

NATIONAL COUNCIL OF INSURANCE LEGISLATORS  
LIFE INSURANCE & FINANCIAL PLANNING COMMITTEE  
2025 NCOIL ANNUAL MEETING – ATLANTA, GEORGIA  
NOVEMBER 13, 2025  
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Life Insurance & Financial Planning Committee met at the Whitley Hotel in Atlanta, GA on Thursday, November 13, 2025 at 3:45 p.m.

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

Other members of the Committee present were:

Sen. Justin Boyd (AR)	Rep. Meredith Craig (OH)
Rep. Matthew Gambill (GA)	Rep. Tim Barhorst (OH)
Rep. Camille Lilly (IL)	Sen. George Lang (OH)
Del. Mike Rogers (MD)	Rep. Ellyn Hefner (OK)
Sen. Walter Michel (MS)	Rep. Carl Anderson (SC)
Sen. Jerry Klein (ND)	Rep. Tom Oliverson, M.D. (TX)
Sen. Pam Helming (NY)	Sen. Mary Felzkowski (WI)

Other legislators present were:

Rep. Naquetta Ricks (CO)	Asw. Catalina Cruz (NY)
Rep. Eddie Lumsden (GA)	Rep. Garland Pierce (NC)
Rep. Daniel Grossberg (KY)	Rep. Jeff Barta (ND)
Rep. Shaun Mena (LA)	Rep. Mark Tedford (OK)
Rep. Robert Foley (ME)	Rep. Matt Morgan (TX)
Rep. Kristian Grant (MI)	Rep. Trey Wharton (TX)
Rep. Paul Utke (MN)	Sen. Cale Case (WY)
Rep. Bill Gannon (NH)	

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 Rep. Matthew Gambill (GA) and seconded by Sen. Pam Helming (NY), the Committee voted without objection by way of a voice vote to waive the quorum requirement.

## MINUTES

Upon a Motion made by Sen. Helming and seconded by Rep. Tom Oliverson, M.D. (TX), NCOIL Immediate Past President, the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's July 17, 2025 meeting.

## CONTINUED DISCUSSION ON NCOIL MODEL ACT REGARDING LIFE INSURERS' USE OF GENETIC INFORMATION

Rep. Carter stated that we'll begin with a continued discussion on the NCOIL Model Act Regarding Life Insurers' Use of Genetic Information, a Model that I am sponsoring. You can view the model in your binders on page 58, and it's also on the website and on the meeting app. As a reminder, the issue was first raised at the Charleston meeting in April and I introduced the draft model at the Chicago meeting in July. This topic has sparked significant discussion in legislatures across the country, and we had a robust exchange in Chicago. No vote on the model is scheduled today. The goal here is to provide states with thoughtful guidance as they consider this issue in their own legislative processes. The model does not propose an outright prohibition on the use of genetic information by life insurers. Instead, it outlines reasonable standards for the use of that information, modeled after the approach Tennessee enacted a few years ago. She noted that she has made some modifications to the model based on the discussions in Chicago. The changes are generally clarifying in nature.

Professor Anya Prince from the University of Iowa School of Law thanked the Committee for the opportunity to speak and stated that I have been working on genetic discrimination and genetic privacy issues for over 15 years, including having a five-year grant from the National Institutes of Health (NIH) to look at policy options for life, long-term care, and disability insurer use of genetic information. This has been an issue that is perennial with everybody in the genetic information space and really has been a concern since the Human Genome Project first started of people saying, "well, what's going to happen when we create this information out there? How might other actors, especially insurers, use this information?" And as I'm sure you all know, the Genetic Information Non-Discrimination Act, or GINA, was passed in 2008 after 13 years in Congress. And some versions of the bills in Congress included prohibitions on life insurers' use of genetic information. And I've been tracking state laws in this area since, and we have seen really an explosion of state bills around this area. And this really is the highest level of public engagement that I personally have seen in these issues in the 15 years that I've been studying this so I think the time is ripe for action.

I think also it's so important to think about a model law in this space. This is a screenshot of a new website that a colleague and I just recently put out that is really targeted for legislators and patients and providers to help understand the landscape of life insurance and long-term care and disability insurer use of genetic information, as well as law enforcement use, but that's probably not your purview. And so, this is just a screenshot that shows really the patchwork of protections, and they're really hard for genetic counselors who are counseling patients on whether or not to take a genetic test to be able to cohesively say what protections are for both them and their family members living across the country. I've provided you with some written testimony that has some further discussion, especially about notes about the consent section in the model and some suggestions regarding the definition of genetic testing that I think could be expanded in ways that will foresee some of the advances in genetics that have occurred. But for time purposes, I really want to focus in on Section 4A of the model which I think is really the crux of the issue here. So currently as written, this allows for the use of genetic information, and uses the language "based solely on," which my understanding of reading some case law in this area, talking to insurance people, is that this was really an actuarial justification model, saying as long as you have actuarial justification, you can use genetic information. And I would argue that stronger protections are warranted in this space. And so, I'm going to go through just a couple of arguments to back this up, and happy to talk further in Q&A.

One issue that I know has come up in both your April and July meetings is that there's little real-world evidence of adverse selection in the case of bans on use of genetic information. Florida is often brought up as the one state in the U.S. that has barred life insurers from using genetic information and as people at the American Council of Life Insurers (ACLI) have mentioned, five years is not a long enough time necessarily to see the impact but I think if we look abroad, we can see other laws that have been passed. So, one in particular is the UK. They have had a voluntary agreement barring the use of the vast majority of predictive genetic tests. That began in 2001. And so, we have 25 years of policy and what's more, it's been reviewed, and continuously renewed in concert with both the insurance industry there and the government. That signals a stable policy for decades. Admittedly, it is very difficult to model real-world adverse selection as there are challenges to that. Absent actual evidence we have to look at modeling. And when we look at modeling and the impacts of a ban on insurer use of genetic information, one of the things that goes into this is assumptions about insurance purchasing behavior of people following a predictive genetic test. I want to spend a little bit of time talking about what goes into that modeling. And so, there's really been three main actuarial studies that have modeled the impact in this space. One, which was done by McDonald and Yu, said that there would be about a 1% premium increase. That was out of the UK but looked at impacts. Howard et al. looked at this in Canada right before they passed their ban on life insurer use of genetic information and that said that there would be about a 12% premium increase. And a few years later, the U.S. Society of Actuaries said it's somewhere in the middle of about 4% to 8%.

There's a really wide range of potential impacts of policy in this space but what a lot of this modeling comes down to is assumptions about insurance purchasing behavior. Polling from the Society of Actuaries report says if we change assumptions about insurance purchasing behavior, that is, if you get a positive genetic test you'll go out and get a lot of life insurance. If we change assumptions about that, then the impacts of these laws is much lower. And the Howard et al. article that said that there'd be a 12% increase in premiums estimated that 75% of people who got a positive genetic test would go out and get 10 times the amount of life insurance. I do not think that that matches real-world experience because people can't afford 10 times the amount. Life insurers will look at other aspects like family history and current age and medical conditions and so it's definitely not at that 75% and we really need to look at this. There are studies that show that people may purchase more insurance, but as part of a really interdisciplinary group a few years back that included an actuary and an economist and several lawyers, we looked at adverse selection or anti-selection in this space, and our conclusion about these studies was that there's variance in the literature. Overall, the variance in the literature suggests no widespread agreement on the impact of genetic tests on insurance-purchasing behavior and therefore anti-selection, and that any evidence that there is an impact is based on studies with small sample sizes and focused on diseases with high penetrance and few preventive measures. I'm currently part of a large-scale genetic study that has over 10,000 people who've gotten their results returned to them, and we asked questions about insurance-purchasing behavior to those tens of thousands so we're going to start to get high numbers. Unfortunately, the data was not quite ready for public consumption in time for this meeting, but I can tell you it does not match those 75% estimates and indeed, it shows that some people who got a negative genetic test also said that they were going to increase their life insurance premium which would be pretty good for the life insurance industry. So, I think more data can say that the impacts might not be as strong as predicted.

What we do know, however, is that there is real-world evidence of people opting out of genetic testing and research for fear of genetic discrimination and that has a huge public health and clinical significance if people don't feel comfortable getting genetic tests. So as an example, one large-scale genomic study across multiple sites that was funded by the Human Genome

Research Institute at NIH found that 13% of individuals who declined to participate in the study cited discrimination concerns and they did this study because they had quite high rates of people declining participation in this study. The other thing I will say about this version of the model law is I worry that a codification of the status quo that is, that insurers can continue to use genetic information, will not address consumers' concerns and therefore is unlikely to quell future advocacy and legislative action. And if the goal of a model law is to provide that consistency, then if we start to see continued efforts to push for more protection to address people's legitimate concerns, then we're not going to face that consistency. Kenneth Meier, a really prominent insurance scholar, argued that salient issues, those that are characterized by intense conflict of broad scope, allow for political elites and consumer groups to be influential, and the power of the insurance industry is important but weaker in these situations. And another researcher, I believe she's a sociologist in Europe, she did an ethnography of life insurance underwriting and she argued that the rise of genetic technologies has turned private insurers' medical risk selection into a major public issue again and this seems to be the catalyst that has drawn state regulators to intervene into private insurance markets.

And so there's this draw to address these issues from the public that is very different than any other sort of mainstay insurance arguments that you might have. And indeed, just to show that in my tracking, 33% of states that have current actuarial justification laws specific to genetic information in the last four years alone have had subsequent bills introduced with stronger protections. Now those bills haven't necessarily passed because of advocacy on the insurance side, but my point is that if the model is passed as is, I worry that we will continue to have at least a third of the states continuing to try to have stronger protections, which just won't be sufficient. This is language of more of a ban on insurer use, and this was presented in your July meeting by Alex Meixner from the ALS Foundation, and it offers the strongest possible protection, and so I would encourage the committee to look at this. But even absent that, I just gave a presentation about how the evidence of the impact to the insurance industry is mixed, and there's lots of uncertainty in that modeling, although I think it's weaker than it's often presented. But even so, there are additional policy middle grounds that exist that have been brought up but not engaged with necessarily as much such as a monetary cap. I think this is a really sensible policy. It says insurers can look at genetic information, but only for life insurance policies over a certain amount that insulates against that gaming the system and going out and purchasing high levels of insurance after a genetic test. But it also allows people who have genetic predispositions that may or may not ever come to be to get the life insurance that they need and to feel like they're protecting their family into the future.

Vince Ryan, Regional VP of State Gov't Affairs at ACLI thanked the Committee for the opportunity to speak and stated that ACLI supports the model in its current form. ACLI submitted to this committee a comment letter dated October 14th that referenced three points made during the summer meeting where the life insurance industry and patient advocates align and I just wanted to briefly touch on those three points. First, risk is not destiny. We agree that genetic information reflects probabilities, not certainties. That is why life insurers view genetic information as a single factor in a holistic risk assessment that also includes any preventive actions applicants are taking to manage their genetic risks. Second, our industry predates genetic testing. While this is true, it is also true that consumers now have access to far more information about their own health risks than they did a century or even a decade ago. This includes genetic test results, which can influence their decisions to seek coverage. And finally, I wanted to address the effects of the Florida law on the market, because short-term stability can be misleading. And as we have stated many times, life insurance premiums must remain sufficient to cover claims that may not occur for decades. It's unlike health insurance that experiences year-over-year-over-year losses. We're covering a policyholder for 10, 20, 30, 40,

50 years out and when assumptions prove wrong, insurers cannot go back and reprice policies or raise premiums. What may appear in the early years as a thriving market can mask long-term imbalances that only surface decades later when claims begin to emerge. Higher-risk consumers may already be disproportionately purchasing coverage as well. By the time adverse experience is reflected in the market, insurers may have collected inadequate premiums for decades, and new policyholders will likely bear the burden through higher prices.

As Chair of the ACLI's Risk Classification Committee, Dr. Deborah VanDommelen thanked the Committee for the opportunity to speak and stated that she has been a medical director in the life insurance industry for over 15 years and is trained in family medicine and holds degrees in public health as well as genetics. Underwriting is actually a benefit to the majority of consumers by allowing insurers to offer the most coverage to the most people at the lowest price. And that truth does not change when we're talking about genetic information and genetic risk. Understanding the medical risks that can affect life expectancy is necessary for insurers to meet our commitments to those policyholders decades into the future, even though we only have one chance to set pricing. Other types of insurance have the ability as often as annually to change their pricing if they have adverse claims experience. Other types of insurance get that more immediate feedback on whether their pricing is going to be sufficient but it can take 10 to 15 years for us to know, and by that time, it could be too late to change course. And so that's one of our main concerns when it comes to restrictions on genetic information and underwriting. I want to reassure the committee and the consumers that underwriting is not based upon a single piece of information. If we want to have any expectation of predicting mortality in an accurate way, we have to look at it holistically. Therefore, we consider treatments and interventions, regardless of the condition, whether it's an inherited risk or whether it's hypertension, where someone may be taking blood pressure medicines to well manage their blood pressure. And therefore, we take that into consideration and give them that credit.

Privacy is a piece of this model, and I think it offers a lot of protections in the way it outlines. There's also the consent process, which is a standard part of our existing insurance application process. But my main concern is actually on the clinical consent side. There's a lot more concern about misinformation or incorrect information that is being provided in that decision-making process to patients and research participants. And I'm excited to hear about the website that maybe can help pull together some of that information to better educate genetic counselors. ACLI has done outreach with the National Society of Genetic Counselors to try to make sure that they understand what those protections that already exist are for most of their patients. I do want to circle back to a few comments that Prof. Prince made, looking at especially where things have allegedly turned out fine where they've put in restrictions. I want to add some context to that. For instance, if you look at Europe and the UK, one of the main reasons it came up as an issue is that there is, to some extent, a mandate for life insurance. If anyone wants to own a home and get a mortgage in those countries, they have to have life insurance to back up that mortgage. And so that was creating a crisis where there's a mandate to buy it. That's part of the reason why it's worked there and why some of those estimates were so low as far as how much restriction would impact pricing, because there's a mandate. In the U.S., we're not talking about mandating life insurance purchase. It is a purely voluntary product to buy.

As far as Canada, their law changed in 2017, and from the information I've seen since then, their pricing for life insurance has gone up as much as 20%. That can't be all blamed on that change in law as it could be multifactorial but I worry that as pricing increases, the purchases of life insurance decreased. We want to insure as many people as possible and that's why I think this particular model does a wonderful job of trying to balance things. I think you've really weighed the interests of a subset of consumers with the majority of applicants and

policyholders. The current language is a sufficient and reasoned approach to maintaining that balance between risk and pricing, keeping insurance as affordable as possible to the majority of consumers, as well as supporting access to those who are stretching to afford protections for their family with all the other increases in costs that we've heard about this morning in the other discussions. It also ensures a consent process that maintains privacy. So, I think you've pulled together some of the best pieces of the legislation that we've seen across the states.

Sen. Justin Boyd (AR) stated I'm thinking through a scenario of we've got a parent who has colon cancer and tests positive for Lynch syndrome. The parent has two kids. One is positive for Lynch syndrome, genetically, and the other is not. Might it help the one who's not if he or she is able to present that to underwriting? If that's not the right scenario because of some other thing I'm sure there's another genetic test where that would make sense. Dr. Van Dommelen stated I would say that I think you're picking up on a really important piece and an important way that Florida got it wrong, because there are situations exactly the way you describe where the assumption is use of genetic testing and underwriting is always to the harm or the detriment of the applicant, but there are definitely places where it could be to the benefit. And so, it puts insurers in a very difficult position that if we're not allowed to use that information in Florida, are we going to charge someone more in premium than we think it represents their risk? But if we don't do that, we're breaking the law. So, I don't know how different insurance companies are approaching that, but it's a very difficult position to be in.

Prof. Prince stated this goes to my comments in my written testimony about the definition of "genetic information" in this current model. It currently defines genetic information to only include an increased risk of disease. So the law as written, would not cover the scenario that you're talking about and wouldn't change how insurers have to cover protective genetic information because protective genetic information actually isn't in the law. But the other thing I will say is I appreciate that concern. What I am concerned more about in that family member is if the person who is Lynch syndrome positive, that means an asymptomatic risk of colon cancer fails to get that clinical testing. Lynch syndrome means that you can go and get colonoscopies and it's like 100% effective at saving this person's life. And so, if that person is so scared to learn about their genetic risk for fear of insurance discrimination, which we have evidence that happens, that they don't get the genetic test, then that person could pass away and I worry more about that than one person having a slightly elevated premium.

Sen. Boyd stated to clarify, it does increase your risk of female cancers if it happened to be the sister so the colonoscopy would not catch those per se. And then my follow-up question would be, is that not somehow discriminatory that we allow it to be used one way but not the other? This is new to me. I haven't really thought through the ethics of it. Prof. Prince stated Lynch syndrome raises risk of multiple different cancers. That's true of lots of different cancer risks. My understanding, I'm not a doctor, but it's a much lower risk. It's not the primary risk of Lynch syndrome is colon cancer, not endometrial cancer. But is it discriminatory if they can't take into account any genetic information, then you're taking into account family history and your manifested conditions, and so that would be treating everybody the same way.

Rep. Matt Morgan (TX) stated I'm from the P&C world and as that's where I spent most of my career and this sounds like the scenario where they put in the little thing and they can track where you drive and how you drive. You can opt in to do that if you want to try and get lower rates. So, it feels like maybe a model that we try and put out should have something that has the ability for people to opt in should they choose, and the ability to not opt in and leave it as it is now where the information is not necessarily accessible by the life insurance carriers. Prof. Prince stated life insurers are doing this in a way with wellness programs. There are wellness

programs that are starting to introduce genetic testing for preventive conditions, and there are some life insurance companies that are starting to offer this to their current policyholders. And so, this is a way where it's theoretically a win-win for both people, where the policyholders can learn of their genetic risk and therefore lower their future risk if they find out that they have Lynch syndrome or another preventive disease, and the life insurance industry is lowering their risk, too, if people take it up on that. So, that's an example of how that's playing out, but outside of the underwriting space.

Dr. Van Dommelen stated key to her example is that the insurance is already in place. And we would encourage people to make their decision on the need for their family and protection in life insurance, first, and then worry about if there is genetic testing second. That way, there's no way for the two to become intersecting. There's nothing for us as an insurer to do after that policy is in place. They have that policy. That's their policy as long as they want to pay their premium and maintain that policy. The other slightly nuanced piece about the testing is that, yes, some insurers it's a very small number, but some insurers the testing that they're offering is actually looking for cancers in the body. Unfortunately, we only have about four cancers that we have really good screening for, and there are certain genetic tests out there that claim, we're still waiting to see if they can refine it and prove it out, but the genetic testing is actually a blood test to look for up to 60 different cancers that someone might have. So, it's not necessarily looking for a propensity for cancer. It's looking to see if you have existing cancer cells circulating in your blood that can be picked up genetically.

Rep. Morgan stated I agree to disagree in that most people buy term life insurance and not whole life so therefore you're changing that on a fairly regular basis, I would say. So, unless I'm buying it outside of my work which most people I don't think do, that changes on a fairly regular basis and gives the insurer and the consumer ability to negotiate and decide if they want to do genetic testing or not. I appreciate the other points that were raised as far as that goes.

Rep. Carter thanked everyone for their participation and stated she looked forward to discussing the model further at the next meeting where hopefully it will be ready for consideration. If anyone has any questions, please reach out to me or NCOIL staff.

#### A WORD FROM OUR INSURTECHS

Laura Heeger, Chief Compliance & Privacy Officer at Ethos, thanked the Committee for the opportunity to speak and stated that Ethos is an InsurTech life insurance distribution platform for individual policies. My background is at the carriers. I spent 12 years at MetLife. I was their chief compliance officer for international and U.S. businesses at the end of my career there and then I went to Prudential Financial where I was head of international business compliance and their global ethics officer and head of anti-financial crime. I then went to Ethos. Ethos is currently private and scaling very quickly and it was built just seven years ago to try and drive insurance to mass market. We're talking about direct-to-consumer sales of insurance. Over 60% of our sales are direct-to-consumer. Ethos is a licensed producer because of the direct-to-consumer sales. We're also a third-party administrator (TPA) for some of the carriers that sell through our site and on our site, in as little as 10 minutes, 95% of the people that visit will get approval and a decision at the end and then will be instantly issued an insurance policy. They can download it right then, so it really is changing how insurance is sold and bought.

To show a little bit on how the platform works, we think about it as a three-sided platform. It's available for consumers to come direct to consumer, and we sell that way. We also allow independent agents to bring their consumers through our funnel, and then carriers contract with

us to have their products on our platform. To explain a little bit how the platform works, if you think about if you went to buy a plane ticket on Kayak and you said I wanted to go to Atlanta for NCOIL and Kayak would look through all the different airlines and find you one that matches what you need, that's essentially how our platform works. A customer will come in, we'll do a simple needs analysis, the applications are digitized in the platform, and the customers flow through the application which is dynamic and trees out as they answer questions.

For example, if you are a healthy 40-year-old non-smoking woman and you're coming through the flow and you're looking for term insurance, it's going to be a very short series of application questions. If you're looking for a whole life or an indexed universal life (IUL) product, it's going to be much more complex with more treeing going on. Similarly, if you had underlying health conditions, it would tree out and be reflexive as you went through the process. The other thing to call out about the platform is we haven't simply made a PDF editable. We've really digitized the application experience, and I have some sample screens I can show you, but I just wanted to drive home that this is built for mobile and for desktop because they function differently, and it's really built for digital consumers. To call out a little bit more of what Ethos does, we actually start the whole process when carriers come to us and say we want to sell products through your platform, and we help them design and build products that will be effective in the digital space, because what we need to do is find products that can be explained in a digital manner that customers can understand as they come through.

As I said, we only sell individual products, we don't sell group products, and we act as a TPA for many of the carriers on our platform. We have a bespoke underwriting engine that we've developed but we use the underwriting rules for each carrier for their products as customers are coming through and all of this is interactive. The carriers, however, still pay all the claims. The carriers are responsible if there's any rescission. I was here earlier for the artificial intelligence (AI) discussion and we don't use any AI in our underwriting either. That's the high level of what goes on with the platform. The other thing to call out is the compliance risk management that goes on. The way we fit into the insurance space in terms of distribution is essentially we're onboarding customers for carriers and so we're subsumed into the carrier programs for onboarding. We pick up their anti-money laundering requirements, their sanction screening requirements. We have advanced fraud screening techniques we use in our flow where we can pick things up in real time as customers are going through and we have the same compliance risk management program that I had in place at MetLife and Prudential. It's a highly scalable continuous loop feedback, looking at our first line controls that exist and what we're picking up from those and the feedback that comes back.

Anecdotally, I can tell you, coming from carriers, one of the huge differences in the InsurTech space is the speed at which we can react to the data we're seeing from our controls and from our customers and if there's a customer complaint or if a carrier has a concern. In my first two weeks at Ethos, there was some little bug on the platform and they came to me and said, "how fast should we fix this?" And I still had my carrier hat on, so I was thinking in carrier timelines, and I thought it needs to be fixed reasonably quickly, so in carrier timelines, that would be within the next two quarters as that would be amazingly quick for a technology fix. We need funding, we need a project plan, we need to get it on the IT schedule, it's a big deal. And I said three to five, meaning three to five months in my head, and they said hours or days and they fixed it in two hours, and it was done. Everything happens in sprints. If I say something's priority 0, it happens this week. If it's priority 1, it happens next week, and there's nothing past that. And so, in working with our carriers, we can be incredibly responsive to emerging risks that we might discover through our compliance program and through their compliance program. We have quarterly meetings with compliance teams at special investigative units (SIUs) where we're

sharing information about what we're seeing in real time. And we have huge amounts of data we can bring to the table to really analyze what could possibly be going on and what we're seeing.

It's been, for me, a real education in you really can go faster in terms of risk management. You really can handle things differently than I always was able to do with the carriers. And it's been, frankly, from a compliance standpoint, kind of freeing to be able to address things differently. The last thing I wanted to do was just show you some screens. I wanted to show you where they kind of come in the digital front door of our website. We do sort of a very basic needs analysis. This would be for a standard term policy as they're coming through - what are your costs, who depends on you, those kinds of things. And then they're going to flow into this very dynamic application and we actually take the application questions that have been approved in every state, and then that's what's flowing through. One of the first questions we're going to ask the consumer is what's your zip code, because we need to know the state. We can determine agent licensing then if there's an independent agent bringing them through, but we can also determine if there's any state-specific requirements.

And that's one thing we've noticed is that when a customer comes through the digital front door, most of the time we can give them a fully digital experience but there's still some state laws that linger that require paper and that requires us to come up with workarounds with our carriers and figure out how to handle things that still require paper in some states. But we're mostly completely digital. They'll get approved, they'll get a coverage explanation, there's a little slider where they can say, what if I got more coverage, what would my premium be, what if I got less coverage, what would my premium be, and they can play around with it. They review their application, they consent to all of that, and then they sign out where they get to review their application again, their beneficiaries, their coverage amount, and you can see on the "congratulations, you're approved screen," where they've gotten this is the carrier that you've been assigned to and the policy you're getting. And as I said, this is all in less than 10 minutes, and that includes all of my compliance controls running in the background of it. So, hopefully, it's been a good experience. The average net promoter score, how often customers are telling friends and family to go to this carrier, in the insurance industry is 14. Ethos' net promoter score is 71. So, we have a much better customer experience of buying insurance coming through our digital platform than in standard insurance sales.

Sen. Boyd stated out of curiosity, do you have a more robust incontestable period when you don't go through the traditional underwriting process? Ms. Heeger replied no, the contestability period's the same, and we use the same underwriting rules. The carriers give us their underwriting rules for their products, and that's what we're pulling through. We just have real-time data. So, for example, if you're going through our application, you're answering questions, and before you begin the application, we've gotten your consent to pull data on all kinds of data, and you've consented to all of that. We'll begin to pull data in real-time as you're answering the application questions, and so we're sort of underwriting in real-time as we're going through and validating what you're saying. If you say something that doesn't match data that we've pulled, we'll ask you about it. Sen. Boyd asked if you have access to medical records or something similar like my pharmacy records. Ms. Heeger replied yes, all of that is flowing in.

#### UPDATE ON FEDERAL RETIREMENT SECURITY INITIATIVES: SECURE ACT 3.0 ON THE HORIZON?

Andrew Remo, VP of Retirement Security at ACLI thanked the Committee for the opportunity to speak and stated that I'm going to first talk about HR 1, the One Big Beautiful Bill Act. From a life insurance industry perspective, we were quite pleased with that. The last time that

Congress did a big tax bill, which was in 2017, the life insurers really got hit as a pay-for up to the tune of \$25 billion, where every other industry got a tax break. The life insurance industry did not. So, frankly, we were paranoid about what was going to happen this go-around, and we were very pleased that we were held harmless. The net result here was no changes to subchapter L provisions, no change to the corporate tax rate, no changes to the corporate, state, and local tax deduction or C-SALT, no increase to the share repurchase excise tax, no negative changes to product tax. And then just in the employer benefits space, there were no changes to the federal income tax incentives for both retirement and health and welfare plans. There was an improvement to the tax law with respect to the paid family and medical leave credit, so Section 45S, or what's called the Fischer Tax Credit. That was extended and made permanent, and it was expanded to permit the credit to be taken for paid leave insurance premiums. So that's a provision that we advocated for, and we were happy to see that included.

One of the provisions that took a lot of observers by surprise in this space was a provision that created a new savings vehicle called the Trump Account, and it also created a contribution pilot program. This is a new tax-preferred savings account for minors. It ultimately was defined as an IRA so you can make cash-only after-tax contributions up to \$5,000 per year into these accounts. There's a provision in the law that says employers can contribute up to \$2,500 per year and exclude that contribution from the employee's income. And one of the most interesting pieces of this is for every child now that's born starting the beginning of this year through the end of 2028 will get when they open up an account and apply for this, will get a \$1,000 government contribution. So, that's an idea that has gone back I think since the 1970s in terms of just contributing seed money for every child and providing a saver stake for every single child in the country and we're going to see that sort of play out. There's a lot of questions in terms of details around this provision but it's an intriguing one. There's also investment restrictions within these accounts and fee caps that could make it less attractive for folks versus other sort of savings vehicles and frankly less attractive for financial service providers to offer these or to promote these in a significant way. But I think the seed money is going to be attractive and they have a year until the further details come out but Treasury is going to be working very hard on standing this program up and providing the rules of the road for financial providers to offer these accounts so that's just something to watch as it develops.

The One Big Beautiful Bill Act also made various 529 plan changes which is a savings vehicle that's been around quite a while but that's been expanded significantly in terms of allowing for new qualified higher education expenses. So, now you can have a 529 and you can pay for additional elementary or secondary, public, private, religious, and homeschool expenses up to \$20,000 in tuition. So, that's a broad expansion of what you can use the vehicle for and then you can also use a 529 to pay for certain post-secondary credentialing. So non-college, if you want to get a credential in whatever profession and have a 529, you can use those savings for that. So, that was the major tax changes that happened in our space this year, but what's next? The two major retirement bills that were enacted in the last six years at the federal level, SECURE 1.0, SECURE 2.0, and if you even go back further to the Pension Protection Act in 2006, and a lot of the changes that were in the 2001 tax law that really built the framework and the bones for our current defined contribution system that we have - those laws did a really good job of automating people into the system, providing automatic enrollment features, automatic escalation features, so you can defer more money automatically in a working career.

And even SECURE 2.0 had a provision called auto portability where if you have a smaller dollar balance and you go from employer A to employer B, that money follows you to your next 401k so you can really build up that pot of money for your retirement as opposed to just cashing it out at job change. I think automation is critical. People tend to act through inertia and so how can

we automate the system to drive optimal outcomes I think is critical. The one gap that we have is really automating now the distribution phase or the decumulation phase of retirement, which is really where the life insurance industry plays the critical role with respect to guaranteed lifetime income with respect to annuity products and that's really what we want to focus on for SECURE 3.0 is automating distribution and retirement. And that's really where these proposals come in that we're focused on. Step one is to require employers that have a 401k plan to have a guaranteed lifetime income distribution option available for participants so when they get to that stage in retirement, that's an option available. It's not required now. We also want to update the liquidity rules especially with respect to default investments because now that you automatically enroll people, you need a default investment for people that don't choose another investment that's available and we think guaranteed lifetime income has a role to play there.

I think Wall Street is developing products with guaranteed lifetime income features with annuity wrappers to these default investments and we want the laws to reflect that and that's a part of our proposals. And then some of the smaller items would be to create a new in-service rollover distribution option for folks. So if you're age 50 and you're working in an employer that has a 401K plan and you have a significant amount of savings built up, we want to allow those people to take that out and to purchase an annuity and lock up that guaranteed lifetime income, but also be able to continue to save through the last 10, 15 years of their life to maybe have a more liquid pot of money too. So that was sort of intriguing because age 50 is sort of when you can make catch-up contributions, and you can make really juiced-up contributions right towards the end of your retirement, and that's usually when hopefully you paid off your house, you paid your kids' tuition, and now you're really focused on your own savings for your own end of life so that's sort of where that idea came from. And then finally is an update of what's called the 402F model rollover notice, which is a notice that Treasury is required to give everybody that separates from employment rollover options. It's a very complex form. We're just trying to simplify it and highlight the fact that you can take a rollover and purchase a guaranteed income product like an annuity. So that's sort of what we're working on for SECURE 3.0. Outside of that, I think you're starting to see that retirement policy on the Hill is one of the few policy areas that is bipartisan in large part. And we've seen that process play out in SECURE 1.0 and SECURE 2.0 and the Pension Protection Act as those were overwhelmingly bipartisan bills and we would like to see that again. This Congress has been very partisan and each party wants to their priorities and that gets contentious particularly in the tax arena through reconciliation bills. We want to separate the retirement stuff out from that because that inherently is less stable and tends to get undone and we've seen that play out before.

I don't think SECURE Act 3.0 is really germane for this Congress. I think it's more perhaps the next Congress or at some point in the future but they're starting to work on proposals and this is just sort of a snapshot of the other bipartisan proposals that we see out there. The first line is just to allow for 403b plans to have collective investment trust investments and separate account insurance product investments that all other defined contribution plan vehicles have. That's a pretty wide consensus issue but that's a securities law change so that needs to go through the banking process. So, that's sort of separate from other retirement policy as it's on a separate track but that could be something that gets done this year as part of a broader capital markets financial services package. But the bottom four bills have been introduced in both the House and the Senate on a bipartisan basis and that would form the basis for SECURE 3.0, hopefully along with our annuity proposals that I talked about. The first piece is expanding Employee Retirement Income Security Act of 1974 (ERISA) coverage to age 18 as now, the minimum coverage level is 21, so that sort of modestly increases the pool of people that employers would have to cover if they had an ERISA plan. Another piece is requiring automatic re-enrollment. So, if you're automatically enrolled and you opt out, you can get automatically re-

enrolled, say, within the first three years or up to annually. And then a couple of tweaks to the small employer pension plan startup credit to make it more generous for micro-employers, and that's defined as employers between one and nine employees, to get the full \$2,500 for the first three years if you have a 401k plan. And then also to apply the credit to tax exempt employers that don't have traditional employer income tax liability, but to provide an incentive to have a 401k or a 403b plan, but to take that tax credit off on their payroll taxes, since as tax exempt, they don't by definition owe any income tax.

Rep. Tim Barhorst (OH) stated regarding the Trump accounts and the \$1,000 at birth, I'm a group benefits consultant and do 401k planning and I've got one of my vendors researching if we can implement the Trump accounts underneath the group annuity contract that is sometimes a 401k or whether it's our open architecture. Is that something that you are involved in, or do you see that as a roadblock they'll hit when they research this or have those rules not been developed yet or is there an opportunity to try to figure that out? Because with new things, the marketplace has to embrace and facilitate and implement it and make it easier to happen. Mr. Remo stated I think that's a huge question. The rules have to come out within the first year but I think there is going to be a real interest for anybody that has a kid that is born now and in the next four years to have access to these accounts and there is an intent with that \$2,500 incentive to have employers sort of facilitate this in some way but we really have to get the rules out and then there has to be company interest in offering these and then sort of marketing it through their distribution channels.

Rep. Barhorst stated when the Roth IRA option came up, it took a little longer to get the pickup on it, but it's kind of a normal thing now, and I just was curious if that would be something similar here. Mr. Remo stated any type of major employee benefit changes are very complex, and there are a lot of details that tend to come out. I will say that this is the number one priority probably now for Treasury and there's sort of a limited time on this. There was a provision in SECURE 2.0 called the Saver's Match that would basically translate the Saver's credit into a matching contribution. That doesn't kick in until 2027, but a lot of the same sort of piping questions are there and if you have an account, you can get up to \$2,000 if you contribute \$400 to an IRA. A lot of those same issues apply to the Trump accounts that now need to be done more quickly so I think there's been some thought that's been given to how to facilitate this through the Saver's match. That law was passed in 2022, and they're just now sort of applying those lessons to the Trump accounts.

Sen. George Lang (OH) stated for the last 30 years, I've had my Series 6, 7, 63, 24, 26, and my life and health licenses and for that entire period of time, the only thing that has been consistent is we have been playing in the defined contribution market. We currently do business in over 500 school districts, multiple 401Ks, multiple 457s, and we play in the alternative retirement plans at colleges and universities as well. I have some concerns about the emphasis on annuities in the retirement phase. As you know, when 403Bs first came out, the only option you had available was an annuity so 100% of all sales were annuities. At that time, they were only fixed annuities. Then they allowed variable annuities. Now they allow a whole plethora of investment options and we don't even allow any of our agents to market annuities in those plans anymore because they tend to have significantly higher fees and you pay the higher fees, you get some benefits, the deferred taxation, but you get that in the qualified plans anyway, so that benefit that you're paying a higher fee for is redundant, and the reality is anybody at retirement, if they choose to, could roll their money easily into an annuity, and annuity contracts tend to be more rigid with less flexibility, or they can design their own annuity plan within the investment options that they currently have available and adjust it for inflation on an annual basis without the rigidity or inflexibility of an annuity plan. And the last thing I would like to add, if you are an

investment advisor, and you are an registered investment advisor or a certified financial planner, or some other fiduciary responsibility, you couldn't even sell an annuity if there was a better option available to your clients. I was really excited about everything you recommended with the exception of the annuity for the distribution phase of the retirement plan and maybe you can help clarify some of your reasons a little better for me.

Mr. Remo stated I represent the ACLI and our members sell annuity products. I view annuities as insurance. It's the only product in the marketplace that guarantees an income stream of payments throughout the rest of your life. None of those other products do that. And so there is a premium to be paid for the guarantee. An annuity is not necessarily an investment product per se. It's more of an insurance product. So, some people value that. Annuities aren't for everybody and I personally would say you should annuitize a portion of your savings or at least purchase a deferred annuity passed a date certain to protect against the longevity risk because that's what these products are designed for. Your concerns are valid about should everybody lock up all of their savings in retirement on a rigid annuity product? I would say no and there should be probably more flexibility there so it's definitely a philosophical conversation. Sen. Lang stated we use a lot of life insurance products in our retirement vehicles that aren't annuities, so I love the life insurance product platforms because they give you so many more options than some of the mutual fund platforms, so I just wanted to throw that out there. Anybody that wants to annuitize today certainly has that option.

#### ADJOURNMENT

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