

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
LIFE INSURANCE & FINANCIAL PLANNING COMMITTEE
SAN DIEGO, CALIFORNIA
MARCH 10, 2023
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Life Insurance & Financial Planning Committee met at The Westin San Diego Gaslamp Hotel on Friday, March 10, 2023 at 5:00 p.m.

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

Other members of the Committee present were:

Rep. Deborah Ferguson, DDS (AR)	Sen. Michael Webber (MI)
Sen. Mark Johnson (AR)	Asm. Ken Blankenbush (NY)
Rep. Matt Lehman (IN)	Sen. Bob Hackett (OH)
Sen. Travis Holdman (IN)	

Other legislators present were:

Sen. Jesse Bjorkman (AK)	Sen. Mark Huizenga (MI)
Sen. Justin Boyd (AR)	Sen. Lana Theis (MI)
Rep. Denise Ennett (AR)	Sen. Paul Utke (MN)
Sen. Ricky Hill (AR)	Rep. Cameron Parker (MO)
Asm. Tim Grayson (CA)	Sen. Nellie Pou (NJ)
Rep. Rita Mayfield (IL)	Sen. Jeremy Cooney (NY)
Sen. Robert Mills (LA)	Rep. Ryan Mackenzie (PA)

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO
Will Melofchik, NCOIL General Counsel
Pat Gilbert, Manager, Administration & Member Services, NCOIL Support Services, LLC

QUORUM

Upon a Motion made by Sen. Bob Hackett (OH) and seconded by Sen. Michael Webber (MI), 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. Hackett the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's November 17, 2022 meeting in New Orleans, LA.

INTRODUCTION AND DISCUSSION OF NCOIL LIFE INSURANCE IS A PROMISE FOR LIFE MODEL ACT

Rep. Anderson stated that we'll start by discussing the Life Insurance is a Promise for Life Model Act (Model), sponsored by Sen. Travis Holdman (IN), NCOIL Immediate Past President. A copy of that model is on the website and the app and is in your binders on page 138. Also, in your

binders immediately following the Model on page 141 is a Resolution that was sponsored by Sen. Holman and adopted by NCOIL last summer which served as one of the driving forces behind the Model. We will not be voting on this Model today as it's being introduced and discussed for the first time. Before hearing from our speakers today I'll turn things over to Sen. Holman for some introductory remarks.

Sen. Holdman stated that this Model deals with two issues that may at first glance appear to be wholly unrelated but when offered in the right context you'll see the connection. Both issues are contained in the one Model because they each deal with a long-term often lifetime commitment of life insurance underwriting. The first issue deals with recent enhanced cash surrender value (ECSV) endorsements. Generally speaking, these type of products change the term of well-seasoned policies by incentivizing certain consumers to terminate policies in their death benefit protection in exchange for limited time enormous increases in cash surrender value in plain violation of the Standard Nonforfeiture law. These products also carry substantial risk of the same sort as a regulated product they mimic, life settlements, but the carriers who offer them do not follow the consumer protection statutes created by legislators to protect policyholders such as rescission rights, intermediary fiduciary duty, physician certification of consumer competence, and disclosure of competing alternatives. Before turning to the second part of the Model let me say that the Model does not impact enhanced cash surrender provisions offered at the time of initial contracting. Why the industry called two totally different items by the same name is beyond me.

The second issue deals with the relationship between insurers and genetic testing information. The Model permits an insurer to require disclosure of any information known to the applicant that is pertinent to the longevity risk posed by the insured including genetic information resulting for any screening or testing. The insurer should be able to know what the applicant knows and that seems fair. However, the Model makes clear that the policy can't be underwritten on the basis of a requirement that the applicant or insured individual undergo genetic testing or screening and the issuance of a life insurance policy can't be conditioned on the requirement that the applicant or insured individual undergo genetic testing or screening. Taken together these two issues relate to the life insurance principle that similar risks must be treated similarly and that only after following certain laws can changes be made to an existing policy. I've introduced a bill in my home state of Indiana that essentially mirrors this Model. While I have paused my Indiana bill from moving forward with the goal of reaching a compromise with some of the carriers offering these new cash surrender products, I want to keep the conversation going here at NCOIL in order to stay engaged with the issues and ensure that it doesn't drop off the radar. After this meeting I look forward to discussing with staff as to what the next steps will be.

One final note, I mentioned it during the NCOIL-NAIC Dialogue a few hours ago and I want to repeat it here for anyone that was not present at the Dialogue and to ensure it's part of this Committee's record. With regard to section four of the Model, I think there's a misunderstanding by some who view the language as asking for the Commissioner to rescind existing agreements that have been entered into between the consumer and the insurer. This is not the case and frankly couldn't be the case as that would get us into some constitutional issues surrounding interference of contracts. The Model is only directing the Commissioner to rescind the regulatory approval of the forms on the going forward basis so that doesn't impact any existing contracts. If the language needs to be tweaked in the Model to make this more clear I'm happy to work to do that.

Karen Melchert, Regional VP, State Relations at the American Council of Life Insurers (ACLI) thanked the Committee for the opportunity to speak and thanked Sen. Holdman for his

comments that he recognizes that there may be some confusion with the way this Model was drafted with respect to retroactive application and we appreciate his willingness to work with us on that language. I will say we do have some other issues with the language as drafted and that has been communicated with Sen. Holman based on his proposal in Indiana and we would look forward to the opportunity to work with him to address the consumer protection concerns that you have. We do think that the use of these types of endorsements following consumer protection requirements are helpful for the consumer and offers them choices and we would like to preserve the ability to offer enhancements to the policies in ways that are protected for the consumer and are transparent and according to the laws that are on the books today. So we look forward to working with you as we move forward both on your proposal in Indiana and here at NCOIL. We do not have any problems with the second half of your proposal here.

The Hon. Nat Shapo, former Illinois Insurance Director and speaking now on behalf of the Life Insurance Settlement Association (LISA), thanked the Committee for the opportunity to speak and stated that LISA has advocated for review of these enhanced cash surrender offers which we believe implicate the Standard Nonforfeiture law as has been discussed. And also I'd like to point out that one of the reasons NCOIL was most interested in the standard nonforfeiture law was it's an example of kind of a systemic NCOIL concern about the National Association of Insurance Commissioners (NAIC) amending a model law and coming to the legislators and insisting that it be changed and the legislators say, "okay, we're going to take this at face value and do this for you" and then the concern being having made a big deal about passing the laws and then finding out that they're not being enforced or if other models are being pursued while this is being implemented. And so that was the issue here with the Standard Nonforfeiture law that it was something that was changed in the Model, it was asked to be changed by the NAIC and then the question was asked of whether it's being implemented. But I think it's important to realize there's also an unfair discrimination law issue which is a fundamental consumer protection law that goes back long before that's also in play here. The basics are if you and I are identical risks and we get the same we buy the same policy on the same day and pay the same premiums for 15 years, and then yesterday you surrender for \$50,000, or an example we've used and it was a real life example - you surrender for \$19,000 and I didn't surrender yesterday because I was busy making my case at the NCOIL meeting to everybody I could find and then I get an offer in the mail tomorrow for \$360,000 and I accept it. Then you and I have paid the same, we're identical risks, we pay the same premiums for 15 years and you've gotten \$19,000 and I've gotten \$360,000. It's a rhetorical question - how would you feel about that?

I got paid 18 times as much as you did for the same price – it's a basic unfair discrimination issue. And the same thing on the back end, if we both got offers and I took mine at \$360,000 but then you had an issue that you weren't sure you could accept it, the offer period expires and then you want to surrender and you can't get the \$360,000 anymore, it's the same thing of I've got 18 times the benefits for the same premiums. So, that's the Unfair Discrimination law and the Standard Nonforfeiture law and some of this requirement is attempting to get to the same thing but they're both independent bases for concern. Regarding the Model, the ACLI I think correctly likes the second part of the Model but to me the two parts of the Model both spring from the same issue and as ACLI has testified they said insurers underwrite or assess the risk only once, that is at the time of the application. Once underwritten the price and the terms cannot be changed. That was in testimony here a few years ago. If life insurance is different, and there's multiple other instances where the life companies have said we're different from property & casualty (P&C), we're different from health insurance. We get one chance to set the terms of the contract and we live with those terms for 50 years which is why I agree that they should have access to all the information that the insured has which is the second part of the Model. But the flip side of that is if you're going to argue we deserve these protections because we can't change

the terms of the contract and we underwrite once and we have to live with our underwriting, well if that's the case then you can't 15 or 20 years into a policy parachute in and radically change the method of calculating cash surrender value. Both of those ideas spring from the same idea - life insurance terms are set at application and issuance and they're set for 50 years and they don't change. Therefore, the second part of the Model states life insurers need full information but the first part of the Model when it becomes convenient they can't change the terms. And there's a consumer protection issue there because if they change the terms 15 years in then everybody who's surrendered the first 15 years had no opportunity for that big enhancement. So that's our basic position and we greatly appreciate the time to explain it and we appreciate Sen. Holdman's consideration and his rigorous review of these issues.

Rep. Anderson stated that after hearing the discussion today, I'm sure that everyone can get together before we come to the Summer Meeting and hash this out so that we can be ready then to put this in to some further motion. I'm counting on the groups here today to do that's o that when we come back during the summer you call can come and say "we are together and we're ready." So whatever you have to do to get it together, we're counting on you to do that so that we can be more prepared for Summer Meeting. Sen. Holdman thanked Rep. Anderson and stated that hopefully we can get something resolved by the Summer.

DISCUSSION ON DEVELOPMENTS IN CALIFORNIA'S LIFE INSURANCE POLICY LAPSE LAWS

Rep. Anderson stated that next on our agenda is a presentation on developments in California's life insurance policy lapse laws. In your binders on page 144 is a bulletin from the California Insurance Department that provides some brief background on this issue.

Tiger Joyce, President of the American Tort Reform Association (ATRA) thanked the Committee for the opportunity to speak about something that I hope you can help us solve which is what we see as a new litigation frontier dealing with lapse litigation. Earlier in my career I was counsel to a Committee in the U.S. Senate. It seems to me this is an ideal issue for legislators to make sure that they make good policy here and not leave this issue to the courts and I'll offer a little bit of thought about this and why I'm here to talk about this issue. I will just say at the outset that out of all the people at this panel and I suspect all in this room I am the least expert in insurance statutes, regulations and policy, but I'm here because this has moved into at least here in California the arena of my organization, ATRA. I'm hoping that all of you will reclaim this so that it doesn't become an issue for my organization going forward. I think it's especially appropriate that we're having this discussion here in California because the litigation that has been our focus has taken place here in California and it emanates from statutory changes that were made with regard to lapse policy by the legislature a little over a decade ago and you can see this was designed to ensure that there aren't inadvertent lapses of policy. And my organization takes no issue with that and extending the grace period as my slide here says but I would particularly point to the third point which is notices must be given at least 30 days before termination for non-payment of premiums.

Well like everything this has found its way into the courts and I think there are two major cases and I'll walk through these very briefly. *McHugh v. Protective Life* is relatively new but interestingly the trial court and appellate court rounds of this litigation dealt with whether the 2012 statutory changes that went into effect a decade ago applied to cases that were entered into prior to the statute. The statute was silent about that. But the trial court and the appellate court both were of the view that the statute was prospective so the changes didn't apply to existing policies and importantly also the insurance commissioner or at least the staff of the insurance

commissioner here in California supported that view and communicated that to insurers based on the information that we have. Now, the California Supreme Court came to a different conclusion on retroactivity and that attracted a lot of attention and I think gave rise to further issues including what we would call strict liability and that really is the question of whether any violation of this statute automatically creates liability or whether injury must be proven which is typically the case. I think lawyers at least back when I went to law school, that's what we were educated on and a recent appeals court decision took up that specific matter in the *McHugh* case and interestingly the court seemed to suggest that it does not establish the so-called legal strict liability and that's important. However, because it was a very fact-specific case the court made it clear this was not to be a legal precedent. Ultimately this is going to go back to trial and presumably it may find its way back to the California Supreme Court.

Now the next case is very similar, *Thomas v. State Farm Life Insurance Company*, the difference is that this came through the federal courts. You can see here from my slide, because the company did not fully comply with the terms of the 2012 statute, the two policies issued in 2008 and for which premiums were not paid in 2016 did not lapse. So where does this leave us? Rather than walk through a lot of different cases I'm going to just quickly highlight something that a law firm here in California has concluded about both *McHugh* and *Thomas* looking at them recognizing these are the relevant cases. Can the insurer of such policies in this case ever terminate them for failure to pay premium? And the answer here is assuming that the insured is also the policy owner the holdings in both those cases would seem to apply that in fact no, these policies can never lapse for non-payment.

Now I don't know about you and again I'm not the expert here but I actually earlier this year terminated a life insurance policy and it was fairly straightforward to do. To me it's no different than handling a mortgage or handling the lease of a car or any number of contractual arrangements but as you can see here as this law firm concluded because the insurer can never actually provide the owner the requisite 60 day grace period or provide notice of a pending lapse "30 days prior to the effective date of termination" it's just not possible is what they conclude. Now I don't know about you, that just doesn't strike me as particularly good policy. So where does this go? What happens here? This is what we call the playbook of the plaintiff's bar. It's an invitation to litigation. It's an invitation to handle matters that really don't belong in the courts. As I said, in so many instances this should be just simple matters of resolving contractual cases. Now what are the key elements? I should make an addition here when we say here litigation in the number one judicial hellhole, I should update that my organization puts out a report on the worst litigation jurisdictions in the country and actually right now Georgia is the number one hellhole. I was there a couple weeks ago celebrating two national championships in football. I reminded them they're also the worst litigation jurisdiction in the country. But California until this past December actually had that unique attribute. No proof of actual injury is required. For where does the litigation stand, I should have said this a moment ago in the aftermath of these two lawsuits, it's a mess. It's unclear at best. And one of the most significant questions is whether to bring a successful case does someone actually have to prove that they suffered an injury? I don't know the answer to that. And that's a matter I think for the courts to look at. And then the last point that I would make as a general matter is on retroactivity. Retroactive application of changes in statutes and regulations unless expressly indicated fundamentally disadvantages defendants in civil litigation in any number of areas. It's something that we feel quite strongly about.

So where are we? The last we looked there were about 20 class actions that have already been filed here in California. And what does that mean? That means you're going to see advertising, recruiting candidates for these class actions. And my organization tracks how much is spent on

advertising you can see that on the screen. Nearly \$600,000,000 was spent just on television. That doesn't get into social media and any other number of tactics that are used. Another factor that's going to come into play is third party litigation funding and these are the large scale investors who see a big return on investment in mass torts litigation that you see around the country, multidistrict litigation and class action. And then the last point that I would make is simply that you pick your venue. Favorable venues yield the best possible results. So a few conclusions that I would make. First off, a basic point is that we believe that courts should uphold and not rewrite contracts and they should be faithful to the statutes that are enacted. I mention that because there are plenty of legal trends going in the other direction. For those who are lawyers the American Law Institute (ALI) has published a new Restatement on the law of consumer contracts which is basically an open invitation for judges to rewrite contracts and I think insurance contracts are a prime target for that. So those of you who are involved in this policy area should be aware of that. The next point that I would make is no class actions. Every situation we think is different. If I were to allow a policy to lapse it would be different from the next person's and the notion that they should all be treated the same we think is inappropriate. But probably most importantly is requiring proof of injury. The basic tenant of contract law, tort law, any area of the law is you have to demonstrate that you've been injured and if somebody has been injured by all means they should be allowed to bring a case and they should be allowed to recover.

So for legislators I would make the following specific recommendations. Number one, don't follow the lead of California. If you're going to make these changes make sure that they make sense. You all are the experts but I can imagine that there are any number of ways to make policy on recognizing the different ways that people pay for life insurance policies, the timing and just all the machinations that go into it. Just take that fully into account. Be explicit on these consumer contracts. Courts are not your friend and you can't expect them to fix this. As someone who used to work in the legislature I believe strongly that this is a great area for you to engage in to avoid these kinds of problems. But then the final point that I would make is to recognize that this is a great area for you to legislate and the appropriate individuals to regulate. This is not an area for the courts and certainly not for the plaintiff's lawyers.

Dick Weber, Board Member, Life Insurance Consumer Advocacy Center; President and Lead Consultant for The Ethical Edge, Inc., thanked the Committee for the opportunity to speak and stated that I am a 56 year veteran of the life insurance industry. I was a successful life insurance agent in the first half of my career followed by three years as a home office executive. The second half of my career has been focused on consumers working as a fee only insurance consultant and currently the author of an ongoing column entitled, "In the Clients Best Interest" published in the Journal of Financial Service Professionals. In addition, I'm a consumer representative for the NAIC and serve on the board of the California not-for-profit organization Life Insurance Consumer Advocacy Center or LICAC. I'm here to speak on behalf of consumers. I'm not an attorney so I won't be dealing with legal issues but it's about the dilemma that many policyholders can face especially in older age when personal bills and invoices can temporarily be overlooked or misplaced. It's one thing to miss paying a utility bill. You get reminders over a period of months before the utility is cut off and when payment is restored so is that particular service. This is not true with a missed life insurance premium payment. In some states coverage can be irrevocably lost if payment is not received within 30 days of the billing date. This can be the case for a policy that's been in effect for decades with tens of thousands of dollars diligently paid in premiums over those many years, suddenly lapse due to a missed bill or an errant delivery of a bill. Reinstatement is possible but only if the insured is in excellent health and this is rarely the case after owning a life insurance policy for many years. Recognizing this problem as Tiger has alluded to California enacted two code sections that were effective January

1, 2013 establishing a 60 day grace period after a missed premium payment and requiring insurers to notify policy owners as well as third parties designated by the policyholder to receive notice along with the policy owner allowing at least 30 days before terminating a policy due to a payment lapse.

In essence this 60 day grace period we really think of as a 30 plus 30 day grace period. The first 30 days is the period in which the carrier is waiting for payment of the premium and if not received the second 30 days for notice to go out to the policy owner and their designee to allow time for an overlooked payment or a misdirected invoice to be discovered and the premium paid. California legislation prevents an insurer from terminating a policy for an unpaid premium as you've been told absent the requisite 30 days notice as just described. And I want to acknowledge the rule doesn't say the insurance company has to provide coverage if premiums aren't paid. It simply adds a layer of security against unnoticed premium notices and the occasional instances where the premium notice is delivered to the wrong mailing address. LICAC agrees with the California Supreme Court's finding that this important protection should apply to everyone not just for policies purchased since the legislation went into effect, but for all life insurance policyholders regardless of when the policy was purchased. I'm not an attorney, as I've said, so I'm not going to expound on court rulings other than to briefly quote the California Supreme Court's 2021 finding on the issue in which it found that retroactivity of this 30 plus 30 day requirement "fits the provision's language legislative history and uniform notice scheme and it protects policy owners including elderly hospitalized or incapacitated ones who may be particularly vulnerable to missing a premium payment from losing coverage consistent with the provision's purpose." The U.S. Ninth Circuit Court of Appeals also ruled in favor of pre-2013 policyholder plaintiffs in actions against carriers whose terminated policies occurred without honoring the retroactivity.

As I indicated it's not just that a policy owner might overlook a premium notice. I've recently experienced two instances in which carrier records became corrupted and the premium notice was not properly delivered to the policy owner. The insurance agent is usually a consumer's closest connection to the insurer but in this first instance the agent who sold the policy left the business - something that unfortunately happens all too often. Following best practices the carrier transferred the policy to another servicing agent. Fortunately the policy owner realized he hadn't received a timely premium notice and when checking with the new servicing agent who up to that point had no prior conversation with the policy owner, it was discovered that the carrier had inexplicably changed the billing address to North Carolina, a location where the policy owner had never lived. With the extra time required by California the correction was made, the premium was paid and the coverage remained in effect. In the second example several years ago I had a very similar situation with my own coverage. This was for a different carrier but the same problem. It inexplicably changed the address of record to someone of my same name but on the other side of the country. We caught it in time and my point is that these types of situations do occur and the 30 plus 30 time frame provides a critical margin for the time it takes to correct the problem.

A third situation occurred to me just this week by coincidence. I had been named as the third party designee on a policy purchased a number of years ago which had for some reason gone unpaid during the 30 day renewal period. I'm quite certain that without the reminder from me as a designated third party the premium would have gone unpaid and the coverage would have lapsed. Our firm has heard of these mishaps occurring over the years. How often? I can't tell you. One in 100? One in 1,000? We believe that any are way too high given the unique nature of a life insurance policy purchase to provide financial security to a beneficiary, especially when it's so easy to provide for a third party notification and have the time to take corrective action. I

believe there are a number of carriers that are generally improving in the area of getting premium notices to the correct owners and providing for the requisite time frame but there are also a number of carriers who are resisting the retroactivity finding of the California Supreme Court and/or attempting to keep such regulations at bay and the need of retroactivity from being enacted in their states. We believe there will always be the occasional misdirected premium notice and elderly policyholders who unintentionally miss making a premium payment and the California's consumer-focused innovation is the only sensible way to handle these situations. It's not an unreasonable burden on insurance companies. That was the conclusion of the California Supreme Court and it's a lifesaver. I guess I can call it a life insurance saver for those who are having difficulty managing their paperwork. There's approximately \$21 trillion dollars of life insurance in effect in the U.S. today owned and paid for the ultimate policy beneficiaries. On behalf of all policy owners we encourage Departments of Insurance and state legislatures to review and emulate California's rules to help keep life insurance policies from inadvertently lapsing. These are consumer-focused requirements that should be in effect in all states so I would suggest you indeed follow the lead of California.

PRESENTATION ON NEW FEDERAL RETIREMENT SECURITY LAW – THE SECURE ACT 2.0

Rep. Anderson stated that last on our agenda today is a presentation on the new federal retirement security law, The Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0. You can view some of background material on the Act in your binders on page 146.

Kathleen Coulombe, VP, Retirement Security and Principal Deputy, Federal Relations at the ACLI, thanked the Committee for the opportunity to speak and stated that retirement security on the federal level continues to be a bipartisan effort. We've seen two comprehensive retirement bills passed within the past three years, which is somewhat unheard of and so that really demonstrates the need for both continued improvement to the retirement system but also an appetite by lawmakers to continue to legislate in this area. The original SECURE Act was passed and enacted in 2019 and it really focused on expanding access to savers and this included part-time workers, those working for small businesses, and those who hadn't previously had access to retirement plans in the workplace. A pooled employment employer plan arrangement would allow for small employers to pull their resources, achieve economies of scale and to implement a plan in the workplace, something they might not have been previously able to do before. And by our estimates that would create 700,000 new savers alone just through that provision. Fast forward a couple of years to this past December, SECURE 2.0 was enacted and focused improvements really on vulnerable populations that included part-time workers, those at or near retirement, caregivers, women, low and middle income earners and Military spouses just to name a few. The secret sauce really to two huge retirement bills passing the U.S. Congress was there were several elements that helped to achieve that. The first being like I mentioned earlier is bipartisanship. Nearly every provision included had both a Democratic and Republican co-sponsor that championed that provision within the larger package.

We also saw heavy committee engagement with committees of jurisdiction in both the House and Senate working together to pass their perspective packages out of their committees, sometimes unanimously which is sometimes unheard of. The bill was also paid for. So the cost of course is always a factor that we keep our eye on and by paying for the bill we were able to attach that to must pass legislation passing at the end of the respective years. And lastly industry or stakeholder support was key. The ACLI was heavily engaged in the direct advocacy on both bills and really having a lot of different stakeholders at the table help to put some wind in

the sails of both those retirement bills. I'll touch briefly on some areas of constituencies that were heavily impacted by provisions within 2.0. The first just being general savers who could benefit now from automatic enrollment which would allow a federal mandate that all new plans have automatic enrollment. As we all know automatic enrollment and auto escalation are key tools that have increased retirement savers retirement balances and so utilizing this tool for all new plans we think will really make quite a big of an impact. Our estimates look at \$34 billion dollars in new savings over the next 10 years alone. Additionally, allowing employers to match what their employees are paying towards their student loans into retirement account allows them to retain and recruit new workers but also to help those folks who may be sidelined paying for those student loans who have not saved yet for retirement to start a retirement plan or to contribute to their retirement plan. Another provision also looked for a way for workers to locate old accounts. When workers transition into new jobs sometimes they forget about accounts and they leave it at the old employer and they may not rollover so the lost and found provision within the bill allows employees to locate any old account that they may have contributed to and ensure that they never lose any of that retirement savings.

I mentioned military spouses - one unique feature of the bill would allow military spouses who historically may move quite a bit with their spouse due to relocations through the military to be vested within an earlier time frame allowing them to have access to those retirement accounts in the workplace. And also something that we saw coming out of COVID, we saw a lot of distributions from retirement accounts and to kind of combat that there were several provisions that dealt with emergency savings both in a sidecar type model which allowed folks to save in a short term savings account that could rollover ultimately into a long term savings vehicle but also looking at relaxing some of those hardship distribution rules, waiving the penalties associated with those to allow employees to take out a loan or a distribution from their retirement account and be able to pay that back for a short term emergency savings event in their life. We also saw incentives for small businesses, new incentives that would allow those small businesses to offer retirement plans in the workplace. We estimate that will generate at least \$20 billion in new savings over the next 10 years. I mentioned a pooled employer arrangement earlier as part of SECURE one, that was expanded to allow 403B plans to also have access to those pooled employer accounts.

I mentioned low and vulnerable constituencies that would be affected by SECURE 2.0. This includes low and middle income earners. They have enhanced what's called the savers credit which wasn't very well known and the utilization wasn't great so they're streamlining that credit and they're also taking some steps to let folks know that's available in a variety of different ways to increase savings rates among low and middle income earners. Those at or near retirement such an important segment sometimes these are women and caregivers who've been out of the labor force - allowing them additional time to save in the retirement accounts by pushing out the required minimum distribution age. SECURE one pushed that to 72.5 and we saw now with SECURE 2.0 the required minimum distribution age is now at 75. We also saw a catch up contribution improvement that allows those 60 and older to contribute up to \$10,000 once they reach that age to try to increase the retirement balances as they approach retirement. We estimate that this will help older workers save an additional \$8.5 billion dollars over 10 years. So what's next? We're in the implementation phase of SECURE 2.0. That includes a variety of different government agencies including Treasury and the Department of Labor. The effective dates are staggered for the more than 60-plus provisions included in the Act so it will take some time. There's also a need for some technical corrections. An inadvertent drafting error removed a critical paragraph that would allow catchup contributions in general starting off in 2024 so that will have to be remedied either through a government agency or through a technical fix. We think the latter is more probable. There's several different technical corrections that will need to

be made to the bill and we anticipate that will occur by the year's end. So in general I think I'll just leave you with this bill will affect a lot of your constituencies in a very positive way. While it's being implemented the ACLI continues to monitor some of those positive impacts and we are happy to work with you and your staffs to talk through what are some of those benefits for your constituents.

Rep. Anderson thanked Ms. Coulombe and stated that the presentation was very helpful and that I just want to say that I share with young people all the time about what to do when they get on their jobs and I've been blessed to have three jobs that has afforded retirement and one of those jobs was my family business, a furniture and appliance store. And through that I'm now employed by the state of South Carolina and I was able to purchase some years from that retirement account to put into my state retirement account. Another one of my jobs, I had to be on the job for seven years and I worked seven years and three months because everything I put in the retirement, they matched it and so I tried to share with young people to stay on the job long enough that you are vested. And in state government we needed eight years and I'm very happy to see one of my colleagues that served with me in the SC House, we were part of that eight years and being vested in state government. And there were 12 of us that got elected that year and one of the things that we said was that we're going to stay eight years to make sure that we are vested in the state retirement and I've been there now 19 years. But the system works and I share this with young people and everybody to make sure that you are on a job that has a retirement system where you can put in. The key to that is to not just have the job but having it and making sure you put into it. And so I thank you again for your presentation and I'm sure that we will definitely be working on this.

ADJOURNMENT

Hearing no further business, upon a motion made by Sen. Hackett and seconded by Sen. Holdman, the Committee adjourned at 6:15 p.m.