

CERTAIN SCHEDULE BA ASSETS TO BE FILED WITH THE SVO

The December 2004 edition of the Purposes and Procedures Manual of the NAIC Securities Valuation Office contains a special insert, effective January 1, 2005, which pertains to the filing of certain Schedule BA assets. Per Part Fourteen, Section 1 (b), “Whenever an insurance company shall determine that a long-term investment properly reported in Schedule BA has the underlying characteristic of a bond or other fixed income instrument and wishes to obtain a more favorable NAIC Designation for the investment for AVR purposes, it shall file. . .” The language in the paragraph then proceeds to describe relevant documents and a cover letter.

It has become clear to the SVO that many of the filers are omitting the required cover letter that states the opinion of the firm that the asset has the underlying characteristics of either a bond or a preferred stock and ***that explains the rationale for that opinion.*** If the firm expects a certain Designation for the asset in question, such Designation should also be justified in writing in the cover letter.

In determining what relevant documents should be included in the filing, the filer should be guided by the language in Part Fourteen, Section 1 (b).

In determining what rationale should be used to determine a classification of debt-like or preferred-like, the filer should be guided by the Purposes and Procedures Manual, especially Sections 1, 2, and 3 of Part Seven.