

# ALM#2

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Given the current coronavirus (COVID-19) pandemic and resulting volatile market conditions, LIMRA, ACLI, Oliver Wyman and SOA have partnered on a series of pulse surveys around this important topic.

This survey aims to collect and disseminate information regarding best practices around *asset and liability management*. *This is the second survey focusing on ALM issues and the goal is compare responses with the first survey that was fielded in April 2020.*

The survey is targeted at actuaries, investment managers, and risk managers directly involved in assessing the impact of recent events on ALM. It should take about 20 minutes to complete.

The results of the survey will be aggregated and shared with all participants. In addition, a summary of results will be shared with members of all the partnering organizations. *No individual company responses will be shared.*

Thank you, in advance, for helping us to gather best practices around understanding the impact of the coronavirus on the industry.

Click the following link for a preview of the questions asked in this survey:

Please provide your contact information.

Company: \_\_\_\_\_

Role: \_\_\_\_\_

Name: \_\_\_\_\_

Email address: \_\_\_\_\_

How concerned are you about the impact of low interest rates on ALM for *your company*?

- Very concerned
- Concerned
- Somewhat concerned
- A little concerned
- Not at all concerned

What are you concerned about related to the impact of low interest rates on ALM for *your company*?

	Very concerned	Concerned	Somewhat concerned	A little concerned	Not at all concerned	Not applicable
GAAP earnings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stat earnings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
IFRS earnings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulatory capital	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internal capital metrics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rating	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
New business margins	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
New business sales	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Solvency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please describe)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How concerned are you about the impact of low interest rates on ALM for the *life insurance industry*?

- Very concerned
- Concerned
- Somewhat concerned
- A little concerned
- Not at all concerned

For this section, “management scenarios” are defined as internal scenarios used for planning or other management decisions.

What types of interest rate scenarios does your company use to evaluate and set ALM strategies? Please select all that apply.

- Management scenarios
- Forward curve
- Other deterministic scenarios
- Real-world stochastic scenarios
- Risk-neutral stochastic scenarios
- Other (please describe) \_\_\_\_\_

Has your company revised its management scenarios for this year to address recent market conditions?

- Yes, have changed
- No, but planning to change
- No, and not planning to change
- Other (please describe) \_\_\_\_\_

For your company's "base case scenario", what is your company anticipating for the following metrics for its management scenarios?

	<0%	0% but less than 0.5%	0.5% but less than 1%	1% but less than 1.5%	1.5% but less than 2%	2% but less than 3%	3+%
Interest rates (10-year treasury at end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interest rates (20-year treasury at end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interest rates (30-year treasury at end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit spreads (Single A spreads at end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit defaults (Single A one-year defaults at the end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit spreads (BBB spreads at the end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit defaults (BBB one-year defaults at the end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

For your company's "worst case scenario", what is your company anticipating for the following metrics for its management scenarios?

	<0%	0% but less than 0.5%	0.5% but less than 1%	1% but less than 1.5%	1.5% but less than 2%	2% but less than 3%	3+%
Interest rates (10-year treasury at end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interest rates (20-year treasury at end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interest rates (30-year treasury at end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit spreads (Single A spreads at end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit defaults (Single A one-year defaults at the end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit spreads (BBB spreads at the end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit defaults (BBB one-year defaults at the end of 2020)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



Does your company account for credit migration in its management scenarios?

Yes

No

Does your company use a market long-term interest rate expectation in its management scenarios?

Yes

No

You said that your company uses a market long-term interest rate expectation in its management scenarios.

What is your company's long-term interest rate assumption?

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What is the basis for your company's long-term interest rate assumption?

5 year Treasury

10 year Treasury

20 year Treasury

Other: please describe \_\_\_\_\_

Over what time period do rates revert to this expectation level? Please provide response in whole years.

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Many companies are running more sensitivities in the current environment than in past years. What scenarios is your company considering in its sensitivity testing in the current environment? Please select all that apply.

- Lower bond nominal rates with spreads tightening for the next 1-3 years
- Lower bond nominal rates with spreads tightening for the next decade
- Lower bond nominal rates combined with general inflationary conditions
- Lower bond nominal rates combined with inflationary conditions for health care but lower inflation for non-health care items
- Lower bond nominal rates combined with lower long-term capital market assumptions
- Negative treasury rates (10 year) over a short term with current spreads
- Negative treasury rates (10 year) over a longer term with spreads widening
- Negative treasury rates (10 year) over a longer term with current spreads (potential negative corporate bond rates)
- Rising Treasury rates and increased lapses
- Stagflation (low growth and high inflation) - increased lapses and defaults
- Other (please describe) \_\_\_\_\_
- None of the above

If your company is not considering negative Treasury rate (10 year) scenarios for management scenarios, why not?

- My company does consider negative 10-year Treasury Rate scenarios
- Believe it is unrealistic for the long-term
- It is under consideration/we are reviewing system capabilities
- Fed view is that 0 percent is the floor
- Other please explain. \_\_\_\_\_

How concerned is your company about inflation risk over the next 2-3 years?

- Very concerned
- Concerned
- Somewhat concerned
- A little concerned
- Not at all concerned

Do you have management scenarios that vary based on the results of the November 2020 US elections?

Yes

No

How would you characterize your company's current ALM strategy for *in-force*?

- Duration matched
- Not duration matched (liabilities longer than assets)
- Not duration matched (assets longer than liabilities)
- Other (please describe) \_\_\_\_\_



If your company is not duration matched for *in-force*, what factors contribute to this? Please select all that apply.

- Management position on interest rates
- Inability to source long-duration assets
- Preference for shorter-duration asset classes
- Use of equity to match long-duration liabilities
- Other (please describe) \_\_\_\_\_

Is your company planning on changing its ALM strategy for *in-force*?

- Yes, have changed
- No, but planning to change in light of current pandemic / market environment
- No, but planning to change even prior to the most recent pandemic / market environment
- Not planning to change
- Other (please describe) \_\_\_\_\_

How is your company changing / planning to change its ALM strategy for in-force?

- Reducing duration gap over the short term
- Reducing duration gap over the long term
- Allowing greater duration gap
- Other (please describe) \_\_\_\_\_

Does your company use the same ALM strategy for in-force and new business (new products)?

Yes

No

How would you characterize your company's current ALM strategy for *new business (new products)*?

- Duration matched
- Not duration matched (liabilities longer than assets)
- Not duration matched (assets longer than liabilities)
- Other (please describe) \_\_\_\_\_

If your company is not duration matched for *new business*, what factors contribute to this? Please select all that apply.

- Management position on interest rates
- Inability to source long-duration assets
- Preference for shorter-duration asset classes
- Use of equity to match long-duration liabilities
- Other (please describe) \_\_\_\_\_

Is your company planning on changing its ALM strategy for *new business (new products)*?

- Yes, have changed
- No, but planning to change in light of current pandemic/market environment
- No, but planning to change even prior to most recent pandemic/market environment
- Not planning to change
- Other (please describe) \_\_\_\_\_

How is your company planning to change its ALM strategy for *new business*?

- Reducing duration gap
- Reducing duration gap over the long term
- Allowing greater duration gap
- Other (please describe) \_\_\_\_\_



Is your company changing its *investment strategy* if recent conditions continue for the next several years?

Yes, have changed

No, but planning to change

Not planning to change

Other (please describe) \_\_\_\_\_

How is your company changing / planning to change its *investment strategy*? Please select all that apply.

- More liquid assets
- Higher credit quality assets
- Higher-yielding asset classes
- Increased use of derivatives
- Increased use of equities
- Change to industry/sector allocations
- Other (please describe) \_\_\_\_\_

How concerned are you about the following asset and liability-related challenges for your company?

	Very concerned	Concerned	Somewhat concerned	A little concerned	Not at all concerned	Planning to take action to address	Does not apply
Short-term liquidity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit spread volatility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit migration	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
New business yields	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reinvestment rates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hedging/options cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Default risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ability to support in-force guarantees/inforce margins	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Additional premiums (flexible premium products)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Liquidity risk (including lapse, withdrawals, and increased loan activity)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Market-value adjustments mechanics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please list)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

You said that your company is concerned about additional premiums for flexible premium products.

Has your company enforced contractual limits on new premiums in the past where applicable?

Yes

No

How often is your company reviewing new premium deposit activity in the current environment?

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What is the approximate proportion of your current liabilities that have interest guarantees materially above current portfolio yields?

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Is your company tracking lapse, withdrawal and policy loan activity more frequently in the current environment?

Yes

No

How does the first quarter 2020 year to date level of lapse, withdrawal and policy loan activity compare to the same period last year?

	Significantly higher	2020 slightly higher	2020 about the same as same period last year	2020 slightly lower	2020 significantly lower
Lapses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Withdrawals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Policy loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Thank you for your time filling out this survey. Please click on SUBMIT to finalize your responses.