1 Line A11.2	\$0	X 0.04537	\$0	X TBD	=	\$0
(4.3) NAIC Designation Category 3.C	C(1) AVR Default Component Column 1 Line A4.3 C(2) AVR Default Component Column 1 Line A11.3	\$0	X 0.06017	\$0	X TBD	=	\$0
(4.4) Subtotal NAIC 3	Sum of Lines (4.1) through (4.3)	\$0		\$0			\$0
(5.1) NAIC Designation Category 4.A	C(1) AVR Default Component Column 1 Line A5.1 C(2) AVR Default Component Column 1 Line A12.1	\$0	X 0.07386	\$0	X TBD	=	\$0
(5.2) NAIC Designation Category 4.B	C(1) AVR Default Component Column 1 Line A5.2 C(2) AVR Default Component Column 1 Line A12.2	\$0	X 0.09535	\$0	X TBD	=	\$0
(5.3) NAIC Designation Category 4.C	C(1) AVR Default Component Column 1 Line A5.3 C(2) AVR Default Component Column 1 Line A12.3	\$0	X 0.12428	\$0	X TBD	=	\$0
(5.4) Subtotal NAIC 4	Sum of Lines (5.1) through (5.3)	\$0		\$0			\$0
(6.1) NAIC Designation Category 5.A	C(1) AVR Default Component Column 1 Line A6.1 C(2) AVR Default Component Column 1 Line A13.1	\$0	X 0.16942	\$0	X TBD	=	\$0
(6.2) NAIC Designation Category 5.B	C(1) AVR Default Component Column 1 Line A6.2 C(2) AVR Default Component Column 1 Line A13.2	\$0	X 0.23798	\$0	X TBD	=	\$0
(6.3) NAIC Designation Category 5.C	C(1) AVR Default Component Column 1 Line A6.3 C(2) AVR Default Component Column 1 Line A13.3	\$0	X 0.30000	\$0	X TBD	=	\$0
(6.4) Subtotal NAIC 5	Sum of Lines (6.1) through (6.3)	\$0		\$0			\$0
(7) NAIC 6	C(1) AVR Default Component Column 1 Line A7 C(2) AVR Default Component Column 1 Line A14	\$0	X 0.30000	\$0	X TBD	=	\$0
(8) Total Long-Term Bonds	Sum of Lines (1) + (2.8) + (3.4) + (4.4) + (5.4) + (6.4) + (7)	\$0		\$0			\$0
(Column (1) + Column (2) should equal Page 2 Column 3 Line 1 + Schedule DL Part 1 Column 6 Line 2009999999)							
<u>Short Term and Cash Equivalent Bonds</u>							
(9) Exempt Obligations	AVR Default Component Column 1 Line C1 + Schedule E, Part 2, Column 7, Line 0019999999	\$0	X 0.000	XXX	XXX	=	\$0
(10.1) NAIC Designation Category 1.A	AVR Default Component Column 1 Line C2.1 + Schedule E, Part 2, Footnote L000001A, Amount 1 - Schedule E, Part 2, Column 7, Line 0019999999	\$0	X 0.00158	XXX	XXX	=	\$0

(10.2)	NAIC Designation Category 1.B	AVR Default Component Column 1 Line C2.2 + Schedule E, Part 2, Footnote L000001A, Amount 2	\$0	X	0.00271	XXX	XXX	=	\$0
(10.3)	NAIC Designation Category 1.C	AVR Default Component Column 1 Line C2.3 + Schedule E, Part 2, Footnote L000001A, Amount 3	\$0	X	0.00419	XXX	XXX	=	\$0
(10.4)	NAIC Designation Category 1.D	AVR Default Component Column 1 Line C2.4 + Schedule E, Part 2, Footnote L000001A, Amount 4	\$0	X	0.00523	XXX	XXX	=	\$0
(10.5)	NAIC Designation Category 1.E	AVR Default Component Column 1 Line C2.5 + Schedule E, Part 2, Footnote L000001A, Amount 5	\$0	X	0.00657	XXX	XXX	=	\$0
(10.6)	NAIC Designation Category 1.F	AVR Default Component Column 1 Line C2.6 + Schedule E, Part 2, Footnote L000001A, Amount 6	\$0	X	0.00816	XXX	XXX	=	\$0
(10.7)	NAIC Designation Category 1.G	AVR Default Component Column 1 Line C2.7 + Schedule E, Part 2, Footnote L000001A, Amount 7	\$0	X	0.01016	XXX	XXX	=	\$0
(10.8)	Subtotal NAIC 1	Sum of Lines (10.1) through (10.7)	\$0					=	\$0
(11.1)	NAIC Designation Category 2.A	AVR Default Component Column 1 Line C3.1 + Schedule E, Part 2, Footnote L000001B, Amount 1	\$0	X	0.01261	XXX	XXX	=	\$0
(11.2)	NAIC Designation Category 2.B	AVR Default Component Column 1 Line C3.2 + Schedule E, Part 2, Footnote L000001B, Amount 2	\$0	X	0.01523	XXX	XXX	=	\$0
(11.3)	NAIC Designation Category 2.C	AVR Default Component Column 1 Line C3.3 + Schedule E, Part 2, Footnote L000001B, Amount 3	\$0	X	0.02168	XXX	XXX	=	\$0
(11.4)	Subtotal NAIC 2	Sum of Lines (11.1) through (11.3)	\$0					=	\$0
(12.1)	NAIC Designation Category 3.A	AVR Default Component Column 1 Line C4.1 + Schedule E, Part 2, Footnote L000001C, Amount 1	\$0	X	0.03151	XXX	XXX	=	\$0
(12.2)	NAIC Designation Category 3.B	AVR Default Component Column 1 Line C4.2 + Schedule E, Part 2, Footnote L000001C, Amount 2	\$0	X	0.04537	XXX	XXX	=	\$0
(12.3)	NAIC Designation Category 3.C	AVR Default Component Column 1 Line C4.3 + Schedule E, Part 2, Footnote L000001C, Amount 3	\$0	X	0.06017	XXX	XXX	=	\$0
(12.4)	Subtotal NAIC 3	Sum of Lines (12.1) through (12.3)	\$0					=	\$0
(13.1)	NAIC Designation Category 4.A	AVR Default Component Column 1 Line C5.1 + Schedule E, Part 2, Footnote L000001D, Amount 1	\$0	X	0.07386	XXX	XXX	=	\$0
(13.2)	NAIC Designation Category 4.B	AVR Default Component Column 1 Line C5.2 + Schedule E, Part 2, Footnote L000001D, Amount 2	\$0	X	0.09535	XXX	XXX	=	\$0
(13.3)	NAIC Designation Category 4.C	AVR Default Component Column 1 Line C5.3 + Schedule E, Part 2, Footnote L000001D, Amount 3	\$0	X	0.12428	XXX	XXX	=	\$0
(13.4)	Subtotal NAIC 4	Sum of Lines (13.1) through (13.3)	\$0					=	\$0
(14.1)	NAIC Designation Category 5.A	AVR Default Component Column 1 Line C6.1 + Schedule E, Part 2, Footnote L000001E, Amount 1	\$0	X	0.16942	XXX	XXX	=	\$0
(14.2)	NAIC Designation Category 5.B	AVR Default Component Column 1 Line C6.2 + Schedule E, Part 2, Footnote L000001E, Amount 2	\$0	X	0.23798	XXX	XXX	=	\$0
(14.3)	NAIC Designation Category 5.C	AVR Default Component Column 1 Line C6.3 + Schedule E, Part 2, Footnote L000001E, Amount 3	\$0	X	0.30000	XXX	XXX	=	\$0
(14.4)	Subtotal NAIC 5	Sum of Lines (14.1) through (14.3)	\$0					=	\$0
(15)	NAIC 6	AVR Default Component Column 1 Line C7 Schedule E, Part 2, Footnote L000001F, Amount 1	\$0	X	0.300	XXX	XXX	=	\$0
(16)	Total Short-Term and Cash Equivalent Bonds (Column 1) should equal Schedule DA Part 1 Column 6 Line 0509999999 + Schedule DL Part 1 Column 6 Line 9509999999 + Schedule E Part 2 Column 7 Line 0509999999)	Sum of Lines (9) + (10.8) + (11.4) + (12.4) + (13.4) + (14.4) + (15)	\$0					=	\$0
(17)	Total Long-Term and Short-Term Bonds (pre-MODCO/Funds Withheld)	Line (8) + (16)	\$0			\$0		=	\$0
(18)	Credit for Hedging	LR014 Hedged Asset Bond Schedule Column (13) Line (03999999)						=	\$0
(19)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	LR045 Modco or Funds Withheld Reinsurance Ceded - Bonds C-1o Column (4) Line (99999999)						=	\$0
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	LR046 Modco or Funds Withheld Reinsurance Assumed - Bonds C-1o Column (4) Line (99999999)						=	\$0
(21)	Total Long-Term and Short-Term Bonds (including MODCO/Funds Withheld and Credit for Hedging adjustments.)	Lines (17) - (18) - (19) + (20)	\$0			\$0		=	\$0
(22)	Non-exempt U.S. Government Agency Bonds	Schedule D Part 1 Section 1 and Section 2, Schedule DA Part 1 and Schedule E Part 2, in part†	\$0	X	0.00158			=	\$0
(23)	Bonds Subject to Size Factor	Line (21) - Line (1) - Line (9) - Line (22)	\$0			\$0		=	\$0
(24)	Number of Issuers	Company Records	\$0			\$0		=	\$0
(25)	Size Factor for Bonds							=	2.4
(26)	Bonds Subject to Size Factor after the Size	Line (23) x Line (25)						=	\$0

Formula subjects to change once breakpoints & weights are finalized

Factor is Applied

(27) Total Bonds Line (22) + Line (26) \$0

† Only investments in-U.S. Government agency bonds previously reported in Lines (2.8) and (10.8), net of those included on Line (19), plus the portion of Line (20) attributable to ceding companies' Lines (2.8) and (10.8) should be included on Line (22). No other bonds should be included on this line. Exempt U.S. Government bonds shown on Lines (1) and (9) should not be included on Line (22). Refer to the bond section of the risk-based capital instructions for more clarification.

Company Name

CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL

Cocode: 00000

CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL

	Source	(1) RBC Amount	Tax Factor	(2) RBC Tax Effect
ASSET RISKS				
<u>Bonds</u>				
(001) Long-term Bonds – NAIC 1	LR002 Bonds Column (3) Line (2.8) + LR018 Off-Balance Sheet Collateral Column (3) Line (2.8)	\$0 X	0.1680	\$0
(002) Long-term Bonds – NAIC 2	LR002 Bonds Column (3) Line (3.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (3.4)	\$0 X	0.1680	\$0
(003) Long-term Bonds – NAIC 3	LR002 Bonds Column (3) Line (4.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (4.4)	\$0 X	0.1680	\$0
(004) Long-term Bonds – NAIC 4	LR002 Bonds Column (3) Line (5.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (5.4)	\$0 X	0.1680	\$0
(005) Long-term Bonds – NAIC 5	LR002 Bonds Column (3) Line (6.4) + LR018 Off-Balance Sheet Collateral Column (3) Line (6.4)	\$0 X	0.1680	\$0
(006) Long-term Bonds – NAIC 6	LR002 Bonds Column (3) Line (7) + LR018 Off-Balance Sheet Collateral Column (3) Line (7)	\$0 X	0.2100	\$0
(007) Short-term Bonds – NAIC 1	LR002 Bonds Column (3) Line (10.8)	\$0 X	0.1680	\$0
(008) Short-term Bonds – NAIC 2	LR002 Bonds Column (3) Line (11.4)	\$0 X	0.1680	\$0
(009) Short-term Bonds – NAIC 3	LR002 Bonds Column (3) Line (12.4)	\$0 X	0.1680	\$0
(010) Short-term Bonds – NAIC 4	LR002 Bonds Column (3) Line (13.4)	\$0 X	0.1680	\$0
(011) Short-term Bonds – NAIC 5	LR002 Bonds Column (3) Line (14.4)	\$0 X	0.1680	\$0
(012) Short-term Bonds – NAIC 6	LR002 Bonds Column (3) Line (15)	\$0 X	0.2100	\$0
(013) Credit for Hedging - NAIC 1 Through 5 Bonds	LR014 Hedged Asset Bond Schedule Column (13) Line (0199999)	\$0 X	0.1680	\$0 †
(014) Credit for Hedging - NAIC 6 Bonds	LR014 Hedged Asset Bond Schedule Column (13) Line (0299999)	\$0 X	0.2100	\$0 †
(015) Bond Reduction - Reinsurance	LR002 Bonds Column (3) Line (19)	\$0 X	0.2100	\$0 †
(016) Bond Increase - Reinsurance	LR002 Bonds Column (3) Line (20)	\$0 X	0.2100	\$0
(017) Non-Exempt NAIC 1 U.S. Government Agency	LR002 Bonds Column (3) Line (22)	\$0 X	0.1680	\$0
(018) Bonds Size Factor	LR002 Bonds Column (3) Line (26) - LR002 Bonds Column (3) Line (21)	\$0 X	0.1680	\$0



Detail Eliminated to Conserve Space



CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

	<u>Source</u>		(1) RBC <u>Requirement</u>
<u>Insurance Affiliates and Misc. Other Amounts (C-0)</u>			
(1) Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)		\$0
(2) Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)		\$0
(3) Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)		\$0
(4) Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)		\$0
(5) Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)		\$0
(6) Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)		\$0
(7) Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)		\$0
(8) Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)		\$0
(9) Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)		\$0
(10) Total (C-0) - Pre-Tax	Sum of Lines (1) through (9)		\$0
(11) (C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (122)		\$0
(12) Net (C-0) - Post-Tax	Line (10) - Line (11)		\$0
 <u>Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)</u>			
(13) Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)		\$0
 Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding			
(14) Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) line (49) - (45)		\$0
(15) Total Residual Tranches or Interests	LR008 Other Long-Term Assets Column (5) line (45)		\$0
(16) Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)		\$0
(17) Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)		\$0
(18) Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)		\$0
(19) Total (C-1cs) - Pre-Tax	Sum of Lines (13) through (18)		\$0
(20) (C-1cs) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (134)		\$0
(21) Net (C-1cs) - Post-Tax	Line (19) - Line (20)		\$0
 <u>Asset Risk - All Other (C-1o)</u>			
(22) Bonds after Size Factor	LR002 Bonds Column (3) Line (27) + LR018 Off-Balance Sheet Collateral Column (3) Line (8)		\$0
(23) Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (31)		\$0
(24) Unaffiliated Preferred Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) + LR018 Off-Balance Sheet Collateral Column (3) Line (15)		\$0
(25) Investment Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)		\$0
(26) Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)		\$0
(27) Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)		\$0
(28) Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)		\$0
(29) Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)		\$0
(30) Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)		\$0
(31) Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)		\$0
(32) Synthetic GIC's (C-1o)	LR006 Separate Accounts Column (3) Line (8)		\$0
(33) Surplus in Non-Guaranteed Separate Accounts	LR006 Separate Accounts Column (3) Line (13)		\$0
(34) Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (13)		\$0
(35) Schedule BA Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (25)		\$0
(36) Other Long-Term Assets	LR008 Other Long-Term Assets Column (5) Line (57) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)		\$0

Detail Eliminated to Conserve Space



January 29, 2026

Mr. Philip Barlow, Chair

Risk-Based Capital Investment Risk and Evaluation (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: RBC Formula structure changes to accommodate proposed revised factors for CLOs

Submitted Electronically

Dear Chair Barlow:

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the exposed item from the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (RBC IRE WG) on more granular reporting of Collateralized Loan Obligations (CLO) on the LR002 – Bonds page of the Life and Fraternal RBC Blank and related Instructions.

In order to support the changes to the Life RBC Blank, the Blanks (E) Working Group (BWG) exposed item #2025-27BWG concurrently to modify the Asset Valuation Reserve (AVR) pages. The BWG exposure highlights that all CLOs (as reported in Schedule D–Part 1–Section 2 – Asset-Backed Securities) would be included in the data being fed to the Life RBC Blank. Based on that assumption, ACLI is interpreting that any changes in the factors for the CLOs would apply to all types of CLOs (e.g., BSL, MML), CBOs and CDOs.

As stated in the RBC IRE WG exposure to modify the LR002 – Bonds page, the proposed changes to the ‘Annual Statement Source’ are contingent on the adoption of the related BWG proposal. After reviewing both exposures, the ‘Line Number’ column was changed for all sections in the AVR pages. ACLI suggests revising all lines in the Life RBC Blank that are sourced from the AVR pages upon adoption of the exposed BWG proposal.

We welcome the opportunity to discuss our comments further and to support RBC IRE WG’s continued work in this area.

Sincerely,

Tip Tipton, CPA
Vice President – Accounting Policy
TipTipton@acli.com
202-624-2015

Marc Altschull, CFA, FSA, MAAA
Senior Actuary
MarcAltschull@acli.com
202-624-2089

American Council of Life Insurers | 300 New Jersey Avenue, NW, 10th Floor | Washington, DC 20001

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