

2018 Spring National Meeting  
Milwaukee, Wisconsin

**VALUATION OF SECURITIES (E) TASK FORCE**  
**Sunday, March 25, 2018**  
**2:00 – 3:30 p.m.**

**Meeting Summary Report**

The Valuation of Securities (E) Task Force met March 25, 2018. During this meeting, the Task Force:

1. Adopted its Feb. 28 and Feb. 8, 2018 and Nov. 13, 2017, minutes (held in lieu of the Fall National Meeting), which included the following action:
  - a. Transferred administration of the filing exempt process for publicly rated securities and a new verification procedure for securities subject to private rating letters to the Securities Valuation Office (SVO).
  - b. Modernized the Z rule (which permits insurers to self-designate securities) and adopted a procedure for SVO to assign symbols to securities that cannot be designated by year-end and prioritize their evaluation in the new-year.
  - c. Adopted a Blanks Proposal and Interrogatory to provide reporting instructions for private rating letter verification, the SVO year-end procedure and to streamline reporting.
  - d. Deleted a requirement that SVO and the Structured Securities Group (SSG) ignore NAIC credit rating providers (CRPs) credit ratings they disagree with when translating credit ratings to NAIC Designations.
  - e. Deleted SVO authority to require an insurer to file a nationally recognized statistical rating organization (NRSRO) rated security for an evaluation.
  - f. Received a status report on a project to modernize instructions for subsidiary, controlled and affiliated (SCA) investments.
  - g. Received a referral from the Reinsurance (E) Task Force on regulatory transactions and released it for a 60-day public comment period ending May 23.
  - h. Adopted a policy statement for the *Purposes and Procedures of the NAIC Investment Analysis Office* (P&P Manual) to guide coordination between the Task Force and the Statutory Accounting Principles (E) Working Group; its staff and publications. The Working Group adopted the same policy for the Accounting Practices and Procedures Manual (AP&P Manual).
  - i. Received proposed amendments intended to simplify the P&P Manual.
  - j. Received a proposed change to the description of HR Rating's de Mexico's NRSRO status and released it for a public comment period ending March 25, 2018.
2. Heard a status report from NAIC staff on the project for securities subject to private letter ratings related to implementing delivery of NRSRO data feeds electronically.
3. Adopted an amendment to the P&P Manual to modernize and align instructions for subsidiary, controlled and affiliated (SCA) investments with statutory accounting guidance.
4. Adopted amendments to the P&P Manual that joins filing instructions, documentation requirements and analytical methodology in one place for Power Generation, Working Capital Finance Investments, Credit Tenant Loans, Structured Transactions, the Procedures for Defaulted Securities, CAPCOs securities and Lottery Securities. The amendments are part of an on-going project that seeks to simplify the structure of the P&P Manual.
5. Received an SVO proposal on fund investments and released it for a 90-day public comment period ending June 22. The proposal seeks to ensure that all funds that hold bonds are subject to the same principles in the P&P Manual regardless of the schedule on which the fund would be reported on.
6. Re-released an amended version of a proposed amendment to the P&P Manual on bank loans for a 60-day public comment period ending May 25. The Task Force had previously referred the amendment to the Statutory Accounting Principles (E) Working Group for consideration in its project to clarify definitions and scope issues for bank loans in the AP&P Manual. The release of the amended text anticipates receipt of comments from the Statutory Accounting Principles (E) Working Group that will help ensure consistency between the P&P Manual and changes made to SSAP No. 26R in the AP&P Manual in 2017.

7. Discussed a proposed amendment to the P&P Manual to accommodate the more granular risk-based capital (RBC) framework. The amendment would integrate a new NAIC Designation Category for use by the Investment Risk-Based Capital (E) Working Group and Capital Adequacy (E) Task Force and provide for mapping of NAIC CRP credit ratings to the categories.
8. Received a status report from NAIC Financial Regulatory Services (FRS) staff on projects before the Statutory Accounting Principles (E) Working Group.
9. Discussed a proposed amendment to the P&P Manual to add policies the Task Force adopted as the basis for its deliberations pertaining to the transfer to the SVO of the filing exemption process and the verification procedure for securities subject to private letter ratings. The amendment, released for a 30-day public comment period ending April 23, would provide a policy framework to guide resolution of issues the SVO encounters as it administers filing exemption.
10. Released proposed amendments to the P&P Manual to unite filing instructions, documentation requirements and credit assessment methodology in one place for a 30 day public comment period ending April 23, The amendments, which seek to simplify the structure of the P&P Manual, pertain to Catastrophe-Linked Bonds, Sovereign and Supranationals, Preferred Stock, U.S. Government Securities and Military Housing securities.
11. Adopted an amendment to the P&P Manual to revise the description of the NRSRO status of HR Ratings de Mexico, S.A. which applied for and was granted NRSRO status by the U.S. Securities and Exchange Commission (SEC) in two additional categories of securities: the category of financial institutions, brokers, or dealers and the category of corporate issuers.
12. Received a referral from the Statutory Accounting Principles (E) Working Group and released it for a 30-day comment period asking whether all entities should be able to report NAIC designations on Schedule BA – Other Long-Term Invested Assets. The referral arises from a request made by a p&c company or a sponsor of a limited liability company (LLC) investment asking that such investments be made eligible for SSAP No. 26R so they could be reported on Schedule D-1 – Long-Term Bonds and be subject to a risk-based capital associated with the NAIC designation.
13. Released a proposed amendment to the P&P Manual to redefine the term credit rating provider in the NAIC CRP List for a 60-day public comment period ending May 25. The amendment clarifies that the named credit rating provider includes those of its affiliates identified to the SEC by the credit rating provider as a separate legal entity or a separately identifiable department or division of the credit rating provider that determines credit ratings that are credit ratings of the credit rating provider and which the SEC treats as a credit rating issued by the credit rating provider for purposes of Section 15E of the Securities and Exchange Act of 1934 and the SEC’s rules thereunder.

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