

**An Explanation of the NAIC Process for Coordinating Regulatory Expertise when a Security is Placed under Regulatory Review**

**Note:** The text below explains the NAIC mechanism to ensure the availability of all relevant regulatory expertise when a security or an asset class is placed under review by the NAIC for the purpose of examining the regulatory treatment applicable to it. You should read and interpret this text along with the other material contained on this page. The text is taken from a memorandum to the Financial Conditions (E) Committee seeking approval to implement this procedure.

The Valuation of Securities (E) Task Force (Task Force) is charged with reviewing insurers' investments to identify risks and determine appropriate treatment. The Task Force is also charged with coordinating the process by which regulatory guidance is formulated. In furtherance of these charges, the Task Force adopted revisions to the procedure used to place a security or asset class under regulatory review. Among other things, the amended procedure requires that the Task Force advise NAIC groups with jurisdiction, relevant expertise or those that would be affected by our activities that a security has been placed under regulatory review. A security placed under regulatory review would be referred to the Invested Asset (E) Working Group (IAWG) for technical analysis and recommendations. (The IAWG is developing the procedures that would govern how such a security would be reviewed.)

Once a security is placed under regulatory review, our objective would be to provide comprehensive regulatory guidance in the shortest time frame consistent with the complexities and issues presented by the security. To do this we think it is necessary that we have access to all relevant regulatory perspectives and expertise from the outset of our deliberations. Accordingly, we propose that the Chairs of specified groups be deemed members of the IAWG for purposes of deliberating policy and or methodology for securities placed under regulatory review. To implement this approach, we request that the Financial Conditions (E) Committee include the charge shown below as part of the formal 2009 charge for the groups identified below.

**(Text Deleted)**

**NAIC Groups to which the proposed charge would apply:**

Statutory Accounting Principles (E) Working Group  
Capital Adequacy (E) Task Force  
Blanks (E) Working Group  
Life Risk Based Capital (E) Working Group  
Risk Assessment (E) Working Group  
Financial Analysis Handbook (E) Working Group  
Financial Examiner's Handbook (E) Technical Group