The Valuation of Securities (E) Task Force met April 5, 2016. During this meeting, the Task Force:

1. Adopted its March 17 and Feb. 22, 2016, and 2015 Fall National Meeting minutes, which included the following action:
   b. On the Feb 22. call, the Task Force:
      i) Heard an SVO recommendation that Italian generally accepted accounting principles (GAAP) be a National Financial Presentation Standard (NFPS); exposed the report for a 30-day public comment period; and requested the SVO to draft an appropriate amendment.
      ii) Agreed to respond to the Statutory Accounting Principles (E) Working Group on its referral regarding SSAP 97—Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88 that the subsidiary, controlled and affiliated entities (SCA) instructions should be moved into SSAP No. 97, that oversight for SCA valuation be transferred to the Working Group, and that the P&P Manual be amended to delete the SCA instructions and retain a filing requirement once the Working Group advises the Task Force that it has decided where to place the SCA instructions.
      iii) Adopted the SVO Bank List report and SVO recommendations for the purpose of referring them to the Reinsurance (E) Task Force for approval.
      iv) Adopted the final Investment Analysis Office/American Council of Life Insurers (ACLI) report on changes in the derivatives markets as the basis for its recommendations to the E Committee on the model regulation.
      v) Agreed to recommend to the E Committee that the NAIC retain the Derivative Instruments Model Regulation (#282) as a national standard.
      vi) Received and exposed a P&P Manual amendment to conform references to SSAPs to the Statutory Accounting Principles (E) Working Group’s style for a 30-day public comment period.
      vii) Received and exposed a P&P Manual amendment to eliminate references to Class 1 instructions for a 30-day public comment period.
      viii) Received and exposed a P&P Manual amendment that would provide detailed guidance for filing bank loans with the SVO for a 60-day public comment period.
      ix) Discussed a Statutory Accounting Principles (E) Working Group referral to move guidance about surplus notes from the AP&P Manual to the P&P Manual, and received and exposed a proposed P&P Manual amendment for a 20-day public comment period.
      x) Received and exposed a proposed P&P Manual amendment that would eliminate a requirement for public meetings to be held as part of the assumption setting phase of the financial modeling methodology conducted by the Structured Securities Group (SSG) for a 60-day public comment period.
      xi) Received and released a proposed P&P Manual amendment to explain the relationship between the AP&P Manual and the P&P Manual and the respective NAIC staff functions for a 60-day public comment period.
   
2. Adopted an amendment to the P&P Manual to add Italian GAAP as an NFPS. This means insurers can file securities with the SVO with audited financial statements prepared on the basis of Italian GAAP without reconciliation to U.S. GAAP or the International Accounting Standards Board (IASB) International Financial Reporting Standards (IFRS).
3. Adopted an amendment to the P&P Manual to reflect changes in the titles of some SSAPs and conform SSAP references to the style adopted in the AP&P Manual.


5. Received a report from SVO staff on a project to develop a new computer system to support SVO production of NAIC Designations and modernize rules governing how securities are filed with the SVO. SVO staff and industry representatives prepared a joint statement that identifies agreed-upon principles and objectives to guide system design and document views on the likely utility of existing filing rules in a fully electronic (as opposed to a paper-based) filing environment. SVO staff and industry representatives requested that the Task Force approve the statement so it can be used as a guide during the initial stages of system design. SVO staff also recommended a regulator-to-regulator session to discuss internal NAIC issues related to the system redesign with the Task Force to be followed by public discussions. The report was received and exposed for a 60-day public comment period.

6. Received a report from NAIC staff on the review of investment-related SSAPs by the Statutory Accounting Principles (E) Working Group.

7. Received a final report from SVO staff on a project to evaluate why a large population of securities are reported as filing exempt but do not appear on credit rating provider (CRP) data feeds. The SVO reported the securities fall into one of six primary exception categories. The largest category involves private letter rating securities. Because there is no reliable way to verify that such securities are rated by a CRP (and therefore eligible to be filing exempt [FE]), SVO staff recommended that insurers file evidence of a monitored private letter rating or file the security with the SVO for an NAIC Designation. A second population involves securities shown on the Nationally Recognized Statistical Rating Organizations (NRSRO) websites as rated but not in CRP data feeds. SVO staff recommended that the P&P Manual be amended to say that if a security is not found on NAIC systems, it be considered not rated and filed with the SVO. A third population involves securities where an insurer reported ratings obtained from Bloomberg, which is not a CRP. The P&P Manual requires that insurers obtain credit ratings from named NAIC CRPs. SVO staff recommended that this population can be addressed by having the SVO become the source of FE determinations. A population of pre-refunded securities is required to be filed with the SVO. SVO staff suggested that discussions with other NAIC staff might identify ways to address this population. A population of government guaranteed exceptions appeared to stem from the policy-based filing exemption. SVO staff recommended that the Task Force consider an analytical process. An exception related to a population of international securities will be addressed because the NAIC has purchased International Securities Identification Numbers (ISIN) identifiers. The Task Force adopted a motion to: 1) receive and release the SVO report for a 30-day public comment period; 2) form a working group to receive the SVO report and any comments, study the issues with the SVO and industry representatives, and make recommendations to the Task Force within four months from the time it begins work.

8. Heard a report from SVO staff that the ACLI has requested that the SVO study Belgium GAAP with the goal that it be added to the NFPS List. The Task Force received the SVO letter and approved the SVO request to proceed with the study.

9. Received a proposal from SVO staff to amend the definition of “loan-backed and structured securities” (LBaSS) in SSAP No. 43R—Loan Backed and Structured Securities. The proposal relates to concerns raised by industry with changes to SSAP No. 43R adopted in 2010. The concerns were made a part of the review of investment SSAPs by the Statutory Accounting Principles (E) Working Group. SVO staff agreed to work with the statutory accounting staff to analyze the issues presented and propose a definition for LBaSS that might be responsive to the concerns that have been expressed. This reflects that the issue would require a Task Force referral. The SVO proposal was received and exposed for a 60-day public comment period.

10. Received reports from SVO staff that: 1) the SVO’s proposal to expand the NAIC Bank List to include nonbanks was referred to the Reinsurance (E) Task Force for consideration; 2) the Task Force’s response on a referral pertaining to SSAP No. 97 and the valuation instructions for SCA investments was forwarded to the Statutory Accounting Principles (E) Working Group for consideration; and 3) the recommendations pertaining to Model #282 was forwarded to the Financial Condition (E) Committee for consideration. These referrals involved positions adopted by the Task Force at its Feb. 22 meeting.