Draft date: 10/27/26

2026 Fall National Meeting
Dallas, Texas

CREDIT RATING PROVIDER (E) WORKING GROUP
Sunday, November 15, 2026
3:00 – 4:00 p.m.
Convention Center—Texas D456—Level 3

ROLL CALL

Jake Garn, Chair	Utah	Cameron Piatt	Ohio
Laura Clements, Vice Chair	California	Amy Garcia	Texas
Ken Cotrone	Connecticut	Dan Bumpus	Virginia
Carrie Mears	Iowa	Steve Drutz	Washington
Cynthia Iu	Nebraska	Amy Malm	Wisconsin

NAIC Committee Support: Jane Ren/Marc Perlman

AGENDA

1. Consider Adoption of its Oct. 1 Minutes—*Jake Garn (UT)* — Attachment A

2. Discuss Comments Received and Consider Adoption of the Revised Credit Rating Provider (CRP) Due Diligence Framework—*Jake Garn (UT)* — Attachment B; Attachments B-1–B-8

3. Discuss Any Other Matters Brought Before the Committee —*Jake Garn (UT)*

4. Adjournment

Draft: 10/27/26

Credit Rating Provider (E) Working Group
Virtual Meeting
October 1, 2026

The Credit Rating Provider (E) Working Group of the Invested Assets (E) Task Force met Oct. 1, 2026. The following Working Group members participated: Jake Garn, Chair (UT); Laura Clements, Vice Chair (CA); Ken Controne (CT); Carrie Mears (IA); Cynthia Iu (NE); Cameron Piatt (OH); Amy Garcia (TX); Dan Bumpus (VA); and Amy Malm (WI).

1. Adopted its Summer National Meeting Minutes

Malm made a motion, seconded by Garcia, to adopt the Working Group's Aug. 12 minutes (*see NAIC Proceedings – Summer 2026, Invested Assets (E) Task Force, Attachment Two*). The motion passed unanimously.

2. Exposed the Revised CRP Due Diligence Framework

Garn said that the revisions to the *NAIC Credit Rating Provider (CRP) Due Diligence Framework – Whitepaper* (Framework) are largely consistent with the summary of the comment letters and the NAIC's responses posted with the materials for the Summer National Meeting. He highlighted a few points in the revised Framework (Attachment 1).

First, references have been changed from "high risk" to "high priority" to clarify that the intent is not to penalize innovation but to indicate that certain emerging asset classes may be more likely to undergo detailed testing.

Additionally, the explanation of the remediation process has been expanded and clarified. It allows the affected CRP to present its case to the Working Group; requires all actions to be approved by the Invested Assets (E) Task Force and the Financial Condition (E) Committee; allows for public notice of remediation actions, which relay the rationale for such action while protecting confidentiality; creates a 120-day (four-month) notice period prior to implementation, which is consistent with the 120-day filing requirement in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual); and outlines steps for application for re-admittance.

Additionally, clarification has been added that the steps laid out for provisional acceptance of existing CRPs at the time of adoption would work in parallel with the other steps for CRPs laid out in the Framework, such as scoping, risk assessment, and detail testing. A new scoping assessment has been added whereby the NAIC can assess data on the insurer's financial positions, such as its annual statements, to identify where a security's performance deterioration is not reflected in the operative CRP rating on the security, such as impairments on filing exempt (FE)/private letter rating investments with NAIC 1 or NAIC 2 designations. Also, clarification has been included to enable the Framework to evolve as needed. With approval from the Invested Assets (E) Task Force and the Financial Condition (E) Committee, the Working Group can amend the Framework document following standard NAIC meeting, exposure, and public comment protocols.

Lastly, some commenters requested that the NAIC only rely on final/fully adjudicated decisions from the U.S. Securities and Exchange Commission (SEC) or other regulators. The Working Group has determined that doing so could detrimentally limit its ability to rely on useful information. The Working Group believes it is necessary to be able to rely on any information at its disposal that could make it a more informed, educated user of ratings.

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Garn noted that as a regulator, the Working Group makes an overall assessment of solvency risk. Those early indicators, even though not final, need to be looked at. Time is of the essence in any kind of business or regulatory situation. This is why it was decided not to remove that from the Framework.

Susan Launi (Fitch Ratings) pointed out inconsistencies in the removal of references to the reasonableness of ratings and asked whether she could comment on the new version of the Framework. Marc Perlman (NAIC) responded that she can include all her comments in a comment letter.

Sasha Kamper (Mutual of Omaha) said that a line item has been added to the remediation section so that any remediation actions would be prospective only and asked if the intent is that existing holdings would be unimpacted. Perlman responded that existing holdings could still be impacted.

Kamper said that it seems the Framework is trying to provide as much notice as possible to insurers and other interested parties, and this does not seem consistent with prospective-only application of remediation. Charles Therriault (NAIC) said that it is not possible to unwind prior designations that would have been assigned, but this can be done going forward.

Kamper raised a question in a context where there is an existing transaction rated by a CRP, and then a remediation takes place. As a result, the CRP is no longer an eligible CRP. She asked whether the securities will continue to carry the FE designation based on that CRP's prior rating or whether the impact will take place at the end of the year and going forward.

Therriault responded that he expects it to be the time when the Working Group makes the decision. From that point forward, if it is decided that the designation or rating is no longer to be used, the rating will become unacceptable.

Garn said that it would not affect the rating for prior periods as reported from an accounting perspective, but it would going forward. This is also subject to the 120-day period.

Kamper said insurers are given 120 days to achieve compliance from the moment that a decision is made that a CRP rating is no longer acceptable. Therriault agreed.

Garn said that the added section discussed reviewing an insurer’s financial statements for evidence that certain securities may have been impaired and may be inconsistent with the rating. It seems to depend on how often the ratings are reviewed and how quickly the deterioration occurred. That would be another timing issue.

Matt Carroll (Guardian Life) posed a follow-up question by giving a hypothetical example. He asked whether a rating will remain valid on the Dec. 31 financial statements under the 120-day requirement, or whether the rating will become invalid as of Nov. 1, if a decision is made to de-admit a CRP on Nov. 1.

Therriault responded by referencing the existing instructions in the P&P Manual. He said that when there is a rating transition, the insurance company has 120 days to self-designate either by obtaining a replacement rating or filing with the Securities Valuation Office (SVO) for processing.

If it is a Nov. 1 event, filers would be able to rely on the Z self-designation function and would have it identified as an IF for year-end carryover if properly filed.

Garn exposed the revised Framework for a 25-day public comment period ending Oct. 26.

Having no further business, the Credit Rating Provider (E) Working Group adjourned.

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NAIC Credit Rating Provider (CRP) Due Diligence Framework – Whitepaper

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Executive Summary

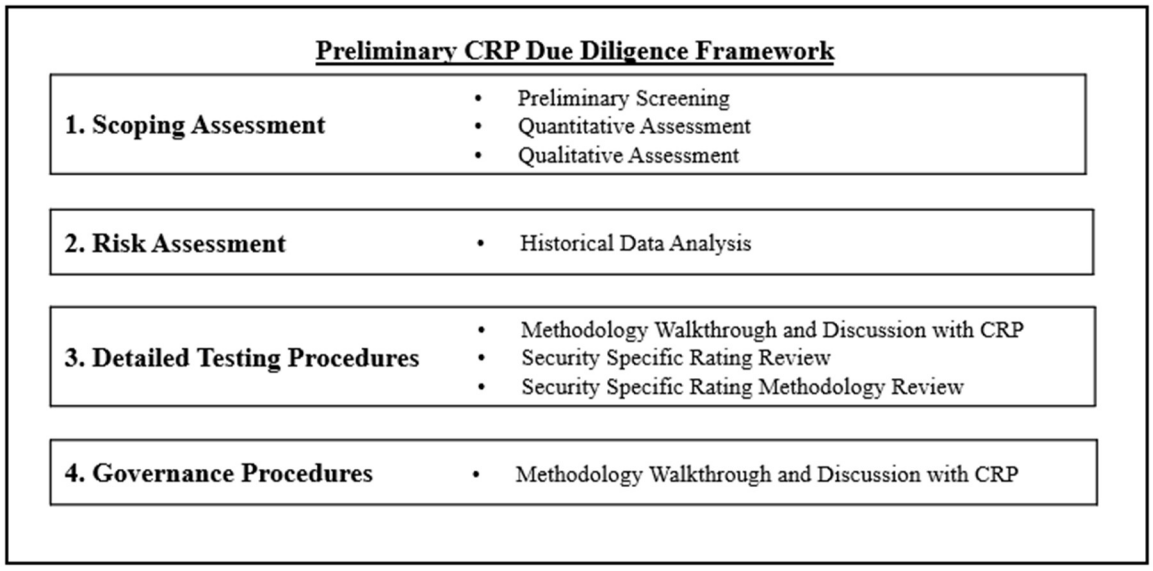
U.S. insurers depend on NAIC Designations for statutory reporting and solvency monitoring. A significant portion of those designations are derived from the translation of Credit Rating Provider (CRP) opinions for Filing-Exempt (FE) and Private Letter (PL) securities. Currently, the translation of CRP ratings to equivalent NAIC Designations relies on a mapping provided to the NAIC by each CRP. The NAIC has "blind reliance" on these CRP-provided mappings in that the NAIC does not have a due diligence process to assess the reasonableness or equivalency of theeach CRP-provided mapping to NAIC Designations. In 2024, more than 152,000 securities relied on CRP ratings, underscoring the need for a structured, scalable, and pragmatic due diligence program to support the NAIC's reliance on CRP-provided ratings.

This whitepaper sets out a four-part due diligence framework (the "CRP Due Diligence Framework) including " or the "Framework") consisting of the Scoping Assessment, Risk Assessment, Detailed Testing Procedures, and Governance Procedures (see image below). The frameworkFramework is intended to corroborate the reasonableness of the translation matrixappropriateness of CRP-provided mappings for the Translation Matrix to NAIC Designations and align with broader objectives to harmonize regulatory oversight related to investments in the insurance industry.

The frameworkThe Framework acknowledges that methodological differences among CRPs exist. The Framework does not require CRPs to adopt a uniform methodology. Rather, as a consumer of CRP-provided mappings, the NAIC's due diligence procedures assess whether resulting ratings and related mappings are reasonable and fit for purpose in evaluating investment risk and assigning NAIC Designations.

The Framework supports consistent translation of CRP ratings to NAIC Designations, focuses due diligence activities where CRP ratings are most consequential on insurer balance sheets and where there are areas of increased risk in CRP provided ratings, and establishes a structured and governed process for remediation activities, monitoring and ongoing maintenance. The frameworkFramework is led by the Credit Rating Provider (E) Working Group (CRP WGCRPWG), as supported by NAIC staff, with inputs and information sharing amongstamong the Invested Assets (E) Task Force (IA TFIATF) working groups including the Investment Analysis (E) Working Group (InvAWG) and Investment Designation Analysis (E) Working Group (IDA WGIDAWG)[1].

[1] For additional information on the reorganization of the VOS TF, see the *New Invested Assets Task Force Organization* section.



Current State & Background

Use of ~~CRP~~ the NAIC Translation Matrix

CRPs follow publicly disclosed rating methodologies that combine quantitative analysis, qualitative judgment, and rating-committee governance to form independent credit opinions evaluating credit risk. These methodologies require transparent documentation, reliable data inputs, and ongoing surveillance. Importantly, CRPs say that they do not differentiate their methodologies between public and private assets~~,~~; however, public and private assets themselves may be very different. Any variations between public and private ratings may reflect differences in available information, as opposed to differences in methodology.

NAIC Designations reflect an assessment of investment risk, as defined in Part One, paragraph 87 of the 2025 ~~P&P Manual,~~Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual), which characterizes investment risk as the likelihood that an insurer will receive the full and timely payment of principal and expected interest. When the NAIC independently determines a designation, ~~they~~it often ~~rely~~relies on CRP methodologies as described in Part One - "Use of Generally Accepted Techniques or Methodologies" of the P&P ~~manual~~Manual.

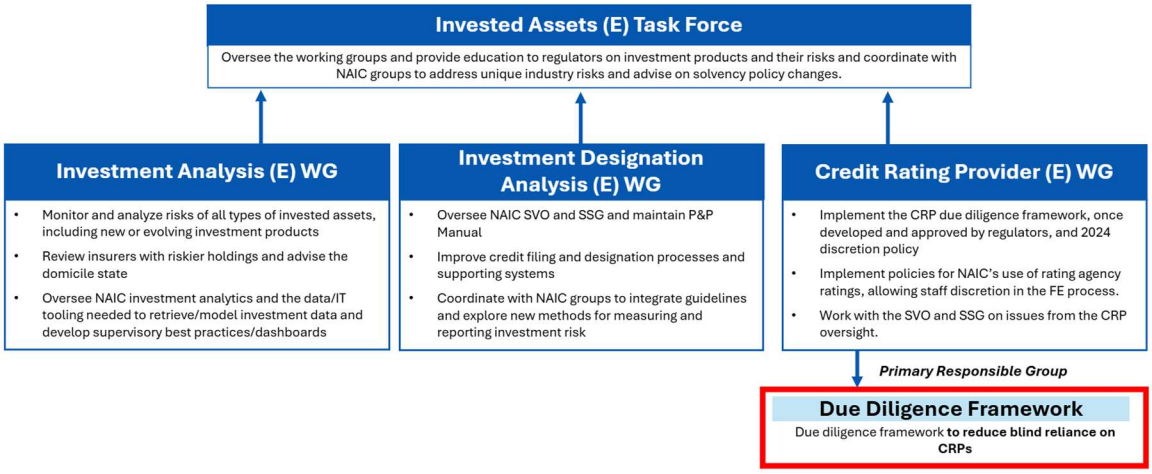
For eligible FE/PL securities, the NAIC ~~Designations translation matrix~~Translation Matrix found on the NAIC website, as referenced in the P&P ~~manual~~Manual, is applied to translate eligible assigned ratings from all eight CRPs.

Currently, the translation of CRP ratings to equivalent NAIC Designations relies on ~~a mapping provided to the NAIC by each CRP. The NAIC has "blind reliance" on these CRP provided mappings in that the NAIC does not have a due diligence process to assess the reasonableness or equivalency of the CRP provided mapping~~mapping tables provided by each CRP. In practice, the NAIC accepts these mappings without an independent process to validate that the resulting equivalencies appropriately reflect comparable levels of investment risk and support consistent assignment of NAIC Designations. Consequently, the current framework depends on the CRPs'

methodologies and judgments without an independent assessment of whether the mappings are reasonable and fit for regulatory purposes.

Organizational Structure – New Invested Assets Task Force Organization

Under the oversight of the ~~Invested Assets (E) Task Force (IA TF),~~IATF, formerly the VOS TF, the ~~Credit Rating Provider (E) Working Group (CRP WG),~~CRPWG, with the assistance of NAIC staff as deemed appropriate by those NAIC groups, will be responsible for implementing and operating the ~~CRP Due Diligence~~ Framework once developed and approved by regulators, with inputs from ~~Investment Analysis (E) Working Group (~~InvAWG~~)~~ and ~~Investment Designation Analysis (E) Working Group (IDA WG).~~IDAWG. The ~~CRP WG~~CRPWG will share results and findings of due diligence activities ~~amongst~~among the ~~IA TF~~IATF and other NAIC groups on an ~~on-going~~ongoing basis.[2]



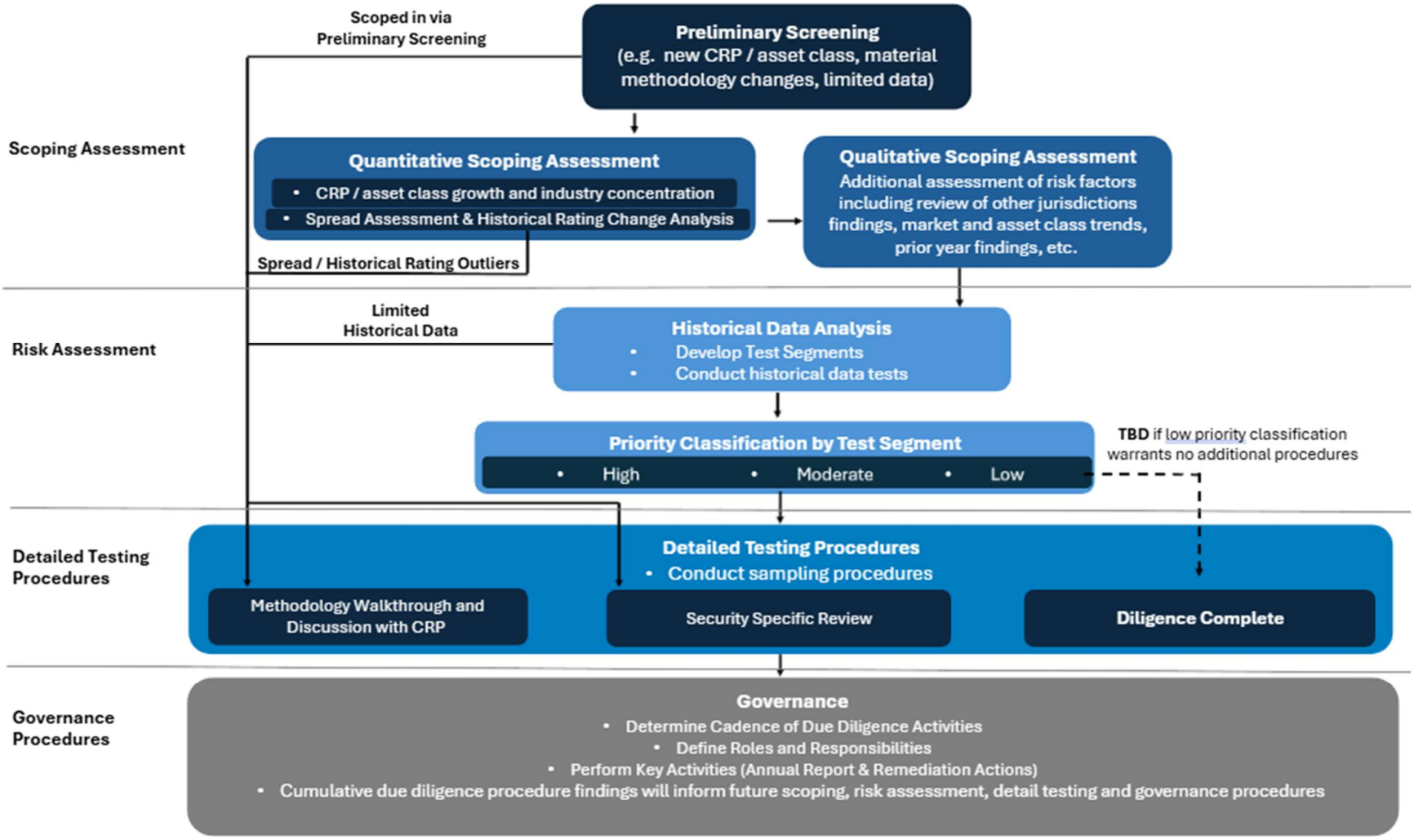
Overview of the CRP Due Diligence Framework

The ~~CRP Due Diligence~~ Framework establishes a structured, scalable, and pragmatic oversight process for the NAIC's reliance on CRP opinions in assigning NAIC Designations through the FE/PL processes. The ~~framework~~Framework is designed as an ongoing monitoring tool supporting the NAIC and its ~~IA TF~~IATF working groups. It aims to reduce blind reliance on CRP ratings, promote transparency into the equivalency of CRP ~~ratings~~provided rating mappings as applied to FE/PL securities, and provide disciplined methods for identifying and remediating inconsistencies in ratings outcomes.

The ~~framework~~Framework primarily applies to assets whose NAIC Designation is derived from a CRP rating, including rated, ~~filing-exempt (~~FE~~),~~, and ~~private letter (~~PL~~)~~ securities. Its due diligence activities may also inform NAIC consideration of CRP ratings used for other NAIC purposes (e.g.~~,~~,,, certain non–Schedule D bonds and Subsidiary, Controlled and Affiliated (SCA) and related party investments).

[2] The roles and responsibilities of the working groups under the Invested ~~Asset~~Assets (E) Task Force have been established as of the January 1, 2026, reorganization date and may be revised in the future.

The ~~framework~~Framework does not assess insurer-specific exposure or opine on whether a given rating is "correct." Instead, it evaluates the risk characteristics of rating cohorts, the degree of alignment or divergence across CRPs, and whether continued reliance on those ratings remains appropriate for regulatory purposes. ~~Please see~~The diagram below ~~a visual illustration of~~illustrates the ~~CRP Due Diligence~~ Framework ~~design~~, which is discussed in ~~more~~greater detail in the following sections.


Scoping Assessment
Scoped in via Preliminary Screening
Preliminary Screening
(e.g. new CRP / asset class, material methodology changes, limited data)
Quantitative Scoping Assessment
• CRP / asset class growth and industry concentration
• Spread Assessment & Historical Rating Change Analysis
Spread / Historical Rating Outliers
Qualitative Scoping Assessment
Additional assessment of risk factors including review of other jurisdictions findings, market and asset class trends, prior year findings, etc.
Risk Assessment
Limited Historical Data
Historical Data Analysis
• Develop Test Segments
• Conduct historical data tests
Priority Classification by Test Segment
• High • Moderate • Low
TBD if low priority classification warrants no additional procedures
Detailed Testing Procedures
Detailed Testing Procedures
• Conduct sampling procedures
Methodology Walkthrough and Discussion with CRP
Security Specific Review
Diligence Complete
Governance Procedures
Governance
• Determine Cadence of Due Diligence Activities
• Define Roles and Responsibilities
• Perform Key Activities (Annual Report & Remediation Actions)
• Cumulative due diligence procedure findings will inform future scoping, risk assessment, detail testing and governance procedures

Provisional Acceptance of CRPs

Upon implementation, CRP provided FE and PL ratings that rely on NAIC Designation mapping will be subject to the scope of the Framework and, in parallel, provisional acceptance of the CRPs will begin. Historically accepted CRPs will be provisionally accepted under this ~~framework~~Framework immediately following implementation, provided that~~:~~~~(~~: (i) the CRP continues to meet the acceptance criteria established in the P&P Manual; (ii) no materially adverse findings related to a specific CRP are identified in the most recently available SEC (or other applicable jurisdictional) examination reports as of the implementation date, and (iii) the CRP agrees to meet NAIC data call requirements to support the NAIC in the implementation and on-going maintenance of this ~~framework.~~ Framework.

Provisional acceptance will be granted for a period of 36 months~~, which can be extended by the CRP WG,~~ from the implementation date ~~and~~, subject to extension by the CRPWG. The provisional acceptance process will be carried out in two phases, during which time all historically accepted CRPs must be assessed on both an organizational and methodological basis, as described below.

Phase 1: Organizational Walkthroughs~~:~~

During ~~the~~ Phase 1 following implementation, the NAIC will conduct organizational walkthroughs with each historically accepted CRP to assess organizational approach, processes, and governance related to the assignment of credit risk ratings.

Phase 2: Methodology ~~**Walkthrough**~~Walkthroughs and ~~**Discussion**~~Discussions with CRPs~~:~~

Following Phase 1, the NAIC will conduct Methodology Walkthroughs and Discussions with CRPs as part of Phase 2 described in ~~section~~Section 3 below focusing on the methodologies applied to FE~~ / /~~PL securities. These walkthroughs will leverage Appendix A – CRP Methodology Walkthrough Questionnaire.

The NAIC will determine the sequence of these reviews considering several factors including, but not limited to, the relative proportion of FE and PL ~~securities~~security rating coverage provided by each CRP and the proportion of CRP rating coverage for asset classes determined to be experiencing higher growth ~~for insurers~~in insurer holdings or identified as higher ~~risk~~priority asset classes.

Following the completion of Phase 2, the NAIC will make a determination as to whether each CRP has satisfied the acceptance criteria. For CRPs that were determined not to satisfy the acceptance criteria, the NAIC will determine the appropriate actions in reference to Section 4.2.2 Remediation Actions of the ~~framework~~Framework.

Guiding ~~principles~~Principles

The ~~NAIC CRP Due Diligence~~ Framework is grounded in a set of guiding principles that ensure its design and execution remain pragmatic, scalable, and transparent. These principles establish how due diligence activities are prioritized, governed, and continuously improved to maintain the ~~framework's~~Framework's relevance as the investment landscape evolves:

1. Pragmatic approach

The ~~framework~~Framework applies a practical approach to oversight, focusing on areas where the CRP ratings have the greatest potential impact on the insurance industry or an insurance company's solvency. Risk Assessment and Detailed Testing Procedures are aligned to industry exposure, data history and observed rating variability, ensuring that diligence activities are both effective and efficient.

2. Scalable for growth and changing complexity of insurer balance sheets

The ~~framework~~Framework is designed to scale with the continued growth and changing composition of insurer balance sheets. It accommodates the evolution of new asset classes, emerging risk types and changes in CRP methodologies, ensuring adaptability to shifting industry dynamics and regulatory priorities over time. The NAIC expects the Framework to evolve over time with a) changing investment and market landscapes, b) as data availability, volume, and quality improve, and c) as the NAIC gains further implementation experience under the Framework.

3. Transparency

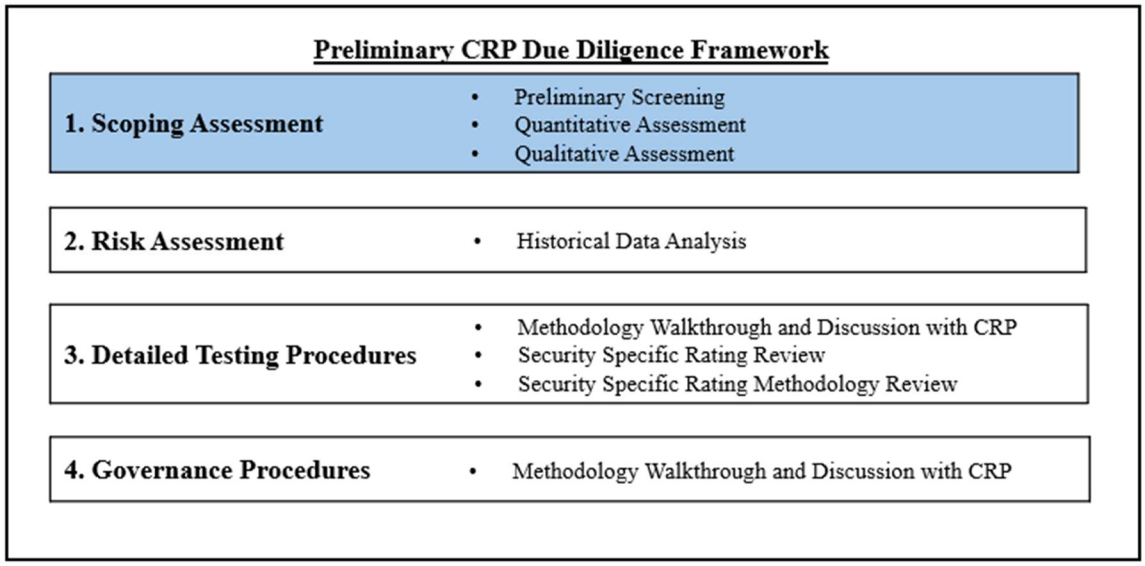
All components of the ~~framework~~Framework – from data collection through scoping, risk assessment, testing, remediation, and governance – are documented and transparent. This ensures that key ~~framework~~Framework design components, diligence activities, quantitative and qualitative results and remediation actions are communicated clearly, reinforcing confidence in both the process and its outcomes. The NAIC believes that a prudent approach is to be transparent about the type of analysis that will be performed under the Framework, the purpose of such analysis, and the basis for conclusions, without committing to publication of all underlying formulas and parameters.

CRP Data Requirements for Implementation and On-going Operation of the CRP Due Diligence Framework

Many asset classes – particularly private or emerging asset classes may have limited historical data or inconsistent information, restricting the ability to perform meaningful quantitative testing. In addition, differences in data collection practices, as well as self-reported data by insurers can introduce the potential for misleading quantitative outcomes. The NAIC will require the cooperation of the CRPs to provide the requisite rating data and the NAIC will be responsible for maintaining the technological expertise and infrastructure to consume and standardize the data from

various parties. If reliable and standardized data are not available, quantitative due diligence activities may not be possible. As a result, additional Detailed Testing ~~procedures~~Procedures including security-~~-~~specific reviews and Methodology Walkthrough and Discussions with CRPs may be required as further detailed in ~~section~~Section 3 below. As the NAIC gains more experience with the ~~framework~~Framework and to address data gaps and other issues that may arise, the NAIC may adjust this ~~framework~~Framework to utilize other tests and processes as appropriate.

1. Scoping Assessment



1.1 Scoping Assessment Overview

The Scoping Assessment procedures will be carried out by the NAIC. The scoping procedures include:

- **Preliminary scoping activities** - designed to target new CRPs, new asset classes, CRPs and asset classes with limited data or revisions to CRP asset class methodologies deemed significant.
- **Quantitative scoping activities –** designed to identify areas of elevated risk across CRPs, asset classes, or securities based on insurance industry exposure, growth trends, spread outliers, limited rating comparability and material changes in ratings or SVO or SSG designations over time.
- **Qualitative scoping activities –** designed to assess the reliability of CRP ratings using regulatory review findings and other qualitative risk factors, including rating methodologies, market conditions, and asset class trends, to determine whether additional targeted procedures are warranted.

1.2 Key Activities

1.2.1 Preliminary Scoping Activities

The preliminary scoping activities are designed to assess either a) new nationally recognized statistical rating organizations (NRSROs) for acceptance as accepted CRPs by the NAIC, or b) instances where previously accepted CRPs have introduced a new ~~and / or~~ ~~a~~ materially changed methodology for a legacy or new asset class. This process will be carried out by conducting interviews with each CRP on an annual basis to understand if there are new ~~assets~~asset classes or significant changes to methodologies. (Refer to Appendix A – CRP Methodology Walkthrough Questionnaire~~).~~.) This preliminary scoping process establishes a baseline understanding of the CRP's methodologies, data history and analytical transparency before inclusion in the broader due diligence cycle.

In cases where either a) a new CRP or b) a new ~~and / or~~ ~~a~~ materially changed methodology for a legacy or new asset class is introduced, that CRP or asset class will automatically proceed to Section 3. Detailed Testing Procedures for targeted methodology walkthroughs and additional security~~-~~-specific testing procedures. Similarly, if a CRP or asset class has fewer than two years of historical data, it bypasses the Risk Assessment entirely and proceeds directly to Section 3. Detailed Testing Procedures, where additional testing can be performed based on available ratings information and supplemental CRP data.

The identification of a new CRP, new asset class, materially changed methodology, or limited-history population for additional review is not intended to be punitive and does not indicate that the CRP, asset class, or methodology is deficient. Rather, these areas are prioritized for additional diligence because limited historical data or limited observed performance may reduce the usefulness of quantitative testing during the initial assessment period.

1.2.2 Quantitative Scoping Activities

Quantitative scoping activities are made up of four component assessments, CRP Scoping, Asset Class Scoping, Spread Comparison, and Historical Rating Change Analysis. It is expected that the availability, volume, and quality of data will improve over time, potentially enabling a broader range of quantitative scoping activities to be performed.

1.2.2.1 Quantitative Attribute Analysis

Quantitative scoping activities will first compare key attributes and metrics at the rating, CRP, and asset class level using a binary assessment against thresholds to determine whether each CRP or asset class segment is "In Scope" or "Out of Scope."

For the CRP scoping assessment, activities include reviewing aggregate insurance sector balance sheet exposure by individual CRPs (as measured by Book Adjusted Carrying Value) to identify exposure risk and analyzing the growth of CRPs that provide ratings for FE/PL securities to detect rapid expansion relative to peer CRPs.

Category	Attribute	Thresholds*
CRP	Insurance Industry Exposure	Low – Within 1st quartile of distribution High – Above 1st quartile of distribution
	Growth	Low - Within 1st quartile of year-~~-~~over-~~-~~year growth relative to peers High – Above 1st quartile of year-~~-~~over-~~-~~year growth relative to peers

* These thresholds are preliminary and will require further discussion and refinement

Similarly, the Asset Class Scoping activities include reviewing aggregate insurance sector balance sheet exposure by individual asset classes (as measured by ~~book-adjusted carrying value~~Book Adjusted Carrying Value) to identify exposure risk and analyzing the growth of asset classes that were FE or PL rated to detect rapid expansion relative to other asset classes. Asset classes used for scoping purposes will be defined based primarily on insurer statutory filing categories, supplemented where appropriate by CRP methodology classifications and available external data sources (see Appendix B). The level of granularity applied will reflect data availability, recognizing that overly granular segmentation may limit the ability to draw meaningful conclusions. Asset class definitions may evolve over time as data quality and availability improve.

Category	Attribute	Thresholds*
Asset Class	Insurance Industry Exposure	Low – Within 1st quartile of distribution High – Above 1st quartile of distribution
	Growth	Low – Within 1st quartile of year-~~-~~over-~~-~~year growth relative to peers High – Above 1st quartile of year-~~-~~over-~~-~~year growth relative to peers

* These thresholds are preliminary and will require further discussion and refinement

If *either* attribute for the CRP or Asset Class is deemed ~~high risk~~High Priority, then the corresponding ~~scoping segment~~Scoping Segment will be "In Scope~~".~~." In instances where both the CRP and Asset Class attributes are deemed low ~~risk~~priority, then the corresponding ~~scoping segment~~Scoping Segment will be "Out of Scope~~".~~."

Illustrative 1.2.2 Quantitative Scoping Activities Outcome

		Corporate Debt	
Scoping Segment		Insurance Industry Exposure	Growth
Example CRP	Insurance Industry Exposure	In Scope	In Scope
	Growth	In Scope	Out of Scope

Result: Example CRP, Corporate Debt: In Scope

1.2.2.2 Spread Comparison

The next quantitative scoping activity involves a spread comparison at the security level. In scope securities will be segmented by rating band. Origination spreads for the in scope securities will be compared to the overall spreads within a given rating band. Spread comparisons may consider rating band, asset class or security type, and relevant security characteristics to the extent the data permits. Where appropriate and feasible, spread comparisons can be expected to account for additional factors outside of credit profile that may impact spread such as market conditions, tenor, and origination timing. The purpose of this analysis is to identify potential outliers for further review, not to conclude that a rating based on spread alone is inappropriate. The process will include:

- Identification of individual security outliers within the rating band. Thresholds to determine outliers will be monitored overtime but may include statistical measures such as standard deviations from the mean, quartile outliers or alternative approaches.
- Review of the asset classes that the individual outlier securities fall into to determine if additional asset class qualitative scoping assessment is warranted. Individual security outliers will be subject to Detailed Testing Procedures as outlined in ~~section~~Section 3.

1.2.2.3 Historical Rating Change Analysis

The ~~final~~next quantitative scoping activity, historical rating change analysis, involves comparison of the following for in scope securities:

a) Securities previously assigned a designation by the SVO or SSG
b) Securities previously rated by one CRP now rated by another CRP

These securities will be reviewed to determine whether there has been a material increase in rating from the prior rating or designation provider. Those securities that have ~~a~~an improvement of more than ~~3~~three sub~~-notch improvement~~-notches compared to the prior rating or designation will be subject to Detailed Testing Procedures as outlined in ~~section~~Section 3 below.

1.2.2.4 Assessment of CRP-Rated Security Performance

The final quantitative scoping activity involves reviewing an insurer's financial position (based on its annual statements, for example) to identify indicators of investment performance deterioration, such as instances where insurers have taken impairments on investments with high FE/PLR NAIC Designations (e.g. NAIC 1 and 2 Designations), and from that data assessing whether the operative CRP rating is properly adjusting for credit or other asset deterioration.

1.2.3 Qualitative Scoping Activities

1.2.3.1 SEC Assessment and Monitoring Over Rating Agencies

Under the Credit Rating Agency Reform Act (2006) and Section 15E of the Exchange Act, the U.S. Securities and Exchange Commission (SEC) (through ~~the~~its Office of Credit Ratings) examines

each NRSRO annually. Importantly, the SEC cannot regulate the substance of ratings or methodologies, but it can enforce compliance with laws, rules, and governance standards.

In order ~~to~~ not to duplicate efforts under the ~~SEC~~SEC's regulatory oversight efforts, the NAIC ~~will utilize the outcomes of the SEC assessment to inform the Due Diligence Framework Scoping Assessment. SEC assessment~~may rely on findings~~, that are published publicly are anonymized and not attributable to a specific CRP. The NAIC will therefore require each accepted CRP to agree to confidentially share their annual SEC assessment findings with the NAIC~~ data, or other information provided by the SEC to inform the NAIC's Scoping Assessment. ~~The NAIC will confidentially review the SEC assessment findings and~~The NAIC will make a judgement as to whether the ~~findings~~ information constitutes a material risk to ratings of a given CRP. We expect that to constitute a material risk to ratings of a given CRP, the ~~findings~~ information ~~of~~ from the SEC ~~assessment~~ would need to be significant and that a conclusion that would impact scoping, within the ~~CRP Due Diligence~~ Framework, based on the ~~findings~~ information ~~of the report are~~ is likely to be rare.

At ~~their~~its discretion, the NAIC may also utilize findings, data or ~~data~~other information from other jurisdictions including but not limited to the Bermuda Monetary Authority (BMA), the European Securities and Markets Authority (ESMA), the Financial Conduct Authority (FCA) and the Japanese Financial Services ~~Agencies~~Agency (JFSA) to make a qualitative judgement about whether ~~findings~~ information under other jurisdictions indicate material risk to ratings of a given CRP. If that determination is ~~"yes",~~affirmative, that CRP will be assessed as "In Scope" across all asset classes.

1.2.3.2 Additional Qualitative Assessment

The ~~CRP working group~~CRPWG may also utilize additional qualitative assessments to inform their scoping conclusions for CRPs and asset classes. These qualitative factors include but are not limited to:

- CRP methodologies with significant qualitative approaches in their methodology (e.g~~.~~., lack of specific factors, thresholds and defined weightings in publicly available methodology documentation)
- CRP methodologies with significant qualitative adjustments to quantitative approaches included as part of the overall rating methodology
- Market~~-~~-driven events or emerging asset class trends that can be reasonably expected to ~~have an impact of~~affect the risk reflected in CRP ratings ~~by CRPs~~ or ratings for particular asset classes
- Results of a prior~~-~~-year ~~Due Diligence~~ Risk Assessment or Detailed Testing Procedures that indicate elevated risks of a given CRP or asset class
- Information from regulators or relevant NAIC groups, for example, findings from the Financial Analysis Working Group.

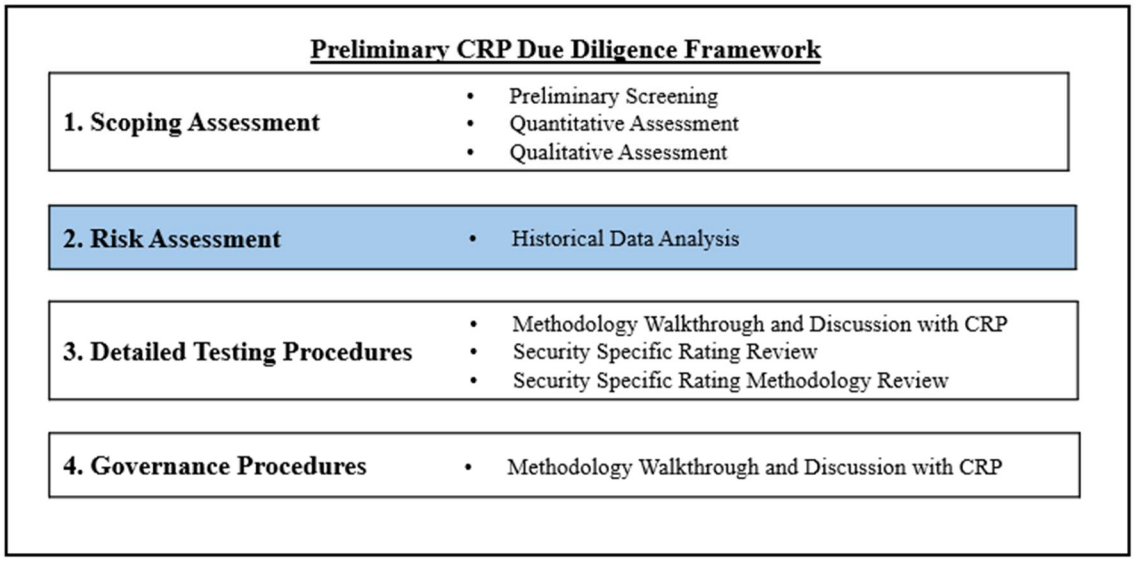
1.3 Expected Outcome

The results from the CRP and Asset Class scoping activities are then combined to determine which CRP/asset class intersections, or "Scoping Segments~~",~~," should be prioritized for further analysis, based on cumulative results of the Scoping Assessment.

Final Scoping Activity Outcomes:

Scoping Activity	Outcome Categories	Logic	Final Scoping Outcome
1.2.1 Preliminary Scoping Activities	- New CRP - New Asset Class - Material Methodology Change - CRP or asset class with <2 years of historical data	If any condition is met, the Scoping Segment automatically qualifies for Section 3 Detailed Testing ~~procedures~~Procedures	Automatically **"In Scope"**
1.2.2 Quantitative Scoping Activities	CRP Scoping: • Insurance Industry Exposure (High/Low) • Growth (High/Low) Asset Class Scoping: • Insurance Industry Exposure (High/Low) • Growth (High/Low) Spread Comparison • Outlier • Non-outlier Historical Rating Change Analysis	A scoping segment is "In Scope" if either the CRP or Asset Class has a ~~high risk~~High Priority outcome in any attribute (Insurance Industry Exposure or Growth). If all attributes for both CRP and Asset Class are Low ~~Risk~~Priority, then segment is "Out of Scope." A security~~-~~-specific origination spread is determined to be an outlier within a specific rating band if the spread is materially higher or lower than the population average. Comparison of an individual security rating or SVO or SSG designation as the rating or designation provider has changed to determine when material improvements have occurred with the change in provider.	**"In Scope"** if any attribute is ~~high risk~~High Priority **"Out of Scope"** only if all four attributes are low ~~risk~~priority **"Outliers"** if the spread difference is above tolerance threshold, securities bypass risk assessment and are subject to Detailed Testing Procedures **"Material Rating Change"** Individual securities with a rating change of ~~3~~three rating ~~sub-categories~~subcategories are subject to Detailed Testing Procedures
1.2.3 Qualitative Scoping Activities	-SEC or other jurisdiction findings indicate material risk to ratings of a given CRP -Additional qualitative assessment	If NAIC review of SEC findings or findings across other jurisdictions indicate material risk, the entire CRP is deemed "In Scope," across all asset classes, irrespective of preliminary or quantitative results. If additional qualitative assessment indicates risk to a specific CRP or asset class the entire CRP, specific asset classes for a given CRP, or an entire asset class may be deemed "In Scope"	SEC or other jurisdiction findings: CRP **"In Scope"** across all asset classes Additional qualitative assessment: entire CRP, asset class for a given CRP or entire asset class determined to be **"In Scope"**

2. Risk Assessment



2.1 Risk Assessment Overview

In the Risk Assessment, quantitative methods are used to facilitate the ~~assessment~~selection of ~~the equivalency, potential inappropriateness, and consistency,~~securities for incremental detailed testing, as described in Section 3 of ~~the CRP ratings.~~this document. The goal of these procedures is to assess the ~~CRP~~ equivalency of CRP ratings that is implied by the CRP rating to NAIC ~~designation~~Designation mapping (the "NAIC Translation Matrix").~~-~~ Using quantitative methods designed to accept or reject either the hypothesis of equivalency or non-equivalency of ratings across comparable Test Segments allows the NAIC to focus its detailed testing efforts on Test Segments of securities that exhibit the potential for systematic disagreement across the CRPs. Systematic disagreement across comparable Test Segments of securities implies that the CRP ratings that are mapped to analogous NAIC ~~designations~~Designations may not be equivalent.~~-~~ The Risk Assessment functions as the analytical bridge between Scoping (what to examine) and Detailed Testing Procedures (how to examine), enabling the NAIC to apply data-driven rigor in determining which CRP-ratings within comparable Test Segments of securities present elevated risk.

By assessing rating equivalence, Risk Assessment provides empirical evidence to support supervisory decisions, enhance transparency, and ensure proportional regulatory focus. The goal is to establish a quantitative foundation for risk tiering that can be used to define which Test Segments warrant further testing (and the extent of that testing).

Using historical CRP and asset class data, NAIC applies time-series, cross-sectional, and pooled-time-series descriptive and statistical analyses to evaluate rating performance across time and between rating providers. (Refer to *Appendix B ~~–~~ Preliminary Asset Class Segmentation*)

The outcome of this process includes:

- A quantitative assessment of rating alignment, across CRPs for Test Segments (as defined below) of securities.
- Identifying potential systematic differences that may indicate misalignment across CRPs within certain Test Segments.
- Classification of Test Segments (as defined below) into High, Moderate, or Low ~~Risk~~Priority, setting thresholds for further diligence procedures.

2.2 Defining the Test Segments for Quantitative Risk Assessment

Defining the appropriate segments for quantitative testing (the "Test Segments") is a foundational part of the Risk Assessment. While an idealized set of Test Segments can be defined for the purposes of developing the Risk Assessment framework, in practice, there are limitations due to a) the availability of certain data attributes, b) the reliability of certain data attributes, c) the limited history associated with certain data, and d) the number of available observations available to make meaningful statistical inferences.

Accordingly, Test Segment definitions are expected to evolve over time and will be informed by data availability, asset class characteristics, rating coverage, statistical reliability, and implementation experience. The Framework is not intended to prescribe a static segmentation taxonomy. Rather, Test Segments will be defined and refined as needed to support meaningful, risk-based analysis while maintaining sufficient flexibility to accommodate changes in insurer holdings, CRP rating coverage, and available data.

For the purposes of this ~~CRP Due Diligence~~ Framework, the data used to perform the quantitative risk assessment procedures is limited to a) data supplied by the rating agencies to the NAIC, b) data reported to the NAIC by insurance companies, and c) data the NAIC licenses. ~~-~~Due to limitations in the available data, it may be necessary to segment the data in a way that produces larger Test Segments than would be ideal in a more refined segmentation analysis (e.g. more granular homogenous Test Segments). Once the Test Segments are determined, if those Test Segments result in population sizes that do not meet minimum viable sizes to inform statistically significant findings, the Test Segments may be grouped into larger populations as needed. As a result, this may impact the level of detailed testing that is performed. Additionally, it may be necessary to extrapolate results across Test Segments (e.g. applying findings from jointly rated securities to comparable single-rated securities).

The table below presents an illustrative, idealized set of fields considered when defining Test Segments for equivalency testing. Certain idiosyncratic characteristics of the securities (such as borrower financial information) are excluded, as obtaining this data from each CRP, for each security, over a meaningful time period is not practical or feasible. Augmentation of the data with publicly available and vendor data sources can and should be considered to the extent that they are practical, facilitate the refinement of the Test Segments, and expand the population of securities available for quantitative testing.

Segmentation	Description	Potential Limitations
Public / Private	Indicates whether a rating is publicly available (public) or not publicly disclosed (private)	The population of privately rated securities with ratings from multiple CRPs is limited.
Asset Class or Security Type	e.g. Corporates, CLOs, etc.	Granularity is limited in the available data, particularly amongst privately- rated securities. Self-reported data can be inconsistent across institutions and may be subjective in some cases.
Industry	e.g-., Financial, Technology, etc.	Self-reported data can be inconsistent across institutions and may be subjective in some cases. When including Industry, certain Test Segments may have limited observations.
Investment Grade (IG) vs Non-Investment Grade	Test Segments may consider the bifurcation of securities into investment grade and non-investment grade tiers for analysis. Non-IG ratings may exhibit more ratings volatility and/or a higher risk of non-equivalency across CRPs.	Further segmentation into IG vs Non-IG ratings could further reduce the observations available for testing purposes.
Jointly Rated / Single Rated	Test Segments can be divided into groupings with one CRP rating ~~vs~~versus multiple CRP ratings	There are a significant amount of single rated securities, which limits the available tests that can be performed
CRP	The rating agency that provided a given credit score.	The time series associated with certain credit rating providers in certain Test Segments may be limited

2.3 Key Activities

The Key Activities table below presents the following:

- **Activity –** A high-level overview of the types of statistical tests that would be conducted to evaluate rating equivalence across predefined Test Segments is provided below. The feasibility of each activity will depend on data availability. It is expected that the availability, volume, and quality of data will improve over time, enabling a broader range of activities to be performed. Upon adoption of the ~~framework~~Framework, testing may be limited to analyses that can be conducted on jointly rated securities. As indicated above, as the NAIC gains more experience with the ~~framework~~Framework, it may determine that ~~its~~it needs to ~~utilize~~use other tests and processes it deems appropriate to determine the reasonableness of a CRP's ratings~~.~~ for NAIC purposes.
- **Data Requirements – A high-level description** of the data required from each CRP to perform the activity

- **Example Tests –** Examples of descriptive and/or statistical tests designed to test CRP equivalency/~~Non~~non-equivalency across each Test Segment. The universe of tests (descriptive or statistical) within each "Activity" area will be refined and is a function of the available data within each Test Segment. ~~-~~Given the data limitations, not all of the example tests will be utilized in the Risk Assessment of the ~~framework~~Framework.
- **Illustrative Thresholds** – Hypothetical thresholds related to the Example Tests that can be used to classify the Test Segments into ~~risk~~priority cohorts (e.g. ~~low, moderate, high~~Low, Moderate, and High) and ultimately determine the level of detailed testing that may be required.~~-~~ The thresholds presented below are illustrative statistical thresholds for consideration and will ultimately be refined.
- **Expected Outcomes –** The potential outcomes of the tests that would allow for the classification of each cohort into their respective ~~risk~~priority buckets (low, moderate, high)

Activity[3]		Data Requirements[4]	Example Tests	Illustrative Thresholds[5]
Event-Based and Predictive Equivalence Tests	1) Identification of deviations between CRP ratings and realized default frequency or losses. 2) Assessment of whether CRP ratings rank-order risk appropriately.	Historical ratings and realized default data (binary outcomes) over time.	- ROC & AUC analysis; - CAP / Accuracy Ratio	- AUC > 0.7 = good discrimination. - AR/CAP > 0.6 = strong predictive power.
Descriptive and Distributional Tests	Compare rating distributions and migration patterns across CRPs to test alignment in rating philosophy (equivalency) and stability.	Long-term historical ratings from multiple CRPs and relevant rating change/review dates.	- Comparison of Transition matrices and -Ratings histograms; - Chi-square test - Kolmogorov–Smirnov (KS) test;	- KS test: $p \geq 0.05 \rightarrow$ no significant difference. - Chi-square: $p \geq 0.05 \rightarrow$ independent distributions. - Kullback-Leibler (KL) divergence (> .05 higher risk of divergence).
Correlation and Association Tests of jointly rated securities	Detect divergence or systemic biases in jointly rated securities.	Matched security ratings from multiple CRPs.	- Spearman's ρ; - Kendall's τ; - Cohen's κ; - Concordance Correlation Coefficient (CCC)	- Spearman's ρ / Kendall's τ > 0.8 = strong agreement. - Cohen's κ > 0.8 = high; 0.6–0.8 = moderate; < 0.6 = weak. - CCC ≈ 1 → high equivalence.
Time-Series Equivalence Tests	Identifying equivalency in ratings over time (changes in ratings)	Time-series issuer ratings from multiple CRPs that ~~includes~~include specific rating review/change dates.	- Cointegration (Engle–Granger, Johansen); - Cross-correlation functions; -	- Cointegration → shared long-run equilibrium. - CCF: peaks near lag 0 → no leader/laggard; lag > 0 → leader/laggard exists. -

Benchmark Comparison Test ~~compare~~: Compare spreads at origination ~~to~~with ratings as of origination across ~~the~~each Test Segment to ~~assess~~ identify spread outliers ~~spread at origination~~ and benchmark spreads by Test Segment.

The thresholds, tests, sampling approaches, and related procedures described in this Framework are intended to provide an initial implementation structure and may be refined over time as data quality improves, additional analytical history becomes available, and the NAIC gains experience operating the Framework

[3] Initial testing may be limited to tests of jointly rated securities ("Correlation and Association Tests of jointly rated securities")
[4] The use of particular activities / tests may depend on the nature and scope of the data received from CRPs.
[5] Concluded thresholds and resulting Risk Assessment outcomes to be finalized once additional data analysis is performed.

Test Segments that lack sufficient data or reliable history will initially default to High ~~Risk~~Priority status and proceed to qualitative review or Detailed Testing.

2.4 Expected Outcome

The Risk Assessment should result in a ~~risk~~priority classification for each Test Segment that is based on tests that result in quantifiable outcomes with pre-defined thresholds.

It provides:

- A clear High / Moderate / Low ~~risk~~Priority rating, by Test Segment.
- Identification of cohorts requiring detailed testing or additional qualitative review.
- Analytical insights into CRP rating behavior, performance alignment, and systemic differences.
- A composite Risk Assessment Report summarizing test results, thresholds applied, and rationale for each classification.

The expected outcome of the Risk Assessment is to ensure that subsequent due diligence activities are proportionate to the level of perceived risk, forming a cornerstone for the NAIC's risk-based oversight of CRP reliance.

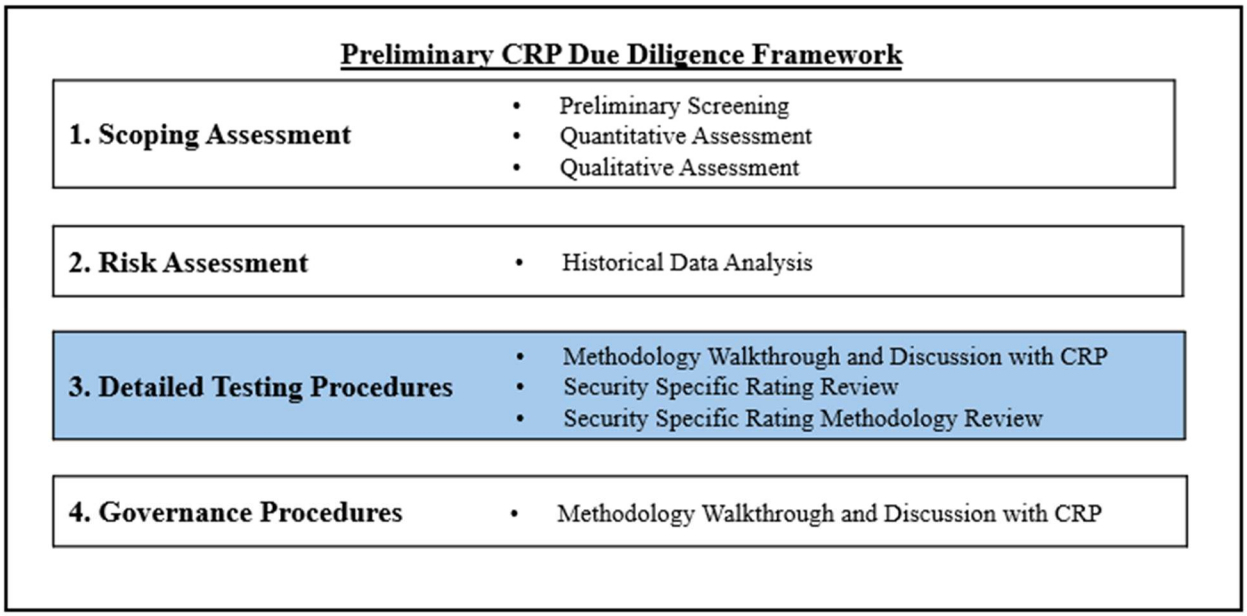
Illustrative 2.4.1 Risk Assessment Activities Outcome

For a hypothetical Test Segment, the risk assessment procedures will categorize each security and CRP combination within that Test Segment as ~~high, moderate~~High, Moderate, or ~~low risk~~Low Priority, as illustrated in the table below.~~-~~ In the case below, CRP X ratings are statistically different from the other CRP ratings in the example Test Segment, signaling that CRP X ratings may be systematically not equivalent to the other ~~CPR~~CRP ratings.

Correlation and Assocation Test of Jointly Rated Securities (Example Results by Illustrative Test Segment)						
Public Private	**Asset Class**	**Industry**	**IG/Non-IG**	**Jointly Rated**	**Test Result**	**Outcome**
Public	Corporate	Drilling Oil and Gas	Non-IG	Y	CRP X > Threshold	High
Public	Corporate	Drilling Oil and Gas	Non-IG	Y	CRP Y < Threshold	Low
Public	Corporate	Drilling Oil and Gas	Non-IG	Y	Low Threshold < CRP Z < High Threshold	Moderate

The Asset Class "Corporate" being a security issued by an operating entity consistent with the Statement of Statutory Accounting Principles (SSAP) No. 26 – Bond definition for an issuer obligation.

3. Detailed Testing Procedures



3.1 Detailed Testing Procedures Overview

Detailed Testing Procedures ~~due diligence activities~~ are performed when Scoping and Risk Assessment indicate elevated ~~risk~~priority. Detailed testing includes methodology walkthroughs and security ~~-~~specific rating reviews that focus on verifying the reasonableness ~~and consistency~~ of CRP ratings~~. Its~~, as further defined in Section 3.2.1 below. Their primary purposes are to determine future ~~on-going~~ongoing due diligence activities and potential remediation actions, ensuring that the reliance on CRPs and ~~translation matrix~~Translation Matrix outcomes are governed by sufficient NAIC oversight and are well substantiated.

3.1.1 Sampling Approach

Sampling for Detailed Testing Procedures will be directly informed by the ~~risk~~priority classifications of High, Moderate, or Low established during the Risk Assessment.

The sampling methodology will emphasize that higher ~~risk~~priority Test Segments require larger sample sizes and a lower ~~tolerable~~tolerance for unreasonable results in ~~Detail~~Detailed Testing ~~Procedure results~~Procedures. While final sample sizes are still to be determined, the approach may leverage statistical or judgmental (nonstatistical) sampling techniques depending on the characteristics of Test Segments and data availability. Risk-based sampling is expected to be informed by both the ~~risk~~priority classifications (High, Moderate, and Low) in the current year and the outcomes of the prior year Detailed Testing Procedures (reasonable vs. unreasonable and Translation Matrix equivalency findings). Test Segments from the prior year where Detailed Testing Procedures determined results were unreasonable or Translation Matrix equivalency was at risk for a CRP or asset class~~,~~ will be expected to be subject to increased sampling.

Sampling is intended to produce findings that can inform views for each Test Segment.

3.2 Key Activities

The Detailed Testing Procedures outlined below will be conducted by the NAIC in coordination with the CRPs. These procedures are designed to evaluate the consistency of ~~CRPs~~CRP ratings. All data requests, follow-up analyses, and methodological discussions related to these procedures will be managed directly between the ~~CRP WG~~CRPWG and the respective CRPs.

3.2.1 Detailed Testing Procedures

(a) **Methodology Walkthrough and Discussion with CRP** — Conduct technical walkthroughs to understand asset class scope for the methodology, methodology design, input assumptions, and quantitative and qualitative analysis conducted by a CRP for a given asset class~~(es)~~ or group of asset classes to understand details of the CRP methodology and determine the appropriate level of subsequent Security-Specific Review. (See Appendix A – CRP Methodology Walkthrough Questionnaire~~)~~ for ~~example~~an illustrative questionnaire ~~for guiding~~to guide methodology ~~walk-through~~walkthroughs with CRPs.)

(b) **Security-Specific Rating Review:** Perform an independent rating analysis.

a. NAIC to perform rating analysis, leveraging an acceptable methodology (as outlined in the P&P Manual) and an independent approach, to assess the reasonableness of the CRP rating provided.

b. When performing an independent rating analysis, the NAIC will consider the most recent available public rating and any changes in rating from the latest insurer filing. When performing an independent rating analysis for a private security, the NAIC will request the most recent private rating letter from the CRP to perform the analysis.

~~c.~~ Materiality: When performing ~~ratings~~a rating review, apply the NAIC's three sub-notch materiality tolerance threshold—as defined under the Ratings Challenge Authority in the P&P Manual—as the acceptable deviation threshold between independent and CRP-assigned ratings. Deviations beyond this tolerance are determined to be unreasonable and will be flagged for escalation.

(c) **Security-Specific Rating Methodology Review:** Perform an independent rating methodology review for a sample security that includes ~~the reasonableness~~an assessment of the methodology selected by the CRP, accuracy of inputs, ~~reasonableness~~assessment of assumptions, and model accuracy to assess ~~for~~the reasonableness of the CRP rating provided for the sample security.

3.2.2 Detailed Testing Procedures Application

3.2.2.1 Test Segments in Scope based on 1.2.1 Scoping Activities

When Scoping Activities, as described above in ~~section~~Section 1.2. indicate "In Scope", Detailed Testing Procedures will include a Methodology Walkthrough and Discussion with CRP as described above. The results of those procedures will determine what level of additional security-~~-~~specific ~~Detailed Testing are~~detailed testing is appropriate, if any.

3.2.2.2 Test Segments "In Scope" and Categorized ~~based~~Based on 2. Risk Assessment Procedures

Following the Scoping Assessment determination of "In Scope" as described in ~~section~~Section 1 above, the nature and extent of Detailed Testing Procedures will be determined based on the outcome of the Risk Assessment for each identified Test Segment as follows:

- Low ~~risk~~Priority Test Segments are expected to be subject to Methodology Walkthrough and Discussions with CRPs with no additional security~~-~~specific Detailed Testing
- Moderate ~~risk~~Priority Test Segments are expected to be subject to moderate security~~-~~specific Detailed Testing
- High ~~risk~~Priority Test Segments are expected to be subject to the highest level of security ~~-~~specific Detailed Testing

3.3 Expected Outcome

Detailed Testing Procedures develop an independent and well-documented view on the reasonableness of CRP asset class ratings to inform views on ~~translation matrix~~Translation Matrix equivalency or risk of a given CRP or asset class.

4. ~~,~~Governance Procedures

Preliminary CRP Due Diligence Framework

1. Scoping Assessment	• Preliminary Screening • Quantitative Assessment • Qualitative Assessment
2. Risk Assessment	• Historical Data Analysis
3. Detailed Testing Procedures	• Methodology Walkthrough and Discussion with CRP • Security Specific Rating Review • Security Specific Rating Methodology Review
4. Governance Procedures	• Methodology Walkthrough and Discussion with CRP

4.1 Governance Overview

Governance ensures that ~~the CRP Due Diligence~~ Framework activities are successfully implemented, sustained, and able to evolve as needed overtime via appropriate review processes and feedback loops. A well-defined governance structure will facilitate ~~needed~~ transparency, as needed, and provide clearly defined roles and responsibilities for both NAIC stakeholders and CRPs. Lastly, a robust governance structure enables timely and effective risk mitigation via remediation actions, when appropriate. To enable the Framework to evolve as needed, this Framework may be amended by the CRPWG, with adoption by parent task forces and committees, as appropriate, following standard NAIC meetings, exposure and public comment protocols.

4.1.1 CRP Due Diligence Framework Activities

The table below outlines the cadence of the ~~CRP Due Diligence~~ Framework procedures, beginning with data collection, followed by risk assessment and quantitative testing, and culminating with detailed testing and governance procedures.

Activity
Scoping Assessment
Data Receipt from InvAWG and ~~IDA WGs~~IDAWGs
Quantitative and Qualitative Scoping Analysis
Risk Assessment
Defining Test Segments
Conducting Quantitative Tests
~~Risk~~Priority Classification Results
Detailed Testing Procedures
CRP Methodology Walkthrough and Discussion with CRPs
Sampling Procedures
Security ~~-~~Specific Sample Reviews
Governance Procedures
Produce Annual Report Summarizing CRP Due Diligence Findings
Review and Approval of Remediation Actions
Updates and Enhancements to CRP Due Diligence Framework

4.1.2 Roles and Responsibilities[6]

The overall interaction model among the working groups that make up the ~~IA TF~~IATF in support of the ~~CRP Due Diligence~~ Framework will be defined in their annual charges and posted on their respective web pages on the NAIC's website.

The ~~CRP WG~~CRPWG is currently charged with primary responsibility for the oversight and execution of the ~~CRP Due Diligence~~ Framework activities including coordination with CRPs to obtain necessary data to execute the due diligence activities. The application of the ~~framework~~Framework—including data collection, analysis, testing activities, and preparation of materials – may be performed by a combination of ~~CRP WG~~CRPWG regulators, NAIC staff overseen by the ~~CRP WG~~CRPWG, and may leverage additional NAIC staff resources as appropriate.

[6] The roles and responsibilities of the working groups under the Invested ~~Asset~~Assets (E) Task Force have been established as of the January 1, 2026, reorganization date and may be revised in the future.

On an annual basis, the ~~CRP WG~~CRPWG will prepare a report to be presented to the ~~IA TF~~IATF that summarizes key findings, observed trends, and adopted remediation actions as further detailed below in ~~section~~Section 4.2.1 Annual Report, for the ~~IA TF's~~IATF's consideration. The ~~CRP WG~~CRPWG will review and maintain key design decisions (e.g. ~~.~~., thresholds, quantitative tests) that make up the ~~CRP Due Diligence~~ Framework and adjust the design as needed on an on-going basis.

The ~~IA TF~~IATF will review the annual report produced by the ~~CRP WG~~CRPWG. The ~~CRP WG's~~CRPWG's parent committees (~~IA TF~~IATF, E Committee, Plenary) are responsible for final approval of all Tier 2 remediation actions, as defined below, to maintain independence and impartiality. The ~~CRP WG~~CRPWG shall have authority as it relates to Tier 1 remediation actions, as defined below.

~~4.2~~ 4.2 Key Activities

4.2.1 Annual Report

The ~~CRP WG~~CRPWG Annual Report may include, but is not limited to:

- **Scoping Assessment**: Summary of observations and trends: providing insights into– new or developing asset classes and CRP methodologies, insurer CRP and asset class insurance industry exposure and growth and SEC review findings by CRP.
- **Risk Assessment**: Identification and ~~risk~~priority classification of Test Segment results to determine in scope population for detailed testing activities – a composite Risk Assessment Report summarizing test results, thresholds applied, and rationale for each classification that results in analytical insights into CRP rating ~~reasonableness and~~ equivalency.
- **Detailed Testing Procedures**: Summary of findings and trends observed through methodology walkthroughs and detailed security-~~-~~specific reviews and the implications on the ~~translation matrix~~Translation Matrix equivalency or risk of a given CRP or asset class.
- **Governance Procedures**:
    - Recommended remediation actions: providing remediation actions for approval based on the findings of the preceding ~~CRP Due Diligence~~ Framework procedures
    - Forward-looking Adjustments: providing insights into how findings impact future year activities and recommend changes (e.g. ~~.~~., procedures, thresholds, etc.)

Aspects of the ~~CRP WG~~CRPWG Annual Report may include confidential information that will be provided to the IATF in a regulator-only meeting in accordance with the NAIC's Open Meetings Policy on such issues.

4.2.2 Remediation Actions

Remediation actions represent the critical enforcement mechanism within the NAIC ~~CRP Due Diligence~~ Framework - translating analytical findings into actionable outcomes. They ensure that any identified deficiencies, methodological inconsistencies, or rating outcome deviations are addressed promptly and proportionately. The goal of remediation actions is to address inconsistencies in rating practices or ~~translation matrix~~Translation Matrix outcomes.

The application of remediation actions will reflect both the severity and persistence of issues observed during the Risk Assessment and Detailed Testing Procedures. Remediation may range from heightened

monitoring and data clarification requests to more consequential interventions, such as ~~translation matrix~~Translation Matrix adjustments or removal of a CRP or asset class from FE/PL eligibility, or removal of ratings assigned under a specific CRP methodology. Possible remediation actions may include but are not limited to:

~~Tier1~~Tier 1: Remediation Actions:

1. **Watchlist / Enhanced Monitoring** – applied in cases for minor deviations or data limitations where further observation is warranted before taking further remediation actions.
2. **Additional Detailed Testing Scope** – additional testing assigned to specific CRPs or asset classes where data is limited or preliminary findings indicate emerging risk or inconsistency or lack of comparability.

Tier 2: Remediation Actions:

1. **Require ~~more than one~~More Than One Rating** – In the event rating inconsistencies are identified and persist, the NAIC may require additional ratings to support PL ~~and~~ or FE ~~submission(s).~~submissions.
2. **Translation Matrix Adjustment** – implemented when systemic rating inconsistencies are observed for a given CRP or asset class, indicating misalignment between CRP ratings and NAIC Designations
3. **Removal of Filing Exempt Status for an Asset Class** – triggered by repeated inconsistencies in CRP ratings for a given asset class.
4. **CRP De-admittance** – considered in cases of persistent inconsistencies with rating methodology or outcomes.

For ~~CRP WG~~CRPWG remediation action determinations that are materially adverse to a CRP, a confidential and detailed explanation of the decision shall be provided to the subject CRP, prior to any adverse decision being made public. The CRP shall be able to present its opposition to the ~~CRP WG~~CRPWG determinations in a regulator-only session, including explanatory context and any new materials. Recommended remediation actions, if any, by the ~~CRP WG~~CRPWG will then be subject to the ~~CRP WG's~~CRPWG's parent committees (~~IA TF~~IATF, E Committee, Plenary), as described above.

~~Once the~~ Following approval of a remediation action ~~is finalized, a defined notice period – generally expected~~and notification to ~~range from three to six months, depending on~~the affected CRP, the ~~materiality of impacted filings –~~ NAIC may ~~be provided prior to implementation to mitigate large market impact. This remediation adjusting period is intended to support timely implementation.~~

~~CRP~~provide public notice, as deemed appropriate and subject to ~~de-admittance may be permitted to re-apply for CRP status at a later date, subject to applicable acceptance criteria.~~

confidentiality considerations. All public communications related to ~~CRP WG~~CRPWG remediation action determinations shall be specific enough to relay the primary rationale for the decision while remaining sufficiently general to protect confidential information.

Such notice is intended to provide affected stakeholders, including insurers, with notice of the remediation action and sufficient time to evaluate potential impacts before implementation. Once the remediation action is finalized, a defined notice period of 120 days, consistent with existing filing requirements outlined in the 2025 P&P Manual, will be provided prior to implementation to mitigate significant market impact. All Remediation Actions will apply on a prospective basis only.

CRPs subject to de-admittance may be permitted to reapply for CRP status at a later date, subject to applicable acceptance criteria. Any re-admittance will be subject to the same acceptance criteria and review process applicable to a new CRP applicant. The nature and extent of the re-admittance review may be determined on a case-by-case basis and may focus on the facts and circumstances that led to de-admittance, including whether the CRP has remediated the identified issue or provided sufficient evidence that the concern has been addressed.

4.3 Expected Outcome

Governance and remediation activities are designed to support a transparent oversight framework that ensures due diligence findings translate into timely, transparent, and proportionate actions.

Expected outcomes include:

- Structured, scalable, and pragmatic oversight to support the NAIC's reliance on CRP--provided ratings, including a process for identifying and escalating rating inconsistencies.

Appendices

Appendix A – CRP Methodology Walkthrough Questionnaire

Methodology Walkthrough Questionnaire
This illustrative questionnaire is designed to guide the NAIC's walkthrough with CRPs during detailed testing. It is understood that certain information about CRP methodologies is available publicly. The purpose of this questionnaire is to facilitate discussion between the CRPs and NAIC and to allow the NAIC an opportunity to ask questions about publicly available methodologies and gain a deeper understanding of CRP approaches.

The end objective is to validate that CRP methodologies used in rating securities are transparent, consistently applied, and conceptually aligned for purposes of determining NAIC ~~designations~~Designations based on the Translation Matrix.

1. *Scope and Applicability*
    - What asset classes does this methodology cover?
    - When was the methodology last materially updated or recalibrated?
    - What triggers a formal methodology review or ~~updates internally~~an internal update (e.g.~~,~~.,, market change, data availability, regulatory feedback)?
2. *Governance Oversight*
    - Describe the internal governance process for methodology approval and change control.
    - Which committees or governing bodies are responsible for approving updates?
    - How are changes communicated to external stakeholders (e.g.~~.~~., issuers, investors, and regulators)?

A) Analytical Framework and Inputs

3. *Model Structure*
    - Please discuss the core model architecture (e.g.~~,~~.,, scorecard, regression, cash flow simulation, expert judgment).
    - What are the primary input assumptions and drivers of rating outcomes (e.g.~~,~~.,, leverage, coverage, collateral type, tranche structure)?
    - How are qualitative factors (management quality, governance, ESG considerations) incorporated or weighted?
4. *Data and Assumptions*
    - What data is used to determine the rating methodology approach? How is it sourced, how frequently is it updated and how is it reviewed or validated?
5. *Sensitivity and Backtesting*
    - How does the CRP validate the predictive performance of the model?
    - Provide results from the most recent backtesting, calibration, or validation cycle.
    - Describe how stress testing or scenario analysis is incorporated to assess model robustness.

B) Rating Process and Application

6. Analyst Judgment and Overrides

- Under what conditions may an analyst override a model outcome?
- How are overrides documented, reviewed, and approved internally?
- What percentage of ratings historically involved an override?

7. Consistency and Transparency

- How does the CRP ensure consistency in ratings across analysts, geographies, or time periods?
- Are internal audits, peer reviews, internal challenge, etc. conducted on rating application consistency?

C) Performance Monitoring and Review

8. Ongoing Monitoring

- How frequently is rating performance monitored against realized outcomes (defaults, transitions)?

- What performance metrics are tracked (e.g., accuracy ratio, Gini, drift metrics)?
- If applicable, how are outcomes used to refine methodologies?

9. Weakness Identification and Remediation

- How are methodology weaknesses or data gaps identified internally?
- What internal escalation or remediation protocols exist?

D) NAIC-Specific Alignment and Transparency

10. Data Provision and Accessibility

- Can you meet the data requirements requested by the NAIC to support on-going due diligence on a go forward basis? Identify any confidentiality or intellectual property constraints that may limit full transparency.

E) Summary and Supporting Materials

11. Supporting Documentation

- Attach the most recent methodology document, and evidence of internal review and challenge, as available.
- Feedback from SEC Office of Credit Ratings examinations.

12. Attestation

- Confirm that the responses provided herein are complete and accurate to the best of the CRP's knowledge.
- Provide name, title, and contact information for the responsible officer.

Appendix B – Preliminary Asset Class Segmentation

The following section outlines potential approaches for identifying the asset class of individual securities for purposes of segmentation. The approaches are not mutually exclusive and may be applied on a standalone basis or in combination, depending on data availability ~~/~~and quality. Collectively, these options are intended to provide a pragmatic basis for consistent asset class identification across insurer holdings while allowing flexibility in implementation.

1. **Option 1** – Leverage existing Insurer Statutory Filings
    a. *Pre-2024 Data*
        i. Current data segmentation

Current Data Segmentation
Commercial Paper
Corporate Bonds / Notes
Credit Facilities
Term Loans
Depository Receipts
Municipal Debt
Sovereign or Government Agency Debt
MBS*
Structured Products
Syndicated Loan Deals

*-Limitation – Current state information is not detailed enough to segment out of scope RMBS and CMBS that are not filing exempt.

    b. *Post-2025*
        i. Enhanced Insurer Schedule D1.1 (ICOs) and D1.2 (ABS) Filing Segmentation

D1.1 (ICOs)	D1.2 (ABS)
U.S. Government Obligations (Exempt from RBC)	Agency Residential Mortgage-Backed Securities - Guaranteed (Exempt from RBC)
Other U.S. Government Securities Obligations (Not Exempt from RBC)	Agency Commercial Mortgage-Backed Securities - Guaranteed (Exempt from RBC)
Non-U.S. Sovereign Jurisdiction Securities	Agency Residential Mortgage-Backed Securities - Not/Partially Guaranteed (Exempt from RBC)
Municipal Bonds - General Obligations (Direct and Guaranteed)	Agency Commercial Mortgage-Backed Securities - Not/Partially Guaranteed (Exempt from RBC)
Municipal Bonds - Special Revenue	Non-Agency Residential Mortgage-Backed Securities (Unaffiliated)
Project Finance Bonds Issued by Operating Entities (Unaffiliated)	Non-Agency Residential Mortgage-Backed Securities (Affiliated)
Project Finance Bonds Issued by Operating Entities (Affiliated)	Non-Agency Commercial Mortgage-Backed Securities (Unaffiliated)
Corporate Bonds (Unaffiliated)	Non-Agency Commercial Mortgage-Backed Securities (Affiliated)
Corporate Bonds (Affiliated)	Non-Agency - CLOs/CBOs/CDOs (Unaffiliated)
Mandatory Convertible Bonds (Unaffiliated)	Non-Agency - CLOs/CBOs/CDOs (Affiliated)
Mandatory Convertible Bonds (Affiliated)	Other Financial Asset-Backed Securities - Self-Liquidating (Unaffiliated)
Single Entity Backed Obligations (Unaffiliated)	Other Financial Asset-Backed Securities - Self-Liquidating (Affiliated)
Single Entity Backed Obligations (Affiliated)	Subtotals - Financial Asset-Backed Securities - Self Liquidating
SVO-Identified Bond Exchange Traded Funds - Fair Value	Equity Backed Securities (Unaffiliated)

SVO-Identified Bond Exchange Traded Funds - Systematic Value	Equity Backed Securities (Affiliated)
Bonds Issued by Funds Representing Operating Entities (Unaffiliated)	Other Financial Asset Backed Securities – Not Self-Liquidating (Unaffiliated)
Bonds Issued by Funds Representing Operating Entities (Affiliated)	Other Financial Asset Backed Securities – Not Self-Liquidating (Affiliated)
Bank Loans - Issued (Unaffiliated)	Subtotals – Financial asset Backed Securities – Not Self-Liquidating
Bank Loans - Issued (Affiliated)	Lease-Backed Securities - Practical Expedient (Unaffiliated)
Bank Loans - Acquired (Unaffiliated)	Lease-Backed Securities - Practical Expedient (Affiliated)
Bank Loans - Acquired (Affiliated)	Other Non-Financial Asset-Backed Securities - Practical Expedient (Unaffiliated)
Mortgages Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated)	Other Non-Financial Asset-Backed Securities - Practical Expedient (Affiliated)
Mortgages Loans that Qualify as SVO-Identified Credit Tenant Loans (Affiliated)	Lease-Backed Securities - Full Analysis (Unaffiliated)
Certificates of Deposit (Unaffiliated)	Lease-Backed Securities - Full Analysis (Affiliated)
Certificates of Deposit (Affiliated)	Other Non-Financial Asset-Backed Securities - Full Analysis (Unaffiliated)
Other Issuer Credit Obligations (Unaffiliated)	Other Non-Financial Asset-Backed Securities - Full Analysis (Affiliated)
Other Issuer Credit Obligations (Affiliated)	

2. **Option 2** – Supplement Insurer Statutory Filing with CRP Data
    a. CRP identified methodology applied (pending information available upon receipt of CRP data)
        i. Will require asset class mapping across CRP methodologies given known differences in naming conventions
    b. SIC Code for corporate filings

3. **Option 3** – Supplement Insurer Statutory Filings and CRP Data with external market subscriptions

October 26, 2026

Jake Garn, Chair
Laura Clements, Vice Chair
Credit Rating Provider (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1000
Kansas City, MO 64106

Re: CRP Due Diligence Framework

Dear Chair Garn and Vice Chair Clements:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide additional comments on the revised Credit Rating Provider (CRP) Due Diligence Framework by the NAIC's Credit Rating Provider (E) Working Group (Working Group). ACLI continues to support the NAIC's efforts to establish a structured and transparent process for evaluating CRP ratings used to determine NAIC Designations.

ACLI also appreciates several changes made in response to the initial exposure. In particular, the revised framework clarifies that spread comparisons are intended to identify potential outliers for further review and should consider relevant security and market characteristics, including asset class, tenor, origination timing, and market conditions. The revised framework also appropriately recognizes that Test Segments may need to evolve based on data availability, asset class characteristics, rating coverage, statistical reliability, and implementation experience. Finally, the additional explanation of the CRP readmission process provides greater clarity regarding the path available to a CRP that has addressed the issue leading to its de-admission.

The revised framework also states that remediation actions will apply prospectively. ACLI supports this addition because it provides important protection against the retroactive revision of previously filed statutory financial statements and risk-based capital calculations. However, the NAIC may wish to clarify what is meant by prospective application, as some of our members interpreted this to mean that existing securities would be grandfathered (i.e., Tier 2 remediation actions would apply only to new transactions rated by the CRP).

During the Working Group's October 1st public meeting, an example was discussed involving a remediation action whose Remediation Notice Period extends across year-end. Our understanding from that discussion is that an insurer could continue using the existing CRP derived designation for year-end reporting during the Remediation Notice Period but would need to obtain an alternative rating or designation before the period expires. We recommend that the framework includes a similar example to clarify how prospective application and the Remediation Notice Period would apply to existing securities, including when the period crosses a financial reporting date. Proposed language is included in Appendix A.

The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

Remediation Notice Period and Extensions

The revised framework establishes a 120-day Remediation Notice Period following a finalized Tier 2 remediation action to allow insurers and issuers to seek alternative CRP ratings or file affected securities with the SVO for a designation. ACLI recognizes that 120 days may be sufficient when an action affects a limited number of securities. However, the same period may not be operationally feasible when a remediation action affects an entire CRP or a large number of securities.

In those circumstances, insurers and issuers may need to distribute affected securities among multiple CRPs and, where available, the SVO. Discussions with CRPs indicate that rating providers may not have sufficient excess capacity to absorb a substantial influx of new ratings outside the ordinary course of business. The necessary time would depend on the number and complexity of affected securities, the availability of applicable rating methodologies, and the ability of the SVO or other CRPs to provide an alternative designation.

ACLI therefore recommends that the framework provide an initial Remediation Notice Period of at least 180 days. In addition, affected insurers should be permitted to request further extension from the Working Group when they are actively seeking alternative ratings or SVO designations, but practical constraints prevent completion within the initial period.

Rather than prescribing a fixed maximum extension, the framework should allow the Working Group to determine the appropriate additional period based on the facts and circumstances at that time. Relevant considerations could include:

- The number and complexity of affected securities
- Whether another CRP or the SVO has an applicable methodology
- Available rating and analytical capacity
- Actions already taken by insurers and issuers to obtain alternative ratings or designations
- The expected time required to complete the remaining work

Any extension would remain subject to Working Group approval, which would allow regulators to address remediation matters promptly while providing flexibility for situations in which viable alternatives cannot reasonably be obtained within a uniform period. The approach would not automatically delay remediation; instead, it would establish a process for addressing exceptional circumstances based on demonstrated need. Proposed language is included in Appendix A.

Preference for the Least Disruptive Effective Remedy

ACLI also reiterates the preference expressed in its July 3rd comment letter that the NAIC use the least disruptive remedy capable of addressing an identified concern. Where a concern can be appropriately addressed through a Translation Matrix Adjustment, sometimes referred to as notching, ACLI believes that approach should generally be considered before de-admitting a CRP, a CRP asset class methodology, or requiring that a second CRP rating be obtained.

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A Translation Matrix Adjustment could allow the NAIC to address a demonstrated difference in rating outcomes while preserving access to the CRP's analytical work. By comparison, de-admission could require insurers and issuers to obtain replacement ratings or NAIC Designations for a potentially significant number of securities, creating operational challenges for insurers, issuers, CRPs, and the SVO while introducing avoidable uncertainty into private debt capital markets. ACLI therefore recommends that the framework favors the least disruptive effective alternative, where appropriate. Proposed language is included in Appendix A.

ACLI appreciates the Working Group's consideration of these comments and the improvements reflected in the revised framework. We believe that clearer guidance regarding prospective application of Tier 2 remediation actions, an initial Remediation Notice Period of at least 180 days with a potential extension process based on demonstrated need, and an express preference for the least disruptive effective remedy would improve the practical implementation of the framework while preserving the NAIC's ability to address identified ratings concerns.

We look forward to continuing to work with the Working Group and NAIC staff as the framework is finalized and implemented. Please contact us if we can provide additional information or discuss the recommendations further.

Sincerely,

Adam Knepp	*Joshua Winchester*	*Tracey Lindsey*
Adam Knepp, CPA	Joshua A. Winchester, CFA	Tracey Lindsey
ACLI	On behalf of PPIA Board of Directors	NASVA

The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 94 percent of industry assets in the United States.

Appendix A

Proposed Revisions to the Credit Rating Provider Due Diligence Framework

The following proposed revisions correspond to the recommendations discussed in the body of this letter. Additions are underlined in red, and deletions are shown in red strikethrough.

Prospective Application
Proposed revision to Section 4.2.2, Remediation Actions

All Remediation Actions will apply on a prospective basis only. Prospective application means that a Remediation Action will not result in revisions to previously filed statutory financial statements or risk-based capital calculations and will not change the treatment of an affected security for a financial reporting date that occurs during the applicable Remediation Notice Period. For example, if a Remediation Notice Period extends across a year-end financial reporting date, an insurer may continue to use the existing CRP-derived designation for the affected security for that year-end reporting date. Prospective application does not grandfather a security from the Remediation Action. Upon expiration of the Remediation Notice Period, the insurer must have obtained an alternative CRP rating or designation for the affected security.

Remediation Notice Period and Extensions
Proposed revision to Section 4.2.2, Remediation Actions

For CRPWG remediation action determinations that are materially adverse to a CRP, a confidential and detailed explanation of the decision shall be provided to the subject CRP, prior to any adverse decision being made public. The CRP shall be able to present its opposition to the CRPWG determinations in a regulator-only session, including explanatory context and any new materials. Recommended remediation actions, if any, by the CRPWG will then be subject to the CRPWG's parent committees (IATF, E Committee, Plenary), as described above.

Following approval of a remediation action and notification to the affected CRP, the NAIC may provide public notice, as deemed appropriate and subject to confidentiality considerations. All public communications related to CRPWG remediation action determinations shall be specific enough to relay the primary rationale for the decision while remaining sufficiently general to protect confidential information.

Such notice is intended to provide affected stakeholders, including insurers, with notice of the remediation action and sufficient time to evaluate potential impacts before implementation. Once the remediation action is finalized, a defined notice period of ~~120~~ at least 180 days~~, consistent with existing filing requirements outlined in the 2025 P&P Manual,~~ will be provided prior to implementation to mitigate significant market impact. Affected insurers may request an extension from the Credit Rating Provider Working Group when practical constraints prevent completion of necessary actions within the initial period. Any extension will be subject to CRPWG approval and based on the relevant facts and circumstances at that time. All Remediation Actions will apply on a prospective basis only.

Remediation Actions
Proposed revision to Section 4.2.2, Remediation Actions

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Tier 2: Remediation Actions:

1. Require More Than One Rating – In the event rating inconsistencies are identified and persist, the NAIC may require additional ratings to support PL or FE submissions.
2. Translation Matrix Adjustment – implemented when systemic rating inconsistencies are observed for a given CRP or asset class, indicating misalignment between CRP ratings and NAIC Designations
3. Removal of Filing Exempt Status for an Asset Class – triggered by repeated inconsistencies in CRP ratings for a given asset class.
4. CRP De-admittance – considered in cases of persistent inconsistencies with rating methodology or outcomes.

In determining the appropriate Tier 2 Remediation Action, the remediation should be proportionate to the identified inconsistency. Where a Translation Matrix Adjustment appropriately addresses the identified inconsistency, the adjustment should be applied in lieu of a more consequential Remediation Action.

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22 October 2026

Jane Ren (jren@naic.org)

Denise Genao (dgenao1@naic.org)

Marc Perlman (mperlman@naic.org)

Charles Therriault (ctherriault@naic.org)

National Association of Insurance Commissioners

BY EMAIL

Re: Amended NAIC Credit Rating Provider (CRP) Due Diligence Framework – Whitepaper (Amended Whitepaper)

Dear Ms Ren, Ms Genao, Mr Perlman and Mr Therriault:

Fitch Ratings, Inc. (**Fitch**) thanks the NAIC for the opportunity to provide its observations with respect to the Amended Whitepaper. Fitch appreciates that certain helpful clarifications have been made, specifically:

- The NAIC's recognition, in the Executive Summary, that CRPs apply their own, different methodologies, and, therefore, the proposed due diligence framework (**Framework**) *"does not require CRPs to adopt a uniform methodology"*;
- The removal of references to the NAIC assessing the "reasonableness" of credit ratings[1] and replacing them with references to the NAIC assessing the reasonableness of its mapping of credit ratings to the NAIC Designations;
- The NAIC's recognition, in Section 1.2.2.2, that the appropriateness of credit ratings of the same/similar securities issued by different CRPs cannot be determined by reference to the spreads of those securities, given that spreads *"account for different factors*

[1] Fitch notes, however, that there remain a few passages in the Framework where this change was not made. See Appendix 1 for a list of the relevant provisions in the Amended Whitepaper and our suggested changes.

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outside of credit profile that may impact spread[s] such as market conditions, tenor and origination timing";

- No longer requiring the CRPs to *"agree to confidentially share their annual SEC assessment findings with the NAIC"* – meaning, presumably, that the NAIC will rely on public information made available by the Securities and Exchange Commission (**SEC**) (or any other CRP regulators that the NAIC determines are relevant) (see changes to Section 1.2.3.1); and
- Although the NAIC has allowed itself a great deal of flexibility to amend the Framework, it has explicitly stated, in Section 4.1, that any such amendments will involve *"adoption by parent task forces and committees, as appropriate, following standard NAIC meetings, exposure and public comment protocols"* – which Fitch assumes to mean that any changes that could have a material impact will be subject to public comment.

Notwithstanding these positive changes, Fitch has several concerns with certain aspects of the Framework, which we set out below.

Fundamental Flaw with Assessing the "Consistency", "Equivalence" or "Alignment" of Credit Ratings

One key assumption permeates the proposed methodology of the Framework: an expectation that credit ratings provided by different CRPs for the same securities should be substantially similar – expressed throughout the Amended Whitepaper by the use of the terms "consistent/consistency", "equivalent/equivalency" and "alignment".

For example, there is the following explanation in the section entitled "Overview of the CRP Due Diligence Framework": *"The Framework does not assess insurer-specific exposure or opine on whether a given rating is 'correct'. Instead, it evaluates the risk characteristics of rating cohorts, the degree of alignment or divergence across CRPs, and whether continued reliance on those ratings remains appropriate for regulatory purposes."* Likewise, the section of the Framework that describes the Risk Assessment process contains repeated references to expectations of alignment and equivalence, for example:

- Section 2.1, when describing the outcome of this process, refers to *"[a] quantitative assessment of rating alignment, across CRPs for Test Segments (as defined below) of securities"*;
- Section 2.2 states that *"[t]he table below presents an illustrative, idealized set of fields considered when defining Test Segments for equivalency testing"*; and

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- Section 2.3, in describing the Key Activities table, refers to *"[a] high level overview of the types of statistical tests that would be conducted to evaluate rating equivalence across predefined Test Segments"* and *"[e]xamples of descriptive and/or statistical tests designed to test CRP equivalency/non-equivalency across each Test Segment"*.

This expectation does not reflect the reality of how credit ratings are determined. A CRP does not produce credit rating methodologies with the objective of determining credit ratings that are the same as those of other CRPs. Moreover, regulations regarding CRPs recognize and foster a diversity of views – provided those views, summarized as credit ratings, are consistently determined and the reasoning behind them is clearly explained. And the NAIC recognizes this reality – as indicated earlier – when it states that the Framework *"does not require CRPs to adopt a uniform methodology"*. However, given that a CRP's credit ratings are determined based on its applicable methodology, the only way to ensure that credit ratings from different CRPs are "equivalent" "consistent" or "aligned", is for those CRPs to have the same methodologies.

Alternative Approach: Focus on the Organizational Walkthrough and the Methodology Walkthrough for each CRP

Instead of anchoring the Framework in this way, Fitch firmly believes that the NAIC can achieve the purpose of the Framework – to provide the NAIC with comfort that its mapping of CRPs' credit ratings to the NAIC Designations is robust – by grounding its analysis in the following three principles:

(i) are the CRP's credit rating methodologies reviewed and approved in an independent and robust manner;
(ii) is each such methodology applied consistently; and
(iii) do the CRP's SEC-required transition and default studies (contained in Exhibit 1 of such CRP's annual Form NRSRO (**T&D Studies**) and European Securities and Markets Authority (**ESMA**)/Financial Conduct Authority (**FCA**)-required annual statistical tests (or equivalent such tests) (**Statistical Tests**) support the robustness of its methodologies (including an assessment of whether these studies and tests are based on sufficient historical data).

Indeed, we think this approach is already built into certain aspects of the Framework. By making that more explicit, the Framework would result in a more comprehensive assessment by the NAIC, while simultaneously allowing it to eliminate the proposed Scoping Assessment and Risk Assessment, thereby reducing the burden on the NAIC under the proposed Framework.

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Specifically, the two processes to be applied to historically accepted CRPs – the Organizational Walkthrough and the Methodology Walkthrough (and related discussions with each CRP) – should be expanded to apply to any new CRP, and subsequently applied annually to all accepted CRPs with respect to any material changes to the topics covered by each Walkthrough – for example, with respect to methodologies, an annual Methodology Walkthrough would be required for any new methodology as well as for material changes to existing methodologies[2].

Fitch agrees that, as a building block to understanding the robustness of a CRP's credit ratings and their performance, it is crucial that that CRP's credit rating process itself is robust. The Organizational Walkthrough is designed to determine exactly that – described as a process to enable the NAIC to *"assess [a CRP's] organizational approach, processes, and governance related to the assignment of credit risk ratings"*. Having a robust credit rating process, together with related governance and directive, preventive and detective controls, is a fundamental requirement of all global CRP regulations. Each CRP should be able to provide the NAIC with a detailed overview of its credit rating process, as well as copies of its related policies and procedures, and information on its control structure, so that the NAIC can assess the robustness of that credit rating process. The CRP can then respond to any questions the NAIC may have regarding its credit rating process. Fitch would be pleased to provide the NAIC with a presentation of its credit rating process, as an example, to help the NAIC better understand what it could glean from such an Organizational Walkthrough.

Armed with the comfort provided by evidence of the robustness of the credit rating process itself, the second phase of the NAIC's review, the Methodology Walkthrough, focuses on the actual performance of the credit ratings. This Walkthrough is based on the first and second principles we set out above, given that the Methodology Walkthroughs are described as *"technical walkthroughs to understand asset class scope for the methodology, methodology design, input assumptions, and quantitative and qualitative analysis conducted by a CRP for a given asset class(es) or group of asset classes to understand details of the CRP methodology"*.

With respect to the third principle that we identify above, we believe that can be easily addressed by expanding the Methodology Walkthrough to include an explanation from the CRP as to how it

[2] Based on its experience, Fitch would propose the following definition for a material change to a methodology: A modification to a methodology constitutes a "material change" if 25% or more of the credit ratings that fall under that methodology are changed as a result of such modification. Fitch would be happy to alert the NAIC whenever it publishes a new methodology.

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conducts its T&D Studies and Statistical Tests, the independence and rigor of these studies and tests, and the results therefrom.

As the NAIC knows, T&D Studies demonstrate, by asset class and over varying time periods, whether the relative ranking[3] of the credit ratings within each asset class is generally maintained and whether the ratings are comparatively stable (that is, how much transition, up or down, is there from one rating level to another, and is there greater stability at the higher rating levels versus the lower rating levels). Because the SEC requires (i) that each CRP that is a Nationally Recognized Statistical Rating Organization (**NRSRO**) publish annually T&D Studies for each class and subclass of credit ratings for which it is registered as an NRSRO, and (ii) that these T&D Studies are produced in accordance with rules set forth by the SEC, the resulting T&D Studies should be broadly comparable between NRSROs.

ESMA and the FCA – the CRP supervisors in, respectively, the EU and the UK – require CRPs registered in the EU and the UK to conduct specified annual statistical tests on the aggregated outputs of a given methodology (or group of methodologies related by asset class). As explained previously to the NAIC, in order to comply with these detailed and stringent requirements, Fitch assesses the following in the process of evaluating and approving new and revised methodologies:

- Discriminatory power of credit ratings (i.e., testing the ability of Fitch's credit ratings to rank-order creditworthiness) – this is tested by calculating the Gini coefficient (which evaluates the ability of Fitch's credit rating system to rank order entities against an optimal rating system) and by conducting a Kolmogorov-Smirnov test (which looks at a credit rating portfolio over a specified period of time, split into defaulted entities and non-defaulted entities, to determine whether there is a statistically significant ratings difference between the two groups of entities); and
- Predictive power of credit ratings (i.e., the ability of credit ratings to predict default) – this is tested by calculating a Brier Score (which measures the accuracy of Fitch's predictions of default for the credit ratings portfolio against the ideal prediction) and conducting a binomial

[3] Credit ratings measure relative – not absolute – creditworthiness, using a consistent scale. In Fitch's case, that scale ranges from AAA to D. Users (and CRP supervisors) therefore expect that issuers and instruments rated at one level of the scale should default less frequently than issuers and instruments rated below that level – that is, AAA-rated issuers should default less often than those rated AA, which in turn should default less often than those rated A, and so on down the rating scale.

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test (which assesses whether Fitch's observed default rates are within ideal default boundaries assigned to each credit rating category).

Fitch's independent criteria review function (required under the EU and UK CRP regulations) uses Fitch's T&D Studies and Statistical Tests to evaluate the performance of Fitch's criteria as part of regular reviews and to evaluate proposals to change criteria.

If the NAIC would find it helpful, Fitch would be pleased to provide the NAIC with a presentation of its T&D Studies and its Statistical Tests with respect to one or two of its methodologies.

How to Apply the Results of this Analysis of T&D Studies and Statistical Tests to Enhance the Mapping to NAIC Designations

As noted above, despite the NAIC's assurance that the Framework does not require CRPs to adopt a uniform methodology, we are concerned about the repeated references to consistency and alignment within the Framework. We believe these references could imply an expectation that there is a "correct" level for every individual credit rating and that differences in credit rating outcomes between CRPs indicate a flaw in the methodology or processes of one CRP or the other.

Instead, the approach we have outlined above will allow the NAIC to draw conclusions as to the comparative robustness of CRPs' methodologies (and the credit ratings they assign using such methodologies), without relying on an assumption that credit rating outcomes should be the same for any given security.

First, the analysis of an individual CRP's T&D Studies and Statistical Tests would show whether there is any inconsistency in the way that CRP applies its methodologies. That is, the data should highlight whether that CRP is assigning substantially similar credit ratings to securities with the same credit profile.

Second, the T&D Studies of all the CRPs can help identify systemic differences in the transition and default performance of credit ratings within the same asset class when comparing one CRP to other CRPs, where all such CRPs' credit ratings are currently mapped to the same NAIC Designation. If one CRP's performance statistics provide evidence that their credit ratings are consistently higher than the actual creditworthiness of the rated entity, when compared to other CRPs, such data could justify adjustments to the NAIC's Translation Matrix for that CRP's credit ratings with respect to such asset class.

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Additional Observations

Provision of Data by the CRPs: To the extent the NAIC requires additional data from Fitch in the future, Fitch would be willing to supply it, provided that (i) such data requests are reasonable, proportionate and relevant and necessary for the NAIC's use case; (ii) Fitch is provided with evidence that robust confidentiality and cyber security protections with respect to such data are in place and effective; and (iii) responding to such data requests does not contradict or undermine Fitch's regulatory obligations.

Remediation Actions: Fitch acknowledges that the NAIC may need to apply the Tier 2 Remediation Actions in certain circumstances. However, the references to "inconsistencies" in the descriptions in this section should be clarified in line with our comments above.

Specifically, we suggest the NAIC make clear that, absent any other issues, systemic inconsistencies in the transition and default performance of credit ratings from different CRPs would always be addressed through an adjustment of the Translation Matrix. The removal of Filing-Exempt status, or de-admittance of a CRP's credit ratings, should only be used where the NAIC has identified inconsistencies within the credit ratings of an individual CRP that create significant deficiencies in their discriminatory or predictive power, meaning that an adjustment to the Translation Matrix would therefore be impossible. Such a finding might, for example, occur due to fundamental flaws in the robustness of a CRP's methodology review and approval process, or repeated or persistent inconsistency in the application of a CRPs methodology, but could not be due to equally robust, but different, methodological approaches from different CRPs.

Also, with respect to remediation actions, we note the NAIC states that for remediation actions that are "materially adverse" to a CRP, the CRP will be provided with an explanation of the decision and a chance to present its opposition. The term "materially adverse" is open to interpretation; therefore, for clarity, we suggest instead that this process be followed for any Tier 2 remediation action, as well as any Tier 1 remediation action where there is the potential for a public notice to be issued.

Asset Class Segmentation: Finally, we note that the options for asset class segmentation discussed in Appendix B present multiple problems that are not easily solvable. The current data segmentation does not reflect the methodological approach of Fitch (or other CRPs), particularly for non-structured issuance. We have separate methodologies based on the underlying business of the issuer, rather than on the type of funding being used. Therefore, asset classes such as Corporate Bonds, Credit Facilities and Term Loans could all be assigned under multiple different methodologies depending on the nature of the borrower. We note the NAIC acknowledges that CRP data could also be

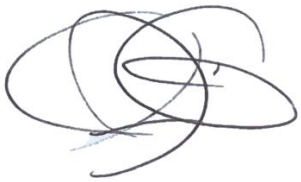
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incorporated to determine asset classes and identifies differences in naming conventions as a challenge that would need to be addressed. Moreover, Fitch believes that requiring CRPs to cross-match their data to the NAIC's suggested schema would exceed what we consider to be a reasonable and proportionate data request. But the bigger issue is that assigning asset classes based on a combination of insurer data segmentation and CRP methodological approach is likely to result in a very large number of asset classes, containing fewer credit ratings. This would add to the challenges around the Scoping Assessment and the Risk Assessment steps within the Framework (given that the need to determine asset class segmentation only arises within these steps), and thus also supports our earlier argument that these steps can be eliminated if the focus of the Framework is instead on the Organizational Walkthroughs and the Methodology Walkthroughs as we set out above.

* * *

Fitch thanks the NAIC for the opportunity to review and provide its comments related to the Amended Whitepaper. Please feel free to contact the undersigned, at susan.launi@fitchratings.com, should you have any questions. In the meantime, we look forward to continuing our constructive dialogue regarding the Framework.

Sincerely,



Susan Launi

Global Head of Regulatory Affairs

Fitch Ratings

FitchRatings

Appendix 1

Inappropriate References to the Reasonableness of Credit Ratings

Fitch sets out below the instances where the Framework continues to refer to the "reasonableness" of credit ratings, including our suggestions (in red and strikethrough) for how to amend the existing language:

1 Executive Summary: "Rather, as a consumer of CRP-provided mappings, the NAIC's due diligence procedures assess whether ~~resulting ratings and related~~ its mappings of a CRP's ratings are reasonable and fit for purpose in evaluating investment risk and assigning NAIC Designations."

2 Section 2.3: "As indicated above, as the NAIC gains more experience with the Framework, it may determine that it needs to use other tests and processes it deems appropriate to determine the reasonableness of ~~a CRP's ratings for NAIC purposes~~ the NAIC's mappings of a CRP's ratings to the NAIC Designations."

3 Section 3.1: "Detailed testing includes methodology walkthroughs and security-specific rating reviews that focus on verifying the ~~reasonableness~~ appropriateness of CRP ratings, as further defined in Section 3.2.1 below."

4 Section 3.1.1 (on the assumption that the following two references refer to the "reasonableness" of credit ratings):

- "Risk-based sampling is expected to be informed by both the priority classifications (High, Moderate, and Low) in the current year and the outcomes of the prior year Detailed Testing Procedures (~~reasonable vs. unreasonable and~~ including Translation Matrix equivalency findings)."
- "Test Segments from the prior year where Detailed Testing Procedures determined results were ~~unreasonable~~ not appropriate in light of the NAIC's mappings or Translation Matrix equivalency was at risk for a CRP or asset class, will be expected to be subject to increased sampling."

FitchRatings

5 Section 3.2.1:

- (b)(a) "NAIC to perform rating analysis, leveraging an acceptable methodology (as outlined in the P&P Manual) and an independent approach, to assess the ~~reasonableness~~ appropriateness of the CRP rating provided." And "Deviations beyond this tolerance are determined to be ~~unreasonable~~ potentially inappropriate and will be flagged for escalation."
- (c) "Perform an independent rating methodology review for a sample security that includes the assessment of the methodology selected by the CRP, accuracy of inputs, assessment of assumptions, and model accuracy to assess the ~~reasonableness~~ appropriateness of the CRP rating provided for the sample security."

6 Section 3.3: "Detailed Testing Procedures develop an independent and well-documented view on the ~~reasonableness~~ appropriateness of CRP asset class ratings to inform views on Translation Matrix equivalency or risk of a given CRP or asset class. "

KBRA

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October 26, 2026

Members of the Credit Rating Provider (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: KBRA Comment Letter on Revised Credit Rating Provider Due Diligence Framework Proposal

KBRA appreciates the opportunity to provide additional comments in response to the revised National Association of Insurance Commissioners' ("NAIC") Credit Rating Provider ("CRP") Due Diligence Framework Proposal (the "Framework") exposed for public comment on October 1, 2026. KBRA reiterates its support for the NAIC's objective of establishing a structured, risk-based process to inform its reliance on CRP ratings used in the Filing Exempt ("FE") and Private Letter ("PL") processes.

In its previous correspondence, KBRA recommended greater clarity regarding key concepts and emphasized that differences in credit rating outcomes should not, by themselves, be viewed as evidence of deficiencies. KBRA also called for clearer parameters governing the use of regulatory examination findings, safeguards against discouraging innovation and competition, and closer alignment between the NAIC's review processes and the Framework's objectives. KBRA further emphasized the importance of objective remediation standards, appropriate procedural protections, and greater operational clarity regarding data requirements, confidentiality, information security, and implementation.

KBRA appreciates the CRP Working Group's consideration of these and other stakeholder comments. The revised Framework includes a number of meaningful changes responsive to observations raised in KBRA's prior comment letter. In particular, these revisions clarify the Framework's purpose, recognize the importance of methodological independence and data limitations, revise the treatment of SEC examination information, and outline enhanced procedural protections relating to remediation.

At the same time, certain aspects of the Framework would benefit from further clarification or refinement. These include the standards used by the NAIC to evaluate differences in credit ratings, the scope of security-specific analytical review, and the calibration of certain scoping criteria, as detailed below. KBRA recognizes that many operational details will be developed and refined during implementation and therefore anticipates continued consultation and engagement with the NAIC as the Framework evolves.

I. Revisions to the Framework Reflect Stakeholder Feedback

The revised Framework incorporates a number of clarifications and enhancements requested by interested parties, several of which are consistent with KBRA's previous observations and recommendations and are detailed below.

Upholding independent analytical judgment and methodological diversity: KBRA encouraged greater clarity regarding the Framework's overarching objectives. For example, KBRA emphasized the importance of preserving independent analytical judgment among CRPs to prevent the convergence of rating

outcomes or methodological uniformity. The revised Framework now more clearly frames its objective as evaluating CRP-provided mappings to NAIC Designations and expressly recognizes that CRPs are not required to adopt uniform methodologies.

Avoiding bias against growth and innovation: The Framework should not treat characteristics associated with newer CRPs, emerging asset classes, new methodologies, or limited historical data as evidence of heightened risk or analytical deficiency. The revised Framework replaces "Risk" classifications with "Priority" classifications and clarifies that additional review of these categories is neither punitive in nature nor indicative of deficiency.

Aligning review procedures with Framework objectives: The scoping, quantitative analysis, and detailed testing procedures should be aligned with the Framework's stated objectives while also accounting for data limitations. The revised Framework recognizes that overly granular segmentation may undermine meaningful analysis and acknowledges that analytical procedures and thresholds may evolve as data quality improves and implementation experience develops.

Clarifying the role of supervisory examination findings: The Framework should establish clear and appropriate limitations on how SEC examination findings and information from regulators in other jurisdictions are used. The revised Framework largely removes the requirement that CRPs provide their annual SEC examination findings and instead contemplates relying on information provided directly by the SEC. The revisions also clarify that only significant findings would be expected to affect the Framework's scoping assessment and that such circumstances are expected to be rare. However, Appendix A, Section E of the revised Framework appears to retain a requirement for CRPs to provide SEC examination feedback directly to the NAIC. KBRA requests that this requirement be removed to align with the revised approach. Although these changes better define the intended use of such information, KBRA continues to have concerns about certain aspects of the process, as discussed further below.

Pairing proportionate remediation with procedural safeguards: Remedial actions under the Framework should be proportionate and accompanied by robust procedural protections, including standards governing materially adverse actions, meaningful opportunities for CRPs to respond to allegations of misconduct or deficiencies, and sufficient implementation periods to mitigate potential market disruption. The revised Framework requires a confidential explanation and an opportunity for a CRP to respond before materially adverse determinations are finalized. It also provides that remedial actions will apply prospectively and generally be subject to a 120-day notice period before implementation.

KBRA also appreciates the 36-month provisional acceptance period for historically accepted CRPs following implementation of the Framework, as well as the clarification that future amendments to the Framework will proceed through standard NAIC meeting, exposure, and public-comment processes.

KBRA views these revisions as meaningful progress in addressing the concerns identified in its previous feedback. Notable improvements include a clearer distinction between prioritization and findings of deficiency, greater recognition of data and analytical limitations, and additional procedural protections. Importantly, the revisions also reinforce that differences in credit rating outcomes do not, by themselves, indicate deficiencies or warrant efforts to achieve convergence among ratings. These changes clarify the

NAIC's intended approach to due diligence reviews and provide a basis for continued engagement as the Framework moves toward implementation.

II. Opportunities to Strengthen the Framework Further

Notwithstanding the revisions described above, KBRA believes the Framework would benefit from further clarification and refinement in several areas. To that end, KBRA offers the following comments as the NAIC continues to develop and implement the due diligence process.

Clarifying standards for evaluating rating divergence: The revised Framework continues to rely on key but undefined terms and concepts, including "reasonableness," "equivalency," "consistency," and "systematic disagreement." The revised Framework removes these terms in certain instances but retains them in others, creating uncertainty about whether those changes were intentional and, if so, how the retained terms should be interpreted. The Framework also applies a three-sub-notch threshold under which deviations in NAIC rating analyses are deemed "unreasonable" and escalated to Detailed Testing Procedures. The Framework would benefit from greater clarity regarding the evidentiary significance assigned to rating divergence, the circumstances in which analytical differences indicate a mapping concern, and the standards supporting materially adverse determinations. Greater clarity would promote transparency, consistency, and predictability in the Framework's application and enable CRPs to understand and respond to the applicable guidance and standards.

Avoiding substitution of NAIC analytical judgment for CRP analytical judgment: The Framework should maintain its principal focus on the integrity, governance, controls, and processes surrounding the assignment of credit ratings rather than independently re-performing or adjudicating substantive analytical judgments underlying those ratings. The revised Framework contemplates Detailed Testing Procedures under which the NAIC may independently assess the reasonableness of a CRP rating and review a CRP's methodology selection, inputs, assumptions, and model accuracy. The independence of credit ratings and the diversity of analytical perspectives are fundamental to their value, and preserving these principles requires avoiding undue influence over substantive credit rating judgments. The Framework should therefore place its emphasis on evaluating the integrity of the credit rating process rather than substituting the NAIC's analytical judgment for that of the CRP.

Calibrating scrutiny for newer CRPs: Absent additional indicators of concern, characteristics associated with newer CRPs, emerging asset classes, new methodologies, growth, or limited historical data should not result in disproportionate scrutiny. The revised Framework changes "Risk" classifications to "Priority" classifications and states that enhanced review of new CRPs, for example, is neither punitive nor indicative of deficiency. At the same time, the Framework maintains that these populations will automatically advance to Detailed Testing Procedures, including where fewer than two years of historical data are available, and insurer exposure and year-over-year growth remain threshold-based scoping attributes. KBRA therefore continues to encourage careful calibration of these provisions so that characteristics inherently associated with market entry, growth, innovation, or limited operating history do not, by themselves, trigger heightened scrutiny.

Scoping information requests appropriately: When the Framework evaluates credit rating performance or the appropriateness of mappings to NAIC Designations, publicly available information, including historical performance data and published CRP disclosures, should remain the principal starting point for the NAIC's analysis. SEC and other supervisory information may be more relevant when the issue involves demonstrated regulatory concerns regarding governance, internal controls, supervision, conflicts management, compliance, or other regulatory matters. The same principle should govern information obtained from non-U.S. regulators, whose supervisory mandates and examination frameworks may differ. KBRA welcomes continued engagement with the NAIC regarding access to any additional information necessary to support the Framework's governance- and control-related objectives.

Developing clear and secure implementation protocols: Effective implementation will require attention to several operational matters, including data specifications and definitions, submission formats and protocols, validation and correction procedures, confidentiality and information-security controls, testing or parallel-run arrangements, and opportunities for CRPs to provide feedback on implementation requirements.

III. Conclusion

KBRA appreciates the CRP Working Group's consideration of stakeholder feedback and the meaningful changes reflected in the revised Framework. The revisions clarify the Framework's purpose, recognize the importance of methodological independence, and introduce important procedural safeguards. As the Framework enters its next phase, KBRA recognizes that it will continue to evolve and encourages the NAIC to refine the remaining analytical and operational elements in a manner that preserves these principles and supports a process that is targeted, proportionate, transparent, and practical to administer. Continued engagement will be particularly important as the NAIC gains implementation experience and considers adjustments to Test Segments, analytical tests, thresholds, sampling approaches, governance processes, and related procedures.

KBRA welcomes the opportunity to provide comments and support the Working Group's efforts to finalize and implement the Framework.

MOODY'S RATINGS

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October 26, 2026

Via Email (jren@naic.org; dgenao1@naic.org)

Jake Garn, Chair
Credit Rating Provider (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106

Re: Comments on the Revised NAIC Credit Rating Provider (CRP) Due Diligence Framework

Dear Chair Garn and Members of the Credit Rating Provider (E) Working Group:

Moody's Ratings ("Moody's") appreciates the opportunity to provide its views on the revised Credit Rating Provider (CRP) Due Diligence Framework (the "Framework") exposed for comment by the Credit Rating Provider (E) Working Group ("CRP WG") on October 1, 2026. We commend the CRP WG, NAIC staff, and PricewaterhouseCoopers (PwC) for their continued work on the Framework.

We submitted comments on the original draft of the Framework on July 2, 2026 and appreciate the CRP WG's consideration of the issues raised in that submission. In this letter, we would like to reiterate some of our earlier recommendations and to further encourage the CRP WG to consider these issues as it continues to develop the Framework.

1. Account for differences in CRP rating approaches to measuring credit risk

The Framework should clearly distinguish between the CRP rating approaches that are based on "expected loss" and those that are based on the "probability of default."

Ratings assigned by CRPs under the expected loss approach incorporate both the probability of default and the severity of loss in the event of default, while probability of default ratings are principally intended to measure the likelihood that a debt security will fail to meet its contractual payment obligations over a specified time horizon. These approaches may therefore produce different ratings, particularly in structured securities, even when each is analytically sound and applied consistently. Differences between CRP ratings may reflect the risk measure captured by each rating scale and methodology rather than differences in analytical rigor or underlying loss expectations.

Unless the Framework accounts for differences in what CRP ratings are intended to measure, it risks treating different measures of credit risk as equivalent and reaching inappropriate conclusions. For example, a rating that incorporates both the likelihood of default and the severity of loss may differ from one focused principally on default risk, even when both are performing as intended. Comparing these ratings primarily based on

rating levels or historical default rates could therefore treat differences in CRP methodologies as rating inconsistencies, influence how ratings are mapped to NAIC Designations, and diminish recognition of the distinct analytical approaches applied by CRPs.

This could also disadvantage ratings that incorporate loss severity, even though those ratings account for an aspect of investment risk the NAIC itself seeks to capture. In fact, ratings with an expected loss orientation align more closely than probability of default ratings with the stated meaning of NAIC Designations and, as reference points, more directly support the objective of assigning risk-based capital (RBC) charges in proportion to investment risk. We therefore recommend that the Framework identify the principal risk measure addressed by each CRP's ratings and account for that distinction in its analysis, cross-CRP comparisons, scoping decisions, and testing of CRP-provided mappings, including consideration of both default and loss severity outcomes where relevant.

2. Complement the Framework with oversight of insurers' use of CRP ratings

We welcome the new insurer-based scoping activity in Section 1.2.2.4, which uses insurers' financial data to assess whether CRP ratings appropriately reflect credit deterioration. While this is a positive step, we believe the Framework will be most effective when paired with examination practices focused on insurers' use of CRP ratings and the governance surrounding that use, including with respect to potential rating shopping and regulatory capital arbitrage.

In that regard, we are also encouraged by the proposed revisions to the Financial Analysis Handbook discussed at the October 19, 2026 meeting of the Financial Analysis Solvency Tools (E) Working Group.[1] For insurers with concentrations in bonds with Private Letter Ratings (PLRs), the revisions would add, as an additional review consideration, that analysts request insurers' internal ratings for those securities and compare them with the corresponding rating agency ratings to identify potential discrepancies.

We believe that reviewing both insurers' internal rating processes and the extent to which insurers rely on the ratings of individual CRPs across their investment portfolios could provide useful insight for the Framework's insurer-based scoping analysis. We encourage the CRP WG to coordinate with the relevant NAIC working groups in evaluating these considerations, and we continue to believe that encouraging greater use of public ratings in the Framework could help strengthen market discipline.

3. Reconsider the threshold for identifying material rating differences

We believe the Framework's materiality threshold of three or more sub-notches may not capture many systematic rating differences that merit closer review.[2] Even a one-notch rating change can materially change an investment's RBC charge, including within the investment-grade range, where a single notch typically implies an approximately 20-45% difference in the life RBC factor, and potentially greater differences in the life RBC CLO

[1] Financial Analysis Solvency Tools (E) Working Group, meeting materials and agenda, October 19, 2026, p. 62.

[2] NAIC Credit Rating Provider Due Diligence Whitepaper, page 24, https://content.naic.org/sites/default/files/inline-files/crpframeworkcumulativebl-9-25-26v3_2.pdf.

factors.[3] Therefore, a systematic difference of only one notch in CRPs' mean ratings could be material, even if it falls below the Framework's proposed threshold.

Smaller but recurring rating differences across a sector, or rating differences that emerge after there is a change in the CRP whose rating is then used in the NAIC's "filing exempt" process, may also warrant attention in the scoping analysis. We therefore encourage the CRP WG to adopt a principles-based materiality standard that captures systematic differences below the current threshold and allows those differences to be evaluated in the context of the CRPs' respective rating approaches.

* * *

Moody's appreciates the CRP WG's consideration of these comments and the NAIC's efforts to develop a sound basis for its reliance on CRP ratings. We look forward to continued and constructive engagement with the CRP WG as the Framework evolves.

Sincerely,

/s/ Nick Miller

Nick Miller
Managing Director – Global Regulatory Affairs

[3] Under the NAIC's current life C-1 bond factors, for example, a rating change from A2 to A3 increases the pre-tax factor from 0.816% to 1.016%, approximately 25%. Under the new life C-1 factors for CLOs, effective with the December 31, 2026 RBC calculation, the same change increases the pre-tax factor from 0.17% to 0.97%, approximately 470%.

DBRS, Inc.

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Submitted Electronically

October 26, 2026

Scott White
President
National Association of Insurance Commissioners
444 North Capitol Street NW, Suite 700
Washington, D.C. 20001

Re: Comment Letter on Revised Credit Rating Provider Due Diligence Framework

Dear Director White:

Morningstar DBRS[1] ("DBRS" or "we") appreciates the opportunity to comment on the revised draft of the National Association of Insurance Commissioners' ("NAIC") proposed Credit Rating Provider ("CRP") Due Diligence Framework (the "Proposed Framework"). We thank the NAIC for its continued engagement with DBRS and other CRPs as the Proposed Framework has developed.

We also appreciate the changes the NAIC has made to the Proposed Framework following our letter of July 2, 2026. In particular, we welcome the express statement that the Proposed Framework does not require CRPs to adopt a uniform methodology, the removal of the requirement that CRPs share their SEC examination findings with the NAIC, the commitment that remediation actions will apply prospectively only and the defined notice period before a remediation action takes effect. DBRS also notes the clarification provided regarding the guiding principles in the Proposed Framework and appreciates the NAIC's continuing commitment to pragmatism, scalability and transparency. DBRS also believes that an evolving framework would better serve the stated objectives of the NAIC and state insurance regulators as the investment markets evolve and the NAIC gains further implementation experience. Last, DBRS believes the NAIC's commitment to incorporate public comment protocols relating to the future amendments to the Proposed Framework is quite constructive. In DBRS's opinion, these changes address several of the concerns we raised, and we are grateful for the NAIC's responsiveness.

Implementation Clarity and Request for Meetings

As noted above, DBRS greatly appreciates the NAIC's openness to provide transparency about the details of the updated Proposed Framework. DBRS believes greater clarity on the specifics of implementation would enable DBRS and other CRPs to understand what is expected and facilitate a smoother implementation. More specifically, timelines and process steps are the areas where additional detail would help most, including the sequencing and timing of the Phase 1 and Phase 2 walkthroughs, the cadence of the annual scoping interviews and data requests, and the steps between analytical findings and any remediation actions.

[1] The Morningstar DBRS group of companies consists of DBRS, Inc. (NRSRO, DRO affiliate); DBRS Limited (DRO, NRSRO affiliate); DBRS Ratings GmbH(EU CRA, NRSRO affiliate, DRO affiliate); DBRS Ratings Limited (England and Wales)(UK CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Pty Limited (NRSRO affiliate). An NRSRO is a credit rating agency registered with the U.S. Securities and Exchange Commission for regulatory purposes, while a DRO is a credit rating organization designated under Canadian securities regulations. "Affiliate" indicates an affiliated entity recognized in connection with the relevant NRSRO or DRO registration or designation.

To that end, DBRS would like to understand the details of the approach the NAIC intends to take to provide additional transparency about the Proposed Framework. Relatedly, DBRS would welcome the opportunity to have bilateral or CRP industry meetings with the relevant representatives from the NAIC to discuss the details of the updated Proposed Framework. As alluded to above, those discussions would allow DBRS to prepare to work with the NAIC on implementation and to raise any operational questions at a point when they can still be addressed efficiently.

Timing for Remediation Actions

DBRS respectfully seeks clarification regarding the 120-day notice period for CRPWG remediation action determinations as referenced in Proposed Framework Section 4.2.2. Specifically, DBRS would like to better understand whether the 120-day period is intended as a fixed time period for a CRP to address concerns identified by the NAIC before a remediation action kicks in (with an eye toward remediating within the 120 days and thus avoiding actual enactment of the announced remediation action) or whether the expiration of the 120-day period will result in enactment of a remediation action regardless of steps taken by the CRP during the 120-day period.

If the former, DBRS notes that 120 days may not be sufficient for a CRP to fully address the issues that are deemed by the NAIC sufficiently significant to warrant a Tier 2 remediation action, and seeks confirmation from the NAIC that the remediation process will involve reasonable collaboration between the NAIC and a CRP with respect to the appropriate timeframe for addressing issues identified by the NAIC. DBRS respectfully notes that, by way of example, regulators such as the SEC's Office of Credit Ratings acknowledge that timeframes for required remedial actions will vary based on the complexity thereof. DBRS believes that reasonable discussion between the NAIC and CRPs facing remediation actions will facilitate appropriate resolutions without prejudicing the NAIC's ability to take appropriate remedial action under the Proposed Framework and while also minimizing market disruption.

If the latter, DBRS requests that the NAIC clarify within the Proposed Framework that a CRP will have an opportunity to remedy the issues identified by the NAIC prior to the 120-day notice period kicking in.

Feedback on Data Productions and Optional Fields

As part of our ongoing efforts to develop a clear understanding of the Proposed Framework, DBRS would also appreciate any feedback the NAIC may have on the data produced by DBRS in 2025 and 2026. We are not aware of having received feedback on those productions and such feedback, if any, would help DBRS begin planning now for the data productions contemplated under the Proposed Framework once it takes effect. For example, the NAIC's original data production template included certain fields designated as "optional." DBRS did not populate those fields because its data architecture does not support them. We would appreciate clarity on whether the NAIC needs the information in those optional fields and, if so, for what purpose, so that DBRS can try to identify other data that may address the NAIC's needs.

Private Letter Ratings

DBRS would also welcome an opportunity to work with the NAIC to obtain further clarity on the NAIC's expectations relating to DBRS private letter ratings and related disclosures to facilitate the NAIC's determination of reasonableness of DBRS's ratings for NAIC purposes. DBRS believes that settling expectations in this area in advance of Proposed Framework implementation would enable DBRS to achieve a greater degree of consistency in the operationalization of provisions such as the private rating security-specific rating review contemplated in Section 3.2.1(b)(b) of the Proposed Framework across

different asset classes notwithstanding previous CRP industry practices relating to private letter ratings.

—

DBRS looks forward to working with the NAIC on the implementation of the Proposed Framework once it is finalized. We appreciate your consideration of these comments and would welcome the opportunity to continue engaging with the NAIC as implementation planning proceeds. Finally, please note that DBRS is providing this information in good faith, and we ask that you consider all the information we have provided confidential.

Respectfully submitted,



Richard Sibthorpe
Head of Canada & Global Investor Strategy
Morningstar DBRS

CC:
Banu Ozlem Unal; banu.unal@morningstar.com
Joshua Nichols; josh.nichols@morningstar.com

Pinpoint POLICY INSTITUTE

October 26, 2026
Via Electronic Submission

Jake Garn, Chair
Laura Clements, Vice Chair
Credit Rating Provider (E) Working Group
National Association of Insurance Commissioners

Re: Revised Credit Rating Provider Due Diligence Framework

Dear Chair Garn and Vice Chair Clements:

Pinpoint Policy Institute ("PPI") appreciates the opportunity to comment on the revised **Credit Rating Provider Due Diligence Framework ("Revised Framework")** exposed by the Credit Rating Provider (E) Working Group on October 1, 2026. The Working Group exposed the proposal for 25 days, with comments due October 26, 2026.[1]

PPI submitted comments on July 03, 2026, addressing the Working Group's May 4 proposal. We supported responsible evaluation of the ratings that the NAIC uses for insurance regulatory purposes. We objected, however, to a framework that risked crossing the federal line against regulating rating substance and methodologies, concentrated significant authority in a private standard setting organization without commensurate safeguards, expanded confidential information transfers, and permitted decisions with broad market consequences without adequate legal, economic, or competition analysis.[2]

The Revised Framework includes marginal improvements, principally that it now states expressly that methodological differences among credit rating providers ("CRPs") exist and that the NAIC will not *require* a uniform methodology. Further process improvements include distinguishing prioritization for further review from a finding of deficiency and providing affected CRPs a written explanation and an opportunity to oppose materially adverse determinations. Similarly, the Revised Framework helpfully requires approval of Tier 2 remediation by the Working Group's parent bodies, provides public notice where

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[1] NAIC, *Credit Rating Provider Due Diligence Framework* (draft Sept. 24, 2026), in NAIC, Credit Rating Provider (E) Working Group, Meeting Materials, attach. 2 (Oct. 1, 2026), https://content.naic.org/sites/default/files/call_materials/2026oct01-crpwg-materialsv3.pdf [hereinafter *Revised Framework*]; NAIC, *Credit Rating Provider (E) Working Group*, Current Exposure Drafts, https://content.naic.org/committees/e/credit-rating-provider-wg (identifying a 25-day comment period and directing comments to Jane Ren and Denise Genao by October 26, 2026).

[2] Letter from Eric Ventimiglia, Executive Director, Pinpoint Policy Institute, to Jake Garn, Chair, and Laura Clements, Vice Chair, NAIC Credit Rating Provider (E) Working Group (July 3, 2026); *see also* NAIC, Credit Rating Provider (E) Working Group, Meeting Materials, attach. 1, at 1 (Oct. 1, 2026) (minutes of Aug. 12, 2026 meeting, noting the May 4 exposure of the proposed Framework for a comment period ending July 3).

appropriate, makes remediation prospective, and establishes a 120-day implementation period.

Those changes respond to part of PPI's July comments but fail to cure the proposal's central defects. We support regulators better understanding rating agency methodologies and assessing regulatory reliance on ratings. However, we still have serious concerns that the framework will result in the NAIC picking winners and losers among rating agencies. The operative provisions still authorize NAIC challenges to assumptions and model architecture, independent security-level rating analyses, security-specific methodology reviews, and remediation based on methodology or rating outcomes. The Framework also leaves important tests, thresholds, sampling methods, data specifications, confidentiality protections, decision standards, and review rights unsettled while preserving the NAIC's ability to alter them through implementation.

Most importantly, the Revised Framework would still exceed the legal authority of any regulator, and the NAIC as a non-regulator, under federal law, would create anti-competitive distortions in capital markets that harm insurance company investors.

The Working Group should not adopt the Revised Framework in its present form.

I. Federal Law Concern Remains Unresolved

PPI agrees that the NAIC may evaluate whether ratings are suitable inputs into its own system. The Working Group may study historical performance, determine whether a mapping serves the intended meaning of an NAIC Designation, and decide how much weight state insurance regulators should assign to external opinions.

However, this authority has a legal boundary. Section 15E(c)(2) of the Securities Exchange Act states that neither the Securities and Exchange Commission ("SEC") nor any State or political subdivision may regulate "the substance of credit ratings" or "the procedures and methodologies" by which an NRSRO determines ratings. The same statute gives the SEC exclusive authority to enforce Section 15E when an NRSRO materially departs from its disclosed procedures and requires the SEC to examine each NRSRO annually.[3]

The Revised Framework does not sufficiently incorporate this limitation. Its operative provisions retain substantial methodology-level review. Among other activities, the Framework would:

1. perform independent rating analyses for sampled securities;
2. assess the methodology selected by a CRP, the accuracy of inputs, the reasonableness of assumptions, and model accuracy; and
3. impose remediation where the NAIC identifies persistent inconsistencies involving methodology or outcomes.[4]

[3] Securities Exchange Act of 1934 § 15E(c)(1)–(2), (p)(3), 15 U.S.C. § 78o-7(c)(1)–(2), (p)(3).
[4] *Revised Framework*, *supra* note 1, § 3.2.1(b)–(c) (independent rating analysis and methodology review); *id.* § 4.2.2 (remediation based on methodology or rating outcomes).

The Revised Framework's statement that the NAIC acts as a "consumer" rather than a regulator is mere window-dressing versus substantively addressing material concerns. The NAIC is proposing a regulatory process that is likely to significantly influence rating methodologies even if not formally prescribing them. If an unfavorable methodology assessment can lead to a translation matrix adjustment, loss of filing-exempt treatment, removal of ratings issued under a methodology, or CRP de-admittance, the practical pressure on methodology design is obvious. The NAIC has not undertaken a sufficient cost-benefit analysis or even examined the potential material effect on capital markets that is likely to result from regulatory pressure towards methodology convergence.

PPI does not suggest that Section 15E clearly prohibits every state examination of rating performance. Nor do we contend that the NAIC's use of ratings places every mapping decision within the SEC's exclusive jurisdiction. However, the Revised Framework combines permissible evaluation of regulatory reliance with inquiries and remedies that operate as indirect regulation of NRSRO rating substance and methodologies. The Working Group has not published a legal analysis establishing where that line lies or how regulators will remain on the permissible side of it. We urge the NAIC to conduct a legal authority analysis by an outside independent law firm before proceeding.

II. Process Revisions are Positive but Remain Insufficient

PPI credits the Working Group for adding several protections. A materially affected CRP would receive a confidential, detailed explanation before public action. It could present opposition, context, and new materials in a regulator-only session. Tier 2 actions would require approval by the Invested Assets (E) Task Force, Financial Condition (E) Committee, and Plenary. Remediation would apply prospectively, generally after 120 days, and public communications would state the primary rationale while protecting confidential information.[5]

These are improvements that partially address PPI's July concerns but ultimately fall short in five key respects.

First, the affected CRP still lacks access to a defined decisional record. The proposal does not guarantee bilateral disclosure of the data, test populations, formulas, assumptions, comparators, sampling decisions, expert analyses, or staff materials supporting a proposed action. Such disclosure is consistent with basic principles of due process.

Second, the opportunity to oppose a decision occurs in a regulator-only session. The proposal does not provide an independent reviewer, written reconsideration standard, external appeal, or neutral technical validation.

Third, insurers and other affected market participants receive notice only after approval. A translation matrix adjustment, multiple rating requirement, removal of filing-exempt status, or CRP de-admittance can affect portfolio management, reporting, investment limits, capital treatment, and market liquidity. The Framework does not require affected insurers to receive supporting analysis or an opportunity to address operational effects before approval.

[5] *Id.* §§ 4.1.2, 4.2.2.

Fourth, the standards for escalation remain open-ended. Many statistical thresholds are described as preliminary or illustrative. Sample sizes remain undetermined. The Working Group may use judgmental sampling, combine test segments, extrapolate findings, or adopt other tests as experience develops, yet the Framework does not require re-exposure of every material methodological change.

Fifth, no economic/cost-benefit or competition analysis is required. The proposal contains no mandatory assessment of costs, benefits, alternatives, concentration effects, barriers to entry, market liquidity, capital formation, or downstream effects on insurers and policyholders before Tier 2 action.

The 120-day prospective period is useful, but it is not due process. Notice after a decision cannot substitute for reliable standards, a complete record, meaningful participation, and review before the decision becomes final.

III. The Revised Framework Still Technically Flawed and Underdeveloped

The proposal makes useful technical clarifications. It acknowledges that spread analysis should account, where feasible, for market conditions, tenor, origination timing, and other non-credit factors. A rating improvement of more than three sub-notches would trigger review and independent rating analysis would use the NAIC's three-sub-notch materiality tolerance. The Revised Framework also directly acknowledges that private and emerging assets may have limited or inconsistent data.

However, other changes create or expose additional risk.

A. Cross-CRP agreement should not be a goal - multiple credit opinions serve insurance investors

The Revised Framework continues to treat disagreement among CRPs, including on specific securities, as evidence of a problem that needs to be solved. It proposes correlation, association, distributional, migration, and time-series comparisons across providers.

We disagree strongly with this presumption. Divergent credit opinions are important to protecting investors – this is a major reason Congress explicitly prohibited the Securities and Exchange Commission, and any other body, from regulating the content of rating agency methodologies.[6] Penalizing divergence can promote convergence toward prevailing views and "groupthink" and weaken the independent judgment that is fundamental to the health of U.S. capital markets and to investor protection.

B. Market and impairment indicators require careful interpretation

The new assessment of CRP-rated security performance would examine insurer impairments on investments carrying high NAIC Designations and ask whether the CRP rating adjusted for "credit or other asset deterioration." That inquiry may be useful, but impairments can reflect accounting judgments, liquidity, market conditions, structure, or timing that do not correspond to the credit risk concept that a rating measures.

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[6] *See supra* note 3.

The NAIC should define the outcome it seeks to predict. It should distinguish between default risk, expected loss, impairment, market value, spread movement, and the NAIC's broader concept of investment risk. Otherwise, the Framework may compare unlike measures and treat the difference as rating error.

C. Lack of NAIC SVO application should be addressed

The NAIC should run the same due diligence on its own Securities Valuation Office, which produces its investment designations. The Revised Framework continues to scrutinize CRP methodology while exempting the NAIC's own designation methodology.

A framework built to cure "blind reliance" should apply the same discipline and standards to the NAIC's own SVO designations that it would apply to the credit rating providers it reviews.

IV. Confidentiality and Cybersecurity Rules Insufficiently Specified

The Revised Framework improves the provision addressing SEC examination information. The May proposal would have required each accepted CRP to share annual SEC assessment findings. The revision instead states that the NAIC "may rely on" findings, data, or other information provided by the SEC. That is seemingly an improvement, as it appears to contemplate regulator-to-regulator coordination rather than compulsory transfer by each CRP.

Ultimately, the remaining text is unclear. Appendix A still asks CRPs for "Feedback from SEC Office of Credit Ratings examinations." The annual report may summarize "SEC review findings by CRP." The NAIC also may consider information from foreign authorities and may place an entire CRP in scope across all asset classes based on information it deems material.[7]

The Working Group should clearly and explicitly state that it will not ask a CRP to provide nonpublic SEC examination material, privileged communications, or regulator-confidential information unless disclosure is lawful, authorized by the originating regulator, and governed by a written agreement that addresses use, onward disclosure, retention, privilege, security, and incident notification. Unadjudicated supervisory information should not independently support public or materially adverse action.

Developments since July also require a more precise cybersecurity discussion. NAIC has reported that the June incident involved exfiltration of public and private rating determinations and associated identifiers, but not rating-agency rationale reports. It later reported that all CRP feeds required for filing-exempt processing had resumed by August 10 and that designations were again published beginning August 17.[8]

PPI credits the NAIC for restoring operations and publishing additional facts. However, those developments do not eliminate the need for binding safeguards before the NAIC expands the

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[7] *Revised Framework*, *supra* note 1, §§ 1.2.3.1, 4.2.1 & app. A.
[8] NAIC, *Security Update* (last updated Oct. 13, 2026), https://content.naic.org/about/security-update (updates of Aug. 10 and Aug. 18, 2026).

volume and sensitivity of information it receives. The Revised Framework contains no data inventory, minimization standard, access restrictions, retention schedule, segregation requirement, onward disclosure rule, vendor control standard, or independent security certification tied to the proposed data collection.

V. Requested Action

PPI respectfully asks the Working Group to:

1. **Defer adoption and re-expose a revised proposal for at least 60 days.** The present 25-day period is too short for a framework whose tests, data requirements, governance, and remedies continue to evolve.
2. **Publish a federal law analysis.** The analysis, conducted by an outside, independent law firm, should address Section 15E(c)(2), the distinction between evaluating regulatory reliance and regulating methodology, the role of state regulators acting through the NAIC, and limits on remedies tied to methodology assessments.
3. **Narrow the Framework to mapping and performance.** Use aggregated, asset-class-specific default, loss, transition, and stability evidence. Remove security-specific methodology review and remediation based on methodology disagreement.
4. **Adopt formal procedural protections.** Provide advance written notice, the complete supporting record, a meaningful response period, written findings, reconsideration by a body not responsible for the initial analysis, and public explanation of Tier 2 decisions.
5. **Require economic/cost-benefit and antitrust/competition analysis before Tier 2 action.** Address market liquidity, implementation costs, rating market concentration, new entrants, private market financing, insurer capital effects, and less restrictive alternatives.
6. **Adopt binding data-governance and cybersecurity conditions.** Minimize collection, prohibit unauthorized onward transfer, define retention and deletion, segregate confidential information, require independent security assurance, and establish prompt incident-notification duties.

PPI supports disciplined oversight of the inputs used in insurance solvency regulation. However, the magnitude of a regulator's objective does not reduce the need for lawful authority, reliable evidence, fair process, and accountability. The Revised Framework is an improvement over the May proposal but still falls significantly short of being ready for adoption.

Respectfully submitted,



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October 23, 2026

Via Electronic Submission

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Re: Comments on Revised NAIC Credit Rating Provider Due Diligence Framework

Dear Chair and Members of the Credit Rating Provider (E) Working Group:

S&P Global Ratings ("S&P Global Ratings") appreciates the opportunity to comment on the revised NAIC Credit Rating Provider Due Diligence Framework (the "Framework"). S&P Global Ratings is a nationally recognized statistical rating organization registered with the U.S. Securities and Exchange Commission ("SEC") and a Credit Rating Provider ("CRP") recognized by the National Association of Insurance Commissioners ("NAIC").

We support the NAIC's objective of ensuring that its reliance on CRP ratings in producing NAIC Designations is well-informed, appropriately governed, and responsive to developments in insurer investment portfolios.

We appreciate that the revised Framework reflects several important changes, including acknowledging methodological diversity and clarifying that the Framework does not require CRPs to adopt a uniform methodology. In its implementation, we strongly encourage the NAIC to ensure that the Framework is dynamic and responsive to both changes in market conditions and changes to CRP methodologies, which can occur over short periods of time, and that it recognizes that different CRP methodologies may capture the same risk (e.g. loss/recoveries following default) through different analytical pathways.

Certain of the concerns flagged in our initial comment letter dated June 30th, 2026 remain, including the concern regarding the Framework's operative provisions which retain a continued emphasis on alignment and equivalency of ratings across CRPs. We therefore also encourage the NAIC to ensure that any actions taken under the Framework are based on the dual foundation of (i) a detailed understanding of CRP methodologies that involve CRPs in a dialogue to ensure clarity and (ii) a robust data-driven empirical approach to the assessment of CRP ratings performance over

meaningful time horizons, and in a manner that distinguishes between genuine CRP ratings performance concerns and generic asset-class prudential concerns. In addition, we wish to highlight several remaining procedural concerns for your consideration:

Vagueness in the Provisional Acceptance Standard

The Framework states that upon implementation, CRPs that were historically accepted by the NAIC will be provisionally accepted under the Framework immediately following the Framework's implementation, provided that "…no materially adverse findings related to a specific CRP are identified in the most recently available SEC (or other applicable jurisdictional) examination reports as of the implementation date."

The Framework does not define the term "materially adverse findings", but acknowledges that the information from the SEC would need to be significant and that a conclusion by the NAIC that would impact scoping based on that information, is likely to be rare. Notwithstanding this position, however, given the potentially significant impact upon the marketplace in the event of revocation of provisional acceptance based on materially adverse findings, it is especially important for that standard to be clearly articulated. Therefore, we would welcome further clarity about the intended meaning and scope of this term and ask that it be specifically defined before the Framework is formally implemented.

Appeal Process Should be Strengthened

While we appreciate that the Framework will provide the subject CRP with the opportunity to present its opposition to CRPWG remediation determinations in a regulator-only session, we remain concerned that the subject CRP is neither entitled to access the underlying information that formed the basis of the adverse decision, nor to correct inaccurate data and submit its own analysis of that data before the record closes. The subject CRP remains limited to merely presenting its opposition after the fact. These procedural weaknesses will impair the subject CRP's ability to effectively challenge the adverse decision.

Public Notice Process to be Clarified

The Framework now provides that following approval of a remediation action and notification to the affected CRP, the NAIC may provide public notice, as deemed appropriate and subject to confidentiality considerations. However, the Framework does not explicitly mandate that notification is required to occur only after all the respective procedural steps (i.e., regulator-only session, final CRPWG determination and parent committee oversight of the recommended remediation) are complete, and any appeals by the subject CRP have been exhausted. Given the potentially significant consequences of public notice of remediation action, including market disruptions, we suggest that the Framework be modified to expressly state that public notice cannot occur until after all procedural steps have been exhausted.

Re-Admittance Process Would Benefit from Clarification

The Framework contemplates that a CRP subject to de-admittance may be permitted to reapply at a later date, subject to applicable acceptance criteria. However, the Framework does not specify how soon after de-admittance re-application is permitted, or the precise standards to be met as part of the re-application.

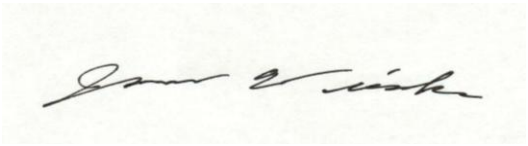
Given the potentially significant ramifications of de-admittance to the subject CRP and the marketplace more broadly, we encourage the NAIC to address the procedural concerns cited above, prior to implementation of the Framework. This will help ensure an equitable and transparent process.

Leveraging the SEC

We urge the NAIC to coordinate with the SEC beyond reviewing a CRP's examination findings. The SEC's Office of Credit Ratings examines each NRSRO annually and can enforce compliance with laws, rules and governance standards. When the Framework raises a concern about a particular CRP's ratings, the NAIC should engage with the SEC on (i) whether the issue falls within the SEC's authority under Section 15E and the NRSRO rules; and (ii) what tools the SEC could bring to bear, such as examination follow-up, enforcement or required disclosures.

S&P Global Ratings appreciates the Working Group's consideration of these comments and welcomes continued engagement regarding the Framework.

Respectfully submitted,



James Wiemken
Global Head of Rating Services

STRUCTURED FINANCE ASSOCIATION

October 26, 2026

Via Electronic Mail: jren@naic.org, dgenao1@naic.org

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Re: Technical Fix to Revised Exposure Draft: CRP Due Diligence Framework (Appendix A, Section E)

Dear Ms. Ren and Ms. Genao:

The Structured Finance Association ("SFA") thanks the Credit Rating Provider (E) Working Group ("CRP WG") and NAIC staff for their hard work and responsiveness in revising the proposed Credit Rating Provider Due Diligence Framework. We greatly appreciate that the revised draft incorporates the vast majority of SFA's earlier recommendations, particularly regarding methodological diversity, the NAIC's role as a consumer of ratings, and enhanced procedural safeguards.

We write solely to propose three targeted technical fixes that we believe are in line with the changes already proposed:

1) *Strike Direct SEC Reporting in Appendix A, Section E*

Currently, Appendix A, Section E appears to retain a requirement for Credit Rating Providers ("CRPs") to directly provide SEC examination feedback to the NAIC.

SFA recommends that the Working Group strike this provision to align it with changes proposed elsewhere in the exposure draft.

2) *Clarify the meaning of 'Prospective Remediation Actions'*

STRUCTURED FINANCE ASSOCIATION

Section 4.2.2 states "All Remediation Actions will apply on a prospective basis only." We understand this to mean that insurers are not required to amend or re-file previously filed financial statements solely because of a remediation action. It should not mean that remediation is limited only to newly-issued securities or newly-assigned ratings. We would appreciate confirmation of our understanding of the term "Prospective Remediation Actions."

3) *Correct sub-notch threshold in Section 1.2.2.3*

The revised text currently reads "more than three sub-notches". We believe that this should be changed to "three or more sub-notches", so that it is consistent with other areas of the framework.

We appreciate your continued collaboration and consideration of these technical suggestions.

Sincerely,



Dallin Merrill

Head of Policy

Structured Finance Association