

## **INVESTED ASSETS (E) TASK FORCE**

Invested Assets (E) Task Force March 24, 2026, Minutes

Investment Designation Analysis (E) Working Group March 24, 2026, Minutes (Attachment One)

Memorandum to Kenneth Cotrone, Chair of the Investment Designation Analysis (E) Working Group, and Members of the Investment Designation Analysis (E) Working Group; From Charles A. Therriault, Director of the NAIC Securities Valuation Office; Dated February 26, 2026; Regarding Proposed P&P Manual Amendment to Update the List of NAIC Credit Rating Providers (Attachment One-A)

Memorandum to Ken Cotrone, Chair of the Investment Designation Analysis (E) Working Group, and Members of the Investment Designation Analysis (E) Working Group; From Charles A. Therriault, Director of the NAIC Securities Valuation Office, Marc Perlman, Assistant Director – Investment Counsel of the NAIC Securities Valuation Office, and Hankook Lee, Assistant Director of the NAIC Structured Securities Group and Capital Markets Bureau; Dated February 24, 2026; Regarding Proposed Amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the “Purposes and Procedures Manual”) to Clarify Assessment of Parent-Subsidiary Situations (Attachment One-B)

Investment Analysis (E) Working Group Six-to-Nine-Month Plan (Attachment Two)

## Draft Pending Adoption

Draft: 3/31/26

Invested Assets (E) Task Force  
San Diego, California  
March 24, 2026

The Invested Assets (E) Task Force met in San Diego, CA, March 24, 2026. The following Task Force members participated: Doug Ommen, Chair, represented by Carrie Mears (IA); Scott A. White, Vice Chair, represented by Doug Stolte (VA); Ricardo Lara represented by Laura Clements (CA); Joshua Hershman represented by Ken Cotrone (CT); Michael Yaworsky represented by Carolyn Morgan (FL); Dean L. Cameron represented by Eric Fletcher (ID); Vicki Schmidt represented by Tish Becker (KS); Angela L. Nelson represented by Danielle Smith (MO); Jon Godfread represented by Colton Schulz (ND); Eric Dunning represented by Tadd Wegner (NE); Susan Ochs represented by David Wolf (NJ); Kaitlin Asrow represented by Bob Kasinow (NY); Judith L. French represented by Cameron Piatt (OH); Glen Mulready represented by Ryan Rowe (OK); Elizabeth Kelleher Dwyer represented by Liz Ammerman (RI); Michael Wise represented by Ryan Basnett (SC); Carter Lawrence represented by Trey Hancock (TN); Amanda Crawford represented by Amy Garcia and Jamie Walker (TX); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI). Also participating were: Philip Barlow (DC); Gilbert Mendoza (MD); and Jake Garn (UT).

### 1. Adopted the Report of the Investment Designation Analysis (E) Working Group

Cotrone said the Investment Designation Analysis (E) Working Group met March 5 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals), paragraph 6 (consultations with NAIC staff related to NAIC technical guidance), and paragraph 9 (subjects required to be kept confidential) of the NAIC Policy Statement on Open Meetings. During this meeting, NAIC staff presented the technical guidance captured in the Spring National Meeting agenda.

Additionally, Cotrone said the Investment Designation Analysis (E) Working Group met March 24. During this meeting, the Working Group took the following action: 1) adopted the 2025 Fall National Meeting minutes of the Valuation of Securities (E) Task Force, which was reorganized into the Investment Designation Analysis (E) Working Group, effective Jan. 1, 2026; 2) exposed two amendments to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to update the list of approved credit rating providers (CRPs) and to require the NAIC Securities Valuation Office (SVO) to perform analysis of certain parent-subsidary situations; 3) proposed annual statement updates to include security identifiers (IDs) and approve related referrals to the Blanks (E) Working Group, Capital Adequacy (E) Task Force, and Statutory Accounting Principles (E) Working Group; and 4) received a report on 2025 carry-over filings indicating that several filings increased substantially compared to 2024, which has led to a significant growth in carry-over filings, negatively affecting processing times and placing additional strain on available resources.

Stolte made a motion, seconded by Malm, to adopt the report of the Investment Designation Analysis (E) Working Group (Attachment One). The motion passed unanimously.

### 2. Received the Report of the Credit Rating Provider (E) Working Group

Garn said the Credit Rating Provider (E) Working Group met March 10 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings. During this meeting, the Working Group received a presentation from PricewaterhouseCoopers (PwC) on its CRP due diligence framework proposal. It is anticipated that a draft proposal will be released for public comment sometime in late April.

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### 3. Received the Report of the Investment Analysis (E) Working Group

Mears said the Investment Analysis (E) Working Group met March 3 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings. During this meeting, the Working Group took the following action: 1) discussed an initial six-to nine-month plan, which has been released for public notification (Attachment Two); and 2) submitted a Blanks (E) Working Group proposal (available on the Blanks (E) Working Group web page as exposure draft 2026-05BWG) to require explicit identification of the fair value hierarchy used to obtain reported values, including clear designation of instances where net asset value (NAV) is utilized, and to improve the completeness and consistency of reporting.

### 4. Heard a Presentation from Neuberger Berman on Insurance Companies Increasing Investments in Residential Mortgage Loans

Mears said the Task Force's primary effort is to be an educational forum for state insurance regulators, especially in terms of increasing exposures to certain or new asset classes. This information will then be used to determine whether further guidance or referrals should be made to other NAIC task forces or working groups in public sessions to address any concerns noted. Additionally, information found may also result in recommended updates to the *Financial Analysis Handbook* or other similarly related items.

Stephen Smith (Neuberger Berman), Stephen Zacny (Neuberger Berman), and Dmitry Gasinsky (Neuberger Berman) presented on the topic of residential mortgage loans, specifically on insurance companies' recent and ongoing significant growth of this asset class. Gasinsky said that Neuberger Berman's view is that while this asset class continues to grow, it remains an underinvested asset class, particularly since the global financial crisis (GFC), especially as residential mortgages have consistently offered and delivered highly attractive risk-adjusted returns through cycles, and perhaps more attractive when compared to similarly rated corporate or commercial real estate exposures. Additionally, residential loans provide material yield benefits, something that has come into focus in light of recent market volatility. The typical loan is anywhere from \$250,000 to \$1 million. However, the typical loan portfolio contains hundreds, if not thousands, of individual exposures diversified across loan types, borrowers, individual credit exposures, and geographies. Insurer investments in this asset class are likely to continue, especially as there is a meaningful shortage of quality housing supply versus demand, which implies underlying support and resiliency in these types of investments.

Zacny noted that in evaluating risk for residential mortgage loans, it is important to consider performance through a full credit cycle, including the experience observed during the 2007–2009 financial crisis. Zacny stated that borrower defaults are highly correlated with unemployment levels and that loss severity is closely tied to underlying property values. Over the past decade, residential mortgage performance has benefited from strong employment conditions and generally increasing home prices, although more recent data indicate some slowing in price appreciation.

Zacny explained that performance data from the financial crisis continues to be used by market participants and nationally recognized statistical rating organizations (NRSROs) to calibrate credit models, as it represents the most significant period of consumer-related credit stress in the modern residential mortgage market. Zacny noted that, in reviewing historical performance, prime mortgage loans are commonly defined as those with borrower credit scores around 720 FICO or higher, and that these loans demonstrated relatively limited losses even under stressed conditions when compared to lower-credit-quality originations. Zacny stated that, in analyzing performance through the financial crisis, his review focused on mortgage loan vintages originated between 2001 and 2005, excluding the 2006–2007 period due to the prevalence of weaker underwriting practices at that time, including limited documentation, teaser-rate structures, and negative amortization features that are no longer permitted in today's market. Zacny stated that loans originated between 2001 and 2005 and carried through the GFC experienced relatively modest principal losses (60 basis points [bps]), even under stressed conditions, and that

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these results are often used as a benchmark for modeling the expected performance of higher-quality residential mortgage loans. Zacny said, however, that following enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the “ability-to-repay” requirement significantly strengthened underwriting standards by requiring lenders to verify a borrower’s capacity to repay the loan, resulting in improved credit performance in more recent loan vintages. Zacny stated that current underwriting practices generally require verification of income and assets and rely heavily on borrower credit scores, loan-to-value ratios, and debt-to-income measures in evaluating expected loss performance, resulting in significantly stronger underwriting practices and producing lower probabilities of defaults.

Zacny provided an overview of the primary categories of residential mortgage loans held by insurers, noting that the discussion focused on first-lien residential mortgage loans and excluded insured government-backed mortgages, farm mortgages, and commercial mortgage loans. The categories discussed included agency-eligible mortgages; prime jumbo mortgages; non-agency owner-occupied mortgages; stabilized rental property loans; small-balance multifamily loans; and short-term development, bridge, and construction loans. Zacny explained that agency-eligible mortgages generally reflect traditional fully documented consumer loans, often involving down payments of approximately 20% and borrower credit scores in the 700 range or higher, and that these loans are frequently securitized through government-sponsored enterprises, although insurers may also hold them directly. Zacny stated that prime jumbo mortgages are similar in underwriting quality but exceed government-sponsored enterprise loan size limits and, therefore, remain outside agency securitization programs, typically involving larger properties and higher-income borrowers.

Zacny said that recent growth in insurer investment activity has been concentrated in non-agency and investor-oriented products rather than traditional agency-eligible loans. Zacny noted that non-agency owner-occupied loans often involve alternative income verification methods, such as the use of bank statements instead of W-2 documentation, while still maintaining strong credit characteristics, including high borrower credit scores, conservative loan-to-value ratios, and moderate debt-to-income levels. Zacny stated that stabilized rental property loans generally involve one-to-four-unit properties leased to tenants and are typically underwritten based on rental income generated by the property, often with personal recourse to the borrower, and that these loans have shown strong historical performance.

Zacny further explained that small-balance multifamily loans typically involve properties with approximately five to 50 units, with average property sizes often closer to single-digit or low-teen unit counts, and that insurers have shown significant interest in this product. Zacny noted that some interpret these loans as commercial mortgage exposures for reporting and risk-based capital purposes, which has created uncertainty regarding their classification, even though the underlying properties may be relatively small in scale compared to traditional commercial mortgage loans. Zacny stated that the final category, short-term development, bridge, and construction loans, generally involve transitional properties, including rehabilitation, lease-up, or ground-up construction, and are typically written with lower loan-to-value ratios to provide additional protection during the transition period. Zacny stated that, across these categories, insurers have increasingly focused on products with conservative underwriting, strong borrower credit profiles, and meaningful borrower equity, which has contributed to favorable historical loss experience.

Zacny described key underwriting characteristics associated with these products, including borrower credit scores, loan-to-value ratios, debt-to-income ratios, and property cash-flow coverage. Zacny noted that non-agency owner-occupied loans often involve alternative income verification methods, such as bank statement analysis, while stabilized rental loans are generally underwritten based on rental income and frequently include personal recourse to the borrower. Zacny indicated that historical loss experience for these products has been low, with modeled losses remaining modest even under stressed assumptions, and that loan-to-value ratios are typically conservative, providing additional protection in the event of default.

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Zacny also discussed performance metrics commonly monitored by investors, including prepayment speeds and delinquency rates. Zacny noted that investor-property loans often include prepayment penalties, which can reduce prepayment risk and provide more stable cash flows for insurers. Delinquency rates across the products discussed were described as low, with limited realized losses in recent years based on both internal portfolio experience and publicly available securitization data.

In discussing risk measurement, Zacny stated that under current statutory accounting and risk-based capital (RBC) requirements, most residential mortgage loans receive the same RBC treatment, generally categorized under the “residential mortgage-other” classification, despite substantial differences in underwriting quality, property type, loan structure, and borrower characteristics. Zacny indicated that this uniform RBC approach may not fully reflect the observed variation in credit risk across different mortgage loan categories, including agency-eligible, non-agency owner-occupied, stabilized rental, and small-balance multifamily loans.

Zacny explained that internal risk models used by insurers often rely heavily on borrower credit score (e.g., FICO score) and loan-to-value ratio as primary drivers of default probability and loss severity, noting that these two factors together account for the majority of predictive power in estimating expected losses. Zacny further described that while other factors, such as debt-to-income ratio, property cash flow coverage, and loan seasoning, are incorporated into internal modeling frameworks, FICO score and loan-to-value ratio (LTV) remain the most significant determinants of risk differentiation.

In response to a query from Mears, Zacny stated that for Neuberger Berman, valuations are typically updated on a quarterly basis using automated valuation models (AVMs). He noted that these tools have improved significantly in recent years and are generally used in place of physical property inspections due to the size of mortgage portfolios and the limited ability to access occupied properties.

In response to a query from Mears, Zacny said that the borrower types and loan sizing for development, bridge, and construction loans can be significantly larger than individual residential mortgages. Zacny explained that borrowers in this segment are generally professional developers rather than individual “fix-and-flip” borrowers. These borrowers often hold dozens of properties and specialize in either rehabilitation or ground-up construction as a primary business activity.

Zacny stated that there is a sliding scale of borrower types within this segment. Some borrowers focus on light-to-moderate rehabilitation projects, typically supported by nine to 12-month loans and generally carrying balances in the range of \$200,000 to \$500,000, sometimes up to \$750,000. Other borrowers focus on ground-up construction, including small- to medium-sized homebuilders who construct 25 to 50 homes per year within their local geography. Zacny noted that these borrowers were previously supported largely by regional banks, but many banks have stepped away from lending in home construction due to stress in the commercial real estate sector in 2022–2023, leaving these borrowers in need of financing. Zacny indicated that a limited number of platforms, including his own, continue to provide loans in this segment. He noted that loan sizes for these projects generally range from \$5 million to \$20 million and may support projects such as a row of townhomes or a small condominium building. He emphasized that these loans are generally underwritten with lower loan-to-value ratios, often 50%–60%, consistent with historical regional bank lending practices.

Zacny explained that FICO scores remain a primary factor in underwriting, even when the borrower is an LLC guaranteed by a human. While other factors, such as borrower experience, loan attachment point, and intensity of the rehabilitation, are important, the personal creditworthiness of the guarantor strongly correlates with the probability of project completion, timely delivery, and minimal need for additional capital. Zacny noted that most loans in this segment carry full recourse, with some limited recourse exceptions, and that FICO scores are generally required as part of completion guarantees. Zacny added that FICO scores should generally be known and available for residential mortgage loans reported on insurers’ balance sheets.

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In response to an inquiry, Zacny said that loan-to-value ratios are determined at origination, and both the borrower's initial equity contribution and subsequent changes in property value are predictive of default. He provided an example in which a loan originated at 80% LTV could experience materially higher default probability if local housing prices decline, resulting in a current LTV approaching 95%. Zacny stated that while the attachment point is always established at origination, both original and evolving LTV ratios are monitored.

Further, Zacny explained that while these loans are generally structured as 30-year mortgages, actual durations are shorter due to prepayment probabilities. Prepayment penalties, which may apply in the first two to five years, are more common in stabilized rental and small-balance multifamily loans, leading to longer effective durations in those categories.

Responding to an inquiry regarding whether FICO scores are assumed to remain static over the life of the loan, or whether variability is incorporated into models to anticipate potential losses, Zacny explained that original FICO scores are obtained through a hard pull at loan origination. However, Zacny noted that these scores pulled later are generally less predictive of default due to short-term fluctuations and other noise, and that the original FICO score remains the most reliable indicator of borrower creditworthiness in evaluating expected loss performance.

Responding to an inquiry about securitization, Zacny explained that his firm does securitize loans on behalf of certain managed accounts. He noted that some insurance clients, particularly those with offshore vehicles, have required structures that allow them to securitize pools of mortgage loans while holding all securities within the weighted-average RBC required by their offshore regulator, which was ultimately advantageous for those clients. Zacny further stated that securitization is also employed on a more opportunistic basis, particularly for development, bridge, and transitional loans. He noted that certain opportunistic funds actively securitize their loans.

Zacny also discussed considerations for insurance companies when deciding between public mortgage investments and private whole loans. He explained that public investments are relatively straightforward to execute, often relying on standard operations platforms such as Bloomberg, but generally offer lower yields depending on the targeted tranche and volume. Despite significant issuance in non-agency and stabilized rental segments, including a relatively active 2025, public issuance alone does not fully satisfy insurers' desired exposure to residential mortgages. Accordingly, Zacny noted that insurers often utilize separately managed accounts to access whole loans, thereby increasing investment size in the asset class.

Stephen Smith added that RBC charges differ materially between life and non-life insurers in the U.S., making it relatively uncommon for non-life insurers to hold whole loans in large volumes, as the higher RBC charges can affect investment decisions.

### 5. Received the Project Reports of the Statutory Accounting Principles (E) Working Group and Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Julie Gann (NAIC) said the Statutory Accounting Principles (E) Working Group met March 23 and adopted and exposed several items. This report highlights several investment-related items, and the Working Group's web page contains the complete listing of agenda items.

Gann reported that the Working Group adopted a change to historical guidance for long-term repurchase agreements, allowing agreements with terms exceeding one year (365 days) to be admitted, whereas historically they had been non-admitted. She noted that non-admittance requirements remain in place for reverse repurchase agreements, with the revisions clarifying how those should be accounted for.

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Gann also highlighted guidance clarifying that book value separate accounts should follow the same admittance provisions as general accounts. Changes were incorporated into the separate account blanks to ensure that non-admitted assets are properly identified on the balance sheet and corresponding schedules. Additionally, the Working Group implemented a small change to expand the restricted asset codes on investment schedules. Gann explained that feedback during exposure indicated uncertainty regarding the use of these codes, as they may apply only to a portion of an investment, potentially leading to misinterpretation if assumed to apply to the full investment. The Working Group re-exposed this item to solicit feedback from regulators and may propose deletion of the column if it is not actively used.

Gann further reported that, following a referral from the Macroprudential (E) Working Group, the Statutory Accounting Principles (E) Working Group exposed detailed disclosures to identify funding agreement-backed notes (FABNs) and other similar structures.

Regarding the security ID initiative noted by the Investment Designation Analysis (E) Working Group, Gann noted that revisions were exposed to update references from Committee on Uniform Securities Identification Procedures (CUSIP) to security IDs.

Gann summarized exposures related to asset liability management derivatives, which included proposed guidance allowing an amortized cost measurement method and deferral of gains and losses with subsequent amortization into income over time.

Gann also noted two Working Group initiatives: 1) a review of *Statement of Statutory Accounting Principles (SSAP) No. 48—Joint Ventures, Partnerships and Limited Liability Companies* to clarify accounting and reporting guidance; and 2) work with industry to ensure proper disclosure of commitments and contingencies.

Mears said the Risk-Based Capital Investment Risk and Evaluation (E) Working Group met March 23 and March 2 and heard updates from the American Academy of Actuaries (Academy) on its collateralized loan obligation (CLO) RBC project. The March 2 presentation was exposed for a 45-day public comment period ending April 16. During this meeting, the Academy indicated that credit ratings contain substantial information regarding tail risk and, with appropriate adjustments for horizon and tranche thickness, may serve as a comparable attribute for risk differentiation. The Working Group continued discussion during the Spring National Meeting and provided direction to further develop proposal 2025-22-IRE (CLO RBC Structure). In addition, during the Spring National Meeting, the Working Group heard further updates from the Academy on portfolio adjustment factors and a potential modeling update for residual tranches.

Barlow provided an update on the Risk-Based Capital Investment Risk and Evaluation (E) Working Group's efforts to address the RBC charge for CLOs. He noted that on March 2, the Working Group heard a presentation from the Academy outlining proposed factors for all CLO tranches except residual tranches.

Barlow reported that the Academy provided updated information at the meeting to address questions from the initial exposure. The Working Group also exposed a new structural proposal incorporating the Academy's methodology, including an aggregate adjustment for residual tranche thickness. Several items remain unresolved, including residual and portfolio adjustments, and the absence of a rating for NAIC Class 6, for which the highest factor from the Academy's proposal was used as a placeholder. Asset concentration and AVR impact are expected to be addressed in 2027. The structural proposal has been exposed for a 25-day public comment period ending April 17.

Having no further business, the Invested Assets (E) Task Force adjourned.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member\\_meetings/e\\_cmte/iatf/2026/march\\_\(spring\\_nm\)/summary\\_and\\_minutes/iatf\\_2026\\_spring\\_minutes-final.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member_meetings/e_cmte/iatf/2026/march_(spring_nm)/summary_and_minutes/iatf_2026_spring_minutes-final.docx)

Draft: 4/1/26

Investment Designation Analysis (E) Working Group  
San Diego, California  
March 24, 2026

The Investment Designation Analysis (E) Working Group of the Invested Assets (E) Task Force met in San Diego, CA, March 24, 2026. The following Working Group members participated: Ken Cotrone, Chair (CT); Amy Garcia, Vice Chair (TX); Laura Clements (CA); Carrie Mears (IA); Gilbert Mendoza (MD); Danielle Smith (MO); Tadd Wegner (NE); Doug Stolte (VA); Katy Bardsley (WA); and Amy Malm (WI). Also attending: Dave Wolf (NJ).

1. Adopted the Valuation of Securities (E) Task Force’s 2025 Fall National Meeting Minutes

Malm made a motion, seconded by Wolf, to adopt the Task Force’s Dec. 10, 2025, minutes (*see NAIC Proceedings – Fall 2025, Valuation of Securities (E) Task Force*). The motion passed unanimously.

2. Exposed a Proposed Amendment to the P&P Manual to Update the List of CRPs

Cotrone said the next item on the agenda is to discuss and expose an amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) that updates the list of credit rating providers (CRPs). The CRP HR Ratings de Mexico, SA de CV, made a request to the U.S. Securities and Exchange Commission (SEC) to update its full name to HR Ratings LLC, with its credit rating business to be referred to as HR Ratings. That request was granted, and the SEC now refers to this CRP as HR Ratings LLC on the Office of Credit Ratings (OCR) web page listing the current nationally recognized statistical rating organizations (NRSROs).

This non-substantive amendment (Attachment One-A) updates the name on the list of NAIC CRPs in Part Three of the *P&P Manual* to HR Ratings LLC.

Clements made a motion, seconded by Wolf, to expose the *P&P Manual* amendment to update the list of NAIC CRPs for a 30-day public comment period ending on April 24, 2026. The motion passed unanimously.

3. Approved a Referral to the Blanks (E) Working Group, Capital Adequacy (E) Task Force, and Statutory Accounting Principles (E) Working Group Regarding a Proposed Annual Statement Schedule Update for Security Identifiers

Cotrone said the next item on the agenda is to discuss a request to make referrals to the Blanks (E) Working Group, Capital Adequacy (E) Task Force, and Statutory Accounting Principle (E) Working Group to make updates to the annual statement schedules to create a consolidated security identifier field and a related security identifier type field.

Charles Therriault (NAIC) said this proposal would consolidate the currently used investment security identifiers—the Committee on Uniform Securities Identification Procedures (CUSIP), CUSIP International Numbering System (CINS), the Private Placement Number (PPN), and the International Securities Identification Number (ISIN)—into a single field on the statutory investment schedules. It would also add one additional investment security identifier, the S&P Global’s LoanX ID (LXID) (formerly IHS Markit LoanX ID). LoanX IDs, or LXIDs, are unique identifiers used to track individual loans, borrowers, and lenders across the syndicated loan and private credit markets. The identifier was requested by the industry. All these identifiers, including LXIDs, are in S&P Global’s Instruments Cross Reference Service (GICRS) database that the NAIC is integrating into its systems. Consolidating investment security identifiers into a single field will also make it easier to add additional identifiers in the future.

The recommendation also includes adding a security ID type field with a single-letter abbreviation to denote the type of security identifier being reported: C=CUSIP and CINS (including syndicated loans with a CUSIP), I=ISIN (including syndicated loans with an ISIN), P=PPN, and L=LXID. The proposal includes an NAIC-preferred order of security identifiers usage: CUSIP, CINS, ISIN, PPN, and LXID.

Two special-situation security IDs are recommended to accommodate commonly reported issues. The first would be for securities acquired within the initial reporting year of the financial statement reporting date that have not yet been issued an NAIC-recognized security ID, but where one was requested. A temporary security ID of "000000000" would be used for that initial reporting year-end until the security ID is assigned. The temporary Security ID could only be used one time, in the initial reporting year-end, but would need to be changed to an identifier of "999999999" in any subsequent reporting year-end, if a security ID was not assigned. The second special-situation securities that the insurer does not expect to receive a security ID and an identifier of "999999999" would be used to clearly identify these securities as not having an NAIC-recognized security ID. The security ID of "000000000" and "999999999" would not have a security ID type. Securities with the security IDs of "000000000" and "999999999" would still need to follow *P&P Manual* guidance to determine the NAIC Designation.

The Securities Valuation Office (SVO) has been working with the American Council of Life Insurers (ACLI), the Private Placement Investors Association (PPIA), and the National Association of Securities Valuation Analysts (NASVA), along with the NAIC committee support, to assist the Blanks (E) Working Group in preparing referrals and a blanks update. The SVO requests the Working Group's approval to submit referrals to the Capital Adequacy (E) Task Force and the Statutory Accounting Principles (E) Working Group, notifying them of this proposed change and asking for their feedback, and a separate referral to the Blanks (E) Working Group requesting these security identifier updates just discussed.

Mike Reis (Northwestern Mutual), representing the ACLI, PPIA, and NASVA, expressed his gratitude toward the SVO. He said Therriault mentioned several meetings, including a broader constituency, NAIC committee support, and vendors, to make sure all vested interests were covered. The association supports this project, as it benefits everyone. Securities entered into VISION might require a single security identifier, but it is important that SVO systems appropriately recognize other security identifiers so securities do not need to be refiled. There are resource constraints that potentially impact the SVO. Our group supports providing the SVO with the resources needed to get this done because this project is in everyone's best interest.

Cotrone directed the SVO to make referrals to the Capital Adequacy (E) Task Force, the Statutory Accounting Principles (E) Working Group, and the Blanks (E) Working Group, requesting updates to the security identifiers.

#### 4. Exposed a Proposed Amendment to the *P&P Manual* Regarding Analysis of Parent-Subsidiary Situations

Marc Perlman (NAIC) said the "Parent-Subsidiary Situations" section of the *P&P Manual* (Part Three, paragraph 38) provides specific guidelines for assessing a subsidiary issuer based on its parent holding company's audited financial statements. The SVO has become aware that these guidelines are often read in isolation as the only way to rely on an issuer's parent's financial statements when more analytic latitude is permitted.

The SVO proposes an update to Paragraph 38 to clarify that while the manual currently delineates certain prescribed guidelines for use of the financial statements of an issuing subsidiary's parent (like a safe harbor), the SVO can also rely on other information that it deems satisfactory to support such use.

Garcia made a motion, seconded by Piatt, to expose the revised *P&P Manual* amendment for the analysis of parent-subsubsidiary situations for a 30-day public comment period ending April 24, 2026 (Attachment One-B). The motion passed unanimously.

#### 5. Received an Annual Report from the SVO on 2024 Carry-Over Filings

Therriault said the *P&P Manual* requires the SVO director to prepare a report on carry-over filings each year, to be presented to the Investment Designation Analysis (E) Working Group (formerly the Valuation of Securities (E) Task Force) at each Spring National Meeting. Carry-over filings are insurer-owned securities that were properly filed with the SVO but were not completed by the SVO prior to year-end. The report identifies an acceptable annual rate for carry-over filings with separate special reporting instructions in the *P&P Manual*. The report will identify whether the acceptable annual carry-over rate was significantly exceeded and, if so, whether the cause is traceable to resource constraints in the office. If there is a resource constraint, the chairs and members of Investment Designation Analysis (E) Working Group will consult with NAIC senior staff and the NAIC Internal Administration (EX1) Subcommittee to determine whether and how to evaluate the need for additional SVO staff or other resources.

For 2025, the SVO reviewed 23,319 filings comprised of 5,665 initial filings, 17,383 annual updates, two appeals, 250 material changes, and 19 renumbering requests (e.g., CUSIP changes). In comparison, in 2024, the SVO received 19,443 filings comprised of 4,480 initial filings, 14,685 annual updates, three appeals, 253 material changes, and 22 renumbering requests (e.g., CUSIP changes). Overall, this was a 19.9% increase in filing volume year-over-year, primarily due to private letter rating filings increasing by 49.1%. Total private letter ratings filings have risen from 1,961 filings in 2022 to 12,269 filings in 2025, a 525.7% increase over the three-year period.

There were 2,177 carry-over filings for year-end 2025 versus 1,496 in 2024, 1,262 in 2023, 1,199 in 2022, and 828 in 2021. There has been a substantial increase in the number of carry-over filings over the past five years. The 2025 overall carry-over rate of 9.3% is higher than the carry-over rates of 7.5% in 2024. As of March 11, there were 880 carry-over filings remaining.

As reported in prior years, a carry-over rate of 10% or higher typically indicates an analytical resource constraint in the office. However, the increasingly high number of private letter rating filings has distorted the overall carry-over percentage. A better measure of the office's overall analytical workload would be to exclude the private letter rating filings from the carry-over calculation, and the carry-over percentage excluding the private letter rating filings shows how much of the office's resources are being directed away from traditional filings.

Excluding private letter rating filings, the carry-over percentage for traditional SVO filings has consistently increased from 10.8% in 2023, 13.3% in 2024, and now 19.7% in 2025. The high 2025 carry-over rate for traditional filings indicates an analytical staffing resource constraint at the SVO and a need for additional resources. The SVO has been deferring an increasing amount of its work on traditional SVO filings further into the next calendar year to ensure that insurers owning securities with a private letter rating have an NAIC designation to report at year-end. If the SVO did not process these private letter rating filings, insurers could incur a punitive NAIC designation. As private letter rating volume continues to grow, the volume of carry-over filings has also increased. There is also an increasing likelihood that, soon, not all private letter rating filings will be completed by year's end.

Typically included with this report are updates on various projects the SVO is working on. Improvements continue to be made to the private letter rating filing process. The team continues to work on permitting multiple security identifiers with the implementation of the Business Entity Cross Reference Service (BECRS) and Global Instruments Cross Reference Service (GICRS) data set, and there have been updates to the billing process for Investment Analysis Office (IAO) systems.

Cotrone said that, given the increase in private letter rating filings received, the task of the Working Group going forward is to evaluate whether there are appropriate resources for SVO. If this trend continues, there

## Draft Pending Adoption

Attachment One  
Invested Assets (E) Task Force  
3/24/26

will be greater strain on SVO staff to provide the necessary services. Therriault said, according to the report, there have been consistent year-over-year increases, and this is straining the office's resources.

Having no further business, the Investment Designation Analysis (E) Working Group adjourned.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/iatf/2026/march \(spring nm\)/summary and minutes/att one-idawg\\_2026-03-24\\_spring\\_2026\\_nm\\_minutes v5 \(final\).docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/iatf/2026/march%20(spring%20nm)/summary%20and%20minutes/att%20one-idawg_2026-03-24_spring_2026_nm_minutes_v5%20(final).docx)

SVO



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To: Kenneth Cotrone, Chair, Investment Designation Analysis (E) Working Group  
Members of the Investment Designation Analysis (E) Working Group

From: Charles A. Therriault, Director, NAIC Securities Valuation Office  
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office

Re: Proposed P&P Manual Amendment to Update the List of NAIC Credit Rating Providers

Date: February 26, 2026

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**Summary:** The credit rating provider (CRP) HR Ratings de Mexico, SA de CV made a request to the U.S. Securities and Exchange Commission (SEC) that their full name be updated to HR Ratings LLC with the name of their credit rating business being referred to as HR Ratings. That request was granted and the SEC now refers to this CRP as HR Ratings LLC on the Office of Credit Ratings (OCR) webpage listing the Current NRSROs.

**Recommendation:** The SVO staff recommends adoption of the attached non-substantive technical amendment to update the name of HR Ratings de Mexico, SA de CV to HR Ratings LLC on the List of NAIC Credit Rating Providers in Part Three, paragraph 24.



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



## LIST OF NAIC CREDIT RATING PROVIDERS

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

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- **HR Ratings LLC 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.

**NOTE:** The information shown above for each NRSRO was obtained from the SEC’s website: [www.sec.gov/ocr](http://www.sec.gov/ocr) on ~~February 26, 2026~~ ~~June 28, 2024~~, and confirmed against each NRSRO’s annual Form NRSRO certification.

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[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/iatf/2026/march \(spring nm\)/summary and minutes/att one-a-2026-002.01 CRP Name Update.pdf](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/iatf/2026/march%20(spring%20nm)/summary%20and%20minutes/att%20one-a-2026-002.01%20CRP%20Name%20Update.pdf)

SVO



**NAIC**  
NATIONAL ASSOCIATION OF  
INSURANCE COMMISSIONERS

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TO: Ken Cotrone, Chair, Investment Designation Analysis (E) Working Group  
Members of the Investment Designation Analysis (E) Working Group

FROM: Charles A. Therriault, Director, NAIC Securities Valuation Office  
Marc Perlman, Assistant Director-Investment Counsel, NAIC Securities Valuation Office  
Hankook Lee, Assistant Director, NAIC Structured Securities Group and Capital Markets Bureau

RE: Proposed Amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the “Purposes and Procedures Manual”) to Clarify Assessment of Parent-Subsidiary Situations

DATE: February 24, 2026

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**Summary:** The “Parent-Subsidiary Situations” section of the Purposes and Procedures Manual (Part Three, Paragraph 38) provides specific guidelines for assessing a subsidiary issuer based on the audited financial statements of its parent holding company. The SVO has become aware that these guidelines are often read in isolation as the only way to rely on an issuer’s parent’s financial statements when more analytic latitude is permitted.

The SVO proposes the following update to Paragraph 38 to clarify that while the Purposes and Procedures Manual currently delineates certain prescribed guidelines for use of the financial statements of an issuing subsidiary’s parent, the SVO can also rely on other information which it deems satisfactory to support such use.

**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~~.



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

**FINANCIAL ANALYSIS**

**Parent-Subsidiary Situations**

38. In the case of transactions involving a parent holding company with an Audited Financial Statement and an issuing subsidiary without a separate Audited Financial Statement, the SVO may use the financial statements of the parent holding company as if they were prepared for the issuing subsidiary when (i) the consolidating work papers relating to the issuing subsidiary are provided, ~~(ii) or when~~ the operations of the parent: (a) are limited solely to owning the issuing subsidiary; and (b) the issuing subsidiary constitutes at least 97% of the parent's pre-tax income and assets on a consolidated basis, or (iii) the SVO has determined there is other satisfactory support for such use.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/iatf/2026/march \(spring nm\)/summary and minutes/att one-b-2026-0003.01 PP\\_Manual\\_ParentSubsidiary\\_v3.pdf](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/iatf/2026/march%20(spring%20nm)/summary%20and%20minutes/att%20one-b-2026-0003.01%20PP_Manual_ParentSubsidiary_v3.pdf)

## **Investment Analysis (E) Working Group Six-to-Nine-Month Plan**

The Investment Analysis (E) Working Group anticipates dedicating time over the coming months to a series of educational and analytical discussions to enhance regulatory understanding of emerging investment trends and evolving risk characteristics across insurer portfolios. These discussions are intended to support consistent supervisory oversight and shared understanding across jurisdictions.

The topics outlined below reflect areas of current focus based on observed industry activity, regulatory experience, and ongoing analytical work. This tentative work plan is not intended to be exhaustive or limiting and may evolve in response to market conditions, regulator feedback, and available resources.

### **Anticipated Areas of Discussion**

#### **Mortgage Loan Investment Trends**

The Working Group anticipates discussions on recent industry trends in mortgage loan investments, including how insurers allocate across loan categories based on factors such as loan-to-value ratios and debt service coverage measures. The objective is to provide regulators with additional context around evolving exposure profiles and sensitivity to economic conditions.

Subsequent to the public Task Force presentation, the Working Group plans continued analysis in insurer participation in residential mortgage lending, including underwriting approaches, commonly used loan structures, and ongoing performance monitoring practices, including reviewing individual insurer holdings and hearing perspectives from insurers and other market participants. Topics may include how insurers assess credit quality, collateral considerations, liquidity risk, and the metrics used to monitor these exposures over time. These discussions may result in recommendations or referrals for public discussion of whether existing reporting and capital frameworks remain aligned with observed risk characteristics.

#### **Industry Trends in Less-Observable Investments**

The Working Group expects to review industry-level trends in investments that rely more heavily on internal valuation methodologies, often referred to as Level 3 assets. Discussions may include longer-term growth patterns, concentration considerations, and observed impairment activity, with the goal of improving awareness of valuation uncertainty and risk-monitoring practices.

In terms of Level 3 reporting, the Working Group may examine illustrative examples of insurer approaches used to identify and evaluate other-than-temporary (OTTI) impairments. Discussions may highlight how qualitative judgment and quantitative indicators are incorporated into impairment assessments, as well as the role of governance and documentation. These discussions are intended to be educational rather than prescriptive, and the Working Group will plan to provide an update to the Task Force on any key observations.

#### **Bond Issuer and Structured Securities Reporting**

The Working Group anticipates reviewing aggregated industry data related to newer bond reporting definitions and structured security classifications. Discussions may highlight emerging reporting attributes, such as payment-in-kind features, leverage characteristics, and other structural elements relevant to risk assessment.

#### **Capital Markets Research and Analytical Outputs**

The Working Group expects to receive an overview of planned Capital Markets research initiatives and analytical products intended to support regulatory analysis and public transparency, including opportunities for regulator feedback to help inform future research priorities.

This tentative work plan is intended to enhance transparency regarding potential areas of discussion by the Investment Analysis (E) Working Group over the coming months. By providing advance visibility into anticipated topics, the Working Group seeks to support informed dialogue and strengthen regulatory awareness across the insurance industry while retaining flexibility to adjust priorities as market conditions evolve and emerging risks warrant attention.

[https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member meetings/e cmte/iatf/2026/march \(spring nm\)/summary and minutes/att two-invawg 6-9 month working plan.docx](https://naiconline.sharepoint.com/sites/naicsupportstaffhub/member%20meetings/e%20cmte/iatf/2026/march%20(spring%20nm)/summary%20and%20minutes/att%20two-invawg%206-9%20month%20working%20plan.docx)