

## **SPEED TO MARKET (EX) TASK FORCE**

Speed to Market (EX) Task Force April 6, 2013, Minutes  
Report of the Commercial Lines (EX) Working Group (Attachment One)  
SERFF Health Care Reform Update (Attachment Two)  
Report from the IIPRC (Attachment Three)

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Speed to Market (EX) Task Force  
Houston, TX  
April 6, 2013

The Speed to Market (EX) Task Force met in Houston, TX, April 6, 2013. The following Task Force members participated: Scott J. Kipper, Chair (NV); William P. White represented by Margaret Schruender and Sharon Shipp (DC); Andrew Boron represented by Michelle Oshman (IL); Sandy Praeger represented by Jason Lapham (KS); Sharon P. Clark represented by Maggie Woods (KY); Eric A. Cioppa represented by Marti Hooper (ME); Mike Rothman represented by Tammy Lohmann (MN); Monica J. Lindeen represented by Rosann Grandy (MT); Roger A. Seigny represented by Chuck Vanasdalan (NH); Kenneth E. Kobylowski represented by Anne Marie Narcini (NJ); Wayne Goodwin represented by Ted Hamby (NC); Mary Taylor represented by Matt Elston (OH); Louis D. Savage (OR); Angela Weyne represented by Sol Gisela Marrero-Rivera (PR); Todd E. Kiser represented by Tanji Northrup (UT); Jacqueline K. Cunningham represented by Mary Bannister (VA); and Mike Kreider represented by Beth Berendt (WA).

1. Adopted the Report from the Commercial Lines (EX) Working Group

Ms. Berendt reported that the Commercial Lines (EX) Working Group received a brief history of commercial lines reform from Eric Nordman (NAIC), reviewing the NAIC's White Paper on Regulatory Re-engineering of Commercial Lines Insurance. During the Working Group's conference call, Lee Barclay (WA), chair of the Working Group, reviewed the charges and an associated proposed work plan. The work plan suggests steps toward completing each charge, with assignments, and includes a rough timeline. During the Spring National Meeting, the Working Group adopted the work plan and interested parties will be given a 45-day comment period to provide their recommendations on how states could improve the filing and approval process of commercial lines filings. Birny Birnbaum (Center for Economic Justice—CEJ) and Janet Shemanske (W.R. Berkley Corporation) provided comments on issues to consider when moving forward with the work plan. Ms. Berendt made a motion to adopt the report of the Commercial Lines (EX) Working Group (Attachment One). The motion was seconded and passed.

2. Received an Update on the Federal Patient Protection and Affordable Care Act (PPACA)

Joy Morrison (NAIC) updated the Task Force on SERFF Plan Management implementation. SERFF v6.0 released the evening of March 28 and was available to users the morning of March 29. Initially, 24 states had implemented, followed by another 10 by April 5, bringing the total to 34 state implementations. A few more states are slated for implementation in the coming weeks. The NAIC SERFF team has provided training through webinars for industry and state insurance regulators which has been very well-attended. To date, no actual Qualified Health Plans (QHPs) had been submitted, but industry was in the process of creating filings. Ms. Morrison referenced SERFF Plan Management Forum 7 slated for April 9 in Houston.

Ms. Morrison said upcoming milestones for this project include development and release of Plan Transfer, Stand Alone Dental, and financial management data transfer. Following that, the SERFF team will begin focusing on decertification and recertification processes (Attachment Two).

Ms. Morrison provided an update on the fiscal request. She said Phase I of the project was contained within a request associated with the 2012 budget. The request was \$631,850 in revenues and expenses. By project end, which occurred in October 2012, \$586,550 in revenues had been collected from states receiving federal grant funds and total expenses were \$582,270, for a revenue overage of \$4,280, which is less than 1% of the project cost. This resulted in achieving the goal of being revenue neutral. Phase II was proposed as a \$1.52 million initiative in the 2013 budget. As of the end of February 2013, \$1.3 million had been committed by the states, most of which had already been remitted to the NAIC. Total revenues, based on a combination of grant funding received through the states and Plan Management Forum registration fees, is projected to exceed \$1.6 million. Costs are projected to be about \$1.4 million, with an apparent \$235,000 differential. However, NAIC staff indicated that they expect additional costs associated with the delays in guidance, deferral of parts of the project and unknown requirements. Therefore, the project is likely to result in a revenue neutral position at completion.

3. Received an Update on Other SERFF Activity

Ms. Morrison said NAIC staff has been focused on health care reform initiatives and very little time has been available for other initiatives, except for a small enhancement for the IIPRC related to ease of use in registration. She stated that NAIC application server upgrades are slated for 2014.

Ms. Morrison provided an update on the Public Access implementation project, which has been delayed due to health care implementation. The current plan is to evaluate the business requirements and conduct a technical assessment to ensure that the SERFF infrastructure and application can handle the additional activity when public access features are released for property and life filings. This assessment is to occur over the next several months and a report to the Task Force will occur at the Summer National Meeting, including a project timeline and any associated costs. The project will be completed sometime in 2014.

#### 4. Received a Report from the SERFF Board

Commissioner Kipper reported that the SERFF Board had met April 5. Activity included reviewing minutes from the November 30, 2012 meeting, hearing reports on SERFF activity similar to what was reported to the Task Force, and appointing a new vice-chair, Commissioner Roger Sevigny (NH). Commissioner Kipper also reported that the Board will be convening over the next several months to address outstanding governance concerns.

#### 5. Received a Report from the IIPRC

Charlie Rapacciuolo (IIPRC) provided a report of IIPRC activity (Attachment Three) which included reference to three public hearings on uniform standards, and stated that several more standards are under discussion in order to achieve a more complete package of uniform standards for group insurance.

Mr. Rapacciuolo stated that the IIPRC is scheduled to meet April 8 and will hear reports from their audit, financial, rulemaking and product standards committees.

He said that the finance committee will be making a resource proposal for a new full-time product review analyst position to replace the current consulting position. In addition, there will be a recommendation to add a full-time position to focus on the development of uniform standards.

Mr. Rapacciuolo said that the product standards committee will bring forth the recommendation for the last uniform standard in the group term life product line, the accelerated death benefit. There are three standards in this product line currently available for filing, including the policy and certificate standard. The remaining standards will be appearing at various times over the next five months.

Mr. Rapacciuolo stated that the IIPRC will develop the uniform standards for new product lines rather than working from initial drafts transmitted by the NAIC, as the working groups under the Task Force completed their mission in 2011 and were dissolved in 2012.

In 2012, Mr. Rapacciuolo said that the IIPRC experienced an increase of registered companies, totaling 167, and received 750 product submissions, which represents a 60% increase over 2011. In addition, review time was reduced to an average of 25 days.

Mr. Rapacciuolo reported that the IIPRC has been working with SERFF to implement a major enhancement for filers that will allow them to leverage SERFF's template functionality to populate a pre-formatted Excel spreadsheet which can be uploaded into a Statement of Intent Schedule for mix and match filings. This enhancement has minimized the significant data entry for filers and will hopefully reduce the chances for inaccurate data input.

He said that the IIPRC is doing a seven-part webinar series for company filers covering all aspects of Compact filings, from tips and tools to specific information based on product lines. The next series will be starting in mid-May.

Mr. Rapacciuolo stated that the IIPRC is also increasing its proactive outreach to members and over the last four months has been hosting informational sessions for regulators on the Compact with more than 140 regulators participating. Currently a member-only webinar session is being conducted on the individual long-term care review and approval process along with a special briefing from John Hancock on their Compact-approved individual long-term care product portfolio. Montana, Arkansas and Florida are actively Compacting states interested in participating.

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

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Draft: 4/12/13

Commercial Lines (EX) Working Group  
Houston, TX  
April 5, 2013

The Commercial Lines (EX) Working Group of the Speed to Market (EX) Task Force met in Houston, TX, April 5, 2013. The following Working Group members participated: Lee Barclay, Chair (WA); Joel Laucher (CA); George Bradner (CT); Jason Lapham (KS); Jim Mealer (MO); Louis D. Savage (OR); Paula Pallozzi (RI); and Mary Bannister (VA). Also participating was: Gene Reed (DE).

1. Heard a Presentation on Brief History of Commercial Lines Reform

Eric Nordman (NAIC) provided background on commercial lines reform. He said that, in 1998, the NAIC issued a white paper titled, *Regulatory Re-engineering of Commercial Lines Insurance: Streamlining of Commercial Lines Insurance Regulation*. The paper was the outcome of three years of work, first by the NAIC Committee on Regulatory Efficiency, then the NAIC Special Committee on Regulatory Re-engineering. He said that a survey was conducted to see what was going on in the states, particularly with regard to relaxing any form of commercial lines regulation, and a public hearing was held on the same topic. A wide variety of interested parties weighed in with their thoughts and suggestions on how to proceed. The survey found that regulatory re-engineering activities were present in roughly half of the states in the time period of 1996 through 1997. The white paper provides a historical perspective and describes the business environment at the time, such as the types of businesses that were operating and the range of the businesses' size. Regulators noted that, while big business made up only a small portion of the number of businesses overall, they employed a large percentage of the workforce. The distinction of large vs. small employers was important, as the regulators at the time decided certain businesses needed less protection from insurance regulators (i.e., if they met certain conditions, such as size, maintaining certain risk factors) whereas small businesses were generally viewed as lacking risk managers and the negotiating power to deal with the insurance industry. The white paper also describes the then-current rate and policy form regulation. The paper makes two recommendations related to rate and form filings for commercial lines, as reported on Page 6 of the white paper. The paper was structured to list the recommendations first, and then to provide more detail in the following sections. While lacking complete agreement among the regulators, the first recommendation, which urged greater reliance on competition and less reliance on rate regulation, was included in the paper. The second recommendation, which encouraged full adoption of the System for Electronic Rate and Form Filing (SERFF), was almost completely adopted over a decade-long period. The regulatory committee also included all types of rating laws that were available and proposed a commercial policyholder exemption, or an exempt commercial policy/policyholder (ECP). The white paper lists criteria for the exemption on Page 9, and those criteria were also eventually added to a commercial lines model law, which was adopted, and a single model law that ended up as a guideline. However, a common definition for the ECP fell apart, and, as a result, at the state level, the local interests lobbied the scope of the exemption down. Mr. Nordman said it is now a "nightmare" for insurers, as almost no two states have identical ECP definitions. Most states that have an ECP status in their laws have a lower threshold than what is in the white paper. The white paper also made two recommendations, on Page 13, regarding the issues in the cancellation and non-renewal differences from state to state and encouraged improvement for multi-state insureds. The first recommendation asked to grant the commissioner authority to waive requirements for insureds that are primarily located in other states. The second recommendation related to greater uniformity in cancellation, nonrenewal and other statutory and policy form requirements. There continues to be a wide diversity in cancellation and nonrenewal laws that apply to commercial risks.

Mr. Nordman noted that the white paper did cover pieces of surplus lines regulation, but, as it is not pertinent to this Working Group, he chose not to report on it. The white paper does touch on company and producer licensing and, on Page 16, offers two recommendations. The first recommendation deals with reciprocity, while the second recommendation deals with the accelerated licensure and evaluation review techniques (ALERT) project. Currently, there is a Uniform Certificate of Authority Application (UCAAA), so many of the procedural steps have been made consistent in many of the states, but the process did not end up looking like the original recommendation in the white paper. Producer licensing issues and recommendations begin on Page 18 of the white paper, and much of that work is done through the National Insurance Producer Registry (NIPR). The Commercial Lines (EX) Working Group has not been charged with looking at company and producer licensing.

2. Discussed Charges and Adopted its Work Plan

Mr. Barclay reviewed the draft work plan and timeline, and highlighted that comments from interested parties as to how the states could improve the filing and approval process, would be due in 45 days (May 20, 2013). Upon a motion by Commissioner Savage, and second by Mr. Mealer, the Working Group adopted its work plan and timeline.

3. Heard Comments from Interested Parties

Birny Birnbaum (Center for Economic Justice) said that he was impressed with the work plan and suggested that the Working Group remember that the vast majority of commercial lines customers are small businesses, which have a lot more in common with personal lines customers than they do with large commercial risks. When thinking of commercial lines, he said it is important to remember that not all commercial risks are experienced consumers in the marketplace. He also mentioned a disparity in the definition or criteria for exemption, based on the NAIC *Compendium of State Laws on Insurance Topics* chart on property/casualty commercial lines re-engineering. It ranges from a state that exempts anyone who is not purchasing for personal consumption, to a state that exempts any company with 10 or fewer employees and \$10,000 or less in premium, to a state that exempts and company with 25 or fewer employees and less than \$5 million in net worth. And any effort to bring uniformity in treatment, particularly any kind of domestic deference, needs to include consistency in what exactly is an exempt commercial policyholder.

Commissioner Savage agreed that most businesses in Oregon are small businesses (i.e., 50 to 100 employees is a fairly large business in Oregon) and that their concerns will be similar to consumer issues, such as information and delays in claims processing.

Janet Shemanske (W.R. Berkley Corporation) said that, when companies are attempting to roll out nationwide programs and are trying to have consistency, or they are trying to propose an endorsement to attach to an Insurance Services Office (ISO) commercial general liability (CGL) policy, the company will receive a gamut of responses from the states. As such, it is difficult for a company to pursue risks that are multi-state, because the state laws do vary. It also creates some confusion for policyholders, who are left wondering if they have coverage, when the insurers themselves are challenged with keeping all the information straight when there is essentially a different program per state, even though the risk is the same.

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

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## MEMORANDUM

TO: Speed to Market (EX) Task Force  
FROM: Julie Fritz, Chief Business Strategy and Development Officer  
DATE: April 6, 2013  
RE: SERFF Health Care Reform Update

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### Health Insurance Exchange (HIX) Plan Management Update

A fiscal request was approved as part of the 2013 budget process to complete the development and implementation phases of the HIX Plan Management project.

NAIC staff has facilitated six forums on this topic: November 2011 (Washington, DC), December 2011 (Washington, DC), March 2012 (New Orleans, LA), May 2012 (Kansas City, MO), August 2012 (Atlanta, GA) and November 2012 (Washington, DC). The next forum is scheduled for April 9, immediately following the Spring National Meeting in Houston, TX.

Since the Fall National Meeting, the following milestones have been reached:

- Coordinated with URAC and the U.S. Center for Consumer Information and Insurance Oversight (CCIIO) to define a file transfer for the transfer of accreditation data, which are Plan Management responsibilities for which the insurance departments might not have previously been responsible. This had previously been identified for a Web service solution but, given the timing of final specifications and the infrequency of data transfer, a file transfer protocol (FTP) file upload seems the most reasonable approach.
- Built SoapUI framework for State-Based Exchange (SBE) states interested in testing the design for transfer plan services.
- Continued communication and collaboration efforts with staff from the CCIIO to minimize duplicative efforts, both in the development process and the software solutions for the health insurance exchanges.
- Completed base license and access agreements between state insurance departments, exchange entities and NAIC.
- Participated in stakeholder conference calls and webinars with approximately 10 states to present SERFF's part in Plan Management.
- Participated in weekly or bi-weekly meetings with SBE states to keep them informed of progress on Web services.
- Conducted a brief survey in an attempt to gather the states' intentions to use SERFF Plan Management.
- Shared revised data collection templates.
- Worked with states and CCIIO to understand CCIIO's Financial Management data needs as they relate to the QHP submission.
- Coordinated with Office of Personnel Management (OPM) on its use of SERFF to move multi-state QHPs to the state and then to the Federal Exchange.
- Began weekly State Partnership Exchange (SPE) calls with those states working on a partnership model.
- Continue to work with Centers for Medicare and Medicaid Services (CMS)/Office of Information Services (OIS) to test validation of the federal templates.
- Have completed most of the CMS security review for SERFF Plan Management.
- Began load testing of SERFF Plan Management.
- Undertook a small User Acceptance Testing project for SERFF Plan Management.
  
- Began state implementation project to prepare state configuration in SERFF for QHP submissions.
- Started SERFF Plan Management Training for industry and state the week of March 4.

- Provided a SERFF demonstration and presentation via the Web at the CCIIO Issuer Training event, March 12-13.

Upcoming milestones:

- Host the HIX Plan Management Forum VII, which is scheduled for April 9 in Houston, TX.
- Release of SERFF v6.0 (SERFF Plan Management on the evening of March 28).
- Continue work on Web services to facilitate data transfer to exchanges. Target date for release of those services is now late May.
- Begin work on SERFF v6.1, which will provide limited Portable Document Format (PDF) Pipeline functionality.

For links to the documents referenced here, click the Health Insurance Exchange Plan Management (HIX) button on the SERFF home page at [www.serff.com](http://www.serff.com).

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## **UPDATE ON THE INTERSTATE INSURANCE COMPACT**

**MISSION:** The Interstate Insurance Compact (“Compact”) is a key state-based regulatory modernization initiative that enhances the efficiency and effectiveness of the way insurance products are filed, reviewed and approved in the United States. The Compact’s new streamlined processes provide speed-to-market for the insurance industry, thus affording consumers quicker access to more competitive insurance products. By promoting uniformity through application of national product standards embedded with strong consumer protections, the Compact is meeting the demands of consumers, industry and regulators in the ever-changing, global financial marketplace.

**BACKGROUND:** The Compact has been adopted by 40 States and Puerto Rico to date, representing approximately 70% of the premium volume nationwide. The Compact established a multi-state public entity, the Interstate Insurance Product Regulation Commission (“IIPRC”) which serves as an instrumentality of the Member States. The IIPRC is the central point of electronic filing for asset-based insurance products, including life insurance, annuities, disability income, and long-term care insurance. By leveraging the insurance regulatory expertise of the states, the Compact is able to employ one set of uniform standards with the highest level of consumer protection on a national level through the Compact’s collective framework. The Compact, funded by filing fees, implements its modernization goals without impinging on state budgets.

**STATUS:** In June 2007, the IIPRC became operational and received its first filings within one year of its establishment. The Compact has defined speed-to-market by providing final disposition in less than 60 days. Companies of all sizes - large, medium and small - utilize the Compact’s electronic filing platform to submit product filings using the adopted Uniform Standards. There are over 80 Uniform Standards in individual life, annuity, long-term care and disability income product lines adopted and available for filing use with additional standards under development for group life and annuities. The first group life Uniform Standards have been adopted by the Compact – term life for employer groups. Throughout 2012, the IIPRC saw continued and significant growth with the number of registered companies and product filing submissions compared to the previous years.

### **KEY MILESTONES/PLANS:**

- June 2006: Inaugural Meeting of the IIPRC in Washington, DC
- December 2006: First Uniform Life Standards Adopted by Members
- June 2007: Operations Initiated On-Target/First Insurer Filings Received
- July 2007: First Filings Approved in Under 30 Days
- Summer 2009: “Mix & Match” 2-Year Timeline Removed
- Spring 2011: New Product Reviewer and Actuary Join IIPRC Team
- January 2012: Disability Income Standards in Effect; 41 Member States
- September 2012: Group Term Life Uniform Standards Adopted
- January 2013: Group Term Life Uniform Standards Eligible for Filing and Review

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# Interstate Insurance Product Regulation Compact

As of March 12, 2013

