August 30, 2018

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v “4 ((d)r-4c(ti)e9 00-1..i005 Tc -.001 Tw [(r8-2 ()3r)sin)-4)1oa( )10 w i reenTj..005 Tc -..001 Tw 6.2 0 Td[t(re)-hee)- practices within the life insurance industry.

In response to the 2008 financial crisis, the insurance sector strengthened ERM practices, particularly relating to liquidity risk. Today, LST serves as a critical element of insurance ERM with regulators and insurers having adopted more rigorous frameworks, requirements and practices, including internal processes, for identifying, assessing, and managing liquidity risks.

In 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment (ORSA) Model Act (Model)

[1], an important ERM regulatory tool. The Model

objectives: (1) to foster an effective level of ERM
identifies, assesses, monitors, prioritizes, and re
identified by the insurer, using techniques that a
complexity of the insurer’s risks, in a manner tha
decisions; and (2) to provide a group-level persp
the existing legal entity view.

We believe the NAIC’s establishment of a regula
best practices and regulatory requirements, incl
appropriate that the scope of application for thi
the scope of insurers subject to the Model Act.

[1] Risk Management and Own Risk Solvency Assessment Model Act #505, NAIC, 2012.

across the life insurance segment within the group, including consideration of liquidity support provided by other members of the group for the life insurance segment, would be an effective option for achieving the macroprudential goals stated in the exposure.

Lastly, we support the continued use of a cash flow approach as the basis for the regulatory LST analysis, as it allows insurers to identify cash demands that can be met with normal cash flows (e.g., pan be o.g.,-4 (i(t)-4 m Tc 0 i)1ti v(.,-4 sa)3.9itmasifo6c,(

Expanding the LST scope to all ORSA filers would ensure a large and significant segment of

“out of scope” in another year due to changes in economic conditions. While it would make the most sense to utilize values with risk sensitivities (e.g., IR01 for interest rates), we recognize that this information may not be readily available to state insurance regulators

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