

# C-1 Subcommittee Presentation to RBCIRE: ABS RBC Status Update

March 17, 2024

Steve Smith, MAAA, FSA, CFA  
Chairperson, Academy C-1 Subcommittee

# Three Current Workstreams

- Comparable attributes for collateralized loan obligation (CLO) tail risk (long-term)
- Review of CRP rating methodologies (medium-term)
- Review of Oliver Wyman residual tranche study (short-term)

# Comparable attributes for CLO tail risk

Step-by-step plan:

1. Identify many comparable attribute candidates
2. Run CLOs through a range of scenarios and multiple available models, to the extent possible
3. Narrow comparable attributes to most informative

How results will inform the RBC framework for CLOs:

- If a small set of easily identifiable attributes explain most of the tail risk, then these become candidates for determining C-1
- If a large/complex set of attributes are required for determining risk, then modeling individual securities may be necessary

Next step:

- Plan for interim update at Summer National Meeting, hopefully with completion by Fall National Meeting

# Review of CRP rating methodologies

- Focus on Moody's, S&P, Fitch, KBRA, DBRS (these rate ABS)
- Study methodology, focusing on tail risk
- Review historical data on default and loss experience by rating
- Integrate results with comparable attributes workstream
- Plan for completion by Summer National Meeting

# Review of Oliver Wyman residual tranche study

- Academy had agreed to review any serious study done to inform regulators on appropriate level for residual tranche C-1
- Focus on relevance for interim C-1 factor, especially consistency with ABS RBC principles endorsed by RBCIRE in December
- Academy will work within exposure period on this review—expect to complete work in April

# QUESTIONS

Contact:

Amanda Barry-Moilanen, Life Policy Analyst  
[barrymoilanen@actuary.org](mailto:barrymoilanen@actuary.org)