NATIONAL COUNCIL OF INSURANCE LEGISLATORS
LIFE INSURANCE & FINANCIAL PLANNING COMMITTEE
2025 NCOIL SPRING MEETING – CHARLESTON, SOUTH CAROLINA
APRIL 25, 2025
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Life Insurance & Financial Planning Committee met at The Francis Marion Hotel in Charleston, South Carolina on Friday, April 25, 2025 at 4:30 p.m.

Michigan Representative Brenda Carter, Chair of the Committee, presided.

Other members of the Committee present were:

Del. Mike Rogers (MD)
Sen. Lana Theis (MI)
Sen. Michael Webber (MI)
Sen. Jeff Howe (MN)
Sen. Walter Michel (MS)
Asm. Jarett Gandolfo (NY)
Rep. Brian Lampton (OH)
Rep. Carl Anderson (SC)
Del. Walter Hall (WV)

Other legislators present were:

Sen. Jesse Bjorkman (AK)
Rep. Justin Wilmeth (AZ)
Rep. Brett Barker (IA)
Rep. Elizabeth Wilson (IA)
Rep. Peggy Mayfield (IN)
Sen. Jason Howell (KY)
Rep. Robert Foley (ME)
Rep. John Fitzgerald (MI)
Sen. Paul Utke (MN)
Rep. Jennifer Balkcom (NC)
Sen. Bill Gannon (NH)
Asm. David Weprin (NY)
Rep. Meredith Craig (OH)
Rep. Perry Warren (PA)
Sen. Mike Azinger (WV)
Sen. Cale Case (WY)

Also in attendance were:

Will Melofchik, NCOIL CEO
Anne Kennedy, NCOIL General Counsel
Pat Gilbert, Director of Policy, Administration & Member Services, NCOIL Support Services, LLC

QUORUM

Upon a Motion made by Sen. Jeff Howe (MN) and seconded by Del. Walter Hall (WV), the Committee voted without objection by way of a voice vote to waive the quorum requirement.

MINUTES

Upon a Motion made by Sen. Lana Theis (MI) and seconded by Sen. Michael Webber (MI), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's November 22, 2024 meeting.

DISCUSSION ON THE USE OF GENETIC TESTING INFORMATION IN LIFE INSURANCE UNDERWRITING

Rep. Carter stated that we'll start today with a discussion on the use of genetic testing information in life insurance underwriting. As you may know, this is a topic that has generated a lot of discussion in state legislatures across the country in recent years, and the issue has made somewhat of a comeback in the last couple of years. In fact, NCOIL discussed this issue a couple of times in the pre-COVID era, but no steps were taken to develop any type of model policy on the issue. But given the resurgence of the issue in legislatures, I think it's great timing for NCOIL to discuss this issue again and see where it takes us. And personally, I'm very interested in the issue and I'm willing to discuss this in my home state of Michigan as well as here at NCOIL throughout the year. Before we hear from our speakers, I want to note that in your binders starting on page 75 are a few different types of bills and laws from different states that have addressed the issue, including Nebraska, Florida, and Tennessee.

Lisa Schlager, Vice President of Public Policy for Facing Our Risk of Cancer Empowered (FORCE), thanked the Committee for the opportunity to speak and stated I wanted to explain a little bit about the current practice of medicine and how genetics and genomics is playing a role there. FORCE is a national non-profit. We are the only national organization that focuses on hereditary cancers. So, what are hereditary cancers? The people we represent are individuals with inherited genetic mutations like the BRCA mutation. There are dozens of others that have been discovered that increase risk of cancer as well as other diseases. Approximately 5% to 10% of cancers currently can be attributed to these mutations, but we're also working with other groups like the ALS Association, the American Heart Association, the Michael J. Fox Foundation, and other groups because they have discovered genetic components to those diseases as well. I want to mention that the community that FORCE serves is made up of two different types of people. One is cancer survivors - these are people who've been diagnosed and we serve them. They've got an identified mutation that increased their risk and they're doing everything they can to treat that cancer, but also to mitigate risks of additional cancers because these mutations cause risk of more than one cancer typically. The other community is what we call a “previvor” and the medical term is an “unaffected carrier.” Angelina Jolie is probably the most famous one. She has a BRCA mutation and she took some proactive interventions to reduce her risk. I know that sounds crazy, but those options are available to patients and insurers, the health insurers do pay for them if you have certain mutations that raise your risk to a certain level. I happen to be a previvor. I have a BRCA1 genetic mutation so this is personal as well as professional for me.

So, this is just a little about FORCE. We provide support. We get involved in research. We do a lot of education for both patients and providers. And we also are involved in advocacy and public policy. But let's talk a little about personalized medicine. This is something that challenges the one-size-fits all approach to medicine. We all have different genetic and genomic factors in our bodies that might predispose us to certain diseases. Genetic testing can help inform certain decisions like when to start cancer screenings, what type of cancer screenings to have, and potentially risk-reducing surgeries in certain cases. If you get diagnosed with the disease, it can actually help you determine which treatment is going to be most effective. And it reduces that trial and error component because you might find out through testing that your body will respond better to certain treatments. We now have the ability to do that. There are many studies at the state level that are looking at genetic testing. There's actually a national study called the All of Us Study, which is aiming to do whole genome sequencing on 1 million people, and they are delivering results about people who have these mutations. It's definitely being looked at the federal level and I know of efforts in Oregon, Nebraska and Nevada that are doing genetic testing for half a million or more of their citizens. And they have a very strong interest in this topic because fear of genetic discrimination is preventing people from getting tested and being proactive with their health. So, a little bit more about hereditary cancer risk or hereditary disease risk. This is back to biology 101 but there are recessive genes and there are dominant genes. In a recessive gene both parents have to carry that mutation and their chance of having a child with that mutation is one in four, so 25%. Most of those types of diseases are diseases that are going to be childhood onset like sickle cell disease. The type of diseases that we're talking about are dominant mutations. So, this is only one parent has to have a copy of the broken gene. And the other parent has a healthy copy. And their chance of a child that has that mutation is 50%, it's like a flip of a coin. So, you may not think about inherited breast cancer risk, for instance, from a man, but I inherited my genetic mutation from my father. He had increased risk of prostate cancer and some other cancers, but for me, it manifests differently.

So, talking about adult onset disease, it's very different than the diseases that are affecting children. So of course, concerns around life insurance and other types of insurance are something that most adults deal with, but what type of diseases are we talking about? So, cancer, first of all - breast, ovarian, colorectal, endometrial, melanoma, prostate, pancreatic, all of these have genetic components. Cardiovascular disease, there's a lot of cardiovascular conditions that have a genetic foundation and with knowledge they can be easily treated and severe consequences can be prevented. And then you have neuromuscular diseases so things like ALS and Huntington's disease which are obviously some of our harder diseases to deal with but we have incredible technologies being developed in fact a new gene therapy was just developed for the genetic form of ALS and they think it's actually preventing the onset of the symptoms of the disease. Only with genetic testing are we able to develop these incredible therapies. So, we want to incentivize people to go forward with this testing to help with the research and then be candidates for the treatments that are being developed. So, what things can be done if you know you have a mutation? In the cancer space we're talking about much more intensive screenings at earlier ages so for instance, if a young woman has a BRCA mutation, she's supposed to start breast cancer screening at age 25, with an annual MRI. If you have something called Lynch syndrome, you would start colonoscopies between the ages of 20 and 25 so they catch those polyps quickly and remove them. In the cardiovascular space, there are medications people can take. There are implantable devices, like pacemakers or defibrillators. And then worst case scenario, there are surgeries. Similarly, there are risk-reducing surgeries in cancer as well.

Currently in the neuromuscular space, they have developed medications that slow the progression of the disease. As I said, there are some new gene therapies in ALS which are suppressing the onset of the disease and the symptoms, and then there's obviously supportive care should the person develop those diseases. I think it's important to note that just because somebody has one of these mutations does not mean they absolutely get the disease. It means they're higher risk, but the person next to them might get that disease as well without a gene mutation. So, at least that knowledge helps them be proactive with their health. And this is where our motto is, knowledge is power. The genetic information is valuable for prevention, early detection, and effective treatment. Ultimately, unaffected carriers are previvors, which is who we're talking about right now, they do not manifest a disease and yet they are being denied life insurance, long-term care insurance, and disability insurance just because they have a genetic mutation and they've tried to be proactive with their health. So, this is something that we're very concerned about. And we know that there are studies that have confirmed that concerns about genetic discrimination are deterring people from acting on their medical provider's advice and getting genetic testing. I have family members who have said I don't want to get genetic testing even though we have a mutation in our family because they're fearful of how it might be used against them. And in one study, over two-thirds of respondents indicated that they are somewhat concerned or greatly concerned about the use of genetic test results to determine life insurance coverage and costs. So, we know this is playing a factor and we have actually done a national survey and collected stories.

So, let's talk about the federal laws. Most of you are probably familiar with the Health Insurance Portability and Accountability Ac (HIPAA). You sign the HIPAA release when you go in to meet with your doctor. HIPAA is great when it comes to release of medical information. So, most of you know life insurers request, especially if a policy is of a certain amount, access to an individual's medical records. The patient has to give permission to that insurance company to access their medical records in order to evaluate family health history and other things and determine eligibility for underwriting or rates. If the patient refuses to give permission then the insurance company can just say well then never mind we won't give you a policy. But we know there are protections for that. But that's pretty standard so we're seeing pieces of legislation that say that no life insurer or other type of insurer should have access to somebody's record without the patient giving consent. Well that's a given so that type of phrasing in legislation really doesn't do anything. But then we have the federal law Genetic Information Non-discrimination Act (GINA) and it's been in effect since about 2010 and essentially it prohibits two types of discrimination - discrimination by health plans and by employers based on genetic information. GINA’s definition of genetic information is very broad. It not only includes genetic test results but also relative’s genetic test results and family health history down to fourth degree relatives. So, that's pretty intense. And so, that's why they limited it just to health insurance and employment and carved out life, long term care and disability because understandably family health history should be considered in those types of policies. Also, participation in research that includes genetic testing or counseling is also covered under GINA so that information can't be used to discriminate in health insurance and employment.

This just summarizes who these laws apply to so for instance under healthcare, GINA applies to health insurance companies which includes individual health plans, Medicaid, Medicare, and the federal health programs. There are some exclusions like the U.S. military, they have their own policy. HIPAA applies to all health plans, and their business associates. So, let's say they hire someone to help them with billing. They have to sign a contract to maintain confidentiality over that data. And employment, it only applies to employers that have over 15 employees, but it also applies to employment agencies, labor organizations, and federal, state, and local governments. So, those are the covered entities, but obviously life insurance, long-term care, and disability are not included here. So, what are the legal gaps? GINA does not apply to these other types of insurance. We're hearing more and more patients are being denied insurance, or their rates are being jacked up to astronomical rate amounts. We are also hearing of cancellations, which I'm told is not legal, but we've got several stories. We've discovered that there is what's a two-year contestability clause in a lot of states. So, if a patient gets their life insurance right before they do genetic testing and then the insurer finds out, they can claim that the patient withheld information. So what do you do? HIPAA and GINA also do not really apply to direct-to-consumer companies. Now, I'm not advocating for everybody to go out and use Ancestry.com or 23andMe, but I think given the recent bankruptcy of 23andMe, it's something we need to be aware of. How is that data going to be used, and who's going to end up with that data? It could end up in anybody's hands, and we're not sure how that data can be used. And 23andMe was doing genetic testing for the BRCA genetic mutations. So that is very sensitive data that maybe shouldn't be sold to the highest bidder.

A number of states have laws on the books. The strength of those laws really varies incredibly. And only Florida has an outright ban on the use of genetic information in any way, and that includes life, long-term care and disability. To us, that's the ideal law. But I understand viewpoints that certain information is needed to make underwriting decisions. One thing we do know is that law in Florida was passed in 2020, and the life insurance rates in that state have only increased 2% in over going on five years now and 2% is nothing. I looked up the average rate of increase, and not to say it doesn't amount to dollars out of patients' pockets or consumers' pockets, but the average rate of increase is 6% to 8%. So, it's obvious that this law is not harming the industry in Florida. In most of the states, the laws and the language are not very convincing, unfortunately. They use terms that kind of take the teeth away from the law, but they approach things in different ways. There are three main methods: restrictions on the use of genetic information, restrictions on the use of the test or requirement of somebody taking a test, and then actuarial justification for either underwriting or policy rates. I want to note that no state prohibits the use of family history. It's only the genetic test results, and we're okay with that. We understand the value, but the fact that I may have a mutation and my friend here doesn't, doesn't mean that they aren't higher risk of disease than I am. It just means that either they're not aware of their mutation or chosen not to have genetic testing. This is all evolving, and so it's problematic that this data is being used in our minds.

These rules that the states are passing generally fall into one of three categories. So, informed consent, we talked about that. That's required under HIPAA anyway so that's not really something that's needed, and it provides no value. If you don't consent to have your medical record accessed, you just don't get a policy. That's how it works. There are anti-discrimination approaches, which we're in favor of, and then some of the states have tried some other approaches. New York, for instance, has a bill that's approaching it from a civil perspective, saying that the physician can't put the genetic test results in the patient's medical record. Well, that's not feasible because the health insurer needs that information to justify the care that the patient needs. And the patient's doctors need to see that information in the chart to know the type of care the patient needs. So, you have to have that information in the medical chart. No health insurer is going to pay for breast MRIs or risk-reducing surgeries without good reason. So, it has to be documented in the medical records. Patients really don't have a choice but to share their medical records if they want to get a policy. So, what are the weaknesses that we're seeing in the policies that are out there other than Florida's at this point? Ineffective or obscure language. So, discrimination "based solely on." Well, that's very subjective. "Unfair discrimination" is another term that's being used and "actuarial justification." All of these are very subjective terms and it's very hard for anybody to prove, because most of the insurers do not have to give a reason for denial or for their rates. And I think that's something else that we should strive for. If a patient is denied or a consumer is denied a policy, why? Have the insurer explain. Give a reason so that at least the consumer has the opportunity to come back and say, well, that's not fair because…. Also, most of these do allow for consideration of the individual's test results, which honestly is kind of going back and punishing the patient for trying to be proactive. So, that's something that we want to ensure that can't happen in the long run. The insurers should be required to prove actuarial burden or to document justification for their decisions. And they should, in our ideal world, be legally required to give the consumer the reason for denial or for the rates.

So, this is a Vermont law on the books, and you can see I highlighted the term "unfair discrimination." So, that basically makes the law somewhat ineffective, because it's subjective. Again, how do you define "unfair discrimination?" Oh, you have a mutation, and it increases your risk for cancer. That's not unfair. So, that's something we're trying to shy away from. We want to have more specific guardrails. For the international approach, Canada, the UK, and Australia have all banned the use of genetic information for life insurance policies. Australia had a voluntary ban on it until recently, but one thing that they've done that's interesting is they have allowed for the use of genetic information only above a certain amount policy. So, if somebody, for instance, in Australia wants a policy under $500,000, they can't use the genetic information.

If they want a larger policy, then they're allowed to use that information. We think this is a reasonable compromise. The consumer is not trying to rip off the system. They just want to provide for their families and do the right thing. They want to make sure if something happens to them that they can cover their mortgage and help pay for their kid's college. And so, we think that's a very reasonable middle ground. Again, family health history is still permitted in all these countries, and we think that's still acceptable. So I've included here real patient quotes about their stories of dealing with insurance discrimination and how it can be used against them. And we can share these and more if anybody's interested. In summary, only 10% currently of certain diseases are linked to an inherited mutation and identification of these mutations can inform risk, but does not guarantee a diagnosis. And obviously knowledge of these mutations can help individuals be very proactive with their health. Different mutations have different levels of risk. It's a very complex thing. And so, the fact that non-medical professionals are even trying to use this in a way that would harm patients is concerning. So, we would like insurers to be transparent, show actuarial evidence, and explain why a person's being denied. But ultimately, we don't think genetic test results should be used for insurance decision-making.

Jill Rickard, Regional Vice President with the American Council of Life Insurers (ACLI), thanked the Committee for the opportunity to speak and stated that ACLI is the leading national trade organization driving public policy for the life insurance industry, and since we're in beautiful Charleston, I'll begin with some facts about our industry in the state of South Carolina. There are 417 life insurance companies licensed to do business in the state and five domestic companies. We pay out $3.7 billion each year in life insurance and annuity benefits to South Carolina families. That's $10.1 million each day, and about 3 million individual life insurance policies are in force in the state, averaging $106,000 in death benefit protection. So, this is huge financial protection and very important financial protection for the residents of South Carolina and other states as well. Life insurers are in the business of issuing policies. We want to provide life insurance to as many people as possible, but we also want and need to price products accurately and make them affordable for all consumers. We do not search for ways to deny applicants through genetic information or otherwise. In fact, the opposite is true. We are constantly searching for ways to increase the percentage of life insurance ownership. We say that life insurers get one bite at the apple. This sets us apart from health insurers because we have one chance to evaluate the risk we are being asked to assume. And we employ medical professionals, in addition to actuaries, to help evaluate each individual's risk. Even though a policy may be in effect for several decades, once we issue it, we legally cannot cancel it ever. And we cannot adjust rates if an individual's health declines.

For this reason, the voluntary individual life insurance market depends wholly on our ability to accurately assess and categorize risk. When we collect and evaluate information we must ensure that we're being fair to all of our policyholders and that each pays a premium that's proportional to their individual risk. For life insurance to be affordable for all, applicants must be honest and transparent when providing their medical information. We're not talking about 23andMe. We do not ask for this information, but if it leads to a follow-up by a person's physician and additional genetic testing is done, which gets added to their medical record, then we need to be able to take this into account, just as we do a person's smoking history, blood pressure, family medical history. In short, we need to know what the applicant knows. We do not view genetic information as a separate category from any other medical information, and it's not definitive. We don't make decisions based on any one factor. Life insurers take a holistic view and look at the entire picture of each applicant. If a person tests positive for a certain genetic condition, it doesn't necessarily mean that they will not be offered a policy. We take into account any steps that the person is taking to mitigate or manage their condition or catch the manifestation of a disease early. For example, any of the proactive or preventative measures that Ms. Schlager mentioned. We do the same with things like high blood pressure. If you're properly managing your high blood pressure with medication, diet, and exercise, you'll be rated differently than if you're taking no steps to mitigate your risk of heart disease. Genetic testing can also work in an applicant's favor. For example, if a person's family medical history indicates an increased risk for a certain disease, like the BRCA mutation for cancer, they may be placed in a higher risk category just by virtue of the family history. However, if that person then gets genetic testing and it confirms the person doesn't have the BRCA mutation they'll be classified as low risk. So, what can happen if life insurers are prohibited from accessing applicants complete medical records including genetic testing? In short it could destabilize the life insurance market. Policy pricing assumes that the applicant has no greater insight into their chances of premature death than does the company issuing the policy. If you knew that the boat you were going to sail on would sink because you cut a hole in the hull then you have an information advantage.

A basic example of this in life insurance is if you are a smoker and you claim to be a non-smoker on your application, we know that smoking causes adverse health effects and leads to shortened lifespans. If secret smokers get added to the non-smoking risk pool then the premiums charged to the pool would be too low to account for the increased risk of the smokers. The pool would eventually become financially unsound because the insurer would not be collecting enough premium to cover the increased rate of claims from the secret smoker. Withholding genetic information is similar. If we don't have access to the same important medical information known by applicants, then insurers wouldn't be able to assume that the population that applies for coverage has the same risk as those who elect not to apply. Studies show that people with higher risks are more likely to purchase insurance. That's a given. And conversely, people with less risk are less likely. I'll note that the American College of Medical Genetics and Genomics agrees. In 2022, they put out the following statement, “While it may be inherently unfair to penalize someone for their genetic makeup, it may also be unfair when individuals learn about their own genetic makeup and then use that information to decide whether they purchase life or disability insurance while withholding this information from the insurer. Prohibiting insurers from using genetic information in life and disability insurance may thus introduce a problematic imbalance in how such information might be used. This may adversely alter insurance underwriting in a way that has unanticipated consequences for both the industry and the individuals who are or wish to be insured.” It only takes a handful of applicants to adversely select against us and for there to be a negative financial impact.

Again, if an insurer has a significant imbalance between the premiums collected and the benefits paid, it may have to raise rates for all future policyholders. In turn, this may make it less likely for healthy people to buy insurance and then that would push prices up even further. Worst case scenario, this could lead to financial instability and insurers leaving the market altogether. Today, life insurance is more widely available and affordable than ever. We want consumers to use advances in genetic science to improve their health and lifespans. And we do not want consumers to have less access to life insurance coverage because of higher prices. The continued success of the voluntary life insurance market hinges on a level playing field of information and fair risk categorization. I just want to note Florida is the only state that bans the use of genetic testing results in life insurance as Ms. Schlager said. And even that has guardrails. We can use it if it results in a diagnosis. That law was enacted in 2020. It's been less than five years. Life insurance products are long term. These can be in place for decades and it's impossible to determine the impact on the market in such a short period of time. We will not know the impacts of adverse selection for many years in Florida. The Vermont law on the other hand has been in place since the 1990s, actually even earlier for parts of it. And unfair discrimination does have a meaning in insurance. The concept of insurance as you all know is based on fair discrimination. Unfair discrimination is where people with the same risks are classified differently based on protected characteristics or where there is no actuarial basis for the classification.

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

Next on our agenda is the consideration of a resolution in favor of encouraging a redesign and the use of lifetime income investment solutions in defined contribution plans. We've been discussing this issue since our spring meeting last year, and now it does appear that we are ready to consider the resolution. Before we go any further, I'd like to note that, unfortunately, the sponsor of the resolution, Sen. George Lang (OH), couldn't join us today, but his colleague, Rep. Brian Lampton (OH), has signed on as a co-sponsor.

Rep. Lampton stated that I'm very proud to co-sponsor this resolution in conjunction with my friend, Sen. Lang. As you can see on the app, the website, and the printout before you, the resolution ultimately deals with a very important issue facing our country, and that is retirement security. I feel very strongly that we as state policymakers have the obligation to do everything we can to make sure that we help our constituents be able to retire with adequate funds available to them. Doing so will not only help them, but it will also help our states as a whole. So, in the interest of time I won’t go through the entire presentation that the resolution endorses, but I will note I certainly support steps to improve our retirement security for our constituents and encourage all of you to support the resolution. I'd like to thank the committee for considering this important resolution and encourage its passage.

Brendan McCarthy, Head of Retirement Investing for TIA-Nuveen, thanked the Committee for the opportunity to speak and stated that TIAA is the fourth largest provider of retirement plans in the U.S. We've actually been offering lifetime income solutions through defined contribution plans since 1918. Regarding the resolution, if you take defined contribution plans today, those are 401K plans, 403B plans, 457 plans where you contribute and then you accumulate retirement savings - they have been phenomenal retirement savings vehicles. They've helped the American worker accumulate close to $13 trillion in retirement savings. Now there's a few major gaps with that. They do not provide for lifetime income so this resolution is to talk about lifetime income solutions that are great. We refer to them in the industry as a great accumulation tool, but what's missing now is de-cumulation. And this is a challenge. It's a challenge for every American worker is whether or not they’re going to have enough retirement savings to support them throughout their lifetime. And unfortunately the numbers around this are frightening. The Employee Benefit Retirement Institute (EBRI) has a number out there of 40% of American households are at risk of running out of income in retirement. Now, there's a few things that are contributing to that. One is a positive thing, Americans are living longer. A 65 year old today has a 25% chance of living to age 95 or longer. A 65 year old couple it's about a 46% chance that one out of two will live to 95 or longer. That's 30 years or more in retirement. I'll just throw one other number at you - 11,000 Americans a day are turning 65.

So there is great risk right now of American workers running out of income in retirement. The three main contributors beyond that are access to retirement plans. Does the American worker have access to a workplace retirement plan? Number two is, are they saving enough? It's often referred to as the savings gap. When they do have access to that plan, are they signing up and are they saving enough? And number three, workers do not have access to lifetime income solutions within those defined contribution plans. So, the resolution in front of you highlights and outlines the steps that you can all take in your respective legislatures to help encourage looking into this and encourage ensuring that the employees in your state will have enough income in retirement to last throughout their lifetimes. I'm just going to hit a couple of key tenets here. First, it calls on legislatures to study the amount of lifetime income for public workers in retirement plans in their state. Secondly, it highlights the importance of ensuring that employees have access to education and advice tools within those plans so they can help adequately prepare for retirement. Third, we need to ensure that employer and employee contributions adequately meet the retirement saving needs of the individuals. And lastly, and this is the key component, plan sponsors should be encouraged to offer a lifetime income solution to their participants within their defined contribution plans. That does not exist today for the most part. They just offer pure investments. And then, if they want to attain lifetime income, they often then have to then go outside of the plan, seek out a financial advisor, try to purchase them on their own. So, this is just something that would make this a lot easier. It is something that, at the federal level with the SECURE Act and SECURE Act 2.0they have started to encourage the use of lifetime instruments inside of 401K plans.

Sen. Walter Michel (MS) asked if a deferred compensation plan has a required minimum distribution (RMD). Mr. McCarthy stated I'm not sure. I think they're designed differently. And deferred compensation is different than defined contribution, it's a specific type of defined contribution. Sen. Michel stated that we have a deferred compensation plan in Mississippi which is an additional opportunity for state employees to put money aside in addition to our state retirement plan. Mr. McCarthy stated I'd have to look at that specifically as it's a supplemental plan. Sen. Michel stated that your end goal then would be if someone enrolled in a deferred compensation plan like that as a state employee to annuitize that upon a certain age to pay a series of equal payments till death? Mr. McCarthy replied yes - today, these are institutionally priced annuities that are actually investments. And there's various types out there, but they generally sit inside of a target date fund. So, they're embedded inside the default fund. And the retirement plan, whatever the plan type, should work just like it does today. But what it does is underneath the hood of that target date fund, it's allocating towards an instrument. But then they have the option at retirement of seeing that large savings balance they can walk away with it or they can convert a portion into guaranteed pension like guaranteed income. And it's an option for them. So, what you're doing is really kind of setting up almost kind of a default option for them inside the plan. It's almost automatic for them but they don't need to utilize it - it's not required and they can just treat it like the plan works today but that plan now provides that option of guaranteed income. Sen. Michel stated I support the resolution - if people are given an opportunity early in life then they can take advantage of the time value of money. That's the greatest way to create wealth and many people don't understand that concept and if they just start with a little bit early then when they make more they can contribute more. And it's amazing how quickly you can accumulate money if you start in your 20s there's no reason that most people can't retire with at least $250,000 from starting with not that much in the beginning.

Asm. Jarett Gandolfo (NY) stated that I think this is a great resolution, especially the portion on educating younger folks about what their options are and how starting early will just compound that over time. I have a question, and if you don't know the answer right now, that's fine, it's kind of on the spot. But I'm almost 35, and I know a lot of people in my age group, especially where I am, I live on Long Island in New York, and a greater percentage of their income must go towards their housing now, whether it's because of the interest rates, the cost of homes in my area, and even the rent catching up with that. It's not uncommon for people to pay 50% of their income toward their housing. Is there any data available that shows how it might affect this younger generation and how that might affect their retirement compared to, let's say, people who are a little older, and while they still might be at risk of having a cash shortage, how the difference in equity building might affect the younger age group? Mr. McCarthy stated It's hard to answer. I like how you opened the question with the financial advice and guidance. Each individual situation is different based on that particular circumstance, but that ability to save in kind of that tax-free environment through the safety of your defined contribution plan versus home equity and other options that you have there, that's something where that advice and guidance model that a lot of plans are starting to offer. It would help that individual, but I can't compare the two broadly. I live in the Boston area and we're not far off from you on housing.

Hearing no further questions or comments, upon a Motion made by Sen. Michel and seconded by Asm. Gandolfo, the Committee voted without objection by way of a voice vote to adopt the Resolution. Rep. Carter thanked everyone and stated that the resolution will now be placed on the Executive Committee agenda for final ratification.

LIFE INSURANCE 101 PRESENTATION

Leah Walters, Senior VP of State Relations at ACLI, thanked the Committee for the opportunity to speak and stated that as the topic states, I will give a Life Insurance 101 presentation today, and while many life insurance companies have the word life insurance in their name, they are so much more than just life insurance. Creating certainty is our core business. Many are surprised to learn that life insurers offer a wide range of voluntary products that empower Americans to protect themselves and those that they love through all stages of life. People can obtain coverage through the retail market or their workplace, offering them important pathways to secure financial and retirement security. Today, life insurers not only safeguard 90 million American family finances with life insurance policies, but they keep paychecks coming in with paid leave benefits, they offer peace of mind through disability income insurance and supplemental products. And the financial stability of retirement savings through guaranteed lifetime income via annuities is critical as that was just talked about. So, I just put up a list of some of the products that we offer. We offer life insurance, retirement savings through annuities, and as you just heard, an annuity is a long-term contract between an insured and an insurance company where the company agrees to make a series of income payments to the insured in exchange for a lump sum or premiums. It allows for the insured to accumulate funds on a tax-deferred basis for a later payout in the form of guaranteed income.

Let me repeat that. Annuities offer the only guaranteed income product that an insured cannot outlive. Some other examples include we offer long-term care insurance, disability income insurance, and supplemental benefits which include critical illness, dental and vision insurance, accident only, and hospital indemnity. We also sell paid family and medical leave and workplace benefits. For more than 175 years, the life insurance industry has helped people through all stages of life. As this committee knows probably the best, we are a highly regulated industry, and we have a proven track record of effective management, ensuring we deliver out on our promises today and many years in the future. In fact, 12 of the top 15 life insurers that existed in 1880 continue to operate in some form today. The COVID-19 pandemic tested the life insurance industry's mission unlike anything witnessed in our last century, and life insurers stepped up and responded. And I think these next three words are important, without government assistance to protect American lives in their darkest hours. At the height of COVID-19, life insurers paid out $100 billion in death benefits in 2020, which was a 10% increase in benefits. In 2023, and if anyone's interested, I have individual state facts which includes these numbers for your particular state, life insurers paid out $223 billion in benefits, $89 billion in life insurance benefits, $104 billion in annuity benefits, $20 billion in disability income benefits, and $9.6 billion in long-term care benefits.

The industry's private safety net is vast and serves as an important complement to the many public programs. To get a further sense of our industry's scale and impact I think it’s helpful to compare and contrast with the public programs that are highly valued. New research from ACLI finds, and we can share this if anyone's interested, that annuity benefits enable retirees to postpone receiving Social Security payment, saving the program $100 billion as the greatest surge of baby boomers retire. $14 billion will be saved in Medicare expenditures over the next 10 years as long-term care insurance provided by life insurers eases burdens on unpaid caregivers, and prevents people from spending down lifetime savings. And $8 billion will be saved in Social Security disability income expenditures over the next 10 years as disability income insurance coverage provided by life insurers protect workers from risk and helps them maintain their lifestyle. In addition to helping people manage risk, life insurers also support essential parts of the economy. As you'll see, some of these numbers up here, we invest $8 trillion in America's economy, providing funding for factories, jobs, schools, parks, housing, you name it. Life insurers are also the single largest investor in U.S. corporate bonds at $3.6 trillion. And in addition to providing these long-term capital investments, the life insurance industry generates 2.8 million jobs in America. Many Americans also receive benefits like 401K plans, life insurance, and dental coverage through their employer. More than 97 million workers are insured through employer-provided life insurance. These benefits provide more than just a regular paycheck and can help workers manage throughout their employment. To conclude, there is a phrase that we like to say, and it's, life insurers put life in America. We are a stabilizing force in the U.S. economy. We provide long-term stability for families, businesses, and communities. So, I just wanted to give this 101 to let you know that we are more than just life insurance, and I'm happy to answer any questions.

UPDATE ON DEVELOPMENTS IN THE LONG TERM CARE INSURANCE MARKETPLACE

Melissa Bova, Senior Vice President of State Affairs and Policy at Finseca, thanked the Committee for the opportunity to speak and stated for those of you who are not familiar with Finseca, our name stands for Financial Security for All. That is our underlying mission, and we represent the holistic financial planners that provide holistic financial security to all Americans and to your constituents. So, our members are the ones that provide your life insurance, your retirement, your investments, that you need to be prepared for anything with everything life will throw at you. I am here to level set and just prepare you for a really great in-depth session that NCOIL is planning to have at the summer meeting. So, a little bit about long-term care and why many of you in this room are beginning to think about it and talk about it, not only with your constituents, but within your legislative processes.

Americans are aging faster. You've heard that a few times today. So, the number of Americans age 65 or older is expected to increase from 58 million in 2022 to 82 million by 2050, an increase of 47%. In a poll of Americans, 57% believe that when they need long-term care coverage, it will be covered by Medicare, which is not the case. There's a knowledge gap about that when people are thinking about the needs that they will have for the future. And while most people know they need to start planning, 74% know they need to be thinking about long-term care, only 45% have done so. But the biggest pain point that is very familiar to all of you is that Medicaid is growing year over year, and the single largest payer for Medicaid is long-term care. So, we know that this is something you’re thinking about and trying to get your arms around at the state level. Unlike the federal government, you all must have balanced budgets and we understand that and we understand how you're trying to do that year over year. Some states are starting to think about long-term care and have conversations. Washington state is the first and only state to have a state-funded long-term care program. I think Washington is trying to be a leader in this space and a conversation on how we think that is going may be saved for another day. But it's a payroll tax that provides $36,500 of benefits to people who need it. The average long-term care cost is well over $100,000 so while it takes a little bit of the burden off it doesn't provide the holistic long-term care coverage people will need.

But states are thinking about it - we have a number of states that have completed studies on how do we solve for the long-term care is it education of our constituents? Is it more product availability? Is it pursuing something like Washington State with some type of statewide catastrophic solution? These are things that people are thinking about. But one of the things that we're seeing people talk about is how are we incentivizing people to get that long-term care coverage that they need, that long-term care coverage that provides that full benefit that they need and that their family needs when they need it? So, these are some of the things many of you in this room and across the country are thinking about. You look at a state like Washington, which does not have an income tax, and you think about how do I do a statewide payroll tax amongst my constituents for a product that they don't even want to think about needing? How many people are saying, I want to pay a tax for long-term care? They're just not thinking about it. And that makes it more difficult. There's weighing the risk of doing nothing against doing something. But we really believe and as Ms. Walters laid out so well, there are so many product innovations for long-term care within the profession. When you think about long-term care you might hear about those old-school standalone products and now we have really innovative products that are available for people that are tied to their life insurance benefit. That provides them the coverage that they need from that life insurance benefit. And not at a large additional cost. So, our goal here within Finseca and with our trade partners that are in the room is to be a resource to you, to educate you on some of these really cool innovative products that we have as it pertains to long-term care and be part of the solution as you are trying to get your arms around what is a pretty significant problem within your states as you try to balance your budgets. And as I mentioned there is much more to come in July and this is just kind of a level set of what we're seeing and what the numbers look like across the country.

ADJOURNMENT

Hearing no further business, upon a motion made by Asm. Gandolfo and seconded by Rep. Lampton, the Committee adjourned at 5:45 p.m.