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Liquidity Assessment (EX) Subgroup
Conference Call
November 15, 2017

The Liquidity Assessment (EX) Subgroup of the Financial Stability (EX) Task Force met via conference call Nov. 15, 2017. The following Task Force members participated: Justin Schrader, Chair (NE); Kathy Belfi and John Loughran (CT); Philip Barlow (DC); Ray Spudeck (FL); Fred Andersen (MN); James Regalbuto and William Carmello (NY); and Doug Slape and Mike Boerner (TX). Also participating was: Peter L. Hartt (NJ).

1. Adopted its Oct. 12 Minutes

The Subgroup met Oct. 12 via conference call and took the following action: 1) accepted revisions to the previously exposed document listing existing data related to liquidity assessment and NAIC staff's assessment, and post the revised document to the Subgroup's web page for use in its continuing work; 2) exposed the draft Baseline Blanks Proposal and the draft Notes Blanks Proposal for a public comment period; 3) adopted its Sept. 11 minutes; and 4) adopted its 2018 proposed charges and work plan. Mr. Spudeck made a motion, seconded by Mr. Andersen, to adopt the Subgroup's Oct. 12 minutes (Attachment ____). The motion passed.

The Subgroup also met Nov. 6 via conference call in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings.

2. Discussed ACLI Comment Letter

Dave Leifer (American Council of Life Insurers—ACLI) provided a summary of the ACLI comment letter, expressing concerns that the additional data collected in the Baseline Blanks Proposal would be costly and burdensome to the industry. In addition, he said the project is moving too quickly and, therefore, proposed delaying the submission of the Baseline Blanks Proposal to the Financial Stability (EX) Task Force. Mr. Leifer also requested a clearer explanation of the purpose of collecting the additional data.

Mr. Schrader reminded call participants of the Subgroup's initial work to identify existing data elements relevant to liquidity analysis, and the data gaps that were identified in that process. He explained that these blanks proposals were intended to address those data gaps, primarily by adding more granularity to the product breakouts in the life blank, which will benefit regulators in their micro surveillance of legal entity insurers and insurance groups, as well as providing insights to our macro surveillance efforts. In response to inquiries from Subgroup members, the ACLI responded that it has no alternative proposals at this time nor did it identify any fatal flaws in the Baseline Blanks Proposal or the Notes Blanks Proposal.

Peter Gallanis (National Organization of Life and Health Insurance Guaranty Associations—NOLHGA) indicated that there is a lot of work performed by the NOLHGA to assess the capacity of the state guaranty fund system, noting that the proposed type of state-level detail would not be as meaningful as the national data for companies and for the industry as a whole.

Mr. Schrader assured Mr. Gallanis that the Subgroup was not suggesting there are concerns with the state guaranty fund system, and Director Hartt added that state insurance regulators do not agree with the concerns expressed by federal agency representatives.

Mike Monahan (ACLI) expressed concern about three issues: 1) the Blanks (E) Working Group is not a decision-making body; 2) data is being collected first and then decisions will be made what to do with it afterward; and 3) a large number of operating companies would need to complete the filings.

Ms. Belfi and Mr. Schrader expressed that the larger companies would have more of a lift to complete the data because they will have more product types written in more states. Mr. Schrader added that the purpose of collecting the additional data is to assess product types that are material to the insurer, and, in particular, to identify product types that are more prone to liquidity risk. This information is currently not available in the financial statement blank; thus, analysts are not able to utilize it and financial examiners must request it. Ms. Belfi added that liquidity could be a strength or a weakness for an insurer, but the additional data collected would avoid some inquiries from financial examiners.

Mr. Boerner suggested removing the granularity of the state pages from the blanks proposal and recommended to give the industry and regulators more time to consider the remaining parts of the blanks proposal. Mr. Schrader addressed this concept as the modified Baseline Blanks Proposal, and clarified that the Subgroup members did not have any concerns with the Notes Blanks Proposal.

3. Adopted the Baseline Blanks Proposal and Notes Blanks Proposal

Ms. Belfi made a motion, seconded by Mr. Boerner, to adopt the Subgroup's modified Baseline Blanks Proposal and Notes Blanks Proposal (Attachment ____). The motion passed.

Mr. Schrader requested that NAIC staff draft a letter to the Financial Stability (EX) Task Force to clearly explain the modification of the Baseline Blanks Proposal and the Notes Blanks Proposal in an attempt to satisfy request for clarity made by the ACLI representatives.

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