Volume XXX, Number 1 | April 2023

nolhga journal

A Publication of the National Organization of Life and Health Insurance Guaranty Associations

Shifting Sands

What do Washington and the NAIC have in store for the guaranty system in 2023?

By Pat Hughes & Hannah Reichenbach

In the October 2022 *NOLHGA Journal*, we described the origins and goals of the Education Project, which started in 2001 and incorporates the collective efforts of NOLHGA and the National Conference of Insurance Guaranty Funds (NCIGF) to protect the state-based guaranty system against negative policy action at all levels. As the article made clear, this project has included engagement with regulators and elected officials at crucial times, including during the Dodd-Frank era.

With a new Congress, post-election dynamics, recently appointed or vacant insurance commissioner posts, and a new slate of NAIC leadership, the leaders of the Education Project (and *NOLHGA Journal* readers) need to take stock of key policymakers, their priorities, and their ability to affect how the guaranty system fulfills its mandate.

Ms. Gallanis Goes to Washington (Again)

The 2022 elections did not result in the anticipated red wave sweeping through Congress—at least not the magnitude of wave that some had predicted. While Republicans flipped the House, their margin is slim, with a 10-seat majority and one vacant seat. Speaker Kevin McCarthy (R-CA) now leads the

["Shifting Sands" continues on page 16]

ALSO IN THIS ISSUE

Building (and Strengthening) Bridges

The following comments were adapted from my President's Address, delivered on October 20, 2022, at NOLHGA's 39th Annual Meeting.

This is NOLHGA's 39th Annual Meeting, and it occurred to me last night that this will be the 24th year that I've had the honor of delivering one of these addresses. I feel very fortunate to have been able to collaborate with the brilliant, creative, and hard-working people in this guaranty system—and the many other people who are stakeholders in the success of our mission, such as our friends in the insurance industry and partners in the regulatory and receivership community.

Our dear friend Bob Ewald (see the note on page 4), who attended so many of these meetings until health issues started keeping him closer to home, always described this annual address as our "State of the Union." In that spirit, I am happy to report that the state of this particular union remains strong. We do have some very serious challenges before us, but before I address those challenges, I'd like to take stock of some accomplishments.

More than five years into our work on the Penn Treaty runoff, as reported by LTC Re President Eric Rangen yesterday, we're doing better for the policyholders and for our system's stakeholders than ever would have been predicted by anyone aware of all the terrible challenges presented by that case. Likewise, we're now more than nine years into the runoff of ELNY, another terribly complicated and difficult case in which this system, under the leadership of Nick Latrenta, Jack Falkenbach, John Colpean, and many others, has done stellar work on behalf of policyholders and the stakeholders of our system. That's just as true of the other cases where we've been called upon to act: Cases old and new; large and small; life, annuity, health, long-term care (LTC), or otherwise. Every time the bell has rung for this system, we've done our job, and we've done it well. More on that presently.

But we do have serious challenges before us—for the insurance industry and its regulators generally, for insurance receivers, and for our guaranty system. This is the point in the speech where I usually inventory the challenging substantive issues confronting us, and they do exist. LTC resolution continues to be a major challenge, not only for the guaranty system, but also for regulators, industry, and consumers. Developments related to restructuring mechanisms bear active monitoring, as do the activities of private equity players in the life, annuity, and LTC fields. We also continue to engage on issues related to pension risk transfers, reinsurance, and cybersecurity.

Today, though, I'd like to focus on a different question: How do we best position ourselves to continue to achieve great things in collaboration with our friends and partners in industry and in the regulatory and receivership world?

A Little Help from Our Friends

If I've learned anything in 30+ years of protecting insurance consumers when insolvencies occur, it's this: None of the players in the process succeed on their own. There are huge and important roles to be played by regulators—particularly the Commissioner and the senior financial supervisors in a troubled company's domiciliary state; by the company's receiver; and by the guaranty associations in the various affected states. The regulators need to assess the company's financial decline and act decisively before it's too late to develop a resolution

> **If I've learned anything in 30+ years of protecting insurance consumers when insolvencies occur, it's this: None of the players in the process succeed on their own.**

plan; the receiver needs to develop and execute a resolution plan, working in collaboration with the guaranty associations; and the guaranty associations need to identify efficient and cost-effective strategies for meeting their statutory obligations to protect policyholders.

The fundamental need for close collaboration and communication among regulators, receivers, and the guaranty system is clearly apparent to anyone who has studied this field, and it is so well accepted that it's been spelled out in an official white paper of the NAIC—one that is still, more than ever, "good law" today.

I'd add, parenthetically, an additional thought: When this system really works well, the regulators consult closely with each other, across state lines, to analyze troubled company situations effectively—the sort of thing done at the NAIC's Financial Analysis Working Group, or FAWG; and receivers in domiciliary states consult with regulators in other states where policyholders reside about ways to best protect those policyholders—the sort of thing done at the NAIC's Receivership Financial Analysis Working Group, or R-FAWG.

Those "best practices" models don't always pan out as they should, but in successful insurer resolutions, that pattern of cooperation is what you nearly always (I'm tempted to say "always") see. We saw that pattern of cooperation in the cases I've already referenced—ELNY in New York and Penn Treaty in Pennsylvania. But the precedents that can be cited are legion.

For example, we heard yesterday about the great working relationship that our Time Insurance Company Task Force has had with Commissioner Houdek and his team in Wisconsin, notably including Special Deputy Receiver Mark Femal. Those of you who know its history understand that case might have been a real trainwreck for all concerned; instead, it's going to be a great success.

We have enjoyed a similar level of success in recent cases in North Carolina with Commissioner Causey and his regulatory and receivership specialists. The same is true of cases on which many of us have worked over the years from Nebraska, Iowa, Florida, Indiana, Kansas, Missouri, California, Arkansas, Illinois, Mississippi, Alabama, Ohio, Tennessee, Massachusetts, Kentucky, Virginia, and other states. In virtually every one of those cases, the successful working relationship has been anchored by the invaluable work of the domiciliary guaranty association's Executive Director and Board.

A Dear Friend Departs

Bob Ewald, the first Executive Director of the Illinois Life and Health Insurance Guaranty Association and one of the founding fathers of the guaranty system, passed away in March 2023.

Bob was a dear friend, but more than that, he was the voice of reason—some might say the conscience—of the guaranty system for decades. One of my favorite memories of Bob occurred during a meeting to discuss an impending insolvency. After hours of legal debates about licensure and coverage obligations and the like, Bob—who had been retired for years at this point—stood up and reminded everyone that behind all these numbers were real people who depended on the benefits the guaranty associations provide, and that if we lost sight of them, we would fail in our mission to protect the policyholders who needed us. It was exactly what everyone needed to hear, and in my mind, only Bob could have said it.

Bob will be remembered by many as a kind, wise, and loving man. In addition, without his tireless efforts, the guaranty system would not be the great success it is. Which means that there are millions of people who have never heard his name, but nonetheless owe him a great debt. A fitting epitaph to a great man and a life well lived.

Building Trust

A good working relationship with our fellow stakeholders is also important in settings other than specific receivership cases. We've already mentioned the key role of the NAIC's FAWG and R-FAWG groups in promoting interstate collaboration on solvency review and multistate receivership matters. NOLHGA has been asked regularly to provide a guaranty system perspective before those working groups, and to other NAIC task forces and working groups, including the Receivership and Insolvency Task Force, the Long-Term Care Insurance Task Force, the Restructuring Mechanism Working Group, and the NAIC's Executive Committee.

The development of policy regarding troubled insurers is not limited to state regulators and the NAIC. Especially since the 2008 financial crisis, various elements of the federal government—including Congress, the Treasury Department, the Financial Stability Oversight Council, the Federal Reserve, the FDIC, the Department of Labor, and the Federal Insurance Office—have, from time to time, taken a serious look at insurer insolvency issues. When questions about insurance insolvency have arisen from those quarters, they have often turned to NOLHGA for answers. The same has been true even at the international level, involving bodies such as the International Association of Insurance Supervisors, the Financial Stability Board, and other entities.

I go through this litany for one reason: Both with receivers and regulators, and at the state, federal, and international lev-

"The fundamental need for close collaboration and communication among regulators, receivers, and the guaranty system is…so well accepted that it's been spelled out in an official white paper of the NAIC."

els, our organization has become a trusted and authoritative source regarding the protection of consumers in insurer insolvencies.

That didn't just happen. It resulted from years of purposeful work on many fronts: most importantly, in the individual insolvency cases, where the task forces and affected guaranty associations again and again have delivered on their statutory mission and come through for so many policyholders. In countless hearings and presentations before courts, state legislatures, agencies, and other bodies. In the things we say to our partners in this enterprise; the things we write; and the things we do.

"Producing results—and doing so in the right way—is the best investment we can make in the type of reputation that will cause future regulators, receivers, industry members, and other stakeholders to trust us."

This organization in which we come together today has established *credibility*, and that credibility is an invaluable asset in forging successful *future* working relationships with regulators, receivers, members of industry, and all the other stakeholders who will have interests in insolvency cases yet to come.

That credibility (or good will, or whatever you want to call it) is the byproduct both of what we do and how well we do it. When we demonstrate competence and expertise, it is noticed. Diligence is noted. So too are responsible behavior and transparent communication. Keeping the promises you make, and doing so with honesty, integrity, intellectual rigor, and compassion.

Put another way, producing results—and doing so in the right way—is the best investment we can make in the type of reputation that will cause future regulators, receivers, industry members, and other stakeholders to trust us, and to cooperate with us as the partners we need to achieve success.

When the bell has rung, we have consistently answered, and we have done so with force of will, clarity of purpose, a vision of what we are there to accomplish, and an appreciation of the values and qualities that make this organization what it is. I think that shows. If we continue to behave as we have, we will continue to be regarded as trusted partners.

It has been a pleasure and an honor to serve this great organization for another year, and I look forward to working with all of you in the year to come. Thank you very, very much. ✯

Peter G. Gallanis is President of NOLHGA.

The Future Ain't What It Used To Be

Wellness programs, high-tech, hybrid products, state mandates—the LTC industry is changing, and illumifin's Peter Goldstein explains where it's all heading.

Peter Goldstein is President and CEO of illumifin, a leading third-party insurance administration and technology provider. At the time of our interview, he was President & CEO of LTCG, which was acquired by illumifin in 2022.

Peter is a recognized thought leader in the long-term care (LTC) insurance industry on topics ranging from next-generation claims management to the public policy changes needed to ensure a sustainable future for the industry. He's been featured in a variety of wide-reaching business publications, including ***The Wall Street Journal****,* **Mergermarket***,* **ThinkAdvisor***,* **Bloomberg Businessweek***, and many others.*

Peter was kind of enough to sit down with me in October 2022 during NOLHGA's Annual Meeting to discuss the LTC market and the changes it's undergoing. The following is an edited transcript of our conversation. —Michael D. Heard

Heard: To get us started, could you talk about the beginning of the LTC industry?

Goldstein: The product came out after Medicare in 1965—nursing home coverage designed as a health product. You needed to have a hospital stay to qualify for benefits. It was sold primarily to 75-year-olds as a nursing home policy. It started to evolve in the 1970s and 1980s, as home care came into play. The products were nursing home products with home care riders. And then there was a pretty big change starting in 1996.

Two things happened. One, HIPAA [the Health Insurance Portability and Accountability Act] passed and created a tax-qualified LTC plan. I don't think anybody ever got any tax benefits out of it, but it clarified how the tax treatment of the policy would work. More importantly, it was a signal to the life insurance industry that LTC was not going to be a government solution. If you remember, in 1994 Hillary Clinton was advocating a big national health plan, and there was some movement around LTC coming into that as part of Medicare. So you had a lot of life companies on the sidelines looking at this and trying to decide how LTC was going to play out.


Mike Heard and Peter Goldstein

Why were the life companies looking at it? Because the early LTC writers were not your name-brand insurers like Prudential, MetLife, and John Hancock. They were smaller regional players without big, recognized names. Of course you guys know Penn Treaty well, and there were others like American

Travelers, National States, and JC Penny Life, to name a few. But in 1996, the big life companies were looking at LTC because the other thing that happened in 1996 was the leading edge of the Baby Boomers turned 50, and all these insurers were thinking: "We've got 78 million people moving toward retirement. What are we going to sell them?"

The whole idea of financial planning started to come into view, and LTC insurance looked like a natural product to be part of this financial planning conversation. We're going to accumulate assets, distribute assets, and protect assets. And one of the biggest risks would be if you had some debilitating event and you had to spend all your money getting care, because as we know, Medicare doesn't cover it and you have to be impoverished to be on Medicaid. So there was this huge risk that people didn't appreciate.

By the way, they still don't. I just came from the Faegre Drinker LTC Conference, and the regulators were talking about how people don't even understand that they're not covered. And this is 25 years later.

So anyway, you had HIPAA pass, financial planning, all the big life companies jumping into LTC, and you had a massive run-up of sales from 1996 to 2005. And today, that bolus of policies is part of what's driving all the angst in the industry.

Heard: What went wrong?

Goldstein: We had that run-up from 1996 to 2005, and in 2005 there was that iconic, "Houston, we have a problem" moment. Our actuarial colleagues realized that we completely mispriced the product.

Four things were wrong. The lapse rate assumption—how many people are going to actually hold on to this? There was no data when those policies were priced, so we're going to assume that 10% of the people are going to lapse and it's going to drop down to a 5% ultimate lapse. And that makes a big difference on how many claims you're going to have to pay 20 years from now.

There was also a big miss on interest rate assumptions. If you go back and pull actuarial memos from the 1990s, carriers were anticipating that they would earn 6%, 7%, even 8% on these reserves, which they're going to invest for 20 or 30 years to be able to pay the claims.

Also, people live longer. They had mortality expectations that so many people were going to not make it all the way to the end. And of course, longevity has been improving. So we've got lapse rates, interest rates, and mortality. And then there's morbidity. People are healthier, and they're also living longer in a disabled state. Our plumbing is better. Even

There's no "there" there. You can never raise the rates enough on these blocks to actually get them to profitability.

though the body may break down, the systems that keep us going are functioning well as a result of a healthier lifestyle than people had 50 years ago.

And the only solution at that time was raising the rates. Of course, the product was never sold where the rates could go up. It was in the fine print, but the way it was sold was, if you buy it at 65, it's $1,000 a year, and it's going to be $1,000 for as long as you own the policy. And if you buy it at 68, it'll be $1,500 a year. The older you get, the more you pay, but it's a level premium. And that didn't happen.

So now you're going back to elderly people and raising rates and raising rates and raising rates. It's been a nonstop cycle up till today, and it's still going. But there's no "there" there. You can never raise the rates enough on these blocks to actually get them to profitability.

Heard: I remember in the 2000s, the key players were loath to be the first mover on rate increases, which drove a lot of the delay. A lot of the smaller players actually got that head start and are in better shape than some of the bigger players that now have to play this kind of infinite catch-up. So as we start to move forward, who's left in the LTC market?

Goldstein: That's the sad part about this, because you have a classic imbalance. Right now, 10,000 people a day are turning 65. That's going to happen for the next 16 years. And people need financial protection for this.

The carriers, starting in 2005, recognized they were upside down, the only alternative was raising rates, and that can mean huge reputational damage. And so over the next 10 years, almost every carrier closed their blocks. They're still on the hook, as you guys know, for anybody who pays premium, and those blocks of business are going to run out for the next 30 or 40 years, but they're not writing any new business. So to answer your question, Mike, there's about five or six carriers in the stand-alone space. We're going to talk a little bit later about the hybrid space. But in the stand-alone, "you buy a product, pay an annual premium" space, there's about five or six companies left.

Interestingly, the top three—Mutual of Omaha, Northwestern Mutual, and New York Life—are all mutual insurance companies. The public companies and their analysts struggle with LTC economics. It impacts the stock price. If you ever listen to any of these earnings calls of the public companies with LTC blocks, the CEO wants to talk about, "our quarterly results and life sales are up, and we're doing this on the cost side." And then they get to the analysts' questions, and all they want to talk about is what's going on in the LTC business. Nobody asks about all the good stuff. It's just LTC, LTC. What are you doing about reserves? How do you know they're adequate? It's toxic for these companies.

Heard: When we talk about moving forward, obviously they're not going to just manufacture the same old, same old. What kinds of products are you seeing that take into account these woes that we just discussed?

Goldstein: The big growth area in the LTC business today is not the stand-alone products that are being sold by those five or six companies. It's a hybrid product, which is a life or annuity policy—what I think of as a chassis—with some form of LTC rider.

These are tax qualified—even the hybrids are tax qualified. And in the simplest terms, on a life policy, if you qualify for LTC, you can pull down the life benefit, accelerate that benefit. For example, you could buy a $100,000 life policy with a 5% acceleration of the death benefit for qualifying LTC events. So if you needed LTC and you qualified, you could take $5,000 a month from this death benefit and use it to pay LTC expenses.

And you qualify for LTC using the same definitions for benefit eligibility as a tax-qualified, stand-alone policy. If you can't perform two of six activities of daily living (ADLs), that's your physical trigger. If you need substantial assistance for cognitive impairment, that's your cognitive impairment trigger.

Those products are experiencing tremendous growth, relatively speaking. Last year, year-over-year hybrid products grew about 22%; they sold about

500,000 policies. They're primarily sold, not by insurance agents, but by wealth management types—your UBS financial advisor, your Raymond James financial planner. And it's all about repositioning assets and taking something out of a bond that's not earning very much and putting it into a life insurance policy and getting LTC.

You have the death benefit, so ultimately you're going to get something. That was always the big rub on the standalone product, even though it doesn't make sense intuitively. You hope your house doesn't burn down when you buy fire insurance. But people pay this premium for 20 years, and then they die or they don't need the product. And that became an objection. You don't have that with the hybrids.

But from my perspective, it's not a mass-market solution for LTC. You get a meaningful benefit on one of these products, but you're writing a single premium check for $150,000 or $250,000. It's amazing, actually, how many of those are getting sold and how many people can actually write that check—500,000 policies last year. But it's certainly not a mass-market solution.

There's a ton of stuff going on in hybrids. All the carriers want to have them, looking at annuities, looking at different types of base products, trying to tweak how the benefits work. So there's a lot of growth and innovation in that area.

One of the interesting things about the hybrid products is we're seeing them with embedded wellness programs. You buy this product, and we're going to give you a health coach, you'll do an assessment online, and we'll put together a plan to help you age. So we build incentives into the product that if you check certain boxes and adhere to the plan, you could actually get more benefits or get your rates reduced.

And the concept here is, "for the 85-year-olds, there's not much we can do. But we've learned a lot—can we bring what we've learned to 65-year-olds who are buying these hybrid products as part of their financial plan and give them tools to help them live a healthier lifestyle?" Which, from the carrier's perspective, gives us a better risk.

And with this whole kind of digital transformation—buying products online, being able to engage and track with Fitbits and scorecards; game theory; how do you get people to do this and give them points so they can get more benefit—it becomes a differentiator at the sale. I'm working on three deals right now with carriers where there are different solution providers that offer these programs, and they're working to embed them in the products. It can improve the risk for the carrier and the customer experience for the policyholder. It's really interesting, and this is something that's coming into view now.

Right now, 10,000 people a day are turning 65. That's going to happen for the next 16 years.

The big growth area in the LTC business today is. . . a hybrid product, which is a life or annuity policy—what I think of as a chassis—with some form of LTC rider.

Heard: With the hybrid products, there are some annuity elements as well as some LTC benefit elements. Then you throw a wellness program into it. How does anybody keep track of all that administratively?

Goldstein: It's definitely a challenge. Of course, we're a TPA. And so today at LTCG, we are managing the LTC claims for several major brand name hybrid companies. Because when they started selling it, they weren't thinking about the claims. You're going to sell a life insurance policy to a 60-year-old. The average onset of a LTC claim is at 83.

So nobody was thinking about claims. The same thing happened in the standalone business, by the way. It was all about marketing and product features and market share and distribution. Nobody thought about the claims, which is part of what we're dealing with now. But for the life insurance and annuity guys, they didn't have any thoughts about this kind of stuff.

A life claim is a transaction—you process a death claim. An annuity payout is a transaction. A LTC claim is an event that will last on average about 3.2 years with care plans that need to be managed and provider invoices that need to be adjudicated against the policy benefits. It's a whole different world, and you need systems to manage the process and collect the appropriate data so the carrier knows what's going on. Very few companies have these capabilities in-house.

Heard: I've heard about something called short-term care or recovery care, maybe designed to deal with more acute LTC incidents. What have you seen with this short-term care concept?

Goldstein: The biggest issue today in selling these products is affordability. If you take those four assumptions they got wrong 25 years ago and bring them forward to what the assumptions should be today, the premium is two or three times what it was 25 years ago. That's if you have the right interest rates—even though they're rising—the right mortality, and the right lapse rate.

So companies have been trying to figure out what's more affordable. Is there something we can sell? We want to sell; we have agents who we want to be productive. We have potential clients. Everybody needs this.

Short-term care was an answer to that. If it's less than two years of benefit based on most state regulations, you can't call it LTC. So carriers came out with a product—pay for one or two years, not as much underwriting, much lower rates, not nearly the risk for the carriers. And they sell a fair amount of that. I think more of the business has certainly gone in the hybrid direction. And there are a lot of people trying to figure out a way to create a product that is affordable and will also do the job.

You know, the Cadillac plans started out as lifetime plans, 5% compounded inflation. Those are the ones that give the carriers today the biggest agita, because it's an unlimited benefit. The benefit is inflating, and it wasn't priced right. So shortening the benefit period, lowering the cost, having bigger deductibles—the general thesis is that something is better than nothing. How can we create something that will offer some level of protection?

Heard: Let's get back to wellness, because we do some of that work on the Penn Treaty plan. Are there any principles we can learn from the health insurance industry that might help us at claim time? Utilization review and reasonable and customary—those kinds of constructs?

Goldstein: Your health insurer knows every prescription you fill, every doctor you go to, the day you went to the doctor, what your diagnosis is, if you were in the hospital, and what the surgery was for.

They have all that data in real time, so it's very easy for health plans to do data analytics. They say, "we've got this cohort of people who are overweight; they smoke, they have diabetes, and they're taking insulin. Let's target those people and offer them a coach or a smoking cessation program or SilverSneakers to get them in a gym, and we can change our risk."

Now, compare that to a LTC insurer. We wrote 200,000 policies 25 years ago, and the average age of the buyer was 55. The only thing we know about that policyholder, besides what they put on their application 25 years ago, is what bank we're hitting every month for their premium.

As we look at some of these wellness programs and try to deploy them, 50% of the time the carrier doesn't even have the right address because the person's moved four times and there's no interaction. So the Holy Grail has always been to find some way we can actually get in there, understand the health of the policyholder and where they are, and try to prevent claims. Not get the phone call 25 years later that they're on claim and there's nothing we can do. They're 85 years old and we're going to pay now until they die.

This concept has been around for a long time—is there a way to get information, stratify the block, and then focus interventions on the people who are likely to claim within a certain period of time? We talked about all the policies that were written from 1996 to 2005. Well, now it's 20 or 25 years later, and claims are going up because the leading edge is coming into their 80s. The carriers are dealing with huge amounts of claims, and many don't have great systems or processes.

Rate increases are limited in their effectiveness, and regulators are getting weary of having to face their constituents. But carriers keep coming back for more and more and more, and that's going to continue. So now, you have the technology, the need, and the desire. I went to actuaries 10 or 15 years ago to talk about wellness programs, and they didn't want to hear about it—"we're not going to spend money upfront and maybe get a return." Just no interest.

Today, every carrier has innovation officers and wellness directors—they're all running pilots. Besides embedding wellness into these newer hybrids, the carriers are looking at the 7 million standalone policies and trying to figure out if there is a way to get this information, get policyholders to sign up, join a program, fill out a questionnaire, potentially have someone go in the home and do an assessment, assign them a coach, stratify that population. For these people, if we spend $300 and put in grab bars, maybe they don't fall and break their hip and end up in a nursing home.

That's what's driving this today. Companies are hiring people to manage these pilots and get the data and figure out if it really works. Is there a return? Because it's not going to happen overnight. You're going to study this thing for a few years to get credible results.

Heard: Let's talk about some of the nontraditional players—the Insurtech kind of firms that have a little piece of the value chain they think they can improve, whether it be wellness vendors, visit verification, SilverSneakers, etc. Can you talk a little about the kinds of firms you're seeing and if you think they're sustainable?

Goldstein: There's two things. There's these digital Insurtech firms that are trying to create product. They're designing a whole digital experience. They're leveraging technology, and they're bringing this framework or platform to a carrier to actually underwrite the product. But they're pricing the product. They're

The Holy Grail has always been to find some way we can actually get in there, understand the health of the policyholder and where they are, and try to prevent claims.

Then you have these vendors on the wellness side. Look at the claims and the strong desire by the carriers and all the stakeholders to change this risk profile—we call it bending the claims curve.

designing the product, and they're designing the underwriting process.

One of the big challenges for distributors is the underwriting process. You get an app, it takes 30 or 40 days, you've got to get medical records and do all this stuff. It's difficult, and everybody wants everything immediately today. I call Amazon, it shows up in the afternoon. Why does it take me 60 days to get an insurance policy issued? So you have all that going on. They're looking at these hybrid products primarily, and then regular life and annuity.

Then you have these vendors on the wellness side. Look at the claims and the strong desire by the carriers and all the stakeholders to change this risk profile—we call it bending the claims curve. You start where you don't talk to the people, you don't know anything about them, and they call you when they have a claim. Can we get in there—get information, stratify, and intervene? So that's one pillar.

You also have a provider pillar. What are we doing with these providers? Can we negotiate fees? Can we look at how the care plans work? The providers don't have the same tools that a health plan has. The way the products were written, there's no in-network or out-of-network. If you qualify for care, you can go anywhere within a set of definitions of "provider." And of course, those definitions, which were designed 25 years ago, aren't often relevant today. Assisted living facilities weren't even contemplated back then, and the states keep changing definitions of what's assisted living, what's independent living, what's dementia care, what type of licensure do they have? This has been a huge challenge for the carriers.

Some of the big lawsuits that have happened with LTC are about provider eligibility. You approved it for this one, and you didn't approve it for that one. Now we have a class-action lawsuit. So it's a big issue around dealing with the providers, and that's one of the things we're looking at. Can we rationalize providers? Can we contract with them? Can we work care plans? Can we make sure we're getting the right care and the right delivery?

And then there's another pillar: fraud. That's another one of these services that carriers are looking at. When you see surveillance videos, when you review some of these cases, it could be a TV show. I mean, it's unbelievable. You can't make this stuff up. The person is on claim, they're four-ADL dependent, and they have pictures on their Facebook page of them climbing Mount Washington with their friends last week.

There's actually another one—concierge care. Can we engage with the people after claims? Can we take it beyond where the insurance company starts and stops and bring in a concierge to sit down with Mrs. Jones and check out her house and try to help

her stay independent? You know, this whole notion of independent aging. If we can keep them in the home longer, they don't go into a facility. All these things reduce cost.

I think what the industry is trying to do, instead of just relying on this rate increase lever, is really get in and manage the business. In the last three or four years, it's been a tsunami—we get calls every week from a new startup. A lot of this has been enabled by technology—you've got wearables, you've got sensors that track and report. Which brings you to electronic visit verification, or EVV.

About 10% of LTC claims are serviced by independent providers. Not an agency, but a volunteer from the church, a neighbor, or even a family member. How do you manage that? You're not getting an invoice. You're getting hours on a napkin. At LTCG we get 140,000 paper invoices a month with no formats, no codes, some actually handwritten. Or a 12-page printout from A Place for Mom. Trying to make heads or tails out of this stuff and know what are covered services is a huge challenge.

What if we could give a caregiver an app? And when they get to the house, they punch in. You have a list of your claimants, and it's all geofenced. I'm going to be at Mrs. Jones to bathe and dress her and prepare a meal, and I punch out when I leave.

This kind of feeds into the whole fraud thing. Were they really there for four hours? What did they really do? We had one case where the claimant was in Oklahoma and the caregiver was punching in from terminal six at San Francisco International Airport. You can't make it up.

Heard: You mentioned that these policies didn't deal with assisted living when they were written in the 1970s, and then in the 1990s, assisted living was all the rage. Is the industry making changes there to make it easier for consumers, who don't know the proper terminology and taxonomy of care, to file claims?

Goldstein: We're certainly trying to get better at the claims process. I was talking about the providers and the different licensure. In some states you have these multifaceted facilities, where there's independent living and you can then migrate to assisted living. They have in-home care delivery. So we get an invoice that says they're in a facility. Is that independent care or not—are they truly eligible for benefits under the policy?

It's huge for the carrier, because if the person qualifies for assisted living because they're ADL-dependent, the carrier is going to pay that $9,000 a month for the assisted living facility. But maybe they're in the same place but in an independent wing. Maybe they're getting a little home care or something, but they're independent. How do you sort this out?

We are now actually sending out people to facilities. Because you can't figure it out based on the invoice. So we actually send assessors to the facility. We ask for the room number. We ask for the plan. These providers have to file a plan with the state.

I guess the point is, at a high level, the claims process has gotten much more complicated. And now you think of the carriers that have 200 claims or 500 claims, or the hybrid that's got a life policy or an annuity—they don't even understand all this stuff, and they will never achieve the scale to do it right. But they've got hundreds of millions, if not billions, of liability on the books supporting these policies.

We started off today with an overview of the market. Well, all those policies that we talked about are now coming home to claim. There are approximately 320,000 claims against the stand-alone products; $11 billion was paid last year. And now you think about the potential interventions, the fraud. If it's only 2% or 3%, that's hundreds of millions of dollars. The carriers are struggling, they're raising rates; the regulators are upset. It's a challenging set of circumstances against a huge need. We've got 10,000 people a day turning 65, and they don't have any real financial protection for what's likely going to happen to a lot of them.

Heard: You mentioned the regulators. We had a great panel earlier today where they talked about some legislative activity in Washington. Can you talk about Washington and what else you see on the horizon?

Goldstein: The Washington Cares program was huge. Washington was the first state that said "we are going to create an entitlement, a LTC program for all the residents of the state. And it'll be funded through a payroll tax. Effective January 1, 2022, we're going to take a 5.8% payroll tax, it's going to go into a bucket, and any Washington resident who qualifies for LTC will have a benefit of $36,500." Washington is the first state that has done this, There are seven or eight states, including California and New York, that are looking at it very seriously. They've hired actuarial firms to do studies and models.

What does all that mean? Being in the industry as long as I have, my first thought is "wow, it's a recognition that this is a real problem. This is a societal problem." We have people who are aging. They're going to live a long time. They're going to need help. They can't afford it, and we can't put everybody on Medicaid—it'll crush the states.

In Washington, the law said that you're going to be subject to the tax, but you can opt out. If you have a private LTC insurance policy in place by November 1, you can opt out of the tax. And this all came into play around April. So guess what? In four months, agents in the state of Washington wrote 250,000 LTC policies. Last year, the industry across the country sold 47,000 policies. But in four months, they sold 250,000 policies because of this opt out.

There are a lot of concerns around that. First, how do you even process it? I mean, they were backing forklifts up to our loading dock with applications on pallets. It was crazy. We hired 700 temporary workers just to move the paper through the machines and get it done. So it's had huge implications for the industry.

I think what the industry is trying to do, instead of just relying on this rate increase lever, is really get in and manage the business.

Also, $36,500 is woefully inadequate. If you really need care, you're going to blow through that in 6 to 12 months at today's prices, and prices are only going up. And where are the caregivers coming from? Are there ways to involve the private sector to create wraparound products or work in concert? There's a lot of activity around that.

So it's huge in our industry right now—a state government finally said, "we've got to do something." The industry has been lobbying for tax benefits, being able to pull money out of a 401(k) to buy LTC. There are a lot of ideas. And frankly, since the CLASS Act came and went, there has not been much activity on the regulatory front.

The other big thing was COVID. I don't know if you noticed this, but I was watching CNN during the pandemic, and I heard the words LTC on TV a lot, especially at the beginning when many of the people who were dying were in nursing homes. There was more of an awareness of, "hey, I never want to end up in a nursing home, so what do I have to do?"

With all the things we've talked about—technology, different products, the regulatory framework, and now states creating LTC products—maybe finally as an industry we'll start to have some meaningful dialogue to really address the problem.

Audience Question: You talked about some of the issues with the earlier LTC stand-alone policies—poor assumptions and things of that nature. What are you seeing from the initial crop of extension of benefit life/LTC combo products? They were probably written a decade after the original LTC products, but a good portion came before the 2005 time period where you said the industry realized its earlier mistakes.

Goldstein: There's not a lot of experience to look at yet, because of the age of the people who bought those policies and how much time has gone by. I can tell you that the companies with a decent block of hybrid policies are watching the emerging data very closely.

There are two camps. Some people think those policies are going to behave completely differently—different product, different consumer. And other people say they made all the same mistakes. There isn't a lot of data yet to be able to say one way or the other.

I think there is certainly a recognition from the life insurance companies that wrote those products, as claims are starting to emerge, that they have to do something. Right now, tracking them on spreadsheets and just paying everything for the 300 or 500 claims they have is not

going to be sustainable. So that's definitely changing. And there's a recognition by these big life companies that they need expertise on the claims side.

Audience Question: There are a lot of life contracts out there with the 101(g) chronic illness benefits. Do you see any impact there? Now, those aren't LTC benefits. You have to have the permanent condition certified to trigger those accelerated benefits. Does that take some pressure off of the concerns that we have as an industry, for consumers to be able to avail themselves of those policies? Secondly, on the issue of COVID, we don't really know the ramifications of long COVID—that tale is yet to be determined, correct?

Goldstein: On the chronic illness riders, it's a different risk, so I don't think we have the same level of concern. Like you said, it's one and done. You have to have the condition, and it's a one-time payout.

I don't know about long COVID and what it's going to mean. We didn't see much of an impact from COVID in our books of business or really the industry overall. The claims went down, and that made sense to us. You're not going to get a care provider that wants to go to a home, and you don't have a potential claimant who wants someone in their home. I think families said, "we'll just take care of mom ourselves. We're not going to put her in a nursing home." So we saw the incidence of claims go down, which was really good for the carriers. They got some financial relief there. But it's coming back, and we always assumed it would.

In four months, agents in the state of Washington wrote 250,000 LTC policies. Last year, the industry across the country sold 47,000 policies.

Audience Question: Has there been any change in who's buying LTC policies?

Goldstein: What we've seen is that the age of buyers has come down. I opened up saying that for those old nursing home policies, the average buyer was 75. Now, on a stand-alone policy, the average age is probably 54. Why? Less underwriting risk and lower premiums. We're seeing much younger people coming into the risk pool.

Audience Question: This is a claims management question. You look at definitions and ambiguity in the language of the policies: "substantial assistance with ADLs" or "severe cognitive impairment." Do the new policies clean that up at all?

Goldstein: They try, but it's a huge problem. And like I said, provider eligibility is ripe for litigation. By the way, there's a whole cohort of policies out there that are not tax qualified that were written before 1996. You know what the trigger was then? "Medical necessity." What does that mean? The patient who's had their doctor for 25 years comes into the doctor and says "I sprained my ankle, and I need LTC." The doctor writes a note, and the company starts paying. They never had a methodology to go back and check. Bills come in, dollars go out. That's how it was when we got into the industry. There were no systems.

What we've tried to do at LTCG is create actual standards for these non-tax-qualified policies so we can get consistency. What does "medical necessity" mean? We have a 14-page practice standard because we have 150 care managers making claims benefit eligibility decisions every day, and we want them all doing the same thing. Because if you do it differently here than over here, that's when problems happen. There are law firms out there looking for that stuff—they're chasing LTC insurers. It's a big issue—trying to manage 7 million policies with this vague language that was well-intentioned at the time, but it's changed dramatically over 30 years.

The thinking at the time was that this is a health problem. The underwriting was driven by diagnosis. Somewhere along the way in this evolution, someone figured out that losing function isn't a diagnosis. You could have a diagnosis of a chronic disease but be fully functional. So now we need to look at something other than medical diagnosis or hospital stays. This is all about losing function. And of course, no one had even thought about cognition. So now we need to send a nurse out to the home. That's how this whole thing evolved. ✯

["Shifting Sands" continues from page 1]

chamber. House Democratic leadership has passed the torch to new leader Hakeem Jeffries (D-NY).

The Senate remains controlled by Democrats, who gained one seat in the 2022 election to expand a narrow majority. Senate leadership remains unchanged, with Senator Charles Schumer (D-NY) leading the Democrats and Senator Mitch McConnell (R-KY) leading the Republicans.

As a result of the House flip, the House Financial Services Committee leadership has changed, with Chairman Patrick McHenry (R-NC) now leading the committee, and Representative Maxine Waters (D-CA) serving as the Ranking Democratic Member. Chairman McHenry has already announced a working group "to combat the threat to our capital markets posed by those on the far-left pushing environmental, social, and governance (ESG) proposals," demonstrating Republican commitment to stop the Democratic agenda.

The Financial Services Committee will oversee an inexperienced Housing and Insurance Subcommittee. In an unusual turn, 14 of the 19 subcommittee members are new to the subcommittee, including Chairman Warren Davidson (R-OH). The subcommittee's Ranking Member is Representative Emanuel Cleaver II (D-MO). Many new members, however, have an insurance focus. Representative Monica De La Cruz (R-TX) previously owned an insurance agency. Representative Andrew Garbarino (R-NY) was involved in NCOIL, serving as Vice Chair of the Life Insurance & Financial Planning Committee. He also sponsored the NCOIL Insurance Business Transfer (IBT) Model Act.

Representative Brittany Pettersen (D-CO) previously legislated on insurance matters in Colorado. Finally, Representative Bill Posey (R-FL) led efforts to reform Florida's insurance laws with the goal of increasing competition and lowering rates for homeowners and businesses in response to the 2004 hurricane season. Representative Posey also oversaw reforms aimed at lowering the cost of automobile insurance.

Representative Blaine Luetkemeyer (R-MO) is one of the seasoned committee members. Representative Luetkemeyer has over 30 years' experience in the banking and insurance industry and served as a bank regulator for the state of Missouri early in his career. Representative Luetkemeyer has served on the Subcommittee on Housing and Insurance for many years, including as Vice Chairman during the 113th Congress and Chairman during the 114th.

Chairman McHenry noted the Financial Services Committee's priorities during opening remarks at the House Financial Services Committee's Organizational Meeting for the 118th Congress on February 1, 2023. Chairman McHenry stated that one priority will be to ensure that "rogue Democrat regulators stay focused on their statutory mission and congressional intent rather than bowing to progressive activists both here and abroad." Additionally, Chairman McHenry stated that, in support of that goal, Securities and Exchange Commission (SEC) Chairman Gary Gensler and Consumer Financial Protection Bureau (CFPB) Director Rohit Chopra will appear at the committee often.

On the Senate side, Chairman Sherrod Brown (D-OH) continues to lead the Senate Banking, Housing, and Urban Affairs Committee with Senator Tim Scott (R-SC) serving as the Ranking Member. This committee will include new voices of interest, such as Senator John Fetterman (D-PA) and Senator J.D. Vance (R-OH). Senators Toomey (R-PA) and Shelby (R-AL), who previously served on the Senate Banking Committee, both retired at the end of the last Congress.

The committee is expected to continue its focus on private equity (PE) in the insurance industry. Last March, Chairman Brown wrote to the Federal Insurance Office (FIO) and the NAIC, raising concerns about the role of PE and other investment firms in the industry. Chairman Brown held a committee hearing in September 2022 that focused on the topic of PE in the insurance industry. In his opening statement, he referenced recent pension risk transfer (PRT) transactions, suggesting that involvement of PE in pensions leaves workers "worse off." He cited his letter to the NAIC and FIO and noted the actions both organizations are taking to address the trend. At this hearing, Senator Warren (D-MA) asked FIO Director Steven Seitz whether pension holders subject to a PRT are less protected following the transfer, to which Director Seitz responded that policyholders of insurance companies are protected by state guaranty associations and funds.

Insurance is not anticipated to be a top-of-mind issue for this Congress. Overall legislative priorities will include a resolution of the debt ceiling, in addition to passing the annual appropriation bills and the National Defense Authorization Act. The House's political focus will likely be on oversight and investigations, and the Senate's political focus will likely be on nominations. Areas of potential activity include the National Flood Insurance Program re-authorization, crop insurance through the Farm Bill, privacy/AI legislation, and cryptocur-

"The Senate Banking, Housing, and Urban Affairs Committee is expected to continue its focus on private equity in the insurance industry."

rency regulation. Needless to say, both chambers and parties will simultaneously be preparing for the 2024 election.

The View from Pennsylvania Avenue

The White House will have its own focus on the 2024 election, inevitably impacting priorities and messages. President Biden officially announced his reelection campaign on April 25. And with a divided Congress, White House political focus for its progressive agenda can only be channeled through regulatory activity such as White House executive orders and federal agency action.

FIO's priorities, as noted in its 2022 annual report, include PE in the insurance market. The annual report noted that the life and health sector saw 24 total deals in 2021 amounting to an aggregate value of $24.5 billion, with continued interest from PE firms in a portion of these transactions. FIO also highlighted Blackstone Group's $2.8 billion acquisition of Allstate Corp.'s life insurance unit, and its acquisition of a 9.9% equity stake in American International Group's life and retirement business for $2.2 billion.

Climate and environmental, social, and governance (ESG) issues likely will remain a top FIO priority. FIO has prioritized climate since at least December 2021, when FIO staff presented their initial observations on the responses to FIO's request for information on climate-related risks and the insurance sector, published in August 2021. FIO is continuing to use these responses to inform its ongoing climate-related work. This year, FIO announced that it joined the Network of Central Banks and Supervisors for Greening of the Financial System. Additionally demonstrating climate as a priority, FIO announced its intent to publish a climate report by year-end 2022, but we have not yet seen the report.

In years past, FIO has discussed resolution and the guaranty system in its reports. FIO has not discussed resolution and the guaranty system recently, but we continue to watch out for and anticipate any FIO focus on areas of importance to the guaranty system.

The Financial Stability Oversight Council (FSOC) has similar priorities, unsurprisingly. FSOC will continue to prioritize climate after publishing its Report on Climate-Related Financial Risk, to which FIO staff contributed. FSOC will continue to take an activities-based approach to systemic regulation, focusing on activities rather than specific entities that may carry systemic risk. How precisely the activities-based approach will impact insurance remains an open question.

Recent financial sector events have also gained federal (and national) attention. California-based Silicon Valley Bank and New York–based Signature Bank were both closed and subsequently placed into Federal Deposit Insurance Corporation (FDIC) receivership this March. These closures resulted in the invocation of the systemic risk exception to the Federal Deposit Insurance Act's least cost resolution mandate.

As a result of these closures, the House Financial Services Committee held a bipartisan hearing, *The Federal Regulators' Response to Recent Bank Failures*. At this hearing, committee members probed the U.S. Treasury Department, Federal Reserve Board, and FDIC. Chairman McHenry specifically sought information related to invoking the systemic risk exception for covering uninsured deposits at failed banks. While not insurance industry specific, these events have garnered federal attention and will impact policymaking discussions on financial regulation for the foreseeable future.

"Climate and environmental, social, and governance issues likely will remain a top FIO priority."

Turning to the States

The 2022 state gubernatorial elections largely favored incumbents of both parties, with the three open-seat races flipping the governors' mansions to Democrats (Arizona's Secretary of State Katie Hobbs, Massachusetts Attorney General Maura Healy, and Maryland businessman Wes Moore). Five first-term Democratic gubernatorial incumbents withstood significant efforts to unseat them: Laura Kelly (Kansas), Janet Mills (Maine), Gretchen Whitmer (Michigan), Michelle Lujan Grisham (New Mexico), and Tony Evers (Wisconsin). Georgia Republican Governor Brian Kemp similarly withstood his rematch with Stacey Abrams. The one blue-to-red flip was Joe Lombardo's win in Nevada.

> **As part of the Education Project, NOLHGA and NCIGF leadership closely coordinate with NAIC groups focused on resolution, the guaranty system, and related issues.**

With party shifts and transitions, there are three open appointed commissioner posts: Maine, New Mexico, and South Carolina (where Acting Director Michael Wise has been nominated to be the next Director). Florida's new commissioner is former department chief of staff Mike Yaworsky. Arizona Governor Hobbs announced the appointment of Barbara Richardson, who left the Nevada commissioner post as Governor Lombardo was sworn in. In Nevada, Scott Kipper was named the new commissioner, after previously serving in that role from 2008–2010 and 2011–2015.

A majority of insurance commissioners (45 out of 56) are gubernatorial appointments (or involve a similar process), but the 2022 elections also included four elected insurance commissioner races, which all favored incumbents. Georgia's John King won election for the first time, having first taken office by appointment. Oklahoma's Glen Mulready was uncontested for his second term (his last per term limits). Ricardo Lara (California) and Vicki Schmidt (Kansas) easily won contested elections for second terms.

Changes at the NAIC

In addition to political elections, NAIC leadership transitions began at the end of 2022. The NAIC's new officers are:

- Director Chlora Lindley-Myers (Missouri): President
- Commissioner Andrew Mais (Connecticut): President-Elect (he'll be President in 2024)
- Commissioner Jon Godfread (North Dakota): Vice President
- Commissioner Scott White (Virginia): Secretary-Treasurer

It's worth noting that all four new officers have spoken at NOLHGA meetings in the last few years.

As part of the Education Project, NOLHGA and NCIGF leadership closely coordinate with NAIC groups focused on resolution, the guaranty system, and related issues. That coordination has resulted in agenda items to strengthen and preserve the state-based guaranty system, contributions to effective responses to international and federal initiatives, and ongoing communication essential to working together toward good results for the consumers the system serves.

The Receivership and Insolvency Task Force (RITF) leadership, along with the working groups and subgroups reporting to it, remain largely stable in 2023. Commissioner Jim Donelon (Louisiana) will remain Chair of RITF, but in March he announced that he is not seeking reelection in November 2023, meaning we will have a new RITF chair in 2024 (as well as the loss of a strong voice and iconic presence, needless to say). Commissioner Glen Mulready (Oklahoma) will serve as RITF'S Vice-Chair (replacing Commissioner Cassie Brown (Texas)). The leaders of working groups reporting to RITF did not change—Kevin Baldwin (Illinois) and Miriam Victorian (Florida) will serve as Chair and Vice-Chair of the *Receiver's Handbook* Subgroup, respectively; Donna Wilson (Oklahoma) and Jacob Stuckey (Illinois) will co-chair the Receivership Financial Analysis (E) Working Group; and Baldwin and Laura Lyon Slaymaker (Pennsylvania) will co-chair the Receivership Law (E) Working Group.

Other notable 2023 NAIC appointments that could affect the guaranty system include Bob Kasinow's (New York) appointment as Chair of the Macroprudential Working Group, with Carrie Mears (Iowa) serving as Vice-Chair. The Life Insurance and Annuities Committee is chaired by Director Judith L. French (Ohio), with Commissioner Carter Lawrence (Tennessee) serving as Vice-Chair. The Health Insurance and Managed Care Committee is led by Chair Anita Fox (Michigan), with Jon Pike (Utah) and Mike Kreidler (Washington) serving as Vice-Chairs. Commissioner Michael Conway (Colorado) and Commissioner Andrew Stolfi (Oregon) will serve as Chair and Vice-Chair of the LTC Task Force, respectively.

With these leaders in place, 2023 NAIC work has begun in earnest. Topics of interest to the guaranty system include:

- *Guaranty System Educational Session:* At the suggestion of NOLHGA and the NCIGF, RITF has endorsed a tabletop session on troubled company resolution that would include financial regulators, receivership staff, and representatives from the guaranty system. The session would be modeled in part on NOLHGA's 2022 Legal Seminar/Insolvency Workshop, as well as a similar session undertaken by the NCIGF. At the NAIC's March National Meeting, RITF Chair Commissioner Donelon voiced strong support for the session, and the task force directed NOLHGA and NCIGF to continue its development.
- *Restructuring Mechanisms:* The relevant NAIC groups continue to work on a white paper and best practices document related to restructuring transactions, drafts of which were shared throughout last year. The Receivership Law Working Group continues efforts to revise the Property and Casualty Insurance Guaranty Association Model Act to verify that policies retain guaranty fund coverage following an insurance business transfer (IBT) or corporate division (CD) transaction. NOLHGA and the NCIGF have worked closely with NAIC staff on the white paper and best practices document to ensure that issues relevant to the guaranty system are accurately described.
- *Responding to the Targeted Jurisdictional Assessment:* The RITF and the Group Solvency Issues Working Group are responding to international observations on recovery and resolution planning requirements, most recently from the International Association of Insurance Supervisors' (IAIS) Targeted Jurisdictional Assessment. Part of the NAIC response will be describing the strengths of the U.S. resolution system, and NOLHGA and the NCIGF will be contributing to that response.
- *Receiver's Handbook:* The RITF's Receiver's Handbook Subgroup has undertaken a comprehensive revision of the document. NOLHGA and the NCIGF have contributed comments that underscore Receivers' commitment to early coordination and communication with the guaranty system and better address certain technical issues.

That said, the agendas that dominate the year are not always the ones on the list at its beginning. Ongoing monitoring and engagement with state regulators and the NAIC won't let up in 2023.

Across the Pond & Beyond

We also have our eyes on several international developments. On February 13, the IAIS published its draft *Issues Paper on roles and functioning of Policyholder Protection Schemes*

[(PPSs)](#) for consultation. The Issues Paper, a product of the IAIS Resolution Working Group, builds upon the 2013 Issues Paper on PPSs.

The 2023 PPS paper considers developments that have taken place since the 2013 Issues Paper, such as revisions to the Insurance Core Principles and the adoption of ComFrame (the Common Framework for the Supervision of Internationally Active Insurance Groups). The 2023 Issues Paper describes the roles of PPSs in insurance resolution and various other activities and draws on the results of an IAIS member survey on PPSs issued in 2022. The current paper does not set any new standards, but instead is intended to describe the current global practices of PPSs and serve as a resource for countries looking to establish or improve a PPS.

The IAIS held a public background session on March 1 to present the paper and answer stakeholder questions. Comments on the Issues Paper were due by April 14. NOLHGA and the NCIGF coordinated with the NAIC in submitting comments to ensure the strongest response possible for the state-based system.

As 2023 action gets going in earnest, state regulatory developments directly impacting the guaranty system are already underway. Congressional activity on financial services may not be vibrant, but the Biden Administration could fill that gap with its own activism. International standard setters, meanwhile, have once again put guaranty system issues front and center. For all these reasons, Education Project leaders are once again ready to adjust to new leadership and new priorities as they support the state-based guaranty system's mission. ✪

Pat Hughes is a Partner of Faegre Drinker Biddle & Reath LLP, where he leads the insurance group's regulatory and government team. Hannah Reichenbach is an associate in the firm's insurance group, concentrating in regulatory and government affairs. Team members Josh Andrews, Caryn Glawe, Scott Kosnoff, Danny Lewallen, Sara Manske, and Kacey Stotler substantially contributed to this article.

NOLHGA Calendar of Events

2023

July 26	**MPC Meeting (Hybrid) Chicago, Illinois**
July 27–28	**NOLHGA's 31st Legal Seminar (Hybrid) Chicago, Illinois**
August 12–16	NAIC Summer National Meeting Seattle, Washington
September 27–29	ACLI Annual Conference 2023 Washington, D.C.
October 25	**MPC Meeting (Hybrid) Salt Lake City, Utah**
October 26–27	**NOLHGA's 40th Annual Meeting (Hybrid) Salt Lake City, Utah**
November 30– December 4	NAIC Fall National Meeting Orlando, Florida

NOLHGA Journal
Vol. XXX, No. 1 | April 2023

The *NOLHGA Journal* is a publication of the National Organization of Life and Health Insurance Guaranty Associations dedicated to examining issues affecting the life and health insurance guaranty system.

Copyright © 2023
All Rights Reserved.

Reproduction in whole or part is authorized with permission from:
NOLHGA
13873 Park Center Road, Suite 505
Herndon, VA 20171
TEL: 703.481.5206 FAX: 703.481.5209
Editor: Sean M. McKenna
E-mail: smckenna@nolhga.com

The views expressed herein are those of the authors and do not necessarily reflect those of NOLHGA or its members.