CFT Survey #2

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 series of pulse surveys on important topics.

This survey is the second in a series focusing on the impacts to cash flow testing and aims to collect and disseminate information regarding best practices around the potential impact of current market conditions. The first survey was conducted in April of this year and collected initial thinking around impacts for 2020. This survey seeks to identify changes in thinking since April and to collect additional information.

The survey is being targeted at actuaries and/or risk management staff involved in their organization’s cash flow testing efforts.

The results of this second survey will be shared with participants only. A brief summary of results for questions that appeared in both the first and second surveys 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.

〇 Company: ___________________________________________________________

〇 Role: _____________________________

〇 Name: ___________________________

〇 Email address: ________________________________
Has your company completed a run of its cash flow testing for 2020?

- Yes
- No, and we will not re-run until year-end reporting
- No, but we plan to re-run prior to year-end reporting
How frequently does your company typically perform cash flow testing?

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

Has this requirement changed given the current rate environment?

- NY7 scenarios required to pass increased.
- NY7 scenarios required to pass decreased.
- NY7 scenarios required to pass to stay the same.
- Other please describe. 

What is your company’s view regarding the level scenario relative to the definition of “moderately adverse”?

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


You indicated that your company is running other deterministic scenarios. Do any of these scenarios consider negative rates?

- Yes
- No
What is the lowest 10-year interest rate your company is using in a deterministic scenario that is reported to regulators? (please provide numerical value)
If your company does not run deterministic scenarios with negative rates, why not?

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

- [ ] Yes
- [ ] No
What Mean Reversion Point (MRP) does your company currently use? (Please enter “N/A” if doesn’t apply to methodology used).

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For stochastic scenarios, do you allow for negative rates?

- Yes
- No
If your company doesn't allow for negative rates in stochastic scenarios, why not?

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What is your company assuming as of 9/30/20 for the following: Please provide numeric value.

Long-run single A credit spreads

________________________________________________________________

Equity return - initial shock

________________________________________________________________

Equity return - long-term return

________________________________________________________________

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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?

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<th>Completed review and updated</th>
<th>Completed review and not updating</th>
<th>Have not completed review</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>Asset allocation assumptions</td>
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Please indicate which of the following statements best reflects your current thinking regarding PADs (Provisions for Adverse Deviation) in assumptions for cash flow testing?

- Using lower PADs than prior years coupled with short-term assumptions that reflect the current events.

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

- Other please describe: ________________________________________________

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You said your company runs Shock/Sensitivity scenarios for CFT. Please briefly describe the shock/sensitivities tested.
You said your company runs Shock/Sensitivity scenarios for CFT. Are you running any new sensitivities this year?

☐ Yes, please indicate those that are new
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☐ No

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What products does your company offer? Please select all that apply.

- [ ] Variable annuities
- [ ] Fixed rate annuities
- [ ] Fixed indexed annuities
- [ ] Single Premium Immediate Annuities
- [ ] Whole Life
- [ ] Term
- [ ] Variable universal life
- [ ] Fixed indexed universal life
- [ ] Fixed universal life
- [ ] Long-term care
- [ ] Disability income
- [ ] None
Please rank the following products in terms of cash flow testing performance in the current environment for your company (where 1 = best performance)

_______ Variable annuities
_______ Fixed rate annuities
_______ Fixed indexed annuities
_______ Single Premium Immediate Annuities
_______ Whole life
_______ Term
_______ Variable universal life
_______ Fixed indexed universal life
_______ Fixed universal life
_______ Long-term care
_______ Disability income
Thank you for taking the time to provide your responses.

Please click "SUBMIT" below to finalize your survey.