NATIONAL COUNCIL OF INSURANCE LEGISLATORS
LIFE INSURANCE & FINANCIAL PLANNING COMMITTEE
2024 NCOIL ANNUAL MEETING – SAN ANTONIO, TEXAS
NOVEMBER 22, 2024
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Life Insurance & Financial Planning Committee met at The Westin Riverwalk Hotel in San Antonio, Texas on Friday, November 22, 2024 at 3:45 p.m.

South Carolina Representative Carl Anderson, Chair of the Committee, presided.

Other members of the Committee present were:

Sen. Justin Boyd (AR)
Rep. Matthew Gambill (GA)
Rep. Rod Furniss (ID)
Rep. Matt Lehman (IN)
Del. Mike Rogers (MD)
Rep. Brenda Carter (MI)
Sen. Lana Theis (MI)
Sen. Michael Webber (MI)
Sen. Jeff Howe (MN)
Rep. Bob Titus (MO)
Sen. Walter Michel (MS)
Sen. Joseph Thomas (MS)
Sen. Charles Younger (MS)
Sen. Jerry Klein (ND)
Sen. George Lang (OH)
Rep. Forrest Bennett (OK)
Rep. Ellyn Hefner (OK)
Rep. Lacey Hull (TX)
Rep. Jim Dunnigan (UT)
Del. David Green (WV)
Del. Walter Hall (WV)
Sen. Eric Nelson (WV)
Del. Steve Westfall (WV)

Other legislators present were:

Sen. Josh Carnley (AL)
Sen. Clint Penzo (AR)
Rep. Stephen Meskers (CT)
Sen. Larry Walker (GA)
Rep. Mark Hashem (HI)
Rep. Brian Lohse (IA)
Sen. Jason Howell (KY)
Rep. Mike Meredith (KY)
Sen. Roger Hauck (MI)
Sen. Mark Huizenga (MI)
Sen. Dennis DeBar (MS)
Sen. Hillman Frazier (MS)
Sen. Paul Utke (MN)
Rep. Greg Oblander (MT)
Sen. Bill Gannon (NH)
Rep. Joe Solomon (RI)
Sen. Patty Kuderer (WA)

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO
Will Melofchik, NCOIL General Counsel
Pat Gilbert, Director, Administration & Member Services, NCOIL Support Services, LLC

QUORUM

Upon a Motion made by Sen. Michael Webber (MI) and seconded by Sen. Jerry Klein (ND) the Committee voted without objection by way of a voice vote to waive the quorum requirement.

MINUTES

Upon a Motion made by Sen. George Lang (OH) and seconded by Rep. Lacey Hull (TX), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's July 19, 2024 meeting.

PRESENTATION ON WELLNESS PROGRAM INNOVATIONS IN THE LONG TERM CARE INSURANCE MARKETPLACE

Michael Gugig, U.S. General Counsel for Assured Allies, thanked the Committee for the opportunity to speak and stated that as we go through the presentation, you'll learn a little bit more about what we do and how we do it. We have been able to develop a proven solution to help seniors age successfully and delay the onset of disability or chronic illness, in the way that it's discussed in long term care parlance, for a period of time to allow policyholders to stay at home independently for longer than they otherwise would have. NCOIL and the National Association of Insurance Commissioners (NAIC) have both passed model laws removing from the definition of rebating the types of wellness programs we're going to discuss today. Only about 30 states have adopted one or the other of those models so I'm here today in part to advocate for passage in other states. We've got two parts of our program. One is called Age Assured and we help in force policyholders of long-term care insurance with a wellness program and the goal again is to allow them to live independently without help for as long as possible. The other half of our business is called NeverStop. At NeverStop we currently work with one insurer. We are trying to create new innovative long term care policies so that market can become more robust. As you may know, back in the early 2000s there were about 150 or 175 long term care insurers. That number is now down to essentially a handful and we're trying to do something about that by generating new products. And finally, you'll hear this theme throughout, wellness programs create a win-win for both policyholders and their insurers and we believe that it should not be considered an illegal rebate.

So why is this important? The need is manifest. Americans are getting older. Seniors are the fastest growing population. Roughly 10,000 baby boomers a day are turning 65 and that's going to last for at least another 20 years. So we have a significant long-term care problem out there. At the end of the day when folks have to go on Medicaid, that implicates your budgets and what we are trying to do is help broaden the market for long term care insurance and keep people out of the need to become impoverished and go on Medicaid. Getting older is hard. There is a nine year gap between what we call life span and health span. Lifespan is what we all know as lifespan. Health span is how long you can live without disability. And there's a nine year gap in those two numbers. Seventy percent of seniors who turn 65 at some point in their lives will need long term care services and 80% of seniors have no way to cover that outlay of money which is quite expensive. Long term care, aside from a couple of unique situations, is not covered by Medicare. As I mentioned before, Medicaid is the payer of last resort. Aging takes different roads for different people. As you'll see on the chart on the right, there are factors that go into making people become disabled and ready to go on claim on their long-term care insurance policies. Loneliness is certainly one of them. Falls and mobility. Cognitive decline. Hearing loss. By the way, hearing loss, for those of you who are unaware, there is a sharp connection between hearing loss and cognitive impairment and one of the things that we do as part of our wellness program is to encourage policyholders and members of our program to get their hearing aids. My father used to say he didn't want a hearing aid as he didn't want anybody to know that he couldn't hear anything because he has something in his ear. Meanwhile, he was walking around with an oxygen tank. Again, the goal of our wellness program is to help policyholders remain at home, independent for as long as possible.

Assured Allies is changing the way that aging can occur through the use of predictive analytics. How does that happen? We find the right intervention for the right person at the right time. Again, the goal is to help members stay in their homes independently for as long as possible. And by intervention, I don't necessarily mean expensive things. There are inexpensive things that can make people's lives so much easier and so much more independent. Things like, I call it a pickup stick. Things like the extended arm to pick up things off the floor. There are unique gadgets to help people put on their socks and put on their clothing if they have trouble doing that. These are inexpensive interventions but can go a long way. And again, it's tough to see the dotted line there, but our goal in our program is to try and move the dotted line as close to the solid line as we possibly can. And here's where the rubber meets the road. In a two year randomized controlled study we were able to demonstrate, this was with one insurer on their block of business, a 10% reduction in claim costs over the course of two years and an 8% reduction in incidents over the course of that two years. For those of you who are familiar with the problems of long-term care carriers, a 10% reduction, or to be frank, even a 4% or 5% reduction, will cause a massive positive effect on long term care carriers. At the end of the day, the goal would be that if we can reduce claim costs by a significant amount and we believe we can, the hope is that as time goes by, the need for rate increases or the amount of rate increases that are needed will go down by virtue of programs like ours and others that we hope will join the market soon. No other insurtech company has been able to scientifically validate this type of statistically significant claim savings on standalone long-term care insurance policies. Again, this type of performance can shift the claims curve and may reduce the need or the size of future rate increases.

My father gave me the best definition of life insurance when I was a kid that I have ever heard to this day. And I have been representing life insurers now for coming up on 30 years. And that is the insurer is betting you're going to live and you're betting you're going to die. And that's really the equation in life insurance. We are in a situation in connection with the wellness program where it is one of the only times that I can think of that insurers and their insureds have completely aligned interests. That generally doesn't happen in the business of insurance but here it does. Policyholders use our wellness program for longer than they otherwise would have and that is absolutely a win. There is lots of research out there. Seniors would like very much to remain at home and independent for as long as they possibly can. They generally don't want people coming into their homes to help and they even more forcefully don't want to go into facilities, particularly nursing homes. By the same token, as we're helping insureds, we're helping insurers. We're doing the right thing for policyholders and carriers are providing this service for free. There is no out of pocket expense to the policyholders. All the expenses are borne by the insurance carriers so they're doing the right thing by their policyholders and at the same time, they're reducing their claim costs. This is a definitive win-win for policyholders and for insurers alike. We have some evidence of how our members like the program. Again, the services are free. Thirty percent of those eligible to join our program actually complete on boarding and go through at least part of the wellness program. And we have a net promoter score (NPS) score of 50-plus so far. A score of 50 is considered excellent in the NPS world. And basically, what NPS chooses to measure is whether you would recommend the product or service to your friends and family and it's a resounding yes from our policyholders.

The other side of our business is called NeverStop and what NeverStop does is it pairs long term care insurance and wellness programs and embeds the wellness program into the long term care policy. In this case, it's a hybrid annuity. It's a fixed indexed annuity that has with it a tax qualified long term care rider. So, there's a full panoply of long term care benefits and also a rider that specifically allows for a wellness program. And the reason that's so important is

because in order to avoid rebating statutes in those states that basically still consider wellness programs to be a rebate, it wouldn't be a rebate because it's embedded in the policy. The rule for rebating is if something is something of value that you're giving it to a policyholder and it's outside the four corners of the contract, that is a rebate. And so this takes away the need for any kind of rebating concern. The interesting part about this particular annuity is that policyholders can gain long term care coverage by engaging in healthy actions while they own the annuity and people who are buying these annuities are generally in their 50s and 60s. They're probably 20 or 30 years away from going on claim. The best time to encourage people to engage in healthy actions is when they're younger so they don't find themselves in the bad situation when they're older and they actually need care. The incentive for taking healthy actions drives more policyholders to participate in the program and they can earn up to an additional 15% of their base long term care amount by engaging in these healthy activities. For example, if somebody has $200,000 worth of coverage, if they engage in healthy activities for a period of time, they can get $230,000 worth of coverage and we have found that incentive really does drive participation in the program.

And again, I'll mention NCOIL and NAIC have each passed model laws that would remove wellness programs and other value added services from the definition of an illegal rebate. NCOIL's model is called the Rebate Reform Model Act. The NAIC recently updated their model Unfair Trade Practices Act to put in similar language to what NCOIL has. We are agnostic as to which path states choose to go, or whether they choose to do it by bulletin out of the regulator's office, but we do believe that the 20 or so states where it's ambiguous as to whether or not a wellness program is permitted, they really should make it explicit so that we don't run around having ambiguities in our way in trying to figure out who's going to allow it and who isn't.

Rep. Stephen Meskers (CT) asked if this was correct: the legislation that we're looking at is to reform existing contracts to allow for these types of rebates or enhancements for good performance? And you don't need that for new contracts? Or you're looking for clarity on new contracts as well? I'm trying to understand what the ask is. Mr. Gugig stated that we are asking for both. People who have policies now, one of the problems with the anti-rebating laws is that some have terms like sale, procurement, or administration of policies and some people construe the offering of a wellness program as offering something in the administration of the policy that is somehow improper as a rebate. So it's not the policies that we're looking to reform, it's the statutes that actually need to be reformed in order to expressly permit wellness programs and other value added services to be considered a non-rebate.

Rep. Meskers stated that most of the issues I hear relate to long term care products is the rich products that were written up to 20 years ago, and the rise in cost. So, the people in the nexus that I see as being conflicted are basically somewhere between 70 and 80 and they're finding an increasing cost and the inability to sustain it and figure out where they have to compromise on the benefit package or look for reductions. Are you described this as the perfect product for those aged 60 to 70. I'm dealing with the constituent base that's going to be between 70 and 80 with existing contracts. Do we think it would apply to them and what kind of either enhancement to their benefit or reduction in claims would it lead to? Mr. Gugig stated that hopefully it actually does the opposite. We want very much to be able to offer wellness programs to in force policyholders. The policyholders that get the most bang for the buck from our wellness program are over 80 and they're sort of in a time where they're deteriorating and the goal is to try to stop them from deteriorating as much as we can. So it is definitely in force business that we want to be able to offer wellness programs to without violating the law, obviously.

Rep. Meskers stated that between the insurer and the insured, the estimate is that the full amount of claims that they're going to make if we can extend the time that they're living independently is lower. So there's a mutual benefit in the program because you're not paying 100% for long term care in a nursing home for 5 or 10 years and the time in the nursing home is more restricted because they've extended their independent lifestyle. Mr. Gugig stated that is exactly right.

Del. Mike Rogers (MD) asked how do you monitor the person to make sure they're meeting the criteria to get the bonus or extra benefit? And do you see anything on the horizon that we might have to look at to say this is what we consider the proper rate to monitor somebody before that gets kind of sideways? Mr. Gugig stated that I haven't seen that part second part but how we monitor is actually exclusively with the human touch. We have people who we call allies who get on the phone or get on Zoom calls with our members and go through what they have done or what they haven't done. Part of it is trust. If they tell us they've walked 20 minutes a day, three times a week, we believe them and we give them credit for that. I don't think there would be benefit in legislating sort of what goes in on the ground level of a wellness program. I just think there are so many disparate kinds of ways to approach it. We've chosen one way and we think it's successful but there will be other ways as well. And so sort of legislating what a wellness program would look like as much as I would love to say make mine the law, I don't think that's a good policy solution.

PRESENTATION ON LEXISNEXIS RISK SOLUTIONS' 2024 LIFE INSURANCE MORTALITY RISK MANAGEMENT STUDY

Patrick Sugent, VP of Data Science at LexisNexis Risk Solutions, thanked the Committee for the opportunity to speak and stated that I am going to talk about a white paper we recently released that shows how you can combine medical data and non-medical data to help prove the life insurance underwriting process so it benefits consumers by making the process faster, easier and more accurate. Before I get into the study, though, I wanted to give a very brief introduction to myself and my company for those who don't know. LexisNexis Risk Solutions is a data and analytics provider to insurance carriers and among other industries and I personally work in the life insurance part of the of the LexisNexis insurance category. LexisNexis is very committed to strong governance principles when it comes to the proper use of artificial intelligence (AI) as well as putting the consumer first in our products and in our solutions. As a result of that, even though I am a geeky data scientist introvert, I spend a significant period of my time talking to industry, talking to regulators and other interested parties about the advantages of data and analytics in the insurance space. And before I get into the study I talked about, I wanted to give an example of the ways in which data and analytics are benefiting consumers as we sit here today and that is by talking about the process in life insurance called accelerated underwriting. For those that don't know, accelerated underwriting is a process whereby as compared to traditional underwriting, consumers can get their life insurance faster and easier and less invasively than they can with traditional underwriting.

Traditional life insurance underwriting typically takes about 45 to 60 days. It can be very invasive, including being literally painful as you get stuck with a needle to draw blood. And by using data and analytics with accelerated underwriting it's possible for life insurance carriers to offer accelerated underwriting to their customers so they can get these policies in as little as a few minutes without those invasive requirements. The result of which has been that consumers are more likely to engage in buying life insurance where they might not before and that they are less likely to drop out at that long, more invasive process, meaning they're getting the insurance coverage they need because of the availability of these tools. So what I was going to talk about

today is how we can combine both medical and non-medical data together to help with that accelerated underwriting process and it'll help consumers get their insurance quickly, more easily, and more accurately than before.

I did want to start off by saying in our study what I mean by medical data are things like vitals. That's things like your blood pressure, clinical lab results, things like your A1C, and cholesterol issues. Also, medical diagnoses which is anything from lung cancer to whatever other impairment a person may have, as well as social factors such as tobacco history and tobacco use. As we can see by the numbers on the left, all of these types of factors can be highly useful in evaluating a person's expected mortality which is obviously very important in life insurance underwriting. Equally, when I talk about non-medical data, I'm talking about things like a person's motor vehicle record (MVR) driving history, for example, does a person have a driving under the influence (DUI) violation on their driving history? Things like public record attributes such as bankruptcies or felony convictions, I want to be clear that it's convictions, or credit based attributes, things that show an increased chance of life insurance like paying credit card bills on time, or things that show a negative relationship to mortality, such as being in collections. So, much like with the medical data, a variety of these elements are very useful in providing estimates of mortality for life insurance underwriting. In our medical paper that we have released, one of the things we talk about is a wide variety of medical impairments and how combining non-medical data to those medical impairments can help provide a more accurate assessment of a person's overall life mortality risk and helping to make some of the accelerated underwriting I talked about, the ability to get your life insurance policy easily and more quickly, more available than medical data alone. We cover a number of different types of impairments in our paper but today, I'm only going to focus on one and that is asthma.

Asthma is a condition which obviously isn't related to an incredibly high level of mortality but it's just enough that many carriers may not be willing to put a person through an accelerated underwriting program if they have it. It has, for example, a 114% Standardized Mortality Ratio (SMR) which is a traditional life actuarial technique to measure mortality and it's basically saying if a person is 100%, it means a baseline giving your age and gender you're just as likely to die as the average person given your age and gender with everything we know about you. And 114% is slightly above that. Not all carriers do this, they have different policies, but some carriers, for example, might say anything above 100% I wouldn't accelerate because I want to look at it more. And so, with something like asthma what we can see is since it's over 100%, many carriers may not be willing to accelerate people on the basis of that particular impairment. However, what this chart is showing is that if we take up individuals with asthma and we divide them into ten equal groups based on the non- medical data with the far left of the chart being the individuals who have sort of the highest risk non-medical, the far right of the chart being the individuals that have the least risky non-medical data, we actually see that there's a great deal of additional predictive value for mortality perspective by combining these two data assets together. On the far left side is a person that has asthma that also has highly risky non-medical data, that mortality jumps from 114% all the way up to 220%, nearly double. On the right hand side a person that has a very low risk from a non-medical data perspective, the mortality drops from 114% down to 67%, nearly half. And more importantly, if you think about it in terms of what this really means to an individual consumer is that maybe all these individuals wouldn't have been able to go through that accelerated program that I talked about with all the advantages you get it faster, you get it more easily, just by the fact that they have asthma. But what we see by combining the two data assets together is that as many as 60% of these individuals with asthma actually have lower expected mortality than the asthma data, the medical data alone would indicate and they could all qualify for an accelerated program if the cut off was an expectation of having 100% accepted mortality.

So this is a way of combining medical data with non-medical data together to make it so that additional consumers can get a life insurance policy more quickly and more easily than they could under traditional underwriting process. And of course we have much more extensive studies behind this but the basic message about combining medical and non-medical data is the two types of data do capture risk of mortality that is useful to a carrier, that's useful to life insurance underwriting, and that can help ensure consumers get these policies faster and more easily. The interesting thing about the data is they do measure risk differently. So, medical data and non-medical data captures different types of risk and the two data sets together capture an overall mortality risk profile of a person better than either data set alone. So it's important that they work in conjunction with each other rather than just using one or another. The last slides I have here I just wanted to talk about what is the impact to consumers of the utilization of these types of data analytics in the life insurance underwriting space. It's a very common topic in today's environment to talk about what kind of impact do these tools have in helping to reach historically underserved communities. I've already talked about some of the more obvious cases of accelerated underwriting. You can get your life insurance policy quicker, in a few minutes, rather than 45 to 60 days. You can get it less invasively rather than having to have a blood draw. But there's also a lot of benefits to it that are less obvious in that, for example, it's always been a goal of carriers utilizing these types of tools to help reach that middle market they've been having trouble reaching. And so we at LexisNexis Risk Solutions have done an analysis to see what impact are these tools are having on helping reach historically underserved communities in terms of life insurance. And I'll give you the answer now, but then I'll walk through what it is. What we find with these tools is that life insurance carriers who use these types of tools reach historically underserved communities at both greater numbers and greater rates than prior to the use of these types of tools. So these types of tools, by making life insurance more accessible, by making it so that all types of consumers are more willing and able to go through the process of buying life insurance, they provide that access to more consumers and we're seeing an increase in outreach to historically underserved communities as a result of these tools.

This is one analysis we've done showing the effects of that. This analysis is showing, according to a standard called Bayesian Improved Surname Geocoding (BISG), dividing a group of individuals by race and ethnicity, the growth by race and ethnicity of applications, compared to a baseline year 2019, of what carriers that are utilizing these types of tools in 2020, 2021, 2022 and 2023. And what we see is that there are dramatic increases, especially among historically underserved communities, for the use of these types of tools. For example, in 2020 we saw there was a 165% increase in individuals classified as black by BISG compared to 2019 and 135% percent for Hispanic. In 2021, 254% for those classified as black and 255% for those classified as Hispanic. In 2022, 359% to 334%. In 2023, 403% and 379%. So what we're seeing is that these types of tools, by making insurance more accessible, by making them less intimidating to buy, consumers who may not have wanted to go through that traditional underlying process with all the delay and invasiveness it had and not dropping out of the process because it is difficult, it has had an outreach to all types of consumers, and in particular it benefits historically underserved communities, as seen by our analysis of carriers who are utilizing these types of tools. And if you think about this on an individual level, what does this mean to individuals? What does this mean to real people as they use this? As I talked to agents in the field, they tell stories of individuals who may not have generational wealth, maybe from historically underserved communities, who because of these types of tools, found life insurance more accessible to buy and it wasn't as hard for them to do it. So, they went ahead and bought that life insurance and then when a tragedy did occur that life insurance was there for them, despite the fact that they didn't have that generational wealth. And it allowed their

children to build better lives for themselves as the parent would have wanted. And it allowed them to go out and pursue the kind of dreams that the parent might have had for their children despite not being able to pass along generational wealth when a tragedy did occur. And especially if you think about it as compared to the flip side of the coin, there's obviously an immense amount of difficulty when someone like a parent passes away and all the adversity that brings, so being able to access of life insurance, being able to utilize these types of tools to make it more accessible to all types of consumers, has really had an impact on people's lives as they go about trying to make a better for their children and making sure that they're insured against tragedies occurring.

Rep. Anderson asked how long do they look at those non-medical factors and how many times does it take to factor it in? For example, if a 50 year old had a credit problem when they were 25 or 30. Mr. Sugent replied seven years. Rep. Anderson stated or a 30 year old DUI compared to if it had happened two years ago. Mr. Sugent replied it can vary depending on the type of data source. For example, there's some medical conditions that if you have them, even if they are diagnosed early on, they're still part of your current condition. But generally speaking for the non-medical data, you're talking about a look at up to seven years with more recent data being more important to the equation. I also should probably mention since you were throwing out different ages that the look back is age and gender normalized meaning you're being compared to other people of your same age and gender group, not to people that have had for example, more opportunity to build up certain types of characteristics than others.

CONSIDERATION OF PROPOSED AMENDMENTS TO NCOIL LIFE SETTLEMENTS MODEL ACT

Rep. Anderson stated that next on our agenda is consideration of proposed amendments to the NCOIL Life Settlements Model Act (Model). We've been discussing this issue since our spring meeting in Nashville and now it appears that the amendments are ready to be considered. Before we go any further, I'll turn things over to the sponsor of the amendments, Rep. Forrest Bennett (OK).

Rep. Bennett stated that the model that we're looking at is being reauthorized and just needed some technical updates. You can find the amendments in your binders on pages 160, 165, and 170. They started out as two categories. One was modernizing the model and the other focused on whether agents should be prohibited from disclosing the option of a life settlement when a client comes to them thinking about dropping their policy. Both sides agreed to the first category and in the spirit of compromise, I agreed to withdraw the second category. I want to walk through what we do end up having. So on page 160 is an update that includes electronic delivery options and on page 165, with respect to insurer, they can't deny the legal effect of something solely because it is an electronic signature. And then on one page 170 it just clarifies that nothing can be denied simply because it's in an e-signature format. I really do appreciate that both sides worked well together on these compromises to get something done and as sponsor of the amendments, I really did like the issue regarding an agent being able to disclose the ability to have a life settlement option but I don't want to risk getting nothing done here. So I'm endorsing all of the original proposed updates and I want to encourage my colleagues to think about taking on the other aspect of this when they take this model legislation back to the legislatures but again, I want to move forward today with the amendments in the first category that I described and I encourage my colleagues to support them.

The Hon. Nat Shapo, former Director of the Illinois Department of Insurance and now speaking on behalf of the Life Insurance Settlement Association (LISA), thanked the Committee for the

opportunity to speak and thanked Rep. Bennett for his work on this. Briefly, the model is up for reauthorization and LISA members were polled and provided some suggested changes. Those have been published and discussed and Rep. Bennett explained the compromises that were made. And it was a pleasure working with the American Council of Life Insurers (ACLI) and I think that discretion being the better part of valor, we decided to avoid a big fight here and we wanted to make sure that something got done. So we were happy to agree on what we think are appropriate changes.

Jill Rickard, Regional VP of State Relations at ACLI, thanked the Committee for the opportunity to speak and stated that we appreciate the extra time that you allowed us to talk about these proposed changes with LISA and ACLI is in support of the compromise that we've come to and we think it's very reasonable to require acceptance of electronic documents and e-signature.

Hearing no questions or comments, upon a Motion made by Sen. Jerry Klein (ND) and seconded by Sen. Justin Boyd (AR), the Committee voted without objection by way of a voice vote to adopt the amendments. Then, upon a Motion made by Sen. Klein and seconded by Rep. Ellyn Hefner (OK), the Committee voted without objection by way of a voice vote to re-adopt the Model, as amended. Rep. Anderson thanked everyone and stated that the model, as amended, will now be placed on the Executive Committee agenda for final ratification.

UPDATE ON INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION (IIPRC)

Karen Schutter, Executive Director of the IIPRC, thanked the Committee for the opportunity to speak and stated that the IIPRC has been in existence for 20 years. Since then, several of your states have joined this legislation. In fact, South Dakota just joined this year. I'm actually going to give credit to Sen. Klein because North Dakota joined in 2023 and South Dakota followed. So, 46 states, the District of Columbia, and Puerto Rico are part of the state based regulatory legislative partnership. New York, California, and Florida have yet to join, and we hope South Carolina will rejoin soon. NCOIL, as many of you know, has been a longtime supporter and participant in the Compact and its activities. We have our own legislative committee, which NCOIL appoints four open seats to, as does the National Conference of State Legislatures (NCSL). Rep. Matt Lehman (IN) is the chair of that committee and Rep. Rachel Roberts (KY) and Rep. Bennett were appointed last year to that committee. And our newest appointment was Rep. David LeBeouf (MA). They join Rep. Jim Dunnigan (UT) as well as the Rep. Brian Kennedy (RI), Sen. Laura Fine (IL), and Del. Dean Jeffries (WV).

So we have a great, robust legislative committee that met in Denver with our management committee last week during the NAIC's fall meeting. We had a very good interactive conversation and in fact we also presented to the legislators at that meeting about the Compact. I'm Happy to go into more detail about what this Compact is and many of you are working with Compacts right now in the occupational licensing area. This is one of the more innovative ones in terms of insurance products and approval for life insurance, annuities, long term care and disability income. These are products that you can buy in your state, take to another state and claim on it. And they compete with the banking and securities so it really makes sense to come together and promote uniformity. One of the things the Compact has done over the past few is host Compact round tables. In fact, our first was in conjunction with the NCOIL 2022 Summer Meeting. Many of you around this table have participated in them with regulators as well as companies and consumer representatives. And we formed a committee to really look at those ideas discussed there. And I wanted to just mention that committee it's called our Adjunct Services Committee. This is a Compact that's really promoted a lot of uniformity and it's helped states not only to build robust standards, but to make sure your products are approved under

those standards. And now as your states are tightening budgets and dealing with retirement, we're looking at how can the Compact office and the team help states?

And so one of the things they're looking at is building a framework to make actually not only the product approval, but before a product even gets to a department, can we help make that process more efficient? Instead of a company going state by state and giving the same presentation, can we help collaborate that? And NCOIL rightly so said, "Hey, we know you're looking at these adjunct services but we want to make sure that you're keeping in mind the authority that the legislature granted here to the Compact and to the regulators." And there is no plan to go outside the four corners of the Compact in terms of the products that we're talking about or that approval beyond those what we call uniform standards, which are what states adopt. So I'll just leave you with the Compact was really developed in the early 2000s as a response to the optional Federal Charter and for a lot of reasons you don't hear about that as much now but the Compact has made it much easier to go through the state based system for product approval. But we've preserved your filing fee so this year today we've collected and we provided $2.4 million to the States and $36 million over the history of our Compact.

UPDATE ON RESOLUTION IN FAVOR OF ENCOURAGING A REDESIGN AND THE USE OF LIFETIME INCOME INVESTMENT SOLUTIONS IN DEFINED CONTRIBUTION PLANS

Rep. Anderson stated that last on our agenda is an update on the Resolution in Favor of Encouraging a Redesign and the Use of Lifetime Income Investment Solutions in Defined Contribution Plans (Resolution). You can view this resolution in your binders on page 171. We've been discussing this issue throughout the year and it appears that we still have some work to do.

Josh Freely, Regional VP for State Gov't Relations at TIAA, thanked the Committee for the opportunity to speak and stated that we hope to have the Resolution considered by the committee in April. We think that this resolution really addresses a looming issue for our future retirees. As the population ages and 10,000 people a day retire, the U.S. really stands on the precipice of an economic and financial crisis. There is a significant gap between the amount of money that people need in their retirement and the amount they are saving. At this moment, that gap stands at about $4 trillion. If current trends continue, this gap will cost state budgets about $330 billion in additional spending by 2040 and $1.3 trillion in state and federal spending combined. But those numbers don't really tell the whole story. People are increasingly expressing anxiety over the state of retirement savings. In a recent public opinion survey, over 40% of respondents said that they were not saving enough money to meet their retirement needs. Moreover, over half of Americans over the age of 65 live on less than $30,000 a year and 20% of those live on less than $15,000 a year. And the problem is actually particularly acute for public sector workers. In a recent survey of government workers, only 9% of those workers said that their retirement benefits that they are provided through their employer are sufficient to meet their retirement needs.

Gerard Neely, Director of State Gov't Relations at TIAA, thanked the Committee for the opportunity to speak and stated that as my colleague was mentioning, we're really hearing from workers. According to recent survey data, about 70% of participants in this survey would choose to stay or work at a company that offers a guaranteed lifetime income stream in their retirement. And we're also finding that around 75% of workers would prefer lifetime income stability over principal preservation in their retirement years. So we're really starting to see that everyday American workers are realizing themselves not only that retirement savings issue, but also the lifetime income issue. With that said, the lifetime income resolution before you we think

is really a great first step at continuing and taking a further dive into this issue. First, this resolution will call for legislators to understand how much, if any, lifetime income their respective state retirement plans provide to their employees. Secondly, we believe it is important that legislators examine and quantify the current amount of lifetime income for employers in the private sector. And finally, legislators should enact policies which encourage education for retirement plan participants on their investment options and how to best achieve their retirement goals.

Rep. Anderson thanked Mr. Freely and Mr. Neely and stated that we look forward to continuing to work with TIAA next year.

ADJOURNMENT

Hearing no further business, upon a motion made by Sen. Boyd and seconded by Sen. Walter Michel (MS), the Committee adjourned at 5:00 p.m.