



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

RE: Amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (the "P&P Manual") to Incorporate Practical Expedient for PLR Issue Date

DATE: October 27, 2023

Summary: The SVO has been unable to independently source the date attribute Issue Date (e.g. date of legal closing), a necessary input to determine the requirement to provide a private letter rating (PLR) rationale report. The SVO proposes permitting it to apply a practical expedient by assuming that any security subject to the private letter rating guidance that was acquired after January 1, 2022, was issued on or after January 1, 2022, unless documentation showing an earlier issue date is provided.

Recommendation: The SVO recommends adoption of this proposed technical amendment to provide for a practical expedient in situations where the SVO is unable to identify the issue date associated with securities that are subject to the private letter rating filing requirements. The proposed text changes to P&P Manual are shown below with additions in red underline, and deletions in ~~red strikethrough~~ as it would appear in the 2023 P&P Manual format.

PART THREE
SVO PROCEDURES AND METHODOLOGY FOR PRODUCTION
OF NAIC DESIGNATIONS

PROCEDURE APPLICABLE TO FILING EXEMPT (FE) SECURITIES AND PRIVATE LETTER (PL) RATING SECURITIES

...

PL SECURITIES

Effective Date of Verification Procedure for PL Securities

...

12. For (a) PL Securities issued from January 1, 2018 to December 31, 2021 subject to a confidentiality agreement executed prior to January 1, 2022, which confidentiality agreement remains in force, for which an insurance company cannot provide a copy of a private rating letter rationale report to the SVO due to confidentiality or other contractual reasons (“waived submission PLR securities”), the insurer may report such securities on such securities’ General Interrogatory (i.e., a **PLGI** security), and (b) PL Securities issued after January 1, 2022, for which an insurance company cannot provide a copy of a private rating letter rationale report to the SVO due to confidentiality or other contractual reasons (“deferred submission PLR securities”) the insurer may report such securities on such securities’ General Interrogatory (i.e., a **PLGI** security) until and including December 31, 2023, after which time, if the insurance company still cannot provide a copy of a private rating letter rationale report for whatever reason, the securities can be reported with an **NAIC 5GI** Designation and an NAIC Designation Category of **NAIC 5.B GI** in accordance with the guidance specified below.
13. For PL Securities acquired on or after January 1, 2022, for which the SVO cannot determine the security’s issue date (e.g. date of the legal closing), the SVO may assume as a practical expedient, in the absence of documentation from the insurer showing otherwise, that the issue date was on or after January 1, 2022, for determining the filing requirements for the PL Security.

<https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2023/2023-11 Fall NM/06-PLR Issue Date/2023-014.01 P&P SVO PLR Issue Date v2.docx>