



Angel Oak Residential Credit Solutions for Insurance Companies

On April 30, 2026, the NAIC Life Risk-Based Capital (E) Working Group (Life RBC WG) voted to reduce the C-1 risk-based capital (RBC) factor to 0.68% for life insurance companies investing in performing residential mortgage loans (RMLs) through unaffiliated joint ventures (JVs), partnerships, or limited liability companies (LLCs). Schedule B investments in performing RMLs have long benefited from an attractive RBC charge of 0.68%. The new NAIC change can provide similar capital treatment without the need for loan-level reporting, subject to certain qualifying factors.

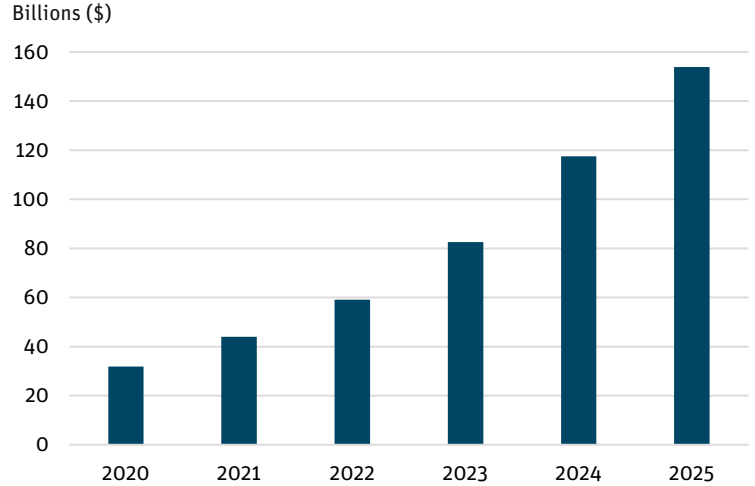
This development reflects a substance-over-form approach, allowing a 0.68% RBC factor regardless of investment structure. For Schedule BA funds or vehicles, reporting would consist of a single line item, with a 0.68% RBC factor applied to mortgage loans in good standing (defined as less than 90 days delinquent). The Schedule BA vehicle would need a mechanism to identify and remove loans that are more than 90 days delinquent in order to maintain eligibility for the 0.68% RBC factor. This requirement underscores the importance of active portfolio management and disciplined delinquency mitigation within a fund or strategy dedicated to this asset class.

The adoption of this proposal comes at a time when life insurers have been increasing their exposure to the asset class, driven by favorable risk-adjusted yields and attractive capital treatment within general account portfolios. RML holdings have grown to over \$150 billion, and according to Bank of America research, insurers purchased approximately \$60 billion of RMLs in 2025.

Currently, the top 10 life insurance companies account for approximately 75% of all insurance company RML investments. The NAIC's update to the capital framework may broaden participation, making it easier for smaller and midsize insurers to access the asset class. Increased structural flexibility may enable life insurers to implement residential mortgage strategies more efficiently in support of their general account objectives.

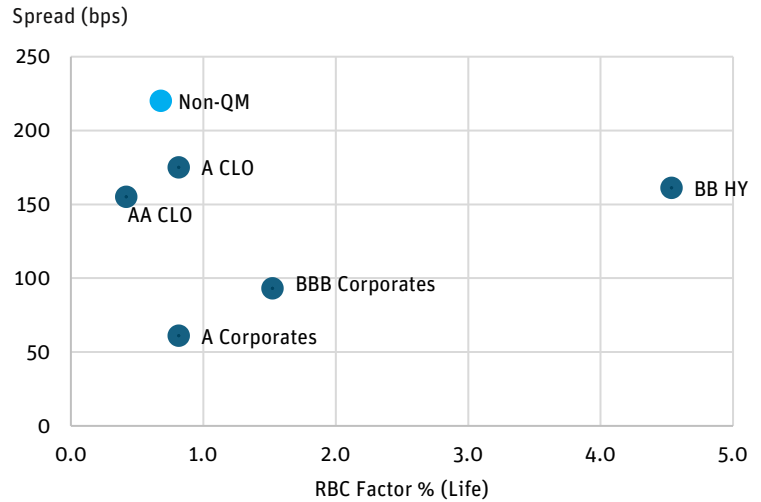
Angel Oak continues to partner with insurers to design tailored access solutions for RML investments, including separately managed accounts, funds, and securitizations. As a vertically integrated mortgage platform with a strong track record of differentiated credit performance, Angel Oak is positioned to support insurance companies seeking to expand or introduce this asset class within their portfolios.

Life Insurance Company RML Holdings



Source: NAIC, S&P Global as of 12/31/25.

Non-Qualified Mortgage (Non-QM) Relative Value



Source: Angel Oak estimates, BofA Research as of 5/31/26.

Residential Mortgage Loan Investment Structures for Insurance Companies

Structure	Separately Managed Account	RML Fund	Private Securitization	Rated Feeder
Format	Delaware Statutory Trust owned entirely by insurance company.	Delaware LP.	144A.	Delaware LP.
Statutory Reporting	Schedule B.	Schedule BA.	Approximately 90-95% Schedule D and 5-10% Schedule BA for the entire capital stack.	Approximately 80% Schedule D and 20% Schedule BA.
Access Method	Loans are reported individually, directly on the balance sheet.	Insurer owns interest in JV, partnership, or LLC that owns loans. Single-investor fund (affiliated vehicle) or commingled fund (unaffiliated vehicle).	Loans are securitized, and the insurer holds rated tranches as bonds, as well as some residual exposure.	Insurer invests in fund and holds rated tranches as bonds and some equity exposure.
Strategy	Generally structured as a flow program to buy a certain dollar amount of mortgages per month.	Single-investor vehicle or commingled vehicle to own loans reported on Schedule BA as a single line item. Structure must have a mechanism to identify and remove loans more than 90 days delinquent.	Investor can retain entire capital structure or syndicate/sell away tranches that are not attractive from a spread perspective. Captures gain-on-sale economics and allows for customization of the securitization structure.	Rated structure used to invest in a commingled fund. The fund targets ownership of junior bonds from non-QM, home equity lines of credit, etc. Own vertical strip of rated bonds and equity to target 9-12% net IRR.
Liquidity	Loans can be liquidated or securitized by Angel Oak.	Loans can be liquidated or securitized by Angel Oak.	Varies based on tranche.	3-year investment period; 4-year harvest period.
Accounting Treatment	Book value.	Mark-to-market (fair value).	Book value for bonds retained. Residual bonds retained mark-to-market.	Primarily book value. Equity portion (20% of investment) is mark-to-market.
RBC Factor	0.68% (Life) (0.68% for loans in good standing; 1.40% for loans 90+ days overdue).	0.68% (Life).	Varies: 0.50-1.50% (Life).	10.97% (Life); 11.35% (P&C).
Positives	<ul style="list-style-type: none"> Stable book value accounting. Pledgeable to Federal Home Loan Bank (FHLB). Retention of full economics. Customizable mandate (collateral profile, credit characteristics, etc.). 	<ul style="list-style-type: none"> Single line item reduces operational and accounting burden compared to Schedule B. For single-investor fund – customizable mandate (collateral profile, credit characteristics, etc.). For commingled funds, provides the ability to access RMLs with smaller allocations while receiving favorable RBC factor. 	<ul style="list-style-type: none"> Investor can retain desired tranches or entire capital stack. Higher liquidity for majority of the capital stack – varies based on the tranches owned. Operational approach is similar to other securitized assets held on balance sheet. 	<ul style="list-style-type: none"> Reduced operational and accounting burden compared to Schedule B. Higher return potential given the fund utilizes term financing and retains junior bonds.
Potential Drawbacks	<ul style="list-style-type: none"> Modest setup and legal fees. Requires operational expertise due to line-by-line loan reporting. 	<ul style="list-style-type: none"> No evidence of pledgeability to FHLB. Potential state and internal limits on Schedule BA. For commingled fund – less individual customization given the commingled structure. 	<ul style="list-style-type: none"> Less capital-efficient if residual tranches retained. 	<ul style="list-style-type: none"> Less liquidity given the fund term.
Investor Profile	Investors who desire greater control over the buy box, seek to pledge assets to FHLB, and/or prefer book value treatment under Schedule B.	Single-investor vehicle ideal for midsize to large insurers, investors who desire more control over the buy box, are seeking operational efficiency, and/or okay with using Schedule BA/MTM. Commingled fund ideal for small to midsize insurers seeking operational efficiency and okay with using Schedule BA/MTM.	Investors with larger ticket sizes who are potentially looking to source mezzanine or other bonds at scale.	Investors targeting a higher return profile, seeking a more diversified pool of loans and bonds, and/or okay with less liquidity.

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