

Draft: 8/14/24

Speed to Market (D) Working Group
Virtual Meeting
July 30, 2024

The Speed to Market (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met July 30, 2024. The following Working Group members participated: Rebecca Nichols, Chair (VA); Maureen Motter, Vice Chair (OH); Sian Ng-Ashcraft (AL); Trinidad Navarro (DE); Shannon Hohl (ID); Julie Rachford (IL); Craig VanAalst (KS); Tammy Lohmann (MN); Camille Anderson-Weddle (MO); LuAnne J. King (NH); Ted Hamby (NC); Latif Almazan (TX); Tanji J. Northrup (UT); Lichiou Lee (WA); Allan L. McVey (WV); and Lela Ladd (WY). Also participating were: George Bradner and Elizabeth Drysdale (CT).

1. Adopted its Feb. 22 Minutes

The Working Group met Feb. 22 and took the following action: 1) adopted its Nov. 17, 2023, minutes; 2) heard a report on the System for Electronic Rates & Forms Filing (SERFF) Modernization Project; 3) heard a report from the Interstate Insurance Product Regulation Commission (Compact); 4) considered adoption of revisions to the *Product Filing Review Handbook*; and 5) heard an update on the 2024 product coding matrix (PCM) adoption rating.

Northrup made a motion, seconded by Lohmann, to adopt the Working Group's Feb. 22 minutes (Attachment XX). The motion passed unanimously.

2. Heard a Report on the SERFF Modernization Project and SERFF Product Steering Committee

Bridget Kieras (NAIC) stated that state outreach has begun, and each state has been assigned a liaison from the NAIC SERFF team. The liaisons gather information and facilitate training. She said industry outreach is also taking place. Kieras stated the initial release is underway and on target for the fourth quarter of 2024. This will include co-existence in which all Compact filings, including historical filings, will be accessible in the new platform. State filings will remain in the current Legacy platform. User management functions will be handled in the new platform, which is largely self-service. This allows for the management of both the Legacy and new platforms. Also included is training. The NAIC Education & Training team will train industry, and the project team will train Compact staff and member state insurance regulators.

3. Received an Update on the Release of the 2024 Product Filing Review Handbook

Nichols provided an update on the *Product Filing Review Handbook*. The Working Group adopted the 2024 *Product Filing Review Handbook* Feb. 22. The Market Regulation and Consumer Affairs (D) Committee and Executive (EX) Committee and Plenary then adopted it at the Spring National Meeting. It was posted to the NAIC's website July 18 and is free to download from the NAIC Publications web page. A link to the *Product Filing Review Handbook* was added to the Working Group's web page July 19. Nichols stated that the NAIC Speed to Market Filing Suggestion Form was also updated and posted to the SERFF web page as part of that work.

4. Heard a Presentation on Using ML for P/C Form Review

Bradner stated that Connecticut started testing artificial intelligence (AI) and machine learning (ML) for property/casualty (P/C) form review in early 2020. Before implementing AI/ML, claims-made audits took up to a year to complete. Bradner stated Connecticut was introduced to an AI/ML product called Kira. The turnaround

went from 12 months to three months. Since using Kira, the state has learned that claims-made compliance was only 25%. Due to this, claims-made audits have been removed from the filing exemption (FE) process. Connecticut submitted a bulletin stating that claims-made audits will no longer be filed as exempt.

Drysdale stated that Connecticut's four goals for developing a speed-to-market review of forms were: 1) consistency; 2) speed; 3) harnessing knowledge from tenured individuals before retirement; and 4) creating capacity for examiners to do other things, such as look at legislation, propose legislation, and look at changes in the industry. The checklist was then developed into what Connecticut calls "smart fields." These fields in Kira tie to the checklist the machine has been taught to review. Drysdale stated the developers developed the application programming interface (API) so that the two platforms can speak to each other. She stated some of the simple features of ML are the length of time it takes and that it is user-friendly if one has been around computers for a while in any capacity.

Bradner said it is better to spend time working with AI/ML now so that states are ready when the SERFF Modernization Project is complete; otherwise, they will be behind in 2025. Bradner said it would be worthwhile for states to think about what rules they will want to apply to filings so they can train the system.

Theresa Boyce (Chubb Group) asked if now that claims-made audits are no longer exempt, is Connecticut still using Kira to review any filings for exemption.

Bradner replied, yes, the first step is to run it through Kira, and then it is assigned to the examiner.

5. Discussed Suggestions Received on the PCM and UTD

Motter went over three suggestions for the PCM and uniform transmittal document (UTD). The first was the Compact's proposal for annuity products. The Compact recently adopted uniform standards for individual deferred index link variable annuity contracts. Motter said that, presently, a filer would include them under the Type of Insurance (TOI) of A03I or A07I, which are not the best places to file these products. The Compact recommended that an additional TOI be created. Motter stated that A04I is available, and they would call it the Individual Deferred Index Link Variable Annuity Contract, with the following sub-TOIs: A04I.0001 Fixed Premium, A04I.0002 Flexible Premium, A04I.0003 Single Premium, A04I.0004 Modified Single Premium, and A04I.0005 Limited Flexible Premium.

Motter explained the Compact's definition of the proposed new TOI A04I as an annuity contract that earns interest or provides benefits where the accumulation is linked to an external reference or equity index where upside returns are limited through the application of caps, participation rates, or triggers, and where downside returns limited to a floor, or with a portion of downside returns absorbed by a buffer. Prior to the end of the index term, the contract uses an interim value to determine withdrawal, surrender, death, and annuity benefits instead of using the account value at the beginning of the term.

Motter said things to consider for adoption of the new TOI and sub-TOIs are: 1) whether the Working Group is in agreement that the addition is appropriate since the uniform standard was created; 2) any amendments/revisions to the proposed description; and 3) whether the Working Group should wait to create something similar to A04G?
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McVey made a motion, seconded by Ladd, to adopt the Compact's proposal.
The motion passed unanimously.

Motter moved on to the second proposal, which was to split Health-Other into individual and group TOIs. Motter explained this indicates that the health TOIs for products are divided into groups and individuals. It becomes unhelpful when Health-Other is used as a catch-all to apply to both individual and group products, especially when each market is subject to different regulatory requirements. She said that unlike the assumptions for TOI (H01), items filed under Health-Other can apply to amend products in either or both markets beyond the merely informational. Currently, the PCM has TOI: H21 Health-Other.

Motter asked whether the description should be updated to say, "Not Specifically Described in any other H TOI," since TOIs H22-H26 have been added.

Motter said the following questions should also be considered:

- A. What is being filed in H21?
- B. Does what is being filed in H21 require different submission requirements for individual versus group or individual versus different sizes of groups?
- C. Will adding sub-TOIs to H21 result in filers using these sub-TOIs instead of the proper H01–H26 TOIs?
- D. If any, how many more sub-TOIs should be added to H21?
- E. In addition to sub TOI H21.0000 Health-Other, should the Working Group add Health-Other – Individual Only & Health - Other- Group Only?
- F. In addition to sub TOI H21.0000 Health-Other, should the Working Group add Health-Other – Individual Only & Health-Other- Small Group Only & Health-Other-Large Group Only & Health-Other-Any Size Group?
- G. If more sub-TOIs are added, would you activate them for filers' use?

Lee stated that in Washington, H21 is rarely used.

The Working Group made no motion. Motter stated that because there was no motion, there would be no changes to the description or additional sub-TOIs for H21 at this time.

Motter moved on to the third proposal, which was to split Health-Other into individual and group TOIs. Motter explained that the proposal indicates that not every state considers pet health and/or animal mortality insurance to be in the inland marine line of business, filed or non-filed. Making pet insurance-specific TOIs could eliminate ambiguity in filing. She went on to say, with continued emphasis on the *Pet Insurance Model Act* (#633), that it may be opportune for pet insurance to feature more prominently in the PCM, and since animal mortality is the commercial counterpart, similar prominence should apply to it.

Motter said there were several items to consider regarding the proposal, including: 1) existing sub-TOIs; 2) the fact that *Annual Statement Instructions* have historically indicated to place premiums/losses for both on Line 9, Inland Marine; 3) the Blanks (E) Working Group has approved a separate annual statement line for pet insurance, so the PCM document will be updated to reflect the new annual statement line reference; 4) while many states require the authority of inland marine on a Certificate of Authority to offer such products, others may have more granularity in authority, such as a specific authority for pet insurance; 5) if 9.1 and 9.2 are created, the historical filing submissions will not be updated from the old sub-TOI to the new TOI; 6) if a state chooses to adopt, it would have to inactivate the old sub-TOI for submissions; and 7) when searching for filings, SERFF users would have to search on both the new TOI for the most recent filings and the inactive sub-TOI for the historical filings.

Motter said the Working Group should also consider the following questions in regard to the third proposal:

- A. Have there been issues with filers submitting products without proper authority?
- B. Should there be an asterisk on the PCM with a note to review the line of authority requirements for a state prior to submission? (A non-PCM solution would be to update the SERFF general instructions to

remind filers of the necessary authority to offer such products. The SERFF Modernization Project is planning to map authority and sub-TOIs, so the filer will be warned or not permitted to submit if it does not have proper authority for the product.)

- C. If these new TOIs are created, would they be activated?

Motter stated that the lack of comments suggested that the new TOIs would not be activated if they were created.

6. Heard an Update on the 2025 PCM

Jeremy Chance (NAIC) stated updates would be made after the Compact's first proposal is approved. The process will begin with contacting the appropriate SERFF state instances to activate the new TOI (A04I) and build submission requirements.

Having no further business, the Speed to Market (D) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/Committee Folders/D CMTE/2024 Fall/S2M WG/S2M July 30 Meeting Minutes