

Draft: 10/20/17

Liquidity Assessment (EX) Subgroup
Conference Call
October 12, 2017

The Liquidity Assessment (EX) Subgroup of the Financial Stability (EX) Task Force met via conference call Oct. 12, 2017. The following Task Force members participated: Justin Schrader, Chair (NE); Kathy Belfi and John Loughran (CT); Philip Barlow (DC); Ray Spudeck (FL); Bruce Sartain and Vincent Tsang (IL); Fred Andersen (MN); James Regalbuto and William Carmello (NY); and Doug Slape and Mike Boerner (TX).

1. Adopted its Sept. 11 Minutes

Mr. Boerner made a motion, seconded by Mr. Andersen, to adopt the Subgroup's Sept. 11 minutes (Attachment ____). The motion passed.

2. Adopted its 2018 Proposed Charges and Work Plan

Mr. Schrader provided an overview of the Subgroup's 2018 proposed charges and work plan, as follows:

2018 Proposed Charges

The **Liquidity Assessment (EX) Subgroup** will:

- A. Review existing public and regulator-only data related to liquidity risk, identify any gaps based on regulatory needs and propose the universe of companies to which any recommendations may apply.
- B. Construct a liquidity stress testing framework proposal for consideration by the Financial Condition (E) Committee, including the proposed universe of companies to which the framework will apply (e.g., large life insurers).

Work Plan

- Review existing public and regulator-only data related to liquidity risk, identify regulatory gaps, determine the scope of application, and propose recommendations to enhance these disclosures. Target completion date: 2017 Fall National Meeting.
- Determine the scope of application and begin constructing a liquidity stress testing framework for the companies in scope (e.g., large life insurers). Target completion date: 2018 Spring National Meeting.
- Once the stress testing framework is completed, consider potential enhancements or additions to disclosures. Target completion date: 2018 Summer National Meeting.

Ms. Belfi made a motion, seconded by Mr. Spudeck, to adopt the Subgroup's 2018 proposed charges and work plan. The motion passed.

3. Discussed Liquidity Stress Testing

Mr. Schrader clarified that NAIC staff's review of existing data related to liquidity was performed to remind regulators and the industry alike of the data that currently exist that could have meaning in performing liquidity assessment work. He added that this is a starting point in two applications of the data work: 1) how to improve and/or streamline regulators' current work in analysis and examinations that occur for all life insurers, and which will support macro-surveillance activities; and 2) what data will be needed to support the liquidity stress testing framework that the NAIC will be developing, which will also lend itself to further informing macro-surveillance efforts.

Mr. Schrader said the exposure period ended Oct. 5, and NAIC staff made revisions based on comments from regulators and letters from the American Council of Life Insurers (ACLI) and Northwestern Mutual.

Todd Sells (NAIC) provided an overview of the revised NAIC staff's review of existing data related to liquidity and noted that comments from the New York State Department of Financial Services will be incorporated. Mr. Schrader directed staff to post the revised document on the Subgroup's website under the "Related Documents" tab and indicated it would be consulted as the Subgroup continues its work.

4. Discussed Baseline Blanks Proposal and Notes Blanks Proposal

Mr. Sells provided an overview of the Baseline Blanks Proposal and Notes Blanks Proposal. He added that the changes focus on the performance of various, more detailed product categories, noting that those product categories will allow regulators to perform some general, high-level bucketing of liquidity concerns.

Mr. Schrader indicated his appreciation for the more detailed product categories allowing regulators to perform some general bucketing of liquidity concerns, as well as the additional data on the amounts able to be surrendered, loaned or otherwise withdrawn. He said the new note appears to fill the current gap in liquidity information for life insurance products in the blank. Mr. Schrader also expressed his belief that these proposals would reduce much of the extra data the states request from companies for both analysis and examination purposes.

Ms. Belfi asked for the rationale behind adding the detailed product breakout information on the State Page. Mr. Sells responded that the state guaranty fund system's ability to meet the needs of potential life insurer failures is a common criticism of the state-based system of insurance regulation, noting that this data would assist regulators in addressing those concerns.

With no objection from the Subgroup, interested regulators or interested parties, Mr. Schrader exposed, for a 30-day public comment period ending Nov. 9, the Baseline Blanks Proposal and Notes Blanks Proposal. He said the goal is to have these blanks proposals ready to submit to the Financial Stability (EX) Task Force for its consideration at the Fall National Meeting.

Having no further business, the Liquidity Assessment (EX) Subgroup adjourned.