

2020 Summer National Meeting  
Virtual Meeting

**VALUATION OF SECURITIES (E) TASK FORCE**  
**Friday, August 7, 2020**  
**12:30 p.m. ET / 11:30 a.m. CT / 10:30 a.m. MT / 9:30 a.m. PT**

**Meeting Summary Report**

The Valuation of Securities (E) Task Force met Aug. 7, 2020. During this meeting, the Task Force:

1. Adopted its July 1 and May 14 minutes, which included the following action:
  - a. Adopted an updated amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to map financially modeled residential mortgage-backed securities (RMBS)/commercial mortgage-backed securities (CMBS) security NAIC designations to NAIC designation categories, including mapping the zero-loss bonds to the 1.A NAIC designation category. This amendment was exposed for a 30-day public comment period ending March 11.
  - b. Adopted an amendment to the P&P Manual for principal protected securities (PPS), with an updated description, definition and instructions. This amendment removes PPS from filing exemption (FE) eligibility and requires all PPS, including those currently designated under the FE process, to be submitted to the Securities Valuation Office (SVO) for review under their Subscript S authority beginning Jan. 1, 2021, and filed with the SVO by July 1, 2021, if previously owned. This amendment was exposed for a 30-day public comment period ending March 5.
  - c. Received an NAIC Investment Analysis Office (IAO) issue paper on NAIC staff concerns about bespoke securities and reliance on credit rating provider (CRP) ratings. The issue paper, along with the April 28, 2010, adopted recommendations of the Ratings Agency (E) Working Group, were exposed for a 90-day public comment period ending Aug. 16. The Task Force directed IAO staff to begin drafting incremental recommendations for the Task Force to consider addressing the risks identified in the issue paper.
  - d. Received a proposed amendment to the P&P Manual with updated instructions for nonconforming credit tenant loan (CTL) transactions that relied upon credit ratings, along with an update to the Task Force policy on “The Use of Credit Ratings of NRSROs in NAIC Processes.” The amendment was exposed for a 30-day public comment period ending June 17, and it was also referred to the Statutory Accounting Principles (E) Working Group.
  - e. Adopted an amendment to the P&P Manual for technical NAIC Designation Category Corrections. The amendment was exposed for a 30-day public comment period ending June 17.
  - f. Discussed temporarily extending insurers’ 2020 initial filing deadline from 120 days to 165 days for newly acquired or in-transition securities. The Task Force decided this was a temporary change, and it directed SVO staff to include in the minutes instructions that the filing deadline for the initial filing of newly acquired or in-transition securities for 2020 would be 165 days instead of the usual 120 days.
  - g. Heard reports from NAIC staff on: RMBS and CMBS structured securities, rating agency actions year-to-date (YTD), requirements for material credit events and issuer amendments or refinancing an existing issue, and SVO year-end process and carry-over filings.
  - h. Adopted an amendment to the P&P Manual to rename the “U.S. Direct Obligations/Full Faith and Credit Exempt List” as the “NAIC U.S. Government Money Market Fund List” and discontinue the “NAIC Bond Fund List.” This amendment was exposed for a 45-day public comment period ending Dec. 16, 2019.
  - i. Received a proposed amendment to the P&P Manual to map short-term CRP ratings to NAIC Designation Categories. This amendment was exposed for a 25-day public comment period ending July 27.
  - j. Received a proposed amendment to the P&P Manual to add supranational entities filed with the SVO to the “Sovereign NAIC Designation Equivalent List.” This amendment was exposed for a 25-day public comment period ending July 27.
  - k. Received a proposed amendment to the P&P Manual to update guidance for working capital finance investments (WCFIs) consistent with the Statutory Accounting Principles (E) Working Group adoption of changes to *Statement of Statutory Accounting Principles (SSAP) No. 105R—Working Capital Finance Investments*. This amendment was exposed for a 45-day public comment period ending Aug. 17.
  - l. Received an NAIC SVO staff report on the use and regulation of derivatives in exchange-traded funds (ETFs). This report was exposed for a 45-day public comment period ending Aug. 17.
2. Adopted an amendment to the P&P Manual to map short-term CRP ratings to NAIC Designation Categories. This amendment was exposed for a 25-day public comment period ending July 27.

3. Adopted an amendment to the P&P Manual to add supranational entities filed with the SVO to the Sovereign NAIC Designation Equivalent List. This amendment was exposed for a 25-day public comment period ending July 27.
4. Received a proposed amendment to the P&P Manual to add instructions for ETFs that contain a combination of preferred stocks and bonds. This amendment was exposed for a 30-day public comment period ending Sept. 6.
5. Received a proposed amendment to the P&P Manual to update guidance on initial and subsequent annual filings, methodologies and documentation. This amendment was expose for a 30-day public comment period ending Sept. 6.
6. Heard staff reports from:
  - a. Projects before the Statutory Accounting Principles (E) Working Group.
  - b. Structured Securities Group (SSG) on RMBS and CMBS modeling.
7. Received 2021 proposed charges for the Task Force and agreed to discuss and adopt it at a future interim meeting.

W:\National Meetings\2020\Summer\Summaries\Final Summaries\VOSTF Meeting Summary - 2020 Summer NM\_Final V2.docx