

PortMan

The affordable Schedule D software

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 that you may have in your portfolio for the 2011 Year End. 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://www.naic.org/structured_securities_2011_rmbs.htm

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

- i. Determine if these instructions apply to you.
 - i. Download and install PortMan version 2012.02 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 NAIC instructions on page 3 of the following link:

http://www.naic.org/documents/structured_securities_modified_fe_43r_flow_chart_final.pdf

You will see that you have the possibility of having 2 NAIC designations. Using the NAIC instructions and the Security Models that you purchase from the NAIC, you will need to determine what those ratings are.

Overview of the process:

I. Determine initial NAIC designation based on breakpoints using Amortized Cost

II. Determine whether security is to be held at Amortized Cost or Fair Value

A. For Life companies (companies with AVR)

1. Securities with NAIC designation 1-5 are held at Amortized Cost

2. Securities with NAIC designation 6 are held at the lower of Amortized Cost or Fair Value

B. For P&C and Health companies (companies without AVR)

1. Securities with NAIC designation 1-2 are held at Amortized Cost

2. Securities with NAIC designation 3-6 are held at the lower of Amortized or Fair Value

III. Determine the final NAIC designation

A. For securities held at Amortized Cost, keep the initial designation

B. For securities held at Fair Value, determine final NAIC designation based on breakpoints using FairValue

The remaining portion of this document relates to procedures and steps that need to be taken in Portman to properly report the securities found on your structured security report.

- A. These procedures should be used **after** all other December transaction activity is entered and posted. (After step 6 d on the Monthly System Workflow)
- B. Backup your Portman database
 - a. File; Backup Compressed, Begin Backup
 - b. Make a note of the file name that was created, should you need it later.
- C. For each security on your Structured Security Report,
 - a. Determine the designation using the Structured Securities Flow Chart Section B.
**** Append FM to the designation. (i.e. 1FM, 2FM, 3FM...)**
 - b. Enter the designation into Portman in one of the following ways
 - i. On the securities Page 2 – in the **NAIC Desig** field
 - ii. On Market Screen in the **Desig** column
**** The designation must end with FM (i.e. 1FM, 2FM, 3FM ...)**
- D. Repeat step C for every security on the structured security report.
- E. If during step C, the first character (1-6) of the designation changed on any security, or if any security has a 3,4,5,6 designation you must run Book Value Adjustments from the Main Menu of PortMan. This will set the Book Value correctly for each security based on the NAIC Designation entered in Step C.
- F. From the Print menu, Re-print the report titled **Structured Securities held per NAIC List** Using this report, any securities with a **Fair Value Flag = “****”** must now have the second test described in Step 4.III.C, of the illustration to determine the RMBS designation.
 - a. If the second test results in a designation that is different from that which was determined in Step C then the new designation must be to be entered into the RMBS Desig field.
 - b. Enter the RMBS designation into Portman in one of the following ways
 - i. On the securities Page 2 – in the **RMBSDesig** field
 - ii. On Market Screen in the **RMBS Desig** column
**** The designation must end with FM (i.e. 1FM, 2FM, 3FM ...)**
 - iii. These securities **MUST** also be NAIC Type 33, 34 or 35 in order for the RMBSDesig to be reported in the Schedule D. You can determine which type they have been assigned by looking at which Schedule D group the security is listed under on the Structured Security report.
- G. When you have completed these steps, you can run the Schedule D export and the securities will be properly designated.