



June 5, 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: Proposal 2026-12-IRE (CLO Factors)

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 *Agenda Item 2026-12-IRE* (“Proposal”)¹, which proposes amendments to the NAIC Life and Fraternal Risk-Based Capital (“RBC”) report forms (blanks, instructions, and formula) relating to the C-1 treatment of collateralized loan obligation (“CLO”) investments. The Proposal reflects the culmination of a multiyear effort by the Working Group and the Academy to evaluate the appropriate calibration of RBC factors for CLO investments – particularly broadly syndicated loan (“BSL”) CLOs – within the existing C-1 framework. It is informed by, and seeks to implement, the American Academy of Actuaries’ (the “Academy”) ongoing modeling work concerning CLO C-1 factors that was presented to the Working Group on March 2, 2026.²

AIC continues to stand behind the views expressed in its April 16, 2026 comment letter³ to the Working Group regarding the Academy’s March 2 presentation, which addressed key considerations relating to the appropriate treatment of CLO investments under the RBC framework. Those considerations remain relevant in the context of the Proposal and are summarized below:

¹ Available at: https://content.naic.org/sites/default/files/inline-files/ATTN_7%20Proposal%202026-12-IRE%20CLO%20Factor%20proposal-combined_0.pdf.

² To date, the Academy’s work has focused on modeling the risk characteristics of BSL CLO tranches and developing “base” factor recommendations intended to reflect relative C-1 risk across ratings categories. The Proposal translates the Academy’s modeled results into the NAIC RBC framework by incorporating CLO-specific factors directly into the RBC blanks, instructions, and formula. The Academy’s presentation is *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>.

³ Available at: <https://www.investmentcouncil.org/aic-comment-letter-to-naic-rcbire-wg-regarding-academy-clo-presentation-pdf/>.

- AIC supports the Academy’s approach for evaluating C-1 risk across asset classes and appreciates the careful consideration of comparable attributes in developing modeled C-1 RBC factors for BSL CLO investments. The Academy’s analysis reflects a rigorous and data-driven effort to assess the relative risk profile of BSL CLO tranches and to align their treatment with the broader structure of the RBC framework.
- While we believe the Academy’s current BSL CLO model is overly conservative, we support its application to BSL CLOs as reflecting a data driven process and outcome. That said, in our view, it would be inappropriate to apply those assumptions beyond BSL CLOs to other asset classes, including other ABS. We respectfully request that the NAIC put out for public comment a detailed workplan and timeline for modeling other structured securities, including other ABS. It is important that any future model assumptions are separately put out for public comment.
- AIC agrees with the Academy’s conclusion, based on its study of BSL CLOs, that BSL CLO tranches exhibit sufficient comparable attributes to support the use of standardized C-1 factors. In AIC’s view, a standardized factor-based approach informed by the Academy’s modeling work – rather than ongoing, individual asset-level modeling – is appropriate from a regulatory perspective. The adoption of standardized factors, informed by the Academy’s modeling work, will enhance consistency in application, facilitate supervision, and reduce unnecessary complexity in insurer reporting.
- AIC supports the overall direction of the Proposal and commends the Working Group for proposing BSL CLO-specific C-1 factors that are intended to be consistent with the Academy’s modeled base factors. The Proposal represents a meaningful step toward more appropriately reflecting the risk characteristics of BSL CLO investments within the RBC framework while maintaining alignment with established RBC principles.
- AIC supports “Option 1” on the basis that it provides a practical and readily implementable framework that achieves the NAIC’s objective of establishing BSL CLO-specific C-1 factors while avoiding unnecessary structural complexity.⁴ At the same time, AIC recognizes that further evaluation of structural attributes may be appropriate as the Academy’s work continues to evolve.
- With respect to MM CLO investments, AIC recommends that the Working Group defer the application of the proposed CLO factor framework to MM CLOs until year-end 2027. The Academy’s modeling work to date has focused on BSL CLOs,

⁴ As reflected in the Proposal, the Academy presented two alternative approaches for establishing RBC factors for BSL CLO investments: a “Rating Only (After-Tax Factors)” approach (“Option 1”) and a “Rating and Tranche Thickness (After-Tax Factors)” approach (“Option 2”).

and additional analysis is required to assess whether that analysis is directly applicable to MM CLOs or whether separate calibration, or adjustments are warranted. A deferral would provide the Academy with an opportunity to undertake such an analysis, and provide the Working Group with an opportunity to further consider incorporating prepayment behavior, reinvestment dynamics, and discount features into the calibration of Option 2, consistent with considerations previously raised by AIC and other stakeholders.⁵ Further, a deferral would allow companies to properly capital plan for the application of different RBC factors to MM CLOs.

AIC appreciates the significant effort the Academy and the Working Group have devoted to this workstream and believes that the Proposal reflects a thoughtful and methodical approach to an important and evolving area of insurer investment oversight. We look forward to continued engagement with the Working Group, the Academy, and other interested parties as this work progresses, and as the RBC framework continues to evolve to address new asset classes and investment structures.

Sincerely,

/s/ Shelby Telle

Deputy General Counsel
American Investment Council

⁵ See e.g., AIC's Letter to the Working Group dated January 29, 2026 (discussing, among other things, prepayment behavior, reinvestment assumptions, and related considerations), *available at*: <https://www.investmentcouncil.org/aic-comment-to-the-naic-on-the-american-academy-of-actuarial-presentation-titled-c-1-subcommittee-update-on-clo-c-1-factors-modeling/>.