

RFP #2097 Credit Rating Provider Due Diligence Questions

#	Question	Response
1.	Have any specific events or developments prompted the issuance of this RFP?	There have been no specific events or developments prompting this RFP beyond the context provided in the RFP document.
2.	Will the initial due diligence process on each CRP be conducted by the selected service provider, or is it expected to be undertaken by the NAIC?	The first deliverable includes recommendations and considerations on how to accomplish the objectives, with consideration to the questions and guidance listed in the RFP. The second deliverable will include development of the recommendations into an actionable framework for the NAIC to implement and maintain.
3.	Is the framework expected to be holistic and cover multiple asset classes, or should it be tailored to specific sectors?	The framework is expected to cover all the ratings that the NAIC receives and uses from each CRP to determine an NAIC Designation. The service provider may recommend a holistic approach or a segmented approach across asset classes, presuming all ratings are ultimately covered.
4.	Are there particular sectors or asset classes that the NAIC is prioritizing for this framework?	There are no particular sectors or asset classes that the NAIC is prioritizing, however the RFP recognizes that private ratings not subject to market oversight may necessitate additional analysis.
5.	Could you elaborate on the regulatory objectives that this framework is intended to achieve?	The NAIC has eight separate CRP with additional NRSROs interested in becoming a CRP. Each CRP rating is given full equivalence to any and all other CRP's rating. The CRP itself provides its mapping of its own rating rank ordering to the NAIC designation rank ordering, without validation from the NAIC. The NAIC has no established criteria to evaluate CRPs or their ratings. The RFP is intended to provide the NAIC with a framework that the NAIC can utilize to objectively evaluate, appropriately map and potentially exclude CRP ratings when translating into the NAIC's measure of investment risk (i.e., NAIC Designations).
6.	Does the NAIC envision they would have the ability to automatically rate any security as a challenger approach to Credit Rating Provider?	No, this is neither part of the proposal nor does the NAIC believe it has adequate resources to do this.
7.	Would the NAIC benefit from tools that rate securities under simulated extreme market conditions as well as testing the impact of said condition on CRP ratings and mappings in real-time?	The purpose of this RFP is to evaluate the CRPs that the NAIC currently relies upon though assessing the strength of ratings in such conditions could be one element of a CRP evaluation.

RFP #2097 Credit Rating Provider Due Diligence Questions

8.	<p>To what extent does the on-going monitoring of CRP ratings and mapping fall on the CRP to submit periodic monitoring reports to the NAIC vs NAIC’s independent on-going monitoring and validation?</p>	<p>Current requirements already fall onto the CRP ratings to monitor their ratings and the NAIC receives feeds of all such data. The NAIC does not currently receive any reports from CRPs assessing the mapping of their ratings to NAIC Designations or reports on the performance of their ratings. The recommendation may include required reporting from the CRP; however, we also request that data required rely as much as possible on existing reporting streams (even if currently used for other purposes) rather than creating an entirely new dataset to mitigate the potential data burden on CRPs.</p>
9.	<p>In rare instances, does the NAIC envision having the ability to override CRP ratings in extreme instances that the CRP appears to significantly understate the risk of a given instrument?</p>	<p>Yes, this was a recent change to the regulators’ requirements that will allow this to occur. This RFP is expected to utilize other procedures as proposed by vendors to allow continued use of CRP ratings and appropriate mapping to NAIC Designations. It was also recognized by regulators that any discretion would be secondary to a robust due diligence process as contemplated by the RFP.</p>
10.	<p>Is the delivery of the formal “CRP Due Diligence Framework” part of the first or second phase of the RFP? If it’s part of the second phase, is the goal of the first phase to develop informal but detailed guidelines and recommendations for CRPs and the NAIC, with the second phase focusing on finalizing the framework and implementing the necessary tools and technology?</p>	<p>The first deliverable includes recommendations and considerations on how to accomplish the objectives, with consideration to the questions and guidance listed in the RFP. The second deliverable will include development of the recommendations into an actionable framework for the NAIC to implement and maintain.</p>
11.	<p>As the SSG focuses on CLOs in 2025, what methodologies and frameworks does the NAIC plan to use for robust modeling, oversight, and validation of credit quality and risks? Additionally, how does the CLO initiative align with this RFP, and how might technologies like AI and real-time analytics support these efforts?</p>	<p>The RFP requests definition of a process for oversight of the SSG in implementation of its initiatives, including model governance and validation. Some CLOs would be out-of-scope for SSG modeling and would be subject to the recommendations of this RFP for CRP oversight for ratings provided.</p>

RFP #2097 Credit Rating Provider Due Diligence Questions

12.	The RFP evaluation criteria emphasize project understanding, deliverable quality, and cost-effectiveness but does not specifically mention independent or bias-free solutions as a consideration. Given the importance of impartiality in credit rating validation and mapping, how does the NAIC plan to assess a vendor’s ability to deliver conflict-free methodologies and ensure transparency in the framework? Would the NAIC consider this a critical component of the evaluation process?	The NAIC recognizes independence as a crucial factor; however also recognizes various respondents have connectivity with the markets we seek to assess. These would be issues identified and detailed by the respondents in the submitted recommendations.
13.	What level of interaction with NAIC staff and state regulators should we plan for?	There will be a specific NAIC point of contact available to respond to questions on a daily basis after interaction with the key regulators guiding the work. Calls can be scheduled with a couple days’ notice for more involved discussions.
14.	We note per the RFP there is no specific timeline currently determined for this project. However, are there any specific milestones or review checkpoints for Phases 1 and 2 deliverables?	The milestones and checkpoints will be determined after considering the winning bidder's proposal and their deliverables.
15.	What access will the vendor have to SVO and SSG personnel, and at what level, for purposes of understanding current state and to align on aspects of the framework in relation to NAIC objectives and requirements?	The SVO and SSG personnel will make themselves available to the vendor as much as possible.
16.	Please elaborate on what third party interaction, including with state regulators, will be expected for the purposes of the project? To the extent interaction will be required with SSG sub-vendors, can you please also provide a listing of those vendors?	<p>To the extent that the vendor needs access to state regulators, NAIC staff will coordinate such meetings, however key regulators remain engaged and available</p> <p>The NAIC currently relies on eight credit rating providers: Moody’s Investors Service, Inc., S&P Global Ratings, Fitch Ratings, Inc., A.M. Best Rating Services, Inc., DBRS, Inc. (DBRS Morningstar), Kroll Bond Rating Agency, LLC., Egan-Jones Ratings Co., and HR Ratings de Mexico, S.A. de C.V..</p>

RFP #2097 Credit Rating Provider Due Diligence Questions

17.	Will relevant NAIC and CRP data and rating criteria be made available to help formulate the CRP due diligence framework?	The NAIC recognizes the value of the NAIC’s own data and the NAIC is willing to work with the vendor to make up to 10 years of Annual Statement Schedule D information available. Other potential data sources may be discussed as well. The manner in which the data is made available will need to be determined with cybersecurity protocols in place.
18.	As noted on pages 15 and 16 of the RFP, the ultimate framework design will be attributable to the NAIC. Are there elements of the project that will be attributable to the selected vendor through public forums, during the course of the project, or will the NAIC agree to own all attribution?	The NAIC does not expect any of the specific elements to be attributed to the vendor although the NAIC regularly would anticipate that it would share the name of the vendor anytime the NAIC speaks of its work on the project, at least until completed.
19.	To what extent does the NAIC expect additional support will be required post deliverable as any changes are proposed with State Regulators and then publicly?	The need for additional support will likely be dependent upon the complexity of the final framework proposed and the extensiveness of feedback received.