

Draft: 6/5/19

Liquidity Assessment (EX) Subgroup
Conference Call
May 10, 2019

The Liquidity Assessment (EX) Subgroup of the Financial Stability (EX) Task Force met via conference call May 10, 2019. The following Task Force members participated: Justin Schrader, Chair (NE); Kathy Belfi (CT); Philip Barlow (DC); Carrie Mears (IA); Bruce Sartain (IL); Fred Andersen (MN); Bill Carmello (NY); and Mike Boerner (TX).

1. Discussed its Progress

Mr. Schrader stated that a small, unofficial study group comprised of state insurance regulators, industry participants and NAIC staff was formed to consider the specific data needs and technical aspects of the liquidity stress test project for large U.S. insurers that are within the scope. The study group met in person on March 22 and three times via conference call (May 9, April 25 and April 11) to discuss the project, including a timeline for deliverables.

Mr. Schrader added that by the end of May, the study group would like to figure out what the stress output will address and initial thoughts on cash flow inputs and outputs. He said the study group would identify an initial list of liquidity sources and uses to be included in the cash flows, the types of assets to be monitored for asset sales data, and a comparison to market trading volumes. He noted that by the end of June, the study group would: 1) identify a common set of assumptions underlying the 2008 financial crisis scenario; 2) suggest a few additional baseline stress scenarios; 3) identify what legal entities within the group should be included in the stress test; and 4) identify activities, in addition to the six activities used for the scoping exercise, that should be assessed for materiality when determining if a legal entity within the group should be part of the liquidity stress test. He said the proposed timelines are aggressive and may need to be adjusted at a later date.

Mr. Schrader noted that in terms of time horizon for the liquidity stress test, the study group needs to provide support for not prioritizing short-term cash flows for the seven day to two-week time horizons. In addition, the study group needs to provide support for de-prioritizing certain stresses such as cyber, pandemic and sector-wide downgrades.

Mr. Schrader requested that study group members review the Excel template (Attachment 1).

Andrew T. Vedder (Northwestern Mutual) asked for a clarification between available and expected assets. Mr. Schrader responded that the study group defined the difference as follows: available asset sales are assets that could be sold (i.e. the entire portfolio) and expected asset sales are assets that would be sold in certain scenarios.

Mr. Boerner asked if the amount of assets counted is post-haircut. Mr. Schrader responded that the assets would receive a haircut based on certain scenarios.

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

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