

PortMan

The complete Schedule D solution

Instructions to facilitate reporting of NAIC Structured Securities in PortMan.

This document has been created to help you meet your obligations of properly reporting any structured securities in your portfolio. Following the steps below will help guide you through the process.

If you think you might have structured securities in your portfolio, we strongly advise you to read the NAIC information regarding them at:

http://content.naic.org/structured_securities/index_structured_securities.htm

To further help we've provided a way to test if you have modeled Non-Agency securities. Please do the following:

Determine if these instructions apply to you.

- i. Download and install PortMan version 2021.1.7 or higher.
- ii. Open PortMan and go the Print menu by Choosing File, Print from the Main Menu.
- iii. Print the report titled ***Structured Securities held per NAIC List*** located in the Year End Reports tab
- iv. If you have securities on this report, you will need to purchase the modeled information from the NAIC and follow the instructions on SSAP White Paper 43R in the NAIC Accounting Practices and Procedures Manual. If your report is empty these instructions don't apply to you, and you're finished.

If you do have securities on the report, you'll need to follow the directions below:

The first thing you'll do is buy the price grids for the securities on the report from the NAIC. The file from the NAIC will have 2 lines for every CUSIP, one for companies that maintain an AVR (Life and Fraternal companies), and one for companies that don't. The best thing to do is sort the file on the AVR or Non AVR column, then by the CUSIP column so you can easily work with the correct values for your company type.

You'll see there are Five columns for NAIC 1 through 5 Designations and a Zero Loss Column. The first thing to look at is Zero Loss Column. If it has a Y as its value you will enter a 1FM in both the Desig and RMBS Desig column for that security PortMan's Market Posting Screen. If there is a N in Zero Loss you'll determine the Designation using the multi-step process below.

Using our report from step iii above you'll compare the securities Amortized Price to the breakpoint values of the 5 columns in the NAIC modeling file. If the Amortized Price is less than the value in the NAIC 1 column your initial NAIC Designation and RMBS Designation will both be a 1FM. If

the Amortized price is greater than the value in the NAIC 1 column but less than the value in the NAIC 2 column your initial NAIC Designation and RMBS Designation will both be a 2FM. Securities that have a 1 or 2 are treated the same for both AVR and Non AVR companies. The difference going forward is due to Non AVR companies having to Carry bonds at the lower of Amortized or Market value for securities with a Designation lower than a 2, while an AVR company will Carry all bonds at Amortized value except those with a Designation of 6. You will continue to use the above method to determine the initial NAIC Designation by comparing the Amortized Price to the breakout points. If all of your initial Designations are lower than 3 for a non-AVR or lower than 6 for an AVR company, you will enter that number as the NAIC Designation and RBMS Designation and you'll be finished.

If, however, you find that you have an amortized Price that generates a 3,4,5, or 6 Initial Designation for a non-AVR company or a 6 for an AVR company, you'll have 2 more steps. First, you'll set the Designation with an FM attached in the NAIC Desig column on the Market screen. Then you'll run the Book Value Adjustments routine under Programs on the Main Menu. This will set these securities to the lower of Amortized or Market Value.

Re-run the Structured Securities held per NAIC List report from iii above. Any securities with a **Fair Value Flag = "***"** needs a second test performed. You'll do the same as above, but use the Market Price to compare with the breakpoints. If the designation changes (it will be lower, i.e. a 1FM as opposed to a 3FM for instance) you will put the new Designation in the RMBS Desig field.

The modifiers for the RMBS Designations will be as follows per the NAIC memorandum dated 12-14-2020:

1 has a modifier of D so the designation will be 1.D FM
2 has a modifier of B so the designation will be 2.B FM
3 has a modifier of B so the designation will be 3.B FM
4 has a modifier of B so the designation will be 4.B FM
5 has a modifier of B so the designation will be 5.B FM
6 does not have a modifier so the designation will be 6 FM

Feel free to call us if you have questions or would like us to review with you.