

July 27, 2010

Re: RFP 1403 – Assessment of Commercial Mortgage-Backed Securities (CMBS)

The National Association of Insurance Commissioners (NAIC), a 501(c)(3) not-for-profit organization, is soliciting proposals for ***a financial model to be used to set regulatory capital for commercial mortgage-backed securities (CMBS) owned by U.S.-domiciled insurance companies.*** The bid specifications for this project are contained within the attached Request for Proposal (RFP).

The NAIC is seeking a qualified financial modeling firm to model expected losses on approximately 7,500 CMBS to be used to assess the risk of CMBS owned by U.S.-domiciled insurance companies. The expected losses and resulting expected values will be determined using loan level details and a principal loss model developed and maintained by the selected firm. The outcome of this process will result in the assignment of NAIC Designations used to set the reserve factor that an insurer will use to calculate the risk-based capital (RBC) charge for a specific CMBS.

Given the importance of this project to the regulation of insurance, applicants must meet the following qualifications in order to be considered for this project:

- Be a nationally recognized institution with at least five recent and contiguous years of experience in modeling and valuing complex structured securities, specifically CMBS.
- Have the capability to immediately assign qualified staff to this project and devote them to this endeavor until it is completed.
- Have a cash flow waterfall engine and economic loss model that can be quickly modified and implemented to evaluate approximately 7,500 CMBS.
- Have access to loan level details for the universe of CMBS.
- Have the data processing capability required to generate these valuations by early December 2010.
- Have safeguards in place to avoid conflicts of interest, both in fact and appearance.
- Be financially sound.

Responses to this proposal are due on or before August 11, 2010 by 5:00 p.m. Eastern Time and must be submitted solely to James Woody at jwoody@naic.org. Responses sent or copied to any other person will not be considered.

EXECUTIVE OFFICE	444 N. Capitol Street, NW, Suite 701	Washington, DC 20001-1509	p 202 471 3990	f 816 460 7493
CENTRAL OFFICE	2301 McGee Street, Suite 800	Kansas City, MO 64108-2662	p 816 842 3600	f 816 783 8175
SECURITIES VALUATION OFFICE	48 Wall Street, 6th Floor	New York, NY 10005-2906	p 212 398 9000	f 212 382 4207

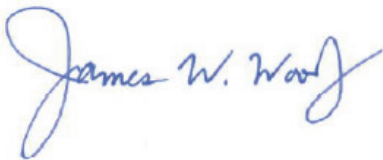
A one-hour bidders' teleconference will be held on Wednesday, August 4, 2010. Any questions you would like addressed during this teleconference should be directed to James Woody at jwoody@naic.org by 2:00 p.m. Eastern on Monday, August 2, 2010. If your entity intends to attend the bidder's teleconference, please identify who will represent your entity in the conference and provide this information to James Woody at jwoody@naic.org by 2:00 p.m. Eastern on Monday, August 2, 2010 – please note each bidder is limited to 2 participants. Details referencing the bidders' teleconference will be provided on Tuesday afternoon, August 3, 2010, to each firm who has notified James Woody of their intention to participate.

The NAIC reserves the right to reject any or all proposals, request new proposals or request additional information. The NAIC also reserves the right to further negotiate with any or all bidders.

Please note that the name and address of each bidder will be publicly disclosed on our website after we have reviewed each proposal and have made a selection. No other information, including pricing, methodology, or any other aspect of the proposal, will be made public.

Any questions regarding the bid specifications should be directed to James Woody at jwoody@naic.org or 816-783-8015.

Respectfully,



James W. Woody
Sr. Manager Business &
Corporate Development – Central Office

NAIC

Bidder's checklist for RFP 1403

Please review the items below and ensure each item has been addressed. This document should be signed by a member of the team completing the RFP and sent to the attention of James Woody either by fax at (816) 460-7509 or e-mail at jwoody@naic.org on or before 5:00 p.m. August 11, 2010.

- Did you provide your Terms and Conditions if you do not agree or if they vary from the NAIC Standard Terms and Conditions?
- Did you sign the NAIC Conflict of Interest Form?
- Did you sign the Confidentiality Agreement?
- Provide Workers' Compensation insurance certificate.
- Provide Certificate of Insurance for liability.
- Reference the RFP number on all your response documents.

The National Association of Insurance Commissioners,
a 501(c)(3) not-for-profit organization

Name _____ **Company** _____

Phone _____ **FAX** _____ **e-mail** _____

NAIC CONFLICT OF INTEREST FORM

Any *Entity* that desires to contract with the NAIC must complete this form, including vendors, consultants and purchasers of goods or services. All potential conflicts must be disclosed and approved before contract execution.

CERTIFICATION

- _____ (“*Entity*”) did not provide gifts, favors, membership points or any other benefits to any employee or representative of the NAIC or to a state insurance regulator **to affect the bidding and selection process** for this contract.
- *Entity* will not provide or receive gifts, favors, membership points or any other benefits to any employee or representative of the NAIC or to a state insurance regulator **in connection with the negotiation or implementation of this contract.**
- *Entity* owners, principals and employees negotiating or implementing this contract on behalf of *Entity* are not former NAIC employees unless disclosed below.
- *Entity* owners, principals and employees negotiating or implementing this contract on behalf of *Entity* are not immediate family members of NAIC employees unless disclosed below.

The signatory below is a duly authorized representative of *Entity* and hereby certifies to the authenticity and veracity of this disclosure.

Authorized Entity Signature

Date

Print Name & Company Name

DISCLOSURE

DISCLOSURE OF POTENTIAL CONFLICT

NAIC Executive Approval

Date

MUTUAL CONFIDENTIALITY AGREEMENT

This MUTUAL CONFIDENTIALITY AGREEMENT ("Agreement") is entered into as of _____, 2010 ("Effective Date"), by and between the National Association of Insurance Commissioners ("NAIC") and _____ ("Vendor").

In connection with Vendor’s response to NAIC RFP 1403 - Assessment of Commercial Mortgage-Backed Securities (CMBS), NAIC and Vendor desire to establish the obligations of each party as to Confidential Information.

THEREFORE, it is mutually agreed as follows:

During the bidding and contract negotiation process the NAIC and Vendor (“The Parties”) may access or receive information which relates to NAIC RFP 1403 and to the business activities or operations of the other party and which may include, but is not limited to: documents and information related to the selection of a vendor and any subsequent contractual negotiations, systems, practices, processes, computer systems, hardware, software, programs, financial information, trade secrets or other technical data (collectively “Confidential Information”). These non-disclosure provisions shall not apply to Confidential Information that: (i) is or becomes generally available or known to the public other than as a result of a disclosure in violation of this Agreement; (ii) is developed independently; (iii) is rightfully received without obligation of confidentiality from a third party; or (iv) is required to be disclosed pursuant to court order.

The Parties shall only disclose Confidential Information to their employees, agents or representatives who need to know such information, who are specifically identified and who are authorized by the COO of the NAIC to receive such information. Such information shall only be shared with authorized persons in order to perform obligations in connection with the Vendor’s response to RFP 1403 and potential establishment of a business relationship.

This Agreement and any Confidential Information used or disclosed hereunder shall not be construed as granting, expressly or by implication, either party any rights by license or otherwise to any Confidential Information disclosed by the other party.

The term of this Agreement is one year from the effective date, however, the obligations regarding confidentiality and non-disclosure shall survive the termination or expiration of this or other related Agreements.

At the end of the term of this agreement, each party shall promptly destroy or return any Confidential Information of the other party, by whichever method is mutually agreed upon, however, one copy of each response to NAIC RFP 1403 shall be retained in the NAIC’s files.

Any disclosure, misuse or misappropriation of Confidential Information in violation of this Agreement may cause either party irreparable harm in an amount difficult to ascertain. Therefore, the injured party shall have the right to apply to a court of competent jurisdiction for an order restraining any such further disclosure, misuse or misappropriation and for such other relief as the injured party shall deem appropriate or, if the injured party is the NAIC, to disqualify Vendor from contractual consideration.

**NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS**

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

STANDARD TERMS AND CONDITIONS
for
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
PURCHASE ORDERS FOR SERVICES

(Vendor may be subject to additional terms and conditions under the terms of the selected vendor contract and pursuant to the specific nature of services to be provided.)

As used herein, "Seller" means the person, firm, or corporation to whom this Purchase Order is issued; "Buyer" means the National Association of Insurance Commissioners, a nonprofit Delaware corporation.

1. **Acceptance of Terms and Conditions.** Seller agrees to perform the services ("Services") described in any purchase order ("Purchase Order") in accordance with these Terms and Conditions. Upon acceptance of a Purchase Order or upon commencement of Services, Seller shall be bound by these Terms and Conditions and all provisions set forth on the face of any applicable Purchase Order, whether Seller signs or otherwise acknowledges these Terms & Conditions or the Purchase Order, unless Seller objects to such Terms and Conditions in writing prior to commencing Services.
2. **Revocable.** This writing does not constitute a firm offer and may be revoked at any time prior to acceptance.
3. **No modification.** No agreement or other understanding in any way altering the terms, prices or conditions of the applicable Purchase Order or these Terms and Conditions shall be binding upon Buyer unless made in writing and signed by Buyer's duly authorized representative.
4. **Termination.** Buyer may immediately terminate the Purchase Order upon written notice to Seller if Seller fails to perform or otherwise breaches these Terms and Conditions, files a petition in bankruptcy, becomes insolvent, or dissolves. Buyer may terminate the Purchase Order for any other reason upon thirty (30) days' written notice to Seller. Upon receipt of notice of termination, Seller shall cease to provide Goods and/or perform Services pursuant to the Purchase Order. In the event of termination, Buyer shall be liable to Seller only for those Services satisfactorily performed before the date of termination, less appropriate offsets. Buyer shall not be subject to any charges or other fees as a result of such cancellation. Seller may terminate this Agreement upon written notice to Buyer if Buyer fails to pay Seller within sixty (60) days after Seller notified Buyer in writing that payment is past due and that it intends to terminate the Purchase Order.
5. **Warranty of Services.** Seller represents and warrants that all Services shall be completed in a professional, workmanlike manner, with the degree of skill and care that is required by current, good, and sound professional procedures. Further, Seller warrants that the Services shall be completed in accordance with applicable specifications. Seller represents and warrants that the performance of Services hereunder will not conflict with, or be prohibited in any way by any other agreement or statutory restriction to which Seller is bound.
6. **Seller's Indemnification.** Seller shall indemnify, hold harmless, and at Buyer's request, defend Buyer, its officers, directors, agents and employees, against all claims, liabilities, damages, losses and expenses, including attorneys' fees and costs of suit arising out of or in any way connected with any claim by a third party against Buyer alleging that the Services infringe a patent, copyright, trademark, trade secret or other proprietary right of third party. Seller shall not settle any such suit or claim without Buyer's prior written consent. Seller shall also indemnify and hold harmless Buyer from any injury to person or property arising out of or caused by Seller's performance of the Purchase Order. Seller agrees to pay or reimburse all costs that may be incurred by Buyer in enforcing this indemnity provision, including attorneys' fees.
7. **Compliance with Laws.** Seller shall comply with all laws and regulations of federal, state and local governments, including without limitation, laws and regulations dealing with fair labor standards, civil rights, and public contracts. Seller further warrants that all Services performed pursuant to the Purchase Order have been produced or performed in compliance with such laws and regulations and Seller agrees to

indemnify Buyer for any liability resulting from such noncompliance by the Seller.

8. **Price.** The price to be paid by the Buyer shall be the price contained in Seller's bid and/or the price stated on the face of the Purchase Order whichever is less. Seller represents the price contained in Seller's bid is no higher than Seller's current prices on orders by others for similar products or services under similar or like conditions and methods of purchase.
9. **Invoices.** Seller shall submit invoices on each Purchase Order after each delivery. Buyer shall not be charged sales tax and shall furnish a tax exemption certificate upon request. Discounts will be taken from the date of acceptance of services or date the invoice is received by Buyer whichever is later. Buyer shall retain the right of offset.
10. **Force Majeure.** Buyer shall not be liable for any failure to perform including failure to: (1) accept performance of Services, or, (2) take delivery of the Goods as provided if caused by circumstances beyond Buyer's control which make such performance commercially impractical including, but not limited to, acts of God, fire, flood, acts of war, government action, accident, labor difficulties or shortage, or the inability to obtain materials, equipment or transportation.

Seller shall not be liable for any failure to perform including failure to: (1) provide Services, or (2) deliver Goods as provided if caused by circumstances beyond Seller's control which make such performance commercially impractical including, but not limited to, acts of God, fire, flood, acts of war, government action, accident, labor difficulties or shortage, or the inability to obtain materials, equipment or transportation.

11. **Insurance.** Seller shall be solely responsible for maintaining adequate auto, workers' compensation, unemployment compensation, disability, liability and other applicable insurance, as is required by law or as is the common practice in Seller's trade or business, whichever affords greater coverage. Seller shall carry Comprehensive General Liability coverage and Umbrella or Excess Liability coverage with minimum limits of \$1,000,000 per occurrence and \$2,000,000 in the aggregate for property damage and bodily injury. Upon request, Seller

shall provide Buyer with certificates of insurance evidencing adequate coverage naming the Buyer as additional insured.

12. **Limitation of Liability.** IN NO EVENT SHALL BUYER BE LIABLE TO SELLER OR SELLER'S AGENTS, OR ANY THIRD PARTY FOR ANY INCIDENTAL, INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF, OR IN CONNECTION WITH, THIS AGREEMENT, WHETHER OR NOT BUYER WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.
13. **Confidentiality.** In the event Seller gains written or oral confidential information of or from the Buyer, Seller agrees not to reveal to anyone or make use of such knowledge and information at any time for any purposes except as necessary in the course and scope of provision of Goods or performance of Services specified hereunder. Upon termination of the Purchase Order, Seller agrees to deliver to Buyer all such confidential information or work product belonging to Buyer.
14. **Assignability.** Seller shall not assign or subcontract this Purchase Order or any of its rights or obligations hereunder without the prior written consent of Buyer. Any assignment or transfer without such written consent shall be null and void.
15. **Publicity.** Seller shall not use Buyer's name in any form or attribution in connection with any solicitation, publicity, advertising, endorsement or other promotion.
16. **Survivability.** Any obligations and duties, which by their nature extend beyond the expiration or termination of this Purchase Order shall survive the expiration or termination hereof.
17. **Choice of Law.** This Purchase Order shall be construed in accordance with, and disputes shall be governed by, the laws of the State of Missouri.
18. **Severability.** If any provision of this Purchase Order shall be deemed to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

NAIC 1/08

Request for Proposal
Pertaining to Commercial Mortgage-Backed Securities (CMBS)
Owned by U.S.-Domiciled Insurance Companies

for
National Association of Insurance Commissioners (NAIC)

July 2010

I. Overview of Proposal

The National Association of Insurance Commissioners (NAIC) is seeking to expand its fixed income risk assessment capabilities by hiring a vendor to model expected losses on commercial mortgage-backed securities (CMBS). This model will be used to assess the risk of CMBS owned by U.S.-domiciled insurance companies. Insurance companies are required to maintain risk-based capital (RBC) for all financial assets (i.e., bonds, preferred stock, mortgages, equity) supporting surplus and capital positions. At the present time, the NAIC utilizes probability of default ratings issued by certain Nationally Recognized Statistical Rating Organizations (NRSROs) to determine NAIC designations for setting RBC for CMBS. The output of the selected vendor's model will replace NRSRO ratings as the driver for NAIC designations, as the selected vendor's model will establish expected values for each CMBS. These will be mapped into tables, separately for life companies and P&C companies, to equate the expected value to the risk of loss represented by the RBC category for each NAIC designation.

Expected loss is defined as the net present value of principal losses, discounted using the security's adjusted coupon rate. Expected value is the inverse of expected loss as it relates to par value. For each CUSIP, the modeling firm will develop a table relating the expected value to the risk of loss appropriate with each NAIC Designation; i.e., each price point which if exceeded would change the NAIC designation. Since life companies and P&C companies are subject to different RBC charges, the selected vendor will be required to provide five break points for life companies and five break points for P&C companies (see table in section III (c)).

At the end of 2009, the NAIC used a similar methodology to establish expected values for more than 21,000 non-agency residential mortgage-backed securities (RMBS) owned by U.S.-domiciled insurance companies. The facts driving the decision to model non-agency RMBS have not materially changed and the NAIC's Valuation of Securities Task Force (VOSTF) has publicly stated that returning to pre-2009 reliance on NRSROs is not a viable alternative. At the 2010 Spring National Meeting, the NAIC's Financial Condition (E) Committee approved the VOSTF recommendations to model both non-agency RMBS and CMBS at the end of 2010. These recommendations are expected to be approved by the Executive (EX) Committee and Plenary during the NAIC's upcoming Summer National Meeting (August 12 – 17, 2010). This Request for Proposal (RFP) is seeking proposals from qualified firms to develop expected values for approximately 7,500 CMBS at the end of 2010.

II. General Background Information

(a) Overview of the NAIC – The NAIC is a private, not-for-profit corporation wholly owned by its members. The members of the NAIC are the chief insurance regulatory officials (insurance department commissioners, directors, superintendents) of the 50 states, the District of Columbia and the five U.S. territories. The NAIC operates from three locations: an Executive Office in Washington, D.C.; a Central Office in Kansas City, Mo.; and the Securities Valuation Office (SVO) in New York City. The phrase NAIC or Association is used to refer to the corporate entity.

(b) NAIC Development of Regulatory Policy – The NAIC develops regulatory policy through a standing committee process – each standing committee is composed of NAIC members. NAIC standing committees may maintain one or more task forces assigned to develop expertise in a specific area of regulation. In turn, task forces may maintain one or more working groups assigned to study and recommend solutions to specific technical assignments.

The NAIC committee with responsibility for issues affecting financial condition of insurers, and hence over CMBS risk assessment and valuation issues, is the Financial Condition (E) Committee. Initial responsibility for promulgating recommendations for NAIC methodology to assess investment risk, value of securities and other related guidance is delegated by the Financial Condition (E) Committee to the Valuation of Securities (E) Task Force (VOSTF).

(c) *The SVO* – The SVO division of the NAIC constitutes the professional staff assigned to support the work of the VOSTF. The SVO conducts default risk and investment risk assessment of unrated securities; performs analysis of insurer portfolios; conducts capital and insurance market research; and performs a number of other analytical and technical services in support of regulatory processes. Please refer to the *Purposes and Procedures Manual of the NAIC Securities Valuation Office* (this publication, product code number SVO-PP, can be purchased via the NAIC Web site at www.naic.org/store_svo_products.htm) for a full description of the procedures governing SVO credit risk and regulatory assignments.

The SVO will have responsibility for coordinating the work of the financial modeler with other NAIC units and with appropriate regulatory groups to ensure timely completion and delivery of the model output and deliverables to insurance companies for regulatory purposes. The work product delivered by the successful bidder will be documented and delivered to the SVO staff. As part of this overall staff responsibility, the SVO will conduct its own quality control checks of the financial modeler's valuation process. This approach reflects the need to ensure that financial values used to drive regulatory processes are disseminated by an organization controlled by and directly accountable to state insurance regulators. The SVO will have responsibility for understanding how analytical methodologies, processes and outputs relate to regulatory objectives as well as for structuring a process to consider questions and issues raised by insurers and for considering what changes to assumptions and inputs should be made to accommodate changes in the market.

To accommodate this approach, the successful bidder will agree to provide appropriate training in the methodology used to develop the deliverable to identified SVO professional staff. In addition, the VOSTF may wish to hold one or more public meetings to explain the methodology used to produce the deliverable to the insurance industry and to capital market participants, including broker dealers who buy from and sell CMBS to insurers. The goal of such public meetings is to permit the public to understand the operation of the methodology, how model outputs are used to set NAIC Designations and/or RBC charges, and other similar issues of possible importance to interested parties. The successful bidder responding to this RFP will, if requested, attend and participate in such public meetings.

III. Current Procedures Related to Determining RBC for CMBS

(a) NAIC Designations – The expected loss analysis and the subsequent valuation process will relate expected losses to NAIC designations. NAIC Designations communicate credit risk (i.e., the probability of a default occurring) in securities using numerical symbols from NAIC-1 to NAIC-6. An NAIC-1 signifies a security with the lowest credit risk and highest quality, while an NAIC-6 signifies a security that is in or near default.

(b) An Overview of the RBC Process – RBC establishes levels of regulatory intervention linked to defined RBC ratios, with the Authorized Control Level Risk Based Capital being the total RBC needed for an insurer to avoid being taken into conservatorship.¹ Remedial actions available to the regulator depend on the level of RBC reported, both in dollars and as a multiple of the Authorized Control Level Risk Based Capital. RBC classifies all insurance company risk into four major categories: asset risk, insurance risk, interest rate risk, and all other business risks.² A number of risk factors are then applied as multipliers to the asset or liabilities of the insurer to determine the minimum capital needed to bear the risk of loss associated with the activity. The factors themselves are estimates of possible loss associated with the activity. Asset risk, defined as the risk of default or loss in market value, represents the largest proportion of risk among the four RBC risks. NAIC Designations are used to set the reserve factor that the insurer will use to calculate the RBC charge contribution to be made for the purchased asset in the insurer’s total RBC contribution.

(c) Relationship between NAIC Designations and RBC Charges

RBC change / NAIC designation (pre-tax)					
P&C	RBC	Midpoint	Life	RBC	Midpoint
1	0.30%	0.65%	1	0.40%	0.85%
2	1.00%	1.50%	2	1.30%	2.95%
3	2.00%	3.25%	3	4.60%	7.30%
4	4.50%	7.25%	4	10.00%	16.50%
5	10.00%	20.00%	5	23.00%	26.50%
6	30.00%		6	30.00%	

¹ See U.S. General Accounting Office, *Risk Based Capital, Regulatory and Industry Approaches to Capital and Risk*, July 1998, page 64 - 67 and Appendix III.

² Defined as follows: C-0 Asset Risk Affiliated Amounts; C-1 Asset Risk, All Other; C-2 Insurance Risk; C-3 Interest Rate Risk; and C-4 Business Risk.

IV. A Description of Products and Services Required Under This RFP

The analysis required under this RFP will use specific loan level data and a default-loss model to provide current and expected default probabilities and loss severities for each modeled CMBS CUSIP. The expected loss for each CMBS CUSIP will then be mapped to a table with corresponding values for each of the six NAIC designations.

The selected vendor will model each CMBS on an initial list of CUSIPs to be provided by the SVO (see Section V). In addition, the SVO will provide an additional list, effective as of 12/31/10, during the first few days of 2011. The result of this project will be a table of values reflecting the relationship between the modeled expected value and the risk of loss associated with current RBC C-1 factors for each NAIC Designation category—i.e., NAIC-1 through NAIC-6.

The SVO will then publish a table with the values that correspond to each NAIC Designation category for each CUSIP. Regulated insurers will determine the applicable NAIC Designation based on this information and their carrying value for each CMBS holding. Below is a sample of the RMBS table issued last year for several RMBS CUSIPs owned by a Life company:

	LIFE				
Cusip	NAIC-1	NAIC-2	NAIC-3	NAIC-4	NAIC-5
XXXXXXXX1	100.86	103.04	107.87	119.76	136.05
XXXXXXXX2	98.33	100.45	105.17	116.75	132.64
XXXXXXXX3	93.55	95.57	100.05	111.08	126.19
XXXXXXXX4	100.86	103.04	107.87	119.76	136.05
XXXXXXXX5	88.68	90.60	94.85	105.31	119.63
XXXXXXXX6	100.86	103.04	107.87	119.76	136.05
XXXXXXXX7	100.86	103.04	107.87	119.76	136.05

The assumptions and inputs used in the model for the rating process will be agreed upon between the successful bidder and the NAIC. In its response to this RFP, each vendor will identify the inputs required to run its model. The vendor will need to be able to run multiple economic scenarios and probability weight the results – this is similar to the approach taken for RMBS at year-end 2009.

V. RFP Specifications

- Describe your company and your expertise and experience completing projects such as described in this RFP. Include a list of representative clients, if possible, with requirements similar to that of the NAIC as expressed in this RFP. If it is not possible to provide such a list, please indicate why.
- Describe how your company would address and safeguard against potential conflicts of interest with other clients. Specifically, what is done to protect information learned or generated from a client engagement, and what systems are in place to protect the client relationship?
- Describe your expected methodology and process; analytic model(s), including inputs, outputs and how they can be used in risk measurement; frequency of model and input updates; and how your methodology differs from and/or is superior to other methodologies. Describe your timeline from input delivery to final product.
- Describe how you would mitigate the risk of modeling bias.
- Describe your quality control processes with respect to data, inputs, intermediate and final results, and use of proprietary and third-party models.
- Describe your capabilities in running multiple scenario analyses. Additionally, describe the method for determining the various scenarios, the probability of each scenario and the method and stage at which you integrate the various scenarios into the final result.
- Describe the source and the reliability of your data for loan level information on CMBS pools.
- Describe the general approach used by your credit model, including the variables used. Describe the process of parameterization and back-testing of your model, including the dataset used to parameterize the model and the frequency of re-parameterization.
- Describe your non-model credit process. Describe the types of non-remittance report information used in the credit process, how often obtained and how adjustments are made.
- Describe the cash flow waterfall model engine used. Include a discussion of how you back-test to ensure validity with stated rules.

- Describe your current library of modeled transactions and how it relates to the universe of CMBS securities in the market and owned by insurers. Discuss your process for adding transactions not currently in your library.
- Describe your analytical infrastructure—i.e., the various components you consider essential to conduct the requested analysis of approximately 7,500 CMBS securities. Clearly identify any deadlines or other constraints the NAIC should be aware of, specifying any activity to be conducted by the NAIC having a material impact on your ability to perform in accordance with this timeline.
- Describe the process by which the CUSIP-level analysis you will conduct under this RFP is documented and your ability and willingness to either store that document on behalf of the NAIC or to send it to the NAIC for storage. Also describe any special software, systems or equipment necessary to reproduce the data into a usable data file or image.
- Identify your fees for this project and discuss how these fees have been developed. Also note any additional costs or fees the NAIC would, should or could incur as part of the overall project beyond those associated with the services identified herein.
- Explain how your expertise could be leveraged to rate other structured finance products (for example, other asset-backed securities such as auto loans or credit cards). Discuss the degree of technical difficulty we could expect to encounter if we expanded the proposed model for use in risk assessment of these other structured securities products.
- Describe how your firm will provide post-transaction support to the NAIC in terms of staff commitments and anticipated length of this service. Also, please address how you will provide, and allow, NAIC access to your staff during this phase of the process.
- Please provide a sample analysis of the 18 CUSIPs below:

Sample CUSIPs					
1	36828QPA8	7	17313KAQ4	13	55312VAA6
2	92979CAK3	8	22540A6G8	14	61745MZJ5
3	36246LAL5	9	36828QRY4	15	22541SWU8
4	52108H7E8	10	46632HAP6	16	617451DA4
5	05947UE20	11	52109PAN5	17	92978YAZ3
6	059500AJ7	12	929766Y23	18	61745MUN1

- This sample analysis should include your assumptions and inputs and the proposed process to map the values into the NAIC’s six designation categories. We ask that you present your result in the following sample format if possible:

Sample Outcome of the Analysis and Mapping Process

CUSIP	NAIC Designation					
	1	2	3	4	5	6
XXXXXXXX	##.##	##.##	##.##	##.##	##.##	##.##

Note: The value under each NAIC designation category indicates the minimum carrying value for a CMBS under review to be recognized as the corresponding NAIC designation.

For your information, the table on page 11 contains the actual RBC C-1 charge by NAIC designation and insurer type with the tax-adjusted percentage difference of such charges of life insurers over property/casualty insurers.

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VI. Selection Criteria

The matrix below will be utilized in the review process to select the successful bidder:

Category	Weight	Name of Vendor	Name of Vendor	Name of Vendor	Name of Vendor
Qualifications & Name Recognition	15%				
Viability of Methodology	15%				
Comprehensiveness of Outputs	10%				
Ease of Implementation	15%				
Post-Transaction Support	10%				
Product & Service Expandability to other asset classes	10%				
Contractual Requirements and Fees	25%				
Total Score	100%				
Notes					
Rank					

Qualifications & Name Recognition: Expertise and capabilities of vendors in risk management and measurement of CMBS and relevant risk-based capital (RBC) issue in the insurance industry and name recognition in the financial market and regulatory framework.

Viability of Methodology: Acceptance of risk measurement approach and methodologies of vendors.

Comprehensiveness of Outputs: Usefulness and flexibility of output to serve the intended purpose of risk-based capital (RBC).

Ease of Implementation: Readiness of infrastructure, system, and human resources for practicality of the risk measurement process while reflecting the NAIC's views on the general economy, the CMBS and housing markets, and on-time delivery of viable solution.

Post-Transaction Support: Reliability of the vendor and willingness to provide post-transaction support for both technical and analytic issues when needed.

Product & Service Expandability: Available product and service offerings and expertise for other structured finance products.

Contractual Requirements and Fees: The ability to quickly agree to contract terms and the absolute dollar amount for the proposal.

VII. Vendor Qualifications

As an organization comprised of regulators, it is extremely important our selection process be both equitable and transparent. Therefore, the following information is requested from each entity that submits a proposal:

- Provide a list of references to whom you have provided services similar to this proposal.
- Identify the team members who will be providing this service to the NAIC. Describe their background and discuss their expertise in providing this type of service.
- Identify any known or potential conflicts of interest that may exist. For example, if your firm currently provides modeling services to any domestic insurance company, please disclose this relationship and level of service, along with your internal procedures relating to controlling or eliminating conflicts of interest.
- In addition to the above qualifications, the successful bidder must meet the following qualifications:
 - Have at least five years experience in valuing structured securities, specifically CMBS.
 - Have sufficient staffing and resources to permit immediate assignment to and accommodate completion of this project within established deadlines.
 - Maintain an excellent financial position.

VIII. RFP Timeline

- | | |
|-------------------------------------|----------------------|
| • Release of RFP | July 27, 2010 |
| • Bidder's Teleconference | August 4, 2010 |
| • Deadline for Receipt of Bids | August 11, 2010 |
| • Completion of NAIC Initial Review | August 23, 2010 |
| • Questions/Answers from Bidders | August 25 – 27, 2010 |
| • Selection of Vendor | September 3, 2010 |
| • Finalize Contract | September 20, 2010 |

IX. Miscellaneous Information

The NAIC reserves the right to cancel this RFP, accept or reject any or all proposals, and to ask any or all respondents for such additional information as may be deemed necessary, and to waive any or all irregularities in a proposal. All responses become the property of the NAIC, and one copy of each proposal will be retained in the NAIC's files. The names of all bidders will be disclosed publicly but no cost or price information will be made public. The final contract will also remain confidential.

The results generated using the methodology covered by this proposal become the exclusive property of the NAIC, and are intended to be used only for the purposes of establishing the appropriate levels of RBC for U.S.-domiciled insurance companies. The NAIC will provide the results generated to its members; to insurance companies based on their individual holdings; to federal and international insurance regulators; and to third parties upon request. The NAIC may charge a service fee to third parties for access to the data results.

If a proposal is accepted, the vendor will be required to sign the NAIC's standard Professional Services Agreement and comply with the NAIC's insurance requirements.

The award of the professional services agreement is at the sole discretion of the NAIC by the Association's CEO with the approval of the Executive Committee. In addition, the winning bidder must finalize a contract with the NAIC.

Any specific questions regarding this RFP should be directed to Mr. James Woody at 816-783-8015 or jwoody@naic.org.