



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
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office
Eric Kolchinsky, Director, NAIC Structured Securities Group and Capital Markets Bureau

RE: Proposed Purposes and Procedures Manual Amendment to Provide a Deadline for the Filing of Private Rating Letter Rationale Reports

DATE: March 4, 2025 (Updated: May 15, 2025)

Summary: Since January 1, 2024, all PL securities (other than waived submission PLR securities, as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (the “P&P Manual”)) have required a corresponding “private rating letter rationale report” to be filed with the SVO in order to be eligible for the Filing Exemption process. Based on ongoing discussions with Task Force chairs and industry, the SVO proposes the following amendment to the P&P Manual to clarify when a private rating letter rationale report needs to be filed with the SVO to prevent a security from becoming ineligible for Filing Exemption and the related Filing Exemption-derived NAIC Designation from becoming de-activated.

Recommendation – The SVO recommends allowing a grace period of 90 days from the date of any annual, or mid-year, rating affirmation, confirmation or change, for a new or updated private rating letter rationale report to be filed with the SVO, through the feed or otherwise. If the private rating letter rationale report is not filed during that time, the security would become ineligible for Filing Exemption. The security could again become eligible for Filing Exemption at such time as the SVO receives the private rating letter rationale report related to such rating action.

Proposed Amendment –The proposed changes to the current P&P Manual are shown below with additions in red underline font color, and deletions in ~~red strikethrough~~. Updates highlighted in yellow.



PART THREE

SVO PROCEDURES AND METHODOLOGY FOR PRODUCTION OF NAIC DESIGNATIONS

PL SECURITIES

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Producing NAIC Designations for PL Securities

21. The SVO shall produce NAIC Designations for securities subject to private letter ratings as follows:

- The insurance company shall file a copy of the private rating letter with the SVO if not included in the applicable NAIC CRP Rating feed(s) (or other form of direct delivery from the CRP) noted above in Conditions to Filing Exemption for PL Securities and the supporting private rating letter rationale report, if the SVO has not received it directly from the CRP, within the initial filing deadline for newly acquired securities or securities in transition (as explained in “SVO Analytical Department Symbols” in Part Two of this Manual) and each calendar year thereafter along with any changes in PL Securities rating. In instances where the **PL** security is included in the applicable NAIC CRP Rating feed(s), the SVO shall follow the procedure for Filing Exempt (FE) securities only after the SVO receives both the private rating letter and private letter rationale report either directly or through a NAIC CRP Rating feed(s), and the SVO deems the privately rated security eligible to receive an NAIC Designation with an NAIC CRP Credit Rating.
- The SVO must receive a private rating letter rationale report supporting the assigned private rating no later than 90 days following the date of an annual rating update, any rating affirmation or confirmation, or any rating change, otherwise the SVO will mark the security as ineligible for Filing Exemption. The security can again become eligible for Filing Exemption at such time as the SVO receives the private rating letter rationale report related to such rating action for that filing year.

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https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2025/2025-06-04 Interim meeting/02-PLR RationaleReportFiling/2025-001.02 PP_Manual_PLRationaleFilingV2.docx