



MEMORANDUM

TO: Kevin Fry, Chair, Valuation of Securities (E) Task Force
Members of the Valuation of Securities (E) Task Force

FROM: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)

CC: Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)
Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau

RE: Proposed Amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to Update the List of NAIC CRPs

DATE: February 2, 2021

- 1. Summary** – On July 2, 2019, Morningstar, Inc. completed its acquisition of DBRS. The merger was announced on May 29, 2019. DBRS Morningstar reported that they are now the fourth largest credit ratings agency and a market leader in Canada, the U.S. and Europe in multiple asset classes and rate more than 3,000 issuers and 60,000 securities worldwide. The merger resulted in the credit ratings symbols of the two previous entities being combined into a single set of symbols.
- 2. Recommendation** – The SVO recommend adoption of this non-substantive amendment removing references to the legacy entities and instead referring to the new combined national recognized statistical ratings organization (NRSRO) entity, DBRS, Inc., doing business as “DBRS Morningstar Credit Ratings” or “DBRS Morningstar.” This proposed change updates the rating agency names on the List of NAIC Credit Rating Providers to match those on the U.S. Securities and Exchange’s Office of Credit Ratings list of Current NRSROs and the CRP Credit Rating Equivalents to NAIC Designations and NAIC Designation Categories.
- 3. Proposed Amendment** – The text containing the updates to the List of NAIC CRPs is shown below, edits in red, as it would appear in the 2020 P&P Manual format.

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PART THREE
SVO PROCEDURES AND METHODOLOGY FOR PRODUCTION
OF NAIC DESIGNATIONS

LIST OF NAIC CREDIT RATING PROVIDERS

~~22.~~ The CRPs that provide Credit Rating Services to the NAIC are:

- **Moody's Investor's Service, Inc.** for credit ratings issued to financial institutions, brokers, or dealers; insurance companies; corporate issuers; issuers of asset-backed securities and issuers of government securities, municipal securities, or securities issued by a foreign government.
- **S&P Global Ratings Standard and Poor's**, for credit ratings issued to financial institutions, brokers, or dealers; insurance companies; corporate issuers; issuers of asset-backed securities and issuers of government securities, municipal securities, or securities issued by a foreign government.
- **Fitch Ratings, Inc.** – For credit ratings issued to financial institutions, brokers, or dealers; insurance companies; corporate issuers; issuers of asset-backed securities and issuers of government securities, municipal securities, or securities issued by a foreign government.
- ~~**Dominion Bond Rating Service (DBRS)** – For credit ratings issued to financial institutions, brokers, or dealers; insurance companies; corporate issuers; issuers of asset-backed securities and issuers of government securities, municipal securities, or securities issued by a foreign government.~~
- **A.M. Best Rating Services, Inc. Company (A.M. Best)** – For credit ratings issued to insurance companies; corporate issuers and issuers of asset-backed securities.
- ~~**Morningstar Credit Ratings, LLC** – For credit ratings issued to financial institutions, brokers, or dealers; corporate issuers and issuers of asset-backed securities.~~
- **DBRS, Inc. (DBRS Morningstar)** - For credit ratings issued to financial institutions, brokers, or dealers; insurance companies; corporate issuers; issuers of asset-backed securities and issuers of government securities, municipal securities, or securities issued by a foreign government.
- **Kroll Bond Rating Agency, LLC.** – For credit ratings issued to financial institutions, brokers, or dealers; insurance companies; corporate issuers; issuers of asset-backed securities and issuers of government securities, municipal securities, or securities issued by a foreign government.
- **Egan-Jones Ratings Co.mpany** – For credit ratings issued to financial institutions, brokers, or dealers; insurance companies and corporate issuers.
- **HR Ratings de Mexico, S.A. de C.V.** – For credit ratings issued to financial institutions, brokers, or dealers; corporate issuers and issuers of government securities, municipal securities, or securities issued by a foreign government.

CRP Credit Rating Equivalent to NAIC Designations and NAIC Designation Categories

23. Please note that the existence of a rating does not eliminate the requirement to file on SAR on any insurer-owned security not currently listed in this Manual unless exempted from filing.

			Credit Rating Providers (*) (Pursuant to the guidance in this Manual; particularly, Part One, "The Use of Credit Ratings of NRSROs in NAIC Processes," "Filing Exemptions," "Policies Applicable to Specific Asset Classes," and Part Three, "Procedure Applicable to Filing Exempt (FE) Securities and Private Letter (PL) Rating Securities")									
NAIC Designation	NAIC Designation Modifier	NAIC Designation Category	Moody's Investor's Service, Inc.	S&P Global Ratings Standard and Poor's	Fitch Ratings, Inc.	DBRS, Inc. (DBRS) Morningstar Dominion Bond Rating Service	A.M. Best Rating Services, Inc. Company	Morningstar Credit Ratings, LLC	Kroll Bond Rating Agency LLC	Egan Jones Rating Company	HR Ratings de Mexico, S.A. de C.V.	
1	A	1.A	Aaa	AAA	AAApr, AAA	AAA, Pfd-1 (high)	aaa	AAA	AAA	AAA	HR AAA (G)	
1	B	1.B	Aa1	AA+	AA+	AA (high), Pfd-1	aa+	AA+	AA+	AA+	HR AA+ (G)	
1	C	1.C	Aa2	AA	AA	A, Pfd-1 (low)	aa	AA	AA	AA	HR AA (G)	
1	D	1.D	Aa3	AA-	AA-	AA (low), Pfd-1	aa-	AA-	AA-	AA-	HR AA- (G)	
1	E	1.E	A1	A+	A+	A (high)	a+	A+	A+	A+	HR A+ (G)	
1	F	1.F	A2	A	A	A	a	A	A	A	HR A (G)	
1	G	1.G	A3	A-	A-	A (low)	a-	A-	A-	A-	HR A- (G)	
2	A	2.A	Baa1	BBB+	BBB+	BBB (high), Pfd-2 (high)	bbb+	BBB+	BBB+	BBB+	HR BBB+ (G)	
2	B	2.B	Baa2	BBB	BBB	BBB, Pfd-2	bbb	BBB	BBB	BBB	HR BBB (G)	
2	C	2.C	Baa3	BBB-	BBB-	BBB (low), Pfd-2 (low)	bbb-	BBB-	BBB-	BBB-	HR BBB- (G)	
3	A	3.A	Ba1	BB+	BB+	BB (high), Pfd-3 (high)	bb+	BB+	BB+	BB+	HR BB+ (G)	
3	B	3.B	Ba2	BB	BB	BB, Pfd-3	bb	BB	BB	BB	HR BB (G)	
3	C	3.C	Ba3	BB-	BB-	BB (low), Pfd-3 (low)	bb-	BB-	BB-	BB-	HR BB- (G)	
4	A	4.A	B1	B+	B+	B (high), Pfd-4 (high)	b+	B+	B+	B+	HR B+ (G)	
4	B	4.B	B2	B	B	B, Pfd-4	b	B	B	B	HR B (G)	
4	C	4.C	B3	B-	B-	B (low), Pfd-4 (low)	b-	B-	B-	B-	HR B- (G)	
5	A	5.A	Caa1	CCC+	CCC+	CCC (high), Pfd-5 (high)	ccc+	CCC+	CCC+	CCC+	HR C+ (G)	
5	B	5.B	Caa2	CCC	CCC	CCC, Pfd-5	ccc	CCC	CCC	CCC	HR C (G)	
5	C	5.C	Caa3	CCC-	CCC-	CCC (low), Pfd-5 (low)	ccc-	CCC-	CCC-	CCC-	HR C- (G)	
6	6	6	Ca	CC	CC	CC (high)	cc	CC	CC	CC	HR D (G)	
6	6	6	C	C	C	C	c	C	C	C		
6	6	6		D	DDD	CC (low)	d	D	D	D		
6	6	6			DD	C (high)						
6	6	6			D	C						
6	6	6				C (low)						
6	6	6				D						

Note: * This is a listing of only the "generic" Credit Rating Provider (CRP) rating symbols. CRPs use a variety of symbols; including, combinations of prefixes and suffixes that provide additional information about the rating symbol which are described in the CRP's documentation. There are over 2,000+ unique rating symbols used by CRPs to describe long-term securities. The SVO webpage (<https://www.naic.org/svo.htm>) maintains a master list of Credit Ratings Eligible for Translation to NAIC Designations. The SVO does not currently translate short-term security ratings as part of its Compilation and Publication of the SVO List of Investment Securities incorporated into the NAIC's AVS+ product.

			Credit Rating Providers (Pursuant to the guidance in this Manual; particularly, Part One, "The Use of Credit Ratings of NRSROs in NAIC Processes," "Filing Exemptions," "Policies Applicable to Specific Asset Classes," and Part Three, "Procedure Applicable to Filing Exempt (FE) Securities and Private Letter (PL) Rating Securities")								
			Moody's Investor's Service, Inc.	S&P Global Ratings Standard and Poor's	Fitch Ratings, Inc.	DBRS, Inc. (DBRS Morningstar) Dominion Bond Rating Service	A.M. Best Rating Services, Inc. Company	Morningstar Credit Ratings, LLC	Kroll Bond Rating Agency, LLC	Egan Jones Rating Company	HR Ratings de Mexico, S.A. de C.V.
NAIC Designation	NAIC Designation Modifier	NAIC Designation Category	Commercial Paper and Short Term Counterparty Ratings	Commercial Paper	Commercial Paper	Commercial Paper and Short Term Debt	Commercial Paper and Short Term Debt	N/A	Short-Term and Commercial Paper Ratings	Commercial Paper	N/A
1	A	1.A									
1	B	1.B									
1	C	1.C									
1	D	1.D	P1	A-1+	F1+	R1 (high)	AMB-1+		K1+	A1+	
1	E	1.E		A-1	F1	R-1 (middle)	AMB-1		K1	A1	
1	F	1.F									
1	G	1.G				R-1 (low)				A	
2	A	2.A	P2	A-2	F2	R-2 (high)			K2	A2	
2	B	2.B				R-2 (middle)	AMB-2				
2	C	2.C	P3	A-3	F3	R-2 (low)				A3	
3	A	3.A									
3	B	3.B				R-3	AMB-3		K3		
3	C	3.C									
4	A	4.A									
4	B	4.B		B	B				B	B	
4	C	4.C									
5	A	5.A									
5	B	5.B	NP	C	C	R-4			C	C	
5	C	5.C									
6		6		SD	D	R-5	AMB-4		D	D	
6		6		D		D					

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