NATIONAL COUNCIL OF INSURANCE LEGISLATORS
JOINT STATE-FEDERAL RELATIONS & INTERNATIONAL INSURANCE ISSUES COMMITTEE
TAMPA, FLORIDA
DECEMBER 10, 2020
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Joint State-Federal Relations & International Insurance Issues Committee met at the Tampa Marriott Water Street Hotel on Thursday, December 10, 2020 at 11:30 A.M. (EST)

Senator Bob Hackett of Ohio, Chair of the Committee, presided*.

Other members of the Committee present were (* indicates virtual attendance via Zoom):

Asm. Ken Cooley (CA)*
Rep. Matt Lehman (IN)
Rep. Joe Fischer (KY)
Rep. Bart Rowland (KY)
Rep. George Keiser (ND)*
Asm. Kevin Cahill (NY)*

Other legislators present were:

Sen. Matt Lesser (CT)*
Rep. Martin Carbaugh (IN)
Sen. Andy Zay (IN)
Sen. Mike Gaskill (IN)
Sen. Paul Utke (MN)
Sen. Shawn Vedaa (ND)
Asw. Pam Hunter (NY)*

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO
Will Melofchik, NCOIL General Counsel
Tess Badenhausen, Assistant Director of Administration, NCOIL Support Services, LLC

QUORUM

Upon a motion made by Rep. George Keiser (ND) and seconded by Asm. Kevin Cahill (NY), NCOIL Treasurer, the Committee waived the quorum requirement without objection by way of a voice vote.

MINUTES

Upon a motion made by Rep. Matt Lehman (IN), NCOIL President, and seconded by Asm. Ken Cooley (CA), NCOIL Vice President, the Committee voted without objection by way of a voice vote to approve the minutes from the Committee’s September 24, 2020 meeting.

UPDATE ON PANDEMIC BUSINESS INTERRUPTION COVERAGE PROPOSALS

Deirde Manna, Senior VP, Head of Government and Industry Affairs at Zurich North America (ZNA), stated that ZNA is one of the top five commercial property & casualty writers in the U.S., has 9,000 employees in the U.S., and 3,000 employees at its headquarters in Schaumburg, Illinois which is right outside of Chicago. ZNA is one of the top writers in the construction area as well as one of the top writers in the auto space. Ms. Manna said today she would like to provide the Committee with an update on the proposals that are out there to deal with prospective pandemics. Ms. Manna stated that her colleague, Peter Caminiti, Property Technical Director at ZNA, will walk through ZNA's proposal.

With regard to the update on dealing with prospective pandemics from an insurance perspective, there are several proposals out there. At the beginning of the pandemic, Marsh came out with some ideas which led Congresswoman Carolyn Maloney to introduce the Pandemic Risk Insurance Act (PRIA). Chubb testified at a recent NCOIL meeting regarding its proposals, and the American Property Casualty Insurance Association (APCIA) and the National Association of Mutual Insurance Companies (NAMIC) have introduced what's called the Business Continuity Protection Program (BCPP). In the BCPP, outside of the distribution, insurers do not have a role to play. The policyholders community, led by Charles Landgraf, has also testified at a recent NCOIL meeting regarding their ideas. While all of those proposals are out there, the main focus is on the next Congress to see how it will deal with this issue. While the timing isn't clear, it is believed that as soon as January we will see some legislation introduced.

Regarding ZNA's concept, the word concept is important because ZNA does not view it as a competing proposal. Rather, ZNA wanted to bring ideas to the table and bring ideas to the discussion on how to deal with prospective pandemics. ZNA's CEO, Kathleen Savio, recognized early on that the federal crop program could be used as a model to look at future pandemics. ZNA is the second largest crop writer in the U.S. and it saw merit in that concept. ZNA put its underwriters and crop professionals and its risk claims employees together to create the concept so it was not put together by lobbyists. ZNA is completely aligned with the industry that pandemics are not insurable. But, ZNA believes insurers have a role to play and a role in society and a role as experts in risk management and a role in dealing with emerging and evolving risks. After developing the idea, it was put in a model which showed that the idea had significant merit and that is what will be discussed today.

Mr. Caminiti stated that ZNA began working on the concept to ensure stability and predictability to businesses. ZNA was focused on a very specific part of the problem which was initial shutdowns as a result of the pandemic. ZNA would like to make sure that it is has solutions available in the future that are ready to go. ZNA is aligned with the industry that a pandemic in and of itself is not insurable and that the federal government has to have a key role at the table to help the industry with a solution. While ZNA's concept differs from other proposals there is tremendous alignment among all proposals. ZNA was trying to accomplish with its concept the goal of bringing additional ideas to the discussion as ZNA did not develop a specific proposal but rather just a concept with ideas to help shape the conversation so that it works for all stakeholders.

Mr. Caminiti stated that while a pandemic is uninsurable, ZNA believes that it is manageable and there are ways to manage portions of the risk and insurers have a critical role to play in that process. It is very important that insurers are present and part of the solution so that risk mitigation techniques can be brought to the table. One thing that is very important when talking about these concepts is that coverage must be affordable as sufficient take up rates must be achieved as we don't want to find ourselves in a position in the future that because of insufficient take-up rates we have ad-hoc disaster relief. That is part of the reason why ZNA's concepts have all insurers participating in the process to make sure that there is a widely accessible product and that the federal government is a key partner in this to help ensure affordability.

Mr. Caminiti stated that the problem ZNA is focused on solving is really the shutdown period and the concept used to manage that can also be used to help things like event cancellation and other lines of business. A lot of the concept is very similar to other proposals that are out there. The concept deals with a standalone federally regulated product which is similar to the federal crop program. ZNA is the second largest writer in the federal crop program so it is drawing on a lot of its experience with that program. ZNA wants to make sure there is a widely available product in that market so it would require all carriers to participate and offer the product. It would be a take-all-comers approach. Customers would not be required to purchase it but carriers would be required to offer it. The coverage itself would cover 80% of operating expenses for up to a three month duration. The problem that is trying to be solved is the initial period of shutdown and making sure that there is available and predictable coverage.

Regarding the claims process, part of the problem that businesses face is liquidity so a traditional indemnity adjustment process for claims wouldn't work. We know that on business interruption for property policies that process can take months and months to adjust claims. We need to ensure that funds get to businesses quickly so ZNA is using a parametric insurance model which is trigger based coverage. Rather than a claimant submitting the necessary documentation, etc. to begin a claims process and investigation and get accountants and lawyers involved, this would be based on a trigger process similar to other proposals where you have a federal trigger and a state level trigger which would immediately begin triggering coverage and getting funds flowing to customers. ZNA believes there is a big role for it to play from a risk mitigation standpoint and by getting all carriers involved new risk mitigation techniques can be developed and available for customers.

Mr. Caminiti stated that pricing would be set by the federal government and affordability is very important. That is where looking to the federal crop program is important as for that program to be successful there is an element of subsidy required by the federal government to make that program affordable. Pandemic has the potential to differ from crop in that crop is a frequency based event as every year premium is collected and claims are paid. Pandemic is more akin to earthquake where you have many periods of no activity from a loss perspective and then you have very significant and severe events. Where the federal government can really help from a pricing standpoint is take a long term view of pricing and set rates to make sure that while actuarially sound they can collect sufficient premium over a 50 or 100 year period to ensure that funds are available to cover those types of events. That is something that private insurers would not be able to do in terms of taking that long of a time horizon. The federal subsidy idea is based on a pricing philosophy more so than a taxpayer funded idea but of course the taxpayer would have to be there to backstop the program in the event that events happen with a higher degree of frequency.

Having carriers required to participate puts insurers in a difficult position because it is risk that they did not see as insurable but ZNA's concept would require coverage to be offered. The relief valve for the insurance industry in the concept, drawing from the federal crop program, is the ability to then cede that risk back to the federal government at the carrier's decision. ZNA has proposed three separate reinsurance pools, similar to the federal crop program, where the carrier decides based on their risk appetite and financial strength and the lines of business they offer and the states they operate in and the types of customers they serve how much risk they want to retain and how much they want to cede back to the federal government. One of the pools has a 100% ceded option and that is recognizing that not all carriers are created equal and it may be a risk that they just cant participate in. Their participation is really through being part of the program, serving customers, making the product available to them and offering them risk mitigation but they cant be forced to take risk. If carriers do have appetite for risk, there is a 95% ceded risk option so the carrier would retain 5% of the risk and a 90% option with the carrier retaining 10% of the risk. Carriers would have the option to participate across all of the pools with no minimums or maximums on what they can put into any one of the pools.

So, an insurance company can say there are certain types of risk such as a restaurant where it is may be too high regardless of the size of the carrier so all of that business will be placed in the 100% pool. But, there may be other types of industries where there is some appetite to share risk with the federal government and that would be placed in either the 95% or 90% pool. That allows the ability to get all carriers to participate in the program and all carriers serving their customers but giving the carrier the option on how much risk they retain so there is certainty to the customer with how much coverage is available to them and certainty to the industry with how much risk is retained. The idea is that you will have policyholders coming to carriers and then carriers would be deciding which policies are ceded into certain reinsurance pools.

Mr. Caminiti stated that as part of its work on modeling, ZNA worked with the Bureau of Labor Statistics which provided granular information about businesses across the U.S. by industry and number of employees in order to get a sense of their expense structure. A simulation model was built that allowed ZNA to make assumptions around coverage available, the take up rates for available coverage, and the carrier behavior regarding how much risk they would retain. Based on the assumptions ran, a $1.1 trillion dollar monthly event was used which is pretty similar to what a lot of experts say COVID-19 equated to, for 3 months. Based on the simulation, because only 80% of expenses are covered and due to other assumption regarding take up rate, it was thought that it would be a $1.6 trillion insured event under the concept. From there, it was gathered the types of employers that would be receiving that – roughly two-thirds of the $1.6 trillion would flow towards businesses with less than 500 employees. Also, the federal government would retain 99% of the loss so the insurance industry would contribute $15 billion towards the $1.6 trillion. That is a number that is not necessarily significant for the problem but is certainly significant for the industry. Because of the flexibility for the carriers to make their own decisions based on assumptions made, it is thought that the vast majority of the $15 billion industry burden would be borne by the largest carriers who would be willing to take some of the risk.

The modeling also allows to simulate potential outbreaks based on certain states. One of the things that the ZNA concept does not have is a cap to the federal backstop and that is very important because depending on how a pandemic could spread in the future the modeling allows it to be seen how the federal caps could be eroded based on how the pandemic moves across states. So, the modeling can show that the top 5 states based on insurance purchased would account for 42% of the total loss or $661 billion of insured losses (CA, TX, NY, FL, IL). So, if you are not one of those top five states you run the risk of potentially piercing that federal backstop cap which is why ZNA believes it is important that a federal program does not contain such a cap.

Sen. Hackett stated that he likes the idea of the three ceded pools. One of the problems seen is that the federal aid to different industries is different. An example is that the hotels could not qualify for PPE for the most part in Ohio because they could not take on additional debt pursuant to the federal program. Sen. Hackett asked therefore if a consistent reaction from the federal government is needed. Mr. Caminiti stated that the concept is designed such that there is coverage available to all businesses so it would be a company's individual choice whether or not to purchase it but that 80% coverage of operating expenses for up to three months is the coverage that is available. The pooling mechanism is more of an arrangement between the insurer and the federal government to manage that risk but as far as the customer is concerned, all customers in the concept are created equal. There is a difference based on company size because it would be prudent for their premium to be higher and the amount of coverage available to them to be capped so that they don't take a disproportionate share of the relief but coverage is available to everyone.

Sen. Hackett stated that in Ohio there is a big movement to try and get businesses to stay open and protect them at the same time. One of the things that was passed was liability protection to the businesses. Sen. Hackett asked if the federal government has stepped in there. Businesses want protection in case they operate and then employees come down with the virus. Mr. Caminiti stated that liability protection is an important part of the legislation that is currently being considered by Congress but is not something that ZNA has worked on with its concept. The concept focuses on helping to make sure that businesses have liquidity. Sen. Hackett stated that he understands that but thinks that could be part of the premium calculations in terms of making sure businesses are allowed to keep operating.

Rep. Matt Lehman (IN), NCOIL President, stated that he is in favor of bringing the carriers in to some form of participation similar to the Terrorism Risk Insurance Program (TRIP). However, when that is done the issue becomes what are the small carriers doing in terms of participation. There are some small mutual companies that may not be able to take on the same amount of risk as others. With regard to the pricing to the consumer, there are certain parts of the country that are more susceptible to terrorism than others and that is reflected in the price. Rep. Lehman asked Mr. Caminiti if when the simulators were run premium was simulated to figure out what it would be for a small restaurant in a small town. With regard to a pandemic, you can assume that it is going to be much greater in metropolitan areas but that may not be the case.

Mr. Caminiti stated that one of the key ways ZNA landed on its concept was so that they could think about the small mutuals referenced by Rep. Lehman versus national carriers. ZNA believes its concept works for those small mutuals because they are being asked to participate in the program but they are not being forced to retain risk. And market distortion is not being created by then saying if that carrier chooses not to participate, another carrier will which will potentially disrupt that other carrier's ability to retain their customers. It is important to make sure that any solution does not disrupt the market and that is part of the reason why it is important to give all carriers a means of participating but then give them the means of how much risk they want to retain so that mutual can continue to serve customers but decide they don't want any of the risk.

With regard to pricing, because pandemic does behave differently than other perils ZNA thought about pricing more so on customer size. That was looked at based on the frequency of event which relates to the point about the federal government being able to subsidize rates. When you look at a 50 year return period that would equate to a 2% charge to the limits provided. So, if you are a decent sized restaurant and have $1.2 million dollar annual operating expenses, three months would be $300,000 and 2% of $300,000 would be the premium charged for the coverage protection. So, thinking along that 50 year return period, it would be 2% for businesses with less than 500 employees and probably 3% for larger companies.

Rep. George Keiser (ND) stated that he looked at the triggers in ZNA's concept and stated that it started to look like cancer insurance in that the triggers cant be met. When administrations are telling businesses that they can operate at 25% capacity, especially without serving alcohol, there is no way they can make it. The pandemic is going to put them out of business and they are not going to qualify under the triggers. Meeting the triggers is very difficult and it doesn't address the reality of the impact of a pandemic on small businesses. Mr. Caminiti stated that is part of the reasons why ZNA thinks a public-private partnership is so important. A private solution without working in conjunction with the public sector wouldn't work for some of the reasons stated by Rep. Keiser. The triggers were one of the things discussed very often internally at ZNA and whatever they work out to be it is going to be so important that the product works hand in hand with the government response. One of the things that remains an issue is how to deal with partial closures. How do you deal with essential entities that have not been ordered closed but are being affected? There is certainly room to continue working on the triggers as they will be so important by the people who are actually signing the orders. It has to work hand in hand with the public response in order to make sure it meets the intended purpose which is to solve a liquidity problem during a period of shutdown or disruption in the beginning stages of a pandemic.

Rep. Keiser stated that he recognizes the important of a public-private partnership. But everyone can see that the federal government is really struggling with the next phase and the minute the private sector is put into the mix, the public sector is going to back off and say if you didn't buy the right insurance why should we be bailing you out for that financial closure. Accordingly, it is not as simple as just having a public-private partnership.

Ms. Manna stated that as get further into the pandemic, more things are learned and more data is obtained and all of that will go into the concept as this is not a final proposal.

New York Congresswoman Carolyn Maloney, Chair of the U.S. House Committee on Oversight and Reform and lead sponsor of PRIA, thanked the Committee for the opportunity to speak about PRIA – HR. 7011. The bill is very important and personal because of 9/11. After 9/11, the economy of New York completely shut down. Nothing could be built and insurance could not be obtained for even a hot dog stand. Lloyds of London offered insurance but it was incredibly expensive. Building could not be completed because insurance companies would not cover any property against terrorist attacks at a terrorist attack site such as New York.

Congress recognized that if companies couldn't get terrorism insurance then there would be no more construction and millions of jobs would be lost. Accordingly, Congress came together in a bi-partisan way to solve the problem and pass the Terrorism Risk Insurance Act (TRIA) which successfully unlocked the terrorism insurance market, got the economy moving again, and put men and women back to work. While NCOIL is committed to preserving state authority over the regulation of insurance, just like it recognized federal action was needed to address terrorism risk insurance with TRIA, it's safe to say that we all recognize federal action is needed again to address the pandemic risk insurance challenge and that is what is trying to be accomplished with PRIA.

Since the pandemic was declared, tens of thousands of small businesses have closed their doors permanently across the country. Entire industries like travel, tourism, film, conventions, and hospitality have been upended. Small business owners who purchase business interruption policies expected pandemic related losses to be covered only to find their claims unexpectedly denied by their insurers. To make matters worse, insurers have recently re-written policies to guarantee that future pandemic related losses will never be covered. So, for the remainder of this pandemic and future ones, small businesses and entire industries have no way to protect themselves from pandemic related losses. We simply cant continue to expose our economy and small businesses to this level of risk and expect them to recover. We cant expect our economy to be resilient in the face of pandemics if we are left gambling that Congress can cobble together an emergency bailout. Just look at Congress now – it still hasn't passed another PPE bill for small businesses and other things that people need. We know the federal government will step in during the next crisis so why not be proactive and develop a long term solution.

PRIA is that long term solution. It would create a forward looking public-private risk sharing federal program supported by a robust federal backstop that would require participating insurers to offer BI insurance policies including event cancellation that cover pandemics. To be clear, PRIA is not retroactive; it is a forward looking solution and it would create a totally voluntary program. Insurers can opt in to the program and policyholders aren't required to purchase pandemic risk insurance, but if businesses want to buy pandemic insurance then under PRIA they could.

The program would be triggered once three conditions are met. First, the pandemic has to be declared and certified by HHS. Then the total insured losses for the pandemic have to exceed $250 million which is a very small amount. Finally, each participating insurer has to pay a deductible equal to 5% of the premiums they earned in the previous year. Once those three conditions are met, the federal government would start sharing losses with the private sector. Specifically, the private sector would bear 5% of the losses and the federal government would bear the remaining 95%. The program is currently capped at $750 billion and the Treasury Secretary will determine the risk sharing split beyond the cap.

Importantly for states, the bill also says that for participating insurers any exclusions that are in effect on the day of enactment that specifically exclude losses covered under PRIA are void and any state approval of those exclusions is preempted unless the exclusion can meet certain criteria such as written approval from the policyholder. States were consulted on that provision which strikes the right balance. Since PRIA has been introduced, a PRIA coalition has been formed consisting of more than 2,000 endorsing organizations. A PRIA working group, which NCOIL is a part of, has also been formed. Also, just before Thanksgiving, the House Financial Services Committee held a hearing on PRIA. In light of the progress made in the past few months, Congresswoman Maloney stated that she feels confident that there is a very real window of opportunity between now and the end of the first 100 days of the Biden Administration to get the bill passed.

Sen. Hackett asked what has been the biggest hurdle in getting support for PRIA and moving it forward? Congresswoman Maloney stated that she has never written a bill that has as much as support as PRIA. Even before it was written, calls were being received from people wanting to sponsor it. So, there is a massive amount of support for it particularly from real estate and small businesses. Every piece of legislation is extremely difficult. Congresswoman Maloney stated that she is working on a bill that has been worked on for 15 years to just get a women's museum on the mall. This bill is particularly hard because it is so massive. Unlike TRIA which involved only the places in the country that were terrorist targets, this is for every single neighborhood in the country because when the pandemic hit it hits every state and neighborhood.

It is concerning that given the way the world is today we will be hit with another pandemic so why not get ready for it. A lot of things were done to help small businesses but it was hard to really negotiate them piecemeal and right now there is a short term target of getting a relief package for small businesses in the next COVID bill but a lot is needed for a long range plan. It was very difficult in the beginning because there was competition from 100 other legislative proposals for COVID relief many of which dealt with the same issue as PRIA. It took some time for the pandemic insurance cases to work their way through the courts but the recent House

Financial Services Committee hearing on the bill was a critical step towards obtaining support within the Body. The hearing demonstrated that there is an overwhelming need for a public-private partnership like this and there were expert witnesses that testified saying that it is absolutely doable. Many were saying it was not but major industry stakeholders testified that it was doable and that they wanted to work in making it happen. Having a hearing was a critical step in the legislative process as it sets it up for a markup later down the line.

When PRIA was first introduced, some argued that pandemic risk was fundamentally uninsurable under any circumstances and that a program with a public-private risk sharing mechanism wasn't workable. Since then, there is a broad consensus that has been formed from many stakeholders, including some insurers, saying pandemic is insurable with a public private partnership program supported by an appropriate federal backstop. That consensus was on display at the hearing. Insurers like Chubb and Zurich have released pandemic risk insurance proposals of their own as have other policyholder groups. Even insurers who didn't originally support federal legislation on this issue have come around and come out with their own proposal recognizing that pandemic risk insurance is a viable product. Making the bill bi-partisan is an important step as it cannot be signed into law without that. Due to technical difficulties with Zoom, Congresswoman Maloney's remarks ended here.

Rep. Lehman stated that he would like to go back to the 2% math in ZNA's concept. If a restaurant that has $600,000 per year in revenue, the premium looks like flood insurance and is almost unaffordable for that one peril. Rep. Lehman asked how many people are going to buy a product that costs $1,500 per month and covers only one peril. If you can't make it affordable, it will become like flood insurance where nobody buys it and the system goes broke. Sen. Hackett stated that ties into the statements made earlier by Rep. Keiser regarding the triggers. Rep. Lehman stated that he would like to discuss this issue further and more data would be nice.

Mr. Caminiti stated that the issues raised by Rep. Lehman are indeed a challenge and that is why requiring federal participation is so important because even when taking something like a 50 year return period view, it still creates a premium that can be challenging for businesses. That is why ZNA is framing this is a concept and more work is needed particularly on the importance of a federal government subsidy. Sen. Hackett stated that it is so hard to get Congress to agree on anything because of politics.

DISCUSSION ON CANADA'S LIFE AND HEALTH INSURANCE MARKETPLACE RESPONSE TO COVID-19

Stephen Frank, President & CEO of the Canadian Life and Health Insurance Association (CLHIA), began with a snapshot of the Canadian life and health insurance marketplace. Broadly, carriers in Canada do not do both property & casualty and life & health business. There are a few that do both but by and large companies either specialize in life & health or P&C. In the Canadian context that would essentially mean the three lines of business of life coverage, health insurance and retirement. There are about 64 individual companies that operate in this space and when you add up all of the subsidiaries and affiliates you get roughly 160 that compete on the market. To provide some context in terms of the number of lives covered, the population in Canada is about 36 million so 70-75% of the industry is touched by the industry in one way or another.

With life insurance, it is by and large sold on the individual market in Canada. There is some bundled life coverage with a typical employer benefit plan but the majority of it is sold through an individual channel. Companies in Canada over the past 30 or 40 years have by and large outsourced their distribution which is done primarily through independent advisor and broker channels. One of the big impacts of COVID has been the relationship with independent advisors in order to support them and continue distribution. An average plan in Canada is about $420,000 of coverage.

On the health side, it is the exact opposite scenario. The vast majority is sold through employer programs – health benefits offered through employee benefit packages which is very similar to the U.S. Generally, people are a little surprised in the role CLHIA plays in Canada. There is a view that there is Medicare in Canada which is government-covered and that is true for hospital costs, physician costs and a portion of prescription drugs but beyond that it is really up to individuals to self-insure through an employer or other types of coverage. About 30% of total spend in Canada is actually paid privately and the vast majority of that is through a group plan. Things covered are prescription medications, dental coverage, paramedical, and travel insurance which is important because that is a big challenge in the industry in a global lockdown scenario.

The majority of retirement solutions are offered through an employer relationship that has group savings programs or a defined contribution benefit plan. Retirement savings products are also distributed such as annuities but through an independent broker. About 75% of the group pension plans in Canada are administered by the private sector. The bulk would be done through union arrangements or civil service arrangements. Each of them had a pretty significant impact through the crisis.

Mr. Frank then began discussing some of the challenges the industry faced in the beginning stages of the transition during COVID. The first was getting its workforce to transition to working from home and continue providing Canadian's service. This was a surprisingly smooth transition. A lot of work was needed with provincial and federal governments in Canada to designate certain industries as essential. The insurance industry was deemed essential which allowed it a skeleton staff to go to work and maintain IT systems and claims systems. Roughly 90-95% of insurance industry workers in Canada are working from home at the moment.

Within the first week, there were hundreds of thousands of Canadians traveling. Mr. Frank was among them. Getting everyone home was an enormous undertaking and for the industry, everybody was trying to active their travel claims so working through eligible amounts and getting people home safely was a real challenge on call centers for the first few weeks. Ironically, the reverse issue happened fairly quickly which was those that were abroad felt they would be better off staying where they were. A significant effort was needed to explain to people that their coverage had risks associated with it in a pandemic scenario and it was important to come home. There was a month period where a lot of collaborative messaging was done stressing the importance to come home.

On the healthcare side, many of the benefits are the same in the U.S. If you want to qualify for a disability benefit you are going to need a physician visit and some kind of attestation from a physician. All the processes that were in place in terms of doctor's notes and prior authorizations were ground to a halt so steps were needed to allow those benefits to continue. As an industry, collective decisions were made regarding waiving wait periods and forgoing doctor's notes. An effort was made to not make it a competitive issue but rather just doing the right thing for customers so there was a lot of forbearance introduced and over time there are decisions that need to be made regarding what should stay and what should go.

There is also a lot of commercial traffic that flows between Canada and the U.S. in terms of truck drivers bringing food or medication across borders and they needed to have health coverage in place in order for them to agree to do that. Generally, coverage would not be offered like that in a pandemic scenario as they would be encouraged to stay home but the industry needed to step up and provide some unique solutions to allow that cross-border traffic to continue. All of these issues were raised in the first two to three weeks of COVID so that was a very frantic period.

Then things settled into a new normal and things froze in place and the industry really wanted to work with government on employee support initiatives to keep employers solvent and keep the employer-employee link to the highest extent possible to make sure benefit plans were maintained. Accordingly, the system was froze and that was a supply shock, not a demand shock. It was thought that once the pandemic passed that would be the best way to accelerate recovery and the industry didn't want people to lose access to their benefits. At that time, it was not anticipated that this would last well over a year but that is what it is looking like. A lot of very collaborative work was done with the federal government to introduce historic wage support. At the same time, companies were rolling out direct support in hundreds of millions of dollars to employees in the form of credit refunds, premium refunds, premium deferrals and a lot of that was in recognition of the fact that many of the types of services that employees would generally avail themselves of weren't happening. The good news is that through the crisis today there has only been a 1% decline in lives covered by the private industry so it has been a very resilient system due in large part to the support that was rolled out.

There was also a reengagement with both prudential and market conduct regulators multiple times a week to ensure the solvency of the industry and ensure that market conduct rules and distribution was still in place and consumers were still being treated fairly. That feeds into the fact that distributors had a lot of paper processes and a lot of requirements in legislation for things like wet signatures and the need to credential exams in person – things that had been identified previously but were never quite got to. A silver lining of COVID was that some of those issues were able to be addressed. Moving to a virtual sales environment and empowering the brokers and advisors to do that and creating a positive virtual experience for clients is a huge lift and that is still being worked on. From the carrier perspective, there were some big changes to underwriting since no fluids were allowed to be obtained and big data become more of an issue– that was an issue when COVID began and is still being looked at today.

Mental health is a growing concern in the pandemic environment. The isolation issues and stress is real and that is being seen in claims data so it has been a huge focus to develop new solutions for virtual health. Virtual health has been accelerated by about 10-15 years as a result of the pandemic so there is a huge amount of activity there in the industry and in employee benefit plans to try and leverage that.

Mr. Frank stated that the current state of the industry is very good as capital levels have actually risen in some cases and sales levels have rebounded. One of the good things about working in the insurance industry, and the life and health insurance industry in particular, is that it has come through COVID very well and is well positioned for the future. From a regulatory and legislative perspective, the priorities the industry had in January and February were put on pause but it is almost time to get back to them. One of the big lifts in Canada is rolling out the new IFRS 17 in 2023 which are new accounting rules and is an enormous change for the industry and it has a lot of capital impacts.

With regard to new product innovation, the snowbirds are beginning to travel again so there are a lot of new products being designed to provide coverage that does include COVID protection. Simplified underwriting also continues and there is a lot of use of big data and virtual solution to try and onboard clients. The shift to the virtual environment is the big theme of the day. It was important to update distributor's capabilities so they have the ability to have virtual client discussions and claims processing and inquiries.

With regard to the next 12-18 months, there is a huge degree of uncertainty as Canada is currently experiencing a second wave of COVID. Vaccines are starting to roll out but it is unknown how long it will take for them to be meaningfully distributed. A big question will be how the inter-relatedness of government and business continues. How that works going forward will be very interesting as a lot of work will need to be done over the next 5-10 years. For companies and the industry, several questions remain: will employees transition back to working in the office; will the low interest rate environment continue; will advisors and brokers continue to learn how to do business in a different way; how will morbidity and mortality resulting from COVID impact the industry; will collaboration between government and industry continue?

Sen. Hackett stated that in Ohio, it has been a pleasant surprise as to how much telehealth has been utilized. One of the things realized is that the level of technology needed is not as great as forecasted by the providers. Sen. Hackett asked Mr. Frank what the experience has been in Canada with telehealth. Mr. Frank stated that the level of use has been amazing. Once you have done it once and you don't have to take the day off work and go to the doctor's office, you probably will never do that again. There is a big interest for employers to start offering such services particularly in the mental health space where the supply of mental health professionals is really concentrated in urban areas. How that interplays with the Canada public system remains to be seen but patients will be the driving force. The expansion of telehealth has been one of the silver linings of the pandemic.

RE-ADOPTION OF MODEL LAW

Upon a Motion made by Rep. Keiser and seconded by Asm. Cooley, the Committee voted without objection by way of a voice vote to re-adopt the NCOIL Market Conduct Annual Statement Model Act.

ADJOURNMENT

Upon a Motion made by Rep. Lehman and seconded by Rep. Keiser, the Committee adjourned at 12:45 p.m.