MEMORANDUM

TO: Dale Bruggeman, Chair, Statutory Accounting Principles (E) Working Group

FROM: Kevin Fry, Chair, Valuation of Securities (E) Task Force

Cc: Charles Therriault, Director, NAIC Securities Valuation Office
    Eric Kolchinsky, Director, NAIC Structured Securities Group
    Julie Gann, Assistant Director, NAIC Financial Regulatory Services
    James Pinegar, Manager II, NAIC Financial Regulatory Services

DATE: January 3, 2020


1. Summary – The SVO proposes an amendment to the P&P Manual to update guidance in Part Four under the NAIC Structured Securities Group, Mortgage Reference Securities section. The Structured Securities Group (SSG) is responsible for financially modeling this group of securities; however, they only review them during their annual surveillance process. Insurers currently do not have instructions to assign an NAIC designation to a newly issued or newly acquired mortgage reference security prior to the publication of the annual surveillance data. This proposal would provide that interim guidance.

2. The Referral - The Task Force on the October 31st adopted this amendment and requested a referral to the Working Group to review the amendment and inform the Task Force of any textual changes that may be necessary to align the language to any changes being considered by the Working Group for these mortgage reference securities.

Attached is the memorandum and the adopted for this referral. Please direct any questions to Charles Therriault of the SVO.

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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

CC: Eric Kolchinsky, Director, NAIC Structured Securities Group

DATE: July 2, 2019


1. **Introduction** – The SVO proposes a non-substantive amendment to the P&P Manual to update guidance in Part Four under the The NAIC Structured Securities Group, Mortgage Reference Securities. The Structured Securities Group (SSG) is responsible to financially model this group of securities; however, they only review them during their annual surveillance process. Insurers currently do not have instructions to assign an NAIC designation to a newly issued or newly acquired mortgage reference security prior to the publication of the annual surveillance data. This proposal would provide that interim guidance.

2. **Proposed Amendment** – The proposed amendment is shown below in red-underline.

   Part Four The NAIC Structured Securities Group

   MORTGAGE REFERENCED SECURITIES

   Definition

   …

   **Quarterly Reporting for Mortgage Reference Securities**

   To determine the NAIC Designation to be used for quarterly financial statement reporting for a Mortgage Reference Security purchased subsequent to the annual surveillance described in this Part, the insurer uses the prior year-end modeling data for that CUSIP (which can be obtained from the NAIC) until the annual surveillance data is published for the current year. For a Mortgage Reference Security that is not in the prior year-end modeling data for that CUSIP, the insurer may follow the instructions in Part Two of this manual for the assignment of the SVO Administrative Symbol “Z” provided the insurer owned security meets the criteria for a security that is in transition in reporting or filing status.