

SPEED TO MARKET (EX) TASK FORCE

Speed to Market (EX) Task Force Dec. 6, 2009, Minutes

Speed to Market (EX) Task Force
San Francisco, CA
December 6, 2009

The Speed to Market (EX) Task Force met in San Francisco, CA, Dec. 6, 2009. The following Task Force members participated: Mary Jo Hudson, Chair, and Mary Miller (OH); Wayne Goodwin, Vice Chair (NC); Jim L. Ridling represented by David Parsons (AL); Jay Bradford represented by William Lacy (AR); Karen Weldin-Stewart represented by Gene Reed (DE); Sandy Praeger represented by Neil Woerman (KS); Sharon P. Clark represented by William Nold (KY); Glenn Wilson represented by Tammy Lohmann (MN); Ann Frohman represented by Bruce Ramge (NE); Scott J. Kipper represented by Marie Holt (NV); Kim Holland represented by Kathie Stepp (OK); Teresa Miller (OR); Alfred W. Gross represented by Mary Bannister (VA); Mike Kreidler represented by Lee Barclay (WA); and Jane L. Cline represented by Mike Riley (WV).

1. Consider Adoption of Working Group Reports

Ms. Miller said the Operational Efficiencies (EX) Working Group did not conduct any interim meetings during the quarter but will resume meetings in the first quarter of 2010 to begin work on the 2010 charges. She reported that the Product Requirements Locator (EX) Subgroup did not conduct interim meetings this quarter as a result of the Task Force suspending activity on the Product Requirements Locator (PRL). In 2010 this Subgroup will be titled the Product Filing Efficiencies (EX) Subgroup and will be charged with addressing a wider range of filing efficiency issues.

Ms. Miller said the Product Filing Review Handbook (EX) Subgroup met via conference call Oct. 13 and Nov. 20. During these calls, the Subgroup reviewed a new draft of the *Product Filing Review Handbook* Chapter 7, titled "Speed to Market Tools" (Oct. 5 revision). The revision combined the previous Chapter 7 under the same title with Chapter 9 (titled "System for Electronic Rate and Form Filing—SERFF"). It was explained that the introductory section of Chapter 7 provided some Speed to Market history for the reviewer so they would have an understanding of how this initiative came about and to convey its importance to the NAIC. Chapter 7 (Oct. 16 revision) was subsequently reviewed during the Nov. 20 call and was adopted by the Subgroup with the understanding that the agreed changes would be made. The Subgroup reviewed draft Chapter 8, titled "Regulatory Data Resources" (Oct. 13 revision). The entire chapter was reviewed (other than chapter appendix). It was determined that changes be made and presented in a revised Chapter 8 for consideration during the next Subgroup conference call, which is scheduled for Dec. 14. It is anticipated that the Subgroup will begin review of the remaining chapters—four and five—on the December call as well. There are three chapters that remain outstanding (4, 5 and 8) and the Subgroup is requesting that the date for completion of the *Product Filing Review Handbook* be extended to June 2010.

Upon motion by Ms. Stepp, with second by Commissioner Goodwin, the Task Force adopted the Operational Efficiencies (EX) Working Group report and extended the completion date of the *Product Filing Review Handbook* to June 2010.

Julie Fritz (NAIC) said the National Standards (EX) Working Group subgroups met on a weekly basis since the Fall National Meeting. The Annuity Subgroup completed its work on the Individual Deferred Paid-Up Non-Variable Annuity Contract Standards (Commonly Marketed as Longevity Annuities) and proposed revisions to the Individual Deferred Non-Variable Annuity Contract Standards. The Life Subgroup continued its work on the Group Term Life Insurance Policy and Certificate Standards. The Long-Term Care Insurance Subgroup completed its work on the Individual Long-Term Care Insurance Standards and is in recess until draft group standards become available. The Disability Income Insurance Subgroup continued its work on Individual Disability Income Insurance standards as applicable to Disability Income Plans, Buy-Sell Plans, Key Person Plans, Business Overhead Expense Plans and Individual Plans Marketed to Employer or Association Groups, and Individual Disability Business Overhead Expense Plan Standards.

Upon motion by Mr. Ramge, with second by Ms. Bannister, the Task Force adopted the report of the National Standards (EX) Working Group.

2. Discussion of 2010 Charges

Director Hudson said the Task Force adopted its 2010 Proposed Charges during the Fall National Meeting. She said the Task Force, working groups and subgroups have made good progress over time to this point, and she believes progress will continue through 2010 with the dedication of everyone to improving speed-to-market in product filings and the 2010 Charges will help in the continued improvement in the industry.

3. Receive Report from Interstate Insurance Product Regulation Commission (IIPRC)

Executive Director Karen Schutter (IIPRC) provided an update of the activities of the IIPRC. The IIPRC and its Management Committee held a joint meeting Dec. 4. At the meeting, public comments were received on three annuity benefit features and are currently going through the rulemaking process. These standards are for Guaranteed Minimum Death Benefits and Guaranteed Living Benefits. The written comment period closes at the end of December. The Management Committee will take these comments under consideration and discuss the Standards at its next conference call expected to occur in mid-January.

Ms. Schutter reported that the IIPRC Communications Committee discussed the findings of a Compact survey conducted by an independent organization. One-third of the responding companies was using the IIPRC and gave high marks in terms of ease of use and speed-to-market. Those companies not yet using the IIPRC cite the costs as the top reason for not yet registering. The IIPRC approved a short-term pricing incentive to encourage companies to pay their 2010 annual registration fee as early as possible. Companies that register with the IIPRC by Jan. 31 will receive a 10% discount or \$500 off their 2010 annual registration fee of \$5,000. Seventy-four companies have registered with the IIPRC so far in 2009, and more than 200 filings have been submitted this year. By the end of this year, the IIPRC will have doubled both its number of registrations and number of filings over its 2008 level.

Ms. Schutter said the IIPRC has begun the rulemaking process for a draft rule laying out a self-certification process. There are several safeguards in this rule, including the fact that a Uniform Standard must first authorize self-certification for the particular product. Since a Uniform Standard requires a two-thirds vote of the entire Commission before it can be adopted, there will be even greater scrutiny built into whether a product can be submitted for self-certification. The IIPRC is taking comments over the next 60+ days.

The Products Standards Committee is close to completing the entire bundle of product standards for the individual long-term product line. Regulators from compacting and non-compacting states have spent several years developing these standards. The Product Standards Committee has held several public calls and, when it is recommended by the Management Committee, they will go through the formal rulemaking process. The IIPRC will also be doing several outreach sessions with members, as well as the Legislative Committee and Consumer Advisory Committee, to provide information on how these standards work and how they compare to the Long-Term Care Model.

The IIPRC continues to work with non-compacting states to address concerns and support the legislative process. An exploratory committee was formed to study a proposal to create a category of associate membership for states that have not yet joined the Compact but are very interested in becoming a member. These are states that have tried to introduce the legislation in the past and are taking proactive steps to embrace the IIPRC Uniform Standards. This exploratory committee will look at the benefits and disadvantages to creating this membership category, as well as identifying the eligibility criteria and the steps involved in creating this new category.

Ms. Schutter said Missouri has now adopted all standards of the IIPRC. She said there are 13 types of insurance (TOIs) available for filing using the 54 adopted Uniform Standards, with 64 various sub-TOIs available. She said 181 products have been approved by the IIPRC to date since Jan. 1, 2009, which equates to 3,835 SERFF transactions. Over half of the current registered companies registered in 2008. At the same time, the IIPRC has demonstrated a 90% retention rate—only three of the 38 companies that filed in 2008 did not file in 2009. The 72 companies that have registered to date represent 34% of the national premium volume. The 57 companies (79% of the registered companies) that have submitted filings represent 27% of the national premium volume.

4. Receive Report on SERFF and Speed to Market Activity

Ms. Fritz reported on SERFF and Speed to Market implementation activity. Since the Fall National Meeting, 25 companies have been licensed, so there are more than 2,950 unique companies currently licensed. SERFF usage through October 2009 was down approximately 6% compared to the same time last year. Due to a good first quarter, usage for the first six months of 2009 was roughly 5% over the budgeted transactions; however, April through October actual transactions were less than budgeted in each month. Approximately 55 companies have been implemented for Electronic Funds Transfer (EFT) since the Fall National Meeting. Nearly 2,800 companies have implemented EFT, which is roughly 95% of the total number of unique licensed companies.

Ms. Fritz said NAIC staff participated in the Association of Insurance Compliance Professionals (AICP) national conference as well as the Southeastern Regulators Association (SERA) conference in October. For both events, the team facilitated sessions and provided updates on SERFF, including upcoming releases and question/answer sessions.

Nearly all states have implemented SERFF for all lines and speed-to-market initiatives. By doing so, the states have demonstrated their willingness to achieve uniformity that benefits themselves, the industry and, ultimately, the consumer. Fifty states, DC and Puerto Rico accept filings via SERFF. Of those jurisdictions, 51 accept all major lines for life, 51 for health and 51 for property/casualty.

The implementation of Medicare Supplement changes to the Product Coding Matrix was completed Nov. 1. Fifty-one jurisdictions that allow filings via SERFF completed the implementation between July 1 and Nov. 1. Fifty states representing 150 business areas have implemented the Product Coding Matrix. Forty-nine states utilize the Uniform Transmittal Document as built in SERFF, and 51 jurisdictions have implemented the standardized filing types.

Ms. Fritz reported that the next major release of SERFF, version 5.8, is currently being tested and is scheduled for release on Dec. 9. The release includes two significant enhancements: the ability to update additional fields after submission of the filing and the incorporation of the IIPRC Statement of Intent as fielded data on the filing. The post-submission updates enhancement allows industry to request changes to the industry Rate Data and 11 other fields. The IIPRC enhancement involves a new schedule on Compact filings. Filers will list the forms that apply to their mix-and-match filings. States included on the filing can view and export this information. Where the original state filing was made in SERFF, the state will be able to link to it directly. The SERFF team is hoping to move to quarterly releases in 2010. The planned release months are February, May, August and November. The team believes smaller but more frequent releases will be more manageable for development and testing.

A release of the PRL occurred Nov. 19. No functionality changes were made, but a release was necessary to move PRL to the Oracle Application Server platform. This is the new standard platform for the NAIC, and the move includes a new Web address for the PRL.

Mr. Ramage said the individual state reports including average turnaround time of filings have been very beneficial, and Nebraska will be using these reports to benchmark their activity moving forward. He asked if perhaps the goals should be revised downward. Director Hudson said the average turnaround timeframe goal may need to be revised downward, and the Task Force will need to consider that in the future. She encouraged anyone to provide comments on this important performance measurement at any time. Ms. Fritz said she believed the original goal was 30 days for all filing types, and currently property and casualty is at 30 days and life and health is being measured at 40 days. She said the SERFF system cannot break out the timeframes for the different filing types, and perhaps the life and health goal would be the first to be reviewed and revised.

5. Receive Comments from the SERFF Board

Susan Eckler-Kerns (Prudential and Vice Chair of SERFF) provided a report from the SERFF Board. She said elections for open seats on the SERFF Board took place in November with the following individuals being elected: Mr. Lacy was re-elected to a state board seat with a term running through Dec. 31, 2012; Theresa Boyce (ACE) was elected to an industry board seat with a term running through Dec. 31, 2012; Fred Alvarado (Transamerica) was re-elected to an industry board seat with a term running through Dec. 31, 2012; and Robert Yass (The Hartford) was appointed by AIA (American Insurance Association) to the property casualty industry trade representative seat with a term running through Dec. 31, 2011. Director Hudson continues as Chair and Ms. Eckler-Kerns will continue as Vice Chair.

The Board reviewed the plans for early 2010, including several moves to accommodate customers that have either switched data hosters or have recently moved to a data hoster and want their existing data added to the hoster site. Analysis continues on the Filing Rules maintenance changes and the state data retention project.

Ms. Eckler-Kerns provided an overview of the issue—raised by South Dakota—of allowing public access to SERFF filings via the Internet for filings. Currently, a requestor interested in viewing a filing submitted via SERFF must travel to the state office to use the SERFF public access ID and terminal in order to view filings marked as available for public review. States are requesting that the filings be made accessible with the appropriate ID and password from any computer by opening up access to Internet addresses outside of the departments of insurance. The SERFF Board created the Filing Access Working Group to address this request. The Working Group met in November and developed an issues list based on the verbal and written comments submitted by the interested parties. The various issues have been grouped by category, and the Working Group will need to determine the next steps.

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