

NATIONAL COUNCIL OF INSURANCE LEGISLATORS  
LIFE INSURANCE & FINANCIAL PLANNING COMMITTEE  
JERSEY CITY, NEW JERSEY  
JULY 15, 2022  
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Life Insurance & Financial Planning Committee met at the Hyatt Regency in Jersey City, New Jersey on Friday, July 15, 2022 at 3:45 p.m.

Representative Carl Anderson of South Carolina, Acting Chair of the Committee, presided.

Other members of the Committee present were:

Rep. Deborah Ferguson, DDS (AR)	Asw. Pam Hunter (NY)
Asm. Ken Cooley (CA)	Sen. Bob Hackett (OH)
Rep. Kerry Wood (CT)	Rep. Wendi Thomas (PA)
Rep. Rod Furniss (ID)	Rep. Lacey Hull (TX)
Rep. Matt Lehman (IN)	Rep. Tom Oliverson, M.D. (TX)
Sen. Jerry Klein (ND)	

Other legislators present were:

Asm. Mike Gipson (CA)	Sen. Vickie Sawyer (NC)
Rep. Stephen Meskers (CT)	Rep. Brian Lampton (OH)
Rep. Tammy Nuccio (CT)	Rep. Dennis Paul (TX)
Rep. Roy Takumi (HI)	Sen. Mary Felzkowski (WI)
Sen. Beverly Gossage (KS)	
Sen. Mike McLendon (MS)	
Rep. Hank Zuber (MS)	

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO  
Will Melofchik, NCOIL General Counsel

## QUORUM

Upon a Motion made by Sen. Bob Hackett (OH), and seconded by Sen. Jerry Klein (ND) the Committee voted without objection by way of a voice vote to waive the quorum requirement.

## MINUTES

Upon a Motion made by Rep. Matt Lehman (IN), NCOIL Immediate Past President, and seconded by Sen. Klein, the Committee voted without objection to adopt the minutes from the Committee's March 4, 2022 meeting in Las Vegas, NV.

## CONTINUED DISCUSSION ON NCOIL PAID FAMILY MEDICAL LEAVE (PFML) MODEL ACT

Rep. Anderson stated that we'll start today with the continued discussion on the NCOIL paid family medical leave model act (Model). We've been discussing this is for consecutive meetings

and since our last meeting in Las Vegas, the model language that was originally introduced by the American Council of Life Insurers (ACLI) is now being sponsored by Sen. Paul Utke (MN) and co-sponsored by Rep. Deborah Ferguson, DDS (AR), NCOIL Secretary. That language appears in your binders on page 220. I know that Sen. Utke couldn't be here with us today but Rep. Ferguson is here and would like to say a few words before we get started. Rep. Ferguson stated that this Model it establishes paid family leave as a class of insurance and would authorize state insurance departments to receive and approve paid family leave policies in your state. It authorizes insurers who are licensed to transact life insurance or disability insurance business in the state to issue policies covering paid family leave and this would empower employers to be able to give paid family leave to their employees.

Karen Melchert, Regional VP of State Relation at ACLI thanked the Committee for the opportunity to speak and stated that I would especially like to thank Rep. Ferguson for sitting in for Sen. Utke and for also being co-sponsor on this important piece of legislation. As Rep. Anderson pointed out, we have discussed this at length at several NCOIL meetings and we have finally brought this to you in a formally introduced NCOIL Model. It is as Rep. Ferguson pointed out, giving authorization to insurance companies to file products that would provide paid family leave to employers. This can be used in states that have mandatory paid family leave requirements for their employers and it can be used in states that don't have the paid family leave requirement but that employers want to offer as an enhanced benefit to their employees as we see an ever-increasing competitive employment market. So, I'm happy to answer any questions, but this is an authorization for us to file products in your states. Currently, we cannot do that. So, this would give us that opportunity and it is designed so you can either create it just as an authorization statute and then have as a regulation the standards that would go into that policy or you can put the entirety of it into your statute when you propose it. It has been adopted in Virginia, that was our test case this year. They enacted it earlier this year with the authorization language and they are now working on the promulgation of regulations. It was also passed out of the Senate in Minnesota but failed to advance in the House before the end of this session. So, we appreciate your support and I'm happy to answer any questions and we look forward to this being adopted as an NCOIL model that you can all take back to your states when this issue comes up and there is a private option to address the need.

Rep. Dennis Paul (TX) stated that I guess it's pretty new in Virginia since they just enacted it but do you have an idea what their premiums would be? Ms. Melchert stated that I asked that question earlier, and no we do not but they would be similar to a disability income type of policy. Rep. Paul asked like a short term disability that they might already have? Ms. Melchert stated that a short term and long term but more in line with short term since it is limited to 12 weeks. Rep. Paul asked if most companies are planning to do it where it would be the employee paid the company back or is it just companies are deciding what they're going to do? Ms. Melchert stated that I would say in a state where it's mandated by law that employers provide paid family leave then the employer would pick up the cost of the premium. Rep. Paul stated that and the ones that don't they would pass the cost on. Ms. Melchert stated that it would be up to the individual employer and how much they wanted to split with their employees and whether or not their employees wanted to take it.

Molly Weston Williamson, Senior Fellow at the Center for American Progress thanked the Committee for the opportunity to speak and stated that I come from the Center for American Progress and before that until actually this week I was Director of paid leave and future of work at a Better Balance and I have been working in that capacity on paid leave policy at the state level for nearly a decade and I think because of that I have a slightly different perspective on what might be a way to compliment this approach of pure authorization. So, as I think you know

from your past discussions as of 2022, 11 states and the District of Columbia have laws on the books guaranteeing workers the right to paid family leave and with it paid medical leave benefits and of those 12 laws all but two have a meaningful structural role for commercial insurance. So, I think commercial insurance is already part of the solution in most of the states that have moved more aggressively and I think there's an opportunity to build on that legacy. I think here as we think about different approaches that can potentially work together what I call your attention to is that when we look at those states that have established laws, particularly when we date back to their history for many of them, rooted in historical temporary disability insurance laws we've got years and years of experience and in some cases we're talking about decades of experience in this kind of model where you have a guaranteed right for workers and flexibility for employers and how they meet that obligation which typically does include commercial insurance. So given the hour, I'm going to keep my remarks brief but I would just suggest that I think there's an opportunity to consider going further or complimenting a move that's focused on the authorization to think about if there's an opportunity, and I think particularly an opportunity with a focus on what we want the insurance market to look like. To think about whether we can go further and instead of just authorizing the sale of a product, or an addition to that, also providing a right to the product. So, I think in some ways we're thinking sort of flipping to the way we think about something like Workers' Compensation Insurance where we have an insurance marketplace that operates in a context of some guaranteed rates. I think thinking about examples like Virginia, I think we're all looking to see what happens. My understanding is, I think the law went into effect on the first of this month and so really truly it is not a criticism to say we just don't know yet what's going to happen there but I think we have some reason to think about what might occur. I think short term disability is a really good analogy here.

So, when we're thinking about speaking to all of you as lawmakers, how do you meet the needs of constituents, short term disability is an established product in every state in the country but what we know from the Bureau of Labor Statistics, is that only about 40% of the civilian employee workforce currently has access to short term disability insurance. When you look at lower income workers that gets cut in half. So, I think when we think about moving into paid family leave coverage and these benefits that I know you've already been through a lot and all the reasons why they're so important I think thinking about are there ways to compliment the availability of commercial products with some built in rights in states that are interested in moving in that way to ensure that everybody has access to these benefits that I know you already know all the reasons are so important. Again, thank you so much for this timely and valuable conversation and I'm really looking forward to being helpful in any way I can moving forward.

Sen. Mary Felzkowski (WI) stated that you're looking at this it would be an employer purchasing it where he pays for it as going to be optional, almost like an Aflac type coverage. I can do the general short-term disability, I can take paid family leave, I can take other maybe coverages, maybe there's a term policy at two time my wages. Would this just be a compliment to those other type coverages or it could stand alone? Ms. Melchert stated that it's intended to stand alone and it could be mixed in with all those but it is intended to address specifically the paid family leave. The other accepted benefits or the supplements that you referred to not every employer offers that and most employers don't offer that when they pay for it but this could be something that an employer may choose to pay for themselves because they want to add that benefit to attract more employees and then as I said earlier in the states where it's mandated the employer would have to offer it and they would have to pay for it but it's really designed so that it can be used by employers in whichever way they need to use it, either as a selected benefit or as a mandated benefit.

Rep. Ferguson closed by stating I'm not a fan of mandates and the Model doesn't mandate that you have paid family leave. It's just a private public partnership avenue to do that. Rep. Anderson thanked everyone and stated that hopefully we'll be able to work on this Model and get it to the point where it can be adopted at our November meeting.

#### CONSIDERATION OF RESOLUTION IDENTIFYING CERTAIN ENHANCED CASH SURRENDER VALUE ENDORSEMENTS AS VIOLATING THE STANDARD NONFORFEITURE LAW

Rep. Anderson stated that our next topic is the consideration of the Resolution Identifying Certain Enhanced Cash Surrender Value Endorsements as Violating the Standard Nonforfeiture Law. The prime sponsor of the Resolution, Sen. Travis Holdman (IN), former NCOIL President, unfortunately couldn't be here with us today but the Resolution's co-sponsor, Rep. Tom Oliverson, M.D. (TX), NCOIL Treasurer, is here and will say a few words before we begin.

Rep. Oliverson stated that this was an issue that Sen. Holdman brought to my attention and after listening to the conversation around it I became very interested and decided to sign on and I'm going to let former Illinois Insurance Director Nat Shapo, on behalf of the Life Insurance Settlements Association (LISA), talk specifically about this and kind of give you the nuts and bolts but I would just say that it centers around the idea that these enhanced cash surrender value issues are a violation of statutory law as well as a deviation from what I think all of our states have adopted as the standard nonforfeiture law. So, I'll let him sort of speak in great detail about that. I know that we had a productive interim meeting last month during which the issue that you're going to hear about today was discussed, and an issue was raised which is reflected on the second page of the resolution. That provision of the resolution notes that there are two similar types of products but only one of which is the target of this resolution. The wholly different product never asserted to be in violation of the insurance code and thus not objectionable to NCOIL has the same enhanced cash surrender value name and is a common rider offered at policy issuance but doesn't consist of this limited time spike to offer to terminate the policy. Instead, it's a product designed to support the persistence rather than the termination of corporate owned policies due to tax benefits of treating this surrender of value as an asset. Accordingly, that's why the title of the resolution includes words such as "certain types", and we're not calling for a blanket prohibition with this resolution

Dir. Shapo thanked the Committee for the opportunity to speak and stated that when I was trying to figure out what to say today, I thought I'd try to channel Sen. Holdman in my remarks since he couldn't be here today and in trying to look at the issue through the Sen. Holdman prism a phrase popped into my head, and it's statutory regulation. When I was a regulator and when I started 23 years ago, I used to hear that phrase a lot - statutory regulation performed by statutory regulators which means that under the rule of law, the federal and state constitution invest policy making power in their legislative branches to be enforced by the executive branch. An executive branch agency like an insurance department is a creature of statute, it exists because it's authorized by the legislature and the insurance code for the specific purpose of enforcing the insurance code requirements written by lawmakers. Thus, it's sometimes referred to as a code agency. Thus, these traditional terms of statutory regulation, statutory regulator. The issue today is about these short-term limited time spiked cash surrender value offers where the cash surrender value is double, tripled, often even more for a short offer period of a couple months. The law on that is that in the 80s each legislature passed an amendment to the standard nonforfeiture law at the National Association of Insurance Commissioners (NAIC) request adding a new standard in addition to standard nonforfeiture minimum values, generally known as a

smoothness requirement. So, the standard nonforfeiture law has certain minimum values that have to be met and it has the smoothness requirement.

The drafters described it as requiring, “a reasonably, orderly sequence of increases in cash surrender value. and prohibiting, “sharp jumps” in cash surrender value. Actuarial groups at the time further explained that it prohibits, “benefits discontinuance in nature” or benefits available only, “during certain windows of time.” There isn’t any dispute that the products that you’ve been studying since last year violate those descriptions and in fact, it would be hard to design a product more non-compliant. The only argument offered instead is that the rule doesn’t apply, that some of this requirement doesn’t apply to universal life but as I discussed at length in my testimony last month, statutory regulation says that isn’t so. The section of any standard nonforfeiture law that contains a smoothness requirement applies on its face to “all policies” and enumerated exemptions in the “exceptions” section in the law do not include universal life. Furthermore, the same amendments to the standard nonforfeiture law that created the smoothness requirement did authorize rulemaking for universal life pertaining to standard nonforfeiture law minimum requirements but did not authorize tinkering with standard nonforfeiture law standards for the smoothness requirement and the universal life model regulation consistent with that limited statutory authorization only tinkered with standard nonforfeiture law standards for minimum cash surrender values.

I’ll spare you a recitation of case law regarding statutory construction, since I think that any legislator instinctively understands the common law rule which is that absent a specific statutory exemption a statutory requirement is inviolate. That smoothness applies to universal life was understood when the universal life model was adopted. The American Academy of Actuaries explained with respect to universal life and smoothness, “what we believe to be obvious universal life should comply with section 8 of the standard nonforfeiture law regarding smooth cash values. It should not be necessary to add this requirement to the model regulation. The requirement already exists.” So, that’s the law quickly on consumer protection since the purpose of the law is consumer protection. To give an example, if you have identical risks they buy the same policy on the same day, they pay the same premiums for years, one surrenders on Monday for the policy stated cash surrender value of \$50,000 and the other identical risk doesn’t and then on Tuesday morning gets an offer in the mail for \$250,000 on the enhanced offer and takes it, you’ve got the second consumer has gotten five times the benefit for the same price on the same policy, unfairly to the detriment of the first consumer who got one fifth of the benefits for the same price.

And perhaps even worse, the first consumer who surrendered for \$50,000 did so based on an illustration of future benefits that didn’t include the \$250,000. That’s an amount that the carrier in most of the way these are structured would have known for probably as much as a year was going to be offered to risks like her shortly after the illustration was issued. So, the consumer gets an illustration trying to decide what they’re going to do. They see the cash surrender value at a number that they’re not liking for the next year. They say, I’ll just take the \$50,000 and terminate the policy not knowing what the insurer knows and what the insurer didn’t tell them that they were going to get an enhanced offer. That’s quite misleading, it’s quite harmful and you can’t put that toothpaste back in the tube as long as these products are allowed. That’s why we think the statutory regulation through enforcement of the standard nonforfeiture law requirement is appropriate and necessary. We believe your draft resolution captures that nicely. We thank Sen. Holdman for his thoughtful consideration and persistence just as we thank Rep. Oliverson for engaging on this issue and presenting it here.

Hearing no questions or comments, upon a Motion made by Sen. Bob Hackett (OH) and seconded by Rep. Oliverson, the Committee voted without objection by way of a voice vote to adopt the Resolution.

#### CONSIDERATION OF RESOLUTION IN SUPPORT OF POSITION STATEMENT RECOGNIZING CONGRESSIONAL CONSENT TO THE INTERSTATE INSURANCE PRODUCT REGULATION COMPACT (IIPRC)

Rep. Anderson stated that if you would turn to page 226 in your binder you will see the Resolution in Support of Position Statement Recognizing Congressional Consent to the IIPRC, and the position statement it references follows the resolution on page 229. The Resolution is sponsored by the Rep. Matt Lehman (IN), NCOIL Immediate Past President, and Rep. Ferguson.

Rep. Lehman stated that I'm proud to serve as the Chair of the IIPRC legislative committee and thank you Rep. Ferguson for sponsoring this Resolution with me. So, for those who may not know, the compact was created to allow transparency or to create uniform standards across state lines for life products, disability products, long term care products, and annuities. The benefit of that has been that a company can take into market a product, have it approved by the compact and begin utilizing that in all their states. It's actually been beneficial to the states as there's a fee charged to that so there's money that comes back to the state when they do that. NCOIL has been an early supporter of the compact when it started. We want to continue that. And I'll let others talk in more detail about the compact, but I just want to point out that as a strong supporter of the compact we need to make sure we move forward with this and the speakers today can go into the details as to what happened and why we're here based on the Colorado Supreme Court decision but as Rep. Anderson noted, the compact's position statement as to why they feel the compact is constitutional and the Colorado decision is misguided is on page 229.

The Hon. Kathleen Birrane, Maryland Insurance Commissioner thanked the Committee for the opportunity to be here and stated that I have the honor of serving as the chair of the compact this year. I think Rep. Lehman has done a great job of setting up the issues so I'm not going to elaborate on that. I'm going to ask Karen Schutter, IIPRC Executive Director to really give a little bit more detail about what the circumstances are that led to this resolution and the need for it.

Ms. Schutter thanked the Committee for the opportunity to speak and thanked Cmsr. Birrane for being here as that demonstrates the importance of this resolution and the compact on both a regulatory and a legislative platform or how important it is to both bodies in our states. Cmsr. Birrane does chair the compact and I just want to thank her and the legislators around this table that did attend the compact round table here in New York City the day before the NCOIL meeting. I think we saw the importance of the compact not only to our states but also to the industry that you regulate. I have been coming to your meetings briefing you on this ruling that came down just as the pandemic was starting and it came out of the Colorado Supreme Court. They actually looked at it on a certification. So, they looked at it in a way that it wasn't them ruling on the actual case itself just on an issue about this compact and what they found is they looked at it and they looked at it under the prism of federalism and said without congressional consent its general assembly could not delegate the power to prove an insurance policy that was sold in Colorado under a standard that may differ from a Colorado law.

And so that really than called us into looking at that. The commission under the leadership of Cmsr. Birrane and others did an independent governance review and hired the law firm of Squire Patten Boggs to look at this and do a litigation analysis and what they found is that really court or

legislators you can agree, you can come together and you can agree really upon anything. You are legislators and while they looked at that and thought well, again they put aside whether the Colorado Supreme Court was right in their reasoning, what they looked at and they said is, you actually have a form of congressional consent. Congress actually looked at this and gave a thumbs up to this compact in 2006 before it was operational and they did that by way of their role with the District of Columbia. If you're familiar with how that works, they actually are the ones that approved the legislation for D.C. and they did issue a federal law signed by President Bush that said that D.C. can join this compact and all the powers in the compact delegated to D.C. And so, that is actually a form of congressional consent. It's called implied congressional consent and what that does is it elevates the standards so that they apply as your state's laws for compact approved products which is the very essence and purpose of the compact legislation that you all have put in place.

So, this position statement was something that has taken two years to develop through the deliberations of our governance committee. Our members working with our legislators. When we took this to them they said, "this is great that you're doing this but we'd like to also see an outside counsel opinion with regards to this opinion." And so we got that back in March and it's in your materials as well. Our outside firm said this position statement is well reasoned, well documented, and we encourage the compact, the body of compacting states to adopt it and put it on record. So, if there's another case that comes along, the courts will have the benefit of seeing the position of the compacting states with regards to the compact that yes you understood. You want to come in and agree with your states that you can use this tool to come together and collaborate in a uniform and standard way that streamlines product approval and helps these life insurance products compete with federally regulated securities and banking products. So, this is all good. I can give you a lot of statistics but I won't bore you with that. You'll hear from the industry on how impactful it is and the compact has become an integrated part of the product approval process across our states and as legislators you have the final touch points with enacting the compact and many other safeguards.

Ms. Melchert stated that we as the life insurance industry worked hard to get this compact established and adopted across most of the states and the Colorado decision put a chink in that armor and we need to strengthen that and it's a very important tool for us to be able to bring products to the market more efficiently and quickly and that is to the benefit of consumers. It goes through a regulatory review process so we're not cutting any corners. We're just making it more streamlined and we truly appreciate the support of this organization for the compact and appreciate Cmsr. Birrane's leadership and appreciate the continued support with the adoption of this resolution.

Rep. Ferguson stated that I agree with all of Rep. Lehman's remarks and not only does this streamline everything but if you have it one of the most valuable things I got as a member of the compact's legislative committee is they have a sheet that tells you how much it's saving your state and I thought that was very informative. For Arkansas, I think just the administrative savings for us was about \$1.3 million so, it saves the state money but it also is a valuable tool to streamline things for insurance companies.

Hearing no further questions or comments, upon a Motion made by Sen. Jerry Klein (ND) and seconded by Rep. Wendi Thomas (PA), the Committee voted without objection by way of a voice vote to adopt the Resolution.

**CONSIDERATION OF RESOLUTION REGARDING RECRUITMENT, RETENTION, AND DIVERSITY WITHIN THE LIFE INSURANCE AGENT PROFESSION**

Rep. Anderson stated that the next topic is the consideration of a Resolution Regarding Recruitment, Retention, and Diversity within the Life Insurance Agent Profession. That resolution appears in your binders on page 245. I'll turn things over to the sponsor of the resolution, Asw. Pam Hunter (NY)

Asw. Hunter stated that I'm very proud to sponsor this resolution as it deals with a very important and timely topic. Last November at our meeting in Scottsdale we heard a presentation on regulatory obstacles to the recruitment and retention of insurance producers and it really did generate a lot of interest and discussion among committee members and interested persons alike. This resolution is important because the recruitment and retention numbers for life insurance and financial planning agents are really startling. As the resolution notes, only 14 of every 100 new recruits remain with their hiring company after their first four years of employment. That's not a sustainable number. I know in my area alone it's been very difficult and four years is actually very high, it's much less. Furthermore, the life insurance and financial planning industry is experiencing a growing need for professionals who serve our Black, Indigenous, and people of color (BIPOC) communities and who come from those communities as well as the need for greater gender diversity in all communities. I certainly think having NCOIL on record as working to rectify those problems is something worth doing which is why I am proud to sponsor this resolution. Things such as mentorship programs, expanding the life insurance and financial planning market in unserved communities, continued education requirements, and online licensure examination are things NCOIL should be examining in order to make sure there aren't any statutory impediments to licensure and inhibit the ability to recruit and retain a diverse and qualified group of financial professions. So lastly, it's important that the NAIC also work on these issues from the regulatory perspective. If NCOIL and NAIC can work together on this with NCOIL handling statutory issues and NAIC handling regulatory issues this will definitely be a win, win.

Melissa Bova, VP of State Affairs at Finseca thanked the Committee for the opportunity to speak and stated that I have a very brief presentation and wanted to provide a little bit of background on these issues. I want to thank Asw. Hunter for sponsoring this resolution for us today. As background, quickly we just wanted to go through who Finseca is because we are relatively new compared to many of the other trades that are in the room with us today. Finseca was formed in September of 2020 and was formally kind of a formation of The Association for Advanced Life Underwriting (AALU) and the General Agents and Managers Association (GAMA). So, they came together in 2020. Since then, we've been really pleased to bring Forum 400 under the umbrella of Finseca and just recently the National Association of Independent Life Brokerage Agencies (NAILBA) voted to join Finseca as well. So, Finseca stands for financial security for all and we're really looking to working to reunify the profession and also work with great partners who are up here with me today like the National Association of Insurance and Financial Advisors (NAIFA) and ACLI on furthering some of the initiatives that we're going to be discussing in a few minutes.

So with that just so you know this is what financial security for all stands for. Finseca and AALU never did state advocacy before. I am our first VP of state affairs so I'm learning so much from everybody in the room because I've been doing this job for just eight months but really am excited to be here today and further this initiative. I'm going to give you way too many stats, so hopefully the presentation will be sent out afterwards but this is really the financial problem we're facing. A \$12 trillion life insurance coverage gap. 40% of Americans are either uninsured or underinsured. And during COVID, there was a 5% increase in life insurance sales compared to a loss of 3% before COVID so COVID really exacerbated the need for financial security for all

Americans. But what we're here to address today is the people problem and there's three buckets that we really think are part of this. Profession that is getting older, lack of diversity, and a need to refocus on the recruitment and retention within the profession. And as Asw. Hunter mentioned, this we believe is a collaboration between a regulatory fix and a legislative fix. So, we think NCOIL's going to be a really big part of the solution. An aging profession, over half the people in our profession while they are great, they're over the age of 55 and they're starting to think about their business transition plans. So, this is an item that we need to start thinking about now to plan for the future. A lack of diversity, I won't go through all of this, but this just really shows I think the need for life insurance and financial planning for the entire population. Finseca does stand for financial security for all and we believe we need to make steps to ensure that everybody can access the products and holistic financial advice that we're able to provide. One of these items that we believe in is creating an advisory council in states that'll focus on diversifying the profession.

Recruitment, these are for any of my commissioner friends that are in the room. Some of these are really easy NAIC fixes. So, take a look at this and as I said, this is a collaboration between Finseca, NAIFA and ACLI, the three of us our working together on this which I think just demonstrates how important these items are. And then of course retention, as Asw. Hunter said, retention's at 14% but there are companies that have retention at above 40% so there is a solution to this and we believe a solution that NCOIL can look at is a mentoring program. Really creating a mentorship program that will help build advisors and professionals in this industry and give them the support they need to be successful. And to that end, I'd love for you to believe everything I say but I have few quotes up there that you might have trouble reading, so we'll send this out later, that just kind of really show the importance of how firms are starting to look at this. And this just really encourages people to make those investments, bring more people into the profession, grow the profession, and ensure that financial security for everybody.

Maeghan Gale, Policy Director of Gov't Relations at NAIFA thanked the Committee for the opportunity to speak and stated that founded in 1890, NAIFA is one of the oldest and largest agent trade associations representing over 20,000 insurance and financial professionals with 88 chapters across 53 U.S. states and territories. So, I'm here to express our support for the resolution. I'm proud to join forces with my colleagues to eliminate obstacles for financial professionals in their work to serve the insurance industry advisory needs of main street Americans. We strongly believe that NAIFA's work through NCOIL and its partners bolsters our collective ability to bring more diversity into the financial services community and we thank you for your consideration on this very important issue. I would tell you how critical the role of agents are in this industry but I don't think I can express it with the same importance as we heard from NAIC President and Idaho Insurance Director Dean Cameron today during our luncheon. The turnover rate in retention of all advisors regardless of race has long posed a challenge to the industry and it will take our broad collaboration to address it. Many American communities are significantly underrepresented in the financial advisory business, particularly black Americans. The reason for this lack of representation is complex. It mainly results in the factors that have been placed for many years.

But many of the steps that we can take to encourage recruitment and retention will not only serve underrepresented groups but the industry and our communities as a whole. Recruitment, retention, and diversity are threads deeply woven into the fabric of NAIFA's missions. A key component of ours is to serve as an industry expert on diversity and inclusion by attracting and nurturing members from diverse backgrounds and providing the resources to meet the needs of their markets. NAIFA has long held that membership is a powerful component of addressing agent recruitment and retention and promoting diversity, inclusion, and cultural competency.

Many of NAIFA's core initiatives drive to this very purpose, including our young advisor program which works with college students and new advisors to educate them on different career paths available within the insurance and financial services industry. The NAIFA talent development center, and diversity, equity, and inclusion council and advanced practice center, all connect advisors at all stages of their careers to share valuable knowledge, training, and provide a pathway to mentorship that may not always be available within their organizations. Encouraging broader, more robust, and more structured mentorship programs that coordinate and compliment existing continuing education requirements will provide a meaningful step forward. During these opening remarks of this very meeting Asm. Ken Cooley (CA), NCOIL President, shared with us about his mentor who is an independent insurance producer, as well as a state legislator and how that impacted his own career trajectory. This really highlights the tremendous value that mentors and mentorships can have on the success of insurance producers and beyond. There is more that can be done by committing to removing barriers to recruitment and enabling tools for retention and promoting diversity and inclusion. We look forward to continuing this work with both our colleagues here, NCOIL, and state regulators. But as legislators and in the spirit of this resolution there are some important things that you can consider within your states today. Currently there are 27 states that still require mandatory pre-licensing education despite pre-licensing mandates not producing agents better prepared to take the exam. Data from states without the mandate suggest that most candidates for licensing still take a course, buy materials, or otherwise prepare. They do not need to be told to study. But by removing the mandates candidates can study in a way that fits preferred commitments of time, money, methods of study, even geographic location. These are all particularly important when we consider the varying needs of those who may be caregivers, considering insurance is a second career, or may come from non-traditional educational backgrounds.

Another thing to consider is to re-examine look back periods for non-financial and non-violent crimes, particularly class E felonies. A great example of this was in Tennessee House Bill 2225, which lessened the look back for agent applications with class E felonies to ten years. Another thing to look at would be to support personal financial literacy course requirements in schools. There are currently only 14 states that have adopted these requirements. Beyond the obvious benefits of financial literacy, the courses are often the first introduction to financial services and planning. Further providing young consumers with a solid foundation in these topic areas works to encourage greater trust in the industry and to better protect consumers. And finally, support of continuing education credits for association membership. This year Illinois became the 13<sup>th</sup> state to offer continuing education credit for memberships in agent associations. As associations like NAIFA, the Independent Insurance Agents and Brokers of America (IIABA), Finseca, and others continue to work to encourage recruitment, retention, and diversity in the industry, providing a pathway for these efforts to be eligible for continuing education credit not only provides members with credit for their efforts, but encourages more participation, all while creating more skilled agents to better serve consumers. These are just a few suggestions, and we look forward to continuing this conversation in the future. Again, I would like to thank Asw. Hunter for her sponsorship of this and thank you all for your time, consideration, and I encourage your support for this resolution.

Ms. Melchert stated that I'm here to raise my hand in support of this resolution. Two years ago, the ACLI created its economic empowerment and racial equity initiative and one of the pillars of that initiative is to broaden access and diversity in our supplier, our agent force and this resolution goes further to that point. We've been working with the American College of Financial Services and working on financial literacy to increase the exposure of a career in insurance to a more diverse workforce and I think one of the most important things in this resolution that we'd like to stress and that's important to our membership is the ability to have online testing

requirements. And we saw this in the pandemic when people were not able to take their tests in person, they'd taken all their education requirements to sit for the licensing exam but because they were not open due to COVID restrictions those requirements expired and they had to do more and it was really not necessary that they be in a proctored and in-classroom setting. So, we think that online course testing is appropriate and expansive and allows access to more people. In addition, there are limited in-person opportunities and sometimes people had to drive five, six, seven hours to get to the testing location so we would encourage that part of the resolution to be something that you as state legislators can work with your departments of insurance and make the necessary statutory changes. We appreciate Finseca, and NAIFA for bringing forward this resolution and we stand in support and we thank you all for your support as well.

Sen. Mike McLendon (MS) asked if the part could be repeated about wanting to do away with requiring the education before the test or wanting to lower the requirements for the education before the test. Ms. Gale stated that there are currently 27 states that have done away with the pre-licensing education mandate so you still have to pass the exam but it takes away the mandatory 20 or 40 hours of pre-licensing education and it just allows candidates to prepare as best fits their budget, time, and preferred study methods. And the data has shown that there is not a statistically different passage rate and even pre-licensing education providers still report very similar numbers as far as people are still out there purchasing it but it is one less requirement that departments do have to track and we certainly don't need mandates where mandates don't serve a purpose. Sen. McLendon stated that but with online course, you don't think it's helpful if they have a required 20 hours and two years to get a certain amount of hours of continuing education? Ms. Gale stated that we consider continuing education a separate type of education then we would pre-licensing education. Sen. McLendon asked if this would be for all companies? Ms. Gale replied for licensees, yes but not necessarily companies.

Rep. Brian Lampton (OH) stated that I'm a 30 year plus NAIFA member and my question has to do with what are the traditional career carriers saying in terms of the New York Lives and the Northwestern Mutual's are they just not recruiting like they used to? Ms. Bova stated that I can speak on the profession side for us, I think they are recruiting but I think things have changed and as I think was eloquently said before, nobody thinks I'm going to be a life insurance agent when I grow up. So, I think what we're having right now is people are getting hired but then they're just not getting the support that they need so we're trying to find a way of how can we provide more of that support within the first four years when people are young and learning and just trying to sell product. How can we provide a more holistic support system for them when they might be in an office where they're the only young agent. So, how can you do a broader support for them? I think everybody's changing how they hire. I think if COVID taught us anything, it's changed how everybody's hiring. I think we're trying to think of a creative way to keep people in the profession and give them that support that they need in the first few years so they stay and are successful.

Sen. McLendon asked if you think that COVID had a big role in that because the mentors are at home instead of being at the office? I work for a company in Memphis and for a while there were three people in the office out of a 145 employees so we've had a requirement that producers be in the office for a certain amount of sales meetings in person for that very reason for mentorship. And even in Memphis it's hard to find and we're begging for diversity in our agency and it's tough and we talk to agents all over. Now, we've since been bought by a Fort Worth agency and we've got agencies all over the world now so how much do you think COVID had a role in this? Ms. Bova stated that we have data actually on this and Finseca's current Board Chair did a study of this in 2017 and the retention rates were the same. It was consistently 14%. So, this was an

issue and I don't think COVID helped it. I think COVID could cut both ways as you weren't in the office but then you had some people that like the flexibility of remote work. But this has been a problem pre-COVID so it goes back further than that so I don't think it helped but it is a bigger issue than just kind of the COVID remote work problem.

Hearing no further questions or comments, upon a Motion made by Asw. Hunter and seconded by Rep. Ferguson, the Committee voted without objection by way of a voice vote to adopt the Resolution.

#### ADJOURNMENT

Hearing no further business, upon a motion made by Asm. Cooley and seconded by Rep. Oliverson, the Committee adjourned at 5:15 p.m.