

NAIC RELEASES REQUEST FOR PROPOSAL (Establish Credit Rating Provider Due Diligence Framework)

The National Association of Insurance Commissioners (NAIC) is soliciting proposals from qualified third-party firms to design a comprehensive Credit Rating Provider (CRP) Due Diligence Framework. This RFP follows recent discussions and feedback gathered by the Financial Condition (E) Committee as it introduced a *Framework for Regulation of Insurer Investments – A Holistic Review* that was exposed for comment during NAIC’s 2024 Spring National Meeting.

This initiative supports NAIC’s ongoing efforts to modernize its regulatory framework for insurer investments, emphasizing a structured approach to assessing the credit quality of insurer assets. The primary objective of this project is to reduce “blind” reliance on external CRP ratings (as briefly described below) while retaining the use of these ratings within a robust due diligence framework that addresses known limitations in regulatory reliance on CRP ratings. The new framework will enable more comprehensive oversight and provide tools for independent credit assessments within a defined regulatory governance structure.

Project Background and Objectives

The NAIC’s Securities Valuation Office (SVO), a department within the NAIC’s Investment Analysis Office (IAO), is responsible for assessing the credit quality and investment risk of securities held by state-regulated insurance companies. This includes administering the filing exemption process, which directly translates CRP ratings into NAIC designations. The accuracy and reliability of an NAIC designation is critical, as it serves as a key measure that regulators rely on to confirm insurers’ investments meet regulatory standards for financial solvency. However, the SVO lacks comprehensive tools to evaluate the overall use and effectiveness of CRPs in a manner that supports informed regulatory decision-making.

To address this gap, the NAIC seeks a due diligence framework that will:

- Reduce "blind" reliance on CRP ratings while preserving their overall utility.
- Establish robust qualitative and quantitative measures to govern CRP usage, supporting a holistic due diligence process that will be managed by the SVO.
- Enable the SVO to conduct individualized credit assessments, providing regulatory discretion, where needed, to ensure ratings meet the expectations of regulators.

Through this RFP, the NAIC aims to equip the SVO with an enhanced framework to ensure CRP usage in evaluating investment risk meets regulatory needs and aligns with the increasing complexity of insurer investment strategies.

Contact and Questions

For proposal-related questions, email Proposals@naic.org by January 13, 2025. General inquiries may be directed to NAIC’s CFO James Woody at JWoody@naic.org.

While other deadlines are detailed in the RFP, **final proposals are due by January 30, 2025, at 5:00 P.M., Central.** Responses will be reviewed by senior management and a selection recommendation is anticipated to be made to the NAIC Executive Committee for its consideration. Recommendation of a particular firm is currently anticipated to occur at the 2025 NAIC Spring National Meeting.