



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)  
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)

CC: Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau

RE: Addition of a Bank Loans section to the Purposes Procedures Manual of the NAIC Investment Analysis Office

DATE: September 3, 2021

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**Summary** – Since 2018 the *Accounting Practices and Procedures Manual* has included bank loans issued directly by a reporting entity or acquired through a participation, syndication or assignment in *SSAP No. 26R – Bonds*. Pursuant to *SSAP No. 26R*, bank loans means fixed-income instruments, representing indebtedness of a borrower, made by a financial institution.

In order to maintain consistency with the bond definition in *SSAP No. 26R - Bonds*, the SVO proposes amending the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (the “P&P Manual”) to clarify that the SVO can assess and assign NAIC Designations to bank loans and the relevant filing instructions and methodology. The filing instructions and methodology would follow that of other corporate obligations.

**Proposed Amendment** - The text changes to add bank loans to the SVO’s credit assessment responsibilities is shown below with additions in red underline and deletions in ~~red-strikethrough~~, as it would appear in the 2021 P&P Manual format.

**PART THREE**

**SVO PROCEDURES AND METHODOLOGY FOR PRODUCTION OF NAIC  
DESIGNATIONS**

**GENERAL CORPORATE AND MUNICIPAL METHODOLOGY FOR INDEPENDENT CREDIT QUALITY ASSESSMENT**

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**NOTE:** See “Special Instructions” (discussing Short-Term Investments, Circular Transactions, Mandatory Convertible Securities, Unrated Hybrid Securities and Sub-Paragraph D Companies) in Part One for policies that impact assignment of NAIC Designations.

27. Corporate bonds defined as the Obligations<sup>2</sup> of domestic and foreign corporations, and preferred stock shall be distinguished on the basis of the categories discussed below. The creditworthiness of the issuer of any particular category of Obligation shall be assessed by reference to the general, and any special, rating methodology discussed in this Part, unless the context of the analysis requires a different approach.

<sup>2</sup> **Obligation** means bonds, notes, debentures, certificates, including equipment trust certificates, production payments, bank certificates of deposit, bankers’ acceptances, credit tenant loans, loans secured by financing net leases, **bank loans made by a financial institution (issued directly by a reporting entity or acquired through a participation, syndication or assignment (each, as defined in SSAP No. 26R – Bonds))**, and other evidences of indebtedness for the payment of money (or a participation, certificates or other evidences of an interest in any of the foregoing), whether constituting general obligations of the issuer or payable only out of certain revenues or certain funds pledged or otherwise dedicated for payment.

**BANK LOANS**

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