

The Regulators S3 E4

21 Years on the Regulatory Scene

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NAIC CEO Mike Consedine [00:00:16] Welcome to the regulator's a podcast, where we break down important issues facing consumers, state insurance regulators and the industry as a whole. I'm your host, Mike Consedine, CEO of the NAIC. And we're glad you all are joining us. In 2021, the NAIC is celebrating 150 years of serving state insurance regulators across the U.S. and the consumers and markets they serve. And on behalf of the NAIC, we are pleased to have our podcast guests and listeners take part in our celebration as we discuss topics that cover our past, present, and future. Twelve of our 56 NAIC members are elected to their positions. And today, I have the great pleasure of having the longest serving elected insurance commissioner in the country, the commissioner of Washington State, Mike Kreidler, as my guest. Welcome to the regulator's podcast, Commissioner Kreidler.

Washington Commissioner, Mike Kreidler [00:01:11] Thank you, Mike, very much appreciate it.

NAIC CEO Mike Consedine [00:01:13] Your career in the industry and outside of the industry, in fact, covers a lot of ground. And I am really looking forward to having this discussion to learn a little bit about your professional journey to where you are today. So, if you're up for it, let's jump right into the questions.

Washington Commissioner, Mike Kreidler [00:01:32] Absolutely. Let's go for it.

NAIC CEO Mike Consedine [00:01:34] OK, so this is your sixth term as commissioner of Washington. So, congratulations on that. Having had a brother who was a Washington voter for a while, I know your constituents really admire and appreciate your commitment to them. So that probably explains your extensive tenure at this point. But your journey to public office and insurance regulation has been, as I said, a really interesting one. And I'll just tick off a few things that I know personally about you from our time together. So, a practicing Doctor of Optometry, Army Reserves for 20 years, retiring as a Lieutenant Colonel, 16 years in the Washington state legislature, and oh just to top it off, a former U.S. member of Congress representing Washington. So, I mean, that is something I mean, any one of those careers could have obviously taken you down a permanent professional path. So how did you end up picking insurance regulation or did it pick you as often the case with public service?

Washington Commissioner, Mike Kreidler [00:02:42] I think maybe it's a little bit of both, Mike. I think one is that I was very familiar with the office of the insurance commissioner as a state legislator. And in that role, I thought about it several times as to what that would be like to run for the office. I have to admit, I had to get past that point where I saw regulators as somebody that sat in a dark room with a bright light over them with green eyeshades on and things like this, which would have driven me crazy. Once I started to realize that there was a real opportunity to help people that made a big difference. And consumer protection

was a big part of what motivated me to run for the legislature and certainly has had an influence on me as an insurance regulator, too.

NAIC CEO Mike Consedine [00:03:27] I mean, and again, this is one of the great benefits of these discussions, because I think so few people really appreciate what the role of an insurance regulator is. And they had sort of their direct interaction, you know, with pretty much every aspect of life. And I hope we get the chance to talk a little bit more about that in terms of the big picture issues. But especially with this being our 150th anniversary, one of the things we've been doing is getting a lot of perspective over, you know, the role of the NAIC, the role of its members over that 150 years. And you have the benefit now of 21 years sitting in this office, 21 years of engagement with the NAIC and your colleagues across the country. And I think it's really an interesting question for me to hear kind of your input on is sort of how have the needs of consumers shifted over that 21- year period or have they remained relatively the same? I mean, do you see the same challenges with respect to access and affordability just popping up in different places?

Washington Commissioner, Mike Kreidler [00:04:32] I think that it has changed over time. Clearly, consumer protection has remained the same. It was a big issue, as far as I can see, going back for insurance regulators. They had to be sensitive to the people who buy the insurance policies and making sure that their interests are adhered to, that companies are solvent and pay on the claims and fulfill their promises and the like is an age-old commitment, but I think the issues start to change, somewhat morphed really didn't begin to really get into the debate on health insurance. Really, I would say starting around 1990 and in that period of time, it started to change. And then it really took off in 2010 with the passage of the Affordable Care Act. And it has really dominated in many respects a lot of our breathing time, much less administrative time from that point forward. So that that is a marked change from what I saw in insurance regulation.

NAIC CEO Mike Consedine [00:06:12] Yeah,-Well, and I think related to that, I know your passion and concern and focus around long-term care has also been something that you have time and time again brought to the forefront of the membership. Again, from a consumer protection standpoint, I mean, your thoughts on, again, has that been an issue that it continues to do, you see as a priority for state regulators in the organization?

Washington Commissioner, Mike Kreidler [00:06:39] Boy, it better be, because the driver right now is who is going to regulate long-term care insurance. It's been a product for the states to regulate. And if we don't get our hands around how we regulate this product so that it's there for the people that are paying premiums for a product that is promised to them, as in their later years, we're going to be in big trouble. And I think that's something that has really morphed a great deal since I came in 21 years ago. Long-term care insurance was certainly an issue. We were paying a lot of attention to it, but not nearly as seriously as we started to when we saw how many of the 150 companies, down to a dozen now that are actively marketing. We've got some late product out there that was sold, has been and is still collecting premium, but don't have strong companies behind them. In many cases, there are real questions about the commitment that they have to their ability, I should say, to be able to fulfill their promises. And that's something we've got to coordinate among the states in a unified fashion.

NAIC CEO Mike Consedine [00:08:35] Well, and I you know, again, I think you have been a real voice of leadership on this issue and making that very point that you've made so eloquently that, you know, this is something we will own as a regulatory community to the extent that it goes badly and when it goes badly, it will hurt consumers, particularly vulnerable consumers in a very real meaningful way. So, this is an opportunity once again for the membership to stand up, rally around an issue and show, you know, what in fact, it's capable of, which I guess leads me to kind of a follow-on question related to the strength of the NAIC to respond and adapt. You know, and again, you've had the benefit of being around for a bit and seeing those moments where the organization has really come together with meaningful solutions to sometimes very divisive issues. And in response to just, you know, almost horrific moments for us as a nation, I think of 9/11. I think of the myriad of natural catastrophes that we've seen across the country in terms of hurricanes and wildfires, increasingly earthquakes. We've seen at least two major financial crises between the 2008 financial crisis and now this pandemic. Again, I just sort of candidly would be interested in your views about the organization and in the NAIC in those moments, I mean, you know, what makes it special or, you know, or have you seen our ability to step up and tackle those issues?

Washington Commissioner, Mike Kreidler [00:10:16] I have seen that to Mike. I've seen that we have risen to the occasion when we really desperately needed to do something that took place before I was on the regulatory scene. It's really going back to the late 1980s, early 90s, when it became very clear that some in certain insurance companies and their handling of funds from one state to another, they weren't recognized. Exams were all separate. It was a recipe for disaster. And disaster is exactly what we got with some major and very profound failures. But the NAIC rose under that occasion to develop a financial regulatory scheme. So that there was unity among the states. And we took it one step further when I was just getting started as a commissioner and moving to establishing an Interstate Compact. So, there was even stronger regulatory cohesion that was going to be required when it came to these financial exemptions. You couldn't have one state doing an exam one way or another state doing it another way and not necessarily measuring exactly the same things that needed to be measured between us. And that's something that could be corrected and was and we rose to the occasion as the NAIC. I'm very proud of that change that took place when we were able to approve the Interstate Compact in the vast majority of states.

NAIC CEO Mike Consedine [00:12:58] I'm really pleased to sort of hear that observation, because I think we're going to need that part of our culture in our DNA, particularly going forward as we look at some of the issues that we're tackling ahead of us. But it really is, I think, one of the hallmarks of the NAIC, you know, this continuing ability, especially in an age where it is so divisive politically, that you still have a community that comes from very varied backgrounds, politics, geographies that are able to work together to collaborate, even compromise. You know, I think perhaps you were in Congress at a time when that was still possible there. We don't see that as much. And again, it's such a unique aspect of this organization and I think so critical that we're able to do that.

[00:13:47][This Moment in History.0.0s]

NAIC CEO Mike Consedine [00:15:29] Let me kind of wrap up with an issue that I know you are as passionate as you are about long term and health care, climate resiliency. You've been out there again and a significant leadership role, I think, for a good part of your tenure on those issues. And it has arisen particularly over the last few years as a top issue, not only for the NAIC, but as a global issue, and understandably so, just given its impact and very real and meaningful ways, as I've alluded to, in terms of, you know, regardless of causation, you've seen an uptick in the frequency and severity of events across this country and across the globe. And, you know, the financial and just human impact is just unimaginable. And, you know, I guess I go back to your optimistic view about the ability of the NAIC to rally around and find solutions to complex issues. And what's your view of the current state of play and sort of where do you see state insurance regulators in terms of their position at the table on this hugely important initiative?

Washington Commissioner, Mike Kreidler [00:17:09] And you're talking about climate change here, Mike. Yeah, and that's near and dear to me because I think maybe it's because I'm at the age I'm at right now. And you think about posterity and what a legacy you are leaving future generations. And I think that's something that we as an organization should be really focused on. So, we have a chance here to really have a profound impact in coordinating what can be done, should be done. And reporting is a big part of it. We've been doing that reporting now for well over a decade now among the industry here in the U.S. And there's a few states that have really led that charge. And now it's the NAIC that is at the forefront of that effort, putting together an executive task force. And it's really, it's really starting to change the attitude and the cohesiveness. I don't see the resistance I did 20 years ago. I'm starting to see cooperation as to how we can best make sure that the insurance industry is not harmed, that consumers are not harmed because we are marching forward. Climate change is a reality. And those changes we're going to have to live with. How do we make sure we've done our fair share to address the issue?

NAIC CEO Mike Consedine [00:20:44] I couldn't agree more just in terms of the importance of engagement and action and this moment for our state-based system to once again come to the table with real solutions that help us evaluate, at the very least, that the risks and allow us to take more focused action going forward. And I think the window for us to demonstrate that is narrowing as it becomes more focused at a federal and global level. And again, I think it's the strength of our state-based system that who better than to really be on point than state church regulators who are literally in the backyard of their own states and dealing with these issues first firsthand. So, I share your optimism that, we will find the solutions. But I guess in, some dynamic, though, we see playing out a little bit, maybe get your thoughts on this, you know, to some extent that the business of insurance is about, you know, risk of evaluation. And you see increasingly companies, insurance companies who I think have been, on top of this issue for a while, because, let's face it, it goes to their bottom line in terms of evaluating their risks. Where they see those coastal risks or where they see those wildfire risks, increasingly you're seeing significant adjustments to premiums going up or in many cases, they're just not renewing those policies in those high-risk areas. And so that creates obviously a consumer issue where, you know, in many cases people can't find insurance anymore in high-risk areas. And I guess that's one of those challenging big picture issues associated with climate change. And, you know, in the role of insurance, to some extent, you know, that could drive behavior in a way that we may need to see people moving away from those high-risk areas or building in a way that, mitigates the risk. But in the near term here, you're seeing again sort of this consumer impact. I mean, how do you balance that in your role? And you face this in your home state with some of these risks, between sort of the need for coverage, but also the ability of insurance companies to assess and that risk in a fair way?

Washington Commissioner, Mike Kreidler [00:23:10] Well, I think the insurance companies that I think initially, particularly like I say, when I started 20 years ago, kind of looked at it and said, well, hey, we reassess this risk on an annual basis. You know, if it gets worse, we'll charge more. If it gets better, we'll charge less. You know, what's the problem? The problem is, is and we certainly saw that in Florida over 20 years ago where you had insurance companies that decided they didn't want to write and coastal zone areas and state legislature that said, do you want to do business in the state of Florida, then you will write in those coastal zone areas and oh, by the way, don't get carried away with charging too much in the way of premiums. Well, that starts to really make the insurance regulators nervous. You're making them right in areas where they didn't want to write business. And the second is you're going to limit the amount of money they can collect. So, there isn't even the certainty that they'll be able to cover what they have with the bad weather, meaning they spend more and good weather they spend less. But they have to be viable from the standpoint of the revenue that they're generating. And that's threatened. And I think they started to realize, and I think the insurance companies saw that as one side of the equation. And I think on the other side, they started to realize the people who buy insurance are starting to pay attention to this climate stuff. And all of a sudden what we're doing is going to matter to them. And it means that we need to be at the cutting edge. And I think they're rising to that occasion. I think what I'm hoping that I see from the insurance companies is they start coming forward with imaginative new product design that may tie their commitment to a piece of property and its development for a longer period of time, assuming that the initial costs are higher because of having certain building codes or land use practices, driving up the price on the land, that if they come in and offer a better deal, particularly if they're building a structure, that is going to be much more impermeable to certain types of weather events, that there have cost more for construction, that they're not being penalized by having to spend more for their insurance. And I'm looking for the insurance industry to come forward with the kind of product that may tie a piece of property for a longer period of time than, let's just say, the annual period of one year at a time assessment as to underwriting, but looking at underwriting for a longer period of time, but giving them some guarantees that helped to mean that the cost initially is going to be lower for insurance, because the insurance company has a commitment for a longer period of time. Imagine if products like that are going to be great. I also hope that you're going to see that insurance companies start to look at green investments that clearly when I came into office, electrical generation from coal fired electrical generation was still very, very popular and it already started to change. So, a lot of people hadn't recognized it yet. Even 20 years ago, around the year 2000, that you were seeing this new upstart called natural gas that was displacing because it was cheaper, displacing coal. It was also cleaner than what we saw with coal, but it is still causing pollution. So today, I mean, back then, getting away from coal was a good thing for the atmosphere and for this planet. Natural gas was a better replacement. But even now we're looking at natural gas and saying maybe it's not that great a savior overall. I want insurance companies to be able to really astutely take a look at their investment portfolio because they're changing dramatically. And we as an association obviously play a very important role of making judgments as to what is going to be suitable conservative investments. But I'm hopeful that green investments that are looking better and better practically every day are something that are going to be tolerated and encouraged among insurance companies. So not only their practices, but also their investment portfolios are going to help us deal with these very complex issues.

NAIC CEO Mike Considine [00:28:17] We could spend, I'm sure, days, if not lifetimes dealing with this issue. And again, I think that's the commitment of the organization and

recognizing that this is a generational issue and we do need to be engaged. So, your leadership and your voice has been tremendously important getting us this far. And we certainly look forward to your ongoing contributions in this critical initiative. And Commissioner I wish we could have a lot more time to even delve further into this issue, but we are quickly getting to the point, though, where I get to have a little bit of fun and play one of our favorite games as part of this, which is it's time for regulator risk roulette, which is, you know, a little bit of our opportunity for our listeners to get to know perhaps a different side to our guests. And given your varied background, I think that's a unique opportunity here. So, there are six categories to this game, Commissioner. Risky Business, keeping it professional, childish things. Very interesting, getting personal, and that's entertainment. So, I guess the question for you, Commissioner Kreidler, is, are you ready to play?

Washington Commissioner, Mike Kreidler [00:29:28] Oh, I'm ready to go, I think.

NAIC CEO Mike Consedine [00:29:31] Oh, yeah. You know, fingers crossed. So. Well, let us spend the virtual will here. OK, well, we end up with that's entertainment. And I've got a couple of interesting questions here. But again, knowing your bit about your background and particularly some of your experiences, I've got to go with this one, which is do you have a bucket list? And if so, what's on it? I'll even change that up and give you the option of what have you taken off of it most recently that you're proud to report on?

Washington Commissioner, Mike Kreidler [00:30:11] I've done a lot of fun stuff over the years. And one of the best jobs I ever had, it has been an insurance commissioner. I can tell you that. When I was 21 years old, I was a smoke jumper for the United States Forest Service and fought fires that way. And that got a lot of the thrill, adrenaline part of me. I'm pretty well satiated at that point with that activity, but I think if I have a bucket list, it's going to be having fun with my tractor and digging a large pond, building some trails. I've got eight acres and doing that kind of stuff is what I really enjoy and obviously still paying a lot of attention to my grandkids.

NAIC CEO Mike Consedine [00:31:39] Well, I have to say, after being a smoke jumper at age 21, after that, yeah. Your bucket list gets pretty narrow down fairly pretty fast. So that, again, is just another part of your background I did not know. That was very interesting to hear that. But thank you again, Commissioner Kreidler, for joining me on the regulator. And thank you for all that you do in your role as a regulator and for the consumers of Washington State.

Washington Commissioner, Mike Kreidler [00:32:08] My pleasure. Thank you, Mike.

NAIC CEO Mike Consedine [00:32:11] And thank you all for listening to the regulators. Join us each month and subscribe to the regulators wherever you get your podcasts. We'll see you next time.