



## **SUMMARY OF DC COMPACT ROUNDTABLE**

*Prepared by the Compact Office*

### **EXECUTIVE SUMMARY**

The third Compact Roundtable was held on May 17<sup>th</sup> in Washington, DC with 12 Commissioners, 9 regulators, 2 legislators from Compacting States along with 17 company representatives, 4 industry and legislative organization representatives and two consumer representatives. Much of the Roundtable was spent in breakout discussion with each group reporting on their feedback to strategic areas guided by discussion questions.

The agenda, attendee list and detailed summary follow.

- The first breakout was geared towards enhancements to the current Compact process.
  - The most agreement was around speeding up the Uniform Standards development process and developing more Uniform Standards.
  - Suggestions included having more dialogue with the industry earlier in the development process, developing clear timetables for development, elevating controversial issues sooner, and accelerating the process for more straightforward items.
  - Support was voiced for developing standards for supplemental benefits and value-added services as well as filling in the gaps for incidental benefits.
  - In the first breakout, the idea of a regulatory process to review Compact decisions where the Compact says “no”, which was raised at the Omaha Roundtable last October, did not get clear support as more questions needed to be explored before companies and some states could get comfortable with the concept.
  - Suggestions for improvements to the mix and match process were also discussed. Mix and match is important when Uniform Standards do not exist but it should not be used when the company does not want one part of its product to conform to existing Uniform Standards.
- The second breakout was focused on future paradigms.
  - Agreement existed to explore an advisory review process, a forum for innovation, and piloting artificial intelligence.
  - The overarching objectives should be speed-to-market, consistency, and uniformity.
  - States indicated their openness to having extended services at the Compact.
  - Companies were open to exploring ways to achieve wide approval from states using a one-stop shop framework.

The next Compact Roundtable is planned for Omaha in October 2023.

## **DETAILED SUMMARY**

On May 17, 2023, Commissioners, regulators, state legislators, consumer representatives, company and industry representatives, and NAIC and Compact Office staff gathered at the Washington Marriott Capitol Hill in the District of Columbia for a three-hour roundtable discussion.<sup>1</sup>

Maryland Commissioner Kathleen Birrane, Chair of the Compact Commission, opened the meeting and encouraged the attendees to share and listen to the many perspectives and ideas on how the Compact can be improved and further leveraged to serve its member states and meet the regulatory needs of this industry today and in the future. She explained the Commission is focused on developing an updated strategic plan for the coming three years and will use the takeaways of this Roundtable in strategic discussions with the Commission members.

The format of the Roundtable is to discuss the ideas that came out of the 2022 Roundtables and explore strategies and considerations around each topic. The first part will be about strategies that can improve the current Compact process. The second part will be about strategies for the next generation of services for the states and industry including a platform to help states review forms that cannot be filed with the Compact today.

Karen Schutter, Compact Executive Director, provided an overview of initiatives already underway – some from ideas raised during the Compact Roundtables in 2022.

The following is a summary of the feedback on each area of strategy discussion.

### **Discuss strategies for speeding up Uniform Standards development.**

#### DISCUSSION QUESTIONS:

- Would it be valuable for the Compact to have an accelerated docket for certain parts of Uniform Standards development?
- What would be the risks?
- What types of items would be in the scope of an accelerated docket?
- What part of the process should be accelerated (or not included) and how?
- What are other options to speed up the Uniform Standards development process?

#### SUMMARY OF DISCUSSION:

There was general agreement that the speed in which Uniform Standards are developed and updated is extremely important. Earlier engagement is necessary from the industry on the products where new or amended Uniform Standards are needed to follow what states are allowing. It was suggested that once or twice per year that Compact leadership convene informal meetings to receive feedback on standards development.

Others suggested more regulators, including Commissioners, get involved in standards development. Someone suggested two tracks giving opportunity for some standards to fast track, and some with careful vetting, according to a set of criteria.

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<sup>1</sup> The Compact Roundtable agenda and attendees are attached.

General support was voiced for having an accelerated rulemaking process for provisions, and amendments thereto, coming from NAIC Model Laws and Regulations that affect the Uniform Standards since these were already vetted through the NAIC process.

Many commented that the new subgroup process for group whole life and index-linked variable annuities have kept both of these development efforts moving. There was support for keeping the subgroup model in place.

Several suggestions for putting in place a detailed timetable or deadlines when developing Uniform Standards, possibly analogous to a legislative calendar. By formalizing target dates and putting a time box on certain deliverables, it may help move controversial issues to the next level for more input and discussion.

There was a suggestion to have a process for amending standards outside the five-year review process possibly upon petition where a critical mass of the Compacting States no longer align with the Uniform Standards. While details would need to be fleshed out, the process could refer the request to the PSC with a limited scope and deadline for responding back to the Commission.

Everyone agreed issues that are easier or low-hanging fruit should be separated from issues that have conflicting views. The controversial or divisive issues should be sent up or reserved for discussion and guidance by the Management Committee or Commission.

### **Discuss strategies for expanding the scope of Uniform Standards**

#### DISCUSSION QUESTIONS:

- Would it be valuable for the Compact to develop Uniform Standards in the following areas?
  - 1) Uniform Standards for supplemental products that fall within the scope of life or disability income such as standalone accidental death or standalone accidental death and dismemberment, etc.;
  - 2) A Value-Added Services Uniform Standard to cover value-added services (contemplated under recent changes to NAIC Model Unfair Trade Practices Act (#880)), such as participation in a smoking cessation program; and / or
  - 3) An Incidental Benefit Uniform Standard for when there is no specific Uniform Standard, but the benefit is incidental (as would be defined in the standard) to the product benefit, such as a rider to a life insurance policy that provides a credit to the policy value when a policyholder starts adoption proceedings.
- What would be the key features or scope? How do they rank in terms of priority for developing?
- Anecdotal information from companies/industry would be useful.

#### SUMMARY OF DISCUSSION:

The majority of attendees – both states and industry – found the idea of Uniform Standards in these areas appealing. There was no consensus on the priority of development for each area as some groups thought supplemental products would be most useful while others felt value-added services would provide the most benefit for states and filers.

With respect to supplemental products, standalone accidental death benefit and accidental death and dismemberment benefit would be welcome Uniform Standards for companies to use. Some states treat these as health products which would likely need to be addressed when it comes to how they are filed through SERFF. There was a suggestion to poll the states on whether they allow these products and how they treat them. It was also suggested that states that do not want the Compact to review supplemental products can opt out.

Strong support for the development of a value-added services Uniform Standard such as benefits that encourage loss mitigation and lowering mortality and morbidity risks. A framework for review of these benefits would be helpful. The amendments to NAIC Model 880 as well as a filer questionnaire required by North Dakota were suggested as places to start in the development of a standard. States were mixed in whether value added benefit features are being filed with them and asked for metrics on state filings. There would need to be parameters to ensure the benefits are not discriminatory or a form of rebating.

Less support was voiced for incidental benefits. Some saw the benefit for uniformity, consistency and certainty but agreed “incidental” would need to be well defined. Suggestion was to focus on filling out the suite of Uniform Standards and looking at what Uniform Standards are not well utilized to see if they need to be updated.

### **Discuss strategies for review of Compact decisions**

#### DISCUSSION QUESTIONS:

- Would it be valuable for the Compact to have a regulator review body where a company can seek appeal or review of Compact Office decisions?
- How would this process work in practice?
- Who and how many are on the review body?
- What is the scope and record of review?
- What is the deliverable and level of transparency memorializing the decision?
- How likely would companies utilize this additional step in the review process for a Compact filing?

#### SUMMARY OF DISCUSSION:

Several questions were raised about the value and parameters of a process to review Compact decisions. Most agreed it was an important tool as it enhances the credibility of the Compact’s decisions if they are subject to review. Others thought it would be attractive as an alternative to getting a disapproval.

A question was raised how often it happens that the Compact decision is one where a company would seek a second level of review. Many acknowledged the Compact offers the opportunity for back and forth, and if it says no, then often provides options to the filer for how to reach compliance. Some recognize there are pain points in the rigidity of a Compact review and the option for a company to request an

advisory review mid-filing may be beneficial but would need to be a well-defined process and minimize perceptions of political choices or retribution.

The suggestion was made to pattern it after the administrative hearing process at the states. Another suggestion was to have a wide pool of regulators to ensure that appeal panels had the requisite familiarity in the particular product line. Concern was expressed regulators may look at the issue through their state law lens and not the Uniform Standards.

Reservations were expressed about how the process would address confidentiality, consistency and fairness. Some companies were concerned about a competitive disadvantage if a company appealed a Compact decision and whether that ruling would apply to approved products that were subject to a similar Compact decision. Some observed that state filing can provide less visibility to innovative concepts, which can be seen as a tradeoff for the expertise and uniformity of Compact review. The process would need to be transparent and not take away resources from the current Compact review operations.

### **Discuss strategies for reducing improper mix and match**

#### DISCUSSION QUESTIONS:

- Should companies be required or incentivized to file all their forms for a product that are within the Uniform Standards with the Compact and not mix and match specifically for convenience or because they do not want to comply with a certain Uniform Standard?
- Would it be valuable for the Compact Office to provide services for states and companies where it analyzes whether a state form(s), being filed at the same time or after and being mixed and matched with a Compact-approved form(s), can or cannot be filed under the current Uniform Standards?
- If a state form can be filed under a Uniform Standard but the company wants to file it with the state, should the state require all forms being used with the state form also be filed with the state?
- What are other options to incentivize companies and discourage them from filing forms with the states that can be filed with the Compact?

#### SUMMARY OF DISCUSSION:

There was general discussion that mix and match is critically important for product development as the Compact does not always have Uniform Standards for all the unique and innovative benefit features being offered by companies and companies have no choice but to file certain parts of their product outside the Compact. Regulators do not like mix and match as much as companies do as states have seen questionable uses of mix and match. Several wanted more data on the use of mix and match to understand the extent of arbitrage or forum shopping and what products are most susceptible to improper use of mix and match.

Many companies say they avoid mix and match as much as possible and think it is fair for states to ask a company why they are filing part of their product with the state vs. the Compact.

Many asked whether the Compact can play a role by offering services to states and companies as platform to work through a product or benefit that is currently outside the Uniform Standard to gain wide approval and support at one level (one-stop shop).

### **Discuss strategies for advisory review services**

#### DISCUSSION QUESTIONS:

- What are the objectives and how should they be prioritized for services that would provide advisory review of forms and / or products that are not within the Uniform Standards?
- What specific types of forms and products are conducive to advisory review by the Compact?
- Should this review include checking for state-specific form requirements such as state-specific right to examine periods or lengths of exclusion periods?
- What type or level of state review or deference would states give or companies seek with respect to a Compact advisory review?
- Is there a type of form or product line which would be fitting to pilot in order to show the benefits of an advisory review service?

#### SUMMARY OF DISCUSSION:

The general consensus was speed-to-market, uniformity and consistency would be the most important objectives of an advisory services. Some suggested the Compact's review could be analogous to a "Good Housekeeping" seal of approval where states can have assurance that a thorough and expert review was provided.

Some likened this process to having the Compact Office serve as a consultant for the states in terms of form and actuarial expertise. The Compact Office serves as a trusted arm of the states already, and there is a high degree of trust in the Compact's expertise and professionalism among filing companies. Allowing the states to utilize the Compact for advisory services would address department staffing issues in light of retirements and turnover. Some suggested it would be another set of eyes or peer review to assist states in dealing with complex products filings.

Several raise the question that if you build an advisory review service would the states and companies utilize it. States may not want to delegate this authority, and it would have to be voluntary to participate. The goal would be to have critical mass of states for it to make sense for companies to use this interim step to approval. The other consideration is that the participating states would embrace the advisory review and not undertake a full re-review.

Many mentioned benefits for both states and companies of having one cohesive review rather than going through the same process state by state. It was suggested that the Compact could gather the state checklists for certain forms and compile a comprehensive checklist that could look for common requirements as well as have a section for unique or different state requirements.

Some companies expressed hesitation in that it could create an extra step as well as raise confidentiality and competitive concerns. Some suggested the ultimate goal of this process should be to develop Uniform Standards for those forms where states have a high degree of comfort with the Compact's review.

Most agreed it would be advisable to start slow to get both states and companies comfortable with the process. Some suggested advertising for variable annuities where the product is already filed through the Compact for approval, but the advertising is subject to applicable state approval. This may be a good starting example to show if an advisory review process has utility and credibility.

**Discuss strategies for how the Compact platform and expertise can play a role in promoting product innovation in the Compact authorized lines**

DISCUSSION QUESTIONS:

- How can the Compact play a role in helping states and companies come together to work on a new product innovation?
- States and companies are asked to share examples of the process they use today in working with each other to get to approval of a new product innovation.
- How can the Compact platform and expertise play a role in making this process simpler, quicker or more efficient?

SUMMARY OF DISCUSSION:

The general consensus was the Compact could serve as an innovation forum to incentivize both traditional incumbents and start-ups to work with the states on a product innovation or invention. It was mentioned some states and companies may prefer to approach the state first on a confidential basis. The issue of confidentiality and competitive advantage would have to be addressed, as companies with an innovative product would not want to degrade their likelihood of being first to market.

It was mentioned that states with regulatory innovation laws, including the NCOIL sandbox model, could work through the Compact as a way to gain critical mass and avoid duplication of time and expenses. It was suggested that this mechanism could facilitate expert analysis and help states enhance consistency in responding to innovative products. It is also a way to harness dialogue among Commissioners and states that is already occurring when an innovative product is filed state-by-state.

A suggestion was for the Compact to host roundtables for regulators to discuss their regulatory concerns and approaches around specific product innovation ideas. The Compact could also create a forum for Compacting States to discuss features of a Compact filing where 20% of the filing, for example, is outside the scope of the Uniform Standards and see if states would be open to treat or approve that innovative part of the product consistently. The group agreed this was another pipeline that could ultimately lead to development of a Uniform Standard.

**Discuss strategies for how the Compact can play a role in leveraging technology for reviewing filings**

DISCUSSION QUESTIONS:

- How can the Compact play a role as a testing ground for innovative form review techniques and technologies to create more efficiencies in the review of complex, national products?

- Can the Uniform Standards serve as a starting point to apply automation to certain aspects of form review to focus on innovation, deviation, and compliance issues?

#### SUMMARY OF DISCUSSION:

There was wide agreement that the structure of the Uniform Standards was highly conducive to artificial intelligence and machine learning.

It was suggested the Compact could be the test platform for use of AI in the initial intake and review of a filing with the understanding actuarial review as well as controversial language would need human review. Technology could help flag provisions in forms that require follow-up and/or human review. Some suggested the Compact could develop the AI working with SERFF that could then be leveraged by states.

Most recognized that AI is cost-intensive and must be thoroughly reviewed and tested before deployed. AI should guide what needs a deeper review and not be used for the final decision making. It was recognized it would expedite form review processes and would allow resources to be reallocated for other product initiatives.





## **Insurance Compact Roundtable Washington DC**

**Wednesday, May 17, 2023  
2 pm - 5 pm ET  
Washington Marriott Capitol Hill  
175 L Street NW  
Lincoln Room**

### **Check-in and Light Refreshments start at 1:30**

### **Welcome Remarks and Setting Expectations (2:00 – 2:30)**

Welcome to the Roundtable – Maryland Commissioner Kathleen A. Birrane, Compact Chair

What is the Compact working on today? – Karen Schutter, Compact Executive Director

### **Breakout Session 1 – Strategies for Enhancing Current Compact Services (2:30 – 3:30)**

Discuss key questions and identify strategies for enhancing current Compact Services for states and companies in breakout setting. Discuss these strategies with the full group.

### **Break (3:30 – 3:45)**

### **Breakout Session 2 – Strategies for Building the Next Generation of Compact Services (3:45 – 4:45)**

Discuss key questions and identify strategies for the next generation of Compact Adjunct Services for states and companies in breakout setting. Discuss these strategies with the full group.

### **Recap and Key Takeaways (4:45 – 5:00)**

### **Compact Reception (5:00 – 6:00)**



**Insurance Compact Roundtable  
Washington, DC**

**Wednesday, May 17, 2023  
2 pm – 5 pm ET**

**Attendee List**  
*as of 5/15/2023*

**COMMISSIONERS AND REGULATORS**

Alaska	Director Lori Wing-Heier
Arizona	Director Barbara Richardson
Idaho	Director Dean L. Cameron, NAIC Most Recent Past President
Illinois	Director Dana Popish Severinghaus
Iowa	Commissioner Doug Ommen
Maryland	Commissioner Kathleen A. Birrane, Compact Chair
Nebraska	Director Eric Dunning, Compact Vice Chair
North Dakota	Commissioner Jon Godfread, NAIC Vice President
Pennsylvania	Commissioner Michael Humphreys
Rhode Island	Superintendent Elizabeth Kelleher Dwyer, Compact Past Chair
Virginia	Commissioner Scott White, NAIC Secretary-Treasurer
Wisconsin	Commissioner Nathan Houdek

**COMPACTING STATE DESIGNATED REPRESENTATIVES**

Colorado	Jason Lapham, Big Data and AI Policy Director
District of Columbia	Philip Barlow, Associate Commissioner
Maryland	Nour Benchaaboun, Director L&H Annuity and Credit Review
Massachusetts	Rachel Davison, First Deputy Commissioner
Ohio	Laura Miller, Assistant Director of Product Regulation and Actuarial Services
Pennsylvania	Shannen Logue, First Deputy Commissioner
Rhode Island	Patrick Smock, Deputy Chief of Legal Services
Vermont	Mary Block, Senior Life Insurance Specialist
Virginia	Don Beatty, Deputy Insurance Commissioner

## **STATE LEGISLATORS**

Indiana	Representative Matt Lehman, NCOIL Immediate Past President
Utah	Representative James Dunnigan
NCOIL	Will Melofchik, General Counsel

## **CONSUMER ADVISORY COMMITTEE**

Bruce Ramge, former Insurance Director  
Jane Cline, former Insurance Commissioner

## **INDUSTRY ASSOCIATION REPRESENTATIVES**

AHIP	Amanda Herrington, Senior Policy Director
American Council of Life Insurers	Wayne Mehlman, Senior Counsel Insurance Regulation Patrick Reeder, Deputy General Counsel
NAIFA	Maeghan Gale, <i>Senior Policy Director, Government Relations</i>

## **COMPANY REPRESENTATIVES**

Allianz	Angela Hollan, Vice President, Head of Government Relations
Baltimore Life Insurance Company	Zyvonne Adams, Manager, Legal and Compliance
Banner Life Insurance Company	Pam O'Neil, Compliance Technician
Brighthouse Financial	David Ward, Head of Government Relations
Corebridge Financial	Ted Kennedy, VP State Government Affairs
John Hancock Life Insurance Company USA	Amanda Weaver, AVP Government Relations
Lincoln Financial Group	Andy Baron, Assistant Vice President, Product Compliance & Filing
New York Life Insurance Company	Joseph Muratore, Associate General Counsel Doug Wheeler, Senior Vice President Katelynn Eckert, Corporate Vice President
Northwestern Mutual Life Insurance Company	Angela Schaaf, Assistant Director of Product Compliance
Massachusetts Mutual Life Insurance Company	Eric Weinstein, Lead Government Relations Advisor

	Mike Goodwine, Head of State Government Relations
Pacific Life Insurance Company	Jennifer Webb, AVP, Assistant General Counsel & Head of State Government Affairs
Protective Life Insurance	Andrea Davey, Senior Director, Compliance
Prudential Financial	Kyle Smith, Director, Government Affairs
Union Labor Life Insurance Company (ULLICO)	Thomas Meagher, Policy Development Analyst

**COMPACT STAFF**

Karen Schutter, Executive Director  
 Becky McElduff, Director of Product operations & Counsel  
 Sara Dubsy, Assistant Director of Administrative Operations  
 Sarah Neil, Communications & Outreach Coordinator

**NAIC STAFF**

Andy Beal, Acting CEO & COO  
 Kay Noonan, General Counsel  
 Taylor Walker, Chief of State Relations and Policy Advisor, Government Affairs