

Date: 9/14/17

*Conference Call*

**LIQUIDITY ASSESSMENT (EX) SUBGROUP**  
**Monday, September 11, 2017**  
**10:00 – 11:00 a.m. CT**

Justin Schrader, Chair	Nebraska	Vincent Tsang	Illinois
Kathy Belfi	Connecticut	Fred Andersen	Minnesota
John Loughran	Connecticut	James V. Regalbuto	New York
Philip Barlow	District of Columbia	William Carmello	New York
Ray Spudeck	Florida	Doug Slape	Texas
Bruce Sartain	Illinois	Mike Boerner	Texas

NAIC Support Staff: Elise Liebers/Ani Verma/Todd Sells

**SUMMARIZED TRANSCRIPT**

1. Chair's Opening Remarks—*Justin Schrader (NE)*

- If you wish to be an interested party to the Subgroup, please contact Elise Liebers (NAIC) or Todd Sells (NAIC).
- Joining Nebraska as members of the Subgroup are Connecticut, District of Columbia, Florida, Illinois, Minnesota, New York and Texas. Several states have two members serving on the Subgroup. This is appropriate for the Subgroup, as we want a good mix of input from solvency regulators, as well as regulatory life actuaries.
- The Subgroup's charges are as follows:
  - The **Liquidity Assessment Subgroup** will:
    - Review existing public and regulator only data related to liquidity risk, identify any gaps based upon regulatory needs, and propose the universe of companies to which any recommendations may apply.
    - 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).
  - The Subgroup's proposed work plan, as adopted by the Financial Stability (EX) Task Force, is as follows:
    - 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.*
- Regarding the liquidity data project and the liquidity stress testing project, the chair knows industry will be sensitive to the scope issue. Director Peter Hartt (NJ), chair of the Financial Stability (EX) Task Force, clearly expected the proposed liquidity stress testing framework to apply to a relatively small number of large life insurers. However, the Subgroup chair is considering the data project from two views:
  - How we can improve and/or streamline regulators' jobs in analysis and exams?
  - What do we need to collect on an industry-wide basis for macro surveillance purposes?
 So, the chair does expect some of the data changes to apply to the life industry or at least the portion with balances for a particular item in question.
- The Subgroup has an aggressive schedule to meet, so the chair intends for the Subgroup to tackle both the liquidity data project and the liquidity stress testing project at the same time.

2. Liquidity Data Project:

- a) Discuss Staff Summary of Existing Data and Issues—*Todd Sells (NAIC)*
- The chair asked NAIC staff to draft 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, and to comment on any observations they had while constructing this list.
  - NAIC staff provided an overview of Attachment One, as provided in the call materials.
- b) Release the Staff Summary for Comment—*Justin Schrader (NE)*
- The chair seeks feedback on whether NAIC staff missed any existing data points that are important for liquidity assessment work, as well as on staff's observations regarding issues with existing data.
  - Absent any concerns expressed with a short exposure period, the Attachment One document was released for a public comment period ending Monday, Sept. 25.
  - The chair directed NAIC staff to move forward with identifying some actual blanks markups to accomplish some of these observations, knowing that the exposure process may add to the list of issues the Subgroup needs to address.
  - The chair also noted that New York has some required disclosures on liquidity concerns, and the Subgroup will be looking at those, as well.

3. Liquidity Stress Testing Project:

- The chair had 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.
  - However, while NAIC staff are researching, compiling and refining that information, the Subgroup should also contact the life insurance industry to get their insights.
- a) Request Trade Association(s) Provide Public Materials Summarizing the General Processes Performed by Their Firms—*Justin Schrader (NE)*
- The chair 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 in an open meeting.
  - Trade associations should contact Ms. Liebers or Mr. Sells to discuss the timing and logistics.
- b) Request a Few of the Largest Life Insurers to Present More Detailed Information in a Confidential Manner—*Justin Schrader (NE)*
- The chair indicated the Subgroup also needs to hear of some specific systems and procedures from the larger life insurers, which would occur in regulator-to-regulator session to protect the companies' sensitive information.
  - Given that Prudential, AIG, MetLife and New York Life commented in strong support of this work at the most recent meeting of the Financial Stability (EX) Task Force, the chair asked if those companies would be willing to present to the Subgroup.
  - The chair indicated he does not want to preclude other companies from presenting if they wish, but does not want too large of a number of presentations, simply due to timing and logistics concerns.
  - All interested life insurance companies should contact Ms. Liebers or Mr. Sells to discuss the timing and logistics.

4. Discuss Any Other Matters Brought Before the Subgroup—*Justin Schrader (NE)*

- None.

5. Adjournment