

- Develop and maintain expertise related to securitizations, including, but not limited to, knowledge of: market developments; issues and concerns related to applicable law; accounting regimes; structures, including waterfall arrangements, governing the cash flows and performance characteristics of different types of collateral; and the financial modeling and other technology relevant to assessing their valuation and risk assessment;
- Collaboration with the SVO to assess credit and other risks in non-securitizations including for the purpose of assigning NAIC Designations;
- Collaboration with other NAIC staff functions to facilitate related regulatory objectives;
- Such other analytical assignments assigned or requested by the VOS/TF or other NAIC Regulator Group;

pursuant to, and in accordance with, the directives, procedures and instructions described in this Manual and those generally applicable to other NAIC staff under applicable NAIC rules and procedures.

SSG Regulatory Products

44. **NAIC Designations** – The SSG is authorized to assign NAIC Designations.
45. **Price Grids** – The SSG shall generate Price Grids as required for the annual surveillance of financially modelled RMBS and CMBS; in the exercise of its responsibilities under the Regulatory Treatment Analysis Service (RTAS) or as otherwise necessary in fulfillment of an assigned responsibility.

Other Applicable Policies

46. The policies and instructions related to the application of analytical instructions, responsibility for analysis of new financial products and the procedures for placing securities under regulatory review applicable to the SVO also apply to the SSG, allowing for differences in structured securities, the different analytical assignment given to the SSG and the different methodologies.

Policy on Documentation and Data

47. Any transaction filed with the SSG for an analytical assessment, including, but not limited to, a Price Grid or for assignment of an NAIC Designation. Any filing with the SSG is deemed to be incomplete unless the insurer has provided the information, documentation, and data in quantity and quality sufficient to permit the SSG to conduct an analysis of the creditworthiness of the issuer and the terms of the security to determine the requested analytical value. It is the obligation of the reporting insurance company to provide the SSG with all necessary information. It is the responsibility of the SSG to determine whether the information provided is sufficient and reliable for its purposes and to communicate informational deficiencies to the reporting insurance company.

NOTE: See Part Four for guidance on topics pertaining to the SSG.

FILING SECURITIES WITH THE SVO

NOTE: See “General Filing Procedures” and “Filing Process and Required Documents” in Part Two and the various asset specific sections in Part Three for filing instructions and documentation requirements specific to the security or asset type discussed in those section.

Obligation to File Securities with the SVO

48. Insurance companies domiciled in any state of the United States, or any of its territories or possessions, that have adopted laws incorporating the standards in the NAIC Financial Regulation Standards and Accreditation Program that require the use of NAIC Designations or other analytical products for Investment Securities are required by those laws to file purchases of Investment Securities with the SVO as indicated in this Manual to obtain the NAIC Designation or other analytical product required by state law.
49. Investment Security means an instrument that documents a lending transaction between an insurance company as lender and a non-affiliated borrower, where the borrower’s sole motivation is to borrow money and the insurance company’s sole motivation is to make a profit on the loan that the state of domicile regulates by reference to the NAIC Financial Regulation Standards and Accreditation Program.
50. The SVO shall have no authority to issue NAIC Designations or any other NAIC analytical product to an insurance company for a Regulatory Transaction. This Manual provides that the SVO may assist a state insurance department in the assessment of the security component of a Regulatory Transaction and may issue an SVO Analytic Value to the department at the conclusion of the assessment. This Manual also provides instructions to insurance companies on how to report the security component of a Regulatory Transaction on investment schedules.

Who Must File

51. Filing a security with the SVO is the responsibility of the insurance company within 120 days after settlement of the investment. The expectation is that the filing of a security with the SVO is the responsibility of the insurance company lender with the largest dollar investment in the individual security (i.e., CUSIP or issue specific); however, all insurers are responsible to comply with all filing requirements in this Manual.

States May Require a Filing of Exempt or Other Transactions

52. Any provision in this Manual that exempts a transaction, security, financial asset or investment from being filed with the SVO does not prohibit a state insurance regulator from requiring its domiciled insurance company to file the transaction, security, financial asset or investment with the SVO for analysis and/or assignment of an NAIC Designation. Also, nothing in this Manual prohibits a state insurance regulator from asking for SVO or SSG analytical assistance with respect to any investment related activity, or in connection with assessment of investment-related aspects of a Regulatory Transaction, and directing an insurance company to file relevant information with the SVO or the SSG for that purpose.

Filing Requirements

53. **Initial** – Insurers that file a security must provide the SVO with the information necessary to evaluate the credit risk for the security.
54. **Annual** – Insurers that file a security are also required to provide the SVO with the information necessary to evaluate the credit risk for the security on an annual basis.
55. **Material Credit Events Filing** – It is the responsibility of the insurance company to file all information that indicates a change in the credit characteristics of the issuer or a material change in the terms of the agreement. A material change is an event that affects or is substantially likely to affect the issuer's ability to pay the insurer the obligation due to it in accordance with the original terms of the transaction. If an insurer determines that a bond is impaired under the statutory accounting procedures in *SSAP No. 26R—Bonds*, then the impairment should also be considered to be a material change. Material changes should be reported to the SVO on the Material Change/Additional Information ATF.
56. **Information and Documentation Requirements** – This can be found in Part Three as part of the description of the methodology that applies to specific types of securities or investments and the instructions on how to submit through VISION is on the NAIC website: www.naic.org/svo_vision.htm.

THE USE OF CREDIT RATINGS OF NRSROs IN NAIC PROCESSES

NOTE: See “Policies Applicable to the Filing Exemption (FE) Process” below; “NAIC Policy on the Use of Credit Ratings of NRSROs” (especially “Definition – Credit Ratings Eligible for Translation to NAIC Designations”) in Part Two (the definition of “Eligible NAIC CRP Credit Ratings” excludes the use of any credit rating assigned to a security type *where the NAIC has determined that the security type is not eligible to be reported on Schedule D or that it is not appropriate for NRSRO credit ratings to be used to determine the regulatory treatment of the security or asset*); and “Procedure Applicable to Filing Exempt (FE) Securities and Private Letter (PL) Rating Securities” in Part Three.

Providing Credit Rating Services to the NAIC

57. The NAIC uses credit ratings for a number of regulatory purposes, including, to administer the filing exempt rule. Any rating organization that has been designated a Nationally Recognized Statistical Rating Organization (NRSRO) by the U.S. Securities and Exchange Commission (SEC) and which continues to be subject to federal regulation, may apply to provide Credit Rating Services¹ to the NAIC.

Policy and Legal Disclosure Pertaining to the NAIC Credit Rating Provider (CRP) List

58. The NAIC uses publicly available credit ratings, when available, as one component of the services it provides to state insurance regulators concerned with financial solvency monitoring of insurance company investments.
59. In adopting or in implementing the procedure described in this section, the NAIC acts solely as a private consumer of publicly available credit ratings. The sole NAIC objective in obtaining and using publicly available credit ratings is to conserve limited regulatory resources; e.g., the resources of the SVO. The VOS/TF has established the procedure specified in this section solely to ensure that the NAIC can avail itself of publicly available credit rating opinions.
60. The NAIC is not selecting, approving or certifying NRSROs or other rating organizations or distinguishing among them for any public or policy purpose whatsoever. Nor is the NAIC endorsing the credit rating or analytical product of any CRP or rating organization or distinguishing between CRPs or rating organizations for any specific public purpose. The NAIC disclaims any authority to regulate CRPs or rating organizations.

¹ **Credit Rating Services** is defined as: (a) electronic data feed transmissions of credit ratings assigned by the NRSRO with their corresponding CUSIP number and other pertinent security specific information in English, updated as frequently as provided to other customers; (b) other analytical services or products, in English, provided to other customers; and (c) access to the NRSRO’s rating analysts by SVO staff.

No Waiver/Express Reservation of Authority

61. Nothing in this section should be interpreted or construed as a waiver of the authority of the VOS/TF, in its sole and absolute discretion, to modify or change, in any manner whatsoever, the NAIC Policy on the Use of Credit Ratings of NRSROs, including but not limited to:

- Directing the removal of one or more NRSROs from the NAIC Credit Rating Provider List (subject only to the adjustment of any existing contractual obligations);
- Directing the SVO to study any issue related to NRSRO operations in furtherance of state insurance regulatory policy;
- eliminating the NAIC Credit Rating Provider List; or
- Directing any other action or activity the VOS/TF may deem to be useful or necessary to the creation, maintenance or discharge of state-based regulatory policy.

FILING EXEMPTIONS**CERTAIN SEPARATE ACCOUNTS**

62. Insurance companies need not file securities or other relevant transactions with the SVO that are held in a separate account not subject to either the Asset Valuation Reserve or Risk-Based Capital charges. All other securities and relevant transactions held in a separate account must be filed with the SVO unless they are filing exempt.

FILING EXEMPTION FOR PUBLIC COMMON STOCK

63. Insurers must report values for all securities on their NAIC Financial Statement Blank including for FE securities.

**FILING EXEMPTION FOR CERTIFICATES OF DEPOSIT
REPORTED AS BONDS UNDER *SSAP No. 26R***

64. A Certificate of Deposit that meets the definition of a bond in *SSAP No. 26R—Bonds* is exempt from filing with the SVO if it is issued by a bank whose deposits are fully insured by the FDIC and is for an amount:
- Equal to or less than the maximum FDIC deposit insurance, provided however, that the insurer's aggregate deposits with the bank are equal to or less than the maximum FDIC insurance limit; or
 - Greater than the maximum FDIC deposit insurance provided the issuing bank is rated and monitored by an NAIC CRP.
65. The NAIC Designation for Certificates of Deposit described above shall be **NAIC 1** and the NAIC Designation Category shall be **NAIC 1.A**. The NAIC Designation for Certificates of Deposit described above shall be derived by application of the filing exempt conversion process.

NOTE: Please refer to the NAIC *Accounting Practices and Procedures Manual* for the text of *SSAP No. 26R—Bonds* as it applies to Certificates of Deposit.

FILING EXEMPTION FOR U.S. GOVERNMENT SECURITIES**Initial Filing Conventions and Documentation**

66. **U.S. Government Securities Required to Be Filed with the SVO** – U.S. Government debt that is not issued by, or guaranteed or insured by, those entities listed in below are subject to the filing exemption when rated by an NAIC CRP, otherwise, they must be filed with the SVO.

SVO Publishing Conventions for Filing Exempt U.S. Government Securities

67. **U.S. Treasury Obligations** – U.S. Treasury Obligations are added to the VOS Process automatically, and they appear in the VOS Product. The NAIC Designation is **NAIC 1** and the NAIC Designation Category is **NAIC 1.A**.

Other Filing Exempt U.S. Government Securities

68. A single entry is in the AVS+ Products in its normal CUSIP sequence, followed by the description “All Issues” for the securities listed below.
69. Because these securities are Filing Exempt, CUSIP numbers are not published in the AVS+ Products. The securities should, however, be reported with a CUSIP in the appropriate section of Schedule D. The NAIC Designation is **NAIC 1** and the NAIC Designation Category is **NAIC 1.A**.

Filing Requirements for U.S. Government Securities

70. No filing is required for the securities deemed exempt from filing below unless a state insurance department has specifically requested the SVO to evaluate an exempt security.
71. For U.S. Government Securities required to be filed with the SVO, the reporting insurance company shall submit:
- A prospectus of the security that includes a description of the U.S. government program under which it is issued; and
 - Appropriate evidence that the security or other obligation is backed by the U.S. government, an agency of the U.S. government or a U.S. government sponsored enterprise.
72. A variety of documents are acceptable as evidence that the issuer in question has some degree of support from the U.S. government. A copy of the legislation that created the entity or the program is acceptable as evidence of government support. Additionally, a copy of the guaranty or insurance policy for the transaction is also good evidence of government support. Another acceptable form of evidence is evidence of an NAIC CRP rating with a copy of the rating rationale memorandum discussing the role of U.S. government support. Oftentimes, the prospectus for the security describes in sufficient detail the relationship of the entity to the U.S. government, its agency or its government-sponsored enterprise.
73. It is not enough to merely establish a relationship between the U.S. government and the entity. It is necessary to provide materials that specifically describe all of the financial terms of the obligation and the manner in which the U.S. government will pay the obligation.

Subsequent Filing

74. No subsequent report (i.e., an annual update filing) is required for non-exempt U.S. government securities. However, a material credit events filing is required for non-exempt U.S. government securities if:

- The legislation authorizing the program has been rescinded;
- The transaction terms and/or the transaction documents have been waived, amended or modified; or
- If the legal commitment of the U.S. government, U.S. government agency or U.S. government sponsored entity has been allowed to lapse or has been withdrawn.

Filing Exemption for Direct Claims on, or Backed by Full Faith and Credit of, the United States

75. This section defines what the NAIC deems to be U.S. Government Obligations. They are not required to be filed with the SVO.

NOTE: Because these filing exemption provisions are set forth without any compliance mechanism, the SVO will not be able to verify whether insurers have filed all securities that are required to be filed with the SVO. State insurance department regulators may wish to create their own compliance mechanisms to protect any interests they may have relative to their domiciliary insurers.

76. The SVO does not have responsibility for determining whether specific securities should be filing exempt. An insurer who is uncertain whether a specific security qualifies for exemption should not contact the SVO for guidance, but should either file the security with the SVO or use the RTAS – Emerging Investment Vehicle Service process and obtain an opinion on exemption for that security.

Definitions

77. U.S. Government Obligation – All direct claims (including securities, loans, and leases) on, and the portions of claims that are directly and unconditionally issued, guaranteed or insured by the U.S. Government or its agencies.

78. **U.S. Government Agency** – An instrumentality of the U.S. Government the debt Obligations of which are fully guaranteed or insured as to the timely payment of principal and interest by the full faith and credit of the U.S. Government. This category includes in addition to direct claims on, and the portions of claims that are directly and unconditionally guaranteed by, the U.S. Government agencies listed below, claims collateralized by securities issued or guaranteed by the U.S. Government agencies listed below for which a positive margin of collateral is maintained on a daily basis, fully taking into account any change in the insurance company’s exposure to the obligor or counterparty under a claim in relation to the market value of the collateral held in support of that claim.

U.S. Government Full Faith and Credit – Filing Exempt
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Army and Air Force Exchange Service (AAFES) Commodity Credit Corporation (CCC) Export–Import Bank of the United States (EXIM Bank) Farmers Home Administration (FmHA) – Certificates of Beneficial Ownership Federal Deposit Insurance Corporation (FDIC) Federal Housing Administration (FHA) General Services Administration (GSA) Government National Mortgage Association (GNMA) National Credit Union Administration (NCUA) Overseas Private Investment Corp (OPIC) Small Business Administration (SBA) <hr/> U.S. Agency for International Development (USAID) U.S. Department of Agriculture (USDA) U.S. Department of Health and Human Services (HHS) U.S. Department of Housing and Urban Development (HUD) U.S. Department of the Treasury U.S. Department of Veterans Affairs (VA) U.S. International Development Finance Corporation (DFC) U.S. Maritime Administration (MARAD) Washington Metropolitan Area Transit Authority

Filing Exemption for Other U.S. Government Obligations

79. Obligations issued and either guaranteed or insured, as to the timely payment of principal and interest, by the government agencies or government-sponsored enterprises listed below are filing exempt. They are not backed by the full faith and credit of the U.S. Government. The filing exemption here is based on an analytical judgment that the combined creditworthiness of the entity itself and U.S. government support for that entity provides confidence that the issuer will be able to pay its obligation on a full and timely basis at the level of an **NAIC 1** quality designation and an NAIC Designation Category of **NAIC 1.A**. For the avoidance of doubt, preferred stock or similar securities of the government agencies or government-sponsored enterprises listed below are not considered guaranteed or insured and hence are not subject of this section.

**Filing Exempt Other U.S. Government Obligations
if issued and either fully guaranteed or insured by:**

Federal Agricultural Mortgage Corporation (Farmer Mac)

Federal Farm Credit Banks (FFCB)

Federal Financing Bank (FFB)

Federal Home Loan Banks (FHLB)

Federal Home Loan Mortgage Corporation (Freddie Mac)

Federal National Mortgage Association (Fannie Mae)

Financing Corporation (FICO)

Resolution Funding Corporation (REFCorp)

Tennessee Valley Authority (TVA)

POLICIES APPLICABLE TO THE FILING EXEMPTION (FE) PROCESS

NOTE: The policies below provide the policy framework for “Procedure Applicable to Filing Exempt (FE) Securities and Private Letter (PL) Rating Securities” in Part Three and are related to “The Use of Credit Ratings of NRSROs in NAIC Processes” discussed above; “NAIC Policy on the Use of Credit Ratings of NRSROs” and the “Definition – Credit Ratings Eligible for Translation to NAIC Designations” in Part Two (“Eligible NAIC CRP Credit Ratings” excludes the use of any credit rating assigned to a security type where the NAIC has determined that the security type is not eligible to be reported on Schedule D or the it is not appropriate for NRSRO credit ratings to be used to determine the regulatory treatment of the security or asset.)

Determinations

80. The VOS/TF is resolved that the benefit obtained from the use credit rating in state regulation of insurance must be balanced against the risk blind reliance on credit ratings. To ensure the Task Force properly understands the composition and risk of the filing exempt securities population; promote uniformity in the production of NAIC Designations, reduce reporting exceptions for filing exempt securities and increase the efficiency of this NAIC process, the SVO and SSG (hereafter, the IAO) is charged with administration of the filing exempt process defined in Part Three of this Manual.

Directives

81. The IAO shall:

- Recommend improvements to the production of NAIC Designations based on NRSRO credit ratings.
- Identify monitoring and communication procedures that enhance the possibility of regulatory intervention by the VOS/TF to respond to risks to insurer solvency posed by securities in the filing exempt population.
- Identify and develop correctives to the administrative, operational and system-based causes of reporting exemptions in the filing exempt process.
- Change the NAIC Designation equivalent calculated for filing exempt securities when necessary to correct errors or other anomaly that occur in the automated filing exempt process.
- Develop a staff-administered reporting exceptions resolution process that incorporates state insurance regulator and insurance companies' participation.

<p style="text-align: center;">POLICIES APPLICABLE TO FILING EXEMPT (FE) SECURITIES AND PRIVATE LETTER (PL) RATING SECURITIES</p>
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Filing Exemption

82. Bonds, within the scope of SSAP No. 26R and SSAP No. 43R (excluding CLO, RMBS and CMBS subject to financial modeling) and Preferred Stock within scope of SSAP No. 32, that have been assigned an Eligible NAIC CRP Rating, are exempt from filing with the SVO (FE securities) with the exception of Bonds and or Preferred Stock explicitly excluded in this Manual.

NOTE: See “Coordination Between the Statutory Accounting Principles Working Group and the Valuation of Securities Task Force” especially “NAIC Designations Do Not Communicate Statutory Accounting or Reporting” and “Sources and

Application of Statutory Accounting Guidance” above; and “Use of Credit Ratings of NRSROs In NAIC Processes” and “Definition – Credit Ratings Eligible for Translation to NAIC Designations” in Part Two. (The definition of “Eligible NAIC CRP Credit Ratings” excludes the use of any credit rating assigned to a security type where the NAIC has determined that the security type is not eligible to be reported on Schedule D or the it is not appropriate for NRSRO credit ratings to be used to determine the regulatory treatment of the security or asset.)

Policy Considerations

83. In connection with the implementation of the verification procedure for PL securities, the VOS/TF acknowledges that the practices adopted by NAIC CRPs in relation to the distribution of private rating letters for what the NAIC refers to as PL securities, including their confidentiality procedures and agreements, are integral to the business models of private for-profit entities that the NAIC does not regulate and which the NAIC stands in the relation of a customer of rating services. Accordingly, the SVO, as NAIC staff, shall not be responsible for negotiating with NAIC CRPs to modify their confidentiality practices or provide data-feeds to the SVO. However, if an NAIC CRP shall determine that it is willing to modify its confidentiality provisions or provide such data-feed or an alternative process so that the SVO can obtain electronically, copies of private rating letters and private rating letter rationale reports for PL securities issued by that NAIC CRP instead of by requiring insurers to provide PDF files, then the SVO is authorized to work with the NAIC CRP to obtain and integrate the private rating letters and private rating letter rationale reports or the data-feeds into NAIC systems to create electronic processes that will permit electronic verification that the insurer-owned PL security have been assigned an NAIC CRP Eligible Credit Rating. Individual insurers and/or representatives of the insurance industry are encouraged to find ways to resolve confidentiality restrictions imposed by NAIC CRPs on the private rating letter and private rating letter rationale report or to influence the process as investors to encourage NAIC CRPs to provide the data-feeds to the SVO or alternative methods to permit the SVO to obtain NAIC CRP credit ratings and private rating letter rationale report for PL securities to be used to administer the PL securities verification procedure specified in this section.

APPLICATION OF THE FE PROCEDURE TO SPECIFIC POPULATIONS

NOTE: See “Procedure Applicable to Filing Exempt (FE) Securities and Private Letter (PL) Rating Securities “Policies Applicable to the Filing Exemption (FE) Process” including the disclosure on securities not eligible for filing exemption in Part Three and NAIC Policy on the “Use of Credit Ratings of NRSROS” and “Definition – Credit Ratings Eligible for Translation to NAIC Designations” in Part Two. (The definition of “Eligible NAIC CRP Credit Ratings” excludes the use of any credit rating assigned to a security type where the NAIC has determined that the security type

is not eligible to be reported on Schedule D or that is not appropriate for NRSRO credit ratings to be used to determine the regulatory treatment of the security or asset.)

Securities No Longer Assigned an Eligible NAIC CRP Credit Rating

84. Any Bond or Preferred Stock that at one time was assigned an Eligible NAIC CRP Credit Rating by any NAIC CRP but is no longer assigned a credit rating by any NAIC CRP must be filed with the SVO within 120 days of the date the NAIC CRP withdrew the credit rating.

Limitations on Use of NAIC CRP Ratings

85. **NAIC Designation is Capped to Highest NAIC CRP Rating** – The SVO shall not assign an NAIC Designation for a security that has a credit rating assigned by an NAIC CRP when the NAIC Designation would express an opinion of credit quality higher than that indicated by the rating assigned by the NAIC CRP, except that the SVO may assign the NAIC Designation it deems appropriate to Municipal bonds and Military housing bonds or securities.
86. **Split Ratings** – For filing exempt securities the NAIC Designation assigned will be the NAIC Designation equivalent that results from the application of the filing exemption conversion process. This rule will also apply to replication transactions and other instances where NAIC CRP ratings are used by the SVO.
87. **Unrated Transaction of Issuer with NAIC CRP-Rated Debt** – When an insurer files an unrated security of an issuer that has another issue rated by an NAIC CRP, SVO may consider the rated issue and its position in the capital structure of the issuer to arrive at an NAIC Designation for the unrated security, provided staff first consults with the rating agency and independently consider the terms of the unrated security and its impact on credit or other non-payment risk.

NAIC DESIGNATIONS

Definitions

88. **NAIC Designation** – Means any one of the gradations of credit quality and credit risk identified by the **NAIC 1** through **NAIC 6** symbols further discussed and defined in this Manual and may reflect notching pursuant to one or both of the notching procedures discussed in this Manual. NAIC Designations are proprietary symbols of the NAIC to be used by the SVO and SSG or under certain circumstances by an insurer to denote a category or band of credit risk.
89. **NAIC Designation Category** – Means and refers to 20 more granular delineations of credit risk in the **NAIC 1** through **NAIC 6** credit risk scale used by the VOS/TF to relate credit risk in insurer-owned securities to a risk-based capital factor assigned by the NAIC Capital Adequacy (E) Task Force. Each delineation of credit risk is represented by a letter (a Modifier) which modifies the NAIC Designation grade to indicate a more granular measure of credit risk within the NAIC Designation grade. The more granular delineations of credit risk are distributed as follows: 7 for the **NAIC 1** Designation grade indicated by the letters A through G; 3 delineations each for each of the NAIC Designation grades **NAIC 2**, **NAIC 3**, **NAIC 4** and **NAIC 5** indicated by the letters A, B and C and 1 delineation for NAIC Designation grade **NAIC 6**. The NAIC Designation Category framework is shown in this Manual. All Modifiers roll up into the respective NAIC Designation grade as they are a subset of them.

NOTE: See “Production of NAIC Designations” in Part Two.

NAIC Designation Subscript S

90. An objective of the VOS/TF is to assess the financial ability of an insurer to pay claims. For example, the regulatory assumption is that a fixed income instrument called debt by its originator or issuer requires that the issuer make scheduled payments of interest and fully repay the principal amount to the insurer on a date certain. A contractual modification that is inconsistent with this assumption creates a rebuttable inference that the security or instrument contains an additional or other non-payment risk created by the contract that may result in the insurer not being paid in accordance with the underlying regulatory assumption. The SVO is required to identify securities that contain such contractual modifications and quantify the possibility that such contracts will result in a diminution in payment to the insurer, so this can be reflected in the NAIC Designation assigned to the security through the application of the notching process.

NOTE: See “NAIC Designation Subscript S” in Part Two.

NAIC General Interrogatory

91. **NAIC 5GI** and NAIC Designation Category **NAIC 5.B GI** is assigned by an insurance company to certain obligations that meet all of the following criteria:

- Documentation necessary to permit a full credit analysis of a security by the SVO does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
- The issuer or obligor is current on all contracted interest and principal payments.
- The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

NAIC PLGI

92. Effective July 1, 2018, insurance companies shall be responsible for providing the SVO copies of private rating letters for PL securities, where applicable, until such time as industry representatives and the SVO shall have established reliable procedures for obtaining the necessary information on credit ratings directly from the NAIC CRPs. For PL Securities issued prior to January 1, 2018, if an insurance company cannot provide a copy of the rating letter to the SVO due to confidentiality concerns and the rating is not included in a CRP credit rating feed (or other form of direct delivery from the NAIC CRP), the insurer shall report such securities on such securities' General Interrogatory to be developed for this purpose (i.e., a PLGI security).

Monitoring of SVO-Designated Securities

93. The SVO shall monitor, on an ongoing basis, improvements and deterioration of credit quality of securities that are not filing exempt.

AUDITED FINANCIAL STATEMENTS

General Rule on Presentation of Financial Results

94. Any security owned or eligible for purchase by an insurance company that is issued or is otherwise the obligation of a non U.S. obligor, must be accompanied by an Audited Financial Statement prepared in accordance with a Global Financial Presentation Standard or a Reconciled Financial Presentation Standard unless the SVO has been specifically authorized to use a National Financial Presentation Standard for issuers using the accounting standards of that country.

Definitions

95. Audited Financial Statement means, collectively, for any given year, the auditor's Opinion, the issuer's income statement, balance sheet, the statement of cash flows, all notes to the financial statements, and any supplementary information thereto typically created, generated or otherwise provided to investors, in English, and prepared by a certified public accountant or the international equivalent thereto, showing financial results for the reported year together with the prior year prepared and presented in accordance with a Global Financial Presentation Standard, a Reconciled Financial Presentation Standard or a National Financial Presentation Standard. For purposes of this definition:
- Global Financial Presentation Standard means:
 - U.S. Generally Accepted Accounting Principles (US GAAP); or
 - International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).
 - Reconciled Financial Presentation Standard means:
 - A standard other than Global Financial Presentation Standard or National Financial Presentation Standard with a reconciliation to US GAAP or IASB IFRS; or
 - National IFRS with such additional information as required by IASB standards to make National IFRS comparable to IASB IFRS.
 - National Financial Presentation Standard means:
 - National GAAP or National IFRS, without a reconciliation to US GAAP or IASB IFRS, authorized to be used for filing a transaction with the SVO pursuant to the procedure specified below.
 - National GAAP refers to the generally accepted accounting policies as required by a country's national accounting standards board.

- National IFRS refers to the international financial reporting standards required by the country's national accounting standards board.

NOTE: Please refer to the “List of Countries and Associated National Financial Presentation Standards” in Part Two.

Procedure

96. Foreign issuers not using the accounting standards of a country on the List of Countries and Associated National Financial Presentation Standards must provide the SVO with an Audited Financial Statement prepared in accordance with a Global Financial Presentation Standard or a Reconciled Financial Presentation Standard.
97. For insurance companies, an Audited Financial Statement will be prepared in accordance with SAP.
98. For municipal and U.S. Government securities, an Audited Financial Statement will be prepared in accordance with generally accepted auditing standards and government auditing standards issued by the Comptroller General of the United States. For municipal securities only, the statements will be accepted if they have been submitted to, reviewed and certified by a state comptroller's office.

NOTE: See “Procedure to Authorize SVO Use of a National Financial Presentation Standard” and “List of Countries and Associated National Financial Presentation Standards” in Part Two.

POLICIES APPLICABLE TO SPECIFIC ASSET CLASSES**SCHEDULE BA ASSETS**

99. Insurers may file a Schedule BA asset with the SVO if they can represent that the asset has underlying characteristic of a bond or other fixed income instrument. When an insurer files a Schedule BA asset the SVO assesses the insurer's fixed income determination and if it agrees that the asset has fixed income characteristics, conducts a credit assessment and a valuation of the asset. Upon conclusion of its analysis, the SVO provides the insurer a response setting forth its determination as to the NAIC Designation and asset classification assigned to the asset. Upon receipt of the SVO response, the insurer reports the aforementioned analytical values obtained from the SVO for the asset on the NAIC Financial Statement Blank.

NOTE: See "Maintenance and Monitoring of SVO Determinations for Schedule BA Assets" in Part Two.

CREDIT TENANT LOANS**CTL Categories**

100. Mortgage loans, in the scope of SSAP No. 37, that are made primarily in reliance on the credit standing of a major tenant, structured with an assignment of the rental payments to the lender with real property pledged as collateral in the form of a first lien, are referred to as a Credit Tenant Loan. Four categories of CTLs are recognized as eligible for reporting on Schedule D: Bond Lease Based CTLs; Credit Lease Based CTLs; Acceptable CTL Variants (ACVs); and Multiple Property Transactions (MPTs).

Intent

101. The categories segregate CTL transactions in accordance with two principles: (a) the degree to which the credit tenant is obligated to the lender for payments and real estate-related risks; and (b) the degree of complexity in the legal or structural components of the transaction.
102. The Bond Lease Based CTL category is intended to capture those transactions that reflect the criteria discussed below and contains no legal or structural variation from one transaction to another.
103. The Credit Lease Based CTL category is intended to capture those transactions that differ from Bond Lease Based transactions primarily because the lessor is to perform specified obligations, requiring analysis of how lessor risk is mitigated.

104. The ACV category is intended to reflect substantially all of the standards described for the Bond Lease Based or Credit Lease Based CTL categories. Transactions in the ACV category are those that do not perfectly reflect all of such required characteristics, but which contain the deviations highlighted in the ACV list; provided such deviations do not in number or otherwise alter the character of the transaction as a Bond Lease Based or Credit Lease Based CTL. The ACV category will be interpreted so as to maintain the regulatory expectation that all submitted transactions meet the criteria set out for the Bond Lease Based or Credit Lease Based CTL, with only slight deviations from criteria permitted.
105. The MPT category is intended to facilitate the SVO's analysis of Bond Lease Based or Credit Lease Based CTL Transactions where more than one site or property exists in the transaction structure. The MPT category provides an economy and efficiency of transaction cost and resources. It allows for the use of essentially uniform documentation for the transaction for one credit tenant or one credit tenant group.

Presumption of Eligibility

106. Transactions that meet the definition and legal and structural characteristics for one of the four CTL categories shall be submitted to the SVO for evaluation on the appropriate CTL Evaluation Form. From the perspective of an insurance company lender, a transaction that on its face meets the criteria of a particular CTL category is entitled to a presumption of Schedule D eligibility, subject to a determination by the SVO that the transaction is not appropriate for Schedule D reporting.

NOTE: See “Credit Tenant Loans” in Part Three for filing instructions, documentation requirements and methodology applicable to CTLs.

GROUND LEASE FINANCING TRANSACTIONS

GLF Overview

107. A ground lease financing transaction (GLF) typically has two components: (a) a ground lease for a long period (e.g., 99 years) between a ground lessor who owns the land and a ground lessee who attains a leasehold for the purpose of developing the land; and (b) the subleasing of space or operation of a business such as a hotel, warehouse, intermodal facility, etc., in an existing or to-be-constructed building to one or more tenants (space tenants) under shorter (e.g., 5–15 year) leases (space leases) or to the operator of a business such as a hotel, warehouse, intermodal facility, etc., under a franchise agreement or other arrangement.

108. The ground lease itself typically meets the Credit Tenant Loan (CTL) criteria for Bond Lease Based or Credit Lease Based CTLs in this Manual and is in scope of SSAP No. 37 – Mortgage Loans. Additionally, there can be one or several space tenants or business operators (which (a) may or may not be NAIC CRP rated entities or (b) whose credit worthiness can or cannot be evaluated by the SVO) making lease payments under separate space leases (which may or may not meet the CTL criteria) or a business operation. As such, the SVO cannot rely solely on the CTL criteria for its analysis of GLF transactions and instead must rely on a combination, as necessary and available, of the CTL criteria, the CMBS criteria, the documented analysis of NAIC CRPs, and the SVOs own analytic judgement.

109. A GLF transaction reported as a CTL on transaction on Schedule D, acquired prior to January 1, 2020, and reported with an NAIC Designation produced under filing exemption, can continue to be reported on the basis of that Eligible NAIC CRP Rating until sold or disposed of.

NOTE: See “Ground Lease Financing Transactions” in Part Three for filing instructions, documentation requirements and methodology applicable to GLFs.

SUBSIDIARY, CONTROLLED AND AFFILIATED (SCA) AND RELATED PARTY INVESTMENTS

110. SCA and related party bond and preferred stock investments (each, as defined in Part Three) in the form of a debt instrument purchased (or otherwise acquired) from an insurance or non-insurance entity and preferred stock issued by an insurance or non-insurance entity may be assessed by the SVO to determine eligibility for reporting as an Investment Security as defined in this Manual. The SVO is required to determine that a filed SCA and related party investment has terms, structure, complexity and purpose like those in transactions between unaffiliated parties so that credit risk assessment methodologies applied to transactions between unaffiliated parties can be meaningfully applied to transactions between affiliated parties; as a condition to assigning an NAIC Designation to the investment.

NOTE: See “Subsidiary, Controlled and Affiliated (SCA) and related party Bond or Preferred Stock” in Part Three for filing instructions, documentation requirements and methodology applicable to SCAs.

INVESTMENTS IN FUNDS

Purpose

111. This Section establishes a comprehensive framework to be used by the SVO to identify fund investments that can be appropriately characterized as a “fixed-income-like” asset eligible for assignment of an NAIC Designation. This section also provides instructions for inclusion of eligible funds on an appropriate NAIC List or NAIC compilation process; criteria and methodology for assignment of NAIC Designations and identifies the regulatory treatment to be accorded.

Condition to Eligibility

112. The “fixed-income-like” regulatory treatment accorded under this Section only applies to funds that the SVO has verified meet eligibility criteria established by the VOS/TF and been assigned NAIC Designations or reviewed under the verification procedures and added to an NAIC List or other NAIC compilation process as hereafter discussed in this section. The use of NAIC CRP credit ratings under the filing exempt process discussed in Part Three of this Manual shall not be an acceptable basis to apply for and receive the regulatory treatment specified in this section. A private fund reported on Schedule BA, acquired prior to January 1, 2019, and reported with an NAIC Designation produced under filing exemption, can continue to be reported on the basis of a credit rating until sold or disposed of, provided the insurer also reports the investment on the Fund GI (General Interrogatory). Funds that do not qualify for the exceptions identified in this section would continue to be reported as common stock on Schedule D, Part 2, Section 2 or as other invested assets on Schedule BA without NAIC Designations.

NOTE: In all cases where it is necessary for the reader to understand statutory accounting guidance or concepts, please refer to the NAIC *Accounting Practices and Procedures Manual*.

Application

113. An insurance company interested in establishing whether a fund meets eligibility requirements or the sponsor of a fund interested in identifying its fund to insurance companies, may request that the SVO evaluate whether the fund is eligible for inclusion on one of the NAIC Lists.

NOTE: See “Fund Investments” in Part Three for filing instructions, documentation requirements and methodology applicable to investments in funds that hold bond portfolios.

REGULATORY TRANSACTIONS**Defined**

114. Regulatory Transaction means a security or other instrument in a transaction submitted to one or more state insurance departments for review and approval under the regulatory framework of the state or states. The term “Regulatory Transaction” is more broadly defined as a transaction engineered to address a regulatory concern one or more insurers have or may have that should be submitted to a state insurance department for approval and that has as a component a security or other instrument which on a stand-alone version may be an Investment Security, as defined in this Manual, eligible for assignment of an NAIC Designation.

Intent

115. This section provides guidance to the SVO and the SSG on how to manage requests for assistance made by a state insurance department made as permitted in this Manual. Insurance companies shall not report a Regulatory Transaction as a Filing Exempt security, and the NAIC staff shall not assign an NAIC designation to the security component of a Regulatory Transaction or to the Regulatory Transaction or add them to the Filing Exempt Securities Process of the SVO List of Investment Securities. This does not preclude the SVO from working directly with a state insurance department and issuing an opinion to the department consistent with the instructions outlined in this Manual.

NOTE: See “Regulatory Transactions” in Part Three for guidance on the status of the security component of a Regulatory Transaction and details on the “Compilation and Publication of the SVO List of Investment Securities” in Part Two. Regulatory Transactions are excluded from all NAIC data files used to produce the SVO List of Investment Securities, including the data file that houses information about insurer-owned filing exempt securities.

PRINCIPAL PROTECTED SECURITIES**Intent**

116. Transactions meeting the criteria of a PPS as defined in Part Three of this Manual may possess Other Non-Payment Risks and must be submitted to the SVO for review under its Subscript S authority.

WORKING CAPITAL FINANCE INVESTMENTS (WCFI)

Description

117. As described in *SSAP No. 105R - Working Capital Finance Investments*, WCFI represents a confirmed short-term obligation to pay a specified amount owed by one party (the obligor) to another (typically a supplier of goods), generated as a part of a working capital finance investment program for which an NAIC Designation is assigned by the SVO. Pursuant to the working capital finance investment program, this short-term obligation has been transferred by the entity entitled to payment (typically a supplier of goods) to a third-party investor

Obligor

118. The Obligor for WCFI transactions is the party that purchases the goods or services that generates the original supplier receivable (which is the payable for that Obligor). The obligor must have an NAIC Designation of “1” or “2” or an NAIC Credit Rating Provider (CRP) Rating equivalent.

Unrated Subsidiaries

119. Many WCFI programs are structured in a way whereby unrated subsidiaries of a rated parent entity are involved as transaction participants, including as the Obligor. Such programs may have strong operational and strategic linkages between the rated parent entity and its unrated subsidiaries.
120. Given (i) the short-term (less than one year) payment terms of each of the underlying receivables arising from the sale of goods or services, (ii) WCFI investors’ option to stop funding a working capital finance program, and (iii) the necessity of working capital finance programs to obligors due to obligors’ reliance on their suppliers, the Task Force has concluded there is a low probability of default of WCFI investments. Accordingly, the Task Force deems it reasonable to establish a principle to direct the SVO, in its assessment of WCFI programs, to rely upon a parent entity’s rating for purposes of determining the NAIC Designation of the overall WCFI program.
121. Solely for purposes of WCFI transactions, the Task Force directs the SVO to rely upon the NAIC Designation or NAIC CRP Rating equivalent of the obligor, subsidiary or affiliate’s parent entity if the obligor, subsidiary or affiliate does not have an NAIC CRP Rating and the SVO cannot assign an NAIC Designation to it.
122. The Task Force authorizes the SVO, based on its analytical judgement and in its sole discretion, to notch such NAIC Designation down or decline to assign an NAIC Designation, based on factors including, but not limited to, whether:

- a) the unrated subsidiaries or affiliates that serve as key transaction participants cannot reasonably perform the functions expected of them; and/or
- b) the rated entity does not have significant documented operational control over the performance of the unrated subsidiaries or affiliates that also serve as obligors in the program; and/or
- c) documentary evidence in the program documents or appended thereto does not sufficiently demonstrate the importance of the inter-relationship between the rated entity and the unrated subsidiaries or affiliates; and/or
- d) the resulting NAIC Designation would, upon application of notching, be lower than an NAIC 2 Designation.

123. For the avoidance of doubt, though the Task Force directs the SVO to use the NAIC Designation or NAIC CRP rating equivalent of the obligor's parent entity, due to the SVO's authority to notch such NAIC Designation or rating, the SVO, based on its analytical judgement and in its sole discretion, may assign an NAIC Designation to the obligor which differs from the correlated NAIC CRP rating equivalent of the obligor's parent entity or choose not to assign any NAIC Designation to the working capital finance program, based on aspects of the working capital finance program which are unrelated to the relationship between the obligor, subsidiary or affiliate and its parent entity.

124. The Task Force acknowledges that reliance upon the NAIC Designation or NAIC CRP rating equivalent of the obligor's parent entity in the absence of a binding legal obligation for the parent to assume the financial obligations of the obligor, such as a guarantee, is not a generally accepted technique or methodology (as explained in "Use of Generally Accepted Techniques or Methodologies" in Part One of this Manual) and is inconsistent with the credit substitution guidelines detailed in "Credit Substitution" in Part Three of this manual, but it is directing the SVO to so rely

NOTE: See "Working Capital Finance Investments" in Part Three for filing instructions, documentation requirements, definitions and methodology applicable to Working Capital Finance Investments

REVIEW OF SVO DETERMINATIONS

Condition to Filing of an Appeal

125. Any insurer that owns a security for which the SVO has performed a credit assessment, or another analysis, may appeal the SVO decision provided the appeal is filed within 120 days of the SVO decision. An insurer can ascertain the date of the original SVO decision by accessing VISION and noting the Review Date shown there. The Review Date is the date of the original decision.

Status of NAIC Designation During Appeal

126. Until such time as the SVO credit committee determines that a previous SVO decision should be changed, the previous decision of the SVO remains in full force and effect.

Task Force Review for Alleged Violations of Procedures

127. **Request for Review** – Any insurer that has filed a security for an NAIC Designation, a classification or other analysis, and is concerned that a decision relative to the security was not made in accordance with the procedures in this Manual, may request consideration of this concern by the VOS/TF.

NOTE: See “Appeals of SVO Determinations” in Part Two.

SPECIAL INSTRUCTIONS

Short-Term Investments

128. A short-term investment is defined as an investment that has one year or less to maturity. Investments that have one year or less to maturity when issued are not reported to the SVO. Investments which when acquired by an insurance company have one year or less to maturity, but which when issued had greater than one year to maturity, need only be reported to the SVO if they do not have an NAIC CRP rating or an NAIC Designation for the issuer.

Circular Transaction

129. For purposes of this paragraph, a circular transaction shall be deemed to exist whenever the SVO shall find that the essential financial characteristic of a reported security is that the worki depends on funds advanced by an insurance company to make debt service payments to the same insurance company and that the interdependency of the entities involved in this or related transactions and the lack of any arm's-length economic dealings renders the application of the credit assessment or valuation techniques provided for in this Manual analytically meaningless and therefore misleading to NAIC members. The SVO is instructed to assign a **NAIC 6** Designation to circular transactions and to provide written confirmation of this action to the department of insurance of the reporting insurance company's state of domicile. The department of insurance may appeal the SVO decision to an appropriate working group of the VOS/TF.

Mandatory Convertible Securities

130. Mandatory convertible securities are defined as a type of convertible bond or convertible preferred stock that has a required conversion or redemption feature. Either on or before a contractual conversion date, the holder must convert the mandatory convertible bond or preferred stock into the underlying common stock. Mandatory convertible securities are not assigned NAIC Designations by the SVO. Prior to conversion, insurers shall report mandatory convertible securities in accordance with the SSAP of the current nature of the investment (e.g., *SSAP No. 26R—Bonds* or *SSAP No. 32—Preferred Stock*). Insurers should also report an NAIC Designation in Schedule D which they can self-assign or determine in accordance with the filing exempt rule.

NOTE: Please refer to paragraphs 2, 10 and 20 of SSAP No. 26R for further guidance.

Unrated Hybrid Securities

131. An unrated hybrid security is filed with the SVO for an NAIC Designation, but the insurance company reports the hybrid security as a bond pursuant to NAIC Annual Statement Instructions using the NAIC Designation assigned by the SVO.

NOTE: Please refer to the Annual Statement Instructions, Investment Schedules, General Instructions for guidance on the securities that fall within the definition of hybrid securities.

Sub-paragraph D Company

132. The insurance company must file all foreign securities for which the information required by this Manual is available. For those foreign securities held by a “Sub-paragraph D Company” as defined below, where the required information is not available for the SVO to value the security, the NAIC Designation may be determined by the reporting insurance company. This determination shall carry an **F** suffix. In no case shall the NAIC Designation exceed the sovereign rating of the issuer’s country of origin. The company shall provide its domestic regulator with a description of the procedure it used to evaluate and assign ratings to these foreign securities. In addition, the company shall retain the documentation supporting each designation assigned by it until the next domestic insurance department examination.
133. “Sub-paragraph D Company” is defined as a domestic insurer which is holding foreign securities in support of its foreign liabilities and where the U.S. gross premiums of the company are no more than 20% of its gross worldwide premiums or the amount of the company’s gross reserves and other liabilities under contracts of insurance (for life insurers gross reserves and other liabilities shall be actuarial reserves and policyholder liabilities currently reported on page 3, lines 1–11 of the NAIC Financial Statement Blank, grossed up for reinsurance ceded; for property and casualty insurers gross reserves and other liabilities shall be loss reserves, loss adjustment expense reserves and unearned premium reserves reported on page 3, lines 1, 2 and 9 of the NAIC Financial Statement Blank, grossed up for reinsurance ceded) on lives or risks resident or located in the U.S. are no more than 20% of its total gross reserves and other liabilities under contracts of insurance as reported on the company’s last NAIC Financial Statement Blank.

134. The insurer must also maintain a trust fund in a qualified U.S. financial institution for the payment of the valid claims of its U.S. policyholders, their assigns and successors in interest. The trust shall consist of a trustee account representing 103% of the company's gross reserves and other liabilities under contracts of insurance on lives or risks resident or located in the U.S. The assets of the trust shall maintain an NAIC Designation as assigned by the SVO and be valued at admitted values carried in the insurer's NAIC Financial Statement Blank. Such trust shall be established in a form approved by the insurer's domestic commissioner of insurance. The trust instrument shall provide that contested claims shall be valid and enforceable upon the final order of any court of competent jurisdiction in the U.S. and shall allow the right of substitution without diminution. The trust shall be subject to examination as determined by the insurer's domestic commissioner and the assets of the trust shall be reported in the insurer's NAIC Financial Statement Blank special deposit schedule. The trust shall remain in effect for as long as the insurer shall qualify as a "Sub-paragraph D Company" and have outstanding obligations under contracts of insurance on lives or risks resident or located in the U.S.
135. If a Company which previously qualified as a "Sub-paragraph D Company" no longer qualifies, any foreign securities held by such company which are not assigned an NAIC Designation by the SVO shall be assigned an NAIC Designation in accordance with the procedure set forth in this Manual. These securities shall be reported by the company with a "Z" suffix for the reporting year and shall comply with the provisions of this Manual for subsequent reporting years.

Capital and Surplus Debentures

136. Capital and surplus debentures, whether or not rated by an NAIC CRP, are subject to valuation as specified in *SSAP No. 41R—Surplus Notes*. Capital and surplus debentures that are rated by an NAIC CRP are filing exempt pursuant to Part Three of this Manual and reported in the same way as other filing exempt securities. All capital and surplus debentures are reported on the surplus notes line of Schedule BA, not on Schedule D.

PART TWO
OPERATIONAL AND ADMINISTRATIVE INSTRUCTIONS
APPLICABLE TO THE SVO

OPERATIONS

ORGANIZATION

IAO Departments

1. The SVO and the SSG shall establish such procedures or guidelines as are necessary to perform the functions assigned to them.

Credit Committee

2. The SVO and the SSG shall establish a credit committee composed of its senior staff, non-senior analytical staff or both, possessing expertise relevant to the issues entrusted to the credit committee. The credit committee shall provide SVO's and the SSG's professional staff with such direction or guidance necessary on analytical or internal analytical policy issues as may be assigned to it.

COMPILATION AND PUBLICATION OF THE SVO LIST OF INVESTMENT SECURITIES

Directive

3. On a quarterly basis, the SVO shall:

- Compile a list of Investment Securities from each of the data files defined as VOS Process, Filing Exempt Securities Process, CLO/RMBS/CMBS Modeled Securities Process, U.S. Treasury Process and the Exempt U.S. Government Securities Process (each an SVO Sub-List bearing the name of the corresponding Process).
- Exercise best efforts to identify any security in the VOS Process that has been filed by an insurance company without a valuation and to attempt to assign that security a valuation. The SVO may use whatever methodology may seem reasonable to it and may choose not to assign a valuation if doing so would be unreasonable. The VOS/TF considers that an imprecise valuation is of greater utility to the regulatory community than no valuation. However, the NAIC makes no representation that the SVO has the necessary expertise to produce accurate valuations. Accordingly, an insurance company that owns a security to which the SVO has assigned a value under this provision may substitute the SVO assigned value by obtaining or deriving a valuation in accordance with applicable NAIC annual statement reporting instructions and by reporting the valuation obtained to its insurance department on the NAIC Statement Blank.
- Aggregate the content of each SVO Sub-List into a single SVO List of Investment Securities (hereafter, the SVO List of Investment Securities) identifying each Investment Security by name and other pertinent information and showing the NAIC Designation assigned to them by the SVO or pursuant to such other methodology or procedure specified in this Manual.
- Compile, or cause to be compiled, sub-lists from the informational content of the Derivative Counterparties Process, Exchange Rates Process, Ex-Dividend Process, Letter of Credit Process, Money Market and Exchange Traded Fund Process and Surplus Notes Processes (each an SVO Sub-List bearing the name of the corresponding Process and collectively the “Other Information”).
- Publish, or cause the SVO List of Investment Securities and the Other Information to be published, by being incorporated into the NAIC’s AVS+ product.

VOS Process

4. The VOS Process (data file) is used to store NAIC Designation or other determinations assigned by the SVO to Investment Securities. The SVO shall not add a Regulatory Transaction to the VOS Process.

Filing Exempt Securities Process

5. The Filing Exempt Securities Process (data file) is used to store NAIC Designations or other determinations assigned by the SVO through an automated process for filing exempt (FE) securities that are an Investment Security. Insurance companies derive NAIC Designations for FE securities by applying the conversion instructions. The insurance company then reports the NAIC Designations assigned to FE securities through NAIC systems. The SVO subsequently adds the security to the Filing Exempt Securities Process. The SVO shall not add a Regulatory Transaction to the Filing Exempt Securities Process.

CLO/RMBS/CMBS Modeled Securities Process

6. Collateralized Loan Obligations (CLO), Residential mortgage-backed securities (RMBS and commercial mortgage-backed securities (CMBS) are Investment Securities, reported by an insurance company to the NAIC and subsequently added by NAIC staff to the CLO/RMBS/CMBS Modeled Securities Process, where on an annual basis and for purposes of the annual surveillance they are evaluated for eligibility to be financially modeled.
7. CLO/RMBS and CMBS that are deemed to be subject to financial modeling are retained in the CLO/RMBS/CMBS Modeled Process. CLO, RMBS and CMBS that are deemed ineligible for financial modeling but that have been assigned credit ratings by NAIC CRPs migrate to the Filing Exempt Securities Process. CLO, RMBS and CMBS that are deemed ineligible for financial modeling and that have also not been assigned credit ratings by NAIC CRPs may be reported by the insurer in the NAIC **General Interrogatory** with an NAIC 5GI and an NAIC Designation Category of 5.B GI.
8. Insurance companies shall not file Regulatory Transactions as eligible for the CLO/RMBS/CMBS Modeled Securities Process, and the NAIC staff shall not add a Regulatory Transaction to the CLO/RMBS/CMBS Modeled Securities Process.