

Draft: 9/8/20

Liquidity Assessment (EX) Subgroup
Conference Call
September 1, 2020

The Liquidity Assessment (EX) Subgroup of the Financial Stability (EX) Task Force met via conference call Sep. 1, 2020. The following Subgroup members participated: Justin Schrader, Chair (NE); Kathy Belfi (CT); Ray Spudeck (FL); Carrie Mears (IA); Vincent Tsang (IL); Fred Andersen (MN); John Rehagen (MO); and Mike Boerner (TX).

1. Considered Referring the Modified LST Revisions to Model #440 to the Financial Stability (EX) Task Force

Mr. Schrader stated that the focus of the call is to consider referring the Subgroup's latest proposed revisions to the *Insurance Holding Company System Regulatory Act* (#440) to the Financial Stability (EX) Task Force. He added that the Subgroup accepted all comments from the American Council of Life Insurers (ACLI) except one. He clarified that the ACLI's comment focuses on Section 8.C.4 where the model provides for the commissioner entering "into written agreements with the NAIC and any third-party consultant governing, sharing, and use of information provided pursuant to the Act" and then lists various items that require agreement to provide for the insurer's written consent to the use of a third-party consultant.

Mr. Schrader noted that the Subgroup is using the group capital calculation's (GCC's) proposed revisions as the base starting document, and then it added revisions needed for the liquidity stress test (LST). He cautioned that the GCC is intended to assist the lead state regulator in the oversight of the specific insurance holding company system, so the decision to use a third-party consultant will be a separate consideration for each commissioner.

Mr. Schrader noted that in contrast to the GCC, the LST is for macro-prudential monitoring, which allows for the analysis of aggregated data to identify similar and outlier metrics. He concluded that if a third-party consultant is used for LST work, it would be used for information reported by all insurance holding company systems in scope; and because of these differences to the GCC situation, obtaining consent from all insurance holding company systems in scope is not feasible. He indicated that rather than obtain consent, the proposed version of LST revisions to Model #440 includes a sub-item "a." under item "(vi)" providing for the insurance holding company system to be notified when a third-party consultant is being used to process LST documents, material and information.

Dave Wolf (NJ) highlighted that the ACLI addition to the GCC language taken from section 8.C.(4) requiring the commissioner to obtain consent from the insurance holding company system to hire a third-party consultant could weaken group supervisory authority in the act. He noted that confidentiality is already ensured under examination authority. As a result, the Subgroup agreed to add clarifying language to Section 8.C.(4)(vi)a. of Model #440 before referring it to the Task Force, to clarify that this notification will occur when the NAIC is using a consultant. Also, Mr. Wolf's concern would be forwarded to the Group Capital Calculation (E) Working Group to consider for other elements of Section 8.C.(4).

David Leifer (ACLI) said he appreciates the changes on governance and timeline. He added that the consent discussion is heading in the right direction, but he will need to consult with his members during the exposure period at the Task Force.

Mr. Boerner made a motion, seconded by Ms. Belfi, to refer the proposed revisions to Model #440, as modified during the conference call, to the Task Force for a 30-day public comment period. The motion passed unanimously.

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

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