Draft date: 10/13/26

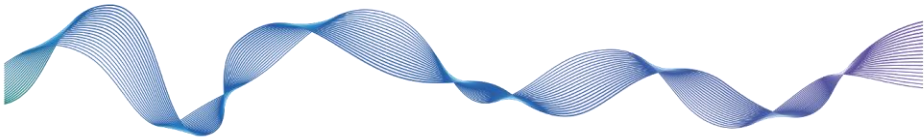
2026 Fall National Meeting
Dallas, Texas

INVESTED ASSETS (E) TASK FORCE
Monday, November 16, 2026
2:00 – 3:00 p.m.
Convention Center—Grapevine CD—Level 3

ROLL CALL

NAIC Member	Representative	State/Territory
Doug Ommen, Chair	Carrie Mears	Iowa
Scott A. White, Vice Chair	Doug Stolte	Virgina
Peter M. Fuimaono	Elizabeth Perri	American Samoa
Ricardo Lara	Laura Clements	California
Joshua Hershman	Ken Cotrone	Connecticut
Michael Yaworsky	Anoush Brangaccio	Florida
Dean L. Cameron	Eric Fletcher	Idaho
Vicki Schmidt	Tish Becker	Kansas
Angela L. Nelson	Danielle Smith	Missouri
Eric Dunning	Tadd Wegner	Nebraska
Susan Ochs	Susan Ochs	New Jersey
Kaitlin Asrow	Avani Shah/Bob Kasinow	New York
Jon Godfread	Colton Schulz	North Dakota
Judith L. French	Cameron Piatt	Ohio
Glen Mulready	Ryan Rowe	Oklahoma
TK Keen	Paul Throckmorton	Oregon
Michael Humphreys	Diana L. Sherman	Pennsylvania
Elizabeth Kelleher Dwyer	Liz Ammerman	Rhode Island
Michael Wise	Ryan Basnett	South Carolina
Carter Lawrence	Trey Hancock	Tennessee
Amanda Crawford	Amy Garcia	Texas
Patty Kuderer	Steve Drutz	Washington
Nathan Houdek	Amy Malm	Wisconsin

NAIC Committee Support: Jim Pinegar/Jennifer Vento/Michele Wong



AGENDA

1. Consider Adoption of its Sept. 1 and Summer National Meeting Minutes—*Carrie Mears (IA)* — Attachments One and One-A; Attachment Two

2. Receive a Report from the Investment Analysis (E) Working Group—*Carrie Mears (IA)* — Attachment Three

3. Consider Adoption of the Reports of its Working Groups —*Carrie Mears (IA)*
   A. Investment Designation Analysis (E) Working Group —*Ken Cotrone (CT)* — Attachment Four
   B. Credit Rating Provider (E) Working Group—*Jake Garn (UT)* — Attachment Five

4. Consider Adoption of the Credit Rating Provider (E) Working Group's Credit Rating Provider (CRP) Due Diligence Framework—*Carrie Mears (IA)* — Attachment Six

5. Hear a Presentation KBRA on Emerging Investment Structures (e.g., Fund Finance) and Evolving Market Trends, Including the Increasing Complexity, Risk, and Interconnectedness of Certain Structured Investments—Bill Cox (KBRA), Ryon Aguirre (KBRA), and Tom Speller (KBRA)

6. Discuss Any Other Matters Brought Before the Task Force —*Carrie Mears (IA)*

7. Adjournment

Draft: 9/3/26

Invested Assets (E) Task Force
E-Vote
Sept. 1, 2026

The Invested Assets (E) Task Force conducted an e-vote that concluded Sept. 1, 2026. The following Task Force members participated: Doug Ommen, Chair, represented by Carrie Mears (IA); Scott A. White, Vice Chair, and Doug Stolte (VA); Ricardo Lara represented by Laura Clements (CA); Joshua Hershman represented by Ken Cotrone (CT); Michael Yaworsky represented by Anoush Brangaccio (FL); Vicki Schmidt represented by Tish Becker (KS); Angela L. Nelson represented by Danielle Smith (MO); Jon Godfread represented by Colton Schulz (ND); Eric Dunning represented by Tadd Wegner (NE); Kaitlin Asrow represented Bob Kasinow (NY); Judith L. French represented by Cameron Piatt (OH); Glen Mulready represented by Ryan Rowe (OK); TK Keen represented by Paul Throckmorton (OR); Michael Humphreys represented by Diana L. Sherman (PA); Michael Wise represented by Ryan Basnett (SC); Carter Lawrence represented by Trey Hancock (TN); Amanda Crawford represented by Amy Garcia (TX); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI).

1. Adopted its 2027 Proposed Charges and Those of its Working Groups

The Task Force considered proposed revisions to its 2027 proposed charges and those of its working groups. The proposed revisions included moving consolidated charges from the Investment Analysis (E) Working Group to the Task Force, as the scope of the charges extends beyond the work of the Investment Analysis (E) Working Group and provides a significant benefit to others, specifically the Investment Designation Analysis (E) Working Group. The change also reflects that future fiscal requests regarding technology initiatives would be more appropriately sponsored by the Task Force rather than a Working Group. Minor editorial revisions were also made to provide additional context, improve readability, and ensure consistency throughout the charges.

The Task Force also affirmed unmodified 2027 proposed charges of the Investment Designation Analysis (E) Working Group, which were previously approved by the Working Group during the Summer National Meeting.

The Task Force members voted unanimously to adopt its 2027 proposed charges and those of its working groups (Attachment One). Having no further business, the Invested Assets (E) Task Force adjourned.

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Draft: 8~~7~~/~~28~~27/26~~5~~
Adopted by the Executive (EX) Committee and Plenary, Dec. 11, 2025
Adopted by the Financial Condition (E) Committee, Nov. 5, 2025

2027~~6~~ Charges

INVESTED ASSETS (E) TASK FORCE

The mission of the Invested Assets (E) Task Force is to provide regulatory leadership and expertise to establish and maintain all aspects of the NAIC's analysis of insurer invested assets.

Ongoing Support of NAIC Programs, Products, or Services

1. The **Invested Assets (E) Task Force** will:
   A. Oversee the work of the Credit Rating Provider (E) Working Group, the Investment Analysis (E) Working Group, and the Investment Designation Analysis (E) Working Group.
   B. Provide a forum for education from various parties to regulators on investment products, their performance, and the financial risks for regulatory policy purposes, as well as how regulators may address such risks.
   C. Understand new or evolving investment products that may possess characteristics that pose unique risks to insurers and the industry and coordinate with different NAIC groups of the Financial Condition (E) Committee or other NAIC groups, if necessary, to develop, implement, or advise on investment-related solvency policy changes (e.g., accounting, risk-based capital [RBC], etc.) or procedures within their analysis and examination of insurers subject to such risks.
   ~~C.~~D. Support strategic initiatives to modernize the NAIC's investment regulatory framework, including investment data, technology, analytical capabilities, and related business processes, and coordinate implementation among the Credit Rating Provider (E) Working Group, Investment Analysis (E) Working Group, Investment Designation Analysis (E) Working Group, and other applicable NAIC groups.

2. The **Credit Rating Provider (E) Working Group** will:
   A. Identify potential improvements to the filing exempt (FE) process (i.e., using credit rating provider [CRP] ratings to determine an NAIC designation) through ongoing implementation of the CRP due diligence framework to ensure greater consistency, uniformity, and appropriateness to achieve the NAIC's financial solvency objectives.
   B. Implement policies resulting from the CRP due diligence framework related to NAIC ~~'s staff~~ committee support administration of rating agency ratings used in NAIC processes, including ~~staff~~ committee support discretion over the applicability of their use in its administration of FE.
   C. Coordinate with the Investment Designation Analysis (E) Working Group on issues identified from the maintenance of the CRP due diligence framework.

3. The **Investment Analysis (E) Working Group** will:
   A. Monitor the risks associated with all types of invested assets, including collateral loans, mortgage loans, real estate, and Schedule BA investments.
   B. Analyze the details of new or evolving investment products or new investment characteristics that could pose unique risks to insurers and provide recommendations to the Invested Assets (E) Task Force on investment-related solvency policy changes to be made in conjunction with other NAIC groups of the Financial Condition (E) Committee.

~~C.~~ Analyze insurers and groups that hold new, evolving, or riskier investments (including those with higher levels of illiquidity, valuation uncertainty or complexity) and advise the state of domicile on applicable risks, either directly or through coordination with the Financial Analysis

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(E) Working Group or Valuation Analysis (E) Working Group. Where applicable, utilize NAIC committee supportstaff from the Securities

C.

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

the Securities
Valuation Office (SVO), the Structured Securities Group (SSG), and the Capital Markets Bureau (CMB) to assist the Working Group with these deliverables.

D. Oversee a revised portfolio analysis product from NAIC committee supportstaff, the CMB rResearch agenda, and analytical investment reports produced by NAIC for the public.

~~**INVESTED ASSETS (E) TASK FORCE (*Continued*)**~~

~~H. Oversee the NAIC's implementation of revised systems designed to improve the availability of various investment data points from existing NAIC databases while also identifying and providing NAIC staff who support this group with at least one investment software package that facilitates portfolio analysis and portfolio modeling.~~

~~I. Monitor information technology and data resource needs to ensure data can be retrieved efficiently and effectively.~~

~~J.~~E. Develop best practice examples of supervisory plans that monitor complex investments where the company and the regulator oversee company-designed risk dashboards on their riskier investment areas/or risk mitigation tracking.

4. The **Investment Designation Analysis (E) Working Group** will:
   A. Review and monitor the operations of the NAIC Securities Valuation Office (SVO) and the NAIC Structured Securities Group (SSG) to ensure they continue to reflect regulatory objectives.
   B. Maintain and revise *the Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to provide solutions for investment-related regulatory issues for existing or anticipated investments.
   C. Monitor changes in accounting and reporting requirements resulting from the continuing maintenance of the *Accounting Practices and Procedures Manual* (AP&P Manual), as well as financial statement blanks and instructions, to ensure that the P&P Manual reflects regulatory needs and objectives.
   D. Provide effective direction to the NAIC's mortgage-backed securities modeling firms and consultants.
   E. Identify potential improvements to the credit filing and designation processes, including formats and electronic system enhancements.
   F. Coordinate with the Invested Assets (E) Task Force, Investment Analysis (E) Working Group, and other NAIC working groups and task forces to formulate recommendations and make referrals to other NAIC regulator groups to ascertain that the purpose and objective of guidance in the P&P Manual is reflective in the guidance of other groups and that the expertise of other NAIC regulatory groups and the objectives of their guidance is reflected in the P&P Manual. Implement additional and alternative ways to measure and report investment risk.

NAIC Committee Support: ~~Mark Sagat~~Dan Daveline, Jim Pinegar, Michele Wong, and Jennifer Vento

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Draft Pending Adoption

Draft: 8/17/26

Invested Assets (E) Task Force
Columbus, Ohio
August 13, 2026

The Invested Assets (E) Task Force met in Columbus, OH, Aug. 13, 2026. The following Task Force members participated: Doug Ommen, Chair, represented by Carrie Mears (IA); Scott A. White, Vice Chair, Doug Stolte, and Greg Chew (VA); Ricardo Lara represented by Laura Clements (CA); Joshua Hershman represented by Ken Cotrone (CT); Michael Yaworsky represented by Anoush Brangaccio (FL); Dean L. Cameron represented by Eric Fletcher (ID); Vicki Schmidt represented by Tish Becker (KS); Eric Dunning represented by Tadd Wegner (NE); Susan Ochs represented by Paul Lupo and David Wolf (NJ); Kaitlin Asrow represented by Avani Shah and Bob Kasinow (NY); Judith L. French represented by Cameron Piatt (OH); Glen Mulready represented by Eli Snowbarger (OK); TK Keen represented by Paul Throckmorton (OR); Elizabeth Kelleher Dwyer represented by Liz Ammerman (RI); Michael Wise represented by Ryan Basnett (SC); Carter Lawrence represented by Trey Hancock (TN); Amanda Crawford represented by Amy Garcia (TX); Patty Kuderer represented by Steve Drutz (WA); and Nathan Houdek represented by Amy Malm (WI). Also participating were: Philip Barlow (DC); Gilbert Mendoza (MD); Fred Andersen (MN); and Jake Garn (UT).

1. Adopted its Spring National Meeting Minutes

Malm made a motion, seconded by Wegner, to adopt the Task Force's March 24 minutes (*see NAIC Proceedings – Spring 2026, Invested Assets (E) Task Force*). The motion passed unanimously.

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

Cotrone said the Investment Designation Analysis (E) Working Group met July 30 in regulator-to-regulator session pursuant to paragraph 6 (consultations with NAIC staff related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings. During this meeting, NAIC committee support presented the technical guidance captured in the Summer National Meeting agenda.

Additionally, Cotrone said the Investment Designation Analysis (E) Working Group met Aug. 13. During this meeting, the Working Group took the following action: 1) adopted its Spring National Meeting minutes; 2) adopted its 2027 proposed charges; 3) adopted amendments to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to update the list of approved credit rating providers (CRPs) and updated guidance permitting the NAIC Securities Valuation Office (SVO) to perform analysis of certain parent-subsidiary situations; 4) exposed an amendment to the P&P Manual to update filing exempt (FE) treatment of collateralized loan obligations (CLOs) for a 30-day public comment period ending Sept. 14; 5) directed NAIC committee support to refer a rating agency's request to become a CRP to the Credit Rating Provider (E) Working Group; 6) heard a request from NIAC committee support regarding an entity's request to be added to the NAIC's list of nationally recognized statistical rating organizations (NRSROs) to be used to administer the NAIC's list of qualified U.S. financial institutions; 7) heard a report that the NAIC's ability to implement discretion over NAIC designations assigned through the FE process is operational; 8) moved to permit the SVO to temporarily extend the private rating filing deadline for a period equivalent to the outage period that began on June 17, 2026; and 9) received an update that NAIC's AVS+ system is temporarily offline for system maintenance and should be operational by Aug. 14.

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Draft Pending Adoption

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

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

Garn said the Credit Rating Provider (E) Working Group met Aug. 12. During this meeting, the Working Group took the following action: 1) adopted its Spring National Meeting minutes; 2) discussed comments received on the CRP Due Diligence Framework proposal; and 3) directed NAIC committee support to work with PricewaterhouseCoopers (PwC) to prepare a revised version of the framework.

Additionally, Garn said the Credit Rating Provider (E) Working Group met July 30 and June 25 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals), paragraph 6 (consultations with NAIC staff related to NAIC technical guidance), and paragraph 9 (subjects required to be kept confidential) of the NAIC Policy Statement on Open Meetings. During its June 25 meeting, the Working Group discussed questions received regarding the CRP Due Diligence Framework proposal. During its July 30 meeting, NAIC committee support presented the technical guidance captured in the Summer National Meeting agenda.

Kasinow made a motion, seconded by Piatt, to adopt the report of the Investment Designation Analysis (E) Working Group minutes (Attachment Two). The motion passed unanimously.

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

Mears said the Investment Analysis (E) Working Group met June 29 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings. During this meeting, the Working Group took the following action: 1) heard a presentation from NAIC committee support regarding investments categorized as Level 3 under *Statement of Statutory Accounting Principles* (*SSAP) No. 100—Fair Value*, with a particular focus on Note 20C fair value hierarchy disclosures, noting that current Note 20C reporting exhibits significant variability in structure, granularity, and presentation across reporting entities, limiting comparability and regulatory analysis, and that the free-form nature of the disclosure and lack of standardized alignment with statutory investment schedules introduce inconsistencies in data quality and limit regulators' ability to efficiently trace fair value hierarchy disclosures to underlying reported investments; and 2) issued a referral to the Statutory Accounting Principles (E) Working Group seeking evaluation of whether existing disclosure requirements continue to provide the consistency, transparency, and comparability needed to effectively assess fair value measurements, particularly for investments classified within Level 3 of the fair value hierarchy. (see *NAIC Proceedings – Summer 2026, Statutory Accounting Principles (E) Working Group Minutes*.)

Mears said the Investment Analysis (E) Working Group met May 14 in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings. During this meeting, the Working Group took the following action: 1) heard a presentation from NAIC committee support regarding mortgage loans, specifically focusing on the growth of residential mortgage loan portfolios with life companies, noting the rapid growth of residential mortgage loan exposure since 2021, increasing concentration levels among certain insurers, and limitations in current reporting that restrict regulators' ability to evaluate the underlying risk characteristics of these investments, and noted that *SSAP No. 37—Mortgage Loans* provides limited guidance regarding the distinction between traditional residential mortgage loans and certain larger or more complex mortgage loan structures that may exhibit risk characteristics more commonly associated with commercial real estate lending and 2) issued a referral to the Statutory Accounting Principles (E) Working Group and the Life Risk-Based Capital (E) Working Group seeking evaluation of whether existing statutory accounting guidance, reporting requirements, and risk-based capital (RBC) treatment continue to appropriately reflect the

evolving composition of residential mortgage loan investments held by insurers. (see *NAIC Proceedings – Summer 2026, Statutory Accounting Principles (E) Working Group Minutes.*)

Mears said the Investment Analysis (E) Working Group updated its revolving six-to-nine-month plan, consistent with its commitment to transparency, to identify topics planned for future consideration, including continued discussions regarding Level 3 investments and fund finance. (Attachment Three)

5. Heard a Presentation from the NAIC/AICPA (E) Working Group Regarding Private Credit and Auditing Fair Value Estimations for Certain Investments

Olga Roberts (KPMG and chair of the NAIC/American Institute of Certified Public Accountants [AICPA] [E] Working Group), Dave Osborne (Ernst & Young—EY), Josh Martin (Deloitte), and Jim Garner (Forvis Mazars) presented an overview of audit considerations for insurance companies' investments in private credit. Roberts stated that the presentation was developed by members of the NAIC/AICPA (E) Working Group and was intended to reflect the combined views of the Working Group rather than those of its individual firms. Gartner noted that private credit is increasingly being used by insurance companies to support obligations to policyholders and that, as these portfolios become more complex, auditors must understand not only the labels applied to investments but also the underlying risks, structures, and related measurement and monitoring processes.

Garner noted that regulators, rating agencies, and investors have similarly questioned whether the risks associated with private credit are changing as insurers increase their exposure to the asset class, whether certain structures are becoming more difficult to understand and value, and whether governance is evolving appropriately to oversee increasingly complex portfolios. Garner explained that, from an independent accounting firm's perspective, private credit requires intentional and thoughtful risk-assessment procedures to identify changes in an insurer's portfolio and determine what new financial reporting and governance risks may have emerged. Garner emphasized that private credit is not a single type of investment but rather a broad term applied to a wide variety of investment structures and risks.

Garner explained that the presentation was organized around the audit process because it provides a framework for considering financial reporting, valuation, and transparency risks associated with private credit. Garner noted that if an insurer has significantly increased its private credit exposure, the auditor's risk assessment should demonstrate an understanding of that change and include analysis specific to the insurer's new investment landscape, including the structure of the investments, significant judgments and assumptions, the observability of inputs, and the areas in which material misstatement could occur. Garner stated that the growth of private credit places increasing pressure on auditors to apply existing auditing requirements thoughtfully and with professional skepticism, particularly as investments become more complex, less liquid, more judgmental, and more difficult to independently corroborate.

Garner explained that there is not a single universally accepted definition of private credit. Although the NAIC has adopted a definition, the term may be used differently by various market participants and may encompass direct lending, middle-market lending, structured credit exposures, and other debt-like investment arrangements. Two investments may both be characterized as private credit while having materially different structures, characteristics, and financial reporting risks. Accordingly, Garner emphasized that the label itself may be less informative than understanding the specific structure and risks of each investment.

Garner noted that auditors may, in certain circumstances, perform investment valuation testing under a Public Company Accounting Oversight Board (PCAOB)-compliant model when auditing a U.S. generally accepted accounting principles (GAAP) financial statement issuer that is a U.S. Securities Exchange Commission (SEC)

registrant, and that such work may potentially be leveraged for a statutory audit. Garner clarified that the presentation was focused specifically on an NAIC statutory-basis audit performed under AICPA standards.

Osborne provided an overview of the applicable generally accepted auditing standards (GAAS), noting that three sections are particularly relevant when considering audits of private credit investments: *Auditing Standards – Clarified (AU-C) Section 315, Understanding the Entity and Its Environment and Assessing the Risk of Material Misstatement; AU-C Section 320, Materiality in Planning and Perming an Audit*; and *AU-C Section 540, Auditing Accounting Estimates and Related Disclosures*. Osborne noted that AU-C Section 540 includes requirements and guidance concerning the application of other auditing standards to accounting estimates, the evaluation of misstatements in estimates and related disclosures, and indicators of possible management bias.

Osborne stated that auditors would not necessarily use the same approach to private credit investments as they would for investment balances without private credit exposure. Rather, the audit approach would depend on the auditor's risk assessment, professional judgment, and the complexity of the specific investment or group of investments. Where private credit investments are more complex, illiquid, or judgmental, or where an insurer's private credit portfolio is rapidly growing, the audit would generally involve a deeper risk assessment, more detailed testing, and greater challenge of management's accounting estimates.

Osborne noted that the purpose of an audit of statutory-basis financial statements is to provide users with an auditor's opinion as to whether the financial statements are fairly presented, in all material respects, in accordance with the accounting practices prescribed or permitted by the applicable state insurance regulator, also referred to as statutory accounting practices. He emphasized that a financial statement audit is not the same as a regulatory examination or continuous monitoring. Auditors obtain reasonable assurance that the financial statements, as a whole, are free of material misstatement. Accordingly, an unmodified ("clean") audit opinion does not mean that every individual investment was free of valuation error, that every aspect of the portfolio management process was effective, or that all internal controls over investment valuation were operating effectively. Rather, it means the auditor concluded that the financial statements were fairly stated, in all material respects, under the applicable accounting framework.

Roberts then discussed risk assessment under AU-C Section 315, noting that risk assessment is critical to determining which account balances and disclosures may contain a risk of material misstatement and, consequently, the nature, timing, and extent of audit procedures. Roberts emphasized that an auditor would not automatically conclude that a risk of material misstatement exists for every insurer simply because a particular account, such as bonds, contains private credit investments. Instead, procedures must be performed to determine whether a risk is present at the financial statement or assertion level. The auditor's response is then tailored to the individual insurer's risk profile and may involve valuation specialists.

Roberts stated that effective risk assessment requires the auditor to understand the insurer's specific investment strategy and the risks embedded in its portfolio. This includes understanding fund structures and fund managers, as well as whether private credit structures contain embedded leverage that may increase risk. An audit firm's valuation specialists may be involved in understanding the portfolio valuation approach and discussing expected changes with the audit team and the insurer's valuation experts.

Roberts noted that AU-C Section 315 requires auditors to obtain an understanding of relevant controls but generally does not require controls testing except in limited circumstances, such as when a significant risk is identified. In those circumstances, the auditor evaluates whether the controls have been appropriately designed and implemented, although the standard does not generally require testing the operating effectiveness of those

controls in a statutory financial statement audit. Roberts explained that a controls-based approach may be used when the auditor is also performing a U.S. GAAP audit for an SEC registrant subject to PCAOB standards.

In evaluating an insurer's internal control environment, Roberts stated that auditors may consider how the insurer monitors and challenges the credit risk of investments after the initial investment, whether management performs valuation internally or relies on third parties, and how management evaluates the relevance and reliability of information provided by third parties. Auditors also consider related-party relationships, including whether underlying borrowers are affiliates or related parties of the insurer or whether an investment structure is formed or managed by a related party. Roberts noted that auditors may also consider an insurer's use of credit rating providers, including the credibility and timeliness of ratings and the potential for subjectivity or latency in rating updates.

Roberts emphasized that risk assessment is not static and that auditors respond to changes in an insurer's operations and portfolio throughout the year, as well as to emerging risks. Accordingly, risk assessment procedures performed in the current environment may address emerging private credit risks that would not necessarily have been considered in prior years.

Roberts noted that risk assessment procedures involve a combination of inquiry, analytical procedures, observation, and inspection, and that simply asking management about its valuation of private credit investments would not be sufficient. Auditors corroborate management's explanations through procedures that may include reviewing investment policies and portfolio composition and, where appropriate, inspecting underlying legal and investment documents to understand the specific terms and complexity of an investment. With assistance from valuation specialists when appropriate, auditors may also evaluate an investment's position within the capital structure, including whether it represents senior secured debt, mezzanine debt, or preferred equity, as well as terms relating to seniority, collateral rights, maturity, and payment-in-kind interest. Auditors may also consider liquidity provisions, including redemption features, gates, or suspensions that could affect an insurer's access to invested funds (liquidity).

Roberts clarified that these procedures would not necessarily be performed for every private credit investment. Rather, the nature and extent of the procedures would be determined by the auditor's professional judgment and risk assessment. Audit procedures over private credit investments are based on detailed corroborative evidence and are designed to challenge management's assumptions and identify both corroborating and contradictory evidence regarding amounts reported in the financial statements.

Osborne then discussed materiality and its role in planning and performing the audit. The auditor establishes materiality for the financial statements as a whole when developing the overall audit strategy. For insurance companies, materiality is typically established with reference to capital and surplus levels, consistent with guidance contained in the NAIC *Financial Condition Examiners Handbook*. Osborne noted, however, that auditors may establish testing thresholds below overall financial statement materiality for particular classes of transactions, account balances, or disclosures when there is a substantial likelihood that a misstatement below overall materiality could influence the judgment of a reasonable user of the financial statements.

Osborne stated that this could be relevant when private credit investments have been identified as a significant risk. In such circumstances, the auditor may perform additional work at a lower threshold or treat particular disclosures as important even when the related account balance is not material to the financial statements as a whole. Materiality is not a "set it and forget it" determination. If information obtained during the audit would have caused the auditor to initially determine a different materiality amount, the auditor must reconsider materiality and whether previously planned or performed procedures remain appropriate.

Osborne stated that the risks of material misstatement are identified by considering whether a misstatement could reasonably occur and, if it did, whether it would be material. Such risks incorporate inherent and control risk and may be identified at either the financial statement level or the assertion level for significant classes of transactions, account balances, and disclosures. Examples of pervasive financial statement-level risks that could affect private credit investments include inadequate segregation of duties and management override of controls. Osborne noted that auditors should document their understanding of what could go wrong regarding an insurer's private credit investments and ensure that the documented risks align with the results of the risk assessment. Risks may include valuation complexity, weaknesses in management oversight or review, liquidity constraints, rapid portfolio growth, weak governance, and management bias.

Martin further discussed AU-C Section 540 and the auditor's responsibilities regarding accounting estimates. Accounting estimates receive particular attention because they often involve management judgment and can materially affect financial statements and related disclosures. The auditor must understand how an estimate is developed, assess the risks of bias or error, and test whether management's methods, assumptions, and data are reasonable and supported by evidence. Where significant estimation uncertainty exists, the auditor may treat the estimate as a higher-risk area and perform more robust procedures, including evaluating alternative assumptions or outcomes that management should have considered.

Martin explained that for private credit investments, auditors will focus on fair value estimates based on the assessed risk level. Reported fair values may depend on pricing services, broker quotations, valuation models, and management judgment, particularly when active market prices are unavailable. Auditors evaluate whether the valuation method, data, and assumptions reflect those used by market participants, with priority given to observable market inputs where available. Procedures may include comparing management's estimate with reliable third-party pricing or an independently developed point estimate or range, investigating differences, and involving valuation specialists for complex or less-liquid investments. Martin emphasized that management remains responsible for the reported valuation even when it relies on an external pricing source.

Martin stated that auditors may also consider subsequent transactions and patterns in valuation differences to determine whether investment values are materially misstated, whether valuation differences indicate management bias, and whether related financial statement disclosures are appropriate. Based on the fair value analysis, auditors may also challenge management's conclusion regarding whether a decline in fair value below cost constitutes an other-than-temporary impairment (OTTI).

Martin further discussed audit procedures used to evaluate fair value estimates. Auditors may determine whether management relies on external pricing sources, broker quotations, valuation techniques, or internal models when observable market prices are unavailable. They may inspect valuation policies, valuation memoranda, model documentation, and supporting analyses to understand the methods, underlying data, and significant assumptions used by management. Auditors may also evaluate the use of management's experts or service organizations, including the nature of their work and how management reviews and resolves exceptions or disagreements. These procedures help identify estimates that are particularly dependent on judgment, limited market information, or management-selected assumptions and therefore may require more detailed testing or valuation expertise.

Martin stated that auditors vary the nature, timing, and extent of substantive testing in response to identified risks of material misstatement. Where a risk relates specifically to a difficult-to-value private credit investment, audit procedures are tailored to the particular source of risk. For example, if an identified risk relates to an unobservable input used to value a group of investments, the auditor would design procedures to determine

whether that particular unobservable input is reasonable rather than simply applying a generic valuation procedure to the investments.

Martin noted that investments recorded at amortized cost may be tested through procedures such as agreeing the recorded cost to supporting documentation and recalculating amortization of discounts or premiums. These amounts generally are not accounting estimates because they can be objectively verified. Accounting estimates may instead arise in the disclosure of fair value required by SSAP No. 100 and in management's assessment of whether a decline in an investment's fair value below cost requires recognition of an OTTI.

Martin stated that auditors generally test fair value accounting estimates using one of two approaches: developing an independent fair value estimate to corroborate management's measurement or testing the process management used to develop its estimate. When developing an independent estimate, the procedures depend on the source, methods, data, assumptions, and availability of observable inputs. The auditor may use a third-party pricing source or involve a fair value specialist and may use management's significant assumptions, develop independent assumptions, or obtain assumptions from a third party. In all cases, the auditor must evaluate the reliability of the assumptions and supporting information.

With respect to OTTI, Martin stated that auditors may verify the population of impaired securities, test selected items to supporting records and fair value evidence, and assess management's conclusions regarding its intent to sell, whether a sale is more likely than not to be required, and whether the full amortized cost is expected to be recovered. Auditors may also challenge the assumptions and evidence supporting management's conclusions, consider indications of bias, and review subsequent sales or losses to determine whether realized losses were recognized in the appropriate period.

Martin emphasized that for private credit investments, audit procedures must be responsive to areas of increased complexity or uncertainty, including illiquidity, sparse transactions, structural complexity, outdated collateral information, and overly optimistic performance assumptions. An auditor developing an independent fair value estimate for a selected private credit investment would need to consider the valuation's inherent illiquidity.

Martin stated that when evaluating the results of audit procedures, the auditor considers whether the nature, timing, and extent of testing were sufficient to address the inherent risk associated with investment valuation. If an auditor develops an independent fair value estimate, it is compared with management's estimate using a reasonable range. Values within the range generally support management's estimate, while values outside the range require additional analysis of market conditions, observability, and other factors that could explain the difference. If additional procedures do not explain the difference between the auditor's point estimate and management's recorded fair value, the auditor may conclude that management's estimate is unreasonable and treat the difference between the recorded estimate and the nearest point in the auditor's reasonable range as a misstatement.

Martin further explained that when testing management's process for developing fair value estimates, auditors evaluate the appropriateness of valuation techniques, the completeness, accuracy, and relevance of underlying data, the availability of alternative assumptions, and indicators of management bias. Based on the available audit evidence, the auditor evaluates whether management has arrived at a reasonable fair value estimate and whether differences between the estimate best supported by audit evidence and the amount recorded in the financial statements indicate potential management bias.

Garner concluded the presentation by emphasizing that auditors and regulators are asking many of the same fundamental questions regarding private credit investments, including whether the underlying economics and

risks are understood and whether those risks are appropriately addressed. The principal challenge is understanding and monitoring those risks as investment structures become increasingly complex. Garner reiterated that private credit is not a single asset class with a single risk profile, but rather a collection of structures, strategies, and investment arrangements that can differ significantly in their underlying terms and complexity. As a result, broad private credit labels may be less effective at communicating risk than a detailed understanding of an individual investment's characteristics. Garner concluded that prudent oversight at multiple levels will be necessary to ensure that evolving risks are appropriately identified and addressed and that policyholder interests are protected.

During the discussion, Mears inquired whether the fact that many of the private credit investments discussed are not carried at fair value on the statutory financial statements affects the auditor's review, particularly because a misstatement in fair value would not necessarily have a direct impact on surplus unless an other-than-temporary impairment or similar adjustment were involved. Roberts stated that fair value remains relevant because it is disclosed in the financial statements and therefore is subject to audit procedures. The extent of those procedures, however, depends on the auditor's risk assessment.

Mears inquired about the use of reasonable ranges for difficult-to-value assets and whether an insurer could consistently select either the high or low end of an acceptable range when the aggregate effect could be material. Martin explained that the purpose of a reasonable range is to identify the values that are acceptable based on the available evidence. When evaluating whether management's recorded value is misstated, the auditor considers the difference between the recorded value and the nearest end of the reasonable range. Anderson inquired whether an investment supported by relatively reliable valuation assumptions would generally have a narrower range than an investment with significantly more uncertainty and difficulty in determining an exact value. Martin responded that, subject to each audit firm's methodology, a more difficult-to-value investment would generally have a wider acceptable range due to greater uncertainty in its valuation.

Stolte inquired about the level of specialist involvement for a material portfolio of Level 3 investments, notably when regulators view the balance as material. Osborn responded that the need for a valuation specialist depends on the characteristics of the underlying investments and the associated valuation risk. If the investments have readily determinable fair values, the auditor may not need to involve a specialist to the same extent. Conversely, where the investments are difficult to value and their values are difficult to corroborate independently, greater involvement by a valuation specialist may be appropriate to provide additional assurance that the amounts are reasonably stated.

Mears inquired whether materiality is assessed differently for investments carried at book value when fair value is relevant primarily because of financial statement disclosures, or whether such investments are subject to the same level of rigor as investments carried at fair value. Roberts stated that materiality is generally established for the financial statements as a whole rather than separately based on whether an investment is carried at fair value. The extent of audit procedures, however, may vary depending on the risk assessment for the specific portfolio or investment.

Mears inquired whether an auditor would incorporate a regulator's view of materiality if the regulator's assessment differed from the auditor's calculation. Osborn stated that auditors generally consider the NAIC *Financial Condition Examiners Handbook* guidance on materiality, which typically references a percentage of capital and surplus, as well as other operating measures and factors that could influence the audit. Accordingly, when establishing materiality for a specific engagement, the auditor considers the overall circumstances and the measures that are most appropriate for that insurer.

Draft Pending Adoption

In response to a question regarding risk assessment procedures for affiliated investments and when auditors involve specialists to challenge management's valuation, Roberts stated that auditors first seek to understand the relationships and management structure associated with the investment as part of understanding the insurer and how it operates. The complexity of related-party relationships and affiliated investments can affect the risk assessment and the extent of audit procedures. There is no automatic requirement to involve a specialist for affiliated investments, as the appropriate response depends on the investment's nature, its structure, and the organization. The auditors' work papers should document their understanding of the relationships and the basis for the audit procedures performed.

In response to a question regarding whether the presenters could provide a broad indication of how frequently valuation specialists are involved in audits, such as whether specialists are involved in a small percentage, approximately half, or most audits, Roberts stated that it was difficult to provide a meaningful percentage because specialist involvement varies significantly based on the circumstances of the individual audit and portfolio.

Kasinow inquired if auditors assess whether investment valuations remain reasonable under potential stress scenarios. Osborn stated that evaluating whether valuations remain reasonable under specified stress scenarios would generally be outside the scope of a financial statement audit. The audit focuses on whether the financial statements are fairly presented and whether the recorded amounts are reasonable under the applicable accounting framework, rather than assessing what could occur under particular hypothetical stress scenarios. Such stress testing could be performed as a separate engagement but would not generally constitute an audit procedure.

6. Received a CMB Update

Michele Wong (NAIC) stated that the NAIC's Capital Markets Bureau (CMB) has noted that as private credit exposure has grown on insurers' balance sheets, the complexity of these structures has also increased. She noted that the use of private letter ratings for certain investments can make it more difficult to assess the risk profile of those investments. Jennifer Vento (NAIC) stated that exposure to nontraditional investments remains of particular interest and was less than half of U.S. insurer's total exposure to private credit as of year-end 2025. The CMB expects to publish a special report regarding such investments. She noted that the report will be available on the CMB's public web page.

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

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Attachment Three

To: Kevin Clark, Chair of the Statutory Accounting Principles (E) Working Group
Dale Bruggeman, Vice Chair of the Statutory Accounting Principles (E) Working Group

From: Carrie Mears, Chair of the Investment Analysis (E) Working Group
Matt Cheung, Vice Chair of the Investment Analysis (E) Working Group

Re: Reporting of Structured Investments and Underlying Collateral and other Reporting Enhancements

Date: October 20, 2026

In accordance with its charges, the Investment Analysis (E) Working Group has been reviewing the statutory reporting of certain investments reported as asset backed securities, with a particular focus on the collateral supporting these investments and the ability of regulators to identify the underlying economic exposures of said investments. The review has identified areas where current reporting may not provide sufficient clarity regarding an investment's underlying collateral or identification of structure through which an insurer obtains exposure.

We recognize that the year-end 2025 reporting data that we have been reviewing was the first year under the substantially over-hauled reporting structure resulting from the Principles-Based Bond Definition and believe the recommendations in this referral represent modest refinements intended to further realize the benefits of that project.

The issues and recommendations relate specifically to Schedule D, Part 1, Section 2, Asset-Backed Securities and the objective is to enhance regulators' ability to identify and understand the collateral and structures underlying these investments.

In short, the Working Group's objective is to improve the ability of regulators to identify and understand the universe of these investments. This is particularly important as multi-collateral and feeder fund structures are increasing among insurer holdings. Establishing reporting tools to identify these structures would allow regulators to better understand the population, monitor its growth, and evaluate associated risks consistent with the Working Group's proactive approach to emerging investment issues.

Predominant Collateral Threshold

Statutory reporting requires the use of dedicated reporting lines for certain collateral types (RMBS, CMBS, CLOs/CBOs/CDOs). Other types of ABS are reported based upon broader categories (lease-backed) and investment characteristics (self-liquidating or not). For these reporting lines, a collateral code is required to identify the underlying collateral from a fairly comprehensive list of collateral types. While an "Other" option is available, it was anticipated this option would rarely be used given the comprehensiveness of the available choices.

The Working Group did a review of underlying collateral codes to review the types of collateral commonly seen in insurer portfolios and noted that approximately half of the investments in life insurer portfolios with reported collateral codes utilized the "Other" collateral code.

As a step to improve alignment of reporting to the underlying collateral, the Working Group believes the threshold used to determine the predominant collateral should be specifically stated. Under the current reporting instructions, only one code is to be selected, and for securities that fit within more than one category, the "predominant" collateral code is to be selected. A definition of "predominant" is not included in the Annual Statement Instructions. If taken at its definition, predominant would mean the most common collateral type, which could still be only a minority percentage of the total. Others could be interpreting it to mean collateral

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representing more than 50% of the underlying assets. Either interpretation could result in a structure with diverse underlying collateral types being identified as a single collateral type.

The Working Group believes increasing the predominant collateral threshold to 90%, or a similarly high threshold, would provide a more representative basis for assigning a single collateral classification to distinguish between those with truly homogenous collateral versus heterogenous. Under such an approach, an investment would need to have at least 90% of its underlying collateral represented by a singular collateral type to be reported within the corresponding collateral category. Investments that do not meet the 90% threshold would instead be identified as multi-collateral structures (additional detail follows in this referral).

Accordingly, the Investment Analysis (E) Working Group requests that the Statutory Accounting Principles (E) Working Group consider specifying that the threshold for designating investments (for both reporting lines and collateral codes) based on underlying collateral shall represent 90% of the underlying collateral assets.

Multi-Collateral Structures

The Working Group has observed an emerging population of investments supported by multiple types of collateral. These structures may include a combination of financial and nonfinancial assets, or self-liquidating and non-self-liquidating, such as investments backed by a combination of loans, bonds and equity collateral. As these structures become more prevalent, the Working Group believes it is important to establish a means of identifying the population through statutory reporting.

The existing Annual Statement reporting structure provides numerous specific reporting lines for asset-backed securities based on the nature of the underlying collateral and other characteristics of the investment. However, the current reporting structure does not have a designated reporting category for when multiple types of underlying assets support the investment. As a result, a multi-collateral structure may be reported within a line item that identifies only one component of the underlying collateral, or within another available reporting category. This makes it difficult for regulators to readily identify and monitor the population through statutory reporting.

The Working Group believes that establishing a dedicated reporting category for multi-collateral structures would provide regulators with a clear means of identifying these investments, understanding the size and characteristics of the population, and monitoring its development over time.

Accordingly, the Investment Analysis (E) Working Group requests that the Statutory Accounting Principles (E) Working Group consider whether a dedicated Annual Statement reporting category or categories should be established for multi-collateral financial asset-backed securities, including investments supported by collateral that can otherwise fit into multiple line items.

Additional Considerations Regarding Complex Structures

In addition, the Working Group believes other related issues warrant consideration as the reporting framework is evaluated.

First, consideration should be given to whether the existing collateral codes adequately identify corporate credit-backed investments. While private credit or corporate loans could potentially be considered within the existing corporate and industrial obligations collateral category, that category does not specifically identify corporate credit obligations. Conversely, there may be an assumption that corporate credit-backed structures are CLO variants and should therefore be reported within the CLO/CBO/CDO category. There is not currently a clearly specified reporting location for non-CLO/CBO/CDO structures primarily supported by corporate credit, which may result in common investment types like private credit rated feeder notes, being inconsistently reported.

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Particularly if reporting continues to be focused upon collateral type rather than the structure, the Working Group believes consideration should be given to establishing a separate structure code that identifies the manner in which an insurer obtains exposure to the underlying collateral, such as through a securitization, feeder fund, or other indirect structure. While the principles-based bond definition required reporting based on the underlying substance of an investment, a structure code would provide information distinct from the collateral type, allowing regulators to understand both the legal nature of the structure as well as what ultimately supports the investment.

Then to ensure alignment with all of these reporting features, guidance may be needed on the degree to which an insurer should look through legal structures for classification purposes; for example, how to distinguish whether to look through a feeder fund structure versus classifying a structure as "equity-backed".

Conclusion

These considerations are intended to improve the accuracy, consistency, and transparency of statutory reporting for increasingly complex investment structures; provide regulators with a clearer understanding of the underlying collateral supporting insurer investments; and, establish a more reliable foundation for evaluating associated accounting, valuation, and risk management as these investment structures continue to develop.

The Investment Analysis (E) Working Group support staff are available to assist with the Statutory Accounting Principles (E) Working Group's evaluation of this matter. Please contact NAIC staff, Jim Pinegar (jpinegar@naic.org), if you have any questions.

Cc: Jim Pinegar, Dimitris Karapiperis, Topher Hughes, Julie Gann, Robin Marcotte, Jake Stultz, Wil Oden, Jason Farr

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Draft: 11/9/26

Investment Designation Analysis (E) Working Group
Virtual Meeting
October 28, 2026

The Investment Designation Analysis (E) Working Group of the Invested Assets (E) Task Force met Oct. 28, 2026. The following Working Group members participated: Ken Cotrone, Chair (CT); Amy Garcia, Vice Chair (TX); Kim Hudson (CA); Carrie Mears (IA); Gregory Ricci (MD); Danielle Smith (MO); Cynthia Iu (NE); Doug Stolte (VA); Katy Bardsley and Steve Drutz (WA); 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. 13 minutes (*see NAIC Proceedings – Summer 2026, Invested Assets (E) Task Force, Attachment One*). The motion passed unanimously.

2. Adopted a Proposed P&P Manual Amendment to Update the FE Treatment of CLOs

Cotrone said the Working Group would consider adoption of a proposed amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to update the filing exempt (FE) treatment of collateralized loan obligations (CLOs).

The former Valuation of Securities (E) Task Force adopted an amendment to Part Four of the P&P Manual on Feb. 21, 2023, to include CLOs as a financially modeled security, which removed them from FE, which is the NAIC process that automatically translates eligible NAIC credit rating provider (CRP) ratings into NAIC designations. The NAIC's Structured Securities Group (SSG) was assigned the responsibility of financially modeling CLO investments and assigning them NAIC designations. The amendment had an original effective date of year-end 2024, but it was deferred several times.

Following adoption by the Task Force, the amendment was referred to the Capital Adequacy (E) Task Force. That Task Force charged the Risk-based Capital Investment Risk and Evaluation (E) Working Group with evaluating the amendment and the appropriateness of the risk-based capital (RBC) factors for CLOs. The Working Group engaged the American Academy of Actuaries (Academy) to study the SSG model and the appropriateness of the current RBC factors as they apply to CLOs. At the conclusion of the Academy's study, it proposed that the NAIC continue its reliance on CRP ratings rather than the SSG's financial modeling of CLO investments, as previously adopted. The Academy proposed new RBC factors for CLO investments, including an additional RBC factor adjustment for broadly syndicated loan (BSL) CLOs with an NAIC designation of 2.C or below if the current tranche thickness is thin, defined as less than or equal to 4%. The Academy's proposal was adopted during the 2026 Summer National Meeting.

Given the policy change, the Investment Analysis Office (IAO) proposed an amendment to remove the previously adopted guidance requiring CLOs to be financially modeled by the SSG and restore their FE eligibility. The amendment would also permit the SSG to assign NAIC designations to CLOs falling outside the scope of the FE policy if they are able to model them.

The proposed amendment was exposed for a 30-day public comment period that ended Sept. 30. One comment letter was received from the American Council of Life Insurers (ACLI). The IAO incorporated the ACLI's comments into the current draft of the amendment.

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Mears made a motion, seconded by Hudson, to adopt the P&P Manual amendment to update the FE treatment of CLOs (Attachment X). The motion passed unanimously.

3. Exposed a Proposed P&P Manual Technical Amendment to Expand Eligibility for the NAIC U.S. Government Money Market Fund List to Include Master/Feeder Fund Structures

Marc Perlman (NAIC) said the current eligibility guidelines for a fund to be listed on the NAIC U.S. Government Money Market Fund List include a requirement that the fund invests 100% of its total assets in securities that are direct obligations of the U.S. government and/or in securities that are backed by the full faith and credit of the U.S. government or collateralized repurchase agreements comprised of such obligations at all times.

Since this eligibility requirement demands that all of the funds' assets be invested in direct U.S. government obligations and/or securities backed by the U.S. government's full faith and credit, it excludes the possibility of a fund qualifying for the list if it is part of a feeder fund/master fund structure, pursuant to Section 12(d)(1)(E) of the Investment Company Act of 1940, or part of a structure in which a fund's portfolio contains both currently eligible U.S. government securities and shares or interests in another fund that itself meets the eligibility guidelines.

Several fund sponsors have noted this limitation to the IAO. Therefore, the IAO recommends changes to the U.S. Government Money Market Fund List section of the P&P Manual to permit such structures. Upon consultation with industry, it was explained that only the feeder fund in certain master/feeder fund structures pursuant to Section 12(d)(1)(E) of the Act would meet some of the current documentation requirements and eligibility criteria. For example, net asset value may not be calculated at the master fund level. Therefore, the recommendation would permit such master/feeder fund structures to qualify for the list as a unit, instead of each of the master and feeder qualifying for the list individually.

Cotrone directed the Securities Valuation Office (SVO) to expose the P&P Manual amendment to expand eligibility for the NAIC U.S. Government Money Market Fund List for a 30-day public comment period ending Nov. 27.

Additionally, pending no objections by the Working Group members, the SVO is directed to maintain any funds currently on the U.S. Government Money Market Funds list that, subsequent to their listing, were determined not to qualify due to the existence of the master/feeder structure. If the Working Group does adopt this amendment at a future meeting, those funds would be eligible for inclusion on the list. If the Working Group decides not to adopt this amendment, those funds could be removed from the list. There were no objections.

4. Exposed a Proposed P&P Manual Amendment to Update the Eligibility Security Identifiers to File a Security

Charles Therriault (NAIC) stated that at the Spring National Meeting, the Working Group approved a referral to the Blanks (E) Working Group, Capital Adequacy (E) Task Force, and Statutory Accounting Principles (E) Working Group supporting the SVO staff's recommendation to combine the security identifier fields and add a security identifier type field to the annual and quarterly financial statements. The Blanks (E) Working Group incorporated the recommendation into the attached blanks proposal (2026-15BWG MOD). The Blanks (E) Working Group adopted the proposal Aug. 26 with a 2027 effective date. Therriault stated that the SVO is proposing updates to the P&P Manual in this amendment to conform the P&P Manual guidance to the annual and quarterly financial statement instructions adopted by the Blanks (E) Working Group.

Therriault said the amendment introduces the term "NAIC Eligible Security Identifier," which is defined in the amendment and statement instructions, along with descriptions of the identifiers and updated identifier provider links. The amendment clearly states that the FE process is dependent upon the CRPs using one of these identifiers.

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The IAO's systems currently cannot receive the following identifiers: ISIN, LXID, FIGI, and ICEID. However, as those identifiers are added to the IAO systems, the note in the P&P Manual will be updated to reflect the enhancements.

Cotrone directed the SVO to expose the P&P Manual amendment to update the eligible security identifiers for a 30-day public comment period ending Nov. 27.

5. Exposed a Proposed Amendment to the P&P Manual to Update the Reporting Guidance for the SVO Analytical Department Symbol "ER"

Therriault stated that on Aug. 13, 2024, the Valuation of Securities (E) Task Force adopted the process for excluding an eligible NAIC CRP rating from FEs for a specific security. The process includes guidance on how insurers should identify a security that has an excluded rating through the SVO analytical department symbol "ER." Subsequently, it was identified that including this symbol in the same location as the others would create a reporting problem on the quarterly and annual statement schedules. The SVO worked with the Blanks (E) Working Group staff to find a location on these schedules that avoids this reporting challenge. The symbol was moved from the NAIC designation column to the investment characteristic column. The Blanks (E) Working Group exposed the change described for 2027 in its agenda (listed as item #2026-18BWG).

Manasi Barshikar (KKR & Co. Inc.) asked if this change has an effective date. Therriault said the Working Group will try to implement it at the same time as the Blanks (E) Working Group, which would be in 2027. He stated that use of this field is not anticipated for 2026, so there should be no reporting conflicts for this year-end.

Cotrone directed the SVO to expose the P&P Manual amendment to update the reporting guidance for the SVO analytical department symbol "ER" for a 30-day public comment period ending Nov. 27.

6. Exposed a Proposed P&P Manual Technical Amendment to Include Publishing the List of BSL CLOs Impacted by the Tranche Thickness RBC Guidance

Therriault said that the Capital Adequacy (E) Task Force adopted instructions to continue relying upon CRP ratings to determine the RBC factors for CLOs. The new RBC factors for these investments include an additional RBC factor adjustment for BSL CLOs with an NAIC designation of 2.C or below if the current tranche thickness is less than or equal to 4%. Current tranche thickness is defined as the difference between the attachment point (AP) and the detachment point (DP) of a CLO tranche. The AP refers to a tranche's subordination percentage, and the DP is the percentage of the total par amount of the underlying portfolio, including principal proceeds, that will completely write off the tranche. The current tranche thickness is to be measured using the most recent periodic report available, without being stale, as of the investment reporting date.

At the Summer National Meeting, SVO and SSG staff were directed to draft a proposed amendment that would authorize the SSG to publish a list of CLOs to assist regulators in the consistent identification of CLO bonds that are subject to the tranche thickness RBC factor surcharge and to include this in Compilations and Publication of the SVO List of Investment Securities Section in Part Two of the P&P Manual. This amendment updates the instructions in Part Four of the P&P Manual to add this list to the IAO's compilation and publication responsibilities. Any technical questions will be deferred to Hankook Lee (SSG).

Cotrone directed the SVO to expose the P&P Manual technical amendment to include publishing the list of BSL CLOs impacted by the tranche thickness RBC guidance for a 30-day public comment period ending Nov. 27.

7. Discussed Other Matters

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Cotrone said this Working Group will not meet at the Fall National Meeting. However, the Credit Rating Provider (E) Working Group and the Investing Assets (E) Task Force will. He said the Working Group will likely meet in mid-December, following the public comment period ending Nov. 27.

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

2026 Fall National Meeting
Dallas, Texas

CREDIT RATING PROVIDER (E) WORKING GROUP
Sunday, November 15, 2026
3:00 – 4:00 p.m.

Meeting Summary Report

The Credit Rating Provider (E) Working Group met Nov. 15, 2026. During this meeting, the Working Group:

1. Adopted its Oct. 1 minutes. During this meeting, the Working Group took the following action:
   A. Exposed the revised Credit Rating Provider (CRP) Due Diligence Framework for a 25-day public comment period ending Oct. 26.

2. Discussed comments received and adopted the revised CRP Due Diligence Framework.

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 each 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" or the "Framework") consisting of the Scoping Assessment, Risk Assessment, Detailed Testing Procedures, and Governance Procedures (see image below). The Framework is intended to corroborate the appropriateness 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 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 Framework is led by the Credit Rating Provider (E) Working Group (CRPWG), as supported by NAIC staff, with inputs and information sharing among the Invested Assets (E) Task Force (IATF) working groups including the Investment Analysis (E) Working Group (InvAWG) and Investment Designation Analysis (E) Working Group (IDAWG)[1].

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

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

Current State & Background

Use of 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.

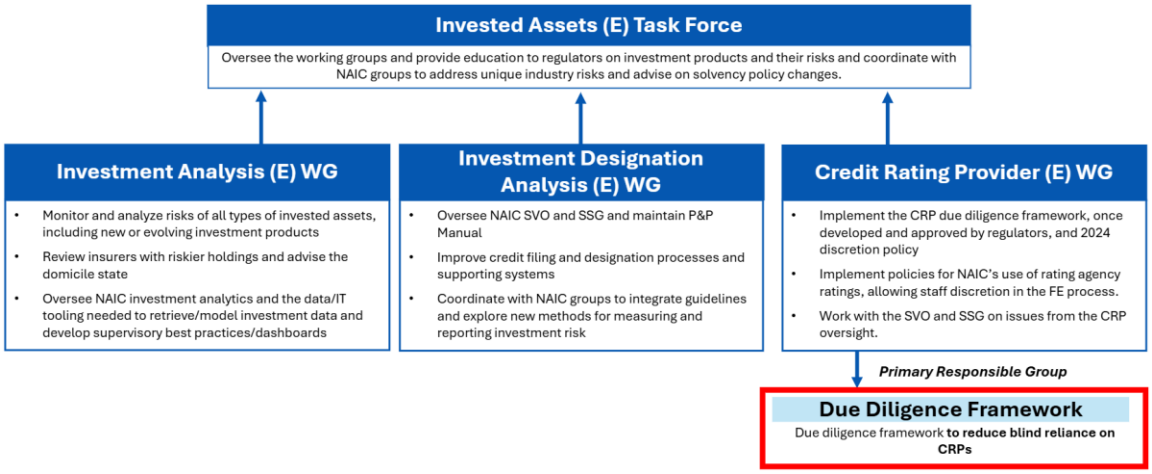
NAIC Designations reflect an assessment of investment risk, as defined in Part One, paragraph 87 of the 2025 Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual), which characterizes investment risk as the likelihood that an insurer will receive the full and timely payment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

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

Currently, the translation of CRP ratings to equivalent NAIC Designations relies on 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 IATF, formerly the VOS TF, the CRPWG, with the assistance of NAIC staff as deemed appropriate by those NAIC groups, will be responsible for implementing and operating the Framework once developed and approved by regulators, with inputs from InvAWG and IDAWG. The CRPWG will share results and findings of due diligence activities among the IATF and other NAIC groups on an ongoing basis.[2]



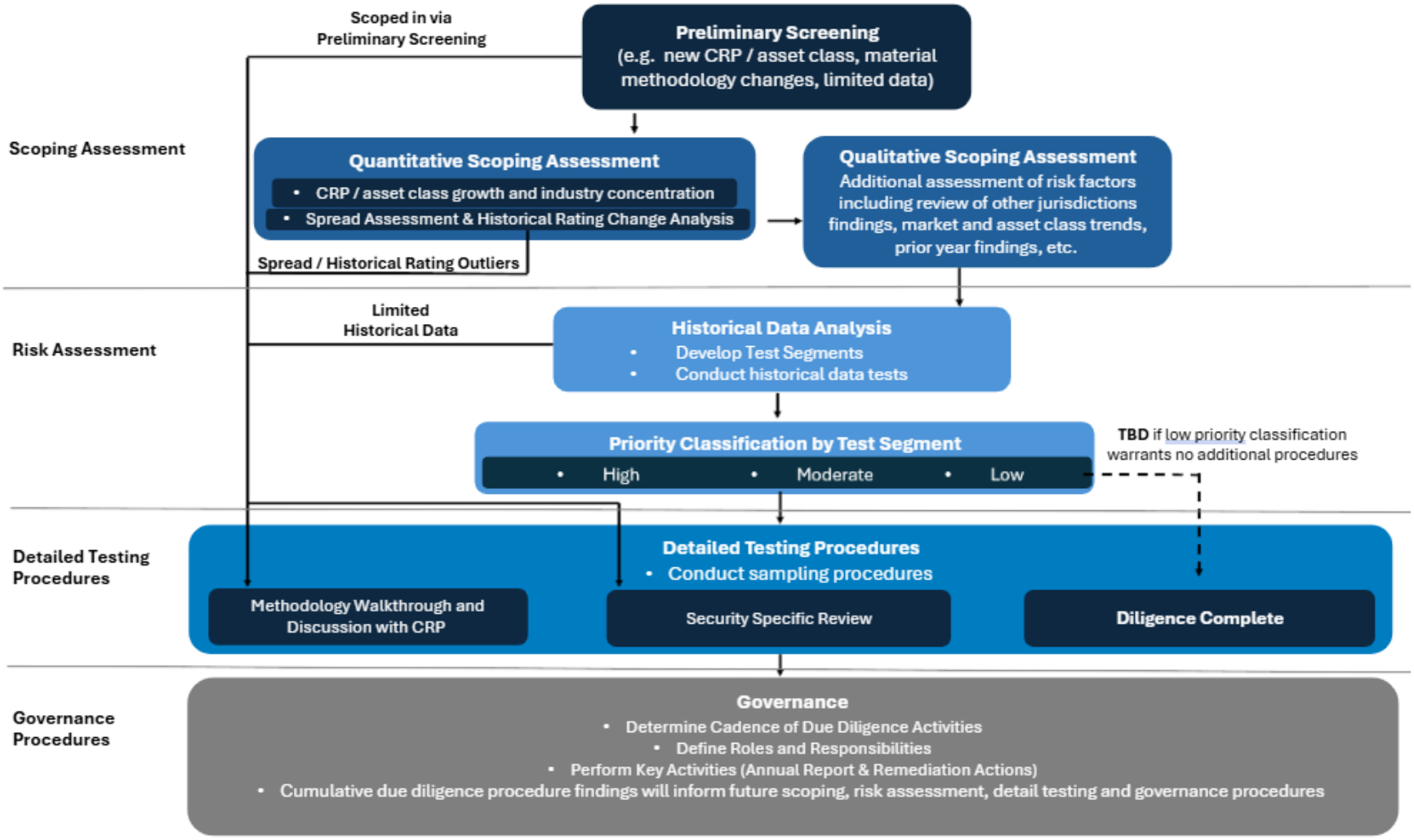
Overview of the CRP Due Diligence Framework

The 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 is designed as an ongoing monitoring tool supporting the NAIC and its IATF working groups. It aims to reduce blind reliance on CRP ratings, promote transparency into the equivalency of CRP provided rating mappings as applied to FE/PL securities, and provide disciplined methods for identifying and remediating inconsistencies in ratings outcomes.

The Framework primarily applies to assets whose NAIC Designation is derived from a CRP rating, including rated, FE, and 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).

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. The diagram below illustrates the Framework, which is discussed in greater detail in the following sections.

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


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 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.

Provisional acceptance will be granted for a period of 36 months from the implementation date, 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 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 Walkthroughs and Discussions with CRPs

Following Phase 1, the NAIC will conduct Methodology Walkthroughs and Discussions with CRPs as part of Phase 2 described in 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 security rating coverage provided by each CRP and the proportion of CRP rating coverage for asset classes determined to be experiencing higher growth in insurer holdings or identified as higher 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.

Guiding Principles

The 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 relevance as the investment landscape evolves:

1. Pragmatic approach

The 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 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

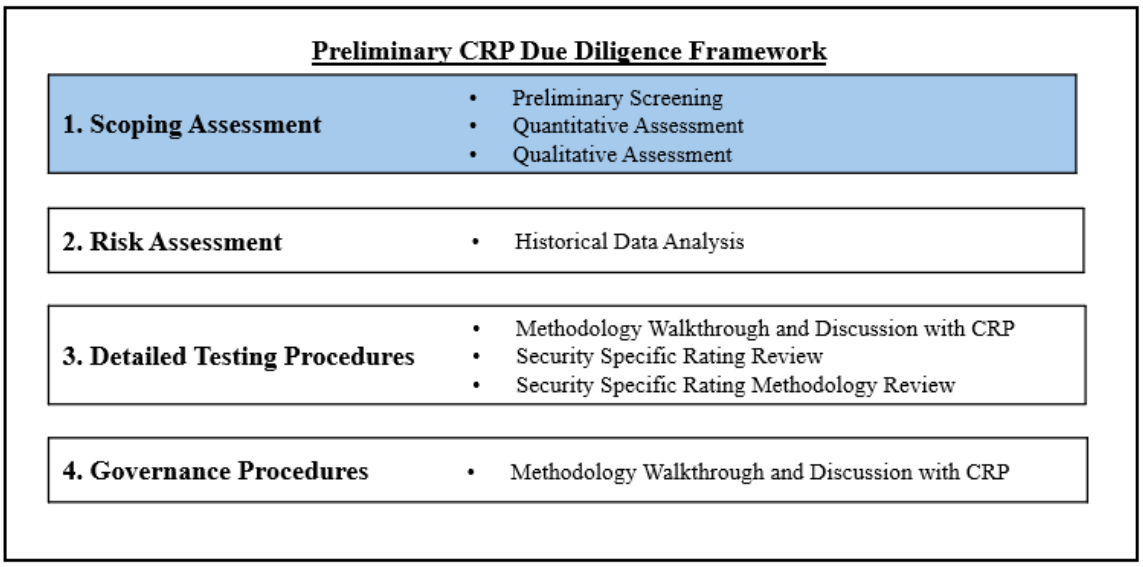
All components of the Framework – from data collection through scoping, risk assessment, testing, remediation, and governance – are documented and transparent. This ensures that key Framework design components, diligence activities, quantitative and qualitative results and remediation actions are communicated 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 including security-specific reviews and Methodology Walkthrough and Discussions with CRPs may be

required as further detailed in Section 3 below. As the NAIC gains more experience with the Framework and to address data gaps and other issues that may arise, the NAIC may adjust this 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 or 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 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 or 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) 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 Priority, then the corresponding Scoping Segment will be "In Scope." In instances where both the CRP and Asset Class attributes are deemed low priority, then the corresponding 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 3.

1.2.2.3 Historical Rating Change Analysis

The 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 an improvement of three or more sub-notches compared to the prior rating or designation will be subject to Detailed Testing Procedures as outlined in 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 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 not to duplicate efforts under the SEC's regulatory oversight efforts, the NAIC may rely on findings, data, or other information provided by the SEC to inform the NAIC's Scoping Assessment. The NAIC will make a judgement as to whether the 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 information from the SEC would need to be significant and that a conclusion that would impact scoping, within the Framework, based on the information is likely to be rare.

At its discretion, the NAIC may also utilize findings, data or 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 Agency (JFSA) to make a qualitative judgement about whether information under other jurisdictions indicate material risk to ratings of a given CRP. If that determination is affirmative, that CRP will be assessed as "In Scope" across all asset classes.

1.2.3.2 Additional Qualitative Assessment

The 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 affect the risk reflected in CRP ratings or ratings for particular asset classes
- Results of a prior-year 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.

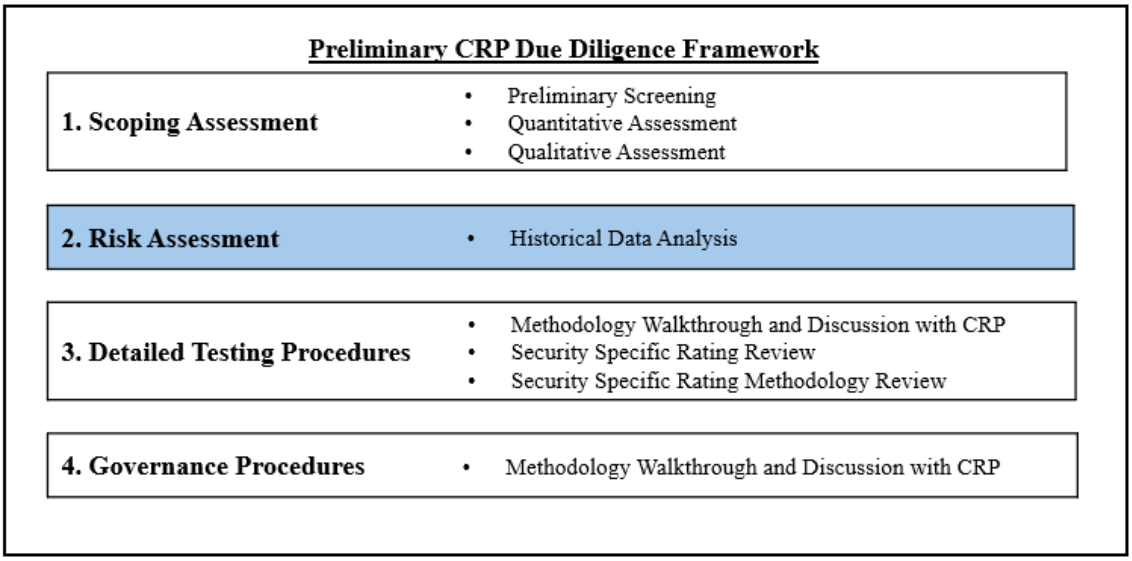
1.3 Expected Outcome

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	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 Priority outcome in any attribute (Insurance Industry Exposure or Growth). If all attributes for both CRP and Asset Class are Low 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 Priority **"Out of Scope"** only if all four attributes are low 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 three rating 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 selection of securities for incremental detailed testing, as described in Section 3 of this document. The goal of these procedures is to assess the equivalency of CRP ratings that is implied by the CRP rating to NAIC 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 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 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 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 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, 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, 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.
- **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-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.
- **Illustrative Thresholds** – Hypothetical thresholds related to the Example Tests that can be used to classify the Test Segments into priority cohorts (e.g. 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 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 $\approx 1 \rightarrow$ high equivalence.
Time-Series Equivalence Tests	Identifying equivalency in ratings over time (changes in ratings)	Time-series issuer ratings from multiple CRPs that 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 spreads at origination with ratings as of origination across each Test Segment to identify spread outliers and benchmark spreads by Test Segment.

[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.

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

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

2.4 Expected Outcome

The Risk Assessment should result in a 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 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.

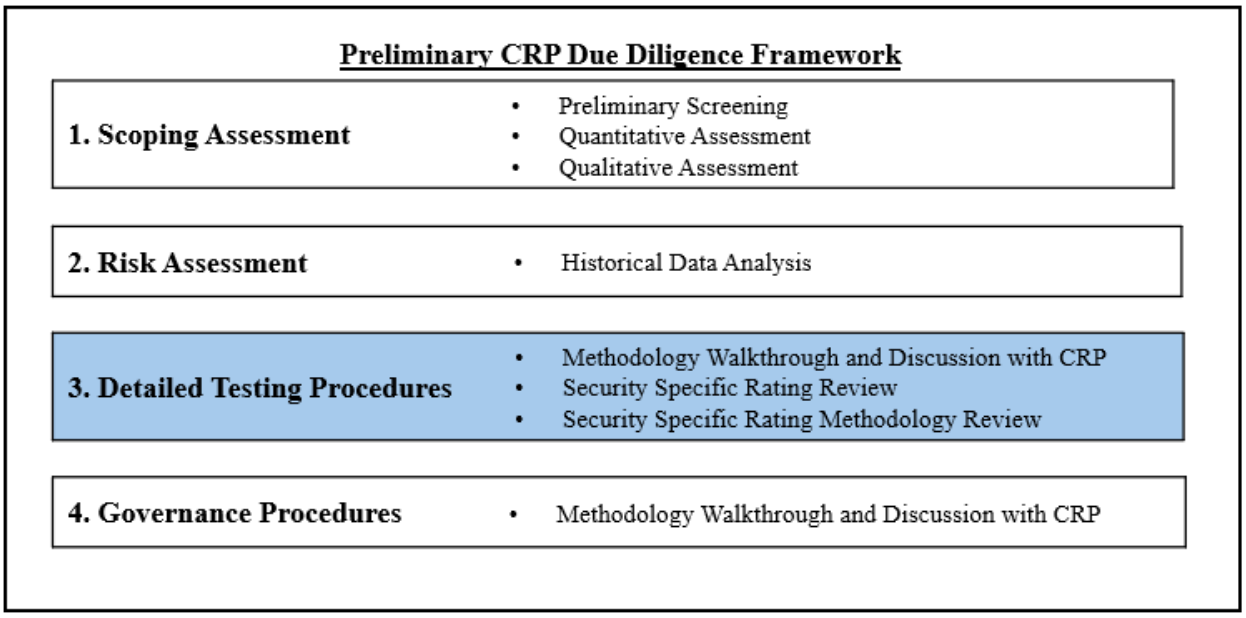
Illustrative 2.4.1 Risk Assessment Activities Outcome

For a hypothetical Test Segment, the risk assessment procedures will categorize each security and CRP combination within that Test Segment as High, Moderate, or 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 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 are performed when Scoping and Risk Assessment indicate elevated priority. Detailed testing includes methodology walkthroughs and security-specific rating reviews that focus on verifying the reasonableness of CRP ratings, as further defined in Section 3.2.1 below. Their primary purposes are to determine future ongoing due diligence activities and potential remediation actions, ensuring that the reliance on CRPs and 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 priority classifications of High, Moderate, or Low established during the Risk Assessment.

The sampling methodology will emphasize that higher priority Test Segments require larger sample sizes and a lower tolerance for unreasonable results in Detailed Testing 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 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 reasonableness of CRP ratings. All data requests, follow-up analyses, and methodological discussions related to these procedures will be managed directly between the 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 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 an illustrative questionnaire to guide methodology 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.

Materiality: When performing 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 an assessment of the methodology selected by the CRP, accuracy of inputs, assessment of assumptions, and model accuracy to assess 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 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 is appropriate, if any.

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

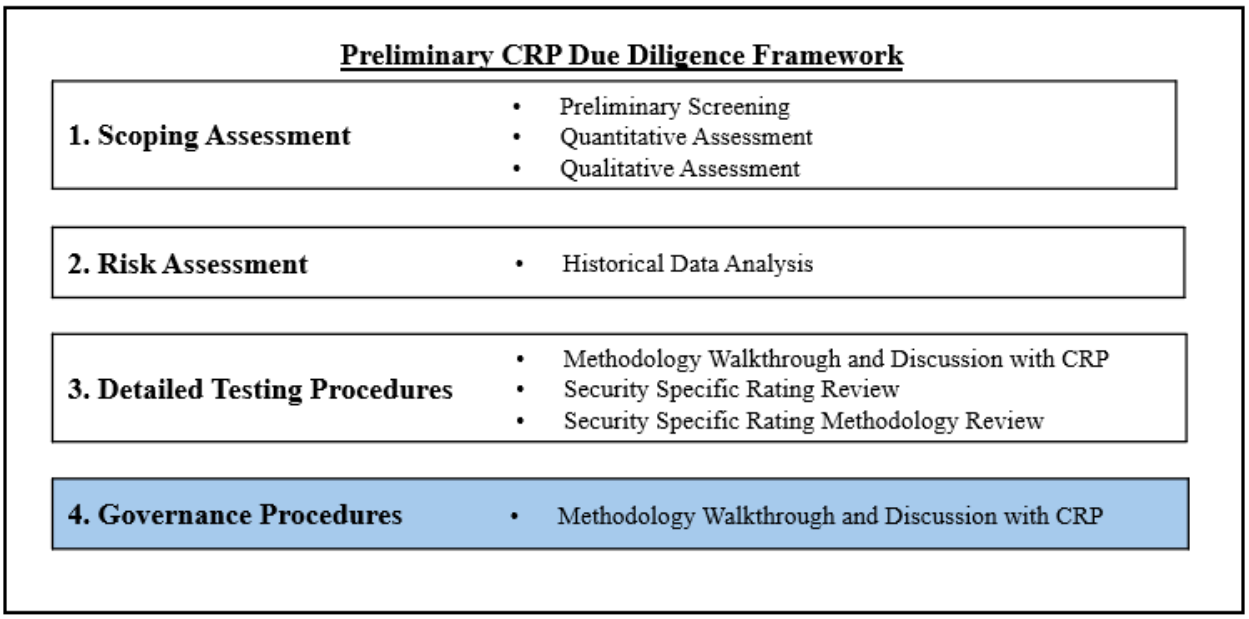
Following the Scoping Assessment determination of "In Scope" as described in Section 1 above, the nature and extent of Detailed Testing Procedures will be determined based on the outcome of the Risk Assessment for each identified Test Segment as follows:

- Low Priority Test Segments are expected to be subject to Methodology Walkthrough and Discussions with CRPs with no additional security-specific Detailed Testing
- Moderate Priority Test Segments are expected to be subject to moderate security-specific Detailed Testing
- High 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 equivalency or risk of a given CRP or asset class.

4. Governance Procedures



4.1 Governance Overview

Governance ensures that 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 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 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 IDAWGs
Quantitative and Qualitative Scoping Analysis
Risk Assessment
Defining Test Segments
Conducting Quantitative Tests
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 IATF in support of the Framework will be defined in their annual charges and posted on their respective web pages on the NAIC's website.

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

[6] The roles and responsibilities of the working groups under the Invested 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 CRPWG will prepare a report to be presented to the IATF that summarizes key findings, observed trends, and adopted remediation actions as further detailed below in Section 4.2.1 Annual Report, for the IATF's consideration. The CRPWG will review and maintain key design decisions (e.g., thresholds, quantitative tests) that make up the Framework and adjust the design as needed on an on-going basis.

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

4.2 Key Activities

4.2.1 Annual Report

The 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 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 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 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 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 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 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 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

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:

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 in rating outcomes or methodology application (such inconsistencies include potential patterns of unreasonable ratings or unsupported methodology applications identified through Detailed Testing Procedures), or lack of comparability.

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.

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. Following receipt of notice of a remediation action, the subject CRP may communicate with the CRPWG or staff regarding related questions or other concerns. Such communication may involve discussions of data, to the extent CRPWG data isn't subject to confidentiality restrictions. Subsequently, 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 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. 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 (subject to a regulator's determination that such restatement is necessary for its regulatory purposes). 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 NAIC Designation for the affected security.

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 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 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.

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

https://naiconline.sharepoint.com/teams/CRPWorkingGroup/Shared Documents/Meetings/2026/2026-11 Fall National Meeting/Materials/CRPFrameworkClean11_4_26_for_posting.docx