

**NATIONAL COUNCIL OF INSURANCE LEGISLATORS
WORKERS' COMPENSATION INSURANCE COMMITTEE
CHARLOTTE, NORTH CAROLINA**
MARCH 7, 2020
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Workers' Compensation Insurance Committee met at the Charlotte Marriott City Center Hotel in Charlotte, North Carolina on Saturday, March 7, 2020 at 2:15 p.m.

Representative Bart Rowland of Kentucky, Chair of the Committee, presided.

Other members of the Committees present were:

Asm. Ken Cooley (CA)	Sen. Paul Wieland (MO)
Rep. Matt Lehman (IN)	Sen. Jerry Klein (ND)
Rep. Joe Fischer (KY)	Rep. Tom Oliverson, M.D. (TX)
Sen. Paul Utke (MN)	

Other legislators present were:

Rep. Kevin Coleman (MI)	Sen. Shawn Vedaa (ND)
Rep. Stephen Ross (NC)	Sen. Robert Ortt (NY)
Sen. Vickie Sawyer (NC)	Sen. Bob Hackett (OH)

Also in attendance were:

Commissioner Tom Considine, NCOL CEO
Will Melofchik, NCOIL General Counsel
Cara Zimmermann, Assistant Director of Administration, NCOIL Support Services, LLC

QUORUM

Upon a motion made by Sen. Jerry Klein (ND) and seconded by Rep. Joe Fischer (KY), NCOIL Secretary, the Committee waived the quorum requirement without objection by way of a voice vote.

MINUTES

Upon a motion made by Sen. Klein and seconded by Sen. Paul Utke (MN), Vice Chair of the Committee, the Committee approved the minutes of its December 12, 2019 meeting in Austin, TX without objection by way of a voice vote.

INNOVATION IN THE WORKERS' COMPENSATION INSURANCE MARKETPLACE: A PRESENTATION FROM PIE INSURANCE

Teri Leon, General Counsel at Pie Insurance (Pie), stated that Pie was originally formed in 2017 and it wrote its first policy on March 23, 2018. Pie is operating in 35 states and the District of Columbia. Pie writes on Sirius America Insurance Company as Pie is a program manager for them. Pie is a big fan of its name as it celebrated national Pie Day

on January 23 and will celebrate the mathematical pie day on March 14. For any celebration, Pie has various flavors of pie.

Ms. Leon stated that Pie also uses a lot of pie-isms as it has pie-r-side chats; pie-o-neers are its team members; and it has pie-awards. However, Pie is following a very proven path from other companies. Progressive used credit-based insurance scores, driver point matrixes and vehicle symbols to rate. Capitol One started using FICO-based scores to determine interest rates and credit limits. Those companies all married market data and risk selection and pricing. Pie is doing the same thing. It is using algorithms to help schedule rate its policies. Ms. Leon stated that Pie writes small business workers' compensation. Currently, the annual premium for all of its policies would be less than \$75,000. Generally, Pie's insureds are between 3 to 8 non-owner employees. Pie wanted to support small businesses because it saw that 80% of them were being overcharged.

Ms. Leon stated that the current process to get a workers' compensation policy is time consuming and completing an application is difficult. There are approximately 20 steps to get through a normal, traditional insurance policy application as there is a lot of e-mailing, scanning, and phone calls back and forth between the insurance company and agents before you can even get a quote. Pie has changed that and has made insurance as easy as pie since you can complete the online application form in less than three minutes. Pie helps determine the in-person's class code by free form search so they can put in the word "florist" and different class codes for florist will come up such as retail florist and wholesale florist that the person can choose themselves.

Ms. Leon stated that Pie asks questions regarding the person's prior work comp experience. Pie also pulls demographic information from third-party websites such as their address, and how long they have been in business. The person can then review and confirm that information on their own. Pie is continuing to leverage emerging technologies and third party sources to make the online application as effortless as possible.

Ms. Leon then provided an example of who Pie generally writes for. Jim Pelletier of JP Construction; 26 years in business; concrete installer; \$75,000 in (non owner) payroll; found Pie through Facebook; non-renewed by Auto-Owners (for being too small); purchased a \$6,594 Pie policy. Pie focuses on small businesses that are considered too small for other carriers or too new because they have not been in business long enough. Pie meets businesses where they are: 75% of Pie's businesses are finding Pie through their mobile devices; 67% of them are doing searches and doing Pie's online application after outside business hours; and 80% found Pie on social media. Pie is here to solve the small business and will serve them in the traditional route. Pie will use agents and brokers who can use the online application process as well or they can go through Pie's direct line.

Ms. Leon stated that there are, however, some regulatory and statutory obstacles for online transactions. First, insurance was not developed with online transactions in mind. In 3100 BC, Chinese traders put all of their goods on different boats so that if one boat went down they only lost some of their goods. In 2100 BC, the Code of Hammurabi contained an early insurance type protecting traders who took out loans. They could pay an additional sum to a bank for loan forgiveness for lost shipments. The Code also included compensation for workers who were injured on the job. In 1667 AD, after the

Great Fire in London, the first insurance company was created called The Insurance Office. The first fire brigades were also created which were previously owned by insurance companies which was also problematic when a brigade owned by Company A did not put out a fire of Company B. Accordingly, the brigades were transferred to the municipalities. More and more insurance companies continued to be formed and in the 1990s, insurance companies in the U.S. started going online.

Ms. Leon stated that the laws were created when paper-based commerce was the only option and everything went through U.S. mail. Pie's insureds are finding Pie online and they generally expect a completely online, electronic transaction. But in several states, Pie is still forced to print out and mail the policy to the insured. Any notices of non-renewal or cancellation cannot be delivered by e-mail but must be delivered by certified mail, return receipt requested. In the states that do allow for electronic transactions, it is a rather expansive terms and conditions that they have to agree to on an opt-in basis.

Ms. Leon further stated that a lot of the documentation that insurance companies and insurance agents have to provide is not electronic friendly. E-signatures are not widely accepted in Departments of Insurance even though e-signatures laws have been passed in all 50 states. Yellow books that are financial statements for companies have to be wet-signature. The applications to become a licensed insurance agent are also sometimes paper-based. Applications for certificates of authority vary. Although submitted electronically, they are basically paper applications that are uploaded and submitted. Some states allow at least partially electronic expansion applications, but some require portions be mailed in. Others require paper applications mailed to multiple locations. The ACORD 130, which is the application for work comp, is required by many departments of insurance. Getting another online application is difficult if not impossible in some states. So even online applications that Pie has can be problematic; Pie has to backfill its ACORD 130 so that it sits in their records and they have it even though they are collecting the exact same information in its electronic application.

Pie understands that change takes time and changes to statutes and regulations require thinking about the long term consequences to all parties. Pie hopes the process will continue and that the departments of insurance will move towards electronic processes that are easier for all involved and that policyholders will be met where they are: online, like other transactions. Ms. Leon further stated that one of Pie's values is fun and it wonders whether it is time to re-brand work comp. Companies rarely call their workers employees anymore. There are team members, partners, and talent. Should it really be called compensation when it provides so much more? It provides reimbursement, support, and re-training for those individuals who have been injured. Pie has not come up with a new name for work comp yet, but asks that legislators and regulators keep that in mind.

Rep. Bart Rowland (KY), Chair of the Committee, asked if Pie's determination that many were being overcharged for work comp was due to rates in general, misclassifications, or inaccurate audits. Ms. Leon stated that Pie believes there are a number of different reasons for being overcharged. When an agent is looking at a very small business with a very small premium, they may only go and get a quote from one insurance company because having to plug in all of the information to all of the different insurance companies to get multiple quotes may be too much. Pie also believes that a lot of insurance companies will not schedule rate for a policy that is less than \$10,000 on an

annual basis but Pie will. Pie schedule rates all policies no matter what the premium. Rep. Rowland asked if Pie has a minimum premium. Ms. Leon stated Pie does not.

Rep. Rowland further asked if Pie does business with independent agents and brokers such that they can be licensed with Pie and sell Pie's products. Ms. Leon stated that Pie currently has over 400 agents and brokers who are licensed with Pie and they have an online application process as well. With regard to regulatory obstacles, Rep. Rowland noted that Kentucky recently implemented a regulatory sandbox and asked if Pie has looked at any of the states with such sandboxes and looked for ways to get around certain regulatory obstacles such as the ACORD 130 issue. Ms. Leon stated that Pie has looked into that in certain states and some states will allow Pie to get out of the ACORD 130 but some states will not. Each state is different as some states are very friendly towards electronic transactions but other states require everything to be paper-based.

Rep. Matt Lehman (IN), NCOIL President, stated that there is often a lengthy process to get a work comp policy for a contractor. Rep. Lehman asked what Pie is doing different such that a contractor is able to get a policy so quickly. Rep. Lehman also asked if it matters to Pie that contractors may be doing work in different states such as being based in Indiana but doing some work in Ohio. Ms. Leon stated that if the contractor is doing any work in Ohio, they must get an Ohio policy and Ohio is monopolistic so Pie cannot write for Ohio. Pie is still using traditional methods such as loss costs, class codes and experience mods. Pie's algorithms are helping to ensure that the scheduled rating is right. Pie is still looking at things like safety records, what kind of health insurance is being provided, and how long they have been in business. The algorithms help ensure that Pie is looking at those things more accurately than perhaps some of the traditional insurance companies.

Rep. Lehman further asked if Pie is required to file any rate deviations with the state. Ms. Leon stated that for each state Pie does file its own scheduled rating plans which addresses debits and credits depending on what the range is for the state.

Rep. Lehman asked what the biggest hurdle is for Pie with regard to the e-commerce issues discussed earlier. Ms. Leon stated that for policyholders, they often complain when they are mailed policies despite them having opted-in to electronic delivery which forces Pie to explain the differences in state electronic delivery laws. On the claims side, there is a lot of electronic claims filing which is a big issue. There is room for improvement with claims handling so that people are getting things taken care of more quickly especially for medical only claims. Rep. Lehman asked if Pie has its own claims adjusters or if Pie uses independent adjusters since independent adjusters in certain states can pose regulatory issues. Ms. Leon stated that Pie currently uses CorVel as a third party administrator and they are a nationwide, public company. Pie will be building out its own claims group in the future.

Rep. Rowland stated that he assumes Pie does payroll audits with its customers at the end of the policy term and reports that data with the National Council on Compensation Insurance (NCCI) like others. Ms. Leon replied yes.

Sen. Paul Utke (MN), Vice Chair of the Committee, asked if Pie plans to build out to more states or are there challenges in the states that Pie is not in yet. Ms. Leon stated that Pie's goal is to be in all 50 states except the four that are monopolistic by the end of

2020. Sen. Utke asked if applicants typically always give Pie all the information and data they need or if sometimes it is like pulling teeth to get all of that information. Ms. Leon stated that there are certain instances where it is like pulling teeth but Pie has inside licensed agents who will contact the applicants if they need additional information and they will help the applicants find that information. Other applicants know their business very well and are able to provide all of the necessary information which results in a quote being delivered more quickly.

ADJOURNMENT

There being no further business, the Committee adjourned at 3:30 p.m.