SPEED TO MARKET (EX) TASK FORCE

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Speed to Market (EX) Task Force
Washington, District of Columbia
November 18, 2014

The Speed to Market (EX) Task Force met in Washington, DC, Nov. 18, 2014. The following Task Force members participated: Scott J. Kipper, Chair (NV); Lori K. Wing-Heier represented by Marty Hester (AK); Jay Bradford represented by Daniel Honey (AR); Dave Jones represented by Joel Laucher (CA); Thomas B. Leonardi represented by George Bradner (CT); Sharon P. Clark represented by Maggie Woods (KY); Mike Rothman represented by Tammy Lohmann (MN); John M. Huff represented by Mary Mealer (MO); Monica J. Lindeen represented by Rosann Grandy (MT); Wayne Goodwin represented by Ted Hamby (NC); Mary Taylor represented by Tynesia Dorsey (OH); John D. Doak represented by Cuc Nguyen (OK); Laura N. Cali represented by Annette Boyce (OR); Julia Rathgeber represented by Mark Worman (TX); Todd E. Kiser represented by Tanji Northrup (UT); Jacqueline K. Cunningham represented by Rebecca Nichols (VA); and Mike Kreidler represented by Lee Barclay (WA).

1. Adopted its Sept. 4 Minutes

Mr. Hester made a motion, seconded by Ms. Nguyen to adopt the Task Force's Sept. 4 minutes (Attachment One). The minutes were unanimously adopted.

2. Adopted the Report of the Commercial Lines (EX) Working Group

Mr. Barclay said the Commercial Lines (EX) Working Group met Nov. 15 (Attachment Two) and Oct. 16 (Attachment Two-A) to discuss data generated from SERFF that illustrates turnaround times for commercial lines product filings. The Working Group continued its efforts to develop a recommendation for the Task Force. The format of the report has been completed and an explanatory summary is underway. The group also approved a survey to be distributed to the top 20 commercial lines writers to determine if they are interested in an interstate compact for commercial lines products. Mr. Barclay made a motion, seconded by Ms. Mealer to adopt the report of the Commercial Lines (EX) Working Group. The report was unanimously adopted.

3. Adopted the Report of the Operational Efficiencies (EX) Working Group

Ms. Dorsey said the Operational Efficiencies (EX) Working Group met via conference call Oct. 28 (Attachment Three). The Working Group continued its review of recommended changes to the development of uniform filing metrics to demonstrate the effectiveness of speed-to-market initiatives. The Working Group considered a comparison of filing turnaround times under the existing metric, which calculates turnaround days based on the date of submission to the date of last disposition, and the new metric. The Working Group members considered the new filing metrics and agreed upon the following criteria changes:

a. Remove from the turnaround calculation the time the state reviewer is waiting on a response from the filer.
b. For filings that are reopened, do not include inactive days in the turnaround calculation.
c. Set individual filing turnaround goals based on business type. The metrics currently report the average days by business type, but the goal is set at 40 days for all business types. The Working Group recommended there be separate goals for life, health and property/casualty.

The Working Group wants to see several cycles of data before recommending turnaround goals. NAIC staff will prepare some historical data for the members to consider.

The Working Group reviewed revisions to the state filing turnaround report to be built into SERFF. In reviewing the filing turnaround report, the Working Group agreed upon the report revisions and decided upon the following:

a. Display both the type of insurance (TOI) and the state TOI for those states that use the State TOI feature.
b. Add a column to represent the number of days from the date received until the date the first correspondence is sent on a filing.
c. Confirmed there is no need to remove weekend days from the report calculations.
d. Add a column for filing type.

NAIC staff will modify the report and statistics and will propose criteria for generating the report. Ms. Dorsey made a motion, seconded by Mr. Hamby, to adopt the report of the Operational Efficiencies (EX) Working Group. The report was unanimously adopted.

4. Received an Update on SERFF Implementation Projects/Activity

Joy Morrison (NAIC) provided a report on the SERFF project and activities. Revenue and transactions are both over budget through October, mostly due to the submission of more qualified health plan (QHP) filings in 2014 than were budgeted. The budget anticipated 18,000 QHP submissions and there have been 45,315 submitted so far this year.

SERFF v6.7.3 was released in September and contains a feature allowing comments on filings available via SERFF Filing Access (SFA) to be submitted. This optional feature permits the states to review submitted comments and make them public if desired. SERFF v6.7.3.1 was released Nov. 6 with an enhancement enabling the IIPRC to implement SFA. SERFF v6.7.4 is scheduled for release in mid-December and will have the final component of the SFA project allowing the states to identify Plan Management binders as publicly accessible, making the binders viewable via SFA. There are additional enhancements completed for the IIPRC. The Company/Contact tab on IIPRC filings has been modified to allow the states with access to IIPRC filings to see the entire list of companies and not just those companies to which the state is associated. An additional change was made to alphabetize the list of states on an IIPRC disposition. The IIPRC also requested a cost estimate to allow the Statement of Intent to be publicly accessible via SFA.

SERFF is scheduled for NAIC application server upgrades in 2014. Development changes for this platform shift should be complete by mid-November and the SERFF application is expected to move to the JBoss platform in early January 2015. The SERFF team has begun the implementation of NetIQ, with plans to begin testing by the third quarter of 2015, and a production release tentatively scheduled for the first quarter of 2016.

The implementation team attended the Association of Insurance Compliance Professionals (AICP) annual conference in September. They co-presented a session on the Uniform Product Coding Matrix (PCM) showing how it intersects with the NAIC annual financial statement lines. In October, the team presented a “SERFF Tips & Tricks” session at the Life & Health Compliance Association (LHCA) conference via Web connection.

The team will begin its annual state satisfaction survey in November. Given no changes to the PCM for 2015, the implementation team will be able to focus on implementation of any requirements changes for the submission of QHP filings earlier than usual. The team held a retrospective after the submission window opened in May and discussed options to improve communication and minimize confusion about state versus federal requirements in order to ease the implementation process.

All of the 2015 QHPs have been transferred to the federal hub. The financial management data is the last portion of work for 2015 that still needs to be delivered to the federal system and that process is underway and expected to conclude the week of Nov. 17.

The final piece of the Web public access project will be completed with the December release of SERFF v6.7.4. The features in this release will allow the health binders to be marked as available for public access in SERFF and to be viewable via SFA. There are currently 22 states using SFA, with an additional four to five that are working on implementation.

5. Discussed Request to Expand SERFF Filing Access Functionality

Commissioner Kipper said the Sept. 4 meeting included a suggestion from Birny Birnbaum (Center for Economic Justice—CEJ) to expand SFA functionality to reference the existence of redacted information, but not disclosure of the redacted information. Commissioner Kipper entertained comments from the industry, regulators and consumers. Representatives from the American Council on Life Insurers (ACLI) and American’s Health Insurance Plans (AHIP) oppose the request, expressing concern that SERFF should not be used as a tool to preempt state laws operating to manage the public access process. Dave Snyder (Property Casualty Insurers Association of America—PCI) said the states need to consider the additional work this request might add to the industry’s existing processes, suggesting that it could greatly increase the number of inquiries and, thus, the process may be more expensive than the theoretical benefit to the consumer.

Steve Clark (Verisk Insurance Services Office—ISO) expressed concerns about the proposed modifications to SFA, that a click of a SERFF button can make confidential data available to the public and that identifying redacted information will increase the number of requests to have access to confidential information. He said current due-process procedures protect filers and, as such, the ISO opposes any changes that might result in the release of trade secret information.

Mr. Birnbaum reiterated that his request was to identify that documents had been redacted, which documents were redacted, and under what state-specific statute or regulation. He said what happens now is that he reviews the filings made accessible to the public and sends a request to the state to ask if materials have been redacted. If something has been redacted, he follows up to ask what has been withheld and why. Mr. Birnbaum said that communication process could be improved if SERFF were enhanced to make this information available via SFA. He acknowledged that SERFF had many projects for 2015 and asked that this request be added to the list, to be prioritized with existing work.

Mr. Bradner said he understands the request and agrees that transparency is good for the consumers but he said that it would certainly create work for the state agency if the state has to involve its legal counsel and defend how it exercised its statutes. Mr. Laucher agreed that the process needs to be considered and further stated that the state will be the first entity challenged, not the company, so the state will bear the increased effort to handle these requests. Mr. Hamby asked Mr. Birnbaum if this enhancement would create more or less inquiries. Mr. Birnbaum said he thinks it would result in less work but admitted that, if an interested party knows the filing documents are incomplete, they are likely to inquire about what is missing.

Ms. Mealer said most of Missouri's requests come from companies looking at other companies' filings or for class action purposes. She suggested a state-by-state legal review to see how the states handle these requests in order to determine how to make it work in SERFF. Commissioner Kipper suggested a conference call be scheduled to discuss this request further and said that SERFF resources required to develop this feature would also have to be considered.

6. Received a Report from the SERFF Advisory Board

Commissioner Kipper said the SERFF Advisory Board met Nov. 16 and reviewed its Aug. 12 minutes, as well as reports on SERFF marketing, development and implementation activities. SERFF revenue and expense numbers indicate that SERFF will have a cumulative position of revenue over expenses of $1.8 million by the end of 2014. The Advisory Board also discussed a request from Mr. Birnbaum to add a consumer representative seat to the SERFF Product Steering Committee. A final decision was not made on that request but the Advisory Board did discuss that this would require a change to the group's operating procedures and, thus, would have to be approved by the Executive (EX) Committee.

7. Heard Report from the IIPRC

Becky McElduff (IIPRC) provided the report of the IIPRC. In September, the IIPRC implemented a SERFF feature called Associated Filings, which permits a filing to be linked to previously approved IIPRC filings that will be used with, or replaced by, the newer filing. The feature is user-friendly for filing companies and review team staff. Earlier this fall, the IIPRC Product Standards Committee appointed the Group Disability Income Standard Subgroup to develop group disability income insurance standards. There has already been one round of public comments on the draft policy and certificate standards, and several more rounds are expected as the Product Standards Committee progresses through the draft standards. Summaries of each Subgroup and Committee meeting are posted on the IIPRC website on the "About the IIPRC" page. All states and interested parties are encouraged to follow the summaries for more background on the deliberative process.

During its Nov. 15 meeting, the IIPRC elected its 2015 slate of officers: Massachusetts, chair; New Jersey, vice chair; and Virginia, treasurer. The IIPRC also completed formation of the 2015 Management Committee. Also at this meeting, the Management Committee approved the use of SFA to streamline fulfillment of public access requests for IIPRC-approved filings. As a result, IIPRC-approved filings will be available online as a consumer resource beginning Dec. 1, with the Statement of Intent for mix-and-match filings available during the first quarter of 2015. The other major action item at the meeting was approval of the IIPRC 2015 budget, which includes the recruitment of two additional resources: a form reviewer and an actuarial reviewer.

The IIPRC adopted amendments to 13 annuity and six life uniform standards that were subject to its periodic five-year review process. These amendments will take effect by about the end of February 2015. Like the first phase of the five-year review, refiling of previously approved forms is not necessary, as the amendments are largely clarifying, rather than substantive, changes.

The IIPRC also received a treasurer's report, which highlighted that continued strong financial results and prudent management will enable the IIPRC to avoid drawing on a line of credit from the NAIC for the second year in a row; as such, the IIPRC does not expect to request another line of credit in 2015.

Lastly, the amendments adopted in the first phase of the five-year review will take effect for filings beginning Dec. 4. These amendments affect some frequently filed products such as the individual life insurance application and most individual life insurance policy and benefit feature standards. It is not necessary to refile to comply with the amendments; they are mainly clarifications addressing some of the more common questions and issues that arise during the filing review process.

Having no further business, the Speed to Market (EX) Task Force adjourned.

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Speed to Market (EX) Task Force
Conference Call
September 4, 2014

The Speed to Market (EX) Task Force met via conference call Sept. 4, 2014. The following Task Force members participated: Scott J. Kipper, Chair (NV); Andrew Boron, Vice Chair, represented by Cindy Colonius and John Gatlin (IL); Thomas B. Leonardi represented by Peter Galasyn (CT); Sandy Praeger represented by Jim Newins (KS); Sharon P. Clark represented by Malinda Shepherd and Brian Smith (KY); Mike Rothman represented by Tammy Lohmann (MN); Monica J. Lindeen represented by Rosann Grandy (MT); Wayne Goodwin represented by Ted Hamby and Tim Johnson (NC); Mary Taylor represented by Maureen Motter (OH); John D. Doak represented by Cuc Nguyen (OK); Laura N. Cali represented by Eric Cutler (OR); Ángela Weyne (PR); Julie Rathgeber represented by Philip Reyna (TX); Todd E. Kiser represented by Tracy Klausmeier (UT); Jacqueline K. Cunningham represented by Betty Branum, Rebecca Nichols and Melinda Willis (VA); and Mike Kreidler represented by Alan Hudina (WA). Also participating was: Austin Noll (FL).

1. Adopted its Aug. 18 Minutes

Ms. Lohmann made a motion, seconded by Mr. Galasyn, to adopt the Task Force's Aug. 18 minutes (See NAIC *Proceedings* – Summer 2014, Speed to Market (EX) Task Force Aug. 18, 2014, minutes). The minutes were unanimously adopted.

2. Adopted the SERFF Integration Services Expansion Proposal

Commissioner Kipper said the Task Force needs to make a decision on the SERFF Integration Services Expansion proposal (Attachment A) if the project is to be undertaken in 2015. He reiterated the concerns he first shared during the Aug. 18 meeting of the Task Force, which included NAIC SERFF staff resource limitations and a lack of vocalized support from the industry. Commissioner Kipper said the proposal being considered has been reduced in scope and only includes an expansion of SERFF integration services to support the industry's extraction of their own filing data within SERFF—referenced as "pull" functionality. The cost is estimated at $75,000, which would be covered through fees assessed to the industry users of the integration services, once implemented.

Steve Clark (Insurance Services Office—ISO) said the proposal would provide value by streamlining filing operations and improving internal data quality. The proposed services would eliminate duplicative data entry currently occurring in filer back office operations. He expressed support for the proposal.

Brian Hoffman (The Travelers Companies) asked if the current vendor using the eliminated portion of the project (i.e., the ability to push filing data to SERFF through a third-party created mechanism) would continue to exist. He also asked if the duplicative data entry benefit would result from the more limited proposed integration services or whether that benefit would only result if the push portion of the original proposal were undertaken. Julie Fritz (NAIC) said the current user of the existing pull functionality (Oracle) would continue to be supported and that the proposed functionality would eliminate some duplicative data entry for users of the services. Additional data entry efficiencies would result if the push portion of the original project were undertaken in the future. She also said that the reason behind the reduced proposal scope was to initiate the pull features and then work with the industry to confirm the push portion is still desired.

Birny Birnbaum (Center for Economic Justice—CEJ) said he originally spoke in favor of the proposal, but noted that the proposal did not specify a cost for the 2,000 NAIC staff hours that would be devoted to the project. He said that should be done to ensure the industry funds the initial and ongoing project costs. Ms. Fritz said the proposal was presented in a manner consistent with NAIC budget processes, and indicated that ongoing costs are expected to be approximately $75,000 per year of NAIC staff time, which is expected to be recovered through user fees. Mr. Birnbaum said NAIC staff costs should be included in the proposal.

Sonja Larkin-Thorne (Consumer Advocate) said the proposed project would be beneficial to companies. She said SERFF has always been paid for through industry-funded user fees, noting that SERFF usage fees and the industry user fees for usage of the integration services should cover the costs of operating SERFF. She said this project is an excellent idea.

Mr. Hamby made a motion, seconded by Commissioner Weyne to adopt the proposal. The proposal was unanimously adopted.

3. Adopted its 2015 Proposed Charges

Commissioner Kipper said the Task Force's 2015 Proposed Charges were similar to 2014, with minor substantive changes. Two additional charges were added as clarifications of Task Force's responsibility. The Task Force is responsible for 1) providing forum for discussion and recommendations related to product filing needs and efficiencies; and 2) providing direction to NAIC staff regarding SERFF development and enhancements. The Task Force has performed these tasks over the years, so the charges were clarified. A charge reflecting oversight of the Commercial Lines (EX) Working Group and Operational Efficiencies (EX) Working Group was added as the result of a formatting change to the charges that removed the task of appointing the working groups in lieu of simply stating the responsibilities of each working group. The charges were also amended to remove Commercial Lines (EX) Working Group charges that are, or will be, complete by year-end 2014.

Mr. Birnbaum requested that the Task Force charge to "Provide a forum for discussion and recommendations related to product filing needs and efficiencies" be amended to read "Provide a forum for discussion and recommendations related to product filing needs, efficiencies and effective consumer protection." He also requested that the Commercial Lines (EX) Working Group charge to "Document and review the average time for approval of commercial lines forms and rates by the states, to include the extremes, for various types of commercial insurance products" be modified to read "Document and review the average time for approval of commercial lines forms and rates by the states, to include the extremes, and identify, if possible, reasons for different approval times for various types of commercial insurance products."

Commissioner Weyne made a motion, seconded by Ms. Lohmann, to adopt the Task Force's 2015 Proposed Charges (Attachment B), including the recommendations made by Mr. Birnbaum. The 2015 Proposed Charges were unanimously adopted.

4. Heard a Proposal to Modify SERFF Filing Access

Commissioner Kipper said this request was first made in May 2014, through a letter to Commissioner Rothman and Commissioner Kipper, as chairs of the SERFF Advisory Board and this Task Force, respectively, but had not yet been described by the consumer representatives expressing support for the proposal.

Mr. Birnbaum said the proposal was not a request to request access to confidential information; rather, the proposal is to simply make the public aware that something within a filing is being kept confidential. Mr. Birnbaum said this functionality would provide public accountability and efficiencies for the state insurance departments. His experience at the CEJ suggests that insurance companies are requesting confidentiality more often and for items that had previously been routinely made public. Because this functionality does not exist in the SERFF Filing Access tool, consumers are forced to contact a state insurance department to find out if a filing obtained through SERFF Filing Access is complete and, if it is not, ask what type of information is not disclosed. Mr. Birnbaum said the Florida Office of Insurance Regulation provides this functionality through an online system.

Ms. Larkin-Thorne asked if adding this functionality would create more work for the states. Mr. Birnbaum said he did not believe it would; instead, it would reduce the burden on the state insurance departments.

David Snyder (Property Casualty Insurers Association of America—PCI) requested an opportunity for the industry to respond. He said the proposal would be a mechanism for discovery in litigation against the states and that it would have serious efficiency impacts.

Commissioner Kipper said making a decision is premature and indicated the topic would be placed on the agenda for the Task Force's meeting at the Fall National Meeting.

Mr. Birnbaum said the proposal would not result in litigation issues and requested an interim meeting to discuss.

Mr. Noll offered to provide input regarding the Florida online system.

Having no further business, the Speed to Market (EX) Task Force adjourned.

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Commercial Lines (EX) Working Group
Washington, District of Columbia
November 15, 2014

The Commercial Lines (EX) Working Group of the Speed to Market (EX) Task Force met in Washington, DC, Nov. 15, 2014. The following Working Group members participated: Lee Barclay, Chair (WA); Lori K. Wing-Heier (AK); Joel Laucher (CA); George Bradner (CT); Heather Steinkamp (KS); Mary Mealer and Angela Nelson (MO); Cuc Nguyen (OK); Paula Pallozzi (RI); Mark Worman (TX); and Rebecca Nichols (VA).

1. Adopted its Oct. 16 and Aug. 15 Minutes

Mr. Bradner made a motion, seconded by Ms. Nguyen, to adopt the Working Group's Oct. 16 (Attachment Two-A) and Aug. 15 minutes (*see NAIC Proceedings – Summer 2014, Attachment Four, Speed to Market (EX) Task Force, Aug. 18, 2014, minutes).*

2. Reviewed SERFF Approval Time Data Reports

Mr. Barclay said the work on the approval time data reports has been in process for a number of months, beginning with data that was pulled from SERFF earlier this year. He said Washington has been working on the formatting of these reports.

Mr. Barclay said that, since the Working Group's Oct. 16 conference call, nine pages have been added to the beginning of the document that include tables for all 10 types of insurance (TOIs) combined. Mr. Barclay said a countrywide page was also added before each of the state summary pages. He said these pages show the approval time distribution graphs for each TOI.

Mr. Barclay said there was a question on the Working Group's Oct. 16 conference call regarding graphs on some of the state pages that were missing data entirely. He said staff at the Washington State Office of the Insurance Commissioner (OIC) reviewed and cross-referenced the graphs containing uncategorized filing types and disposition statuses, etc. Mr. Barclay said they found that California and Pennsylvania were the only two states with possible issues, as all other states with missing data simply did not have data in the database. He said NAIC staff checked with California and Pennsylvania regarding the missing data. Mr. Barclay said the graphs for Pennsylvania were found to be correct, as the uncategorized filings could not be classified with either rates or forms. He said California suggested that the "New Program" filing type be moved into the rates column to rectify the problems with California's data. Mr. Barclay said the graphs have been recreated, with the "New Program" filing type categorized correctly throughout the report. He said California also had a question regarding the fact that there should not be any filings approved for California within 47 days. Mr. Barclay said the OIC staff supplied California with detail on the individual filings to verify.

Mr. Barclay said a summary or explanation needs to be written and placed at the beginning of the exhibits to explain the items in the report and to specify the reasons why differences occurred amongst the states. He said he write the explanation.

Ms. Pallozzi said some of the states have exempt commercial policies (e.g., boiler and machinery) and, therefore, no graph exists. She asked if it is assumed that the reader understands that these are exempt policies. Mr. Barclay said there should be an explanation in the summary that some of the graphs in the report have no data because, in some states, certain types of insurance are exempt from filing. Ms. Pallozzi agreed to work with Mr. Barclay to create language for the summary.

3. Discussed Recommendations for Report to the Speed to Market (EX) Task Force

Mr. Barclay said the one of the Working Group's tasks is to provide recommendations to the Speed to Market (EX) Task Force regarding ways to improve the regulation of commercial lines, especially as it relates to rates and forms. He said that, prior to the Working Group's Oct. 16 conference call, there was a draft document that contained some points that could be included as recommendations; however, nothing further has been done with the document. Mr. Barclay said the Working Group has received comments from regulators and interested parties regarding the draft document.

Mr. Barclay said the Working Group should decide how to proceed in light of the comments it has received. He said the Working Group should also look at the possibility of an interstate compact. Mr. Barclay said the Working Group discussed sending a survey to the top 20 writers of commercial lines insurance to gauge their interest in forming an interstate compact. He said the idea of an interstate compact was mentioned in the December 2013 Federal Insurance Office (FIO) report. Mr. Barclay said a survey would give the NAIC a sense of whether insurers are interested in an interstate compact.

Mr. Barclay said there is a draft of the survey (Attachment One-A) that would be sent, as well as a list of the top 20 insurance groups writing commercial lines insurance in the handouts for this meeting. He said that, in order to obtain the list of the top 20 insurance groups writing commercial lines, NAIC staff pulled information from the annual financial statement data using the standard commercial insurance lines: fire, allied lines, total commercial multiple peril, workers' compensation, other liability, products liability and commercial auto. Mr. Barclay asked the Working Group if there were any objections to the way that this data was gathered.

Mr. Barclay asked the Working Group members if they were comfortable with the survey being sent to insurer groups, or if there were any ways in which they would like to see the survey changed or edited. He said there are several paragraphs of explanations followed by three questions. Mr. Barclay said the questions include asking companies whether, if there were legislation proposed in state legislatures regarding an interstate compact, they would support it, and under what conditions they would be likely to file rates and forms through an interstate compact. He said the survey also asks companies to provide any other comments or questions.

Ms. Pallozzi said she understands the Working Group is looking at the insurer groups to obtain the largest writers. She said Rhode Island, for example, enacted the National Conference of Insurance Legislators' (NCOIL) Property/Casualty Insurance Modernization Act, and workers' compensation cannot be considered an exempt commercial policy. Ms. Pallozzi said she highly doubts that workers' compensation would be a line that would fall under the interstate compact. Mr. Barclay said workers' compensation is a line of business that is strictly governed by state statute and legislatures may not want that line to be included.

Mr. Bradner said one of the lines of business that might be worthy of looking at is other liability—claims-made. He said this line of business has different requirements in different states. Mr. Bradner said some states, such as Connecticut, have regulations that are lengthy. He said this might be a line of business the Working Group looks at to come up with a model law with standards for claims-made policies. Mr. Barclay said he does not think the Working Group would be looking at this level of detail on the lines of business. Ms. Pallozzi agreed; however, she expressed concern that the addition of the workers' compensation line distorts the identification of the top 20 writers. Mr. Barclay said OIC staff would produce a similar list that does not include workers' compensation.

Mr. Laucher said the survey itself looks good; however, he suggested adding some questions regarding which lines of business are best suited to an interstate compact. Mr. Bradner suggested the Working Group get feedback regarding which lines of business might be more conducive to companies having consistent processes, what should be in the forms and what coverages the Working Group should be considering. Director Wing-Heier said the companies could be asked to prioritize which lines of business they would like to see included in an interstate compact. She said companies might start with property, because it is similar in all states. Director Wing-Heier said she does not think a company would start with all lines of business. She said the question could be asked as follows: "Which lines of business would the company look at when writing multi-states?" Mr. Barclay said the interstate compact approach is not for just multi-state policies. He said he would work with NAIC staff to revise the survey.

Mr. Barclay asked how the Working Group should go about finding the correct company contacts to which to send the surveys. Ms. Nelson said Missouri uses the financial statement contacts that are available through the NAIC. Mr. Laucher said the Market Actions (D) Working Group may have a contact that would be able to find the appropriate party to receive the survey.

Ms. Nelson made a motion, seconded by Mr. Bradner, to proceed with the survey. The motion passed.

Mr. Barclay said it would be optimal to distribute the survey before the holidays. David Snyder (Property Casualty Insurers Association of America—PCI) asked to also have the survey sent to the Working Group's interested party distribution list.

He asked if the Working Group would be willing to receive comments from groups other than the top 20 groups. Mr. Barclay said the Working Group would encourage other companies to respond to the survey and suggested that the trade associations encourage responses.

Mr. Barclay said comments from California, Missouri, Rhode Island, the National Association of Mutual Insurance Companies (NAMIC) and the PCI were received regarding the draft recommendations.

Mr. Laucher said the initial document talks about the states that require prior approval, which makes the filing of a manuscript policy more difficult. He said he included a process that is sometimes approved in California, which is a manuscript rating plan. He said the manuscript rating plan is somewhat like a judgment rating plan. With a judgment rating plan, a company files a range of factors that it would apply to rates. Alternatively, the company might file a process it would use when it does want to write manuscript endorsements that affect some components of the policy. Therefore, the company would have a means of documenting its decision on how much rate increase or decrease it would apply to its rates in order to recognize the change to the coverage. Mr. Laucher said the process is a means to having prior approval and still a process for manuscript endorsements that do not require the filing of each endorsement individually.

Mr. Barclay said California's process sounds like a combination of rate and form issues. Mr. Barclay said that, many times, the states use the term "manuscript forms," but different states have different procedures for processing and/or approving them. In Washington, for example, manuscript forms are not required to be filed; however, an individual risk rate filing would probably need to be made.

Ms. Nelson said most of the comments from Missouri are intended to make the wording and language more easily understood. She said the work done by the Working Group is more to facilitate the states moving on their own to adopt suggestions in a uniform manner, rather than the charge reflecting that each state is somehow obligated to try to move legislation or rules forward to accomplish that. Ms. Nelson said a survey on each state's approach to manuscript policies probably would be helpful to try to gauge how the various states are approaching manuscript policies.

Mr. Laucher said that California receives a lot of questions regarding how to deal with manuscript policies. He said it might be worthwhile to create a resource to explain to companies how the states handle manuscript policy filings. Ms. Nelson said this is a common question received in Missouri, too, and there are a variety of answers given within a particular state insurance department due to interpretations of the law and this causes a lot of confusion. Ms. Nelson said this exercise might help the states to solidify the process, as well. Mr. Bradner said manuscript policies are a small portion of policies and he believes the bigger issue for the Working Group to address is whether the states want an interstate compact and what lines of business to include. Mr. Barclay said that maybe there is a way to include in the Working Group's recommendations a general direction for things the states may want to consider to make the regulation of manuscript policies, and perhaps the rates that go with them, more efficient.

Ms. Pallozzi commented on the definition of "exempt commercial policyholder." She said there are some states that have the NCOIL Property/Casualty Insurance Modernization Act in place, which is why she attached it to the comments from Rhode Island. Regarding manuscript forms, Ms. Pallozzi said she agrees that there are a lot of questions in state insurance departments and, while it is not a high priority for the Working Group, she does believe the topic deserves a survey to the states. She said one of the inquiries that Rhode Island received was from a filer asking how other states treat a manuscript form. Ms. Pallozzi said it is sometimes good to ask the filer. She said she was told that both Connecticut and Pennsylvania allowed the wording to be used on three accounts before it is required to be filed; however, she did not check the validity of this statement. Ms. Pallozzi said her last comments were regarding the file analysis summary, which is a separate handout, and she believes that most of her comments are something she and Mr. Barclay will work with when drafting a summary.

Mr. Barclay said the Working Group would have to rework some of the recommendations on the exempt commercial policyholder issue. He said the Working Group talked about making the recommendation longer. He said the Working Group heard from the industry that they were not satisfied with the initial wording on this recommendation. Mr. Barclay said it helps to bring in the concept of the NCOIL model law. He said part of the question is whether the recommendation is what the NAIC should consider doing or what the states should consider doing. Mr. Barclay said the Working Group will need to say something about the definition of "exempt commercial policyholder."

Mr. Snyder said the PCI had an internal discussion with its companies and the companies asked that an interstate compact not be rolled out until a survey was distributed to gauge interest in the idea. He said that, with regard to large-scale commercial lines policyholders, uniformity is great, but the PCI's members are not particularly interested in raising the standard in the states that have a reduced standard. Mr. Snyder said the PCI would like work with the Working Group on multi-state policies. He said the review of existing authority is well written now. Mr. Snyder said that, even though manuscript policies are a small percentage of policies, issues regarding manuscript policies still arise. Mr. Barclay said that, with respect to multi-state policies, the issue continues to arise but the Working Group has had difficulty in terms of figuring out which direction to go beyond encouraging the states to think about something that could be done more efficiently. He said he would appreciate hearing suggestions regarding content. Mr. Snyder said this is about assisting American business with getting the type of coverage they want from regulated insurers, rather than seeking ways to deal with their risks in less regulated ways.

Paul Tetrault (NAMIC) said the issues NAMIC raises in its comments have already been addressed. He said NAMIC believes it is appropriate to focus on the definition of "exempt commercial policyholder" as a primary recommendation. Mr. Tetrault said NAMIC also has an issue with the concept of lowering the threshold.

Michael O'Malley (Chubb) said one other recommendation Chubb would like the Working Group to consider that, in most states, there are certain lines of business that are exempt from filing. For example, aviation insurance is exempt from filing in Georgia. Mr. O'Malley asked if it is necessary to obtain filings for approval for fiduciary liability. He said there are many lines of business in commercial insurance that are not the "bread-and-butter" policies that Main Street businesses purchase. Mr. O'Malley said there are products outside of multi-peril, workers' compensation, commercial general liability and property. He said that claims-made policies are a problem in a few states, but most states have reasonable regulations. He said that when Chubb looks at the products that are claims-made, it is looking at things like bankers professional liability, and he asked if there is merit to regulating bankers professional liability policies. Mr. O'Malley asked if it is it really the role of the insurance companies to protect the banks. He said there ought to be a thoughtful process to examine the allocation of resources and whether it needs to be done on all lines of business. Mr. O'Malley asked if products such as fidelity and surety bonds, directors and officers insurance, bankers professional liability insurance and venture capital errors and omissions insurance really merit the type of line-by-line, word-by-word regulation that is essentially applied to more mainstream business. He said one of the recommendations the Working Group should consider is to look at whether some of these products have a cost-benefit analysis regarding this type of regulation. Mr. O'Malley said Chubb knows that other countries have already decided that there is not a cost-benefit analysis to regulate some types of commercial business. He said most states have come to the conclusion that there are some lines of business that do not need regulation.

Mr. O'Malley said Chubb appreciates the work the Working Group is doing on manuscript endorsements, noting that it has problems with manuscript endorsements. Mr. O'Malley said manuscript endorsements generally come from a consumer who has a unique need and has strong representation.

Mr. Barclay said that, in individual states, some of the lines of business that are not regulated are because of an individual state's statutes. He said there are other lines of business that are not regulated because the law has changed in a state, or the state has chosen by regulation to exempt certain lines of business from filing requirements. Mr. Barclay asked Mr. O'Malley if he believes the Working Group's recommendation to the Speed to Market (EX) Task Force would be to provide a list of lines of business the states should exempt from regulation and/or is the Working Group's recommendation that the states should consider exempting additional lines of business. He asked Mr. O'Malley where he would direct the recommendation from the Working Group.

Mr. O'Malley said he would suggest more of a process. He said he would identify some lines of business that seem to be the most esoteric, non-mainstream purchases, modernize those and step back after a year and do a survey to see if there has been an increase in complaints regarding those lines of business. He said the states could survey consumer satisfaction before and after the change in the regulatory process. Mr. O'Malley said that if the market chosen to deregulate had some difficulties, the Working Group could look at better limiting capacity in that market. He said the Working Group could take some of these lines of business where there was the least amount of disagreements and deregulate those lines first then do something where the regulators can measure the number of complaints and see whether there are any problems that came out of the lines of business chosen and come up with a second list. Mr. O'Malley said this could be done in stages, which would make more states comfortable over time.

Mr. Barclay said he was hearing Mr. O'Malley say that he was focusing some kind of recommendation on getting the states to look at some of these lines of business themselves. Mr. O'Malley said the Working Group could start with discussing a line of business as a recommendation to start this process, get the feedback from insurers, get the feedback from consumer groups, figure out which lines of businesses to begin to try this with, figure out the questions you want to know the answers to after a year to be sure there was not a problem that came about. He said then divide the lines of business into a list of phases. Mr. O'Malley said each state would implement this differently.

Mr. Laucher said it seems like Mr. O'Malley is not really talking about lines of businesses as much as coverages or programs, which are really subsets of the "other liability" category. He asked how to identify specifically those niche markets. Mr. O'Malley said a question could be added to the existing survey.

Mr. Bradner said a lot of states exempt certain commercial lines of business and he said it is not because the states do not care, but because these are large, sophisticated clients that usually have risk managers and brokers representing them and have their best interests in mind regarding the choice of these types of products. He said that Connecticut does audits on the back end. Mr. Bradner said it really would help the states to create a list of the lines of business, or classes of business, that can be let go and the reasons why. That way, the regulators can go to their commissioners with a specific list of lines of business, so the commissioner will feel more at ease with making that kind of decision. Mr. Bradner said that if there is a document drafted by the Working Group that puts some rationale around the thought process for specific lines of business, he believes it would give the commissioner the justification he or she would need to make such a change.

Birny Birnbaum (Center for Economic Justice—CEJ) said the Working Group should be careful when using the term "modernization" so that it does not connote deregulation because, in his view, there is certain modernization that would involve re-regulation or better regulation. He said there are a number of states that have stopped regulating lender-placed insurance (LPI). Mr. Birnbaum said this is absurd, because the product is forced on consumers and they have no protection; as such, this should not be an exempt policy from regulation of forms or rates. He said it would be useful to provide a list of what exactly are "commercial lines." Mr. Birnbaum said he wants to address uniformity on exempt commercial policyholders. He said the NCOIL model says a large commercial policyholder is a commercial policyholder with the size, sophistication and insurance-buying expertise to negotiate with insurers in a largely unregulated environment. Mr. Birnbaum said NCOIL provides some qualifications. He said this was the premise in the late 1990s, when the NAIC developed its definition of "large commercial policyholders" (or exempt commercial policyholders). Mr. Birnbaum suggested setting a threshold that identifies those policyholders the Working Group believes are sophisticated and can hold their own in a market transaction. He said the reality is that a number of states have lowered that exemption so that it is far below that threshold. He said that, in some states, basically any commercial business is considered an exempt policyholder and clearly that sweeps in large numbers of small businesses that do not meet the qualitative definition. He said there is real benefit to developing a uniform standard across the states for what qualifies as an exempt commercial policyholder. He said there is a benefit in terms of consumer protection, but, more important, there is a benefit in terms of uniformity. In other words, entities will not have to say, "In this state we have to file, but in the other state we do not," even though it is the same commercial policyholder that operates across multiple states. He said regulators have to be willing in some cases to raise the threshold in order to achieve uniformity.

Mr. Barclay suggested that the Working Group plan on meeting one more time via conference call this year, perhaps in the middle of December, to make progress on recommendations, with a goal of distributing the survey regarding the interstate compact. He said that he and Ms. Pallozzi will hopefully have made progress on the introductory page by that time.

Having no further business, the Commercial Lines (EX) Working Group adjourned.

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Draft: 10/30/14

Commercial Lines (EX) Working Group
Conference Call
October 16, 2014

The Commercial Lines (EX) Working Group of the Speed to Market (EX) Task Force met via conference call Oct. 16, 2014. The following Working Group members participated: Lee Barclay, Chair, and Manabu Mizushima (WA); Michael Ricker (AK); Joel Laucher (CA); Peter Galasyn and Moira Herbert (CT); Jim Newins (KS); Angela Nelson and Joan Dutill (MO); Cuc Nguyen (OK); Beth Vollucci (RI); Mark Worman (TX); and Mary Bannister (VA). Also participating were: Sandra Starnes (FL); and Donna Stewart (WY).

1. Discussed SERFF Approval Time Data Reports

Mr. Barclay said the filing analysis summary depicts all types of insurance (TOIs), with pages including counts and averages of filings and objection letters, and graphs of distribution on number of days to approval. He said Paula Pallozzi (RI) submitted comments before the call, suggesting the addition of commentary and explanation of the differences in the data. Mr. Laucher said California should not have filings approved in 30 days or fewer, as California does not approve filings before 47 days because of its laws that allow a public intervener to petition and be involved in the approval process. Except for workers' compensation, any rates, rules and forms should not be approved earlier than 47 days. Mr. Barclay said he and Mr. Mizushima will review the underlying data, but cannot change the data.

Mr. Barclay said these SERFF data were collected in fulfillment of the Working Group's charges and will be included in the report to the Speed to Market (EX) Task Force. The information is not really intended for consumers; rather it will likely be looked at by knowledgeable people familiar with the material. Ms. Dutill asked if any consideration was given to producing an overall countrywide average and whether there was an interest to comparing states to the countrywide average. Ms. Herbert agreed a countrywide average may be useful. Mr. Barclay said adding a countrywide average would be fairly simple to do. The charts toward the beginning of the document have total lines, but a grand total graph could be included, as well, and it could be added before the Working Group meets during the Fall National Meeting. Birny Birnbaum (Center for Economic Justice—CEJ) said a national average does not make sense, because just a simple average gives more weight to the states with more filings or the states that require filings. He suggested a single graph with a display that includes all of the state results in one spot, although explanations should be provided on why there may be differences across the states. Mr. Barclay said an average is an easy thing to add, with disclaimers, so it is fine to include. He said it would likely have to be a weighted average, and created by just combining all of the data together. Mr. Barclay said there is nothing in the recommendations specifically related to the approval time reports.

Mr. Laucher suggested including a key for the positive dispositions. Mr. Barclay said a positive disposition indicates when a company was ultimately able to use the filing it submitted, even if the filing was changed during the process. He said a separate document includes explanations of each state's filing practices. Mr. Laucher said the approval system and legal process will affect approval time. Mr. Barclay said there is no way to provide a useful short description by state, because the states interpret and apply processes in different ways. Dave Snyder (Property Casualty Insurers Association of America—PCI) said the approval time data and caveats would be useful. Mr. Barclay said, for the states showing uncategorized information or no filings, NAIC staff may need to go back to the states for clarification and to see if anything is missing.

Stephen Clarke (Insurance Services Office—ISO) asked if the numbers include filings from advisory organizations. Mr. Barclay said it is likely that advisory organization filings are included, and are at least included for Washington state.

Ms. Dutill asked if any analysis had been done, or could be done, on how the turnaround time affects disposition outcome. Mr. Barclay said earlier materials included the average number of days and average number of objection letters sorted by disposition, but there are not enough negative dispositions for graphing data for each of the 50 states. Ms. Dutill said the existing averages are broken out by line of business and suggested including countrywide tables, similar to the charts for each line of business, but for a countrywide total. She said there is a presumption that negative dispositions take longer than positive dispositions. Mr. Barclay said a set of tables for all 10 groups for TOIs combined, which shows a combined average, could be included. Mr. Laucher said it seems like positive dispositions may actually take longer than negative dispositions, because the number of negative dispositions is fairly small and the filings that get discussed in length tend to get approved in the end and, thus, result in a longer approval time. He agreed adding the set of tables may be helpful.

2. Discussed Draft Recommendations for Report to the Speed to Market (EX) Task Force

Mr. Barclay said he drafted some recommendations and tried to format them to facilitate discussion. He asked how far the Working Group should go with its recommendations and whether it should just suggest recommendations or offer explanations on how to achieve the recommendations. He said he left draft recommendation #3 (multistate policies) open for someone else to write because the issue keeps arising in industry concerns, but there are no clear solutions. Mr. Laucher said some recommendations may deserve their own working group to discuss issues and suggestions. He offered to draft additional language for draft recommendation #2 (manuscript polices) to include the situation in California, where a judgment rating plan—which is where an insurance company documents the additional or reduced exposure that came through the manuscript policy language and therefore accommodate rate changes, or lack thereof—is required. Mr. Barclay said Washington state does not require a filing for manuscript policies. Ms. Dutill said she would draft language for the draft recommendation #3, as Missouri has been approached regarding commonality in multistate policies. Mr. Barclay said the multistate concept could be brought in under draft recommendation #5 (interstate compact). He said the industry provided a list of concerns for the Working Group to consider, but not all were considered in the report recommendations.

Mr. Snyder said the draft recommendations capture most major points and offered to assist in the writing of draft recommendation #3. He said there may be concern if the thresholds for the definition of “exempt commercial policyholder” are raised. He suggested conducting a hearing, or hearing comments from interested regulators and parties, before recommending the interstate compact option. Mr. Barclay said the Working Group is not necessarily endorsing the idea of a compact, but the language could be changed to include a suggestion to conduct a hearing before the Speed to Market (EX) Task Force considers the idea. He said the NAIC had established a standard definition for “exempt commercial policyholder,” but some states took it and lowered the threshold requirements, which created issues for the industry. He said getting uniformity may require some states to raise their standards, noting that comments are welcome. Paul Tetrault (National Association of Mutual Insurance Companies—NAMIC) said a standard definition is a key point of focus for NAMIC’s members, noting that the definition should balance reality with uniformity.

Mr. Birnbaum said each recommendation should provide background and explanation to provide some context. He said, for example, on draft recommendation #1 (definition of “exempt commercial policyholder”) to include a description of what it is, the history of the NAIC establishing guidelines, differences across the states and why lack of uniformity creates a problem. He said to add the recommendation for a solution to the problem, like having a more systematic and uniform way of exempting commercial policyholders. Mr. Birnbaum said the current IIPRC was created because the life/annuity industry wanted that device. For draft recommendation #5, he suggested offering background with the Federal Insurance Office (FIO) report recommendation and asking the top property/casualty writers if they would support the idea. Because the creation of an interstate compact would be contingent on interest from insurers, asking the writers now would help determine the level of industry support to expect. He said if the industry is not interested in an interstate compact, the recommendation could include that information. Mr. Birnbaum said there should also be some language regarding what products and sub-lines qualify for commercial lines business. He said, by addressing those products, it would address concerns that consumer groups have over “blanket deregulation,” which would affect a lot of small businesses that are more like personal lines clients and products such as lender-placed insurance, which requires the scrutiny of personal lines insurance. Ms. Dutill said it may take a little education, if the property/casualty insurers are unfamiliar with the IIPRC, but it would be good to investigate the feasibility and interest of an interstate compact for commercial lines products. Mr. Laucher said if the property/casualty industry wanted an interstate compact they would have likely already tried to get something started. Mr. Snyder said he believes the industry response will likely be “it depends” based on the format and implications of the interstate compact. He suggested collecting responses in multiple ways, such as via the trade associations and with a survey directly to writers. Mr. Birnbaum said he is not sure how much education would be required, because many industry professionals are likely familiar with the FIO report, although a short paragraph describing the IIPRC could be included. He said it is important to receive feedback from individual companies, because that is essential for gauging the industry’s interest in an interstate compact. If the interest is conditioned on certain criteria, that information can be included in the recommendation, including information on whether a compact is feasible. Mr. Barclay asked NAIC staff to draft a survey for major property/casualty insurers and deliver it to the Working Group for discussion at the Fall National Meeting.

Having no further business, the Commercial Lines (EX) Working Group adjourned.

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Draft: 10/28/14

Operational Efficiencies (EX) Working Group
Conference Call
October 28, 2014

The Operational Efficiencies (EX) Working Group of the Speed to Market (EX) Task Force met via conference call Oct. 28, 2014. The following Working Group members participated: Maureen Motter, Chair (OH); George Bradner (CT); Geoffrey Cabin (MD); Tammy Lohmann (MN); Joan Dutill (MO); Ted Hamby and Tim Johnson (NC); Connie Van Slyke (NE); Gerry Fred Tinkelman and Doris Kullman (NY); Cuc Nguyen (OK); Dave Bolton (OR); Trish Todd (VA); Lee Barclay (WA); and Susan Ezalarab (WI).

1. <u>Reviewed Filing Metrics and Turnaround Reports</u>

Ms. Motter said the Working Group would be reviewing both the filing metrics, for the purposes of making recommended changes to the Speed to Market (EX) Task Force, and the filing turnaround report that is being developed to assist states in managing their workload. NAIC staff has made the requested changes to the reports and the reporting criteria. The Working Group members considered the filing metrics and agreed upon the following criteria changes:

a. Remove from the turnaround calculation the time the state reviewer is waiting on a response from the filer.
b. For filings that are reopened, do not include inactive days in the turnaround calculation.
c. Set individual filing turnaround goals based on business type. The metrics currently report the average days by business type but the goal is set at 40 days. The Working Group is recommending there be goals for life, health and property/casualty.
d.

Additionally, the Working Group recommends waiting until several cycles of data are available on the new criteria before deciding upon a turnaround goal. Members also discussed reporting filing method (e.g. prior approval, file and use, etc.) but decided that metric was not useful as the intent of the turnaround metrics is to assist states in improving their own processes. They also did not feel adding a percentage breakdown of filings reviewed within specific increments both above and below the goal days would be useful for filing metrics. The Working Group acknowledged that the filing metrics are intended to work in concert with quality measures to ensure that review quality is not diminished with improvements to speed. NAIC staff was requested to provide some average turnaround times for a variety of years to assist the Working Group in determining turnaround goals by business type.

In reviewing the filing turnaround report the Working Group agreed upon the report revisions and requested the following additions:

e. The Type of Insurance (TOI) should default to State TOI if the states uses that feature
f. Add a column to represent the number of days until the first correspondence is sent on a filing
g. Confirmed there is no need to remove weekend days from the report calculations
h. Add a column for Filing Type

NAIC staff will modify the report and statistics and will propose criteria for generating the report. This information will be distributed prior to the next call. Any states with questions or suggestions should contact Chris Bien at cbien@naic.org.

Having no further business, the Operational Efficiencies (EX) Working Group adjourned.

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