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Liquidity Assessment (EX) Subgroup  
Conference Call  
September 11, 2017

The Liquidity Assessment (EX) Subgroup of the Financial Stability (EX) Task Force met via conference call Sept. 11, 2017. The following Task Force members participated: Justin Schrader, Chair (NE); Kathy Belfi and John Loughran (CT); Philip Barlow (DC); Bruce Sartain and Vincent Tsang (IL); Fred Andersen (MN); James V. Regalbuto and William Carmello (NY); and Doug Slape and Mike Boerner (TX).

1. Reviewed its Charges and Work Plan

Mr. Schrader said that if anyone would like to serve on the Liquidity Assessment (EX) Subgroup, they should contact Elise Liebers (NAIC) or Todd Sells (NAIC). He added that several states have two members serving the Subgroup, which is an appropriate membership for the Subgroup, as he would like to have a good mix of members from solvency regulators, as well as regulatory life actuaries. Mr. Schrader stressed that, if feasible, it is important for the Subgroup to work on both the data and stress testing projects at the same time to avoid delays given the short timeline.

Mr. Schrader next discussed the Subgroup's charges. He said the Subgroup will: 1) 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; and 2) 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).

Mr. Schrader then presented the Subgroup's proposed work plan, as adopted by the Financial Stability (EX) Task Force: 1) 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); 2) 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); and 3) once the stress testing framework is completed, consider potential enhancements or additions to disclosures (Target completion date: 2018 Summer National Meeting).

2. Discussed the Liquidity Data Project

Mr. Schrader noted that with respect to the liquidity data project and the liquidity stress testing project, the NAIC will be sensitive to the scope issue. Mr. Sells noted that the Subgroup is considering the data project from two viewpoints: 1) How can we improve and/or streamline regulators' assessment exercise in analysis and exams? and 2) What do we need to collect on an industry-wide basis for macro surveillance purposes?

Mr. Sells provided an overview of Attachment 1, which is a list of existing data that would likely be important to state insurance regulators performing a liquidity assessment in their analysis and/or examination work. Mr. Schrader requested feedback on whether NAIC staff missed any existing data points that are important for liquidity assessment work, as well as on NAIC staff's observations regarding issues with existing data. With no concerns expressed with a short exposure period, the Attachment 1 document was exposed for a public comment period extended to Oct. 5. Mr. Schrader directed NAIC staff to move forward with identifying some actual blank markups to accomplish some of these observations, knowing that the exposure process may add to the list of issues that the Subgroup needs to address. Mr. Schrader also noted that New York has some required disclosures on liquidity concerns and that the Subgroup will be looking at those, as well.

3. Discussed Liquidity Stress Testing

Mr. Sells added that Director Peter Hartt (NJ), Financial Stability (EX) Task Force chair, expects the proposed liquidity stress testing framework to apply to a relatively small number of large life insurers. Mr. Schrader has already directed NAIC staff to find existing liquidity stress testing frameworks in other jurisdictions and/or the International Association of Insurance Supervisors (IAIS), as well as from the Federal Reserve Board. The Subgroup is not required to use anything from these sources, but will consider useful items as appropriate. Mr. Schrader added that while NAIC staff are researching, compiling and refining that information, the Subgroup should also contact the life insurance industry to get their insights.

4. Requested Presentations from Trade Associations and Life Insurance Companies

Mr. Schrader asked the trade associations if they would be able and willing to develop a presentation on the general processes performed by life insurers to consider, measure and manage liquidity risk, to be presented to the Subgroup. He also said the Subgroup would need to hear of some specific systems and procedure matters from the larger life insurers, which would occur in regulator-to-regulator session to protect the companies' sensitive information. Given that the American International Group (AIG), MetLife, New York Life and Prudential were in strong support of this work at the most recent meeting of the Financial Stability (EX) Task Force, Mr. Schrader asked if these companies would be willing to present to the Subgroup. Mr. Schrader said he does not want to preclude other companies from presenting if they wish, but he would not like too many presentations simply due to timing and logistics concerns. He said all interested trade associations and life insurance companies should contact Ms. Liebers or Mr. Sells to discuss the timing and logistics.

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

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