VALUATION OF SECURITIES (E) TASK FORCE

Draft Pending Adoption

Draft: 12/17/25

Valuation of Securities (E) Task Force
Hollywood, Florida
December 10, 2025

The Valuation of Securities (E) Task Force met in Hollywood, FL, Dec. 10, 2025. The following Task Force members participated: Doug Ommen, Chair, represented by Carrie Mears (IA); Jared Kosky, Vice Chair, represented Ken Cotrone (CT); Heather Carpenter represented by David Phifer (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Laura Clements (CA); Michael Yaworsky represented by Carolyn Morgan (FL); Dean L. Cameron represented by Eric Fletcher (ID); Ann Gillespie represented by Matt Cheung (IL); Vicki Schmidt represented by Tish Becker (KS); Timothy J. Temple represented by Tom Travis (LA); Michael T. Caljouw represented by John Turchi (MA); Marie Grant represented by Greg Ricci (MD); Grace Arnold represented by Fred Andersen (MN); Angela L. Nelson represented by Danielle Smith (MO); Eric Dunning represented by Tadd Wegner (NE); Justin Zimmerman 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); Michael Humphreys represented by Diana Sherman (PA); Carter Lawrence represented by Trey Hancock (TN); Cassie Brown represented by Amy Garcia and Jamie Walker (TX); Scott A. White represented by Doug Stolte and Greg Chew (VA); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI). Also participating was: John Tudino (RI).

1. Adopted its Summer National Meeting Minutes

Malm made a motion, seconded by Sherman, to adopt the Task Force's Aug. 12 minutes (*see NAIC Proceedings – Summer 2025, Valuation of Securities (E) Task Force*). The motion passed unanimously.

2. Adopted an Amendment to the P&P Manual to Permit a 30-Day Filing Grace Period to Provide the Private Rating Letter Annual Update

Mears stated that the next item on the agenda was to discuss and consider adoption of a revised *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) amendment to permit a 30-day filing grace period to provide the private rating letter annual rating update. At the 2024 Fall National Meeting, the Task Force agreed to permit insurers a 30-day grace period after an NAIC credit rating provider (CRP) renews a private letter rating (PLR) to provide the annual rating update to the Securities Valuation Office (SVO). The objective of the grace period was to avoid the need to deactivate PLRs that received an annual update close to year-end. This amendment, which was exposed for a 30-day public comment period ending Sept. 12, would update the PLR instructions to permit a 30-day filing grace period for PLR annual updates, regardless of when during the year they occur.

One joint comment letter was received from the American Council of Life Insurers (ACLI), Private Placement Investors Association (PPiA) and North American Securities Valuation Association (NASVA) (Attachment Two - B), which supported the proposed amendment and requested a small clarification be added so it is specific to the "CRP's annual rating update," with the word "rating" being inserted. SVO staff incorporated that update into the proposed amendment.

Mike Reis (Northwestern Mutual), representing the ACLI, PPiA, and NASVA, expressed support for adoption of the proposed amendment.

Stolte made a motion, seconded by Kasinow, to adopt the revised P&P Manual amendment to permit a 30-day filing grace period to provide the private rating letter annual update (Attachment One). The motion passed unanimously.

3. Adopted a Revised P&P Manual Amendment to Change the Effective Date for the Financial Modeling of CLOs by the SSG to 2026

Mears stated that, as mentioned at the Summer National Meeting, it is critically important to insurance regulators to continue monitoring the growth of insurer collateralized loan obligation (CLO) exposures. There is ongoing work by the Risk-Based Capital Investment Risk and Evaluation (E) Working Group and the American Academy of Actuaries (Academy) on asset-backed securities (ABS) like CLOs. It is expected that there will be updates from the Academy early next week. At the same time, the Risk-Based Capital Model Governance (EX) Task Force is continuing its holistic review of the overall risk-based capital (RBC) framework.

Given these concurrent workstreams, Mears said she recommended deferring implementation of Structured Securities Group's (SSG's) CLO modeling process for one year to give these other efforts additional time. This proposed amendment, which was exposed for a 30-day public comment period ending Sept. 12, reflects that deferral by changing the effective date for the financial modeling of CLOs by the SSG from 2025 to 2026.

Mears said one joint comment letter was received from the ACLI, PPiA, and NASVA (Attachment Three - A) in support of the proposed change.

Reis, representing the ACLI, PPiA, and NASVA, expressed support for adoption of the revised amendment.

Clements made a motion, seconded by Phifer, to adopt the revised P&P Manual amendment to change the effective date for the financial modeling of CLOs by the SSG to 2026 (Attachment Two). The motion passed unanimously.

4. Discussed a Proposed Annual Statement Schedule Update for Security IDs

Mears said the next item on the agenda was to discuss a proposal to update the annual statement schedules for security identifiers (IDs).

Charles Therriault (NAIC) said this proposal would consolidate into one location and identify the various security IDs that are currently allowed on the annual statement schedules. This change would also permit the incorporation of additional security identifiers, such as Bloomberg's Financial Industry Global Identifier (FIGI), Markit LoanX, and any other identifiers. These additional security IDs are available to the NAIC through S&P Global's Global Instruments Cross Reference Service (GICRS) database. As mentioned previously, the GICRS is a database of global security identifiers that cross-references approximately 92 million instruments. Combining security identifiers into a single field aligns with the NAIC's planned integration of the GICRS into its systems, and it will simplify the NAIC's data validation processes (i.e., confirming that the security ID appears in the GICRS database).

Therriault stated that in its initial memorandum, the SVO recommended developing a new reporting field on annual statement schedules to identify when a security ID was not validated. Upon further discussion with industry, the SVO withdrew that recommendation, as the existing regulator exception reports should be sufficient. This withdrawal aligns with the comments provided in the letter submitted by the ACLI, PPiA, and NASVA on this proposal, which they otherwise support.

Therriault stated that the SVO has been working with the ACLI, PPiA, and NASVA, along with the NAIC staff supporting the Blanks (E) Working Group, to prepare a blanks update. The SVO met with the industry team for the first time on Dec. 5. The goal is to have a blanks update to submit to the Blanks (E) Working Group early next year.

Reis, representing the ACLI, PPiA, and NASVA, met with Therriault, Julie Gann (NAIC), and vendors and said that they support all efforts. He said the meeting was fruitful and ensured that all potential pitfalls have been thought through so they can be addressed when the blanks exposure comes out.

Mears directed the SVO to continue working with industry in preparing a Blanks (E) Working Group proposal. She said this work will roll over to the new Investment Designation Analysis (E) Working Group next year.

5. Discussed a Notice in the P&P Manual to Recognize the New Committee Structure Effective Jan. 1, 2026

Mears said the next agenda item was to discuss a new notice in the P&P Manual to recognize the new committee structure, which will come into effect Jan. 1, 2026.

Mears stated that, at the direction of the Financial Condition (E) Committee, effective Jan. 1, 2026, this Task Force will be dissolved and replaced by a new committee structure. The Task Force will be replaced by the Invested Assets (E) Task Force, with the following three working groups reporting to it: 1) the Investment Analysis (E) Working Group, focused primarily on portfolio level analysis; 2) the Investment Designation Analysis (E) Working Group, focused primarily on analysis of individual investments for assignment of NAIC designations by the NAIC Investment Analysis Office (IAO); and 3) the Credit Rating Provider (E) Working Group, focused primarily on the administration of the CRP due diligence framework once it has been developed by the third-party consultant and adopted by regulators.

References to the Valuation of Securities (E) Task Force in the current version of the P&P Manual will need to be amended to reference the new Task Force and Working Groups, as appropriate. Most of the current functions of this Task Force will be assumed by the Investment Designation Analysis (E) Working Group, so most references to this Task Force should be replaced by it, but references to the Credit Rating Provider (E) Working Group, Investment Analysis (E) Working Group, and the Invested Assets (E) Task Force may be necessary as well. Making such updates and textual amendments for changing roles will be a time-consuming project, which the Investment Designation Analysis (E) Working Group intends to address over the course of 2026. In the interim, a disclosure will be included in the P&P Manual to recognize the new committee structure and clarify that references to the Valuation of Securities (E) Task Force will typically be deemed to refer to the Investment Designation Analysis (E) Working Group.

6. Received NAIC Staff Reports on The Projects of the Statutory Accounting Principles (E) Working Group and Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Mears said the next agenda item was to hear updates on Statutory Accounting Principles (E) Working Group and Risk-Based Capital Investment Risk and Evaluation (E) Working Group projects.

Gann stated that this is an update on the investment-related items adopted or exposed at the Statutory Accounting Principles (E) Working Group. She said many items were adopted and exposed, and that this is a high-level list. She said the Working Group's website can be referenced for the complete listing.

Gann stated that the Statutory Accounting Principles (E) Working Group adopted a private security proposal effective Dec. 31, 2026. The proposal adds a new electronic column to all relevant schedules to identify whether the security is public, private, or Rule 144A. There is a new aggregate disclosure that will capture key investment information based on those categories, based on the schedule they are reporting. The Working Group also adopted revisions for debt disclosures, also effective Dec. 31, 2026. This is more of a cleanup item, not new disclosures. It makes all the disclosures for Statement of *Statutory Accounting Principles (SSAP) No. 21—Other Admitted Assets, SSAP No. 26—Bonds,* and *SSAP No. 43—Asset-Backed Securities* consistent in where they are reported in their financial statements, whether they were annually audited only, statutory financials, and the same note. The Working Group also incorporated disclosures for residuals because they did not have any specific disclosures, as well as a new item to identify whether residuals are following the practical expedient or the allowable earned yield method.

Regarding investment subsidiaries, the Working Group adopted the agenda items supporting the blanks revisions to remove the investment subsidiary concept from blanks reporting, as well as RBC. This concept has not been in SSAP guidance since 2005, but the reporting still allowed the review of assets that were in an investment subsidiary. This is relevant because there was no transparency on specific assets, so if someone had a bond in an investment subsidiary with a PLR, it would not be known if that PLR had been filed in accordance with the Valuation of Securities (E) Task Force, but it could still be used for RBC purposes. Without the reporting, there is no more look-through RBC for those investment subsidiaries.

The Statutory Accounting Principles (E) Working Group also adopted guidance that allows residential mortgage loans that are held in trust to be separately reported on Schedule B under *SSAP No. 37—Mortgage Loans*. Those investments were often held in those investment subsidiaries, so by breaking them out, that population should be smaller. That guidance was adopted with a Jan. 1, 2027, effective date, but it could be applied as early as this year-end 2025 for companies that elect to do so. Those items were previously reported either on Schedule D, Part 6, Section 1, as an investment subsidiary or on Schedule BA. They will move to Schedule B.

Gann stated that regarding exposures, the Statutory Accounting Principles (E) Working Group has a new item for commitments and contingencies, and this proposes consolidating all commitment and contingency disclosures into a single disclosure to make it easy to identify all the information for regulators. It also incorporates a commitment and contingency column on Schedule D. It is currently on Schedule BA, but it will be added to Schedule D as well. The Working Group also exposed a new concept agenda item to conduct a detailed review of SSAP *No. 48—Joint Ventures, Partnerships and Limited Liability Companies*, and make sure the accounting and reporting guidance is clear and consistently applied. Reviewing SSAP No. 48 may end up being a large project.

Gann stated that the Statutory Accounting Principles (E) Working Group also exposed revisions to allow long-term repurchase agreements to be admitted. This does not revise the guidance for reverse repurchase agreements, which would still be subject to admittance based on whether they are short-term.

Gann stated that the Risk-Based Capital Investment Risk and Evaluation (E) Working Group will meet Dec. 15 since it did not meet at the Fall National Meeting. The purpose of the meeting is to hear an update from the Academy on the CLO project. During that call, it is also anticipated that an RBC structure change may be initially presented and exposed so that the RBC structure is ready to go for year-end 2026 to accommodate any revisions that come as a result of the CLO project. Consistent with the RBC process, the exposure will focus on structure, and then a second proposal will focus on factors based on the results of the project later in the year.

7. <u>Received NAIC Staff Reports on The CRP Due Diligence Framework and FE Discretion Projects</u>

Mears said the next agenda item was to hear updates on the CRP rating due diligence framework and filing exemption (FE) discretion projects.

Jeremy Phillips (PricewaterhouseCoopers—PWC) said that U.S. insurers depend on NAIC designations for statutory reporting and solvency monitoring. A significant portion of those designations is derived from the translation of CRP opinions to NAIC designations for FE and private letter securities. The NAIC's framework for the regulation of insurer investments and the creation of the new Invested Assets (E) Task Force and subsidiary working groups charged with the ongoing enhancement of regulatory policy relating to insurer investments contemplates the development and implementation of a CRP due diligence framework.

The main objective of the CRP due diligence framework project should be to establish a structured, scalable, and pragmatic process to support the NAIC's reliance on the translation of CRP ratings to NAIC designations, and the proposed framework that is being developed for regulator consideration is expected to provide practical oversight focused on areas where CRP ratings have the greatest potential impact on the insurance industry.

Currently, the CRP due diligence framework design is in progress. NAIC stakeholders and regulators acting as relevant Task Force members will be briefed on key design decisions along the way, and their feedback will be incorporated as needed. Preliminary data analysis using NAIC historical ratings history and insurer statutory filings is underway. To supplement known data gaps with the NAIC available data repository, additional data were requested from each CRP. A data template was created for a historical ratings data call to all the CRPs. The template standardized the ratings history data necessary for the development of the framework's analytical component. The rating history data call was issued to all eight CRPs on Aug. 8, with a requested data submission deadline Nov. 6. Since making this request, there have been a number of calls and emails with the CRPs, including one with a rating agency trade group to discuss the data call, answer any questions, and coordinate transmission processes. One complete submission has been received, two test submissions have been received, active coordination is ongoing with four CRPs for test submissions, and the final CRP has indicated that it is actively working on the request. Review and normalization of the data provided to date is underway and will continue as more is received.

After the data analysis is complete, a completed draft CRP due diligence framework will be presented to the new Credit Raring Provider (E) Working Group, who will then determine whether it is ready to be exposed for public comment or whether further refinements will be required prior to such exposure. PWC expects to provide another status update with further details at the 2026 Spring National Meeting.

Therriault stated that the authority granted to the NAIC as part of the discretion project becomes effective Jan. 1, 2026. However, the systems needed to make the process operational, and the agreements needed to ensure the security of information and data, are still in the works. As a reminder, the process allows the NAIC to challenge ratings used in the FE process that it does not think are reasonable assessments of investment risk; however, the final decision on whether to maintain or remove a rating from FE eligibility will be made by regulators.

Mears said everyone looks forward to hearing more about each of these projects in 2026. She reminded attendees that the projects will be with their applicable working groups as of Jan. 1, 2026.

8. Discussed Other Matters

Mears said she wanted to take a moment to recognize that this was the Task Force's final meeting, and that it will be replaced by the Invested Assets (E) Task Force, Invested Assets (E) Working Group, Investment Designation Analysis (E) Working Group, and the Credit Rating Provider (E) Working Group. This is a big change, as the Valuation of Securities (E) Task Force has roots going back to 1907 when the NAIC Committee on the Valuation of Securities was formed to develop a uniform national valuation procedure. Now, almost 120 years later, as the NAIC aims to adapt regulation to better reflect the modern insurance investment environment, the Task Force is disbanding, and the committee names and structure are changing; however, the NAIC's mission to provide members with consistent, unbiased, and grounded investment assessments and research continues.

Mears thanked the Task Force members who have tackled complex issues throughout the Task Force's life, particularly in recent years. Mears thanked NAIC staff, specifically Therriault, Marc Perlman (NAIC), and Eric Kolchinsky, who recently departed the NAIC, for their tireless commitment. She also thanked interested parties for their continued constructive engagement. Mears stated that despite the new names, the Task Force's important work will continue, and she looks forward to working with everyone in 2026.

Having no further business, the Valuation of Securities (E) Task Force adjourned.

https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2025/2025-12-10 - NAIC Fall NM/Minutes/VOSTF_2025-12-10_Fall_2025_NM_Final.docx

SVO

NAIC
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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 Amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the "Purposes and Procedures Manual") to Permit a 30-day Grace Period to File a Private Rating Letter Annual Update
DATE:	July 7, 2025 (Updated: September 16, 2025)

Summary: At the NAIC's 2024 Fall National Meeting the Task Force agreed to permit insurers a 30-day grace period after an NAIC Credit Rating Provider (CRP) renews a private letter rating (PLR) to provide the annual update to the SVO. The objective of the grace period was to avoid the need to deactivate PLRs that received an annual update close to year-end. This amendment would update the PLR instructions to permit a 30-day grace period for PLR annual updates, regardless of when during the year they occur.

Recommendation – Insurers need time to provide PLR annual updates to the SVO after they receive them from the CRPs. The SVO recommends granting insurers a 30-day grace period to provide the PLR annual update to it. This will primarily impact manually filed PLRs as the ratings received through the credit rating provider (CRP) electronic data files include the rating update date and will be automatically updated in the NAIC's systems upon processing the data file.

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

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. (so long as such rationale update would normally be produced by the CRP for a comparable publicly rated security) along with any changes in PL Securities rating. Annual updates to existing private rating letters shall be filed with the SVO no later than 30-days following the date of the CRP's annual rating update (i.e. no later than 395-days following the date of the prior calendar year's initial private rating letter or annual rating update) 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.

- In instances where a private letter and private rating letter rationale report is filed, the SVO shall evaluate the private letter and private rating letter rationale report to determine whether the security has been assigned an Eligible NAIC CRP Rating and if the privately rated security is eligible to receive an NAIC Designation with a NAIC CRP Credit Rating. Similar to public securities where a rating is received directly from the CRP via electronic feeds, there is a similar assumption for the PL security, that the rating meets the definition of an Eligible NAIC CRP Rating as a normal part of the CRP rating process, absent evidence to the contrary in the rating letter or private rating letter rationale report (e.g., evidence that the rating applies only to principal or interest, in a deviation from the normal CRP rating process).
- If the SVO verifies that the security has been assigned an Eligible NAIC CRP Rating and if the SVO deems the privately rated security eligible to receive an NAIC Designation with a NAIC CRP Credit Rating, it assigns an NAIC Designation in accordance with the policy and procedure specified in this Manual. The assumption in the application of this step of the procedure is that **PL** securities are typically assigned a credit rating by only one NAIC CRP. However, if this assumption is inaccurate for any **PL** security, the SVO applies the same procedure specified for FE securities.

https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2025/2025-12-10 - NAIC Fall NM/02-PLR 30-day Grace Period/2025-008.02 PP_Manual_PLR_Update_30-day_Grace v2.docx

SVO

NAIC
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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)

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

RE: P&P Manual Amendment to Change the Effective Date for the Financial Modeling of CLOs by SSG to 2026

DATE: August 13, 2025

Summary: At the 2025 Summer National Meeting the Task Force requested a change to the effective date by which collateralized loan obligations (CLOs) will be financially modeled by SSG to assign NAIC Designations and NAIC Designation Categories to year-end 2026 from year-end 2025. The additional time will permit SSG to improve the methodology and allow better alignment with the approach of other NAIC workstreams.

Recommendation: The Securities Valuation Office (SVO) recommends inclusion of the attached notice in the 2025 *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) informing insurers of the implementation date change and including it on the Task Force's webpage of Adopted Interim Changes to the P&P Manual. The proposed text changes to the P&P Manual are shown below with additions in red underline and deletions in ~~red strikethrough~~, as it would appear in the 2025 P&P Manual.

PREVIOUSLY ADOPTED AMENDMENTS TO THE P&P MANUAL EFFECTIVE IN ~~2025~~ 2026

The following amendments were adopted by the VOS/TF in 2023 to be effective for ~~2025~~ 2026.

- **Adopted an amendment including Collateralized Loan Obligations (CLO) as a Financially Model Security in Part Four** – A collateralized loan obligation (CLO) is type of structured security backed by a pool of debt, typically corporate loans with low credit ratings. An insurer that purchases every tranche of a CLO holds the exact same investment risk as if it had directly purchased the entire pool of loans backing the CLO. The aggregate risk-based capital (RBC) factor for owning all of the CLO tranches should be the same as that required for owning all of the underlying loan collateral. If it is less, it means there is risk-based capital (RBC) arbitrage. As noted in the Investment Analysis Office's (IAO) memo of May 25, 2022, "Risk Assessment of Structured Securities – CLOs", it is currently possible to materially (and artificially) reduce C1 capital requirements just by securitizing a pool of assets. The Task Force assigned the Structured Securities Group (SSG) the responsibility of financially modeling CLO investments and evaluating all tranche level losses across all debt and equity tranches under a series of calibrated and weighted collateral stress scenarios to assign NAIC Designations that create equivalency between securitization and direct holdings, thereby eliminating RBC arbitrage. This amendment is effective beginning with year-end ~~2025~~2026.

The Valuation of Securities (E) Task Force adopted this amendment on Feb. 21, 2023

PART FOUR
THE NAIC STRUCTURED SECURITIES GROUP

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Use of Financial Modeling for Year-End Reporting for CLO, RMBS and CMBS

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24. Beginning with year-end ~~2025~~ 2026 for CLOs, probability weighted net present values will be produced under NAIC staff supervision by SSG using its financial model with defined analytical inputs selected by the SSG. SSG will model CLO investments and evaluate all tranche level losses across all debt and equity tranches under a series of calibrated and weighted collateral stress scenarios to assign NAIC Designation Categories for a specific CLO tranche as determined by the NAIC.

    NOTE: Please refer to SSAP No. 43R—Loan-Backed and Structured Securities for guidance on all accounting and related reporting issues.

    NOTE: Effective as of January 1, ~~2025~~ 2026, SSG will financially model CLOs.

https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2025/2025-08-12 - NAIC Summer NM/CLO Effective Date/2025-010.01 PP Manual CLO Effective Date.docx