ACLI Financial Security for Life | PPiA Private Placement Investors Association | NASVA

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Ms. Carrie Mears
Chair, Valuation of Securities (E) Task Force (VOSTF)
National Association of Insurance Commissioners (NAIC)
110 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: Proposed P&P Manual Amendment to Remove References to Subscript-S and Update References to Investment Risk

Dear Ms. Mears:

The undersigned (ACLI, PPIA, and NASVA) appreciate the opportunity to comment on the exposure referred to above that was released for comment by the VOSTF on September 27, 2024.

As reflected in the exposure, we note that at the 2024 Summer National Meeting the Valuation of Securities (E) task force (VOSTF) adopted an updated definition of an NAIC Designation. The update included <u>the removal of the concept "Other Non-Payment Risk"</u> and the corresponding SVO administrative symbol "Subscript S", <u>and the replacement of the term "credit risk" with the newly defined term "investment risk."</u>

The undersigned agree with the proposed edits made in the aforementioned exposure except for the proposed changes in paragraphs 50 – 58 in Part Two, Operational and Administrative Instructions, Applicable to the SVO related to SVO Notching Guidelines that are specifically related to "Other Non-Payment Risk."

Per the P&P Manual, the sections related to Notching include the following:

- Definition and Purpose
- Notching NAIC Designation Categories (to Reflect Credit Risk)
- Methodology
- SVO Guidelines for Notching
- Notching Investment Grade Issuers
- Nothing for Non-Investment Grade Issuers
- Notching for NAIC Designation Subscript (to Reflect Non-Payment Risk Unrelated to Credit Risk)
- Relevant Considerations

The underlined section above specifically references its applicability to Non-Payment Risk (paragraph 50) and discusses SVO discretion. This should be removed due both to what was agreed upon at the Summer National Meeting by VOSTF and the adoption elsewhere within the P&P Manual where discretion will be utilized to change CRP ratings.

Similarly, paragraphs 51 – 58 under Relevant Considerations is an extension of discussion of "Non-Payment Risk" considerations (mentioned in several of these paragraphs) and should also be deleted as agreed upon at the Summer National Meeting by VOSTF. Further, if there are any thematic issues in this section that are not related to Credit risk (see underlined above where it is noted Non-Payment or Subscript S is Unrelated to Credit Risk), the undersigned believe it is imperative these issues be addressed transparently and with due process with the VOSTF.

If you have any questions regarding this letter, please do not hesitate to contact us.

Sincerely,

MMonahan
Mike Monahan
ACLI

Tracey Lindsey
Tracey Lindsey
NASVA

John Petchler
John Petchler
on behalf of PPiA Board of Directors

cc: Charles Therriault, Director, Securities Valuation Office
Eric Kolchinsky, Director, Structured Securities Group