



April 16, 2026

VIA ELECTRONIC SUBMISSION

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

Re: American Academy of Actuaries’ Presentation titled *C-1 Subcommittee Update on CLO C-1 Factors Modeling (March 2, 2026)*

Dear Members of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (“Working Group”):

The American Investment Council (“AIC”) appreciates the opportunity to comment on the American Academy of Actuaries’ (“Academy”) recent presentation to the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (“Working Group”) titled “*Update on CLO C-1 Factors Modeling*” dated March 2, 2026. We also appreciate the thoughtful and deliberate approach the Academy and the Working Group have taken with respect to broadly syndicated loan (“BSL”) collateralized loan obligations (“CLO”) in consideration of the Working Group’s objective of advancing and ultimately adopting amendments to the risk-based capital (“RBC”) framework. More broadly, AIC supports the primacy of state-based insurance regulation, particularly with respect to insurer investment regulation and supervision, and views the continued evolution of the RBC framework and related workstreams as clear evidence that state insurance regulators are well positioned – now and as insurer investments continue to evolve – to effectively regulate and supervise insurer investment activity.

As a general matter, AIC supports the Academy’s framework for evaluating C-1 risk across asset classes and appreciates the careful consideration of potential comparable attributes in developing modeled C-1 RBC factors for CLO investments.¹ AIC agrees with the Academy’s analysis, based on its study of BSL CLOs, that CLOs exhibit sufficient comparable attributes to support the use of standardized C-1 factors rather than ongoing individual asset-level modeling. This conclusion is well supported by the Academy’s

¹ See p. 7 of the Academy’s presentation to the Working Group dated March 2, 2026, titled *C-1 Subcommittee Update on CLO C-1 Factors Modeling*, (“March 2, 2026 Academy Presentation”) available at: <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fcontent.naic.org%2Fsites%2Fdefault%2Ffiles%2Finline-files%2FLife-Presentation-CLOUpdateMarch2026.pptx&wdOrigin=BROWSELINK>.

analysis, as well as reports and data that we have submitted in connection with the NAIC’s consideration of C-1 risk associated with CLO investments.²

As between the two alternative approaches presented by the Academy for establishing RBC factors for BSL CLO investments – namely the “*Rating Only (After-Tax Factors)*” option (“Option 1”) and the “*Rating & Tranche Thickness (After-Tax Factors)*” option (“Option 2”)³ – **AIC recommends the adoption of Option 1**, as it represents a more readily implementable framework that achieves the NAIC’s broader objective of establishing CLO-specific C-1 factors while avoiding unnecessary complexity. With respect to middle market (“MM”) CLO investments, based on the Academy’s initial assessment and preliminary observations, AIC believes that Option 1 could also provide a reasonable RBC framework, particularly if the Academy conducts relevant analysis surrounding MM CLOs. However, **AIC recommends that the Working Group defer the application of Option 1 to MM CLOs to year-end 2027**, in light of the fact that the Academy’s modeling work to date has been limited to BSL CLOs. This delay would give the Academy an opportunity to both validate that its findings with respect to BSL CLOs also apply to MM CLOs – which may require separate data, analysis, and calibration – and also give stakeholders time to adjust their investment controls and guidelines in consideration of the amended RBC framework for MM CLOs.

To the extent that the Working Group nevertheless determines that Option 2 is its preferred long-term solution, Option 1 should be approved and implemented as an interim measure for BSL and MM CLOs (i.e., for year-end 2026 for BSL CLO investments and year-end 2027 for MM CLO investments) to provide regulators, the Academy, and interested parties additional time to assess whether the suggested four percent (4%) tranche thickness threshold is appropriate and whether other refinements should be considered. Further consideration should also be given to incorporating prepayment behavior, reinvestment dynamics, and discount features into the calibration of certain factors under Option 2, consistent with considerations previously raised by AIC and other stakeholders.⁴ Such a measure is particularly appropriate for MM CLO investments, which have not yet been the subject of a comprehensive modeling and validation process that is necessary to understand whether differentiated treatment is warranted.

AIC appreciates the significant effort the Academy and the Working Group have devoted to this workstream and we look forward to working with you on these issues as

² See e.g., AIC Letter to the Working Group dated January 29, 2026, regarding the Academy presentation titled *C-1 Subcommittee Update on CLO C-1 Factors Modeling* (“January 29 Letter”) and the materials referenced therein, available at: <https://www.investmentcouncil.org/aic-comment-to-the-naic-on-the-american-academy-of-actuaries-presentation-titled-c-1-subcommittee-update-on-clo-c-1-factors-modeling/>.

³ Pursuant to Option 1, CLO-specific C-1 RBC factors are determined based on tranche credit ratings, leveraging the information embedded in ratings as a proxy for relative risk. Pursuant to Option 2, tranche thickness is incorporated as an additional structural attribute to further differentiate risk among similarly rated tranches. See pp. 12-13 of the March 2, 2026 Academy Presentation.

⁴ See e.g., the January 29 Letter (discussing, among other things, prepayment behavior, reinvestment assumptions, and related considerations).

we seek to achieve our mutual goals of strengthening the state-based system of insurance regulation and ensuring that insurers continue to have access to responsible long-term investment options. We also look forward to reviewing proposed RBC charges developed by the Working Group, which should be consistent with the Academy's modeled base factors and its broader conclusion that investment grade CLO tranches exhibit relatively low C-1 risk when compared to comparably rated fixed-income investments. We appreciate the Working Group's engagement with interested parties and welcome the opportunity for continued engagement as this workstream progresses.

Sincerely,

/s/ Shelby Telle
Deputy General Counsel
American Investment Council