

SPEED TO MARKET (EX) TASK FORCE

Speed to Market (EX) Task Force Aug. 18, 2014, Minutes

Speed to Market (EX) Task Force July 28, 2014, Minutes (Attachment One)

Speed to Market (EX) Task Force June 20, 2014, Minutes (Attachment One-A)

Speed to Market (EX) Task Force May 5, 2014, Minutes (Attachment One-B)

Commercial Lines (EX) Working Group Aug. 15, 2014, Minutes (Attachment Two)

Commercial Lines (EX) Working Group July 15, 2014, Minutes (Attachment Two-A)

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Operational Efficiencies (EX) Working Group July 24, 2014, Minutes (Attachment Three)

Operational Efficiencies (EX) Working Group June 17, 2014, Minutes (Attachment Three-A)

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Draft Pending Adoption

Draft: 8/29/14

Speed to Market (EX) Task Force
Louisville, Kentucky
August 18, 2014

The Speed to Market (EX) Task Force met in Louisville, KY, Aug. 18, 2014. The following Task Force members participated: Scott J. Kipper, Chair (NV); Andrew Boron, Vice Chair, represented by Jim Stephens (IL); Lori K. Wing-Heier represented by Marty Hester (AK); Jay Bradford represented by Bill Lacy (AR); Dave Jones represented by Joel Laucher (CA); Thomas B. Leonardi represented by George Bradner (CT); Sandy Praeger represented by Jim Newins (KS); Sharon P. Clark represented by Ray Perry (KY); John M. Huff represented by Angela Nelson and Joan Dutil (MO); Monica J. Lindeen represented by Christina Goe (MT); Wayne Goodwin represented by Ted Hamby (NC); Mary Taylor represented by Tom Botsko (OH); Laura N. Cali represented by Gayle Woods (OR); Julia Rathgeber represented by Mark Worman (TX); Todd E. Kiser represented by Nancy Askerlund and Tanji Northrup (UT); Jacqueline K. Cunningham represented by Don Beatty (VA); and Mike Kreidler represented by Lee Barclay (WA).

1. Adopted its July 28, June 20 and May 5 Minutes

Ms. Nelson made a motion, seconded by Mr. Hester, to adopt the Task Force's July 28 (Attachment One), June 20 (Attachment One-A) and May 5 (Attachment One-B) minutes. 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 Aug. 15 (Attachment Two), July 15 (Attachment Two-A), June 5 (Attachment Two-B), May 13 (Attachment Two-C) and April 29 (Attachment Two-D) to discuss data generated from SERFF illustrating turnaround times for commercial product filings. During its Aug. 15 meeting, the Working Group agreed upon a report format to be used in presenting recommendations to the Task Force. The Working Group has completed related work for one of 10 lines of business and is compiling recommendations.

Commissioner Kipper asked if the Working Group has a timeline for completion of their work and whether the Working Group anticipates any development impact on SERFF. Mr. Barclay said the initial work plan anticipated conclusion of work by year-end 2014, but, based on current progress, the work is expected to continue into early 2015. Mr. Barclay said he did not know if there would be a development impact on SERFF.

Mr. Barclay made a motion, seconded by Mr. Laucher, to adopt the report of the Commercial Lines (EX) Working Group report. The report was unanimously adopted.

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

Mr. Botsko said the Operational Efficiencies (EX) Working Group met July 24 (Attachment Three) and June 17 (Attachment Three-A) to review recommended changes to the Uniform Product Coding Matrices (PCMs). After discussion, the Working Group determined no code changes were necessary. However, the Working Group did agree to modify a column on the Uniform Property & Casualty Product Coding Matrix referencing a specific NAIC annual statement line to match the NAIC annual statement line changes as adopted by the Blanks (E) Working Group. For sub-type of insurance (sub-TOI) 02.1000, NAIC annual statement line reference will be 02.2000 or 02.4000. For sub-TOI 2.1001, the NAIC annual statement line column will be changed to 02.4000. Consistent with the product description change adopted by the Blanks (E) Working Group, it is also recommended that the description in the Uniform Property & Casualty Product Coding Matrix for sub-TOI 2.1001 be modified to better describe the products that are included. The same language that is being proposed by the Blanks (E) Working Group is recommended: "Private market coverage for crop insurance and agricultural-related protection, such as hail and fire, and is not reinsured by the Federal Crop Insurance Corporation (FCIC)."

The Working Group has also been developing uniform filing metrics to demonstrate the effectiveness of speed-to-market initiatives. The Working Group reviewed a sample report prepared by NAIC staff on its June 17 conference call and discussed the topic in more detail on the July 24 conference call. Additional modifications to the report were made, as well as an addition to the state assessment tool to better clarify the percentage of filings that are below, meet or exceed the turnaround goal. NAIC staff were asked to modify the draft filing turnaround report to identify and eliminate days spent waiting for an industry response from the overall turnaround time. Comparisons between existing turnaround metrics and

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those now being considered to assess how the changes will impact turnaround numbers will be reviewed. The Working Group will use this comparison to finalize any recommended changes in metrics.

Commissioner Kipper asked if the Working Group has a timeline for completion of their work and whether the Working Group anticipates any development impact on SERFF. Mr. Botsko said most Working Group activity is ongoing, but work related to filing turnaround could be expected to result in potential SERFF development work in 2015.

Tom Botsko made a motion, which was seconded to adopt the report of the Operational Efficiencies (EX) Working Group, conditioned upon adoption of related changes to the annual financial statement blank by the Blanks (E) Working Group. The motion passed unanimously.

4. Received an Update on SERFF Implementation Projects/Activity

Julie Fritz (NAIC) provided a report of SERFF activity since the Spring National Meeting. There were four releases of SERFF (March 13, April 17, May 27 and July 31) containing various upgrades and enhancements such as iText (a tool used in SERFF PDF Pipeline), Plan Management enhancements to add and remove component IDs from draft filings, as well as additional Plan Management binder search fields, a new notifications feature enabling messages to SERFF users via SERFF Alerts, a Quick Export feature for Plan Management binders and IIPRC enhancements to allow the association of filings.

NAIC staff are also working on application server upgrades using JBoss, which should complete in fourth quarter of 2014, as well as a migration to NetIQ, the NAIC's new security infrastructure. NetIQ in SERFF should deploy in early 2016.

Usage and revenue are 7% over budget through June. The 2014 budget anticipated qualified health plan (QHP) filings related to health care reform being submitted beginning in February. Those filings, which did not start coming in until May, have now exceeded budget for both revenue and transactions. There were 18,000 plan submissions budgeted and, through June 30, 24,565 have been submitted. There were 34,942 plans submitted in 2013.

The SERFF implementation team has worked with the states on the updated and new state submission requirements for health plan submissions. These modifications included ease of use, Plan Management validate and transform and plan transfer features, all designed to improve accuracy and consistency. SERFF staff also assisted the states with exchange model changes, financial management data transfers and the new Plan ID Crosswalk Template. These efforts were completed in time for 2015 plan year submissions and plan transfer processes via SERFF. The team also hosted the product filing track of the NAIC/NIPR E-Reg Conference in late April.

Joy Morrison (NAIC) provided an update on SERFF Filing Access, the new public access features enabling users to search, view and download product filings determined by states as publicly accessible—for states that have chosen to leverage this new functionality. To date, seven states (Idaho, Illinois, Missouri, New Hampshire, Nevada, Oregon and Utah) have implemented the new service. Additional states are involved in implementation processes.

Ms. Goe said that Montana has chosen to implement, but does not believe the filing data available is useful to the average consumer and will be supplementing with additional information posted on their Website, such as the Summary of Benefits and Coverages (SBC). She acknowledged this is more a reflection of the filings themselves rather than SERFF Filing Access, as the system is very simple to use. Ms. Nelson said that Missouri implemented the functionality and believes it to be a huge benefit to the insurance department and to users interested in product filing information. Mr. Laucher indicated the California may be interested in using SERFF Filing Access. Commissioner Kipper said Nevada's regulatory staff is pleased with their implementation of SERFF Filing Access.

5. Discussed SERFF Third-Party Integration Proposal

Commissioner Kipper said that, subsequent to the Task Force's July 28 conference call, he talked with the NAIC staff to learn more about competing priorities for NAIC resources in order to evaluate ability to engage in the third-party integration initiative. The impetus for contacting NAIC staff was driven by comments during the July 28 conference call, including regulator comments about SERFF performance issues, being aware that the SERFF Filing Access implementation is ongoing with at least two more functionality releases in 2014; knowing that both the Commercial Lines (EX) Working Group and the Operational Efficiencies (EX) Working Group have initiatives that may result in SERFF enhancements to address efficiency and/or reporting needs; and anticipating changes related to the federal Affordable Care Act (ACA) for Plan Year 3 in 2015, needs to expand the state services to include plan management filings and IIPRC-related needs that are under discussion.

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Given these projects, Commissioner Kipper expressed concern about the timing of this initiative. He acknowledged the industry's interest in the proposed services, but said the Task Force has heard little directly from the industry.

Commissioner Kipper said there are two basic components of this project: 1) the ability to pull filings and filing data out of SERFF; and 2) the ability to push data into SERFF as an alternative filing submission mechanism. The "push" component is significantly more complex than the "pull" component. He said it appears that more companies and third parties may be interested in the "pull" features.

Commissioner Kipper suggested revising Task Force consideration of this proposal. He described three potential variations, each of which would have a different impact on current and upcoming projects, as follows:

- 1) Adopt the proposal with all phases, beginning in early 2015. The consequences may be that either this project or possibly others are deferred, if working group initiatives, public access, ACA-related and/or IIPRC projects surface.
- 2) Defer the proposal for 2016 consideration, effectively tabling the proposal in order to complete initiatives currently under way and anticipated.
- 3) Consider a middle-of-the-road approach; i.e., support the "pull" portion of this initiative and defer the "push" portion, with a late 2015 start date for this project.

Following some discussion of the states' record-retention policies and project priorities, further consideration was deferred to a conference call slated for early September.

6. Discussed Request for Expanded Public Access Functionality

This item was deferred to a future meeting of the Task Force.

7. Discussed the States' Record Retention Limits

Mr. Lacy said Arkansas product filing record-retention requirements are three years. Mr. Barclay said Washington record-retention requirements are a minimum of eight years, but some life products could be as many as 100 years. Ms. Goe said Montana requirements are five years, in general, but should be longer. Ms. Nelson said Missouri requirements are generally five years from the date of filing, with the exception of workers' compensation, which is 10 years from the date of filing. Mr. Botsko said Ohio requirements are 10 years, but currently 12 years of product filings are retained. Mr. Perry said that Kentucky requirements vary, ranging from 10 years to 50 years, depending on the filing type. Ms. Northrup said that Utah requirements are 50 years for domestic companies and seven years for foreign companies and reports. Ms. Woods said that Oregon retention for hardcopy filings is 30 days, while electronic submissions are kept indefinitely. Mr. Bradner said Connecticut keeps hardcopy filings for five years from the effective date and electronic filings are kept indefinitely.

Miriam Krol (American Council of Life Insurers—ACLI) said the ACLI has met with a number of insurance regulators to discuss record-retention requirements. She said that when the states destroy filing records, it results in companies having to refile complete portfolios, even if the requested change is only to a single component of a filing. In addition, this often results in a de novo review of a component that has already been approved, which causes the insurer and its policyholders complications. The ACLI recommends that all filing data be archived and accessible for future use so as not to cause unintentional problems in the filing and review process. Mr. Lacy and Ms. Nelson said that the filing data has not been purged. Ms. Northrup said Utah requires filings to be purged after five years.

Commissioner Kipper recommended further discussion on a subsequent meeting of the Task Force.

8. Heard an Update from the IIPRC

Karen Schutter (IIPRC) reported that there are now 44 compacting states, following the recent implementation of Arizona. The IIPRC is undergoing a required five-year review of standards and has completed review of 30 life standards. The IIPRC will be implementing SERFF Filing Access in November.

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9. Discussed Timeline for 2015 Proposed Charges

Commissioner Kipper reported that the Task Force should consider any changes to its charges by mid-September. An interim conference call will include this agenda item.

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

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Draft: 7/31/14

Speed to Market (EX) Task Force
Conference Call
July 28, 2014

The Speed to Market (EX) Task Force met via conference call July 28, 2014. The following Task Force members participated: Scott J. Kipper, Chair (NV); Andrew Boron, Vice Chair, represented by Cindy Colonius (IL); Dave Jones represented by Kayte Fisher (CA); Thomas B. Leonardi represented by Moira Herbert (CT); Sandy Praeger represented by Jim Newins (KS); Sharon P. Clark represented by Malinda Shepherd (KY); John M. Huff represented by Mary Mealer (MO); 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); Todd E. Kiser represented by Tanji Northrup (UT); Jacqueline K. Cunningham represented by Rebecca Nichols (VA); and Mike Kreidler represented by Alan Hudina (WA).

1. Discussed Third-Party Integration Request

Commissioner Kipper said the issue before the Task Force is to consider expansion of existing SERFF integration services that are currently used by a single third-party vendor. The expansion will include modification of the services to handle larger volumes and incorporate IIPRC and the federal Affordable Care Act (ACA) qualified health plan filings. Industry interest has been explored and NAIC staff will report results to the Task Force. Commissioner Kipper said NAIC staff have also developed a proposed fee structure to cover costs, as recommended by the SERFF Advisory Board. He reminded participants that incorporating this functionality will increase SERFF complexity and would likely impact future projects.

Julie Fritz (NAIC) said NAIC staff held a July 14 conference call with industry representatives potentially interested in the expanded integration services. Of those attending, 11 followed up with NAIC staff, 10 of which expressed interest in the integration services enabling filings and data to be pulled from SERFF and seven expressed interest in the services enabling filings and data to be pushed into SERFF. None of the 10 respondents is the existing vendor user or the requester of these expanded services.

Ms. Fritz also indicated that the cost proposal had been revised to approximately \$203,000 in consulting services and an estimated expense for ongoing annual support of \$83,000 for the NAIC staff dedicated to licensed user support. Revenues are currently configured based upon anticipated usage volume. Pull services would be \$5,000 annually and combined push and pull services would be \$15,000 annually. Over three years, the revenues would cover the implementation and ongoing costs.

Commissioner Kipper asked if this project would compromise any other SERFF initiatives. Ms. Fritz said that there is a potential to impact other projects, such as SERFF filing access, ACA-related features and Operational Efficiencies (EX) Working Group metrics analysis. Ms. Herbert asked if the new functionality would further degrade SERFF performance, as that has been an issue. She also asked if there had been any discussion regarding a replacement system for SERFF. Ms. Fritz responded that NAIC staff have been working on performance issues and that one objective of the project would be to avoid any performance impact; no formal discussions regarding a new SERFF system have taken place. Ms. Shepherd asked if retention schedules and the size of the SERFF database were factors impacting performance. She said Kentucky will be reducing its retention schedules to 10 years and asked if other states are planning to do something similar. Mr. Hudina said that, if the project moves forward, Washington would like assurances that the initiative would not further exacerbate performance issues.

Commissioner Kipper said the retention issue merits further discussion, and he requested this item be placed on the agenda for the Summer National Meeting and that a charge for the Task Force on this issue be considered for 2015.

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

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Draft: 7/14/14

Speed to Market (EX) Task Force
Conference Call
June 20, 2014

The Speed to Market (EX) Task Force met via conference call June 20, 2014. The following Task Force members participated: Scott J. Kipper, Chair (NV); Andrew Boron, Vice Chair, represented by Cindy Colonius, John Gatlin and Michele Oshman (IL); Dave Jones represented by Kayte Fisher (CA); Sandy Praeger represented by Jim Newins (KS); Sharon P. Clark represented by Susan Hicks (KY); Mike Rothman represented by Tim Vande Hey (MN); John M. Huff represented by Mary Mealer and Angela Nelson (MO); 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); Jacqueline K. Cunningham represented by Rebecca Nichols (VA); and Mike Kreidler represented by Gail Jones (WA).

1. Discussed Third-Party Integration Request

Commissioner Kipper said the issue before the Task Force is to consider expansion of existing SERFF integration services that are currently used by a single third-party vendor. The proposal has an element of complexity as it requires modification of the services to handle a larger volume of users and serve all product filing types, including IIPRC and the federal Affordable Care Act (ACA) qualified health plan filings. The SERFF Advisory Board recommended the issue to the Task Force with two caveats: 1) NAIC staff should research and confirm company and third-party interest in the expanded services before project commencement; and 2) expenses associated with the project be underwritten by the entities using the services. This initiative may have an impact on other SERFF project priorities. If the Task Force opts not to move forward with the initiative, some consideration should be given to terminating existing integration services currently used by one vendor.

Julie Fritz (NAIC) said there are two components of the proposal: one for extraction of data from SERFF after filing disposition, and one related to the submission of a filing and the communication between a state and the filer during the review process. The first component can be completed without completing the second component. In order to deliver the expected result, NAIC staff would have to refactor portions of the existing Web services tools to support multiple users, create documentation for the services to facilitate third-party use of the services, and provide dedicated implementation and ongoing support staff for the expanded services. Benefits of the initiative include the elimination of data entry and expanded reporting capabilities through automation of processes, as well as streamlined product creation for users of the submission component. The benefits accrue largely to the industry filers. For state insurance regulators, there will be little impact or benefit. Execution of this initiative will result in more complex modifications to SERFF in the future, as both the user interface and the Web services would have to be modified in many situations. This could result in longer project durations. In addition, expanding these services may result in a reduction in use of existing remote hosting services.

Ms. Fritz indicated the Web public access initiative is expected to be complete by year end 2014. For ACA-related SERFF initiatives, it is expected there will be 2015 changes, but they are unknown at this time. The Operational Efficiencies (EX) Working Group is working on metrics and may have requests to enhance SERFF in 2015. Barring competing priorities, the estimated project start date is Jan. 1, 2015.

Ms. Jones said the third-party vendor using the existing services does not update its software with all SERFF updates. This often causes challenges for the states when reviewing filings. She asked if this would be a continuing issue if the services are expanded to other users of the Web services. Ms. Fritz explained that this is a by-product of the vendor's client-server implementation that may result in two potential obstacles: 1) the third-party vendor chooses not to leverage SERFF upgrades; or 2) the company elects not to implement the upgraded third-party software. As a result, this could happen in the future. There are several potential solutions to this problem. Users may be required to comply with upgrades as a condition of using the services, or users of the services may be forced to resort to the SERFF user interface rather than the Web services if they do not upgrade in a timely manner.

Commissioner Kipper said the services would be a benefit to industry with little impact to regulators. He asked when a decision would need to be made on this project. Ms. Fritz said the Task Force may want to make a decision by the Summer National Meeting in order to include the project in the normal NAIC budget process for 2015. Commissioner Kipper suggested Task Force members consider the issue for the next few weeks. Ms. Fritz said the NAIC staff was attempting to ascertain industry interest and willingness to cover the cost of the services to ensure a level of interest justifies the initiative.

This information is expected to be available by late July and would be made available to the Task Force prior to further consideration. Commissioner Kipper said this initiative should not delay any other more important SERFF-related initiatives, including Web public access, if undertaken.

Commissioner Kipper said the Task Force would reconvene in late July to further consider this issue.

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

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Draft: 5/27/14

Speed to Market (EX) Task Force
Conference Call
May 5, 2014

The Speed to Market (EX) Task Force met via conference call May 5, 2014. The following Task Force members participated: Scott J. Kipper, Chair (NV); Andrew Boron, Vice Chair, represented by Jim Stevens and John Gatlin (IL); Jay Bradford represented by Bill Lacy (AR); Dave Jones represented by Kayte Fisher (CA); Thomas B. Leonardi represented by George Bradner, Moira Herbert and Peter Galasyn (CT); Sandy Praeger represented by Jim Newins (KS); Sharon P. Clark represented by Jeff Lamb (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 and Jean Holliday (NC); Mary Taylor represented by Maureen Motter (OH); John D. Doak represented by Cuc Nguyen (OK); Laura N. Cali (OR); Angela Weyne represented by Rebecca Matthews and Elizabeth Roman (PR); Julia Rathgeber represented by Jan Graeber (TX); Todd E. Kiser represented by Tracy Klausmeier and Tanji Northrup (UT); Jacqueline K. Cunningham represented by Mary Bannister (VA); and Mike Kreidler represented by Lee Barclay (WA). Also participating was: Kate Kixmiller (IN).

1. Discussed Third-Party Integration Request

The Task Force further discussed a request for product demonstration and integration with SERFF as originally presented during the Spring National Meeting. Commissioner Kipper said that following the Spring National Meeting, the SERFF Advisory Board met to consider the same request. Members of the SERFF Advisory Board ultimately opted not to pursue a demonstration of the Adsensa product as there were significant concerns associated with any potential integration. He said the SERFF Advisory Board echoed previous state-procurement concerns, the financial impact to the industry, the difficulty in codifying and applying the business rules, and the continued need to review the entire filing to assess things that cannot be defined in a business rule. In addition, there was significant unease in selecting a single, commercial vendor that would result in a long-term commitment and tie to the NAIC's SERFF product.

Mr. Gatlin asked how the Adsensa and SERFF products would work together; Julie Fritz (NAIC) provided a brief overview of the request, describing how the Adsensa product could be used in conjunction with SERFF. Mr. Bradner asked if the business rules would be in tables or hard-coded. Ms. Fritz responded that this is unknown, but that her understanding was that it would require a software engineer to incorporate the specific state rules into the product. Mr. Barclay said he agreed with the SERFF Advisory Board's concerns, specifically noting the integration would require state resources and a financial investment, yet state analysts would still need to review filings. He said he was not in favor of integration. Mr. Hamby said that selecting a single vendor to provide integrated software that results in additional costs for industry and the states may result in future issues if other vendors also want to integrate products with SERFF. Mr. Bradner agreed. Ms. Kixmiller stated that without time and cost estimates, Indiana would not be interested. Mr. Lamb, Ms. Mealer, Mr. Stevens, Mr. Hamby and Mr. Lacy all indicated they are not in favor of pursuing any integration. No Task Force member stated an interest in any further discussion or integration with Adsensa products.

2. Discussed Other Matters

Birny Birnbaum (Center for Economic Justice) said that he appreciated an explanation and demonstration of the proposed public access file structure, as a Zip file as opposed to the existing portable data format (PDF) file format, for the upcoming web public access expansion within SERFF. He expressed support for the format, indicating he thought it would be easy to use. He said that the proposed functionality would display only the publically available portions of a filing, and he requested that the Task Force direct NAIC staff to expand functionality to include a reference to portions of filings that the state agreed to keep confidential. He was asking only for a reference to the existence of the protected items. The Task Force deferred discussion until the Summer National Meeting.

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

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Draft: 8/29/14

Commercial Lines (EX) Working Group
Louisville, Kentucky
August 15, 2014

The Commercial Lines (EX) Working Group of the Speed to Market (EX) Task Force met in Louisville, KY, Aug. 15, 2014. The following Working Group members participated: Lee Barclay, Chair (WA); Sarah McNair-Grove (AK); Joel Laucher (CA); George Bradner (CT); Jim Newins (KS); Joel Sander (OK); Paula Pallozzi (RI); and Mark Worman (TX).

1. Adopted its July 15, June 5, May 13 and April 29 Minutes

Upon a motion by Ms. Pallozzi and seconded by Mr. Laucher, the Working Group adopted its July 15 (Attachment Two-A), June 5 (Attachment Two-B), May 13 (Attachment Two-C) and April 29 (Attachment Two-D) minutes.

2. Reviewed SERFF Approval Time Data Reports

Mr. Barclay said after discussing the sample reports during the July 15 conference call, changes were made to the reports to try to fulfill as many requests as possible. In the sample, only data for the commercial property type of insurance (TOI) was used, and there will be a total of 10 groups of TOIs used in the final report. The time frame was reduced from five years of data to three years of data, using a disposition date as of July 1, 2011, through June 30, 2014. Using a disposition date should remove pending filings. There are some requests, such as data by each year, which could not be fulfilled due to space and time constraints or are outside the scope of the Working Group's charges. There were three tables dealing with the number of filings, with breakouts of total, positive and negative disposition types. Another three tables showed the average number of days from filing submission to disposition, again with breakouts of total, positive and negative disposition types. Additionally, there were three tables with the average number of objection letters per 100 filings, with breakouts of total, positive and negative disposition types. Sara Juliff (NAIC) sent out a survey to states for clarification on filing types and dispositions. Some states said they did not use a reported disposition type, yet it was found in the data; so existing data points were not removed. One jurisdiction said "deemed approved" was not considered a positive disposition. However, from an insurer's point of view, "deemed approved" is a positive disposition, so it was kept as a positive disposition. Further, sample graphs for Washington and Missouri were supplied to show the distribution of approval times for each TOI group. Mr. Barclay said one request from the Working Group entailed listing state laws on each line of the filing data tables, but he said it would be too difficult to summarize the laws for each type of filing and TOI group. He said an updated compendium already exists and will be provided in the Working Group report along with the approval time data.

Mr. Bradner said there may need to be definitions provided for what denotes a "positive" versus a "negative" disposition. Mr. Barclay said there is a chart in the Working Group materials for this meeting that includes a breakout by state detailing the dispositions included in the "positive" and "negative" categories. He said a negative disposition included results such as withdrawn, rejected and disapproved. There were some states that did not respond to the survey, and once the other nine TOI groups are run, additional disposition types may need to be added. Mr. Bradner said Connecticut has created dispositions called "recorded effective," "recorded effective as amended" and "recorded effective as submitted." These types are able to convey whether an examiner was needed to review and ask a company for corrections. Mr. Barclay said those types would be considered positive dispositions. Ms. Pallozzi said examiner action should be captured in the count of objection letters and said she thought the suggested sample format was appropriate.

Dave Snyder (Property Casualty Insurers Association of America—PCI) said he is currently working on pulling together a comparison across states of filing approval times for the same, or similar, commercial submissions. He said he will be providing the results to the Working Group for use with the SERFF approval time data and acknowledged both companies and regulators can affect final approval times. Ms. Pallozzi requested that Mr. Snyder include in his analysis whether states have in-house consultants or outside consultants, as it may likely affect the turnaround time.

Mr. Barclay said the next step will be to request the remaining nine data sets by TOI group from SERFF staff and to present similar data reports to the Working Group.

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Mr. Bradner suggested including the compendium in SERFF to mitigate annual industry requests for updates to state laws.

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

Mr. Barclay said so far, the Working Group has received comments and suggestions from the PCI and Birny Birnbaum (Center for Economic Justice—CEJ). He asked what the Working Group would like to see in terms of emphasis and recommendations to the Speed to Market (EX) Task Force and the process for drafting the report.

Mr. Laucher said he reviewed the interested party comments and suggested a possible checklist or guidance document the Working Group could draft for some items, such as “me too” filings and manuscript filings. Mr. Barclay said the Working Group needs to consider how detailed the recommendations should be, inasmuch as should the recommendations include general ideas or a fleshed out plan on how to implement the ideas. He suggested high-level items, such as what the Working Group thinks are important to do or follow up on, and not necessarily detail out a guidance plan.

Mr. Barclay asked if the Working Group should make a recommendation that the NAIC consider an interstate compact for commercial lines insurance. Mr. Laucher said California is not a current IIPRC member. Mr. Bradner said Connecticut is also not a current IIPRC member and would have some concerns with such a recommendation. Ms. Palozzi said Rhode Island is a current IIPRC member, and the recommendation could be explored, although Rhode Island lacks staff and expertise in this area and it would be a serious undertaking. It may still be worth considering, and it would be beneficial to hear the pros and cons of the approach. Mr. Barclay said it is unclear if the current IIPRC would be amended to include commercial lines or if a new interstate compact would be created. He said the idea has been suggested by a few different sources, including consumer representatives and the Federal Insurance Office (FIO), so the idea should probably not be discarded. Considering the complexity and differences of some state laws, it would be difficult to achieve uniformity through the legislative process in each state. Mr. Barclay said multistate policies should also be suggested in the report recommendations.

Mr. Snyder said the Working Group needs to address the FIO recommendation, regardless of whether the recommendation is endorsed. He agreed it would be an undertaking with many questions. He suggested some legislative changes, such as a definition of “exempt commercial policyholder,” perhaps with the assistance of the National Conference of Insurance Legislators (NCOIL). He also suggested a best practices document for the most efficient states to operate within their existing systems (e.g., file-and-use system, prior-approval system, etc.). Mr. Snyder read through some of his submitted comments: highlight large commercial risk exemption; uniform information filing requirements in prior approval exemptions; filing requirements for manuscript forms; and national policies. He said the state-provided checklists are good and suggested dividing recommendations between: 1) responding to the FIO; 2) suggesting changes where there is a lack of uniformity in legislation; 3) how to make existing systems work better; and 4) areas of cooperation in the case of filing national filings. He said some perspective needs to be provided in the recommendations on how to improve. He suggested including a recommendation that states and commissioners review their authority available versus authority used. Mr. Barclay said quite a few states give commissioners authority to exempt most any line of business from filing, although a recommendation for the states to use all authority available to make it easier for the industry will likely not be considered. The definition of “exempt commercial policyholder” is handled differently among the states, as some would handle such a change via legislation and others would handle it by rule. He said more uniformity could be achieved, but legislation is only one place where the definition is handled. Mr. Bradner said commissioners are sometimes hesitant to use their exemption authority. Mr. Snyder said he is not suggesting the states use full authority, but he suggested a recommendation where the states periodically review their authority, perhaps open to interested parties.

Mr. Laucher suggested writing a draft or piecing out sections to multiple authors. Mr. Barclay said the Working Group probably should not start with a complete draft. He offered to put together an outline and a draft a recommendation to see where the Working Group would like to go with the report. Mr. Barclay welcomed any comments during the drafting period.

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

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Commercial Lines (EX) Working Group
Conference Call
July 15, 2014

The Commercial Lines (EX) Working Group of the Speed to Market (EX) Task Force met via conference call July 15, 2014. The following Working Group members participated: Lee Barclay, Chair, and Manabu Mizushima (WA); Michael Ricker (AK); Joel Laucher (CA); Moira Herbert and Peter Galasyn (CT); Jim Newins (KS); Joan Dutill (MO); Debra Stone and Denise Lamy (NH); Cuc Nguyen (OK); Paula Pallozzi (RI); Mark Worman (TX); and Mary Bannister and Rebecca Nichols (VA). Also participating were: Tracy Klausmeier (UT); and Donna Stewart (WY).

1. Discussed Presentation of SERFF Approval Time Data

Mr. Barclay said he, together with Mr. Mizushima, created a mockup format for the SERFF approval time data, with open filings excluded. The data are displayed on three pages, with one for average approval times by type of filing, a page for number of objection letters per 100 filings by type of filing and a summary page for each state with graphs of the distribution of approval times for each type of insurance (TOI). He said the Working Group must find a way to display the SERFF approval time data in a way that is easy to understand. Ms. Pallozzi said she liked the format of the example, but would like to see the total number of filings per state and suggested having more recent filing information, such as three years instead of five years. She also pointed out a possible issue with Arkansas's negative approval time. Mr. Barclay said the issue with Arkansas is due to paper, versus electronic, filings and submitted dates not being updated correctly. When the data is rerun, this error should be excluded.

Ms. Stone said New Hampshire does not allow for combined filings, but combined filing types show in the aggregated data. She suggested incorporating state approval methods into the data report. Mr. Barclay said the compendium will accompany the data, so anyone using the report will have access to state approval methods. The goal with the report format is to not rank or compare states, but rather to look at overall approval times. Ms. Stone said the format is easy to read and valuable. Mr. Barclay said the data needs history to provide credible data, but NAIC staff would look into changing the data query to reduce the number of years, if appropriate. Currently, the query selects filings based on when the filing was submitted, which translates into many open filings, and he suggested the query be changed to pull data based on the filing closed date. In the data, for some of the states, it was not clear how to categorize combinations of rate/rule/form filing types and that all disposition types were included. Ms. Herbert said the data should just look at closed filings and have columns by year with number of filings. Mr. Laucher agreed with adding columns for years and state approval methods and having the query include a shorter, more recent range of data years.

Ms. Stone suggested excluding disapproved and withdrawn filings or possibly having a separate exhibit with disapproved and withdrawn filings. Mr. Laucher said California's disapproved or withdrawn counts would be negligible, as those filings would go to hearings. Ms. Pallozzi said Rhode Island's disapproved or withdrawn numbers would also be insignificant. Ms. Nichols said if the purpose of gathering the data is to evaluate resources, then all disposition types should be used. Ms. Pallozzi, Ms. Nguyen and Mr. Worman agreed. Ms. Stone said she would prefer only positive dispositions or, if negative dispositions are used, they should be broken out into a separate exhibit, even if the number does not make up a large count. Ms. Dutill said regardless of the disposition type, resources are expended and should be included, regardless of whether the negative disposition types are separated. She said the data are useful and suggested using a landscape format to include all resources and results. Ms. Pallozzi agreed looking at all of the filings and resources would be helpful.

Mr. Barclay said adding state approval methods for each state could potentially add two or more rows per state, due to different approval methods across rates/rules/forms and lines of business. He said there could be issues regarding what constitutes "staff," because the NAIC's *Insurance Department Resources Report* (IDRR) does not include a breakout for analysts based on the line of business. It is hard to determine which staff work on reviews and how much time is spent. Ms. Dutill said some states use actuaries for review, but Missouri only uses actuaries on rare occasions for that purpose. She suggested using a general number of people involved in the review process, and ignore titles. Mr. Laucher said California has staff dedicated to property/casualty filings that look at all filings, not just commercial lines, and said looking at staffing levels would be complex unless it was lumped into a general bucket. Ms. Dutill said many staff have a variety of responsibilities, and looking at it from a holistic picture may be easier. Ms. Pallozzi said Rhode Island contracts with actuarial consultants for review and questioned how contractors would be taken into consideration. Mr. Barclay said there are limits to what the Working Group can do and, while the extensiveness of all the potential information would be interesting, it would add

considerable time to the work plan. He said the data should focus on the Working Group's charges. NAIC staff will see what can be done in reasonable time.

Ms. Nichols said if the purpose of the data collection is just to see the larger picture, then the approval time is what it is, and additional information is not really required. Mr. Barclay said the charge does not require the Working Group to provide individual state analysis or solutions. The objective is to provide for what was asked for in the charges and write recommendations. Birny Birnbaum (Center for Economic Justice—CEJ) said the charge for collecting approval times may not be just for regulator use, but also for the industry and consumers. The information on disapproved and withdrawn filings is useful, because a percentage of the filings received and that are disapproved or withdrawn are later resubmitted and approved, and it would be a disservice to remove the negative disposition filings. He suggested adding a percentage of total filings that were withdrawn or disapproved. He endorsed including columns to compare the states based on approval method and said the staffing information, due to its complexity, is not necessary, but an appendix could be included with more complex information. Mr. Barclay said NAIC staff will take the ideas and suggestions generated and see what is possible by the Summer National Meeting.

2. Discussed Report Recommendations and Process

Stephen Clarke (Insurance Services Office—ISO) said ISO is compiling the state policy exception information on nonrenewal and cancellation, but provided a chart on advance policyholder notifications on renewal in the interim. He said the chart shows straightforward policyholder notifications, but, across the states, notices can vary in the type of notice and its content. When the ISO looked into the standard fire policy (SFP), there were many variations across the states. There are currently 29 states that use the SFP and the majority does not require the SFP to be attached so long as the underlying policy is just as broad. Six states still require the SFP to be attached, although the states' requirements vary in regard to when it has to be attached. Thirteen different states have exemptions regarding inland marine policies and a number of states have adopted exemptions regarding terrorism. Some of the states use the federal Terrorism Risk Insurance Act (TRIA) definition of "terrorism," while one state has its own definition of "terrorism."

Dave Snyder (Property Casualty Insurers Association of America—PCI) said PCI had agreed to pull results of similar filings across all states, and they are still working on the request. He said the initial data is already showing significant differences across the states on approval times for the same filing. He said the PCI's "Suggestions for Commercial Lines Modernization Report Recommendations" document, which was submitted in advance of this conference call, is an effort to encapsulate the concerns and suggestions mentioned throughout the Working Group's time together, and he acknowledged that some of the suggestions may require statutory changes. He read through the PCI's 11 suggestions: make the large commercial risk exemption/exempt commercial policyholder a uniformly high standard; make the prior approval exemptions/information filing requirements more uniform; ensure the states use all of the regulatory flexibility they are permitted under existing law; eliminate all but informational filing mandates for manuscript forms; allow for interline filings; allow for "me too" filings among affiliate companies; allow for form/rate/rule combinations in all states; seek more common use of checklists and other proven tools to smooth the review process; continue to create opportunities for company and regulator filing officials to communicate and prevent issues before they occur; urge the states to periodically review their commercial lines filing laws, regulations and practices to determine if they can be improved; continue to consider the recommendations of the Federal Insurance Office (FIO).

Mr. Birnbaum said the CEJ is ready to endorse suggestions #1, #2, and #10 as submitted by the PCI, with the potential to endorse more of them with more information, noting that the CEJ does not oppose any of the PCI's suggestions at this time. He said the Working Group needs to define what constitutes a commercial lines product, as recommendations would be easier to endorse if a common definition is adopted that excludes consumer products, like lender-placed insurance (LPI). Ms. Palozzi said there seems to be a lack of consistency with how LPI products are filed across the states and companies. Mr. Birnbaum said he is aware of some LPI products being filed in commercial property.

Angela Gleason (American Insurance Association—AIA) suggesting adding a recommendation for an interstate periodic review of commercial policies regarding laws making it more challenging for multi-state writers and policies. Mr. Barclay said the best forum for interstate communication is likely the NAIC.

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

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Draft: 7/3/14

Commercial Lines (EX) Working Group
Conference Call
June 5, 2014

The Commercial Lines (EX) Working Group of the Speed to Market (EX) Task Force met via conference call June 5, 2014. The following Working Group members participated: Lee Barclay, Chair (WA); Michael Ricker (AK); George Bradner and Moira Herbert (CT); Jim Newins (KS); Angela Nelson and Joan Dutil (MO); Debra Stone (NH); Cuc Nguyen (OK); Paula Pallozzi (RI); Mark Worman (TX); and Rebecca Nichols (VA). Also participating were: Tracy Klausmeier (UT); and Donna Stewart (WY).

1. Discussed Results for Questions 10 and 11 of the State Survey on Commercial Lines Regulation

Mr. Barclay said Washington had made a comment in question eight of the survey, regarding the Insurance Services Office (ISO) Rule 19 of the Commercial Lines Manual, Division 5 Fire. The rule says the insurer does not have to use the rules and forms for multistate policies, but it does have to use Washington rates. The insurer may use the rules and forms of the state in which the insured's largest valued location or headquarters is located or the state in which the insurance is negotiated. He said Washington commented if regulators and rating organizations could agree on some way to broaden this type of rule so that it applies to lines other than property or applies to rates as well as forms and rules, they think the approach is worthy of consideration. The Working Group had requested Steve Clarke (ISO) to investigate Rule 19 and attempt to generalize it to see how it could apply to other lines or rates and rules.

Mr. Clarke said Rule 19 is a multi-state rule, and he looked back through the history to determine why it developed only in commercial fire and why it was created. He tracked the rule back to February 1963, and essentially the rule recognized the existence of various independent state and regional property rating bureaus around the country, prior to the creation of the ISO. The rule came out of the multiple location rating plan, where an insurer was able to designate a sponsoring rating bureau with respect to rating of the policy for interstate accounts. The bureau could be selected based on the state in which the greatest values are located, the insured's domicile or principal place of business is situated, or the insurance is being negotiated. In application, it allowed for development of interstate average rates by starting with individual state rates, based on the known locations at policy inception, and to the extent locations are added, changed or deleted throughout the course of the policy term, the interstate average rates can be used. The concept is similar to blanket average rating used in the commercial lines manual today. He said in researching other lines of business, some of the same issues would not apply. For example, boiler machinery, and some of the inland marine classes, is already rated on a countrywide basis, so there is not much concern on the rating end. In Division 5 Fire, there are clear rules in the manual for handling interstate accounts and developing rates. Issues may come up more on the form side. He said in the pre-ISO days, often sponsoring rating bureaus based forms from different perspectives and would have different commercial fire or allied forms out there. The rule, at that time, was to address the core of the underlying policy that made up the policy. One issue has been individual state requirements, and he said there is still a lack of clarity today on what is required. Because individual state requirements still exist despite the number of states on the policy, insurers should consider individual state requirements, such as cancellation and non-renewal. He said going back to Rule 19's origins, based on the amount of state variations that exist today, there was not a concern or need for the rule to be expanded. Mr. Clarke said the issue was last reviewed around 10 years ago, and based on the potential for 50 different sets of requirements, there was resistance to expansion of Rule 19 to other line of business.

Mr. Barclay said the research was helpful, and the rule says the forms can be used. However, even if a state's cancellation and non-renewal provisions are used, other states may still require their laws and provisions. Mr. Clarke said some states have exceptions to Rule 19 and say insurers must use filed and approved forms, but there is a question for all remaining states on whether their state's statutory guidelines apply regardless. He said it may be an area worth more research. Ms. Dutil said this research would be worth mentioning in the Working Group's report.

Mr. Barclay read question 10 of the state survey: "Based on your state's experience, please identify any challenges—for insurers or regulators, specific to commercial lines—that cause commercial lines rate and form filings to take longer to be resolved." Ms. Dutil said the responses were interesting, and many states mentioned experiencing the same issues consistently with filings with some insurers and sometimes in multiple states. There may be an objection on one filing for one insurer, which is corrected for the current filing, but the same error exists in subsequent filings. Mr. Barclay said there is a theme relating to what the insurance industry can do. Especially with commercial lines, which are more lightly regulated,

many states do not do a thorough review, or they exempt filings from review entirely. He said it is a lot easier for insurers to throw out the same filing to all states, which results in a temptation to not customize filings to each state's requirements.

Mr. Barclay said New Hampshire's response reported there can be issues with timing differences when rate and form filings are supposed to be filed together. He said this can be a challenge when rates are approved, but forms are not. Where there are rate changes, the effective dates of the rates and forms need to be coordinated. Ms. Stone said different people review rates and forms. There are cases where rate changes may have been implemented months after the perceived effective date. She said New Hampshire does its best to coordinate, but it is not a perfect system. Mr. Barclay says Washington encourages communication from the company in all correspondence if the company is waiting or postponing an effective date.

Birny Birnbaum (Center for Economic Justice—CEJ) said he saw a few comments from states in the survey responses that indicated because commercial lines is subject to less oversight than personal lines, some products that should be filed as personal lines are filed as commercial lines. He said given the different requirements for personal versus commercial lines, there may be an incentive to file as commercial lines when the product may be more appropriately filed as personal lines. Lender-placed insurance is one example.

Mr. Barclay read question 11: "How can regulators, policyholders, consumer representatives, and the insurance industry best work together to address the issues that have been raised by the industry with respect to commercial lines regulation? From the list of concerns identified by the industry, which do you feel are significant problems for all or most commercial lines insurers that do business in your state?" Ms. Palozzi said Rhode Island is a commercial line deregulated state, and a lot of filings are relatively quiet. She said it seems like the biggest hurdle is multistate policies and lack of standardization. States have different approaches and regulatory authority over commercial lines, and those can be challenges as well. Mr. Barclay said California's response was there could be more standardization among states in the way they use SERFF, and it may be worth noting in the recommendations.

Ms. Dutill said an issue that may be worth looking at is the standardization for the definition of which commercial accounts could be exempted from review. Different states have different criteria for exempting large commercial risks, and it would be helpful to put together something, like a model law, for insurers and regulators to agree on for consistency. She said Missouri is partly deregulated, and it has a concern over how to define sophisticated commercial insureds. Mr. Barclay said the report will have to highlight those concerns in some way. He said there was an NAIC model that did have NAIC criteria regarding standardization, but states have implemented the model law in different ways.

Mr. Clarke said a common theme seems to be standardization on multistate policies and differing state requirements. He offered to look at topics such as cancellation and non-renewal, and at a couple of lines of business, such as commercial property and general liability, to identify exactly how many different provisions exist across the country. Sara Juliff (NAIC) said the NAIC legal compendium currently does not contain by-state breakout policy provisions. Ms. Nelson said she would be interested to see if states have standard fire policy provisions that apply to commercial property. Mr. Clarke said he can include fire provisions in his search. There are 30 states that have standard fire policy provisions, but states can vary on what can or cannot be omitted based on the base policy. Mr. Barclay asked ISO to research and report back to the Working Group on a future call. Mr. Clarke said he will research standard fire policy, as well as cancellation and non-renewal provisions.

2. Discussed SERFF Data on Approval Times

Mr. Barclay said the Working Group requested approval times from SERFF for 10 different types of insurance (TOIs). The data for commercial property was received, compiled into a sample report and circulated. He asked ideas on the most useful report format for the reports. The Working Group had previously discussed separating out the total number of days a filing is open into the number of days the filing is in the hands of the insurer versus the state insurance department. He said at this point, that data is unavailable, but the objection letter count and objection count was added to the report. He said in some cases, there are more objection letters than objections. In Washington, if an objection letter is submitted, at least one objection is added in SERFF. Ms. Dutill said in Missouri, any communication is done through an objection letter. Therefore, it is possible for the state to communicate with a company regarding something about the filing, even if it's just a clarifying question and not necessarily an objection, using an objection letter. Ms. Stone said New Hampshire also uses the objection letters as the primary means of communication to the insurers on filings. Mr. Barclay said there are variations between states in the way they use SERFF. He said perhaps more valuable information would be how states treat questions to the company rather than objection counts and objection letters. Ms. Nichols said in Virginia, if there is a simple filing, they may send an objection letter with a question with the requirement that was missed without attaching it to an objection. She said the objection letters are a good indicator as to whether or not there were issues in the filings. Ms. Dutill said it is possible to have

a lot of objections and one objection letter. She said Missouri keeps track of the revisions made as a result of the objection, which gives them a perspective of the results of their objections. Any time an objection letter is sent out, it will cause a delay in the filing, and it would be valuable to keep the data in a report.

Ms. Pallozzi said she agreed with Ms. Dutill and suggested some type of report including post-submission updates. Mr. Barclay says Washington often sees post-submission updates before the filings are even reviewed. Those updates are used as an addendum if the insurer thinks of something previously left out.

Ms. Dutill reviewed the SERFF data to see how many states are able to get to a disposition within 20 days. She said a majority of states close their filings within 20 days, with some outliers. She said it would be interesting to see what the state totals are based on date ranges. Ms. Stone said it would make a difference with what type the individual filing is, as commercial lines rate filings can have a different approval method than forms. Ms. Dutill asked if it would make sense to create three reports, separated based on the type of filing of rate, rule and form, and what the aggregate of states are within the time windows to get an idea of where long delays are taking place. Mr. Barclay said the original idea was to have separate reports for rates and forms and combination rate and form filings. Ms. Nichols said if that type of distribution is used in the report, it may be important to get the amount of time the filing is not in the hands of the regulators. She said total time may misrepresent the amount of time the state actually has the filing. Ms. Juliff said the ability to differentiate between the amounts of time a filing is with the state versus a company is currently unavailable in the SERFF system. Mr. Barclay said comments and a list of issues can be included in any data reports distributed.

Mr. Birnbaum said it would be interesting to show how long it takes each state to review the same filings from a particular company. He said it would be interesting to see what the diversity among the states would be and if those differences are related to the different regulatory environments. Mr. Barclay said he was unsure if there was a way to identify the same filing across states due to the way filings are submitted to states, but he said it could be a question for the SERFF team. Mr. Birnbaum suggested starting with a company ID number, a common TOI and product name. He said no data are perfect, but it would a way to compare across states. Mr. Bradner said it may be helpful to understand each state's staffing level, such as the number of commercial line examiners compared to other states, and different state laws regarding complexity provisions versus states that may not have statutory regulatory authority. He said there can be a lot of variables that go into approval times, which should be considered. Mr. Barclay said to remember the data are being produced as a piece of one of the Working Group's charges, and how far the group goes in explaining that information is something the group will need to decide. Ms. Juliff said the current data produced by the SERFF team would not be able to fill the request to look at individual filings by state, and a new query, with likely much manual effort, would need to be written to derive the data. She also suggested referencing the NAIC's Insurance Department Resources Report (IDRR) to review staffing levels. Mr. Barclay said the IDRR may not be what the Working Group needs, but it could be reviewed.

Mr. Barclay requested for the next conference call, the Working Group consider what else is needed before a report can be started: suggestions for report format; what recommendations should be made by Working Group; and the process for getting a report written. Dave Snyder (Property Casualty Insurers Association of America—PCI) offered to provide suggestions of report recommendations for the next conference call.

Ms. Pallozzi agreed the process of reviewing specific filings across the states could be a very manual process, and she said that not all companies make the same filings in the same states at the same time. Mr. Birnbaum suggested taking a sample of a few companies and products and tracking those specific filings instead of tracking all companies and all products. Mr. Snyder offered to review information available from companies and provide his findings to the Working Group.

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

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Commercial Lines (EX) Working Group
Conference Call
May 13, 2014

The Commercial Lines (EX) Working Group of the Speed to Market (EX) Task Force met via conference call, May 13, 2014. The following Working Group members participated: Lee Barclay, Chair (WA); Michael Ricker (AK); Joel Laucher (CA); George Bradner and Moira Herbert (CT); Jim Newins (KS); Joan Dutil (MO); Cuc Nguyen (OK); Paula Pallozzi (RI); Mark Worman (TX); and Mary Bannister and Rebecca Nichols (VA). Also participating were: Sally MacFadden (NH); Tracy Klausmeier (UT); and Donna Stewart (WY).

1. Reviewed the Results of the State Survey on Commercial Lines Regulation

Mr. Barclay said the meeting's purpose is to have a conversation with the Federal Insurance Office (FIO) regarding some of its comments and recommendations in the *How to Modernize and Improve the System of Insurance Regulation in the United States* report. Elizabeth Sammis (FIO) said there was a comment period for the FIO report, and those comment letters are publicly available on the FIO's website.

Mr. Barclay asked what the FIO meant by "state regulators pursue nationally the development of nationally standardized forms and terms, or some mechanism for interstate reciprocity." He said "forms" could have many meanings, such as insurance policy forms, filing forms, etc. Ms. Sammis said the words could include anything, and the theme of the referenced commercial lines paragraph on page 51 is to make the speed by which products come to market as quick and efficient as possible. It was meant to start a conversation on how to increase the speed by which products come to market. She said there are no presumptions that every piece could be standardized, but there may be some things that regulators could agree could or could not be standardized. She suggested a standardized definition of "commercial lines," because commercial lines currently run the gamut for coverages and include a diverse set of products. Mr. Barclay said industry may be concerned that standardization may not allow for innovation. Mr. Bradner said many industry leaders like to develop their own forms to create a competitive advantage. Ms. Sammis said the FIO report was not meant to curb innovation, but rather to get products into the marketplace. The standardization could be just part of the policy, or specific types of policies, but the suggestion was not meant that every policy should be standardized. Ms. Dutil asked if the FIO meant any implications of the term "modernization" and if it was expressing a desire to standardize delivery of products. Ms. Sammis said she didn't know what is meant by "delivery," but on page 50 of the FIO report, it says, "Nonetheless, commercial lines insurance regulation must continue to modernize. Inconsistent and sometimes lengthy product approval periods continue to limit the ability of insurers to meet the needs of national businesses with new products." She said while product approval is a focus, modernization should not be limited to the approval process. Mr. Bradner said the Insurance Services Office (ISO) already produces standardized forms for industry to use, but while it is good to say there should be quicker turnaround time for approval, long forms, which are individual and proprietary, add to the approval and review time. He said Connecticut does have a commercial lines exemption, but the issue is not just with large commercial policyholders. Regulators are responsible to read the policies for clear and fair policy language.

Mr. Barclay said the report mentioned an "interstate compact" and asked if the FIO had a broader idea of what could be included in developing standardized forms and terms. Ms. Sammis said the IIPRC was a guide for the FIO recommendation. She said as an existing model, the IIPRC could possibly be replicated for some policies on the commercial lines side. She suggested regulators think collectively on whether or not there are common form filings that could benefit from developing an IIPRC to free up time in the department to devote to larger policies. She said she was not aware of any other reciprocity mechanism. Mr. Bradner said he is willing to develop streamlines and efficiencies. He suggested perhaps looking at cancellation and non-renewal provisions but said that type of initiative would require legislative and statutory changes. Life policies lend themselves to an IIPRC mechanism, but commercial lines are more complex. Mr. Laucher said it could be possible to start on minor provisions in a policy, such as cancellation or effective date language, or work on definitions, such as actual cash value. He said California has omnibus legislation in which technical changes to legislation are submitted to ease adoption and not to be controversial. He said organizations such as the American Association of Insurance Services (AAIS) and the ISO develop language, but companies make their own adaptations to the standard forms, which is where the time is spent reviewing rate impacts and clarity of policy language. He suggested creating a bulletin board-type of review process, where regulators could post questions on a national page with questions and answers by state. Mr. Barclay said standardization may be difficult because of differences in state laws. Ms. Bannister said there may be regulation changes along with law changes.

Mr. Barclay read a piece of the FIO report on page 51, “Given the importance of efficiency and consistency in the product approval process for many insurance products, FIO should continue to monitor state-based product approval processes. Federal action may become necessary if the current, and long-standing, shortcomings are not improved in the near term.” He asked how the FIO plans to “monitor state-based product approval processes.” Ms. Sammis said as part of its monitoring process, the FIO is going through the results of the Working Group’s state survey on commercial lines regulation to identify states with similarities and differences. She said the FIO plans to listen to some of the Working Group calls and possibly attend meetings during the NAIC national meetings. Mr. Barclay asked if the FIO has some way of measuring if enough improvement has taken place. Ms. Sammis said the FIO is currently in the beginning stages of measuring improvement.

Birny Birnbaum (Center for Economic Justice—CEJ) said there should be a distinction between the sophisticated policyholder and lender-placed insurance consumers and small business owners. He said the FIO report mentions delays and unintended consequences of products being moved to the surplus lines market. He said there is no evidence of the allegations and said in his experience as a state regulator in Texas, a product filing could come in after it had been approved in many other states, and there would be glaring issues with the products. There are states that do not review filings, either because the product is exempt or it receives only a cursory review, and the burden then falls to other states to examine products that have potentially harmful features to consumers. Mr. Birnbaum said the states left with substantive review are labeled as delaying the process. He said the FIO report, which implies that delays drive companies to surplus lines markets, suggests companies are trying to deliver a new product, of which there is no like-product in the admitted marketplace, and the absence of a quick review forces the company to go to surplus lines. He said it seems a company would always choose to use surplus lines because of the fewer regulations. Mr. Birnbaum said the 1998 NAIC *White Paper on Regulatory Re-engineering of Commercial Lines Insurance* rightfully notes states have been inconsistent in adopting a standard definition of commercial lines insurance. He said it is the industry’s responsibility for the inconsistency, because of industry going to state regulators and saying it can get better regulation under a state with no standard definitions. If industry were to push for NAIC recommendations to be adopted across all states, there would be more consistency for commercial policyholders. He said those results would provide more fruitful results for what the FIO says it is looking for, without the ambitious goal of creating another IIPRC. Mr. Bradner said when industry doesn’t like implementations that the NAIC pursues in model laws, it goes to the National Conference of Insurance Legislators (NCOIL) for a different law. Mr. Birnbaum said a lot of issues are driven by the industry seeking to pursue what it conceives to be better in any particular state. He said the danger with the IIPRC is the industry is allowed to use the IIPRC in states with more regulatory requirements and submit its own individual filings in states with fewer regulatory requirements. He said there is already a resource for standardized forms, like ISO, and the goal should be to get products to market that are helpful to consumers as efficiently as possible.

Dave Snyder (Property Casualty Insurers Association of America—PCI) said a 2002 Richard J. Butler study reported a loss of \$18 billion to the commercial lines regulated market due to slow regulatory processes. He said the combined objective should be to get as many products as possible into the regulated market. The more efficient the process of regulation, the lower the price and the more businesses are able to employ people and compete globally. He said the FIO report and state survey responses provide a valid look as to where some possible changes may be. Mr. Snyder said he hopes more can be created, such as standard definitions, uniform standards for information filing requirements, and less scrutiny for manuscript forms for highly complicated, specific businesses. He said things are not as good as they could be, and the industry plans to work with regulators to look for points of improvement in regulation or legislation. The industry is not afraid to hear about what it can do better. He said the recommendations that come out of the Working Group should include suggestions for all parties and should focus on applying laws as efficiently as possible.

Mr. Barclay asked the Working Group members to think about the state survey responses and the FIO recommendations, as well as figure out how to write the report due to the Speed to Market (EX) Task Force.

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

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Draft: 5/27/14

Commercial Lines (EX) Working Group
Conference Call
April 29, 2014

The Commercial Lines (EX) Working Group of the Speed to Market (EX) Task Force met via conference call April 29, 2014. The following Working Group members participated: Lee Barclay, Chair (WA); Michael Ricker (AK); George Bradner, Moira Herbert, and Peter Galasyn (CT); Jim Newins (KS); Angela Nelson and Joan Dutil (MO); Cuc Nguyen (OK); Mark Worman (TX); and Mary Bannister (VA). Also participating were: Charles Angell (AL); and Donna Stewart (WY).

1. Reviewed the Results of the State Survey on Commercial Lines Regulation

Mr. Barclay said the goal of reviewing the survey results is to draw out valuable ideas for the Working Group's recommendations to the Speed to Market (EX) Task Force and that the Working Group's report should not replace or duplicate the survey. He said he did not expect to get through the entire survey on the call, but he did plan to review as much as possible. He said question one and question two deal primarily with compendium changes. Question one is: "Accompanying this survey is an NAIC Compendium Chart Compilation pertaining to the states' regulatory frameworks for commercial lines rates and for exemptions from rate and form filing requirements for commercial lines. Please review this document and provide appropriate updates or corrections, if there are any, for your state." Question two is: "If different from the method(s) shown in the compendium for rates, what are the filing methods for commercial lines forms in your state?" Mr. Barclay read question three, "Has your state proposed or enacted any legislation and/or implemented regulatory measures to streamline or make other substantive changes to commercial lines regulation within the last five years? If so, please provide a copy of the proposal, legislation, regulation or bulletin. When did it take effect?" Ms. Nelson said the responses dealing with the states that have implemented some type of filing extension for commercial products were interesting for Missouri. Mr. Newins reported the reviews standards document mentioned in Kansas' response to question three was created due to problems with Kansas Insurance Department examiners meeting the 40-day deadline. He said the document makes the examiners accountable for their reviews, and while it was created because of timeline concerns, it was also created to address other issues such as grossly inadequate filings and statutory issues. Mr. Barclay said there is a lesson to be learned in Washington's response. He said Washington worked hard for improvement in commercial lines regulation, but because of a lack of industry lobbyist support, the proposal was not pursued in the legislature. He suggested the Working Group include the importance of industry participation and suggestions for their involvement in the recommendations to the Task Force. Ms. Herbert said Connecticut did not require industry support in their legislative changes, due to Commissioner discretion and authority in Connecticut laws.

Mr. Barclay read question four, "Have the measures implemented in your state resulted in identifiable benefits in the market (e.g., more market participants, more readily available products, improved filings by companies, fewer enforcement actions related to rates and forms, etc.)? If so, please identify and quantify the benefits." Ms. Nelson said some of the state responses are subjective and lack quantitative data, and suggested pulling data from SERFF for the states that have implemented changes versus states that have not made changes. Ms. Herbert said Connecticut has seen an increase in filings but was unsure if the increase was due to filing exemptions or just an increase in business. Mr. Galasyn said the filing procedure in Connecticut remains the same, and the exemption is from review. He said normally they review about 20% of filings during an audit, so the company must still file and pay any applicable fees. Ms. Herbert reported 90% of filings pulled out for the full review were completely accurate with respect to laws and bulletins. Ms. Nguyen said in Oklahoma, medical malpractice was set up as prior approval, but it was repealed in November 2013 and now is use and file. She said it is too early for any measurement of success. Mr. Barclay said Washington switched from use and file to prior approval for medical malpractice about 10 years ago, due to the hard market that had just occurred.

Mr. Barclay read question five, "Have the measures implemented in your state resulted in any identifiable problems in the market (e.g., use of rates or forms that do not meet statutory requirements, market restrictions, complaints from policyholders, increased market conduct examination and enforcement activities, lawsuits, etc.)? If so, please identify and quantify the problems." He said it appeared, from the responses, that there were no noted issues among the states.

Mr. Barclay read question six, "How have the measures implemented in your state affected the use of regulatory resources (e.g., fewer resources used for rate and form review, more resources used for enforcement activities, etc.)? Please explain how this has occurred and, if possible, quantify the effect." He said, according to the state responses, states seem to be using fewer people and resources, but there is nothing specific to highlight.

Mr. Barclay read question seven, “Are there additional actions you are authorized under your state’s laws to take, but have not yet taken, to increase the efficiency or effectiveness of commercial lines regulation? Please identify any such actions that you are considering. If there are any obstacles that prevent you from taking these actions, please identify them.” Mr. Barclay said there did not appear to be too many items under consideration by states. Ms. Nelson said the theme of the state responses for question seven seems to be the ability to exempt by authority of the Commissioner, though it is not an option many states have exercised. She said their responses were interesting because Missouri’s Director does not have such authority. Mr. Galasyn asked if there was a way to find a list of all the states that mandate SERFF. Mr. Worman said Texas allows paper filings in addition to SERFF for some smaller companies, such as farm mutuals. Ms. Bannister said Virginia allows paper filings, but only in certain circumstances, such as for county mutual companies. Ms. Nelson said Missouri allows paper filings for farm mutuals. Ms. Nelson, Ms. Bannister and Mr. Worman agreed most of the paper filings are personal lines and have no relevance to the Working Group’s charges. Ms. Dutil said there is a time savings for Missouri staff when companies use SERFF, since they currently must scan in paper filings into SERFF.

Mr. Barclay read question eight, “What steps have you taken, or would you consider taking, to increase the efficiency or effectiveness of regulation of rates and forms for multi-state policies?” He noted California’s consideration of amending filing instructions to make requirements clearer and how data can be easier to review if it is in Excel. Connecticut mentioned allowing only SERFF filings and no paper for multi-state policies. Mr. Barclay said the industry has not provided too many examples of the specific issues experienced on multi-state policies. He noted Ohio does not push its laws on the non-Ohio portion of a multi-state risk. Mr. Newins suggested pulling commercial lines policies and looking at what the state amendatory endorsements look like for the standard Insurance Services Office (ISO) policy, which is a countrywide policy. By doing this, he said the Working Group might get a better idea of the differences between states. Mr. Barclay said he was considering contacting ISO regarding Rule 19, which says the insurer does not have to use Washington rules and forms but does have to use Washington rates. The insurer may use the rules and forms of the state in which the insured’s largest valued location or headquarters is located or the state in which the insurance is negotiated. Ms. Bannister said that rule is amended in Virginia. Steve Clarke (ISO) said Rule 19 is a multi-state rule countrywide rule for fire. There are a handful of states that have exceptions, and some of those go as far as to say if the property is in a certain state, the company must use that state’s rules and forms. He said the rule, as described by Washington, is how it is written in most states. Mr. Barclay asked if ISO would look into whether there is any way to broaden the concept to other lines of business or if it can only be used with property due to liability laws in other states. Mr. Clarke said he would look into the matter and will report back to the Working Group.

Mr. Barclay read question nine, “Other than ideas already mentioned in your responses to question one through question eight, what suggestions do you have for increasing the efficiency or effectiveness of commercial lines regulation in your state?” He said many responses suggested industry improvements. Mr. Galasyn said the “note to reviewer” feature of SERFF is a good tool for industry. He said many times regulators send out letters, and at the last minute, a company will ask for an extension even when the matters could be resolved more quickly.

Dave Snyder (Property/Casualty Insurers Association of America—PCI) said the survey, especially question 10 and question 11, provides interesting suggestions and ideas. He mentioned several industry concerns, specifically: a lack of uniformity among states for large commercial risk exemptions, prior approval exemptions, informational filing requirements, commercial exemption requirements for manuscript forms, multi-tier jurisdictional issues that can require rates and rules be filed separately, allowing for post-submission updates and interline filings, and a variety of state-specific issues. He said he will compile industry input for a final statement to the Task Force. Mr. Barclay said the recommendation to the Task Force will not be limited to the survey results but rather will pull highlights and ideas. He requested the industry not only identify problems, but also practical solutions that do not rely on complete deregulation.

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

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Draft: 8/4/14

Operational Efficiencies (EX) Working Group
Conference Call
July 24, 2014

The Operational Efficiencies (EX) Working Group of the Speed to Market (EX) Task Force met via conference call July 24, 2014. The following Working Group members participated: Maureen Motter, Chair (OH); William Lacy (AR); George Bradner (CT); Cindy Colonius (IL); Jim Newins (KS); Geoffrey Cabin (MD); Tammy Lohmann (MN); Joan Dutill and Mary Mealer (MO); Ted Hamby and Tim Johnson (NC); Connie Van Slyke (NE); Elena Ahrens (NV); Gerry Scattaglia and Alan Goren (NY); Cuc Nguyen (OK); Chris Herrick and Courtney King (TX); Betty Branam and Melinda Willis (VA); and Lee Barclay (WA).

1. Discussed Filing Metrics Reports

Ms. Motter reminded the Working Group members that they have been charged with proposing the metrics to establish filing turnaround goals. This recommendation will then be moved to the Speed to Market (EX) Task Force for consideration. While the work the NAIC staff are doing on the filing metrics report and dashboard is to support states in managing the workload to meet filing metrics standards, the Working Group is charged with recommending what those filing metrics standards should be. As was requested on the last call, NAIC staff provided statistics on a larger range of filing submissions—this time covering all of 2013. After reviewing the statistics and the latest revisions to the sample filing turnaround report that NAIC staff prepared, the Working Group made the following recommendations:

- Consider adding to the state assessment report a percentage breakdown of filing turnaround for several date ranges up to and including the goal date as it is on the proposed filing metrics report. This would demonstrate that, in most cases, a high percentage of filings are meeting the turnaround goal.
- Remove from the turnaround calculation the time the state reviewer is waiting on a response from the filer.
- For filings that are reopened, report inactive days but do not include those days in the turnaround calculation.
- Indicate filings that have been reopened on the filing metrics report or add the “inactive” measure so that analysts can easily determine if a filing has been reopened.
- States were divided as to whether the report needs to show the number of objections as well as responses, so NAIC staff will consider this in relation to the available space on the report and propose a solution for the Working Group to review.
- Sample several states’ statistics using the existing metrics for filing turnaround and these new metrics so the Working Group members can see how the new measures affect the statistics.

NAIC staff will modify the report and statistics and distribute new materials 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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Draft: 7/10/14

Operational Efficiencies (EX) Working Group
Conference Call
June 17, 2014

The Operational Efficiencies (EX) Working Group of the Speed to Market (EX) Task Force met via conference call June 17, 2014. The following Working Group members participated: Maureen Motter, Chair (OH); Donna Lambert (AR); Belinda Miller (FL); Cindy Colonius (IL); Jim Newins (KS); Tammy Lohmann (MN); Joan Dutil (MO); Ted Hamby (NC); Bev Anderson (NE); Elena Ahrens (NV); Gerry Scattaglia (NY); Sharalyn Hargrove-Taylor (TX); Rebecca Nichols (VA); and Lee Barclay (WA).

1. Discussed Suggested Changes to the Uniform Transmittal Document and Uniform Product Coding Matrix

There were five suggested changes to the speed to market tools: one to the Uniform Transmittal Document (UTD) and four to the Uniform Product Coding Matrix (PCM). Each request was evaluated and decided by the Working Group members.

UTD Request: *Implement a “validation” function, which would prevent submission of a filing designated as a “rate” filing (or some combination of a rate/rule/form filing), if ALL of the “company rate information” fields have not been completed.*

The Working Group members discussed that there are a number of scenarios where a filer might submit a filing and have a legitimate reason not to complete all of the company rate information fields, such as when filing a new product. Members also commented that this would create an unnecessary burden for the filers and might cause incorrect data to be input so that the filing can be submitted. The states said they create an objection letter and ask for the data if it was not completed upon submission. SERFF staff will work to educate the states on the use of post-submission updates to allow filers to make these changes after the filing has been submitted. Ms. Dutil made a motion to decline the request to require company rate data on all rate filings at this time. Mr. Barclay seconded the motion and it was approved unanimously.

PCM Request: *Create new sub-type of insurance (TOI) codes for cyber liability and data breach coverage; under existing TOI such as 17.0, 17.1, 17.2, 05.1, 05.2, etc., to the property/casualty PCM.*

This request was to help identify these products, which come in as stand-alone products or as endorsements on existing products. They do not require a separate set of submission requirements nor are they reported separately on the NAIC annual statement. The Working Group agreed that there a number of codes in the matrix under which these products are currently being filed. They suggested the states that want to identify these products should use the state TOI feature in SERFF. Ms. Ahrens made a motion to decline the request to add new codes for cyber liability and data breach coverage to the property/casualty PCM. Mr. Barclay seconded the motion and it was approved unanimously.

PCM Request: *Update the column labeled “NAIC Annual Statement Line.” For sub-TOI 2.1000, change the NAIC annual statement line column to 02.2 or 02.4. For sub-TOI 2.1001, change the NAIC annual statement line column to 02.4. Update the description in the PCM for sub-TOI 2.1001 to better describe the products that are included in this; use the same language that is being proposed by the Blanks (E) Working Group: “Private market coverage for crop insurance and agricultural-related protection, such as hail and fire, and is not reinsured by the FCIC.”*

This request only changes the description in the PCM to match the annual statement line changes as proposed by the Blanks (E) Working Group; it does not change any of the codes. Ms. Ahrens made a motion to update the annual statement line description of the PCM as detailed in the request, contingent upon the Blanks (E) Working Group making the same changes to the NAIC annual statement blank. Ms. Nichols seconded the motion and it carried.

PCM Request: *Add a TOI for life insurance – long-term care and annuities – long-term care.*

Ms. Motter said there have been two requests made in the past few years regarding this issue. The first was to add long-term care to all life and annuity TOIs and sub-TOIs, which essentially would triple the size of the PCM. The second request was to add long-term care as a sub-TOI under the life and annuity TOIs, but it was decided that this suggestion was too generic. At that time, the Working Group requested that the SERFF Product Steering Committee (PSC) add a feature to SERFF to allow issuers to indicate that an additional benefit was being added to the product filing. This feature was added to the application and is currently being used by six states and the IIPRC. It was suggested that this is an appropriate solution for any state accepting long-term care benefits under life or annuity products. Mr. Hamby made a motion to decline the request to add TOIs for life insurance – long-term care and annuities – long-term care. Ms. Lohmann seconded the motion and it carried.

PCM Request: *Create TOI and sub-TOIs for limited health service organizations and voluntary health service organizations. These entities fall under the managed care (HMO) unit and should be placed in the PCM under “Health Maintenance Organizations.”*

The Working Group discussed how these organizations may differ from health maintenance organizations (HMOs), in that they are more limited in what they can offer. It was suggested that, rather than adding codes to the PCM, the states regulating these types of products could use the state TOI functionality in SERFF to identify these products. Ms. Lambert made a motion to decline the request to add TOIs and sub-TOIs for limited health service organizations and voluntary health service organizations. Ms. Nichols seconded the motion and it carried.

Ms. Motter requested that NAIC staff follow up with the states to ensure they are aware of SERFF features to assist in product identification and classification—such as the additional benefits flag, the state description field and the state TOI—for use where the PCM might not meet specific state needs.

2. Discussed Filing Metrics Reports

The Working Group reviewed a revised sample report prepared by NAIC staff. Additional work has been done to show the gap between when a state requests additional information or reports a problem with the filing and when the company responds. There were also changes made to the dashboard section of the report to consolidate information as requested. NAIC staff will provide statistics on a larger range of filing submissions at the next meeting of the Working Group. Any states with questions or suggestions were encouraged to contact Chris Bien (NAIC) at cbien@naic.org.

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

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