Low Interest Rate Environment
CFT Survey

Start of Block: Intro

Given current market conditions (e.g., COVID-19, low interest rates) and their potential impacts on the insurance industry, LIMRA, ACLI, Oliver Wyman and SOA are partnering on a brief pulse survey on this important topic.

This survey aims to collect and disseminate information regarding best practices around the potential impact of current market conditions on cash flow testing. The survey is being targeted at actuaries and/or risk management staff involved in their organization’s cash flow testing efforts.

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 and low interest rates on the industry.

Click following link for a preview of the questions asked in this survey: [Enter Link Once Finalized]

End of Block: Intro

Start of Block: Default Question Block

Please provide your contact information .

- Company: _______________________________________________________

- Role: __________________________________________________________

- Name: _________________________________________________________

- Email address: ________________________________________________

Page Break
Has your company re-run its cash flow testing in light of recent market conditions?

- Yes
- No
- No, but we are planning to do so
On what basis are you re-running or planning to re-run cash flow testing? (please select all that apply)

☐ Current market projections

☐ Revised 2020YE expectations

☐ Other (please specify) __________________________________________________________

______________________________________________________________________________

Page Break ________________________________________________________________________
Which of the following factors is your company most concerned about relative to CFT in recent market conditions? (please select all that apply)

- [ ] Interest rates
- [ ] Credit spreads
- [ ] Equities/Hedging
- [ ] Disinvestment/Borrowing
- [ ] Credit migration / defaults
- [ ] Policyholder behavior
- [ ] Mortality
- [ ] Other (please explain): ________________________________
- [ ] My company is not concerned about any of these factors
Rank the factors below in terms of level of concern with 1 being the most concerned.

_____ Interest rates
_____ Credit spreads
_____ Equities/Hedging
_____ Disinvestment/Borrowing
_____ Credit migration / defaults
_____ Policyholder behavior
_____ Mortality
_____ Other if any entered.
How frequently does your company typically perform cash flow testing?

- [ ] Annually
- [ ] Semi-annually
- [ ] Quarterly
- [ ] Monthly
- [ ] Other (please specify) ________________________________
How frequently is your company planning to perform cash flow testing for the rest of 2020?

- [ ] Annually
- [ ] Semi-annually
- [ ] Quarterly
- [ ] Monthly
- [ ] Other (please specify) ________________________________

Page Break
What types of scenarios does your company run for *variable annuity* cash flow testing? (select all that apply)

- [ ] Stochastic scenarios
- [ ] NY7 scenarios
- [ ] Other deterministic scenarios
- [ ] Shock/Sensitivity scenarios
- [ ] Don't run cashflow testing for Variable Annuities
What types of scenarios does your company run for *general account product* cash flow testing? (select all that apply)

- [ ] Stochastic scenarios
- [ ] NY7 scenarios
- [ ] Other deterministic scenarios
- [ ] Shock/Sensitivity scenarios
How many NY7 scenarios are you typically required to pass?

________________________________________________________________

Do you expect this to change given the current rate environment?

- Expect NY7 scenarios required to pass to increase.
- Expect NY7 scenarios required to pass to decrease.
- Expect NY7 scenarios required to pass to stay the same.
- Unsure whether NY7 scenarios required to pass will change.
- Other please describe.  ____________________________________________

__________________________________________________________________
For companies running other deterministic scenarios, do any of these scenarios consider negative rates?

- Yes
- No
What is the lowest 10-year interest rate your company has used in a deterministic scenario? (please provide numerical value)
If your company has not run deterministic scenarios with negative rates, why not?
What is your company’s assumption regarding the widened credit spreads in the current environment?

- Assume spreads will narrow over a relatively short period (1-3 years).
- Assume spreads will narrow over a longer period but default rates will increase.
- Assume spreads will narrow over a longer period and default rates will not increase.
- Assume current credit spreads stay constant over the projection period.
- Other (please specify) ________________________________
What is your company’s view regarding the level scenario relative to the definition of “moderately adverse”?

- Current environment implied level scenario is moderately adverse.
- Current environment implied level scenario is better than moderately adverse.
- Current environment implied level scenario is worse than moderately adverse.
- Other (please specify) ________________________________________________

Page Break
For stochastic scenarios, do you use the American Academy of Actuaries Economic Scenario Generator?

- Yes
- No
What Mean Reversion Point (MRP) is currently used?
For stochastic scenarios, do you allow for negative rates?

- [ ] Yes
- [ ] No
If your company has not run stochastic scenarios with negative rates, why not?
What is your company assuming as of 9/30/20 for:

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<thead>
<tr>
<th></th>
<th>&lt;=-5%</th>
<th>-5 but less than 0%</th>
<th>0 but less than 0.5%</th>
<th>0.5 but less than 1.0%</th>
<th>1.0 but less than 1.5%</th>
<th>1.5 but less than 2%</th>
<th>2 but less than 3%</th>
<th>3 but less than 5%</th>
<th>5 but less than 10%</th>
<th>10%+</th>
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<tbody>
<tr>
<td>10-year interest rates</td>
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<td>Mean reversion target</td>
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<td>Single A credit spreads</td>
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<td>Long-run single A credit spreads</td>
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<td>Equity return - initial shock</td>
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<td>Equity return - long-term return</td>
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Briefly describe the standards used by your company in translating stochastic results into reserve and/or capital requirements (for Asset Adequacy Testing, Cash Flow Testing, and C3P1 work).

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Has your company updated any of the following assumptions in light of COVID-19 and the current market environment?

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Updated</th>
<th>Considered updating</th>
<th>Have not considered updating</th>
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<tbody>
<tr>
<td>Mean reversion target</td>
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<td>Credit spread assumptions</td>
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<td>Long-term equity return assumptions</td>
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<td>Mortality assumptions</td>
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<td>Asset allocation assumptions</td>
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</tbody>
</table>
Please indicate which of the following statements best reflects your current thinking regarding PADs (Provisions for Adverse Deviation) in assumptions for cashflow testing?

○ Planning to use lower PADs coupled with short-term assumptions that reflect the current events.

○ Planning to use PADs similar to prior years coupled with short-term assumptions that reflect current events.

○ Other please describe: ________________________________________________
You said your company runs Shock/Sensitivity scenarios for CFT. Please briefly describe the shock/sensitivities tested.

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Have you received questions on the impact of the current market environment on CFT from any of the following stakeholder groups? (please select all that apply)

☐ Board
☐ Senior Management
☐ Regulators
☐ Rating agencies
☐ Investors/analysts
☐ None of the above
What questions is your company being asked regarding the impact of the current market environment on CFT from these stakeholder groups?

Please click "SUBMIT" below to finalize your survey.