

Draft date: 11/20/25

OPEN MEETING

*2025 Fall National Meeting
Hollywood, Florida*

NAIC CLE: Risk Retention Groups, Annuities, and Other Topics

Sunday, December 7, 2025

12:30p.m. – 4:05 p.m. EST

Diplomat Convention Center–Grand Ballroom East–Level 2

Speaker Biographies

Session 1:

Dan Schelp

Chief Counsel, Regulatory Affairs, National Association of Insurance Commissioners



Dan Schelp serves as Chief Counsel, Regulatory Affairs in the Legal Division for the NAIC. He joined the NAIC in 2006 following 20 years of legal experience in the insurance industry. In his current role, Mr. Schelp consults with and advises regulators and NAIC staff on legal issues affecting state insurance regulation.

Prior to joining the NAIC he held a number of positions in private law practice and the insurance industry, including positions in legal, claims and underwriting. The primary focus of his practice was in group insurance products and employee benefit plans. Mr. Schelp provides legal staff support to the NAIC's Risk Retention Group (E) Task Force, Reinsurance (E) Task Force, Surplus Lines (C) Task Force, and Life Actuarial (A) Task Force, as well as the Financial Regulation Standards and Accreditation (F) Committee.

Mr. Schelp is a graduate of St. Paul's College and the University of Missouri-Columbia, where he received both his undergraduate and law degrees. He has been licensed to practice law in the State of Missouri since 1983.

Sandy Bigglestone**Deputy Commissioner—Captive Insurance Division, Vermont Department of Financial Regulation**

Sandy is the Deputy Commissioner of the Captive Insurance Division of the Vermont Department of Financial Regulation. As the leader of the Division, she is responsible for the administration and regulation of captive insurance companies and risk retention groups. Having been with the Division since 1997, Sandy has a few decades of experience and has had a successful career regulating captive insurance. She was appointed as Deputy Commissioner effective September 1, 2022, after serving as a principal staff member to her predecessor for 14 years.

From December 28, 2024 to April 14, 2025, Sandy served Vermont as Acting Commissioner of the Department of Financial Regulation.

Sandy is a Certified Public Accountant, Certified Financial Examiner, a Certified Public Manager with the State of Vermont, and earned an Associate Professional in Insurance Regulation designation from the National Association of Insurance Commissioners.

In 2018, Sandy was a recipient of the Women to Watch Award presented by *Business Insurance* for her leadership, expertise, and accomplishments in the captive insurance industry.

The *2024 and 2025 Captive Review Power 50*, which recognizes the most influential professionals in the global captive insurance industry, named Sandy at #1.

Also in 2024, Sandy was nominated and selected as one of the top 50 female leaders in the captive industry by *Captive International*.

Christine Brown

Director of Captive Insurance, Vermont Department of Financial Regulation

Christine Brown is the Director of Captive Insurance with the Vermont Department of Financial Regulation where she directly supports the Deputy Commissioner in the supervision of Vermont's 700+ active domestic captive insurance companies. She oversees the licensing process and is responsible for business plan approvals, strategic planning, legislative initiatives, and industry outreach. Christine has been with the Captive Division since 2003 and has been involved in all aspects of the analysis and examination processes. Prior to joining the Captive Division, Christine spent seven years in public accounting - with Johnson Lambert in Burlington, VT, specializing in captive insurance, and with Ernst & Young in Boston, MA. Christine received a MBA and MS in Accounting from Northeastern University and a BA in Political Science from Regis College.

Gerald Yoshida
Partner, Goodsell Anderson Quinn & Stifel



Gerald (Jerry) C. Yoshida practices in the area of corporate and insurance regulatory law, with an emphasis in captive insurance and risk retention groups.

Gerald was instrumental in licensing the first captive insurance company in the State of Hawai'i in 1987. His practice covers a broad scope of insurance regulatory and captive insurance matters, where his years and depth of knowledge and experience allow him to advise clients on a variety of routine as well as complex insurance arrangements, and corporate governance matters. Gerald's clients range from privately-held entities to national and multi-national Fortune 500 and Fortune 500 companies located both in and outside of U.S., including Japan. He also serves as a speaker and instructor on captive insurance matters locally, nationally, and internationally. In 2024, he was recognized by Captive Review as one of the 25 most influential captive insurance figures since 1999.

Outside the Office

Gerald is a strong supporter of education. He is a member of the Pacific University Board of Trustees, where he has served as Board Chair from July, 2016 to June, 2022. He also established a scholarship for Hawaii students at Pacific in the name of his parents, both of whom were elementary school educators and principals, and is a member of the Charles Reed Hemenway Scholarship Committee at the University of Hawaii.

Living in Hawaii, one cannot help but appreciate the ocean. Gerald is an avid outrigger canoe paddler, and has been a member of State Championship and Molokai Channel crews.

Joe Deems**Executive Director, National Risk Retention Association**

Until his agreement to serve as Executive Director, Joseph (Joe) Deems served as a member and officer on the Board of Directors of NRRRA. He also continues to serve as Chairman of NRRRA's Government Affairs, which he took over in 2008. *Government Affairs* generates and manages NRRRA's response to all past and developing regulatory or legislative matters which impact risk retention or purchasing groups nationwide. Its responsibilities include mobilization of industry leadership taking all forms of direct *legislative, regulatory and judicial* advocacy.

As NRRRA's CEO, Joe has guided the association and its mission through a strong emphasis upon communication and education, whether that be in media publications, or before the NAIC, or other industry associations, and the development of resources to lead and educate NRRRA's membership in navigating the complex world of captive insurance regulation. He is the principal author of most of NRRRA's *amicus curiae* (friend of the court) briefs filed in state and federal courts of appeal, state supreme courts, including the U.S. Supreme court, over the past twelve (12) years.

Joe's professional career includes over forty-five (45) years of experience as a trial counsel in both state and federal courts with an emphasis on commercial, insurance law, and tort defense litigation. His practice also includes transactional corporate affairs and business company formations. From 2003 through 2010 he served as General Counsel for an RRG he helped form in 2003, guiding that company through its corporate regulatory issues and challenging claims risk management.

Among other law related and community activities, Joe previously served as International Justice (Board Chair), General Counsel, and on the Executive Board of Directors of Phi Alpha Delta Law Fraternity International, and that of its wholly owned Public Service Corporation located in Washington, D.C. His voluntary professional and law industry contributions continue to include pro bono representation of some elderly people in handling their legal affairs.

A regular contributing author in multiple industry publications and speaker at industry events, Mr. Deems received his J.D. from Southwestern University School of Law and a B.A. from Loyola University of Los Angeles, California. He lives in Los Angeles, California, with his wife, Sharon. Extracurricular pursuits include golf, fishing and woodworking.

Session 2:

Karen Schutter

Executive Director, Interstate Insurance Product Regulation Compact



Karen is the Executive Director of the Interstate Insurance Product Regulation Compact (Insurance Compact). Karen oversees the day-to-day management of the IIPRC and its product filing operations including providing support to the members of the Commission and its committees to fulfill their respective missions. She facilitates communication with non-compacting states, industry and consumers about the benefits of the Compact as well as ensures a high-quality product review process for compacting states and filers.

Prior to joining the IIPRC, Karen Schutter was with the National Association of Insurance Commissioners (NAIC) for ten years, serving in various legal and management capacities. When the IIPRC became operational in May 2006, Karen coordinated its legal and operational implementation including supporting the members in setting up its committee structure, drafting its bylaws and initial rules, and implementing its electronic filing platform. She also spent several years providing legal support to the business and regulatory operations of NAIC, IIPRC and the National Insurance Producer Registry.

Prior to joining the NAIC, Ms. Schutter was in private practice representing several national associations. Ms. Schutter attended Creighton University where she received a Bachelor of Science Degree in Business Administration. She received her Juris Doctor from the University of Kansas. She is licensed to practice in Kansas and Missouri.

Dan Bradford

Director of Regulatory Affairs and Counsel, Interstate Insurance Product Regulation Compact

Dan is the Director of Regulatory Affairs and Counsel for the Interstate Insurance Product Regulation Compact (Insurance Compact). Dan is responsible for developing and overseeing strategies that align with member goals and promote robust member engagement and collaboration.

Prior to joining the Insurance Compact, Dan served as Assistant General Counsel to the Ohio Department of Insurance. In this role, Dan was responsible for managing a team of attorneys that supported the Department's various divisions, including the Office of Product Regulation and Actuarial Services, Consumer Services, Market Conduct, Policy and Legislation, and the Office of the Executive. During his time with Ohio Department of Insurance, Dan was actively involved in representing the Department with the NAIC and Insurance Compact.

Dan began his career in private practice in Cincinnati, Ohio before taking on an in-house role with a large general agency. Dan earned his Bachelor of Science in Business Administration from Xavier University and a law degree from Northern Kentucky University.

Session 3:**Lloyd Freeman****Chief Experience Officer, Buchanan Ingersoll & Rooney**

As the Chief Experience Officer, Lloyd Freeman plays a pivotal role in enriching the firm's culture by cultivating an inclusive environment where every employee feels valued and engaged. He leads the firm's diversity & inclusion program, which focuses on advancing inclusion both internally, across the legal industry and in the communities where Buchanan operates. He is dedicated to ensuring exceptional client satisfaction by developing innovative strategies that promote positive client interactions and highlight the unique offerings available through the firm's full-service platform. Lloyd collaborates closely with Buchanan's recruiting team to refine recruitment strategies, ensuring that the firm's core values resonate with prospective candidates. He also nurtures relationships with firm alumni and forges connections within the legal community; all aimed at supporting the firm's overarching growth and seamless integration.

In his role, Lloyd is responsible for expanding the firm's diversity initiatives related to attorney hiring, retention, and advancement, while overseeing the Diversity & Inclusion Council. He promotes equitable policies, mentorship, and sponsorship as key retention strategies. Utilizing data and analytics, Lloyd identifies potential risk areas and emphasizes accountability to drive meaningful impact. Lloyd is known for his ability to develop creative, mutually beneficial programs for firm clients, community organizations and corporate partners through initiatives like the firm's supplier diversity and corporate share programs.

Lloyd has been a champion of diversity and inclusion in the legal profession throughout his career, including in his roles as a litigation partner and a Chief Diversity Officer at his previous firm. He is a sought-after speaker and is frequently called upon to discuss diversity-related topics and corresponding impacts on corporations and their employees. He frequently shares his expertise with media outlets, nonprofits, Fortune 500 companies, bar associations and others.

Lloyd speaks and publishes articles on a wide range of topics, including implicit bias, microaggressions, psychological safety, operationalizing D&I, and inclusive leadership. Following the Supreme Court's ruling in *Students for Fair Admissions, Inc. v. University of North Carolina, et al.* and *Students for Fair Admissions, Inc. v. President & Fellows of Harvard College*,

Lloyd has spoken frequently on the practical and legal implications of conducting diversity programs within corporations.

CLE Moderator:**Olivea Myers****Legal Counsel III, National Association of Insurance Commissioners**

Olivea Myers joined the NAIC's Legal Division in July 2019. Ms. Myers performs state accreditation reviews, and provides legal support, guidance, and counsel to the NAIC for various corporate and business matters, including intellectual property issues. Ms. Myers also tracks and provides legal support for various regulatory matters, including the Life Insurance and Annuities (A) Committee, Health Insurance and Managed Care (B) Committee, Receivership and Insolvency (E) Task Force, and Third-Party Data and Models (H) Working Group. Ms. Myers tracks emerging statutes and pending legislation and provides support in updating and maintaining the NAIC Retaliation Guide and contributes annually to the Journal of Insurance Regulation. Ms. Myers also manages the Legal Intern program.

Prior to joining the NAIC, Ms. Myers served as an Assistant Attorney General at the Missouri Attorney General's Office in the Habeas Unit where she responded to writs of habeas corpus and declaratory judgment actions on the state and federal level. Ms. Myers also handled the appeals in her cases arguing before both the Missouri Supreme Court and the Missouri Court of Appeals. Ms. Myers is a 2012 *summa cum laude* graduate of Georgia State University, and she received her juris doctor from the University of Tennessee College of Law in 2016. Ms. Myers is licensed to practice law in Missouri, Kansas (inactive), Tennessee (inactive), Georgia, and the District of Columbia.

OUR MEETING WILL BEGIN SHORTLY

[NAIC CLE: Risk Retention Groups, Annuities, and Other Topics]

Virtual Attendees

- Audio will be muted upon entry.
- To request to speak, use the "Raise Hand" feature. The chair will be alerted.
- Video optional.
- Use the "Chat" feature for questions, comments, or assistance.
- If joining by phone, press *6 to mute/unmute.

Webex help or other technical issues: (816) 783-8960



**NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS**

CLE Credit Requirements

**Complete the QR Code/link AT
CONCLUSION OF EVENT!**

1. Enter the CLE code read during the program
2. Enter the jurisdictions licensed and bar numbers
3. Indicate you attended the program in full

An email confirmation will be sent to you upon receipt of your completed form.

Open Camera, Use QR Code for CLE Attendance
Verification



If Attending by Phone, Use Link for CLE Attendance
Verification:

https://CEUInstitute.formstack.com/forms/naic_12_07_2025_fall_meeting

Thank you for
attending today's
program!



Complete this QR Code or Link Immediately
following this event.

An email confirmation will be sent to you
upon receipt of your completed form.



Risk Retention Groups in Practice: Insights from Regulators and Industry

Dan Schelp (NAIC), Sandy Bigglestone (Vermont Department of Financial Regulation), Christine Brown (Vermont Department of Financial Regulation), Jerry Yoshida (Goodsill Anderson Quinn & Stifel), and Joe Deems (National Risk Retention Association)

Liability Risk Retention Act of 1986 (LRRRA)

- A Risk Retention Group ("RRG") is a risk-bearing entity that must be chartered and licensed as an insurance company in one state.
- The primary purpose of the RRG is to assume and spread the commercial liability risk of its members.
- Once the group has obtained a license from a state, it may operate in all other states without the necessity of a separate license.

The LRRA

- “Commercial liability” means exposures due to business (profit or non-profit), trade, product, services (including professional services), premises, or operations
- It includes exposures of state and local governments, their agencies, or political subdivisions
- It excludes exposures arising from personal, family, or household activities
- It excludes workers’ compensation

Chartering Standards for RRGs

- An RRG must meet the chartering standards of its state of domicile.
- In some states, RRGs are chartered under captive laws. These laws may provide for standards that differ from those applicable to conventional property/casualty insurers.
- Domiciliary states that license RRGs as captive insurers are subject to NAIC Accreditation standards Parts A, B and C.
- There are several additional requirements of the LRRA that must be met in order to qualify as an RRG which are set forth in the definition of an RRG.

RRGs Defined

- RRG must be owned by its policyholders
- RRG policyholders must have similar or related liability exposure
- RRG is only permitted to write commercial liability insurance for its members, with one exception:
 - RRG may write reinsurance with respect to the liability of any other risk retention group (or any members of another risk retention group) which is engaged in businesses or activities so that the group or member meets the requirement for membership in the risk retention group which provides the reinsurance

2024 RRG Industry Summary

- 246 RRG's
- 80% were domiciled in Vermont, South Carolina, Alabama, DC or Hawaii
- \$5.4B in gross writings (1% of the P/C market)
- \$3.1B retained
- 56% of direct premiums were concentrated, with New York leading at 16%. Pennsylvania, California, Florida, Texas and Massachusetts.
- 37 RRGs reported an RBC ratio of 300% or less

NAIC Financial Regulation Standards & Accreditation Program

States that charter Risk Retention Groups are subject to financial regulation standards that are essentially the same, with some modifications and adaptations ("accreditation interlineations") to meet the unique needs and conditions of the RRG marketplace and to comport with the Liability Risk Retention Act.

Part A Laws & Regulations Comparison

Traditional Regulation	Risk Retention Group Regulation
Examination Authority	Identical
Capital and Surplus Requirement	Identical w/ accreditation interlineations for RBC action levels.
Accounting Practices and Procedures	NAIC Annual Statement Blank; follow accounting procedures and practices prescribed by NAIC Accounting Practices and Procedures Manual or another basis of accounting as permitted or prescribed by state law or regulation.
Corrective Action	Identical
Valuation of Investments	If a basis of accounting other than NAIC SAP is used, the state must have authority to determine the valuation of securities.
Insurance Holding Company Systems	Identical

Part A Laws & Regulations Comparison

Traditional Regulation	Risk Retention Group Regulation
Risk Limitation	State law should provide the state insurance department with clear authority in statute or regulation to limit the net amount of risk retained for an individual risk.
Investment Regulations	Identical
Liabilities and Reserves	State statute should prescribe minimum standards for the establishment of liabilities and reserves resulting from insurance contracts issued by an RRG; including unearned premium reserves and liabilities for claims and losses unpaid and incurred but not reported claims.

Part A Laws & Regulations Comparison

Traditional Regulation	Risk Retention Group Regulation
Reinsurance Ceded	State law should contain the NAIC Credit for Reinsurance Model Law, the NAIC's Credit for Reinsurance Model Regulation or substantially similar laws. (Specific additional regulations have been developed for RRGs when obtaining reinsurance from affiliates or other reinsurers that may not meet the traditional guidelines)
CPA Audits	Identical
Actuarial Opinion	Identical
Receivership	Identical

Part A Laws & Regulations Comparison

Traditional Regulations	Risk Retention Group Regulations
Guaranty Funds	RRGs are prohibited from participating in guaranty funds by the LRRRA.
Filings with NAIC	Identical
Producer Controlled Insurers	Identical
Managing General Agents Act	Identical
Reinsurance Intermediaries Act	Identical
Regulatory Authority	Not Included since RRGs don't follow UCAA process. (RRG state statutes and regulations incorporate a framework for organization, licensing and change of control of domestic RRGs, including the registration requirements in accordance with the federal LRRRA)

Part A Laws & Regulations Comparison

Traditional Regulations	Risk Retention Group Regulations
Risk Management and Own Risk and Solvency Assessment	Identical
Corporate Governance	State statute or regulation should contain a requirement for prescriptive governance standards of domestic RRGs that is substantially similar to the NAIC Model Risk Retention Act.

Part B: Regulatory Practices and Procedures

- Part B standards are established to ensure adequate solvency regulation of multi-state insurers and RRGs alike; there are no separate standards for RRGs. The standards require that insurance departments have sufficient qualified staff and resources to conduct a detailed, priority-based financial analysis of each company with documented analysis procedures. Appropriate, timely, in-depth supervisory review is required, as is communication of findings and appropriate action on those findings. There is no differentiation made by the accreditation program between traditional company regulation and RRG regulation in this regard.
- Part B outlines similar standards for the financial examination process, requiring evidence of sufficient staffing, use of appropriate procedures, and adherence to the NAIC Financial Condition Examiners Handbook for the conduct of risk-focused examinations. The only significant difference between traditional company examinations and RRG examinations derives from the single-state nature of RRG regulation: the state of domicile of the RRG normally conducts examinations without coordinating with other states.
- The third section of Part B standards deals with Information Sharing and Procedures for Troubled Companies. There is no distinction made between traditional companies and RRGs in the standards.

Part C: Organizational and Personnel Practices

- Part C standards require insurance departments to have a policy that encourages the professional development of staff through college courses, professional designation programs or other training programs. Part C also requires the establishment of minimum educational and experience requirements for all staff commensurate with the duties and responsibilities of their positions. Last, the department should be able to attract and retain qualified personnel.

Part D: Organizational, Licensing and Change of Control of Insurers

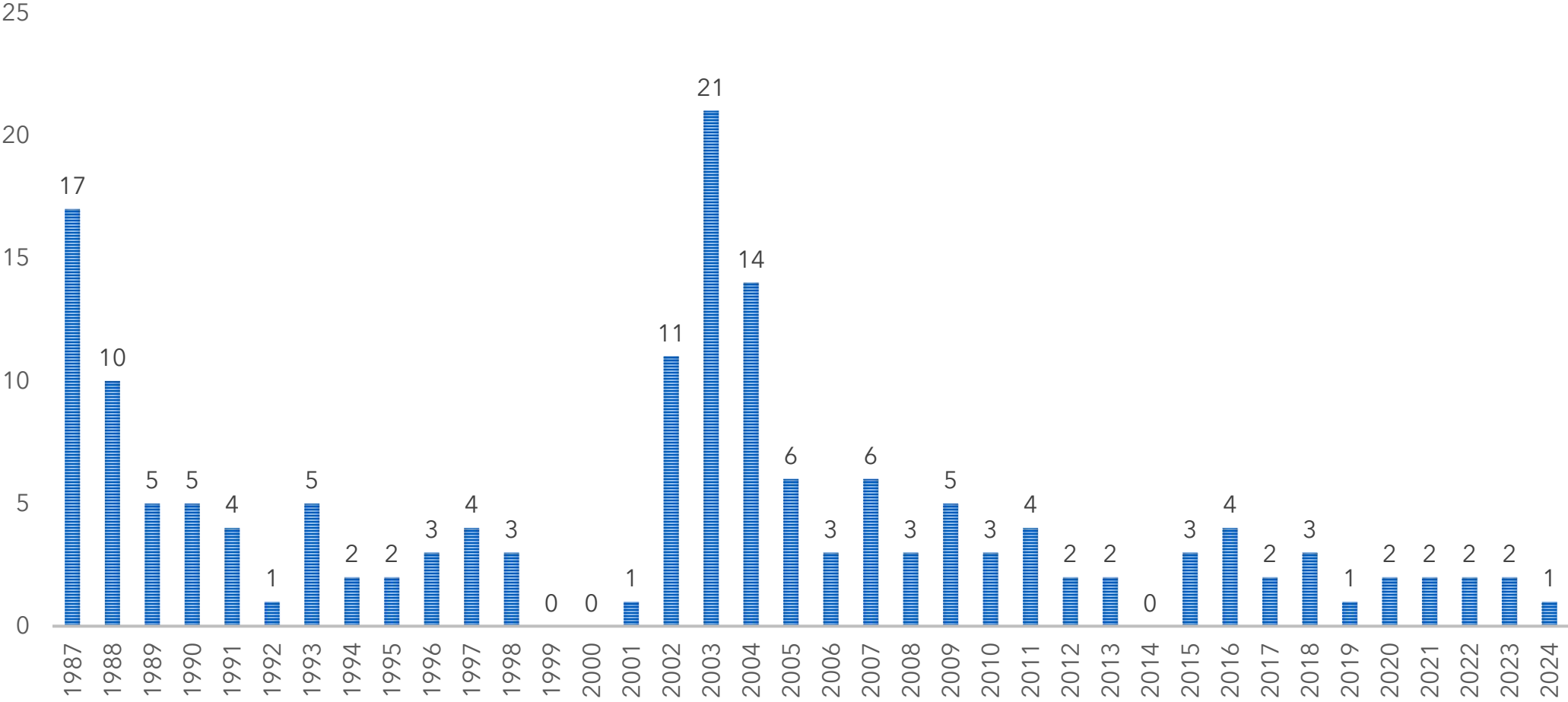
- Part D standards only apply to traditional life/health and property/casualty insurers, and do not apply to health maintenance organizations, health service plans, and captive insurers, including captive RRGs. However, the standards are straight forward, requiring qualified staff, sufficient resources, and documented procedures for the licensing of new companies. The standards, which are not yet considered an accreditation requirement, should be easily met by any accredited state accepting applications for new companies, traditional or RRG.

Following the passage of the *LRRA*

- Vermont is the leading RRG domicile.
- Healthcare is the largest sector but not dominant at about 30% of all RRGs, nationally.
- RRGs serving the Government & Institutions sector have done particularly well long-term—United Educators RRG, Housing Authority RRG, States RRG and National Catholic RRG are Vermont-domiciled RRGs active since the 1980s.
- Good diversity of formations with most business sectors currently active represented.

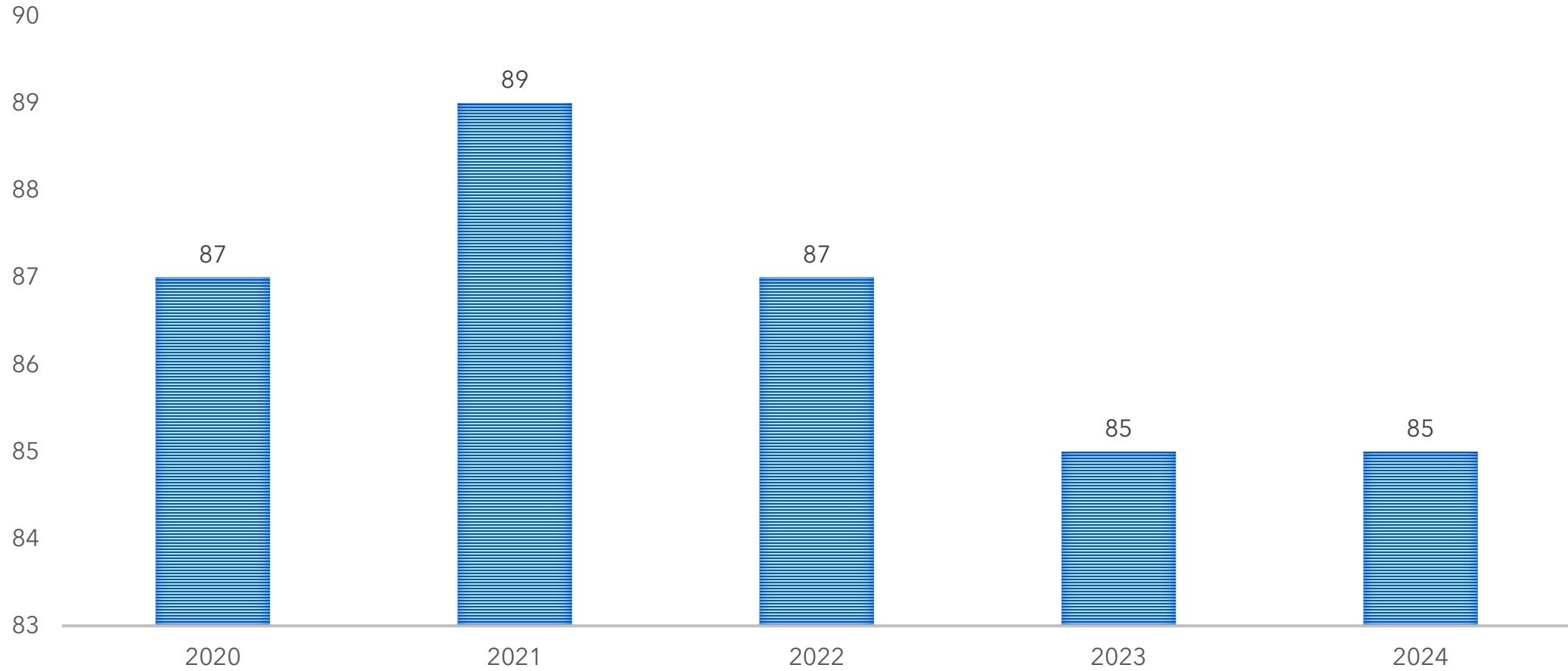
VERMONT RRG FORMATIONS

■ Vermont RRG Formations

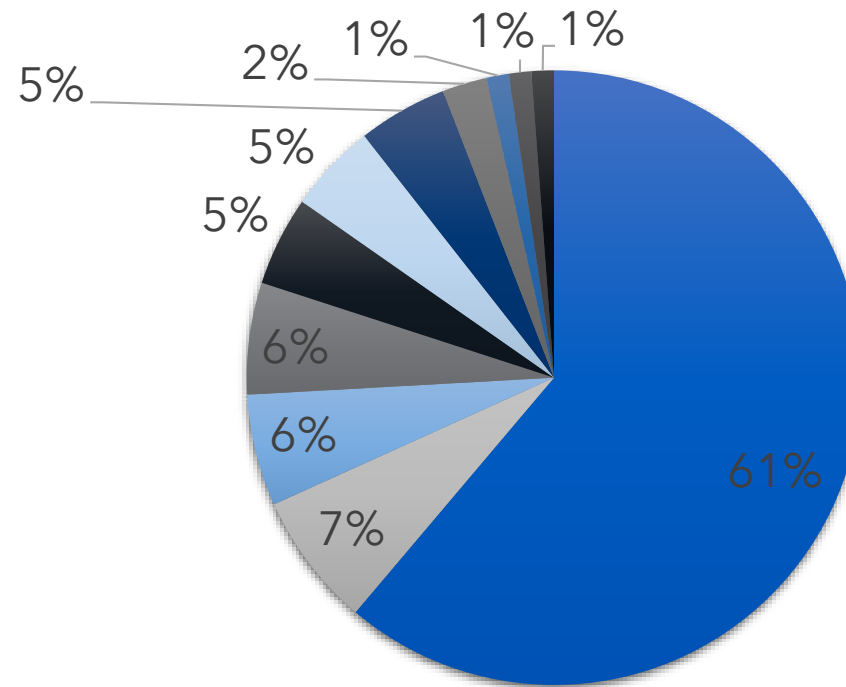


VERMONT RRGs

■ Vermont RRGs

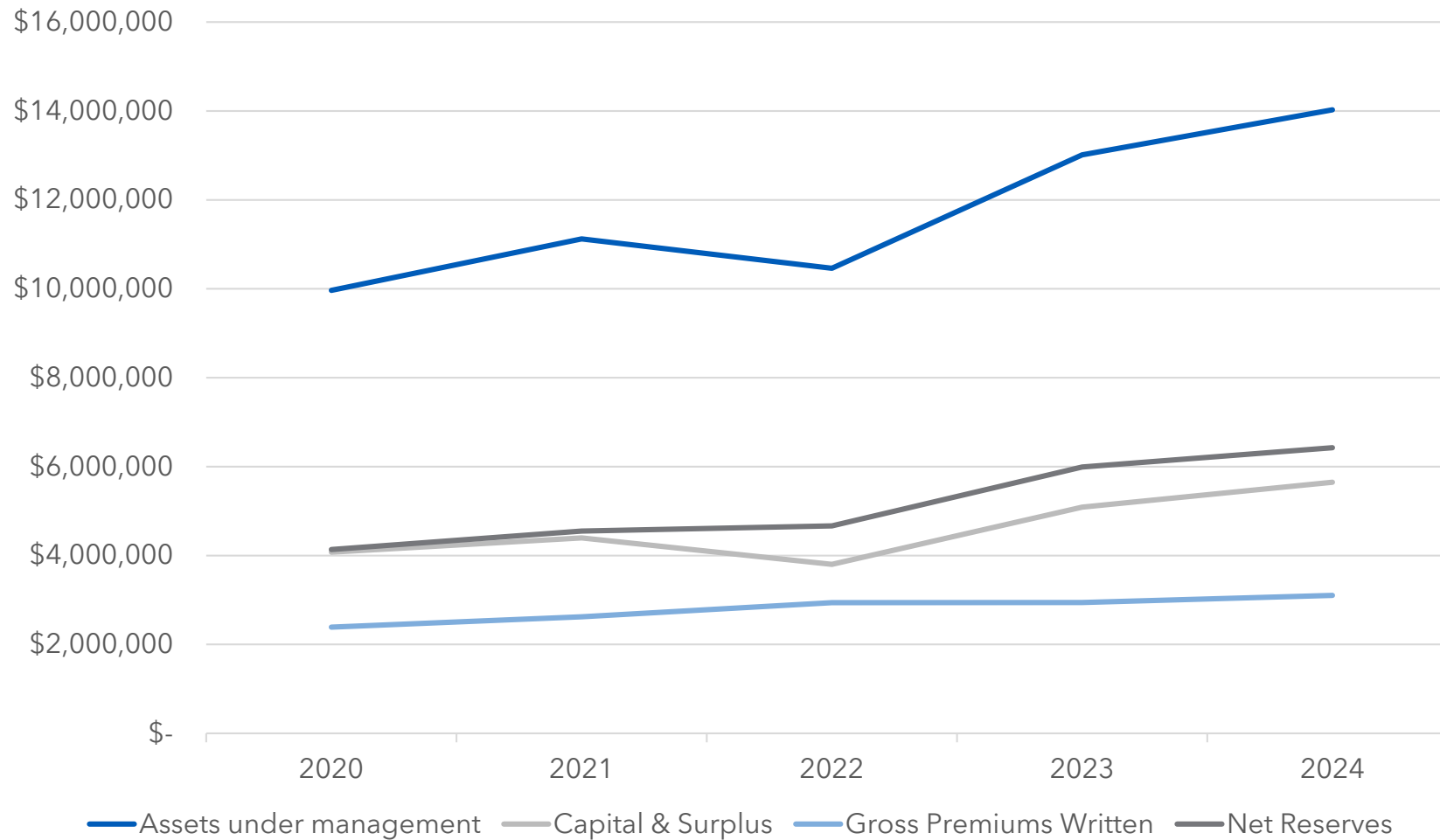


Vermont RRGs by Sector as of 12/31/2024



- | | | |
|-----------------------------|------------------|------------------------|
| ■ Healthcare | ■ Transportation | ■ Education |
| ■ Nonprofit or Municipality | ■ Other | ■ Professional Service |
| ■ Religious Institutions | ■ Manufacturing | ■ Construction |
| ■ Insurance | ■ Securities | |

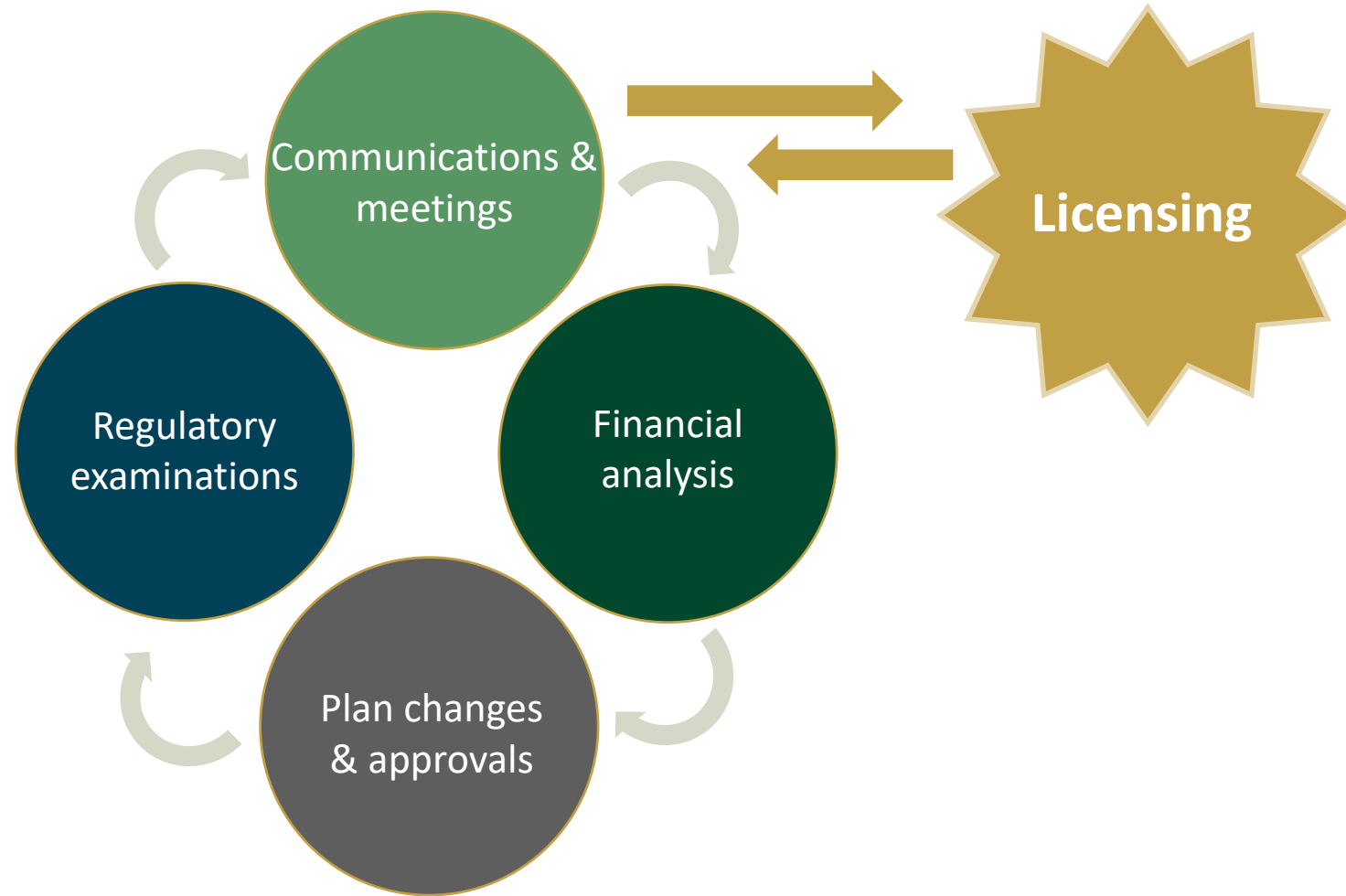
Vermont RRG Key Annual Statement Totals (in thousands)



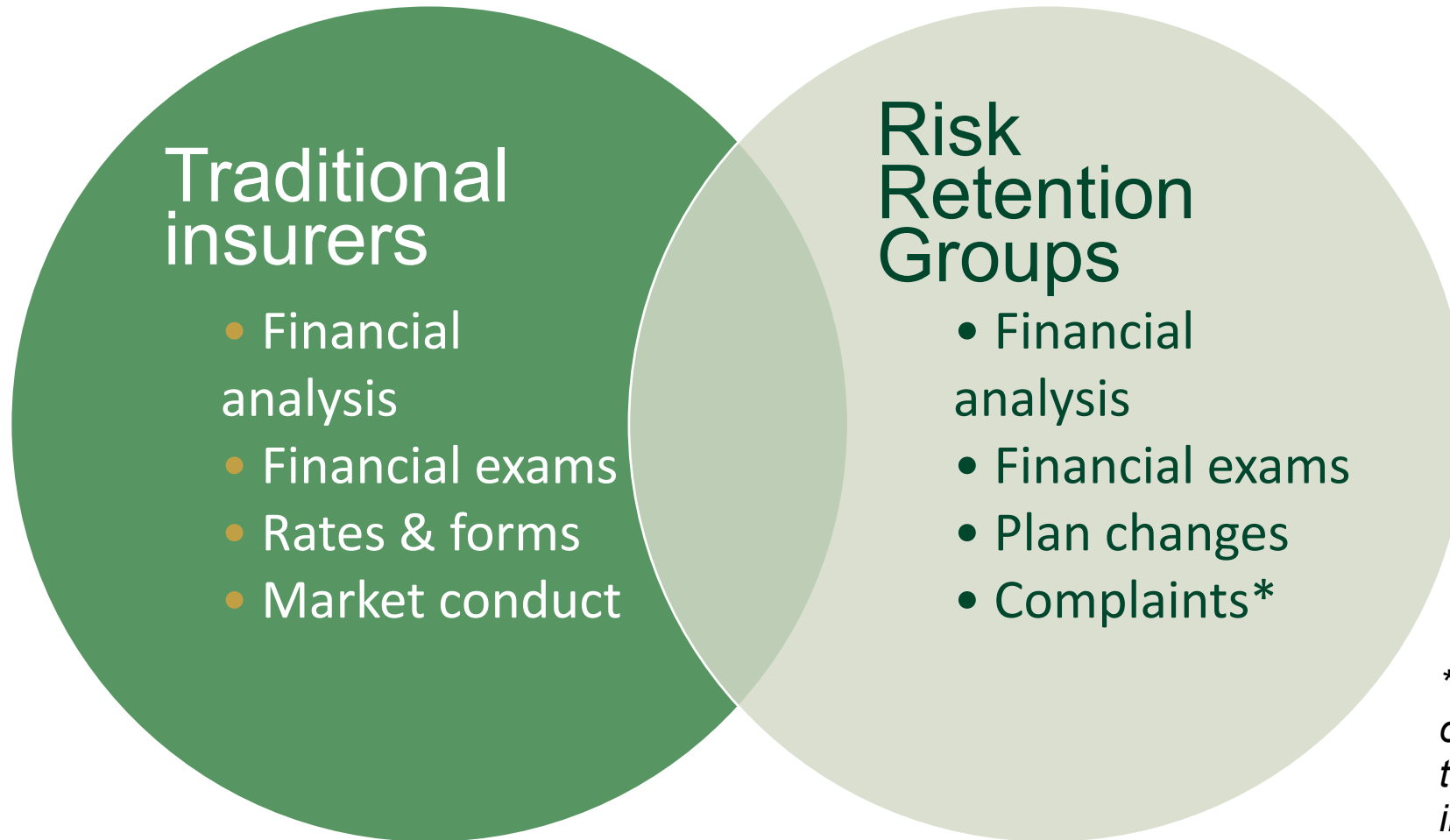
Key Financial Ratios- VT RRGs 12/31/24

Reserves to Surplus	114%
Net Premium Written to Surplus	37%
Loss Ratio	89%
Combined Ratio	108%

Vermont's regulatory approach



The role of state regulation



**very low volume of complaints due to ownership and insureds being one and the same*

Permissible Non-Chartering State Regulation

An RRG is exempt from any non-domiciliary state law, rule or regulation that would discriminate against an RRG or any of its members, or that would regulate the operation of an RRG or make the operation of an RRG unlawful except that any state can require an RRG to:

- Comply with unfair claim settlement practices
- Pay applicable premium or surplus lines taxes
- Participate in shared risk and residual market mechanisms
- Designate the insurance commissioner as agent for service of process
- Submit to a financial examination if the chartering state has not initiated such an examination
- Comply with state deceptive, false, or fraudulent trade practice laws
- Comply with lawful orders for delinquency or dissolution proceedings
- Comply with a court-ordered injunction for hazardous financial condition
- Include a notice in insurance policies, in 10-point type, stating the RRG is not subject to all state laws and regulations, and that the insolvency guaranty fund is not available for the RRG.

Permissible Non-chartering State Regulation (continued)

- In each state in which the RRG intends to do business, the RRG must submit a copy of the same feasibility study or plan of operation as filed with the domicile or chartering state
- In each state in which an RRG is conducting business, it must submit a copy of the same annual financial statement as filed with the domicile or chartering state
- The LRRRA does not permit an RRG to write coverage that is prohibited by any state statute or by the highest court in a state
- The LRRRA does not exempt an RRG from the policy form or coverage requirements of any state motor vehicle no-fault or motor vehicle financial responsibility law
- Subject to the LRRRA's provisions prohibiting RRG discrimination, the LRRRA does not preempt state financial responsibility laws or regulations that establish conditions for obtaining a license or permit or to conduct certain activities in the state

An RRG Case Study: Concept to Operation

Context:

- RRG is owned by its insureds (LRRA) / Reputational risk of owners / insureds
- NAIC – RRG Governance Standards
 - Majority of governing body must be independent-annual notification to domiciliary regulator
 - Annual review of purpose and officers and service providers
 - Board peer review
- Statutory financial, actuarial and where applicable, insurance holding company filings
- Domiciliary regulator approval of all dividends and business plan changes; exams
- AM Best or Demotech rating

Focus and Approach:

- Long-term risk financing vehicle for owners/insureds
- Solvency and durability (available & competitively priced insurance)
- Security of insurance vs. ROI for unrelated shareholders

What is the National Risk Retention Association (NRRA)?

- Non-profit trade association formed in 1987
- The only trade association dedicated to regulatory, legislative and judicial advocacy on behalf of RRGs and RPGs

NRRA's Focus:

- Educating our RRG and RPG members, the industry and state insurance regulators about the federal law
- Advocating to protect the rights of RRGs and RPGs at the NAIC, federal and state levels
- Supporting litigation and cases in defense of RRGs and RPGs under the federal law

NRRA Educational Resources:

- Website: www.riskretention.org
- NRRA Annual National Conference
- NRRA Annual RRG Leaders Summit
- NRRA-In-Vision
- Collegiate Research Insurance Shadow Program (CRISP)

NRRA Collaboration Initiatives with the NAIC:

- NAIC Model Risk Retention Act
- Part A Accreditation Standards for RRGs organized as captives
- State Regulator Guidance:
 - Risk Retention and Purchasing Group Handbook
 - Risk Retention Groups: Frequently Asked Questions
 - Best Practices – Risk Retention Groups
- NAIC Committees
 - Risk Retention Group (E) Task Force
 - Other committees/projects impacting RRGs and RPGs

KEY CASES INVOLVING REGULATION OF RRGs

SOME REGULATOR CASES DISTINGUISHED

Non-domiciliary states cannot impose additional licensing, capital, registration, fees or filing requirements on RRGs beyond what is expressly allowed by the LRRA

NRRA vs. Brown (1996)

- Struck down Louisiana's attempt to illegally regulate RRGs (e.g., requiring \$5 million in capital/surplus, mandating a \$100,000 bond, imposing a \$1,000 annual registration fee, and demanding additional plans of operation)

States cannot use state laws or requirements to indirectly block RRGs from operating because doing so is discriminatory and violates the LRRA's federal preemption.

National Warranty Insurance Co. vs. Greenfield (2000)

- Oregon required that reimbursement insurance for service contracts be written by a licensed and admitted insurer
- The court ruled that Oregon's requirement was discriminatory towards RRGs holding the Oregon Service Contract Act prohibiting reimbursement insurance policies to automobile dealers to cover their liability was preempted by the LRRA.

States cannot use state laws or requirements to indirectly block RRGs from operating because doing so is discriminatory and violates the LRRRA's federal preemption. (continued)

ALAS v. Fitzgerald (W.D. Mich. 2001)

- The test as to whether the policies make it ineligible to be a risk retention group, is not governed by the language of the policies, (citing examples) but rather to RRGs "whose primary activity consists of assuming, and spreading all, or any portion, of the liability exposure of its group members," 15 U.S.C. §3901(a)(4)(A) (This was also a fees case.)

Non-domiciliary state regulators cannot decide whether an entity qualifies as an RRG, redefine the scope of “liability insurance” under federal law, or enforce cease-and-desist orders without going through a court of competent jurisdiction (i.e., federal court)

Auto Dealers RRG vs. Poizner (2008)

- The California Department of Insurance (CDI) issued a “cease and desist” order to Auto Dealers RRG, claiming that Auto Dealers RRG 1) was not a valid RRG under the LRRRA, 2) was selling “contractual liability,” which CDI argued was not covered under the LRRRA, and 3) could be blocked administratively by the CDI without court action.
- The Eastern District of California issued its preliminary injunction against the California Department of Insurance prohibiting its use of a “**cease and desist**” order on the grounds that such was categorically preempted by the LRRRA.

Non-domiciliary state regulators cannot decide whether an entity qualifies as an RRG, redefine the scope of “liability insurance” under federal law, or enforce cease-and-desist orders without going through a court of competent jurisdiction (i.e., federal court) (continued)

Alliance of Nonprofits for Ins. RRG (ANI) v. Kipper (9th Cir. 2013).

- Five years after *Auto Dealers*, the 9th Circuit **permanently enjoined** the Nevada Commissioner’s use of a “**cease and desist**” order claiming that ANI’s first dollar liability insurance for its members’ vehicles did not satisfy the State’s financial responsibility law because the RRG’s insurance was not issued by a carrier that was “licensed and admitted.”
- Predictably, California backed Nevada with an *amicus curiae* brief and oral argument before the 9th – and lost again.

Non-domiciliary states cannot decide that the policy of an RRG does not qualify as “liability” insurance

- In every case we have seen where a non-domiciliary state decides that some RRG’s policy does not qualify as “liability” insurance, each of those states have/had approved the identical coverages as “liability” insurance for other carriers to write in those states - - i.e., discrimination (§ 3902 [a][4].)

**STATE STATUTORY LAWS DISTINGUISHED
ATTEMPTS TO REGULATE
THE BUSINESS OR OPERATIONS OF RRGs
(§3902[a][1])**

State courts cannot apply a state law that directly or indirectly regulates an RRG's coverage, policy language, decisions, claims handling, or legal exposure, unless the LRRA expressly allows it.

Allied Professionals Ins. Co. RRG vs. Wadsworth (2014) (2nd Circuit CofA)

Reis v. OOIDA Risk Retention Group (2018)(Georgia Supreme Court)

- Both cases categorically held that “direct action” statutes are preempted by the Federal LRRA

State courts cannot apply a state law that directly or indirectly regulates an RRG's coverage, policy language, decisions, claims handling, or legal exposure, unless the LRRA expressly allows it. (continued)

Speece vs. Allied Professionals Insurance Co. (2015)(Nebraska Supreme Court)

Allied Professionals Ins. Co. vs. Anglesey_(2020) (9th Circuit CofA)

- Both cases consistently held that the LRRA preempts state laws which prohibit the enforcement of "arbitration" clauses in RRG insurance contracts

Attorneys Liab. Prot. Soc'y, Inc. v. Ingaldson Fitzgerald_(2016) (9th Circuit CofA)

- State statute's prohibition on reimbursements of fees and costs incurred by an insurer after successfully defending a non-covered claim was preempted by the LRRA ... because the statute placed a restriction on Alaska insurance contracts and therefore the statute could not be applied to an RRG.

Some Key Take Away Points from the case law

- The solution to all of these cases lies in education and communication, as political/legislative amendments would be too challenging for all of us.
- The state law cases vastly outnumber the number of regulator cases
- Misinformation spanning decades has resulted in a misguided failure in statutory language to distinguish between an “authorized” insurer versus one that is “licensed and admitted.”
- Only the domiciliary state has the plenary authority to determine the validity, i.e., existence of an RRG.

Some Key Take Away Points from the case law (continued)

- Contractual liability (such as coverage for dealer warranties or service contracts) is within the federal definition of “liability insurance.”
- Non-domiciliary states must seek injunctive relief in courts of competent jurisdiction to restrict an RRG and that **cease and desist orders are illegal.**
- State administrative hearing courts are not courts of competent jurisdiction.
- NRRA HELPS TO HELP - With the help of the RRG Working Group, and NAIC’s support, we can fulfill our mission that regulators should be our friends not our foes!

QUESTIONS?

Break

The Ins & Outs of Annuity Products

Karen Schutter, Compact Executive Director

*Dan Bradford, Compact Director of Regulatory Affairs
and Counsel*

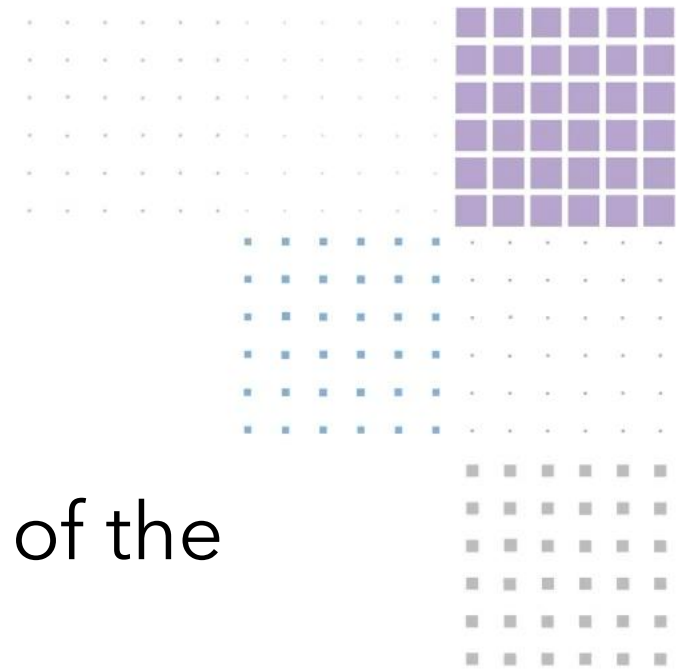
TOPICS

- What is an Annuity?
- Types of Annuity Products
- Current Annuity Product Trends
- Who Regulates Annuities?
- State Regulatory Framework for Annuities
- Current Annuity Litigation Trends

What is an Annuity?

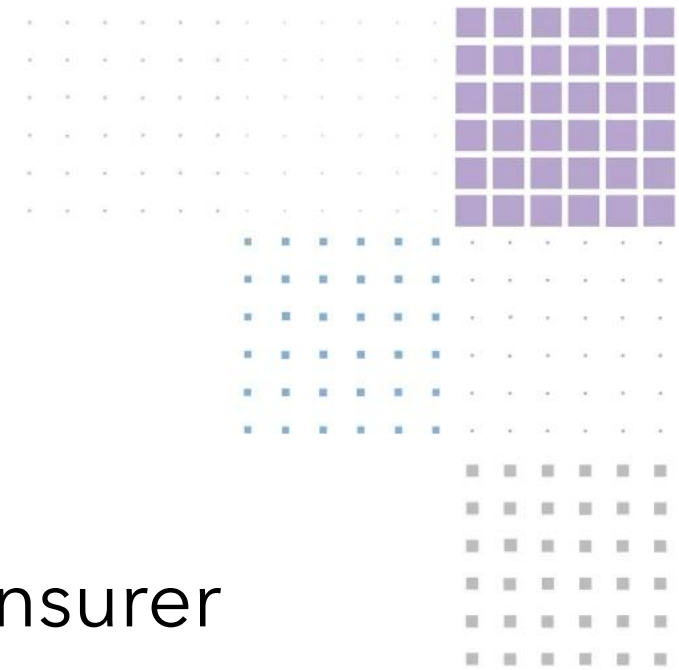
An annuity is a contract where an insurer agrees to make periodic payments for a specific term or for the duration of a person's life, in exchange for a lump sum or series of payments

Key Characteristics of Annuity Contracts



- *Immediate* – begin payments within one year of the contract date
- *Deferred* – future payments after at least one year of contract date and usually after accumulation period
- *Single Premium* – fully funded with one payment
- *Flexible Premium* – pay incrementally over time

Key Characteristics of Annuity Contracts



- *Fixed* – return (based on interest rate) set by insurer
- *Variable* – return based on the performance of investment choices
- *Indexed* – credit based on index performance

Key Stages of Annuity Contracts

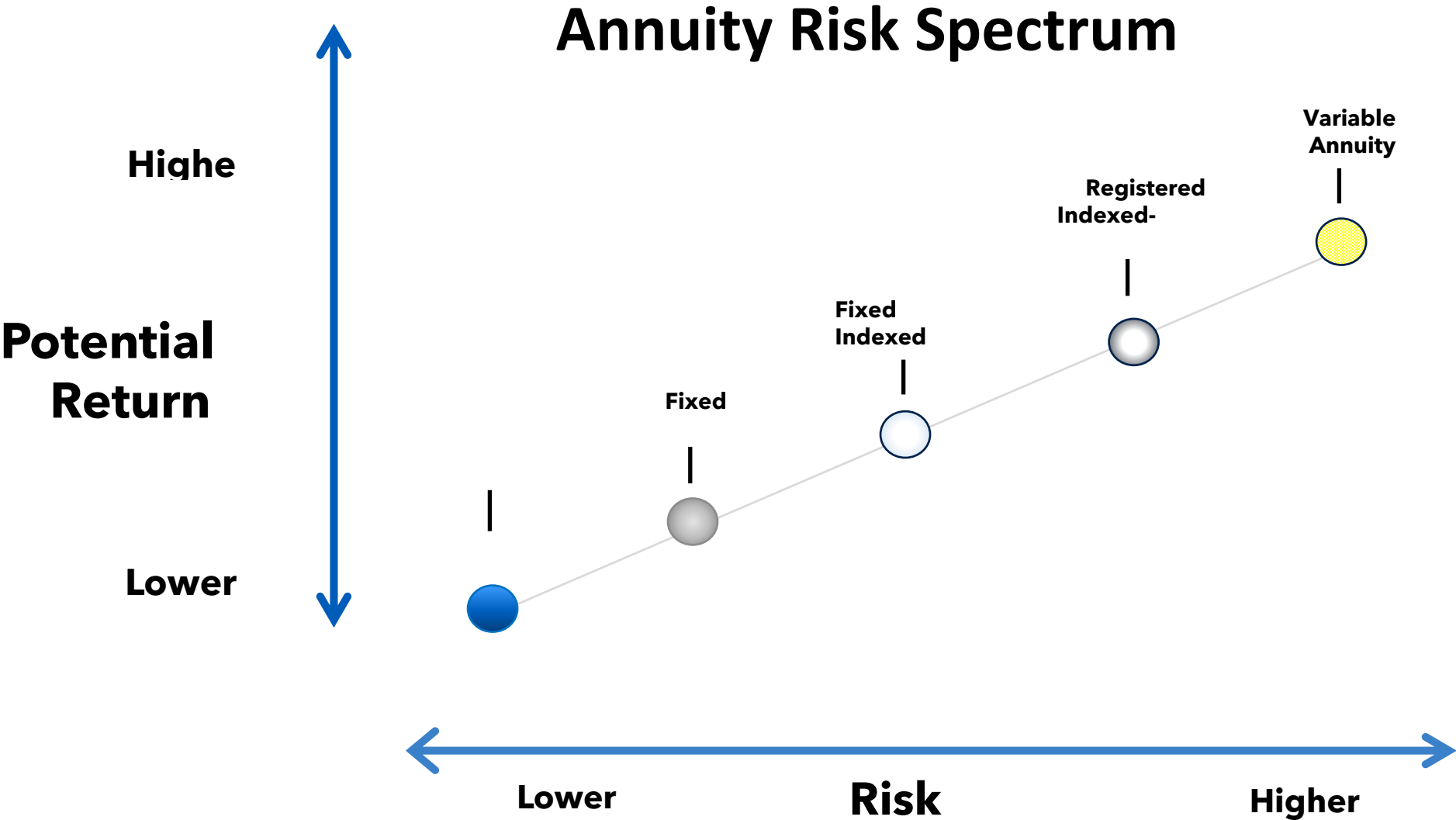
- *Surrender period* – the period of time when withdrawals from or termination of the annuity contract incurs financial penalties in the form of a surrender charge (usually decreases to 0 over time)
- *Accumulation phase* – the period of tax-deferred growth of annuity funds in fixed or variable account, including indexed accounts
- *Annuitization or payout phase* – the period when the insurer makes payments to the annuity owner or annuitant

Key Values in Annuity Contracts

- *Account Value* is the amount of funds including accumulation of growth from rate of return, index or other investment strategy less applicable withdrawals or fees
- *Cash Value* is the amount of funds after applicable adjustments and surrender charges
- *Loan Value* is the portion of the Cash Value available for loans to the contractholder
- *Death Benefit* is the amount a beneficiary receives after the death of an annuity owner or annuitant

Guaranteed Insurance Accounts

- Assets supporting the account value of an annuity are held in a general or separate account
- *General Account* is available for general claim paying liabilities and not attributable to any single policyholder, product or liability
- *Separate Account* is a distinct account maintained by the insurer to hold assets and pay liabilities of specific products separate from the insurer's general account
 - *Non-Unitized* are accounts where benefits are declared by insured and not directly related to the assets held in the separate account
 - *Unitized* are accounts where benefits are expressed in units whose value varies directly with the value of the separate account



Single Premium Annuity

- An annuity contract fully funded with one payment
- Can be immediate (SPIA) or deferred (SPDA)
- Can be fixed, indexed and variable
- Transfer risk to the insurance company in exchange for a guaranteed income
- Payments for annuitant's life and can guarantee payments for a minimum number of years in the event annuitant dies
- Limited flexibility to control funds during payout phase

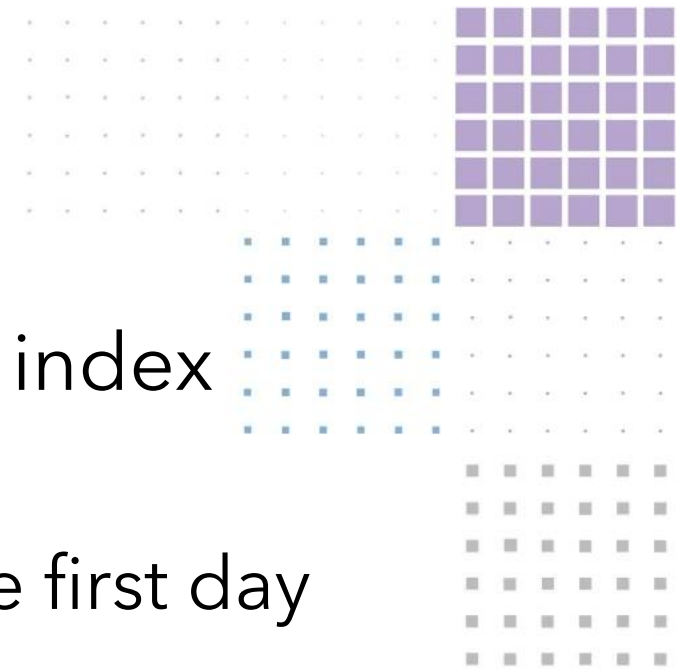
Multiple Year Guaranteed Annuity

- Type of fixed annuity that provides guaranteed interest rate for a multi-year term – usually 3, 5, or 7
- Interest compounds tax-deferred during guaranteed interest term
- At end of term, contractholder has following options:
 - Terminate contract and receive account value (may be taxable)
 - Renew for another multi-year guaranteed interest term (with or without new surrender charge period)
 - Transfer into a different annuity without incurring taxable event

Fixed Indexed Annuity

- Ties the interest or growth to a market index, such as the S&P 500
- Guaranteed minimum rate of return of \$0 or higher (cannot be negative)
- Does not invest the funds directly in the market but rather ties growth to a benchmark

Fixed Indexed Annuity



- Different methodologies for determining the index credit
 - *Point-to-point* - difference in index value on the first day and the last day of the index or contract term
 - *Monthly average* - average of index value over index or contract term
 - *Monthly sum* - change in index calculated for each month during the index or contract term

Variable Annuity



- Account value directly invested in the market during accumulation period
- Potential for positive and negative returns
- Tax deferred growth on market gains until payout phase when annuity owner or annuitant is likely in a lower tax bracket
- Ability to manage portfolio through subaccounts and move funds without tax consequences

Index-Linked Variable Annuity

- Fairly recent product innovation in marketplace circa 2009
- ILVA also known as Registered Index-Linked Annuity (RILA) or Buffered or Hybrid Annuity
- Does not neatly fit as fixed (i.e., non-variable) or variable
- Similar to a *fixed index annuity* in the participation of growth in a market index
- Similar to a *variable annuity* in the potential for negative returns

Index-Linked Variable Annuity

- Similar to *fixed annuity* in that does not directly pass through insurer separate account investment experience to the account value
- Similar to *variable annuity* in that account values reflect investment experience consistent with the assets supporting the contract
- Variety of crediting features: buffer, floor, participation rate, cap

Index-Linked Variable Annuity

- Generally funded through a *non-unitized* separate account or general account and can experience negative rate of return
- Not funded through a *unit linked* separate account and there is no direct allocation of investment performance to the contract through unit-linked values
- Variable fund investments are not required to be available

Interim Value Feature

- What is the value of the indexed account between the starting and ending date of the index term?
- Products that provides for annuity benefits that vary according to the investment experience of a separate account are exempt from nonforfeiture requirements under state law
- Nonforfeiture requirements guarantee the contractholder receives some value in case of lapse, default or surrender

Interim Value Feature

- NAIC Life Actuarial Task Force developed actuarial guideline for the interim value approach for ILVA
- Actuarial Guideline LIV (AG54) provides the conditions under which an index-linked variable annuity is exempt from nonforfeiture on the basis that it is a variable annuity
- Product must provide a methodology for interim value during an index term in accordance with AG54 guidance

Index Crediting Features

- *Buffer* is the amount of negative index performance the company absorbs before the contract holder receives a negative credit
- *Floor* is the lowest rate that may be credited when there is negative index performance
- *Cap* is the maximum rate that may be credited based on a positive index performance

Index Crediting Features

- *Participation rate* is a percentage of a positive index performance used to determine the credited rate
- *Trigger or Step* rate is a specified crediting rate if there is a positive or no change in the index
- *Performance Lock* is the ability to lock index performance during index term

Annuity Growth Trends

- According to LIMRA, total annuity sales increased 12% in 2024 to a record \$432 billion
- Favorable interest rates
- Product innovation with more flexible options
- Expanded capitalization
- Changing demographics
- Strong equity market
- Federal law changes – Secure Act

Trends in Fixed Annuities

- Single premium immediate annuity sales increased 6% year over year to \$3.6 billion in the second quarter
- Single premium deferred annuity sales fell 7% to \$1.2 billion in the second quarter compared to 2023
- Multi-year guarantee annuity sales were \$45.2 billion in the second quarter, 11% higher than second quarter 2024 sales
- Fixed indexed annuity sales totaled \$32.8 billion in the second quarter, 5% higher than the prior year results

Trends in Variable Annuities

- Variable annuity sales fell 3% in 2Q 2025 to \$14.9 billion and totaled \$60.9 billion in 2024, up 18% over 2023
- Index-linked variable annuity sales set new quarterly and mid-year sales records. In the second quarter of 2025, RILA sales were \$19.1 billion, 15% higher than the prior year.
 - 10th consecutive record-setting year with growth
 - 2024 was first year ILVA sales outpaced VA sales

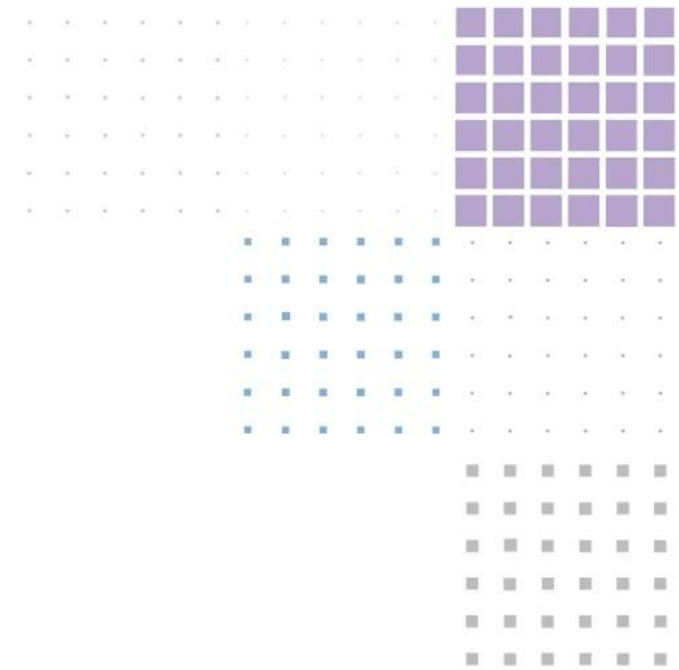
Individual Annuity Contracts

- Tailored to fit the financial needs and goals of an individual
- High degree of personalization in terms of amount invested, risk tolerance level, and payment options
- Various types of annuity contracts to choose from
- Tax deferred growth on earnings

Group Annuity Contracts

- Purchased by organizations such as employers, associations, unions, and retirement plans for benefit of employees or members
- Covers multiple individual under one contract making simplifying the costs and efficiency of an organization in providing retirement benefits
- Collective, pooled nature of the risks

Annuity Benefit Features



- Waiver of surrender charge
- Market Value Adjustments
- Bonus to credit premium or account value
- Inflation and lapse protection
- Guaranteed Minimum Death Benefit – GMDB
- Guaranteed Living Benefits – GLB
- Guaranteed Minimum Accumulation Benefits – GMAB
- Guaranteed Minimum Income Benefits – GMIB
- Guaranteed Living Withdrawal Benefits – GLWB

Regulatory Regime for Annuities

- All annuities are regulated at the state level by each state's chief insurance regulator
- Variable annuities and index-linked variable annuities are considered securities and are federally regulated by the U.S. Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA)
- Annuities in employer benefit plans are regulated by the U.S. Department of Labor
- In some states, variable annuities are also under the authority of the state securities regulator

NAIC Model Laws and Regulations for Annuity Products

- Model Variable Contract Law (NAIC Model Law 260)
- Standard Nonforfeiture Law for Individual Deferred Annuities (NAIC Model Law 805)
- Variable Annuity Model Regulation (NAIC Model Reg. 250)
- Annuity Nonforfeiture Model Regulation (NAIC Model Law 806)

NAIC Model Laws and Regulations for Annuity Products

- Modified Guaranteed Annuity Model Regulation (NAIC Model Reg. 255)
- Annuity Disclosure Model Regulation (NAIC Model Reg. 245)
- Suitability in Annuities Transaction Model Regulation (NAIC Model Reg. 275)
- Life Insurance and Annuities Model Replacement Regulation (NAIC Model Reg. 613)

Variable Annuities

- State laws and regulations address content requirements, cover page disclosures, treatment of separate accounts, applicable nonforfeiture benefits, illustration of benefits payable, advertising, contract replacement, suitability
- Insurance Compact has detailed uniform standards for individual variable immediate and deferred annuity contracts and index-linked variable annuity contracts

Fixed Annuities

- State laws and regulations address content requirements, cover page disclosures, nonforfeiture requirements, illustration of benefits payable, advertising, contract replacement, suitability
- State law prescribes the calculation of nonforfeiture benefit including the minimum nonforfeiture amount for paid-up annuity, cash surrender and death benefit
- Insurance Compact has detailed uniform standard for individual immediate and deferred non-variable annuity contracts and paid-up non-variable annuity contracts

SEC Regulation

- SEC regulates the securities aspect of variable annuities under Investment Company Act of 1940 and the Securities Act of 1933
- Variable annuities (including index-linked variable annuities) must be registered with SEC before they can be sold
- SEC reviews registration statement and product prospectus with rules on fees, risks, and investment options, including indexing and crediting options
- SEC has other product reporting requirements

FINRA Regulation

- In addition to insurance license, broker-dealers must be registered with FINRA (passing FINRA Series 6 or 7 exam) to sell variable annuities
- FINRA oversees broker-dealers and enforces compliance with SEC rules, including Reg BI, through its examinations and regulatory actions
- FINRA Rule 2330 (Members' Responsibilities Regarding Deferred Variable Annuities) establishes sales practice standards regarding recommended purchases and exchanges of deferred variable annuities

DOL ERISA Regulation

- The Employee Retirement Income Security Act of 1974 (ERISA) sets minimum standards for retirement plans
- The Department of Labor regulates fiduciary obligations for the selection of annuity providers under defined contribution plans and for the monitoring of annuity providers and annuity contracts for benefit distributions
- Plan fiduciaries must act prudently; conduct objective search; consider insurer creditworthiness; consider reasonableness of costs in relation to benefits
- Plan fiduciary subject to safe harbor

What is a Charitable Gift Annuity?

- The donor receives an annuity in exchange for a gift to the charitable organization
- If the actuarial value of the annuity is less than the value of the property transferred, then the difference in value constitutes a charitable deduction for federal tax purposes.
- The maximum rates of return are established by the American Council on Gift Annuities
- The Charitable Gift Annuities Exemption Model Act (NAIC Model Law 241) provides that a charitable gift annuity is not insurance

What is a Contingent Deferred Annuity?

- Annuity contract based on the value of a 3rd party investment ("covered asset") at the time of issuance
- Insurer does not hold or control covered asset and contractholder is subject to investment restrictions which could lead to involuntary noncompliance
- At the payout phase, contractholder takes guaranteed withdrawals from the covered asset
- Upon depletion of the covered asset, insurer makes annuity payments for the life of the annuity owner or annuitant

What is a Pension Risk Transfer?

- A transaction where the company shifts the financial risk of its defined benefit plan to an insurer by purchase a group annuity
- Insurer takes over the responsibility of paying the benefits to plan participants
- “Buy-in” is when the company buys an annuity contract to cover the defined benefit pension payments to plan participants and the pension liability remains on the company’s balance sheet
- “Buy-out” is when the company transfers its pension plan liabilities to an insurer which converts into annuities to cover the plan participants’ vested benefits and the liability is removed from the company’s balance sheet

Current Litigation Trends

- Mostly in ERISA retirement plan management
- Based on breach of fiduciary duties
- Prudent person standard of care
 - Duty of loyalty
 - Duty of care
 - Duty of obedience
 - Duty to diversity

Current Litigation Trends

- Excessive fees – failure to prudently manage fees; excessive fees; hidden fees
- Plan selection – selection of non-traditional investments or retaining investments that performed poorly
- Pension risk transfers – transferring pension liabilities to “risky” annuity provider
- Misuse of forfeited funds – use of forfeiture funds in retirement plans to fund employer funding obligations

Annuity Provider not a Fiduciary

- Markham v. Variable Annuity Life Ins. Co. (VALIC), 88 F.4th 602 (5th Cir. 2023), *cert. denied* (May 2024)
 - Whether charging 5% surrender fee under the annuity contract in a 401(k) plan constituted a breach of fiduciary duty and a prohibited transaction under ERISA
 - Court held (1) VALIC's collection of a contractually predetermined fixed fee does not constitute a fiduciary act under ERISA; (2) VALIC was not a "party in interest" when it entered into the Plan's annuity contract; (3) VALIC's collection of the contract's surrender fee does not constitute a separate prohibited transaction under ERISA



Advancing Organizational Culture with Legal Confidence

Buchanan

Corporations & Nonprofits React

Shifts in DEI Support

- Anticipatory Compliance
 - Name Changes
- Overcorrection
 - Eliminating all DEI Focus
- Litigation
 - Challenges to the Executive Orders

Challenges to the Executive Orders

- Suits filed challenging two Executive Orders
 - Wasteful Government DEI Programs
 - Ending Illegal Discrimination and Restoring Merit-Based Opportunity
- Federal judge granted preliminary injunction
- Fourth Circuit disagreed
- Current challenges in DC, California, Illinois
- Circuit splits require US Supreme Court to weigh in

Buchanan

Risk Assessment

When Does DEI Become Risky?

When a preference is conferred to a legally protected class



Job, Promotion, Raise, Bonus,
Assignment, Training, Development



Race, Color, Religion, National
Origin, Sex, Sexual Orientation

What is the harm?

- Muldrow v. City of St. Louis (2024)
- Discrimination claims required a showing of significant harm
 - Material employment disadvantage
 - Not found in Title VII
- The threshold is now lowered to some harm
 - Scare tactic to chill workplace DEI programs

**EDUCATION | CULTURAL CELEBRATIONS | AFFINITY GROUPS | DIVERSITY
COMMITTEE | DATA COLLECTION | INTENTIONALITY | HIRING BEST
PRACTICES | PRONOUNS | GENDER-NEUTRAL RESTROOMS**



**RETREATS | CONFERENCES | SCHOLARSHIPS | SPONSORSHIPS
DONATIONS | RECRUITING INITIATIVES | INTERNSHIPS | PROFESSIONAL
DEVELOPMENT | SUPPLIER DIVERSITY | ASPIRATIONAL HIRING GOALS**



**DIVERSITY MENTORING | QUOTAS | DIVERSITY RECRUITERS
TIE-BREAKER DECISION-MAKING | COMPENSATION FOR HITTING
DIVERSITY TARGETS**

What Should Funders Do?

- Hold all grantees to the standards of your organization
 - Risk Assessment
- Read DOJ Memo
 - Recipients of federal funding cannot discriminate
 - Cannot do indirectly what the Court disallows directly

Things to Look For: DOJ Guidance

- Statutory Nondiscrimination Requirements
 - Federal law prohibits discrimination based on protected characteristics like race, sex, color, national origin, or religion
- Prohibition on Protected Characteristics as Criteria
 - Using race, sex or other protected characteristics for employment, program participation, resource allocation, or other similar activities, opportunities, or benefits, is unlawful
- Unlawful Proxy Discrimination
 - Facially neutral criteria (e.g., cultural competence, lived experience, geography) that function as proxies for protected characteristics violate federal law

Things to Look For: DOJ Guidance

- Scrutiny of Third-Party Funding
 - Recipients of federal funds should ensure federal funds do not support third-party programs that discriminate
- Protection Against Retaliation
 - Individuals who object to or refuse to participate in discriminatory programs, trainings, or policies are protected from adverse actions like termination or exclusion based on that individual's opposition to those practices
- Race-Based Scholarships or Programs
 - Funds exclusively for students of a specific racial group and excluding otherwise qualified applicants of other races

Things to Look For: DOJ Guidance

- Preferential Hiring or Promotion Practices
 - Prioritizing candidates from underrepresented groups for admission, hiring or promotion
- Access to Facilities or Resourced Based on Race or Ethnicity
 - Designated “safe spaces” exclusively for persons of a specific racial or ethnic group
- Overcoming Obstacles Narratives or Diversity Statements
 - Requiring applicants to describe obstacles they’ve overcome in a manner that advantages those who discuss experiences intrinsically tied to protected characteristics, using the narrative as a proxy for advantaging that protected characteristic in providing benefits

Things to Look For: DOJ Guidance

- Quotas
- Diverse slate requirements
- Privilege
- Toxic masculinity
- MWBE priority

Suggested Language Changes

DEI uplifts historically disadvantaged groups to ensure equal outcomes



DEI removes unfair barriers that prevent disadvantaged groups from competing on a level playing field.

Suggested Language Changes

We use diversity hiring to recruit people from underrepresented racial and ethnic backgrounds.



We strive for a diverse mix of candidates. All employment decisions are made without regard to race, sex, or other protected characteristics.

Suggested Language Changes

We will increase our percentage of women leaders by 30% over the next five years.



We remain committed to increasing the diversity of our workforce.

Suggested Language Changes

Eligibility criteria for scholarship: member of a historically underrepresented group



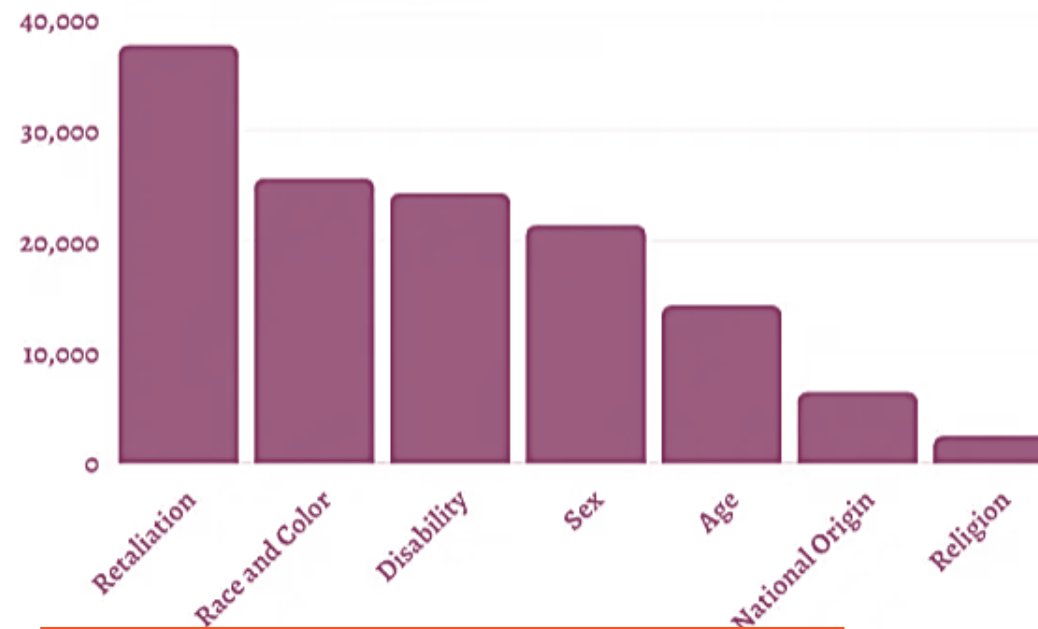
Eligibility criteria: student with demonstrated commitment to advancing D&I

Traditional Workplace Discrimination

Despite the backlash, the concerns that kickstarted DEI are still significant today.

The Most Common Forms of Workplace Discrimination

EEOC data reveals the most frequent workplace discrimination claims in 2020.



\$439.2 million recovered for victims of workplace discrimination.

EEOC data 2/26/2021

Living in an Anti-DEI Workplace Environment

- Bias
- Discrimination
- LGBTQ families not included in employee benefits
- Parental leave not universally offered
- Unfair hiring processes
- No heritage month celebrations
- Decreased cultural competence
- Fewer instances of allyship in action
- No nursing rooms in the workplace
- Less accessible workplace for individuals with disabilities

The Risks of Anti-DEI

DEI is not just a moral or ethical imperative. It is also a **strategic**, **legal**, and **financial necessity**.

In our current climate, some organizations may attempt to **diminish or dissolve** their DEI programs and initiatives.

But stepping away from DEI efforts can expose organizations to a host of **significant risks**.

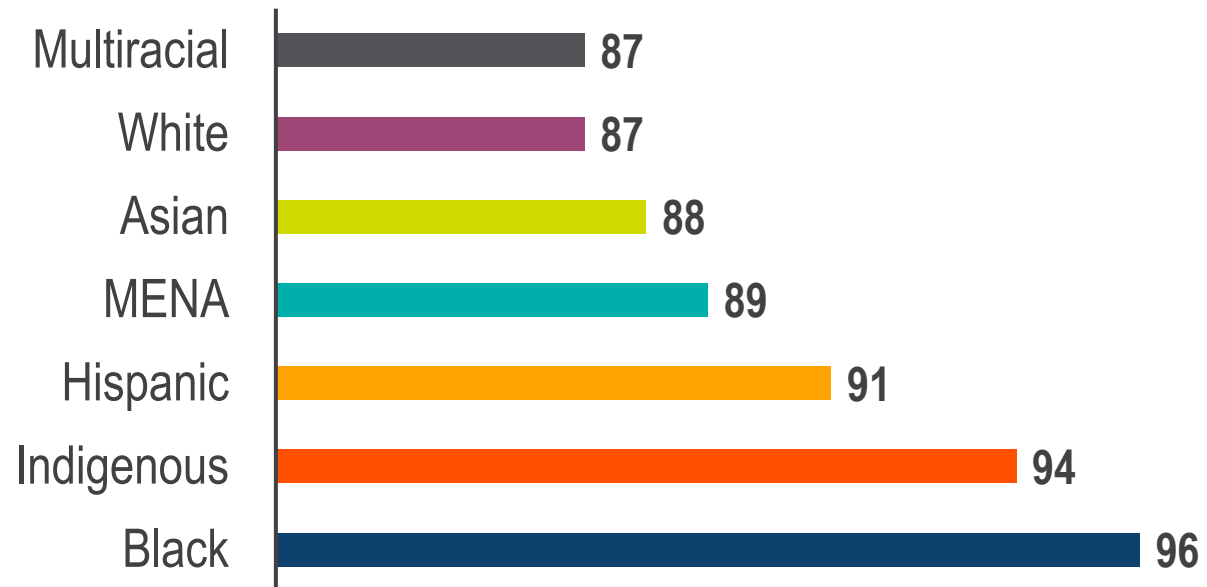
Talent Risks

Support by Racial and Ethnic Groups

All racial and ethnic groups have high rates of support.

DEI is aligned with their personal values.

Support of Workplace DEI



Talent Risks

76%

Employees are more likely to stay long term if the company is pro-DEI

53%

Millennials who would never apply to an anti-DEI company

43%

Employees who would quit if the employer became anti-DEI

61%

Gen Z who would never apply to an anti-DEI company

Legal Risks


Potential Risks to the Business

	Legal Risks	Social Risks
Pro-DEI	<ul style="list-style-type: none">• Lawsuits from reverse discrimination plaintiffs or anti-DEI organizations• Investigations by federal agencies and executive orders	<ul style="list-style-type: none">• Social media campaigns• Boycotts• Morale and attrition of employees• Loss of federal contracts
Anti-DEI	<ul style="list-style-type: none">• Lawsuits from traditional discrimination plaintiffs	<ul style="list-style-type: none">• Social media campaigns• Boycotts• Morale and attrition of employees

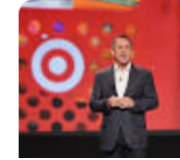
Financial Risks

Social Risks Lead to Financial Risks

Beyond legal trouble, there's the **social and reputational damage**, which can lead to serious financial concerns.

 The Guardian

Target CEO steps down as company faces weak sales and customer boycott




 Investopedia

Target Faces Boycott: 200 Days Without DEI, Financial Impact Grows

Target. "Target Commits to Spending More Than \$2 Billion with Black-Owned



 Fortune

Target foot traffic is still suffering 6 months post-boycott. An industry veteran says the retailer's problems are bigger than curtailing DEI

Target foot traffic is still suffering 6 months post-boycott. An industry veteran says the retailer's problems are bigger than curtailing DEI.



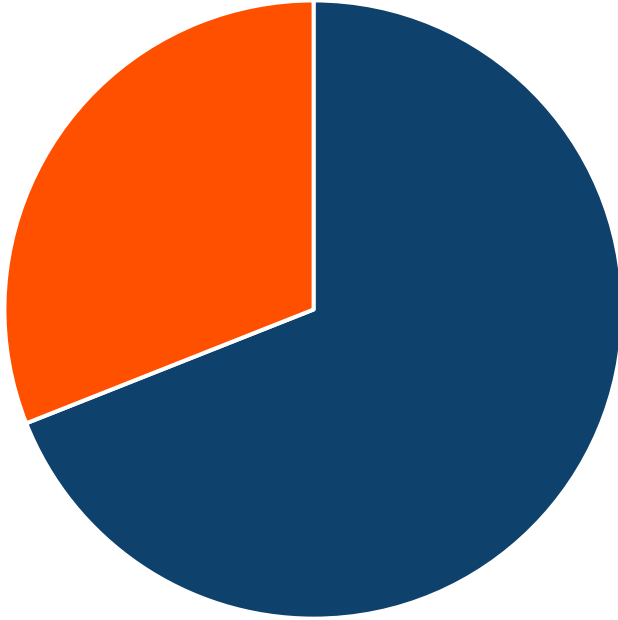
 Forbes

The High Cost Of Ditching DEI: What Target's Boycott Fallout Reveals

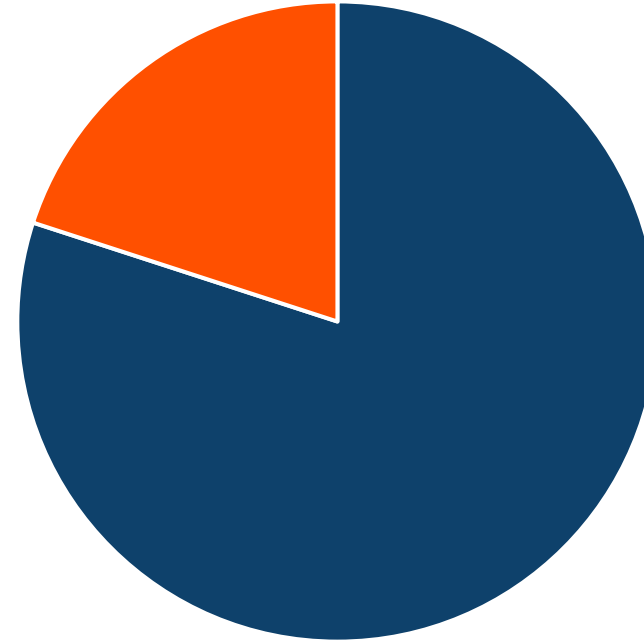
Many Black consumers saw Target's decision to cut DEI initiatives as a slap in the face. The company was seemingly so outspoken with their...



Financial Risks



69% of consumers are more likely to purchase a product/service from pro-DEI company



80% of consumers agree that DEI efforts have a positive effect on customer loyalty

Shifts in DEI Support

FIGHT

FLIGHT

FINESSE

Stay in touch!

Scan the QR code to sign up for our D&I mailing list.

Buchanan



Buchanan

Thank you!



Lloyd Freeman

Phone: 215 665 5306

Email: lloyd.freeman@bipc.com



Open Camera, Use QR Code for CLE Attendance
Verification



If Attending by Phone, Use Link for CLE Attendance
Verification:

https://CEUInstitute.formstack.com/forms/naic_12_07_2025_fall_meeting

Thank you for
attending today's
program!



Complete this QR Code or Link Immediately
following this event.

An email confirmation will be sent to you
upon receipt of your completed form.

Thank you