

Regulatory Treatment Analysis Service Application

PART I INSTRUCTIONS - The following guidance is offered to facilitate the Applicant's use of the Regulatory Treatment Analysis Service (RTAS).

1. **About the RTAS Process:** For detailed information about the RTAS process, applicants should refer to Part Four, Section 4 (a) of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office* (the *Purposes & Procedures Manual*). A copy of the *Purposes & Procedures Manual* can be purchased at http://www.naic.org/store_home.htm.
2. **Objectives:** As more fully explained in the *Purposes & Procedures Manual*, the Securities Valuation Office (SVO) analyzes credit and other risks in insurer owned investments for state insurance regulators. SVO analytical conclusions drive risk-based capital, accounting, reporting and other regulatory mechanisms. The RTAS process permits insurance companies and other persons to ascertain the analytical position the SVO would take (or the recommendations it would make to regulators) with respect to credit and other investment risks embedded in a security and the regulatory treatment that corresponds to those analytical conclusions under the existing regulatory framework. The RTAS process can be used whether the security that is the subject of the Application is a modified version of a type previously known to insurers and regulators or a security never previously known to insurers or regulators. The opinion given by the SVO at the end of the RTAS assignment addresses key areas of regulatory treatment including: statutory accounting; risk-based capital; valuation and reporting. These areas of regulatory treatment are discussed by indicating our opinion of credit risk, asset classification, pricing and other analytical products produced as part of our regulatory function. It is also possible that an RTAS analysis may conclude that NAIC regulatory guidance is not sufficiently comprehensive to provide insurers with guidance if they purchased the security. In such a case the SVO can alert the appropriate NAIC regulator group and work with them to fashion an appropriate response.
3. **The Application:** The Applicant must return this entire, original Application and may not alter, amend or otherwise modify this form in any way.
4. **Filing Requirements:** The Applicant shall file: a completed Application; a prospectus, private placement memorandum or other document containing the contractual terms and conditions of the security; issuer financial statements and any data or information necessary or useful to understanding investment and other risks in the security and a copy of the check for the filing fee sent to the NAIC as more specifically discussed below.
5. **Address:** The Application and all accompanying documentation should be sent (certified mail) to: NAIC –Securities Valuation Office, 48 Wall Street, 6th Floor, New York, New York 10005-2906, Attn: **RTAS Opinion Request**
6. **Payment of Fee:** ¹The Applicant shall submit a check in the amount of \$20,000 if it is not an insurance company or \$15,000 if it is an insurance company, payable to the NAIC. The fee for Expedited Review, discussed in paragraph 8 below, is \$5,000. Please include the following information with your payment: 1) identify the payment as being for an “RTAS Opinion

¹ Please consult Part One, Section 7 (c) of the *Purposes & Procedures Manual* for the fee schedule applicable to SVO services. The fees stated above are correct as of August 15, 2011, the date this form was last revised).

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Request” and 2) the name of the applicant as it appears in Part II of this form. The check or money order must be sent to the NAIC lockbox at: NAIC, P.O. Box 87-3655 Kansas City, Missouri 64187-3655. If a check or money order is sent to the lockbox by overnight express delivery, please include the following information as the address: UMB Bank, 1008 Oak Street, Attn: Wholesale Lockbox, 6th floor, Kansas City, MO 64106. A copy of this check should be included with the application package. To make payments via wire transfer, please call (816) 783-8085 for wiring instructions

7. **Turnaround Time:** From the time the SVO is in receipt of complete information, the turnaround time benchmark for the service is a maximum of four (4) weeks. The *typical* turnaround time for the service, from the receipt of complete information, is two (2) weeks which may be longer from November 1 through January 30.

8. **Expedited Review:** In some cases, a security structure is intended to be used multiple times (either by the same or by different issuers) but in separate financings. The Applicant may determine that each issuance requires a separate review by the SVO. In such cases, if each subsequent issuance is governed by documentation, terms and conditions identical to those governing the initial transaction reviewed by the SVO (with the only differences being the parties, dates, dollar amounts and other similar matters), the Applicant may request an Expedited Review of the SVO. Under Expedited Review, the Applicant submits an Application Form with a prospectus of the subsequently issued security marked to show changes from the prospectus for the initial transaction reviewed by the SVO. The request is accompanied with a letter, on the letterhead of the Applicant, certifying that the prospectus for the submitted security is substantially identical to the prospectus for the initially reviewed security with the exception of the items specified in the document. Please refer to Part Four, Section 4 (a) (vii) of the *Purposes & Procedures Manual* for detailed information.

PART II GENERAL INFORMATION

The Applicant

1. Name of Applicant: _____

2. If this is an Expedited Review (as discussed in paragraph 8 of Part 1 above) check here

3. If Applicant is an Insurer, please provide your NAIC #: _____

4. Address: _____

5. Contact Information for Person Designated to Work with the SVO on this Application.
Name: _____
Title: _____
Phone Number: _____

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Fax Number: _____

E mail address: _____

Address: If different from above: _____

The Security

1. Issuer Name: _____
[For example, ABC Corp.]

2. Issuer's SIC Code: _____
3. Full description of the security: _____
[For example, \$10,000,000 6.5% Subordinated Notes, Due 1999]

4. Is there a specific feature, characteristic, investment risk or other aspect of the security you wish the SVO to focus on in this analysis request? If, yes, please describe (attach supporting documentation as necessary):

5. Has the Applicant (or its representative) formally or informally discussed the security that is the subject of this Application with a credit rating organization (whether or not an NRSRO) or a state insurance regulator or department? If yes, identify the credit rating organization, state insurance regulator and the purpose and result of the discussion or submission? (Add supporting documentation as pertinent.)

PART III TERMS AND CONDITIONS OF THE APPLICATION

A. Application is Request Only Submission of an Application constitutes a request that the SVO conduct the requested analysis and does not indicate that the SVO has accepted the offered analytical assignment. The Applicant will be advised by an SVO staff member if the Application has been accepted or rejected. The SVO may refuse an RTAS Application for any reason, including

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a determination, in its sole discretion, that the assignment does not further NAIC objectives. If the SVO decides not to accept the Application, it shall so inform the Applicant and refund the fee paid.

B. Fees - The SVO will not begin an assignment until it has verified that the applicable fee has been paid. If the documentation, terms, conditions, structure or supporting data or information (such as financial statements) is significantly amended or modified after submission to the SVO, the SVO, in its sole discretion, shall assess an additional fee in amount equal to a percentage (up to 100%) of the original application fee and the Applicant hereby agrees to pay this additional fee.

C. Representations and Warranties

i. Familiarity with NAIC Objectives The Applicant represents that it is aware of the regulatory purposes and objectives of the RTAS process (as disclosed in summary form above and more fully in Part Four, Section 4 (a) of the *Purposes & Procedures Manual*). The Applicant warrants that its purpose in submitting an RTAS Application is consistent with the purposes described above and in the *Purposes & Procedures Manual*.

ii. Duty to Clarify Regulatory Objectives The Applicant agrees to inform any financial advisor employed in connection with this Application of the regulatory purpose and objectives of the RTAS process and of the scope of SVO analytical authority.

D. SVO Communications

i. The RTAS Letter The SVO will communicate its RTAS opinion to the Applicant in writing (the “RTAS Letter”).

ii. Right to Revise Opinion SVO reserves the right to revoke an RTAS Letter and to issue a replacement RTAS Letter to the Applicant if it deems this necessary to reflect changes in data, information, issuer financial strength, competitive environment, structure, terms, NAIC regulatory policy or any other relevant consideration that varies significantly from the data, information, NAIC regulatory policy and corresponding assumptions under which the initial RTAS opinion was derived.

E. Confidentiality and Permitted Disclosures

i. Of Submitted Information The confidentiality of information submitted to the SVO as part of this Application is governed by the Statement of Practice in Part One, Section 4 (d) of the *Purposes & Procedures Manual*.

ii. Of the RTAS Letter The RTAS Letter is a confidential communication between the SVO and the Applicant. The Applicant shall have the right to disseminate the RTAS Letter provided that a copy of the entire RTAS Letter is given. *The Applicant agrees that it will use the RTAS Letter in a manner that is consistent with the state insurance regulatory objectives that the RTAS process is designed to advance. The SVO analysis is designed only to advise the Applicant, insurance companies and insurance regulators of risks in securities that may impact an insurer’s financial*

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condition and that may therefore require regulatory response. SVO disclaims that its analysis is a suitable basis upon which to sell securities to anyone.

iii. Permitted SVO Disclosures

a. Regulatory Consultations - The SVO is the professional staff of the Valuation of Securities Task Force (VOSTF). Under certain circumstances specified in the *Purposes & Procedures Manual*, the SVO is obligated to consult with the VOSTF, including in connection with a proposed RTAS assignment. More generally, the SVO is at all times under a professional obligation to share analytical insight and information it obtains during the course of its operations with the Task Force or other members of the regulatory community, either to further specific charges or projects before those groups or to advise the VOSTF or the broader regulatory community of issue that may require regulatory intervention. In addition, the SVO may consult with the VOSTF as it may deem necessary or appropriate, including with respect to a security that is the subject of an Application. The SVO reserves the right to discuss any aspects of a security that is the subject of this Application privately with members of the VOSTF and or NAIC regulatory community.

b. Staff Support NAIC Committees, Task Forces, Working Groups or Subgroups are composed of state insurance officials who may determine it necessary to hold public hearings to discuss regulatory approaches to investment issues as part of the policy formulation process. It is the responsibility of the SVO to support such groups in their deliberations by providing information about investment risks. The SVO reserves the right to share confidential information gained as a result of any Application privately with regulators to assist their preparation for public hearings.

c. No Breach of Confidentiality The Applicant agrees that SVO disclosure of information regarding the subject of this RTAS Application to NAIC members (i.e., members of state insurance departments acting as Chairs or members of NAIC Committees, Task Force or Working Groups); NAIC employees (provided the employee's duties require them to have such information); and to individual state insurance regulators, is not a breach of the confidentiality of these terms and conditions.

F. Obligation to Disclose/Provide Information

i. Communications with Rating Organizations and Regulators The Applicant agrees to disclose and divulge to the SVO any communication it has with representatives of any state insurance department, nationally recognized statistical rating organizations or rating organization regarding the subject of this Application whether the communication occurred before or after the submission of this Application. Any RTAS Letter issued by the SVO as a result of an RTAS Application may be withdrawn if the SVO subsequently learns the Applicant has held undisclosed discussions with state insurance department, nationally recognized statistical rating organization or other rating organization representatives which could have affected the SVO opinion had it been known and considered as part of the assignment.

ii. Relevant Transaction Information The Applicant agrees to promptly furnish the SVO, or to cause the issuer or the issuer's investment advisor to promptly furnish the SVO, with all documentation, data and information necessary to analyze the security that is the subject of the

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Application. Documentation, data and information submitted to the SVO shall be in reasonably final form and accurately reflect the understanding between the parties as of the time the documents are submitted to the SVO. If, in the SVO's sole discretion, the accompanying documentation is not sufficient to proceed with the analysis, the SVO will request further information. If such information is not provided the SVO reserves the right to terminate the assignment and to refund a pro-rated portion of the fee as the SVO, in its sole discretion, shall deem appropriate.

iii. To Update Information The Applicant agrees to apprise the SVO in writing of any material changes to the documents, structure or terms of the security, (either known to the Applicant or, if the Applicant is an insurance company, to its investment advisor) as soon as practicable after having learned of it.

G. NAIC Disclosures

i. Not Investment Advice NAIC Designations are produced solely for NAIC members and are indications of eligibility for certain regulatory treatment under the NAIC Financial Conditions Framework. SVO asset classification opinions are rendered solely in furtherance of specific and unique procedures developed by the NAIC and state insurance regulators for statutory reporting purposes. SVO opinions on valuation are intended to aid regulators estimate an appropriate carrying value for insurance company assets so they can better gauge financial strength of insurers. SVO assessments of and opinions on other investment risks in securities are similarly intended for application by state insurance regulators in context of the developing and evolving NAIC framework and individual state regulatory statutes, regulations and investment guidance based on the NAIC framework. Because SVO opinion and analytic products are intended for regulatory purposes, they may be derived by the application of criteria that is relevant only to state insurance regulators. *Accordingly, no SVO opinion or analytical product should be treated as if it were intended for investors generally for the purpose of buying or selling a security or other financial product.*

ii. RTAS Letter Not an Endorsement Acceptance of this Application by the SVO, the Applicant's receipt of a RTAS Letter from the SVO, the involvement of any NAIC regulator group in determining changes to the regulatory framework to accommodate the security that is the subject of an Application or any other similar NAIC activity is not and shall not be represented by the Applicant to insurance companies or anyone else to be a statement by the SVO, any NAIC employee, the NAIC or any of its members endorsing, recommending the purchase of or providing regulatory approval for investment in the security.

iii. Limitations on Preliminary NAIC Designations The preliminary NAIC Designation issued as a result of this Application may not be used to report the value of the security to insurance regulators unless and until such time as an insurer has purchased the security, reported it to the SVO and the SVO shall have confirmed its preliminary decision by publishing an NAIC Designation in the Valuations of Securities CD-ROM or other official expression of the NAIC.

H. Limitation of Regulatory Treatment Analysis Service Opinions

i. No Guaranty As the staff of the VOSTF specifically tasked with conducting the day to day operations necessary to effect policy decisions of the VOSTF and serving as the repository of

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investment expertise for the NAIC staff function, an SVO RTAS opinion could be highly persuasive to the VOSTF and state insurance regulators. However, authority to formulate NAIC regulatory policy on investments officially rests with the VOSTF, the members of which may have unique concerns of which the SVO could be unaware. **Accordingly, the SVO does not and cannot guarantee that the regulatory treatment suggested by a RTAS opinion will be accepted and implemented by the VOSTF or other state insurance regulator.** This opinion is not intended to be used for general investment purposes.

PART IV SIGNATURE

The signatory is an officer of the Applicant authorized to execute this Application and to accept the agreement it contains. By signing this application, the officer acknowledges and agrees to bind the Applicant to the statements, terms and conditions set forth herein.

By: _____
(Signature)

Name: _____

Title: _____

Date: _____

For SVO Use Only

Dates: Application was received on: _____

Application was complete on: _____

The Response to the Applicant is due on: _____