

# INCLINED TECHNOLOGIES INC.

## Proposal and Comment Information

**Title:** Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-weighted Assets, R-1888

**Comment ID:** FR-2026-0008-01-C278

## Subject

Docket No. R-1888 - Supplemental Comment Letter, Inclined Technologies Inc.

## Submitter Information

**Organization Name:** Inclined Technologies Inc.

**Organization Type:** Organization

**Submitted Date:** 10/01/2026

Good afternoon,

On behalf of Inclined Technologies Inc., attached please find a supplemental comment letter on the Notice of Proposed Rulemaking, Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets.

Please reach out if you have any questions or would like to discuss this submission further.

Best regards,

Amy

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October 1, 2026

*[Submitted Via Electronic Filing]*

Jennifer M. Jones, Deputy Executive Secretary  
Attention: Comments, RIN 3064-AG23  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429

Benjamin W. McDonough, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551  
Docket No. R-1888; RIN 7100-AH21

Chief Counsel's Office  
Attention: Comment Processing  
Office of the Comptroller of the Currency  
400 7th Street, SW, Suite 3E-218  
Washington, DC 20219  
Docket ID OCC-2026-0034

**Re: Supplemental Comment of Inclined Technologies Inc. on the Notice of Proposed Rulemaking, Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets, 91 Fed. Reg. 15,332 (Mar. 27, 2026); Treatment of Loans Secured by the Cash Surrender Value of Life Insurance**

Dear Deputy Executive Secretary Jones, Secretary McDonough, and Chief Counsel's Office:

Although the comment period closed on June 18, 2026, Inclined Technologies Inc. respectfully submits this supplemental comment to build on its June 17 letter concerning the treatment of loans secured by the cash surrender value ("CSV") of whole life insurance policies. See Inclined Technologies Inc. Comment Letter on Regulatory Capital Rules (June 17, 2026), <https://www.regulations.gov/comment/OCC-2026-0034-0103>. Inclined's initial letter explained why the proposed 90 percent residual risk weight materially overstates the risk of these exposures and pointed to the European framework, which recognizes pledged life insurance policies and ties treatment to the credit quality of the insurer. Mechanics Bank, a bank that originates these loans, separately urged a 20 percent risk weight based on the enforceability and determinability of the collateral. See *Mechanics Bank*, Comment Letter on Regulatory Capital Rules (June 18, 2026), <https://www.regulations.gov/comment/OCC-2026-0034-0136>.

Inclined's June 17 letter did not directly address Question 27's treatment of cash on deposit at third-party institutions. Question 27 provides additional support for the treatment Inclined requested in its June 17 letter.

## I. Question 27 Supports Comparable Treatment

Question 27 contemplates clarifying that “cash on deposit” includes deposits held at third-party institutions so that the claim can be recognized as financial collateral. The relevant risk in that circumstance is the value and enforceability of the lender’s claim on the regulated institution holding the cash, not the borrower’s unsecured credit worthiness. The same is true of a properly assigned whole life policy with a guaranteed cash surrender value. Cash surrender value is a contractual amount owed by a regulated insurer, and the lender’s recovery right is perfected through the collateral assignment.

**If the agencies recognize a contractual claim on a third-party bank, the same principle should apply to a contractual claim on a regulated, highly rated insurer.** The legal instrument is different; the credit proposition is not. In each case, the lender has a direct, enforceable claim on a regulated financial institution for a determinable amount.

**The differences between the two claims argue for a capital charge, not for residual treatment.** A third-party bank deposit may benefit from federal deposit insurance, while a life insurance claim instead sits within the state solvency and guaranty-association framework, with guaranty coverage subject to statutory caps. Life insurers are also subject to risk-based capital requirements designed to trigger regulatory intervention before policyholder obligations are impaired. Inclined therefore is not asking the agencies to treat CSV like cash held by the lending bank. It is asking for a 20 percent floor that preserves a meaningful capital charge for insurer credit risk. And where policy terms or applicable law permit an insurer to defer payment of cash surrender value for up to six months, that is a liquidity-timing risk, not uncertainty about the contractual amount due. A 20 percent floor and conservative loan-to-value criteria can account for it.

Other commenters have made the same underlying point. The Bank Policy Institute, the American Bankers Association, the U.S. Chamber of Commerce, and the Consumer Bankers Association observed that guarantees and credit derivatives provided by entities outside the current “eligible guarantor” definition “still provide credit risk mitigation benefits,” and that limiting recognition to eligible guarantors “fails to recognize those benefits.” See American Bankers Association, Bank Policy Institute, U.S. Chamber of Commerce, Consumer Bankers Association, Comment Letter on Regulatory Capital Rules (June 18, 2026), <https://www.aba.com/advocacy/policy-analysis/joint-trades-letter-on-the-revised-bank-capital-proposal>. The same principle applies here: reliable credit protection should not be pushed into a residual category.

## II. The Residual Category Measures the Wrong Risk

The residual “not otherwise specified” category is a catch-all. That makes sense for exposures whose risk is not otherwise captured by a recognized source of repayment. A perfected CSV-secured loan is different. Once the insurer acknowledges an irrevocable collateral assignment, the lender holds an enforceable right to the policy’s guaranteed cash surrender value. Recovery is bounded by a known value and depends principally on the insurer honoring that obligation, not on the borrower’s unsecured capacity to repay. Treating that exposure at 90 percent therefore measures the wrong risk. As Exhibit 1 shows, under the proposal a qualifying CSV-backed loan would receive capital treatment identical

to an unsecured credit card, and four and a half times the weight of the collateralized exposures it economically resembles.

### **III. CSV Collateral's Characteristics Support Comparable Treatment**

With an irrevocable collateral assignment acknowledged by the insurer, the lender holds a direct, perfected interest in the policy and its cash value. The insurer is contractually obligated to honor the policy's surrender rights, subject to the terms of the collateral assignment. Accessing that value through a contractual surrender right rather than an immediate withdrawal does not make the recovery speculative; the amount is defined in advance rather than discovered through market execution. The value itself is contractually determined and regularly updated. For qualifying whole life policies, it does not fluctuate with market spreads, equity prices, or liquidity conditions in stressed markets. That distinguishes these policies from variable products whose cash values move with market performance. A meaningful credit loss also requires more than borrower default. The lender's perfected collateral interest would have to fail, or the insurer would have to become impaired enough that recoverable cash surrender value fell below the loan balance. Inclined is not aware of a lender having incurred a credit loss on a properly collateralized CSV-backed loan.

The remaining risk, the credit quality of the insurer, is already subject to comprehensive prudential oversight. As the American Council of Life Insurers (ACLI) explained in the record, U.S. life insurers operate under a state-based framework that includes risk-based capital standards, reserving requirements, investment limitations, group supervision, and stress testing. See ACLI Comment Letter on Regulatory Capital Rules (June 18, 2026), <https://www.federalreserve.gov/apps/proposals/comments/FR-2026-0008-01-C271>. A capital treatment tied to insurer credit quality therefore uses a risk measure the prudential system already knows how to evaluate.

### **IV. A Targeted Adjustment Is Simple to Administer**

A fixed 20 percent risk weight would not require a new capital methodology. The agencies should continue to define eligibility around familiar, objective conditions: a whole life policy with a contractually guaranteed cash surrender value; an insurer subject to U.S. state prudential supervision and meeting prescribed credit-quality criteria; an irrevocable collateral assignment; insurer acknowledgment; no competing lien; a verifiable and regularly updated surrender value; and conservative loan-to-value limits that account for any applicable surrender-payment deferral period. Exposures meeting those conditions could receive a fixed 20 percent risk weight. Alternatively, the agencies could adopt a substitution approach tied to insurer credit quality, subject to a 20 percent floor. That approach would be straightforward for banks to document and for supervisors to review.

### **V. Capital Miscalibration Has Consumer Cost**

Overstating the risk of these loans also has a direct adverse consumer effect. A higher capital charge increases the return a bank must earn to offer the product and can reduce the number of institutions willing to make these loans. The result is higher pricing and less competition for policyholders seeking liquidity against an asset they already own. Mechanics Bank's comment reinforces the prudential case from the perspective of a regulated lender. The same capital mismatch ultimately raises costs for

consumers. See Mechanics Bank, Comment Letter on Regulatory Capital Rules (June 18, 2026), <https://www.regulations.gov/comment/OCC-2026-0034-0136>.

## **VI. The European Framework Shows the Concept Is Administrable**

The European framework shows that standardized capital rules can recognize this collateral without creating a new methodology. The Capital Requirements Regulation recognizes pledged life insurance policies as funded credit protection and ties the protected exposure to the credit quality of the insurer. Under Article 232, the protected exposure receives a 20 percent risk weight where a senior unsecured exposure to the insurer itself receives a 20 percent risk weight, with higher risk weights as the insurer's applicable risk weight increases. Article 200 places third-party cash deposits and pledged life insurance policies within the framework for other funded credit protection, while Articles 212 and 232 establish the assignment and risk-weighting mechanics. Regulation (EU) No 575/2013, arts. 200, 212, 232, 2013 O.J. (L 176). The framework therefore looks through the policy to the regulated insurer obligated to pay the contractual value. Question 27 contemplates the same basic issue: whether capital treatment should recognize the actual source of repayment.

## **VII. Conclusion**

Inclined's June 17 letter explained why the proposed capital risk weight treatment overstates the risk of CSV-secured loans, and Mechanics Bank reinforced that case from the perspective of a regulated lender. Question 27 provides a further basis for correcting that treatment. If the agencies recognize cash held at a third-party institution as financial collateral, they should likewise recognize a direct and enforceable claim on a regulated insurer.

Reducing the residual risk weight from 100 percent to 90 percent does not solve the underlying problem. A qualifying CSV-secured loan is not economically equivalent to unsecured consumer credit, and its capital treatment should reflect the collateral and the insurer standing behind it. Inclined therefore asks the agencies to assign qualifying CSV-secured loans a 20 percent risk weight or permit financial-collateral treatment under a substitution approach tied to insurer credit quality, subject to a 20 percent floor.

That treatment would better reflect the actual risk of these loans while retaining a meaningful capital charge for insurer credit risk. Inclined appreciates the agencies' consideration of this supplemental submission and would welcome the opportunity to discuss the issue with staff.

Respectfully submitted,  
Inclined Technologies Inc.

## Exhibit 1

Exhibit 1 shows the remaining mismatch. Under the current rules, loans secured by life insurance cash surrender value receive the same 100 percent risk weight as unsecured consumer credit. The proposal would reduce that weight to 90 percent, the same weight it assigns to unsecured consumer loans and credit cards, leaving a qualifying CSV-secured exposure treated identically to unsecured credit rather than like the low-risk collateralized exposures it economically resembles.

| Asset / Exposure Type                                      | Current Risk Weight* | Risk Weight Under the Proposal** |
|------------------------------------------------------------|----------------------|----------------------------------|
| U.S. Treasuries / Agency Securities                        | 0%                   | 0%                               |
| Cash on Deposit                                            | 0%                   | 0%                               |
| GSE Obligations (non-equity)                               | 20%                  | 20%                              |
| U.S. Depository Institution / Credit Union Exposures       | 20%                  | 20%                              |
| U.S. PSE General Obligations (municipal GO bonds)          | 20%                  | 20%                              |
| Conditionally Guaranteed U.S. Government Exposures         | 20%                  | 20%                              |
| First-Lien Residential Mortgage (qualifying)               | 50%                  | LTV-based                        |
| Consumer Loans (personal, auto, student)                   | 100%                 | 90%                              |
| Consumer Credit Cards                                      | 100%                 | 90%                              |
| Corporate Exposures                                        | 100%                 | 95%                              |
| <b>Life Insurance CSV-Backed Loans (residual category)</b> | <b>100%</b>          | <b>90%</b>                       |

\* See 12 C.F.R. Parts 3, 217, and 324.

\*\* 91 Fed. Reg. 15,332 (Mar. 27, 2026). The proposal reduces the risk weight for assets not specifically assigned a different risk weight from 100 percent to 90 percent, including consumer loans and credit cards; qualifying first-lien residential mortgage exposures would be assigned risk weights under a loan-to-value based approach.