

## NASVA QUARTERLY MEETING

Tuesday, October 23, 2007  
SVO Office (hosted by Great American – Sandy Ulm)  
Meeting: 9:00 am – 2:00 pm

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### Agenda Items

- **Quarterly Meeting** - Dates tentatively set for February 26<sup>th</sup> and 27<sup>th</sup>
- **VOS Task Force Update**

- **Pricing Proposal**

*What do you see as the role of the SVO in this process?*

At the NAIC National Meeting in Washington DC, the Task Force adopted the joint NY SVO pricing proposal. The proposal takes effect January 1, 2008.

The role of the SVO is to continue to value private placement securities along with any other securities submitted to the SVO for valuation.

- **Defaulted Securities**

*What is the effective Date? What does it mean for filers?*

This issue was referred back to the Statutory Accounting Principles Working Group and they have exposed it with some minor language changes to exempt GNMA, FNMA and FHLMC from the requirements of the proposal. The effective date will depend on when the SAPWG adopts it and the form the proposed language takes.

- **SVO Authority to reclassify D vs. BA**

*Where does it stand? What do you see this proposal doing? How will it affect filers?*

This proposal was adopted in Washington DC and will be effective with the December 31, 2007 P&P. The impact to filers will be nominal, as the SVO analysts are already doing this.

- **IAWG**

*What is currently or is anticipated to be on the IAWG agenda?*

The IAWG will produce issue papers on the seven areas outlined on its last conference call. The IAWG will release the reports shortly for comment to be followed by an open call to receive comments on the papers and decide on how the Working Group should proceed.

- **Hybrids**

*What do we do for year-end? What are the expectations for 2008?*

Companies should continue to follow the short-term solution. 2008 will depend on the recommendation of the Hybrid working group.

■ **Electronic Filing**

*What happened since the annual conference?*

There has been no change since the conference. We still, as before, require paper filings.

■ **Principal Based Analysis**

*How would this change the role of the SVO long-term?*

That would be difficult to ascertain at this point – we will pass along information to you as we receive it from our regulators.

■ **Monthly/Quarterly AVS/ISIS file**

- *Can the file be made available the morning of the first business day after month or quarter-end?*
- *Does NAIC KC have the tools to update the file faster?*
- *Does the IT staff have the ability to initiate the update process from home after normal business hours?*
- *Can the system run unattended during overnight hours?*
- *What value does the manual review by the SVO add to the process?*
- *Can this review be automated, started earlier or eliminated?*
- *Timeline of what takes place*
- *SVO or KC?*

The SVO staff customarily reviews the VOS database on the first business day of every month to ensure the overall integrity of our product. The review session is sandwiched between automated processes run in the prior evening (including price/ratings updates) as well as immediately after the SVO completes its review (i.e. system backups).

While the month-end review is not as extensive as quarter-end and year-end due to various factors, such as the volume of pricing requests, it is still a valid and necessary routine for the SVO to execute.

■ **Issuer Financials in Non-US GAAP**

- *Has the filing requirement for providing IAS and country GAAP comparisons with the filing changed?*

No it has not. We did however, in September 2006, eliminate the need for a reconciliation for foreign issuers using IFRS and for those using Canadian, UK, and Australian GAAP.

- *Why should analysts be requesting additional translated US GAAP financials?*

Those requests would be for instances where foreign issuers provide financials not audited under IFRS, Canadian, UK, or Australian GAAP.

- *Alternatives aside from a 5\**

Audited financial statements.

## ■ **Surplus Notes**

- *What is the difference between the option to file an ATF for a Schedule BA Surplus Note or Surplus Note?*

On the ISIS/ATF application, the Surplus Note option is designed for users to file on NAIC1 equivalents while Schedule BA Surplus Note is slated for NAIC2-NAIC6 equivalents. The NAIC1 Surplus Note ATFs are assigned to Richard Newman and the others are routed to Tony Urick. System changes will be made to better distinguish these options to avoid confusion.

- *What happens to the filings submitted for NAIC 2-6 rated surplus Notes?*

Filings submitted for NAIC2-NAIC6 rated Surplus Notes (Schedule BA Surplus Note ATF option) will be assigned to Tony for analysis.

- *How would a company know that a filing has been processed and a rating/valuation been assigned?*

Once Tony has completed his analysis, he will assign a Statement Factor value for the surplus note. The filer will receive a letter. All NAIC2-6 rated Surplus Notes are currently posted on the following SVO web page ([http://www.naic.org/svo\\_avs\\_isis.htm](http://www.naic.org/svo_avs_isis.htm)), under the Schedule BA Surplus Notes heading.

- *What are you expected to provide for an annual update for a Surplus Note?*

The latest *Statutory Financial Statement* of the issuer is the only requested document for Initial Filing and Annual Update Schedule BA Surplus Note ATFs.

## ■ **Backlog for 2007**

- *Is there currently one?*

As of 10/15/2007, 87 percent of ATFs received in 2007 have been completed by the SVO. Of the 9,840 ATFs received prior to 9/1, the SVO has completed 9,076 of them, or 92%.

Keep in mind that nearly all carryovers in 2006, or as you term "*backlog*", resulted from late year-end filings. For example, 20% (or 1,329 filings) of the Annual Updates filed in 2006, were received in the *last quarter* from the top 25 filing insurance companies. In December alone we received 437 Annual Updates, or 6% of the total filed in the year. Initial Filings, received from the top 25 filing insurance companies in the last quarter of 2006, were 34% of the year's total with December accounting for 15% (!) of that volume.

## ■ **ISIS updates**

- *Are there new enhancements?*

Our next major ISIS release is scheduled for Friday 10/26/2007. NASVA will receive an email notice. In addition, filer-related ISIS release contents will also be posted on the following SVO web page ([http://www.naic.org/svo\\_important\\_updates.htm](http://www.naic.org/svo_important_updates.htm)).

## ■ **SVO meeting with FT Interactive**

- *Pricing results*
- *Stock split results*

Some of our enhancements address some of the concerns we discussed with FTID. Our current IDSI application has been tweaked to bypass 'premature' stock splits as well as capture values that were previously considered 'stale'. In an effort to capture more values for Municipal and Foreign securities in the FE database, our overall portfolio pricing files will include more securities.

■ **Year-end 2007**

- *Mock year-end?*
- *Price Deletion set for December 3rd*
  - *Review the process*
  - *Pricing ATF dates?*

Rodney Cornish will address these items at the meeting.

■ **NAIC Budget**

- *What is the reason for the projected filing fee increase in 2008?*

There will *not* be filing fee increases in 2008.

- *What is the reason for budgeting \$100,000 in ARS filings? Do you anticipate the use of this function more in 2008?*

This represents our *typical* annual receipt of ARS filings. We do not anticipate an increase in ARS filings, despite VOS Task Force's recent approval of ARS filings by Broker-Dealers. We don't believe that Broker-Dealers will avail themselves of this service.

- *Does the current usage of the option of face to face in house meetings for appeals warrant the increase from \$1000 to \$2000? How many companies are actually making use of this option a year currently?*

The \$2,000, in the 2008 NAIC Budget, represents the *total* of revenues anticipated from non-insurance companies requesting an appeal meeting in 2008.

- *Please describe the new alert system being added to AVS in 2008.*

The AVS Alert Service is a new AVS feature - available only to AVS Premium Subscribers - that will allow the AVS subscribers the ability to design their own customizable alert service. The AVS Alert Service will provide notifications about designation/status changes with the following options to the subscribers:

- *Rated (former FE that are filed with the SVO) versus Non-Rated (filed with the SVO and analyst has to review but it never was an FE) or All*
- *Include FE or Exclude FE*
- *Portfolio Only Driven Yes or No*

More details about this service will be given in the upcoming months.

■ **Any other matters?**