



**JOINT MEETING OF THE MANAGEMENT COMMITTEE AND THE  
LEGISLATIVE COMMITTEE**

**Saturday, November 16, 2024  
2:30 pm ET / 1:30 pm CT / 12:30 pm MT / 11:30 am PT  
Denver, CO  
In-Person and Virtual**

**AGENDA**

**PURPOSE:** Pursuant to Article VIII of the Bylaws, the Management Committee and Legislative Committee shall jointly and in person meet no less than once each year with a joint meeting occurring prior to the Commission's annual meeting.

- 1. Roll Call of the Management Committee**
- 2. Roll Call of the Legislative Committee**
- 3. Welcome State Legislators in Attendance from Compacting States**
- 4. Insurance Compact Reports**
  - a. Committee and Uniform Standards Development**
  - b. Budget and Financial Considerations**
  - c. Product Operations**
- 5. Legislative Committee Updates & Recommendations**
- 6. Discussion of Compact Activities and Matters**
- 7. Any Other Matters**
- 8. Adjourn**

**Members of the Commission and Department Staff in Attendance:**

Director Eric Dunning, Chair, Nebraska

Commissioner Allan McVey, Vice Chair, West Virginia

Director Barbara Richardson, Treasurer, Arizona

Steve Manders as designated representative for Commissioner John King, Georgia

Adam Clayton, Nebraska

Michael Fahncke as designated representative for Acting Commissioner Justin Zimmerman,  
New Jersey

Ted Hamby as designated representative for Commissioner Mike Causey, North Carolina

Dan Bradford as designated representative for Director Judith French, Ohio

Shannen Logue as designated representative for Commissioner Michael Humphreys,  
Pennsylvania

Matt Gendron as designated representative for Director Elizabeth Kelleher Dwyer, Past Chair,  
Rhode Island

Latif Almazan as designated representative for Commissioner Cassie A. Brown, Texas

Mary Block, Vermont

Commissioner Scott A White, Virginia

Commissioner Jeff Rude, Wyoming

**Legislative Committee:**

Representative Matt Lehman, Indiana

Massachusetts Representative David LeBoeuf

Kentucky Representative Rachel Roberts

West Virginia Representative Dean Jeffries

Tom Considine, NCOIL CEO

Heather Morton, NCSL Director

**Insurance Compact Staff in Attendance:**

Karen Schutter, Executive Director

Sara Dubsky, Assistant Director of Administrative Operations

Becky McElduff, Director of Product Review Operations & Counsel

Director Dunning called to order the meeting of the Management Committee and Legislative Committee. He noted the Compact Bylaws requires the Compact Management Committee to meet annually with the members of the Legislative Committee. This is typically conducted during the joint meetings of the Management Committee and Commission. This year, the Compact Officers would like to have stand-alone meeting to satisfy this requirement. Director Dunning noted the state legislators are an essential part of the work of the Commission and continued success. The Compact starts with the legislative process and has many touchpoints to keep the state legislators informed of the Compact's activities.

Director Dunning asked for reports on the Committee and Uniform Standards development, budget and financial considerations, and the product operations. Director Richardson provided the report on the Committees and Uniform Standards development. Director Richardson reported there are three committees reporting to the Management Committee and are comprised of state insurance department regulators. The Product Standards which is responsible for developing and recommending new or amendments to existing Uniform Standards. There is an Actuarial Working Group which provides actuarial support to the Product Standards Committee when there is a need for technical assistance. The Rulemaking Committee develops recommendations for the Compact's rules and processes. The Compact follows the model state administrative procedures act in developing its rules. The Finance Committee has oversight for the Compact budget including monitoring financial performance and recommending the annual budget. Director Richardson noted there were three Committees that reported to the Commission. Those are the Audit, Adjunct Services, and Governance; the last two having been formed in the last two years.

Director Richardson reviewed the work with regard to the development of the Uniform Standards. The rulemaking process was described and it was noted there is a 60-day public comment period and a public hearing before the Uniform Standards can be adopted. The adoption of the Uniform Standards requires two-thirds majority of the members of the Management Committee and Commission. Director Richardson reviewed the recent work of the Product Standards Committee to include the amendments to the individual life standards through to the development of the annual Uniform Standards Development Prioritization list.

Director Richardson reported the Rulemaking Committee has not been active this calendar year, but recently amended the Rulemaking Rule to address amendments by incorporation. Director Richardson highlighted the work for the Committee in the coming year and noted the Committee would be looking at ways to address the mix and match process; ways to provide more flexibility to states to temporarily stay the effectiveness of certain Uniform Standards when something in the state changes that would affect their full participation in the Uniform Standards.

Director Richardson provided an overview of the work being done by the Adjunct Services Committee. She reported the Committee has been considering whether advisory or adjunct services could be established to support member review of products for which there are no Uniform

Standards adopted. Additionally, the Committee is reviewing how the Compact can promote product innovation within the authorized lines of the Compact.

Director Richardson explained the Adjunct Services Committee is pursuing three primary initiatives to enhance product training and regulatory efficiency. The first initiative focuses on developing product training programs for new regulators using the expertise of the Compact and collaborating with the NAIC Education & Training Office. The second initiative aims to identify state needs in product expertise and determine if the Compact can provide advisory services, leveraging the Compact's resources instead of external contracts. The third initiative, termed the "Innovation Office," seeks to facilitate collaboration among Compacting States to review products and features not currently within the Uniform Standards, aiming to streamline the pre-filing process and enhance regulatory efficiency.

Director Richardson noted the Adjunct Services Committee has devised an initial framework for the "Innovation Office," focusing on products within the Compact's scope. The aim is to streamline the process by enabling participating Compacting States to discuss unique or novel product features collectively, which would enhance efficiency. The Compact Office would lend its form and actuarial expertise to support regulators and facilitate discussions with companies. This process would promote effective pre-filing communications, utilizing state resources wisely and ensuring companies understand necessary changes before filing. The Committee is still exploring the steps for state acceptance or approval of a product. A public call was held in October to gather feedback on the framework and pre-filing questionnaire. The Committee received a comment letter from NCOIL, which will be discussed in future calls. The Committee will update the Management Committee on its activities and welcomes the Legislative Committee's involvement in developing recommendations.

Director Richardson concluded her report.

Director Dunning asked Commissioner McVey to provide the report on the current financials. Commissioner McVey noted the Compact, through the end of September, has a positive cash balance of \$900,000 with operating revenue exceeding operating expenses by approximately \$300,000. It was reported the Compact is revenue neutral to the states and the states do not pay the Compact any fees or dues. Companies filing through the Compact still remit the applicable state fees. Commissioner McVey reported the Compact has collected and remitted \$2.2 million in state filing fees. The Compact has collected and remitted a total of \$36 million in state filing fees since filings were first received in June 2007. Commissioner McVey explained the two revenue lines in addition to the interest revenue earned on its cash balance. Commissioner McVey noted the Compact charges an annual registration fee for access to the Compact's platform in SERFF with most companies registering in December and January. He further explained the annual registration fee is graded based on the company's reported premium volume and the number of states the company is licensed to do business in. It was noted the Compact generally meets or exceeds the budgeted registration revenue annually. Commissioner McVey provided an explanation about the

second revenue line, the per filing fees which are transactional in nature. These fees are also graded based on the company's premium volume and the type of review required. If an actuarial review is required, the fees are greater than if no actuarial review is required. The Uniform Standards dictate which filings require an actuarial review. Commissioner McVey reported the Compact Office provides voluntary services for filing companies as well. There are fees associated with these voluntary services. The Advance Filing Fee Calculation service is one in which the Compact Office will calculate the required fees per filing company per filing. Additionally, the Compact Office has a service for reviewing filings in an expedited manner. Commissioner McVey noted the past two years, the Compact Office has fallen significantly short of this budget in the per filing fee revenue lines. Through the end of September, the Compact is currently 30% under budget. The Compact's Finance Committee has been working closely with the Compact Office to track product volumes. It has been noted the filings have not equaled what was projected, but the filings still require the same amount of work for the Compact review team. The Compact has been receiving fewer filings, however, the volume of forms has not decreased. Commissioner McVey noted the Finance Committee is making a recommendation with the 2025 annual budget to realign the filing fees. Rather than increase the filing fees, the Finance Committee is proposing the creation of an additional filing fee for filings with more forms than a base set of forms. Commissioner McVey provided a couple of examples. It was noted that if applied in 2024, the realignment would have covered the deficit in the product filing revenue. Commissioner McVey mentioned the business assessment conducted in 2020 which discovered the pricing methodology has strong support among the company filers and is an appropriate approach. Commissioner McVey proceeded to provide an analysis of the Compact's expenses, the largest of which is to support its professional services. He explained the Compact has experience form reviewers as well as credentialed actuaries similar to a state's rate and form filing office. Commissioner McVey explained the Compact consistently operates within the budgeted operating expenses. He explained the Finance Committee and the Audit Committee work in tandem to review and monitor the Compact's financials, including the repayment of the Line of Credit to the NAIC. Commissioner McVey provided an overview of the current repayment process. The Compact borrowed \$3.4 million, including interest, from the NAIC between 2007 and 2013. The current agreement is \$274,000 paid to the NAIC annually for 10 years to satisfy the obligation on the principal. If the principal is repaid in the 10-year timeframe, the interest will be forgiven. The Compact has made five payments since March 2020 totaling \$1.37 million. Commissioner McVey concluded the report.

Director Dunning provided a report on the Compact's operations. He noted the Compact Office provides the staff and operational report for the Commission. There are 17 full-time employees and one full-time consultant. Director Dunning noted the Review Team is either former state regulator or a company filer and all of whom work remotely. He further explained that there are two office locations – one in Washington, DC with two employees and one in Kansas City with four employees. The core mission of the Compact Office is to review product filings for compliance with the Uniform Standards developed and adopted by the member states through the Compact's public committee structure. Director Dunning provided an overview of the relationship

between the NAIC and the Compact. He reported the Compact uses SERFF for filing receipt and review procedures, including the payment of state filing fees to the states. Director Dunning provided an overview of the Compact's outreach and communications to the members as well as state legislators. Director Dunning reported the Compact has reviewed and approved over 14,000 products since 2007. This equates to over 500,000 discrete filings that would have been made state-by-state. Director Dunning reminded all that the Compact is a speed-to-market initiative which preserves the state filing revenue, ensures strong consumer protections, and maximizes efficiencies of state-based regulation. Director Dunning concluded his report by highlighting the recent Roundtable held in Omaha in October. He reported the Roundtables are an opportunity to hear wide perspectives on the value of the Compact and how it can further its purposes.

Director Dunning asked Representative Lehman if he would like to provide updates from the members of the Legislative Committee. Representative Lehman reviewed the membership of the Legislative Committee. There are four appointments from each NCSL and NCOIL representing the four zones. He continued and noted how supportive the members of the Legislative Committee are of the Compact. Representative Lehman noted the Committee members value the Compact Roundtables and the opportunity to participate. He noted the key takeaway is that both states and industry collectively agree the Compact has fulfilled its purposes by making it more efficient to get products approved and to market within our state-based regulatory framework.

Representative Lehman remarked NCOIL sent a letter to Director Richardson and the members of the Adjunct Services Committee expressing concerns that the Compact may be considering actions outside its mission and powers. The letter emphasized that any steps taken should be grounded in the Compact statute and suggested that any expansion plans be presented to the Legislative Committee for input and consideration. Representative Lehman concluded his remarks.

Director Dunning thanked Representative Lehman for the comments. Director Dunning remarked the Committee acknowledges the consistent support from NCOIL and NCSL, including their resolutions in favor of the Compact and the 2022 position statement addressing the Colorado Supreme Court's 2020 opinion. The Compact, with its limited authority and safeguards, aims to utilize existing statutory authority without expanding the statute. Given states' budget constraints and retirements, the collaborative multi-state platform and expertise of the Compact, offered at no cost, are beneficial. While some desire more comprehensive product approvals, the focus remains on enhancing efficiencies for departments and the regulated industry. The Committee welcomes feedback from the Legislative Committee on proposals from the Adjunct Services Committee and encourages active participation in the 2025 Compact Roundtables.

Director Dunning concluded the meeting of the Management Committee and Legislative Committee.