

# 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

---

Page Break

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

---

Page Break

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.

---

Page Break

How frequently does your company typically perform cash flow testing?

Annually

Semi-annually

Quarterly

Monthly

Other (please specify) \_\_\_\_\_

---

Page Break

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

---

Page Break



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

---

Page Break

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. \_\_\_\_\_

---

Page Break

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

Yes

No

---

Page Break

What is the lowest 10-year interest rate your company has used in a deterministic scenario?  
(please provide numerical value)

---

---

Page Break

---

If your company has not run deterministic scenarios with negative rates, why not?

---

---

Page Break 

---

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) \_\_\_\_\_

---

Page Break

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

---

Page Break



What Mean Reversion Point (MRP) is currently used?

---

---

Page Break

---

For stochastic scenarios, do you allow for negative rates?

Yes

No

---

Page Break

If your company has not run stochastic scenarios with negative rates, why not?

---

---

Page Break 

---

What is your company assuming as of 9/30/20 for:

	<-5%	-5 but less than 0%	0 but less than 0.5%	0.5 but less than 1.0%	1.0 but less than 1.5%	1.5 but less than 2%	2 but less than 3%	3 but less than 5%	5 but less than 10%	10%+
10-year interest rates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mean reversion target	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Single A credit spreads	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Long-run single A credit spreads	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Equity return-initial shock	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Equity return - long-term return	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Page Break

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).

---

---

---

---

---

-----  
Page Break

---

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

	Updated	Considered updating	Have not considered updating
Mean reversion target	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit spread assumptions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Long-term equity return assumptions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Policyholder behavior	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mortality assumptions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Asset allocation assumptions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

---

Page Break

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: \_\_\_\_\_

-----  
Page Break \_\_\_\_\_

You said your company runs Shock/Sensitivity scenarios for CFT. Please briefly describe the shock/sensitivities tested.

---

---

---

---

---

-----  
Page Break

---



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

---

Page Break

End of Block: Default Question Block

---

Start of Block: Ender

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.

End of Block: Ender

---