

S3 E2: The Regulators Podcast - A Discussion with NCOIL President, Indiana Rep. Lehman

Rep. Matt Lehman [00:00:00] We both share a very common goal and that common goal has been around for a long, long time, and that is to protect state-based insurance regulation.

Mike Consedine [00:00:08] Welcome to The Regulator's podcast, where we break down important issues facing consumers, state insurance regulators and the industry as a whole. In 2021, the NAIC is celebrating 150 years of serving state insurance regulators across the U.S. and the consumers and markets they serve. I'm your host, Mike Consedine, CEO of the NAIC, and we are glad you all are joining us. 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.

[00:00:42] The National Council of Insurance legislators, also known as NCOIL, is a national legislative organization with the nation's 50 states as its members comprised of legislators focused on their state's insurance and financial markets. Joining me today I have a really special guest is NCOIL President and Indiana State Representative Matt Lehman. Thanks for joining me, Representative.

Rep. Matt Lehman [00:01:04] Thank you, Mike. Pleasure to be here.

Mike Consedine [00:01:06] Glad you are here. Before we get started with the hard questions, Representative, let me talk a little bit about your background. And I have to admit, I'm a huge fan of the movie Hoosiers. And as a lifelong Hoosier yourself, your story kind of seems right out of central casting. Paper boy, small town, worked as a machinist. Then you know you got into the insurance business because what boy doesn't look up to the stars at night dreaming of becoming an insurance agent. But then ultimately where you are now, because it's always fascinating for me the journey that people go through that brings them to public service and even to the insurance profession. Maybe talk a little bit more about that background and really why you found your passion in insurance and in public service.

Rep. Matt Lehman [00:01:52] Well, no, Mike and thank you. And it's always great to be here. I would say it has been an interesting journey. And I'm always fascinated when we get new colleagues and ask them, you know, what was your path to here. So really mind, as you noted, our first job as a paper boy, like you said, that my insurance career began 30 years ago. This year, I joined an independent insurance agency selling cars. At the time, I sold a car to an old guy. He said, hey, you like to sell insurance? I was 29 years old. And I said, well, what was an odd question. He said, well, I want to get out business. I'm looking for someone young to come in. I said, I'll do it. And 30 years later, I'm still there. One of the owners, it really was part of the transition to where I'm at today because I've always enjoyed politics since I was a little kid. I was in county government. But I tell people, I realized in my industry, my insurance side of my industry, we are a heavily regulated industry. And so, I found that I was dealing with legislative issues, regulatory issues from the insurance commissioner, etc. in my daily life. And I thought, you know, if I don't like something, I should be a part of the solution, not just to say, hey, I don't like how you're regulating me. So, opportunity came for me to move from county government to run for a state representative position. I did that. I got elected and served on the insurance committee ever since I've been here in 2009 when I arrived, chaired that committee for five years before becoming the majority floor leader and giving up the chairmanship for that

position. And so, I've always been around insurance in my professional career. And now as part of the legislative body, Indiana is a part time legislature. We just call ourselves a citizen legislature. So, I still have the agency still go to work every Friday and during the summer I'm there all the time. So, it really has been a good blend for me between the insurance industry and my role as a public servant in the areas of a state rep. And I've been very blessed with that to have both of those opportunities.

Mike Consedine [00:03:58] That's such a fascinating backdrop to your career. And, you know, and what's interesting to me, again, looking both our you know, our membership, we have also a former insurance producers, but also former state legislators in our ranks, too. And I think particularly of a guy like Director Dean Cameron from Idaho who you know well, former state senator, and he also is a former insurance agent. And the stories he tells about just being part of a community and, you know, and helping families. And I think that there is something about that career that really does mold and really brings to life that commitment to service and community.

Rep. Matt Lehman [00:04:41] Yeah, it is true that they are tied together, really.

Mike Consedine [00:04:44] Let's talk about 2020 a little bit and the challenging year that we just left before we start talking about the challenging year that we find ourselves currently. You know 2020, obviously a historic year defined most obviously by the pandemic and COVID -19 and its impact on people's lives and businesses. And you all both in your capacity as a state representative, but also in your NCOIL role you know, were kind of right there on the front lines with the rest of us, because, again, this was a pandemic that was touching individual lives and communities and small businesses. So, you know, the work needed to still get done. Perhaps it was more important than ever to really make sure that the work of NCOIL was focused and ongoing. But the challenge was, as you well know, was usual ways we did that in terms of getting together in meetings and sitting down across tables with your constituents and stakeholders was challenging, to say the least. So I'm curious to have you reflect maybe just a little bit on how you think you did in 2020 and sort of how you approached that year as sort of the full implications of the pandemic unfolded for NCOIL.

Rep. Matt Lehman [00:06:02] As we all know, everything kind of started out in that March time frame. If you look at how we went both from an NCOIL and also from a legislative; we had our spring meeting in Charlotte, North Carolina, that first weekend in March, literally when we left Sunday, the hotels closed on Monday.

[00:06:19] I mean, they closed that week as soon as we were done, again, not anticipating this, but just that's what happened in those very quickly and in those couple of days, come back to Indiana and we finish our General Assembly session that week and adjourn. And no sooner do we leave to go home for the now that we're out of session and then we get into the lockdowns and et cetera. So, you knew really pretty much when you were getting towards the end of March that this was becoming a very serious situation. And so now moving forward, you were in the situation of, OK, how do we start to plan ahead? Because this is going to create a change in how we're going to do business both legislatively and how we're going to do business as a trade organization. And out there, you know advocate on behalf of our constituents on the stage of NCOIL. You try to create maybe a new normal, but you hope you eventually get back to the old normal. And so all that said, it led us to the point of, of having to really pivot and start down the path of how do we go from here and how do we make it work? You guys did it. We did it. A lot of people did it. And so

it really did create a lot of changes to the norm. And I tell people I hope it's not the new normal because I really want to go back to the old normal.

Mike Consedine [00:07:36] Yeah, I couldn't agree more, Representative; with the hope that we get back to a new normal that actually allows us to engage in and interact, I think for both NCOIL and the NAIC as organizations, you know, that's a critical part of our DNA is really the engagement between our members and also for our members themselves. I mean, so much of the work you all do, and we do depends on outreach and engagement. These virtual meetings are fine, but they certainly don't take the place of sitting across a table or having a cup of coffee with a constituent or a stakeholder. So, fingers crossed that 2021 is a better year for all of us. I am curious, though, as you look back at 2020, you've had some, you know, long standing initiatives that you've been working on. But did the pandemic at all impact, reshape or refocus you on new or emerging priorities for your membership?

Rep. Matt Lehman [00:08:29] I don't know that it necessarily changed priorities. It maybe took a few things that were not at the high end of the spectrum and made those higher priorities. I guess I would say if you take things like using technology, how we use technology, even having our meetings, you know, going to hybrid meetings and going to, you know, using Zoom and everything else to have our meetings, it brings to light, you know what wrapping around that, will the consumers begin to look at and say, OK, how much of this should I be applying to my everyday life? And we talk about new normal versus your normal, I think some things are going to come out of this that are true modernizations of technology and communication and then wrap that around, what do we do with that in the world of insurance and regulation? And so, you're going to have issues, whether it be the whole AI, a technology driven underwriting and things like that. All that's going to kind of be kind of got ramped up as you entered into this virtual world that we're in. And so, I think from your side as well, it's probably become a lot more of the discussion point around the use of artificial intelligence and also just technology as a whole.

Mike Consedine [00:09:43] Not surprisingly, we're having very similar conversations within our membership ranks, which is good news, I think, because we too, I think have come to the conclusion that all of the things that we have been doing in terms of modernization and looking at our system and our laws and regs, you know, making the adjustments we need to do to adapt them to an increasingly virtual world, that world got very virtual very quickly. And we're certainly, I think now even further accelerating that in a number of areas. So I think it's a terrific example of an area where both of the organizations are going to get to work hopefully very closely together in 2021.

Rep. Matt Lehman [00:10:22] And, you know, might another issue where they kind of blend together is if you look at some of the initiatives we've done, even something like rebate reform, we talked about, we're looking for some standardization of rebating. Now you're getting into this world of technology. You know, can I set up Zoom with my clients and that becomes my account. I'm paying for it. Those are discussions I think they're going to come forward is how much technology can I push to my client without that being considered rebating? One of the discussions we had during the rebating debate was that people are wanting to use, whether it be a Alexa or Google. If I want to give that to you because it can monitor the water in your basement, it can monitor the temperature of your house, it can do all these things. But if I give that to you, is that a form of rebating? I mean, that's where technology and the issue of trying to bring some form of rebate reform and standardization kind of collide and in some ways, you know, merge together. Those are the kind of issues that we've debated in the past.

[00:11:23] But this this technology and this world we're in now it kind of merge those two together.

Mike Consedine [00:11:29] We're seeing that collision between technology and risk assessment and risk mitigation. You've given some really great examples as somebody just got to home a couple of years ago. And, you know, it was, you know, sort of given the opportunity by my insurance company to put in some of those virtual monitoring systems, which, you know, benefits them obviously from a risk mitigation standpoint. But also, for me as the homeowner and consumer, if I'm unnecessarily, you know, leaking water someplace, that's something I'd like to know about. It's up adjusting our system to meet the needs and wants of consumers in ways that also help mitigate and manage risk, I think is to our collective benefit. So much appreciated for the work that you all have done and continue to do in that area.

Rep. Matt Lehman [00:12:14] Yeah, and that's been a good relationship between NCOIL and the NAIC on issues like that.

CT Insurance Cmsr. Andrew Mais [00:12:20] Hi I am NAIC Secretary Treasurer and Connecticut Insurance Commissioner Andrew Mais and this is an NAIC Moment in History. In 1947, the NAIC Unfair Trade Practices Model Act, which prohibits discrimination on the basis of age, race, religion, marital status and national origin, was passed. For more on the history of the NAIC and its 150 years in insurance regulation, go to NAIC.org.

Mike Consedine [00:12:56] Well, let's talk a little bit more about that relationship.

[00:12:58] I think it's fair to say there have been some very occasional differences and maybe how we approach issues or discuss issues. I think they've always been incredibly good discussions, healthy discussions. But I think it's fair to say hopefully fair to say that there's probably far more that unites us than separates us as an organization, including our shared and absolute commitment to our state-based system, we collectively believe benefits our consumers and our markets. And we've appreciated that, as you mentioned, just the you know, the opportunities to work together closely on any number of issues. You've mentioned, one, in terms of modernization, I've been very thankful for your support and for your members support around the changes that we've made recently to our Credit for Re-insurance model that allows us to ensure we don't have federal preemption at some point down the road. So, there are lots of examples there, as we've talked about also just, I think, very close working relationships between any number of our members. But I would suggest, and I certainly welcome your thoughts, that probably going into this year and beyond, it's probably more important than ever that we work together to defend and advocate for that system, particularly, you know, and some of the areas that we've talked about, will talk about. But I certainly welcome your views as NCOIL president, as a legislator, a guy very interesting, aware of sort of politics and sort of your perspective coming out of this 2020 election, a new administration, and new Congress, what's NCOIL's assessment about its impact on the insurance sector going forward?

Rep. Matt Lehman [00:14:28] We both share a very common goal and that common goal has been around for a long, long time, and that is to protect state-based insurance regulation. In my 30 years in the insurance business that has come under challenge, we saw that when the ACA was put in, they put in the, you know, the federal insurance office. And you got you kind of started seeing this is this that first step into our world. And a lot of that didn't pan out like some people thought, but it's still there and it just seems like there's

always an issue. I think we saw it early on with the with kind of business income through coronavirus where they stepped up. And we're going to do things on the national level. We can have that discussion, you know, be very careful of the more you claw back or claw towards D.C., the less we're going to have the ability to take care of our citizens, our purchasers, the people that we're supposed to guarantee that they've got a good, solid carrier. I think that our common goal of that state-based regulatory is what drives both our organization. And as you said, Mike, we've had some differences of opinion on an issue here there but overall, I think we share a common goal of really on that path. And so with a change in administration, there's always that that that period of time when you want to say, OK, I need to be a little cautious what they're going to do or not do. I think we saw towards the beginning of some of this is you know, I think it was at the end of the last administration even that we got into this well, in the area of health insurance, we're going to start doing more that on the federal side, it's always that issue of we're willing to give this little piece up, but we've got to be very careful not to incrementally give away what is our responsibility. And so we're going to be very diligent as NCOIL and I know with you guys as partners to make sure that this administration understands, you know, we'll work, we'll talk. We want to be at the table. But at the end of the day, you know, Indiana's Indiana, New Jersey, New Jersey's Kentucky's Kentucky, let them regulate their own industry. I think it has worked. I think it has worked perfectly, really in a lot of ways because we have a very competitive market now. We've I think we've got we've got good things happening, I know in our state and others. And we've got a story to tell. So I think we tell the story of this is the right way to go. And I think we're on that same page.

Mike Consedine [00:16:46] Well, your passion for our system and for the work it does for consumers is evident, Representative. And we certainly welcome the opportunity to tell that story. And, you know, honestly, that's an area where I think we can do a better job. Too often it feels like we're trying to excuse it. You're absolutely right. We have so much to celebrate and hold it out really as a world class system in so many ways. So I look forward to telling that story along with our membership and you all at this year, in the years to come, one area where we're at the table, as you said, and really both engaged, is on the issue of race, diversity and inclusion and 2020, along with being a historic year in terms of a pandemic also raised this issue front and center for all of us, and to the credit, I think of both organizations' memberships responded, recognize the importance of the dialog and discussion and ultimately informed action in this area. I know you all set up your own special committee on race and insurance, as we did. Maybe talk a little bit about your own experience in that area, work the committee, again, the opportunity to work together, making an informed decision and action.

Rep. Matt Lehman [00:18:01] As our nation began to really look at, you know, where do we go from here? We obviously have issues that need to be addressed. NCOIL and the insurance industry is no different. We were quick to say, you know what remember insurance is the very agnostic organization because in itself it doesn't recognize a lot of things. And so it has to say, show me the data; we're data driven as an industry. And so we said, look, what we want to do is this. If there are problems within the industry, whether it comes from whether it be as NCOIL as kind of narrowed, I think you guys are like five paths of this issue and I applaud you on that. But, you know, the one we're focusing on is more along the lines of maybe that's the path of the P and C and kind of life and health industry and where you can't discriminate a rate based on, you know; and we have a list of things, race being at the top of that. If we don't start down this path of talking about, OK, proxy discrimination, I think that's a term you guys have used a term we're attempting to define because we don't want someone to say, well, you can't use this because it's discriminatory. We can kind of skirt that edge and we'll insert this instead it needs to be

looked at. And I think it needs to be defined as to when your intentions were the same so that is something, I think the regulators need to have a tool in their toolbox. But I also think it goes to reviewing all this and saying, OK, let's take a hard look back at what we have done and what we are doing moving forward and say, are there things within rates that truly might be, you know, have that level of some form of discrimination? So, I mean, having been in this business for 30 years, insurance rates by nature are in some ways discriminatory. You know, a 16-year-old boy is going to pay more than a thirty-three-year-old male, and that's driven by the data. Sixteen-year-old drivers are horrible drivers, especially boys. You know, I had three girls that all teenagers the same time I drove at the same time my insurance rates were off the chart. But that's what you paid for when you had three teenage drivers.

[00:19:59] That wasn't anything that was discriminatory by age or sex. It's really by a data driven fact. And that's what we got to take a look at, especially as we bring more and more artificial intelligence in and more and more, I would call non-claim driven type data, show us the facts, show us the data that these rates are, in fact, good, equitable as every department is charged to do. You know, these are these are fair, equitable and nondiscriminated rates at the same time making sure that at the end of the day we keep insurance carriers solvent so they can pay their claims, you know, with Sen. Neil Breslin former President of NCOIL [I] charged him with being the chair of this committee. I think he did a very good job of collecting a lot of data at our December meeting. We just had a discussion the other day about moving forward, with taking that data and starting down the path of that definition of a proxy discrimination. And then also looking at just even from the standpoint of rate disparity and disparate impact as some of those things that we want to make sure are not, in fact, out there. The beauty of NCOIL, as I said, is that we can actually go back and change the law. And that's what we are charged to do. And that's what we'll do if we see those problems.

Mike Consedine [00:21:14] Well, I think you've laid out a very complex landscape in front of us and some of the challenges we have, but also some of the opportunities. Again, I think it goes to the strength of our state-based system that we can do this in a transparent, open, engaged way and hopefully reach a good result. But in particular, as you noted, with the sort of the collision between technology and data driven underwriting and rating and again, some of the new complexities and challenges that that introduces into this process is one that I think it's an opportunity for both organizations to work together on it.

[00:21:52] And as a dad of a 15-year-old boy who just got his permit, I could not agree with you more. Representative, in terms of the rates do not discriminate. Boys are not the best drivers from a pure data driven perspective.

Rep. Matt Lehman [00:22:07] Good luck with that.

Mike Consedine [00:22:08] Thank you. We're coming close to our time together here, Representative, and it has been really a pleasure speaking with you today. And again, if there's one message I hope we can jointly leave our listeners with, it's that the NAIC and NCOIL are committed to working together again to advocate for our state-based system and the betterment of the consumers and markets they represent. But before I let you go; we do have our own little game here on The Regulators and it's what we call Regulator Risk Roulette. [It's] a chance for our listeners to get to know perhaps a different side of our guests, and there are six categories that are involved here, Risky Business, Keeping it Professional, Childish Things, Very Interesting, Getting Personal, and That's Entertainment. So, Representative, the question for you is, are you ready to play here?

Rep. Matt Lehman [00:23:05] I thought you said we were out of time Mike? (jokingly laughs) I thought, you know, No I'm ready. You know, the spin, the wheel or whatever it is you do, I'm ready for anything you bring at me.

Mike Consedine [00:23:14] All right. Well, let's see about that and let's spin the wheel. OK.

[00:23:26] All right, well, you know, this is relatively easy softball and it falls in the category of Getting Personal Representative. So the question is, what is one thing most people who work with you closely don't know about you?

Rep. Matt Lehman [00:23:47] That's a very good question, Mike, because I'm sitting right here with my intern. He's like, answer that question. I'd like to know.

[00:23:53] Boy, the thing is this, I'd have probably multiple ones. But I would say I'm a Civil War reenactor. And actually, I credit Ken Burns, Ken Burns Civil War series just immersed me into the Civil War and I've become somewhat of a Civil War historian on the personal side [I] have been, I think, to every Civil War battlefield in the state of Virginia.

Mike Consedine [00:24:18] Well, I'm so glad I asked that question because it's actually given us a lot to talk about next time we're together in person. As somebody who had a great great great grandfather in a Pennsylvania unit whose name is on one of the Gettysburg memorials, it's become a source of good family discussion for us.

[00:24:38] Well, thank you for sharing and thank you for joining me today, Representative. And thank you all for listening to The Regulators. Join us each month and subscribe to The Regulators wherever you get your podcasts. See you next time.