



To: All Insurers
 From: Life Risk-Based Capital (E) Working Group
 RE: ~~Additional~~ Guidance for Troubled Debt Restructurings ~~for December 31, 2020 and Interim Risk-Based Capital Filings (where required)~~
 Date: ~~October 9, 2020~~ February 11, 2021

Additional Guidance Adopted by the Life Risk-Based Capital Working Group

~~In response to action taken by the Financial Condition Statutory Accounting Principles (E) Committee Working Group delegated to the Life Risk-Based Capital (E) Working Group certain questions that arose as part of its June 12 memorandum, which addressed modification of the original CARES Act to extend the provisions for temporary relief from troubled debt restructurings. Under that delegation, the Working Group adopted the following modification to its October 9 guidance. This modified guidance is to address only the category shown as the remainder of the October 9 document is unchanged.~~

Construction Loans

~~For purposes of Note 4 to the Risk-Based Capital Reporting Instructions, government-mandated construction delays due to COVID-19 that occur at any time during 2020 are not “construction issues.” This guidance would apply to all mortgages and not just those mortgages where a COVID-19 modification occurred.~~

Origination Date, Valuation Date, Property Value, and 90 Days Past Due

~~For purposes of the Description/explanation of item in the Risk-Based Capital Reporting Instructions for Date of Origination (2), Property Value (20), Year of Valuation (21 and by reference Quarter of Valuation - 22), and 90 Days Past Due? (29), no changes to these values are required for any COVID-19 related modifications that are captured within INT 20-03: Troubled Debt Restructuring Due to COVID-19 or INT 20-07: Troubled Debt Restructuring of Certain Debt Instruments Due to COVID-19. occur during 2020. This guidance is consistent with the Financial Condition (E) Committee Guidance for Troubled Debt Restructurings for March 31 – September 30 Statutory Financial Statements and Related Interim Risk-Based Capital Filings (where required) (June 12, 2020) and Question and Answer issued by the NAIC but extended for COVID-19 modifications that occur through the end of 2020.~~

Contemporaneous Property Values

~~For purposes of computing the Contemporaneous Property Value (40) for any period ending in 2020, an insurer may use the average of the NCREIF Price Index as of 12/31/2019 and the 2020 NCREIF Price Index for the Price Index current value. This guidance applies to all mortgages and not just those mortgages where a COVID-19 modification occurred, and it applies for the filings for any period ending in 2020 only and not subsequent years.~~

Net Operating Income

~~For purposes of the NOI inputs at (14), (15), (16), and the computation of a Rolling Average NOI at (36), an insurer may report 2020 NOI (i.e., NOI for any 12-month fiscal period ending after June 30, 2020 but not later than June 30, 2021) as the greater of: (1) actual NOI as determined under the CREF-C IRP Standards or (2) 85% of NOI determined for the immediate preceding fiscal year’s annual report. This guidance with respect to 2020 NOI applies to the application of the 2020 NOI in risk-based capital reporting for 2021, 2022, and 2023. In cases where an insurer reports 85% of 2019 NOI as the 2020 NOI input, the insurer should retain information about actual 2020 NOI in its workpapers so that the information can be readily available to regulators.~~

Related Accounting Guidance & Updates

Please see the following for both related accounting guidance and updates to this guidance via Q&A. https://content.naic.org/cmte_e_lrbc.htm

(Please see related documents tab)

Questions

Any questions on this guidance should be directed to Dave Fleming by e-mail at dfleming@naic.org.