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January 27, 2026

Life Risk-Based Capital (E) Working Group
Capital Adequacy (E) Task Force
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Via Email: kokosun@naic.org

Re: Comments on Proposal 2025-16-L – RBC Factors for Collateral Loans Based on Underlying Collateral Type

Dear Chair Barlow and Members of the Life Risk-Based Capital (E) Working Group

The Alternative Credit Council,[1] the private credit affiliate of the Alternative Investment Management Association Ltd (AIMA), appreciates the opportunity to

[1] The Alternative Credit Council (ACC) is a global body that represents asset management firms in the private credit and direct lending space. It currently represents 250 members that manage over US$2 trillion of private credit assets. The ACC is an affiliate of AIMA and is governed by its own board, which ultimately reports to the AIMA Council. ACC members provide an important source of funding to the economy. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure, and the trade and receivables business. The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research to strengthen the sector's sustainability and wider economic and financial benefits. Alternative credit, private debt or direct lending funds have grown substantially in recent years and are becoming a key segment of the asset management industry. The ACC seeks to explain the value of private credit by highlighting the sector's wider economic and financial stability benefits.

provide comments on Proposal 2025-16-L, which was exposed for comment on November 14, 2025. We commend the Working Group for advancing this important initiative to refine the risk-based capital (RBC) treatment of collateral loans by introducing differentiated factors based on the type of underlying collateral. This proposal represents a meaningful step forward in enhancing the look-through approach, better aligning RBC charges with the actual underlying economic characteristics and risks of each asset class. By moving away from the historical 6.8% uniform factor, the proposal promotes a more nuanced, risk-sensitive framework that supports prudent capital management for life insurers.

While we support the proposal's overall direction, we believe there is room for further improvement to fully realize the benefits of a look-through methodology. Specifically, with respect to collateral loans backed by mortgages, we recommend that the RBC treatment be based on the underlying mortgage loan's risk characteristics, consistent with the interim solution adopted in 2024 for "loan on loan" structures. Under that interim approach, reporting entities identify mortgage-backed collateral loans and apply the same tiered RBC factors that apply to directly held mortgage loans. We view this as an appropriate method to address the capital required for insurers' investments in this asset class.

The proposal notes that NAIC staff believe insurers may not always know these details, which would lead to a wide range of potential outcomes. However, in our experience advising insurance company investment managers, insurers generally do have access to this information as part of their due diligence and ongoing monitoring processes. We cannot readily identify scenarios where an insurer would hold a collateral loan backed by mortgages without knowing its risk characteristics.

To address any potential uncertainty, we suggest a tiered approach. When the reporting entity has the underlying mortgage loan information, the reporting entity would apply the look-through approach described above. In cases where the reporting entity lacks underlying mortgage loan information needed to assign a mortgage risk category, the reporting entity would default to 3.0% (CM 3 factor). These refinements, including to the interim solution, would maintain conservatism where warranted while ensuring that the RBC charge accurately reflects the known risk profile, further strengthening the proposal's alignment with economic realities.

We appreciate the Working Group's commitment to completing this project in the first half of 2026 for effectiveness with the December 31, 2026 annual statements.

We stand ready to provide additional input or data as needed and look forward to the continued dialogue on this matter.

Thank you for considering our comments.

Please contact either of us at Jkrol@aima.org or Joe Engelhard, Head of Private Credit & Asset Management Policy, Americas, at jengelhard@aima.org if you have any questions or would like to discuss these topics in more detail.

Sincerely,

Jiří Król
Global Head of Alternative Credit Council

Joe Engelhard
Head of Private Credit & Asset Management Policy, Americas