

April 17, 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, Missouri 64106

Re: 2025-22-IRE MOD Proposal

Dear Chair Barlow:

The Structured Finance Association (the “SFA”) appreciates the opportunity that the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (the “RBC IRE WG”) has provided for comments on 2025-22-IRE MOD, the structural change proposal to incorporate a more granular reporting of Long-Term Bonds on the LR002 Bonds page of the Life and Fraternal RBC Blanks and Instructions by creating separate buckets for (i) collateralized loan obligations (“CLOs”) and (ii) all other Long-Term Bonds.¹

I. For Year-End 2026, Distinct Reporting for CLO Debt Should Be Limited to Broadly Syndicated Loan (“BSL”) CLO Notes

In our April 16 comment letter on the modeled C-1 factors for CLO debt tranches proposed by the American Academy of Actuaries (the “Academy”), the SFA requested that for year-end 2026, the C-1 factors that the Academy has recommended be applied only to BSL CLO debt tranches. The reason is that the data analysis and modeling process used by the Academy to generate those C-1 factors were based exclusively on BSL CLO notes and did not include any middle market (“MM”) CLO notes.

Consistent with that request, the SFA recommends that the separate CLO bucket that is proposed to be created by 2025-22-IRE MOD should be limited to BSL CLOs, and that all other types of CLOs should remain in the “all other Long-Term Bonds” bucket. We note that the LSTA, Inc. (“LSTA”) and the Alternative Credit Council (the “ACC”) are also making the same request in their comment letter on this proposal.

¹ The SFA is a consensus-driven trade association with over 370 institutional members representing the entire value chain of the securitization market. By facilitating the responsible issuance of and investment in loans and securities, our members help to foster a market that provides trillions of dollars of capital to consumers and businesses in communities across the country. SFA members include issuers, investors (including insurance companies), broker-dealers, rating agencies, data analytics firms, law firms, servicers, trustees and accounting firms.

To implement this approach, we recommend that all references in the proposed LR002 blanks and instructions to CLOs (or to CLOs/CBOs/CDOs) be revised to instead reference just BSL CLOs.²

II. For Year-End 2026, Consider Removing Reporting Tied to a Separate Tranche Thickness Attribute

The Academy has presented the RBC IRE WG with two options for the determination of C-1 RBC factors for CLO debt tranches. Option 1 would determine the RBC factor solely by reference to the tranche's rating, whereas Option 2 would first look to the tranche's rating and would then apply a higher RBC factor to tranches rated Baa3 (or the applicable equivalent) or below in cases where the tranche thickness is 4 percent or less.

In our April 16 comment letter, we expressed concerns about Option 2 and suggested that the RBC IRE WG consider choosing Option 1 for year end 2026. If the RBC IRE WG decides to implement Option 1 prior to finalizing the structural change proposal, then it can delete the provisions in the LR002 blank and instructions that would use Line (7.2) to break out tranches rated Baa3 (or the applicable equivalent) or below in cases where the tranche thickness is 4 percent or less. Alternatively, if the RBC IRE WG decides to implement Option 1 after finalizing the structural change proposal, then it can simply insert the same factors for Line (7.2) as are used in Lines (3.3), (4.1), (4.2), (4.3), (5.1), (5.2), (5.3), (6.1), (6.2) and (6.3).

Conclusion

The SFA appreciates the deliberative process that the RBC IRE WG has undertaken with respect to RBC treatment of CLO notes. Importantly, we appreciate the process not only with respect to CLO notes, but as a prototype for an approach to asset-backed securities issued by other types of structured finance vehicles.

As we stated in our April 16 comment letter, the SFA respectfully requests that the RBC IRE WG continue to employ an iterative, data-driven approach. Consistent with that principle, we urge the RBC IRE WG to take a phased approach to the application of new RBC factors to CLO notes. We support the application for year-end 2026 of the Academy's proposed new RBC factors to the BSL CLO notes that it has modeled but urge the RBC IRE WG to defer a change to RBC factors for MM CLO notes until the Academy has time to model such notes and develop factors that are calibrated to that asset class.

Accordingly, we request that all revisions to the LR002 page in respect of CLO notes be limited to BSL CLO notes. In addition, to the extent that the NAIC decides to apply a separate tranche thickness attribute to CLO notes rated Baa3 (or the applicable equivalent) or below, we

² So far as we can determine, CBOs (collateralized bond obligations) and CDOs (collateralized debt obligations) were not included in the Academy's modeling process, and therefore it does not seem appropriate to us to make them subject to the factors that the Academy developed for BSL CLOs.

agree with the fact that the proposed LR002 revisions for Line (7.2) would apply that attribute only to BSL CLO notes rated Baa3 (or the applicable equivalent) or below.

The SFA would welcome the opportunity to discuss our comments with the RBC IRE WG, the NAIC staff, and/or the Academy. This could include meetings with SFA members active in different roles in the CLO market and in the structured finance universe more broadly. Again, we are focused not only on the NAIC process for determining new RBC factors for CLO notes but also on any future NAIC development of adjustments to RBC treatment of other structured finance investments.

Sincerely,

Dallin Merrill

Head of Policy
Structured Finance Association