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NAIC's Updated Grid and Bond Designations: What Insurers Need to Know

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The National Association of Insurance Commissioners (NAIC) recently completed a comprehensive review of 17,000 Non-agency RMBS-PRIME/NON-QM/2nds bonds, which included 7,000 bonds from the 2.0 vintage and 10,000 legacy bonds. The analysis revealed that approximately 75 percent of all bonds retained the NAIC 1A designation, indicating zero loss. Among legacy bonds, 31 percent maintained the highest designation, which represents a slight decline from previous levels of about 33 percent. The reduction in non-zero loss designations was primarily driven by mezzanine bonds from the 2025 vintage.

Within the Jumbo 2.0 category, 90 percent of bonds across all classifications were designated as zero-loss bonds. Furthermore, about 72 percent of BBB-rated bonds retained a zero-loss designation within the 1A–1G range, which provides them with a more favorable risk-based capital treatment compared to their ratings from traditional rating agencies. The majority of bonds in NAIC categories 3A and lower were concentrated in below-investment-grade Jumbo 2.0, Non-QM, RPL, and second-lien sectors. In the RMBS space, lower-rated tranches received better RBC treatment than collateralized loan obligations (CLOs) and corporate bonds.

Looking at vintage trends, the percentage of zero-loss bonds declined slightly from 71 percent in 2024 to 69 percent in 2025. Movement within AA–BBB categories for the 2023–2024 vintages was not punitive, as most changes remained within the 1A–1D range in the conduit space. In the SASB sector, zero-loss bonds increased from 75 percent last year to 77 percent this year. Approximately 42 percent of bonds that changed designations in 2025 due to losses were in the office sector; however, these changes were not severe, as most bonds moved within categories 1 and 2.

Late in December 2025, NAIC also released updated grids for non-agency and agency CMBS bonds. The new grid includes intrinsic values within each category along with the corresponding risk-based charges. Overall, the changes remain moderate and continue to preserve favorable treatment for high-quality tranches.

These findings have several implications for investors. The outlook remains positive due to the high percentage of zero-loss designations in Jumbo 2.0 and SASB sectors. However, mezzanine bonds and office-related tranches present some risk considerations. Importantly, NAIC designations continue to offer better RBC treatment compared to ratings from traditional agencies, providing a regulatory advantage for insurers. In conclusion, the NAIC's latest review underscores the resilience of structured products, particularly in Jumbo 2.0 and SASB sectors, while highlighting areas of caution in mezzanine and office-related tranches. The updated RBC grid ensures continued alignment between intrinsic risk and capital requirements, supporting stability in the insurance investment landscape.

Appendix:

NAIC ratings and related RBC factors for non-Agency RMBS bonds:

Exhibit 1

Rating	New NAIC Designation Category	RBC Factors	Designation Expected Loss	Minimum Intrinsic Price
AAA	1A	0.158%	0.215%	$99.79
AA+	1B	0.271%	0.345%	$99.66
AA	1C	0.419%	0.471%	$99.53
AA-	1D	0.523%	0.590%	$99.41
A+	1E	0.657%	0.737%	$99.26
A	1F	0.816%	0.916%	$99.08
A-	1G	1.016%	1.139%	$98.86
BBB+	2A	1.261%	1.392%	$98.61
BBB	2B	1.523%	1.846%	$98.15
BBB-	2C	2.168%	2.660%	$97.34
BB+	3A	3.151%	3.844%	$96.16
BB	3B	4.537%	5.277%	$94.72
BB-	3C	6.017%	6.702%	$93.30
B+	4A	7.386%	8.461%	$91.54
B	4B	9.535%	10.982%	$89.02
B-	4C	12.428%	14.685%	$85.32
CCC+	5A	16.942%	20.370%	$79.63
CCC	5B	23.798%	26.899%	$73.10
CCC-	5C	30.000%	30.000%	$70.00
Below	6	30.000%	30.000%	$70.00

Source: NAIC, MetLife Investment Management, BofA Global Research

NAIC ratings and related RBC factors for Agency and Non-Agency CMBS bonds:

Exhibit 2

Capital charges will be determined by mapping bond intrinsic price to the NAIC Designation intrinsic price mapping grid

	Life			P&C		
NAIC Designation Category	RBC Factor (Pre-Tax)	Midpoint	Minimum Intrinsic Price	RBC Factor	Midpoint	Minimum Intrinsic Price
1.A	0.158%	0.215%	99.79	0.200%	0.300%	99.70
1.B	0.271%	0.345%	99.66	0.400%	0.500%	99.50
1.C	0.419%	0.471%	99.53	0.600%	0.700%	99.30
1.D	0.523%	0.590%	99.41	0.800%	0.900%	99.10
1.E	0.657%	0.737%	99.26	1.000%	1.150%	98.85
1.F	0.816%	0.916%	99.08	1.300%	1.400%	98.60
1.G	1.016%	1.139%	98.86	1.500%	1.650%	98.35
2.A	1.261%	1.392%	98.61	1.800%	1.950%	98.05
2.B	1.523%	1.846%	98.15	2.100%	2.300%	97.70
2.C	2.168%	2.660%	97.34	2.500%	4.000%	96.00
3.A	3.151%	3.844%	96.16	5.500%	5.750%	94.25
3.B	4.537%	5.277%	94.72	6.000%	6.300%	93.70
3.C	6.017%	6.702%	93.30	6.600%	6.850%	93.15
4.A	7.386%	8.461%	91.54	7.100%	7.400%	92.60
4.B	9.535%	10.982%	89.02	7.700%	8.200%	91.80
4.C	12.428%	14.685%	85.32	8.700%	9.250%	90.75
5.A	16.942%	20.370%	79.63	9.800%	10.350%	89.65
5.B	23.798%	26.899%	73.10	10.900%	11.450%	88.55
5.C	30.000%	30.000%	70.00	12.000%	21.000%	79.00
6	30.000%			30.000%		

Source: NAIC, BofA Global Research

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