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A Look Abroad

International regulators focus on resolution and recovery, and the EU considers harmonization of its members' guaranty schemes

While the first six months of 2018 were quiet in terms of international standard-setting activity regarding insurance company resolutions, the second half of the year was quite the opposite. We caught up with Sara Powell and Scott Kosnoff (Partners with the Faegre Baker Daniels law firm, where they represent the guaranty system on public policy matters in Washington and internationally), who were kind enough to give us the low-down.

NOLHGA Journal: *Were you surprised at the amount of international activity relating to resolution matters in the second half of 2018?*

Sara: Not at all. We knew the first half of 2018 would just be a waiting game. We expected the next ComFrame consultation to come out in late summer, including the resolution-related elements. The ComFrame consultation document dropped on July 31, and we were off and running.

Scott: As a reminder, "ComFrame" is short for the Common Framework for the Supervision of Internationally Active Insurance Groups—a set of supervisory standards focusing on the effective group-wide supervision of internationally active insurance groups (IAIGs). ComFrame seeks to assist supervisors in "addressing group-wide activities and risks; identifying and avoiding supervisory gaps; coordinating supervisory activities efficiently and effectively between the group-wide supervisor and other involved supervisors." ComFrame also provides a framework for supervisors to work together in supervising an IAIG across borders, although it is not intended to create a one-size-fits-all approach to regulation.

NOLHGA Journal: *Was there anything notable in the resolution-related elements of ComFrame?*

Sara: The vast majority of the changes made since the 2017 ComFrame consultation are for clarification, consistency, or organization purposes. The main resolution-related material is embedded in Insurance Core Principle (ICP) 12, which addresses market exits and winding up. While none of the revisions contained in ICP 12 relate expressly to insurance guar-

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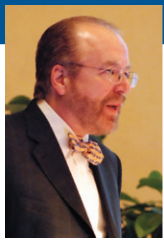


President's Column by Peter G. Gallanis

Meeting Stakeholder Expectations

Some of the following comments were adapted from my President's Address, delivered on October 19, 2018, at NOLHGA's 35th Annual Meeting in Seattle

As I prepare to hand this column in to my editor, Scoop, we read that today is the 34th day that the federal government has been closed during the current impasse involving border security issues, immigration reform, political egos, and perhaps more. We at NOLHGA hope that the shutdown will be over by the time you receive this edition of the *Journal*.

In the meantime, the shutdown's effects are being noted. TSA and IRS employees—among many who have been instructed to report to work without pay—are calling in sick. FBI agents report that investigations of terrorists and drug dealers are being fatally compromised.

Closer to home, the important work of federal agencies has stopped, and many of the local institutions (e.g., the Smithsonian) have been closed to visitors. And closer to our insurance world, we learn that the shutdown is disrupting U.S. participation and leadership in a major international insurance regulatory conference that is taking place now in Washington.

I wonder what international visitors to that insurance conference are saying about American self-government as they consider that leadership vacuum? Doubtless the word "dysfunctional" occurs to some.

That term (or its moral equivalent) would seem to describe a system in which the stakeholders in our governmental enterprise (taxpayers and citizens) cannot rely on elected representatives to settle their differences and meet the expectations that stakeholders have for government. The inevitable consequences of that failure to meet stakeholder expectations include a loss of faith in government and a resulting lessened ability on the part of government to meet future expectations. Dysfunction tends to breed further dysfunction, precisely because of the accumulating damage to public confidence.

If the shutdown has any positive effects, perhaps one is that it inspires us to consider how we might seek to compromise any differences we have in our own spheres, so as to reduce the risk of being (or seeming) dysfunctional in the work that we do. Perhaps the takeaway from the current imbroglio is that we need to consider what is expected of our enterprise, and whether we are meeting expectations.

When we were together in New York last July for the NOLHGA Legal Seminar, the Executive Director of the Michigan guaranty association, John Colpean, asked me whether I miss teaching. John was recalling that, before I joined NOLHGA, I used to teach insurance law at a large Chicago law school.

Coincidentally, over the course of the last year, and for the first time in a very long while, I got a feeler for a teaching position. I quickly realized that my NOLHGA duties wouldn't allow me to take it on; there just aren't enough hours in the day. But that teaching nibble caused me to think again about John's question on whether I missed teaching.

There are a few things about teaching that I do miss: Regular class meetings with enthusiastic students who are encountering for the first time a fascinating area of the law; learning all the new developments that a teacher has to master to stay ahead of 50 or so eager and ambitious students; interacting with other faculty members; and designing final exams—something that can be devilishly fun, if you like to exercise your more sadistic creative writing muscles once or twice a year.

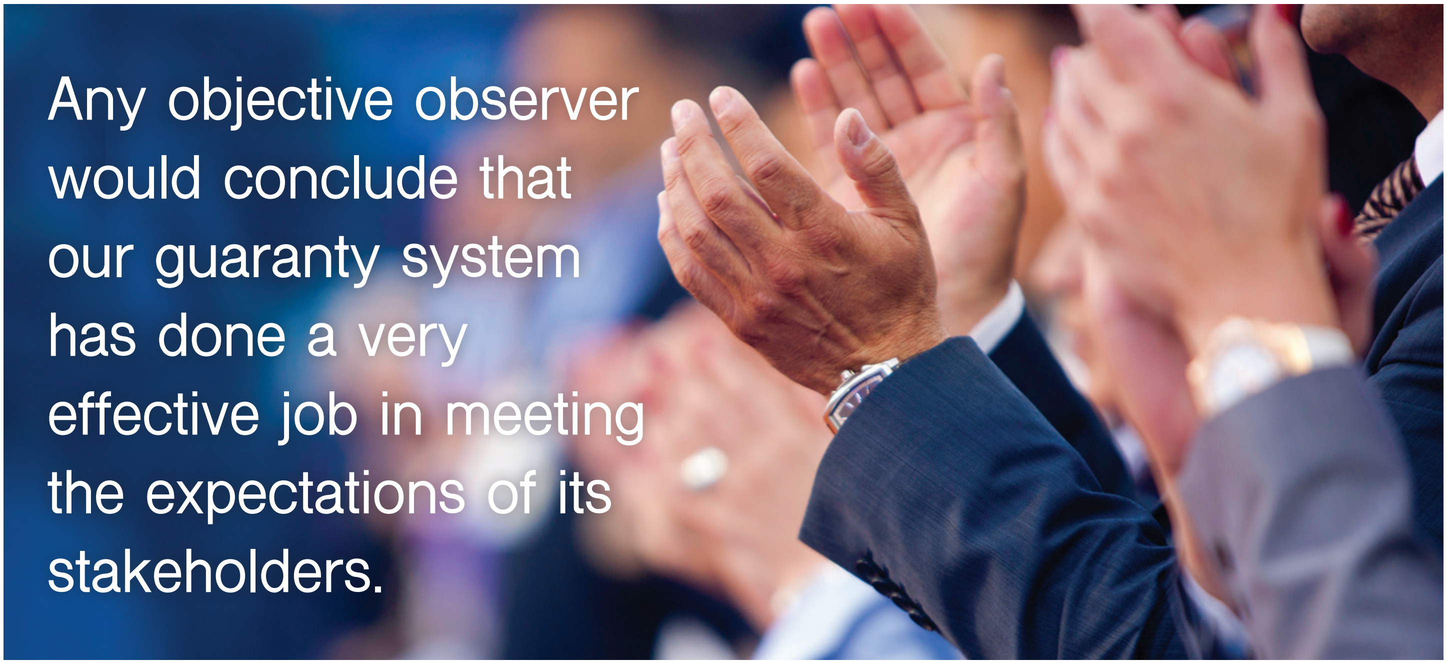
The one thing that I don't miss: Grading final exams, especially the bluebooks written by students who are having an off day, or an off semester. Still, even that can have its rewards, because students sometimes say genuinely clever things.

I used to include in my exams a section of short questions. I'd provide an insurance term or concept, and I'd ask the students to write one or two sentences explaining the basic meaning and significance of the term.

One such term was the reinsurance concept, *uberrima fidei*—a Latin phrase for the duty of utmost good faith owed by a cedent in disclosing to a reinsurer in full the particulars of the risk being reinsured. If the student had given just that explanation of the term's meaning, the student would have gotten full marks for the question.

Unfortunately, one student must have drifted off on the day when we covered that concept in class. So this was his attempt at guessing the meaning of *uberrima fidei*: He wrote, "You bury me if I die?" The temptation to give consolation points was nearly irresistible.

Teaching an insurance survey course causes one to review and reflect upon a lot of core principles that we don't always focus on when the pressure of today's crisis—whatever that crisis may then be—is so intense that you barely have time to



focus on what needs doing right now, this very minute. We don't often get to ruminate over first principles.

That said, once John had prompted me to pull my old textbook off the shelf, I couldn't keep myself from leafing through it a bit, and that exercise reminded me of some things that might be worth our consideration when it comes to meeting stakeholder expectations for our enterprise—the guaranty system—as we look forward to another challenging year.

I'm not preaching or making predictions—only observations. One observation is that there are many more insurance questions that have not been the subject of reported court decisions than there are questions that have been the subject of reported decisions.

The prominent reported decisions tend to be from high-dollar disputes, where deep-pocketed parties have hired very good lawyers to obtain court decisions in major commercial cases. A lot of those cases have been disputes over insurance coverage. The holdings of those cases might not be applied in an insolvency or guaranty association context.

But as a window to general insurance jurisprudence, I submit that they might have some significant predictive value. So here are some lines of cases and legal doctrines that might be worth thinking about in terms of stakeholder expectations as we head into our next challenging year.

The first line of cases has to do with the interpretation of ambiguous coverage provisions. A long line of cases holds that, if coverage language is ambiguous—that is, if the key terms are such that reasonably intelligent people can honestly differ as to their meaning—then the language must be construed in a manner favorable to insurance coverage. The lead case on that point in my old textbook is a Third Circuit decision applying Pennsylvania law called *Vlastos v. Sumitomo.* I haven't Shepardized it, and I won't warrant that it's good law today—in the Third Circuit, in Pennsylvania, or in any other jurisdiction; but, at least as of 1999, the case stated a principle that was widely followed by courts around the country.

A second line of cases involves a principle you may know as the rule of *contra proferentum*, that coverage provisions will tend to be construed against those who drafted them and in favor of coverage. In the insurance coverage context, there are a lot of cases supporting this principle. My casebook cited as a lead case *Vargas v. INA,* a Second Circuit opinion.

A third interesting line of cases involves the notion that coverage provisions will be interpreted so as to "honor reasonable expectations of coverage," particularly when coverage terminology is unclear or ambiguous, and when a proffered construction of such terminology might lead to surprising limitations on coverage, or where the denial or limitation of coverage violates sound public policy.

This "doctrine of reasonable expectations" has been an emerging area of insurance law and one that has been the subject of some controversy, but it has also been a powerful driver

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"Without Solvency Regulation, Market Regulation Doesn't Matter"

Dr. Terri Vaughan discusses improvements in insurance regulation and how state regulators work with their federal and European counterparts

Dr. Terri Vaughan is an internationally recognized expert on insurance regulation. She is currently the Robb B. Kelley Visiting Distinguished Professor of Insurance and Actuarial Science at Drake University's College of Business and Public Administration, and she is also a former President and CEO of the National Association of Insurance Commissioners (NAIC).

The following is an edited transcript of our discussion at NOLHGA's 2018 Annual Meeting on October 18.—Peter G. Gallanis

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Gallanis: *I find myself returning over and over to one sentence in this, the 2011 edition of your book* Essentials of Insurance*, where you say that the main goal of insurance regulation is to avoid policyholder losses when an insurer becomes insolvent. Is that still how you see things?*

Vaughan: Yes, I think so. I would say solvency is the most important issue. You can't build a regulatory system so that no company fails. You just can't. But you can build a system where the regulators are involved enough, engaged enough, and competent enough to step in before policyholders are hurt. Market regulation is important, but without solvency regulation, market regulation doesn't matter. Back when I was a commissioner, I think most commissioners would have said solvency is the first priority. You can't have consumer protection if the promises aren't kept.

Gallanis: *When you look back at some of the criticism insurance regulation faced in the 1980s and early 1990s—for example, Congressman Dingell and the GAO's* **Failed Promises** *report—were there material problems with the way insurance was regulated at that time? If so, what was done to address any shortcomings?*

Vaughan: There were clearly opportunities for improvement at that time. And those of us who've been around for a while remember the flurry of activity aimed at making those improvements. The NAIC's Solvency Policing Agenda, adopted in 1989, laid out a number of new initiatives. Things like developing risk-based capital, new tools for financial analysis, the creation of the Financial Analysis Working Group, and codification of statutory accounting. And then of course you had the creation of the NAIC's accreditation program, which was a fairly dramatic change in how the states related to each other.

Changes to the Holding Company Act and Credit for Reinsurance Models strengthened regulatory authority. States added resources, including more actuaries and more training to deepen the skills of the examiners and analysts. And through the accreditation program and Financial Analysis Working Group, states held each other accountable for their performance. All of this—stronger laws, better tools, increased resources, and stronger peer review—definitely strengthened the regulatory system.

Gallanis: *I think the reaction of the NAIC and individual state insurance commissioners at that time—and now we're really talking about what happened in the early 1990s—saved insurance regulation at the time of the financial crisis. Because when we saw all the bad things happening everywhere else in the financial services industry, it wasn't happening in insurance—even though it had in the recession before that.*

Vaughan: I see two things when you compare the 1980s and early 1990s with 2008/2009. On the one hand, we did a lot of things to improve the regulatory system. So you could point to that.

But in addition, we learned things in the 1980s. Executive Life's problem was a concentration in junk bonds. With Mutual Benefit, it was concentration in commercial real estate. People learned, "Oh, that's a bad thing, to be overly concentrated in your portfolio." Now we're talking about over-concentration in other things, like long-term care. It seems to be a lesson we have to keep learning.

I haven't tried this idea out on anyone, Peter, so I'm interested in what you think. When you look at what was going on in the 1980s and early 1990s versus what was going on in 2008 and 2009, I think they were quite different kinds of crises. Mutual Benefit was over-concentrated in commercial real estate, and commercial real estate had problems. We had a real estate boom and had overbuilt, then there was a tax law change in 1986. These came together to cause a drop in the value of commercial real estate. It was a clear asset problem, and it was a solvency issue.

When I look at what was going on in 2008 and 2009, though, I think of it more as a liquidity crisis. People knew something was going on with CDOs, CDOs-squared. What are these things? Who owns them? How bad is this going to get? And so things weren't trading. Market prices collapsed, in a way that did not reflect fundamental values.

It feels to me like a different kind of problem. In the 1980s, the drop in asset values was real. In the recent crisis, asset values fell, but there was a divergence between the fundamental values of the assets and the market values. And that's the sort of situation where the life insurance industry is able to do better, because the insurers don't have to sell into a down market. They don't have to realize this divergence between fundamental and market values. Now push back on that.

Gallanis: *My view, and I've never tried this out on anyone either, is that the 2008 crisis really looked a lot more like what hit the markets in 1932. Back then you had a very opaque securities market, where people had invested tons of money. And I'm not talking about fat cats. Shoeshine boys had invested a lot of money in the stock market. But there were no uniform or serious disclosure rules. People had all these investments in stocks, but they didn't really know what they had. And I think there are a lot of parallels between that situation in 1932 and what we saw in 2008.*

The other parallel is, in 1932 and the early part of 1933, the banks were failing like crazy, and nobody knew whether the federal government would do anything about it. There were a lot of things that were up in the air—the elimination of private owner-

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ship of gold, back-stopping the banks, those sorts of things.

So you flash forward to mid-September 2008. Lehman Brothers fails. Nobody knows whether the government's going to step in over that weekend, and then finally it's announced that they won't. Lehman files on Monday morning, the stock market crashes by more than 1,000 points. Later that day, when it becomes apparent that AIG is going to fail, suddenly there's a change of heart, and as they said on the cover of one of the magazines, "We're all socialists now."

Vaughan: That's what I think. I think that 2008 and 2009 were much more like the Great Depression, which was also really a banking crisis and a liquidity crisis.

Gallanis: *It strikes me that one reason insurance companies, both on the P&C side and the life and health side, made it through 2008 and 2009, when many banks and investment brokerage firms and Fannie and Freddie didn't, is that concentrations of investment risk of the sort that we saw in Mutual Benefit were no longer permissible because of the steps that had been taken in the early 1990s by state regulators.*

If you go forward a few years to 2000 or thereabouts, another set of questions arose—questions about whether insurance regulation was efficient or effective enough to keep up with the needs of a sophisticated national marketplace and complex evolving products. There was a particular concern about rate and form approvals—timing and costs and inconsistencies and more. There was a big push for optional federal chartering, which was something Congress looked at fairly closely for a few years. How seriously did state regulators and the NAIC take the challenge of regulatory efficiency and modernization? What was done in response to that commentary?

Vaughan: We took it very seriously. We'd been hearing it for a while. It was about speed-to-market—form filing and rate approval. The industry was also complaining about producer licensing, and rightfully so. There were a lot of places in the state system—and frankly, there still are—where you can be more efficient, where those differences across states are not significant enough that they justify the added expense for the industry. And I think with InsurTech and what's happening in the marketplace, that's going to become an even greater problem.

So we started this regulatory modernization initiative in 1994. I think it was 2000, when George Nichols was President of the NAIC, that the officers proposed something called the "Statement of Intent," which laid out a series of things we were going to try to do.

We created the National Insurance Producer Registry and got a producer licensing model enacted in the states to try to get to more uniform producer licensing. We adopted the Interstate Compact in 2002. When I was NAIC President, we had finally gotten to the point of saying, "Okay, the answer, for the life insurance industry at least, is to have an interstate compact."

I give a lot of credit to George. With the Statement of Intent, every commissioner had to personally sign that statement to indicate that they were supportive of these objectives. It was heavy lifting to get that done. George's leadership in saying, "We have to commit to something" was awesome, and I think regulators just have to keep doing that. It's hard—so hard—to make changes in the state system, and it requires real focus.

Gallanis: *The point about regulators needing to continue to review where they are and where they need to be going brings me to what I view as the next big inflection point in the history of insurance, which was the financial crisis. AIG became the poster child of that crisis, and there was a narrative that the sudden recognition of AIG's problems in late summer/early fall of 2008 proved state regulation's inability to get the job done. In your opinion, what did the crisis, and AIG's role in it, prove about the state of insurance regulation at that time?*

There were a lot of places in the state system—and frankly, there still are—where you can be more efficient, where those differences across states are not significant enough that they justify the added expense for the industry.

Vaughan: I'm sure everyone in the room knows the story of AIG, so I don't want to repeat too much. But it's important to keep in mind that we did have a holding company supervisor at AIG, and that was the Office of Thrift Supervision. Insurance regulators viewed their role as kind of limited to the insurance entities, and they were depending on the Office of Thrift Supervision to monitor the rest. In retrospect that was a mistake, because the issues occurred in the company's derivatives operation, outside of the legal insurance entities.

The AIG experience caused state regulators to conclude they needed a more robust system of group holding company supervision. They needed a deeper understanding of how these legal entities could be impacted by the rest of the group. We've seen some improvements aimed at group supervision, including the creation of supervisory colleges, increased reporting under the holding company model, and implementing Own Risk and Solvency Assessments, or ORSAs.

I haven't been a regulator since 2004, but I was at the NAIC from 2009 to 2012 when state regulators were trying to do a better job at group supervision. I don't know if this has improved—I hope so—but at the time, we had some challenges getting to two-way collaboration and information sharing with the Federal Reserve. There was a lot of, "We're subject to confidentiality laws," and "We can't share our information. But you go ahead and tell us what you've got."

My sense, though, is that this might have been more of a D.C. issue, more of a Board perspective. I heard from the states that the collaboration was working better on the ground, and the Fed bank examiners and state insurance examiners had figured out how to partner and share information. That's important. For the system to work when you have multiple regulators, you have to be partners. You have to be willing to share. And I'm a believer that having multiple regulators can be good for the system, but you have to share openly. That's not always easy to do, and it's important to create the right incentives to force that sharing and collaboration.

Gallanis: *Around the time of the crisis, the NAIC was launching its Solvency Modernization Initiative. Did that address at least some of the issues that previously might have been invisible to state regulators, because they occurred outside the silo of a single operating insurance company?*

Vaughan: It tried to. I think the jury's still out, to be perfectly honest. There are new tools. As I mentioned, we have enhanced holding company oversight. Holding companies have to file a new Enterprise Risk Report. The ORSA Report is supposed to give regulators a better understanding of the risk profile of the group. I think these are great tools.

I was a big supporter of ORSA, in part because when I was CEO of the NAIC, the Europeans were pushing Solvency II. We asked ourselves, "Where can we meet them halfway?" ORSA seemed like a good answer. Because we didn't want Solvency II.

I do worry, though, that the more regulators get involved in risk management, the more risk management turns into a compliance exercise. And I think the most important thing about this industry—the thing that makes it able to do what it does—is its culture toward risk. It is a risk-aware culture, in a way you don't see in other industries. That's because risk is its business, and the industry takes on long-term risks. I have a tendency to worry when someone from banking steps in as CEO of an insurance company, because I don't think banks tend to have the same long-term perspective. I've seen that sort of transition not work well several times over my career.

Some people will say that insurance companies are too conservative. I think they do tend to be conservative, but that's because of the nature of the business. It's good that they are conservative. So I want to be very careful about screwing around with that culture. We will see if ORSA is helpful or not. Obviously, the hope of the regulators is that it will be.

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Gallanis: *My first question focused on how avoiding policyholder losses from an insolvency, the failure of a single company—which has often traditionally been referred to as prudential regulation—was viewed as the main goal of insurance regulation. After Dodd-Frank passed, and as people started meeting in places like Geneva and Basel, a question arose about whether there was another goal that may be of equal or even greater importance: protecting the financial system from harm that can be caused by the failure of an insurance entity. The justification, in other words, for so-called macroprudential regulation of insurers.*

Vaughan: I have not followed recently the work that's being done in macroprudential surveillance. But I think the idea that regulators never focused on macro issues is incorrect. The regulators were always concerned about these issues. What's going to happen? Are we going to have a market? Are we going to have a market that functions effectively? What are interest rates doing to this industry? What could affect the industry systemically?

I think that is important. To the extent that we can develop better tools to understand that, we can see what's going on that might be having an effect across the market. The book says it's all about protecting policyholders, but obviously, having a functioning market is important. This idea of macroprudential surveillance—I thought we always did it.

This issue of systemic risk in insurance is a topic worthy of discussion. When I was in D.C. and we were talking about this issue, and in the international arena as well with the IAIS, I found the thinking so muddled.

I remember before I joined the NAIC, in the spring of 2008, I was teaching a graduate course on the regulation of financial institutions, and we had just finished covering systemic risk, moral hazard, and market discipline. And then Bear Stearns happened. At the time of the bailout, Treasury Secretary Hank Paulson said, essentially, "We have addressed any moral hazard problem in the structure of this bailout, because we've forced the shareholders to incur losses." And I remember saying to my class, "Let's go back and talk about what we just covered. Because he doesn't understand moral hazard."

If you think about the different parties in a corporate structure—shareholders, bondholders, depositors/policyholders—shareholders are the ones who like risk. And the reason they like risk is because they get the upside. When the firm takes on more risk, shareholders get more potential upside, and those with fixed claims have a greater chance of losing. When risk increases, the shareholders are essentially taking value away from the bondholders, the depositors, and the policyholders.

The bondholders have systems in place to protect themselves. That's why you have debt covenants in bonds, for example. It is a way for bondholders to protect themselves from an increase in the firm's risk profile.

So moral hazard is not about the shareholders. It occurs when bondholders, depositors, and policyholders stop worrying about the losses they could incur. Then they don't worry about an increase in risk, and they don't have an incentive to control risk taking. That's why deposit insurance creates moral hazard—it reduces the incentive of the depositors to worry about the risk profile of the bank. Guaranty funds similarly reduce the incentive of the policyholders. And the serial bailouts of the bondholders we have seen over the years reduce their incentive. We haven't had those serial bailouts in insurance, and the market still cares a lot about insurer solvency.

But I digress. So much of the discussion was muddled, including the discussion of systemic risk. In international circles, I sometimes wondered if supervisors were trying to find systemic risk in insurance, in order to be relevant. For example, they'd point to HIH in Australia.

HIH wrote property/casualty business, and they were the largest writer for the construction industry. When they failed, there was a temporary dislocation. It was hard to get construction insurance. And I said, "That was like when I was Iowa Insurance Commissioner and St. Paul pulled out of the medical malpractice

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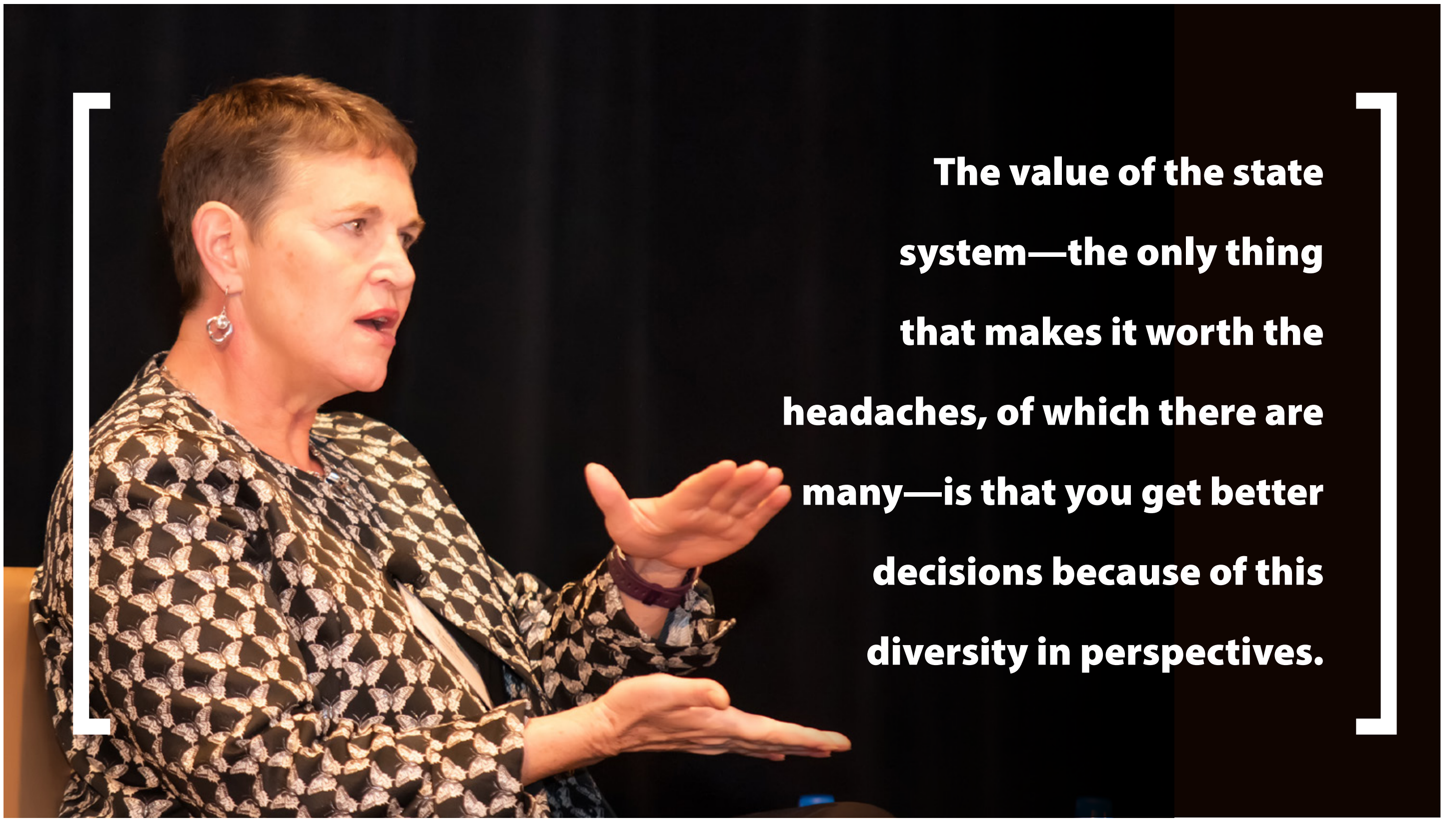

market." We went through a year where hospitals were having problems. It was a temporary dislocation.

So I said, "You can have that, I agree. Now, how serious is it, and what's the downside of creating a whole separate regulatory structure to address that? Because there are unintended consequences in everything you do. Is it *that serious* that we need a separate regulatory structure?" And I could never find an example of where that was the case. At least in insurance.

Now, FSOC reached a different conclusion for a while. But I just found it very, very muddled. And very frustrating, frankly.

One other point. When I was at IAIS meetings, I often found that the U.S. regulators and European regulators were almost coming from different universes. And we do have very different markets. The capital market structure is different, the insurance market structure is different. So I started doing some reading to try to understand why.

I've told this story many times, but I came back to Drake and I was talking to one of our professors in International Business, and I said, "The Europeans just drove me crazy! They always want to talk about rules." We have the reputation for having rules in the U.S., but I found them very rules-focused. And this professor said, "Well, you can thank Napoleon for that."

And I thought, "Of course. We have different cultures because we have different histories." And as I was doing some reading to try to understand this difference, I came across a bunch of articles on how environmental law is different in Europe than it is in the United States. In the U.S., we have this culture of administrative law, where administrative agencies do a cost-benefit analysis and other things to justify their rules. In Europe they have something called the "precautionary principle." Under this principle, if a regulator thinks something might be a danger, boom! They can impose a regulation.

It's a very different culture. And I think that was part of it. The regulators from Europe were saying, "If there's any possibility of a problem, then we regulate it." And we were saying, "No, you have to weigh the costs and the benefits and make an informed decision."

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Gallanis: *So market differences are important. You've also got a fair number of European countries where you don't have, as you do in the U.S., thousands of different insurance companies competing with each other. Concentration is much higher. Insurance companies and banks are viewed as national franchises, and the real regulatory commitment is to keep them from failing, whatever it takes. As opposed to having a competitive marketplace where eventually at least some players may fail.*

Vaughan: Right. I think the other thing is that the capital markets are different. Because in Europe, historically they've had a very bank-centered financial system, and so a lot of the funding that goes out to businesses goes through banks. And banks borrow money from insurance companies and then lend it out. That's historically—it may have changed somewhat. But their corporate bond markets are not as robust, their private equity markets are not as robust. And so that creates linkages between banks and insurance companies in Europe that are much deeper than they are in the United States.

Gallanis: *The other piece of major federal legislation that was adopted at about the same time as Dodd-Frank was the Affordable Care Act (ACA). How does the health insurance marketplace look?*

Vaughan: I'm most familiar with what's going on in Iowa, and every state is having different experiences, so I won't speak to all states. But I have to say that in Iowa, the ACA has not been terribly successful. And as Commissioner Kreidler mentioned earlier, you can't have guaranteed issue, coverage of all preexisting conditions, and not have a mandate that everybody has to be in the system. That's the only way it works.

You can talk about the effects of getting rid of the mandate, but it was never strong enough in the first place. So what has happened is, the rates on the exchange have really gone through the roof, and individuals who do *not* have conditions, or are *not* eligible for subsidies, aren't participating. If you've got a health condition and you really need the insurance, you get on the exchange. If you get subsidies, you get on the exchange. But the rates on the exchange are quite high.

The Iowa legislature last spring created an option for our Farm Bureau to offer something that looks a lot like insurance, but it's not subject to regulation as insurance. It's essentially a group insurance plan that the Farm Bureau offers, and our Blue Cross/Blue Shield company will administer it. There will be underwriting and rating, but the plan has guaranteed renewal and covers the general breadth of what a small group plan covers.

I think there's something very powerful about a structure where a group of peers challenge each other.

So, essentially, we've married the old system with the ACA. Eligible individuals can purchase an underwritten plan, with a premium that reflects their lower risk. But for those who are lower income or who are seeking insurance after they've become uninsurable, you still have the exchange.

I like what other states are experimenting with, such as the creation of reinsurance programs. I think that's helpful. To the extent you can take the costs of these people who have come into the system who are very expensive—because they have health conditions—and lay those off in some way, that's a good thing. It's clearly a very challenging area.

> **It's hard—so hard—to make changes in the state system, and it requires real focus.**

AUDIENCE QUESTION: *I have a question about federal tools to effectuate change at the state level, such as NARAB (the National Association of Registered Agents and Brokers) and even the recent covered agreement, which required state implementation consistent with state laws. We've heard some regulators say, "That's got to be one and done. No more covered agreements." Do you have any comments on the use of federal tools to effectuate change at the state level?*

Vaughan: I have mixed feelings, and here's the reason. On the one hand, I think federal pressure is *incredibly* helpful for the industry and for regulators. The *threat* of federal action—I'm all for it.

But once you actually give an agency the authority to *do* something, like in the case of the covered agreement, my sense from the outside is that that coordination function doesn't work as well as it should. I think there's something very powerful about a structure where a group of peers challenge each other. And the closer we get to "somebody is in charge," the more you lose that. If there's a way to mandate that something happens, but it's somehow that peer-to-peer thing that does it and not some federal agency, I'm more comfortable with that.

I will add that while the NAIC is a very important thing in the structure of state regulation as a coordinating mechanism, I get really nervous when we see a move toward, "Let's put the expertise at the NAIC, and the states will rely on that." Because the value of the state system—the only thing that makes it worth the headaches, of which there are many—is that you get better decisions because of this diversity in perspectives. Illinois, California, and New York think differently about issues, and they come together and argue and challenge each other. If we lose that, it's not worth the headaches. So I'm very defensive of that aspect of the state system.

AUDIENCE QUESTION: *Now that the last of the non-bank SIFIs are done, do you think that more state regulators will think about group supervision more seriously now?*

Vaughan: If it's an internationally active firm, the lead state is going to have to take it *very* seriously, because group supervision is taken very seriously in other parts of the world. And so, when you have these supervisory colleges, if the state regulator is not on top of the issues, that's not going to work very well. States are more serious about group supervision, but my sense is that they are still trying to figure out how to use the new tools and how to cooperate to make it as effective as it can be. I think we will continue to see improvement. ✭

Northwest Passage

NOLHGA journeys to Seattle for its 2018 Annual Meeting

By Sean M. McKenna

Visitors to Seattle expect certain things. Gourmet food trucks. Seahawks jerseys. Coffee strong enough to induce months-long insomnia. Rain.

What they probably aren't expecting is 170 or so people gathered downtown to discuss the future of healthcare, the outlook for the life insurance industry, and the history and significance of NOLHGA's Members' Participation Council (MPC). But if they visited Seattle in October 2018 and stayed at the right hotel (or the wrong one, depending on how you feel about insurance), that's almost exactly what they got. NOLHGA's 2018 Annual Meeting featured one insurance commissioner, one reverend, one expert on recovering World War II–era art treasures, six former MPC Chairs, and the expected in-depth analysis of insurance and insolvency resolution topics.

There was, however, no rain.

ACA Prognosis

Washington Insurance Commissioner Mike Kreidler welcomed attendees to his home state and also shared with them his thoughts on the state of the healthcare market. Kreidler, a staunch supporter of the Affordable Care Act (ACA), noted that Washington "moved very aggressively as a state to implement the Affordable Care Act, and as a result, we've seen significant improvement." The state expanded Medicaid

Robert Edsel, author of ***The Monuments Men: Allied Heroes, Nazi Thieves, and the Greatest Treasure Hunt in History***, *entertained luncheon attendees with a presentation on the exploits of the men and women who saved more than five million pieces of art stolen by the Nazis in World War II. Edsel described the Monuments Men as "a new kind of soldier—one charged with saving and not destroying," and he explained how the spirit they embodied carries on in the foundation that bears their name.*

Washington Insurance Commissioner Mike Kreidler

coverage as quickly as possible, created its own insurance exchange, and promoted open enrollment. The state also broke with President Obama by banning older "grandfathered" plans that did not meet ACA standards. According to Kreidler, the uninsured rate in Washington has fallen from 14% to just under 6%.

Speaking shortly before the November 2018 midterm elections, Kreidler pointed out that while the Republican Party was still seeking to overturn the ACA both legislatively and though administrative means, many Republicans insisted that they would mandate coverage for preexisting conditions even if the ACA was abolished. "We did that here in Washington back in the 1990s," he said, "and it collapsed the individual market because we wound up with such adverse selection." Without the individual mandate in the ACA, he added, coverage of preexisting conditions simply wouldn't work.

Kreidler expressed hope that the ACA, if it remains in place, can still solve some of the healthcare problems facing the country. "I think you're starting to see a real maturation in the market that hopefully isn't undone by untold actions that might take place." And he stressed the need for continuing improvement to healthcare: "When you look at the kind of spending that we have as a nation—twice as much as our principal economic competitors, with significantly lower results—it means we're putting our money into a system that doesn't work very efficiently. We have a chance now to enter into the process of making significant changes to our overall system, and making sure that we maintain some sanity to our system is incredibly important."

In response to a question from the audience, Kreidler expressed grave doubts about a single-payer system. He did, however, offer one caveat—if the Republicans were successful in repealing the ACA, the response could change the healthcare landscape entirely. "If there is a repeal, I think there'd be such a powerful backlash that it's very likely you would not come back to the ACA," he explained. "You might go to something like a single-payer system, because it's so much easier to implement, and perhaps politically a lot more doable than what was possible in 2010."

Kristin Walter Wright (Cambia Health Solutions) provided the company perspective on the ACA, saying that "we haven't seen much evidence of it being affordable, though it has indeed spread coverage a bit more." She mentioned that many of the market reforms in the ACA—medical loss ratios (MLRs), guaranteed issue, eliminating lifetime limits, etc.—have fundamentally changed the healthcare market. MLRs, for example, "really challenged the portfolio concept quite a bit as far as health insurer strategy is concerned. In the past, we did have higher margins in the individual small group and large group space. Those were able to offset, say, Medicare Advantage, which has a smaller margin ability. Overall, we have less contribution to margin than we had in the past."

Wright also touched on other changes to the healthcare market, in particular the Trump Administration's actions to promote association health plans and short-term limited duration insurance plans. The Association Health Plan Final Rule, released in June 2018, modifies the definition of "association" and prior restrictions on which industries can use these plans. "Our concern is that the individual marketplace may be selected against in certain ways," she explained. "Those who can get

Calls for Unity & Open Communication Highlight Chairs' Speeches

In their addresses at the 2018 Annual Meeting, outgoing NOLHGA Chair Mark Backe and Incoming Chair Susan Voss pointed to several challenges facing the guaranty system and encouraged its members to work together.

Backe warned members about business division laws that have been passed or introduced in a number of states. The laws, which permit a company to split into two or more entities and divide its assets among the new entities, "raise important questions for policy owners and the guaranty system," he said. "What if a policy owner doesn't want a policy from a new company but wants to keep the policy they bought? Will a company be permitted to divide itself into a 'good company/bad company' structure by placing all its bad business or its bad assets in one entity?

Incoming NOLHGA Chair Susan Voss

Will the regulators in states where policy owners reside have any say in the matter?" He added that while these laws are relatively new, NOLHGA has been tracking their development and continues to do so.

Backe also spoke about the difficulty of "bringing new voices and viewpoints into the system," acknowledging that "sometimes we have found it challenging to open ourselves up to these new approaches." He pointed out that "we all care about the guaranty system and about the state regulatory framework, but we can disagree on what's best for it." When such disagreements arise, he said, "we need to treat each other with civility and respect—before, during, and after the contest. We need to remember that we share the same goal—the best possible guaranty system. And we need to continue to work side by side to achieve it."

Voss cited the ongoing resolution of the Penn Treaty/ANIC insolvencies as a perfect example of the difficult work the system does. "It's not easy to find solutions to tough problems, and that's why we're here as an organization," she said. "We do the heavy lifting, and we make the difficult decisions." Pointing to the vital role the system plays for regulators, the industry, and consumers, she added that "it's sometimes a challenge for us to communicate the importance of our work, but that's something that maybe we need to do a better job of as an organization. The idea of reassuring people that we are here

Outgoing NOLHGA Chair Mark Backe

to help when times aren't so easy is very important."

Voss concluded by noting that in Penn Treaty and other cases, the system will be faced with problems that don't have easy answers, and that the answers we do reach might not satisfy everyone involved. "There really isn't one issue with Penn Treaty that we can't resolve if we keep talking to one another," she said. "That's my vision for NOLHGA: to keep the lines of communication open. We're not going to make everybody happy. As I used to hear people say, 'There are winners, and there are givers.' Some people will be winners, and some people will be givers. But I think we can do it together."

coverage through an association will likely do so and drop the more expensive individual coverage, which then compromises your individual risk pool." She added that in the four Pacific Northwest states in which her company operates, every state had guidance on these plans in place before the new federal directive. "The states are not rushing to embrace the recent changes. The guidance that's come out since the federal rule has been that they are reaffirming the rules that each of the states had in place beforehand."

Wright noted that short-term limited duration insurance plans "are much skinnier on the benefits front. They're much lower cost overall—just not quite as generous." The new ruling, which reversed a prior Obama Administration rule, expands the duration of these plans to 12 months and makes them renewable. "It seems that most states have taken a somewhat negative view of this expansion," she said, with states either sticking to their old rules for the plans or proposing new rules that aren't as expansive as the federal rule. She added that it wouldn't be surprising to see legislation in conservative states affirming the federal rule.

On the Life Side

Bruce Ferguson (ACLI) touched on federal and state issues in his industry outlook presentation, especially taxation. "I know we're state-regulated, but the tax treatment of our products at the federal level is something that really is at the underpinnings of our industry," he said. "Without that favorable tax treatment, the products would be less attractive to consumers—at a time when they need them the most." In the days leading up to the unveiling of the 2017 tax reform bill, the ACLI learned that the Joint Committee on Taxation—"the most powerful institution in Washington" according to

Bruce Ferguson (ACLI)

"We had no credibility, no recognition back then," Marchman said. "And now, when an insolvency matter comes up, who do they want to testify on the Hill? When there's a new insolvency, the first question is, 'Has anyone talked to Peter Gallanis?'"

Ferguson—was "very skeptical about the life insurance industry and its federal income tax payments. They felt that the life insurance industry was under-taxed."

As a result, the original version of the tax reform bill was not kind to the industry, which necessitated a "concerted effort" on the ACLI's behalf to educate the committee on how the industry is taxed. That effort proved successful, but it prompted the ACLI to realize that "we need to make sure that members of Congress have a better understanding and appreciation of the value to society, the value to consumers, and the value to the economic wellbeing of our country that life insurers provide." This will be the theme of the ACLI's efforts on Capitol Hill in the coming years.

Turning to the states, Ferguson explained that taxes are still on the ACLI's radar. "One of the big issues for us will be, how will the states implement federal tax reform?" he said. The new tax code could "very well result in a windfall to the states," he explained, and while some states have changed their tax code to offset that windfall to some extent, "other states have just chosen to use that revenue to shore up other budget priorities." He added that as states revise their tax laws, "some of them are looking at issues like tax offsets—not just guaranty association tax offsets, but more broadly, other tax credits that individuals and corporations get. So be on the lookout for more activity in the states on the tax front."

Ferguson also mentioned that the ACLI is moving ahead with its effort to get states to adopt the NAIC's new GA Model Act revisions concerning long-term care (LTC); 13 states have already enacted the revisions, and 26 more states are considering legislation is 2019. "Any national effort like this is going to take some time to implement," he said. "But there is a sense of urgency to get this done sooner rather than later."

MPC ABCs

The final presentation of the meeting consisted of an all-star team of former NOLHGA Members' Participation Council (MPC) Chairs. Pamela E. Olsen (Nebraska), who had just completed her third and final one-year term as Chair, served

The MPC Chairs panel featured (from left) John Colpean (Michigan), Bart Boles (Texas), Peggy Parker (Virginia), Jack Falkenbach (Delaware), Mike Marchman (Georgia), and Pamela Olsen (Nebraska) as moderator.

as moderator of a lively panel consisting of Bart Boles (Texas), John Colpean (Michigan), Jack Falkenbach (Delaware), Mike Marchman (former Executive Director of the Georgia association), and Peggy Parker (Virginia) (William Falck (Florida) was unable to attend the meeting). The panelists looked back on the history of NOLHGA and the MPC, some of the seminal moments in the MPC's history, and the role of the MPC Chair and also offered their thoughts on some of the challenges the MPC will face in the future.

In tracing the history of the MPC and its predecessor, the Disposition Committee, Colpean noted that the need for an organizing body to help guaranty associations coordinate their activities in an insolvency arose due to a change in state insolvency laws. "When we passed our guaranty association law in Michigan, we provided coverage across the nation if it was a Michigan company insolvency," he said. "At one time, every state provided nationwide coverage. There really wasn't a need to coordinate among all the associations because only one was going to handle it." As states changed their laws to protect residents only, NOLHGA reacted by creating the Disposition Committee—a panel of seven to nine guaranty association administrators that oversaw all insolvencies. "The committee made all the decisions. And really, we weren't getting enough input from the entire membership."

The desire for more input led to the creation of the MPC and its task force structure, in which each insolvency has its own MPC made up of the affected states and the task force creates a resolution plan and presents it to that company-specific MPC for approval. Olsen noted that the process can sound inefficient, but the opposite is true. "The task force process is a committee process, and the old saw is that you can't get anything done by committee," she said. "But the strength of the system is the committee process, because there are so many eyes looking at a plan from different perspectives. There's a lot of vetting that happens."

Marchman pointed out how far the system has come from those early days, when even the insurance industry could be skeptical of the resolution plans produced by NOLHGA. "We had no credibility, no recognition back then," he said. "And now, when an insolvency matter comes up, who do they want to testify on the Hill? When there's a new insolvency, the first question is, 'Has anyone talked to Peter Gallanis?' We've come a tremendous way, and it's so much easier to work in this system now because we have earned a seat at the table."

All the panelists stressed the need to educate new guaranty association administrators and the vital role the MPC plays in this process, from educational sessions to subgroup reports on best practices and other topics to expanding membership on insolvency task forces. Boles, who was recently appointed Chair of a new task force, mentioned that "at their request, we've invited three new administrators to come in as observers. They're not included in the votes, but they can participate in all the task force activities. It allows administrators who have not served on task forces to get in there, roll up their sleeves, and gain that experience."

Sharing the experience gained through the MPC is one of the many roles of the MPC Chair, who serves on the NOLHGA Board as well as the Boards of NOLHGA's two captive reinsurers, GABC and LTC Re. "We're the ones who have that insolvency background," Falkenbach said. "And the MPC Chair and the other administrators who serve on those Boards have an obligation to take that knowledge and use it to educate the Board members who are industry members who may not have dealt with the MPC much in the past and have limited experience with insurance receiverships." Olsen echoed his point, reminding attendees that "the voice of the MPC Chair is intended, not to be voice of that Chair's particular association, but to be the voice for all the associations."

When asked to turn their attention to the future, Falkenbach and Parker stressed the need to build relationships and not rest on the system's laurels. "I think we need to continue to work hard and improve our relationships with regulators," Parker said. "It's much easier to present them with plans when you've developed this relationship over time. We need to keep pushing and presenting ourselves to people as the system that can do the work and reach the goal to the benefit of the policyholders."

Marchman warned that the MPC will likely see more bad blocks of business. "I think we're going to be seeing more closed blocks of business that we're not going to be able to do anything with," he said. "We need to be sure we have consistency among the captives that we will be operating, because I think that's going to be the resolution du jour for the foreseeable future."

Boles pointed to the constant stream of new products in the industry. "We need to be proactive about identifying the new products being developed and how they're sold," he said. "If things go wrong, how will we cover these products? How do they fit?" Colpean agreed, adding that the guaranty system's increased visibility will also be an issue going forward. "Years ago, most consumers weren't even aware of the guaranty associations," he said. "How we deal with consumer awareness, disclosure requirements—that, I think, is an area that we will continue to see in the future." ✮

Sean M. McKenna is NOLHGA's Director of Communications.

[“A Look Abroad” continues from page 1]

anty schemes (IGSs), NOLHGA and the NCIGF submitted comments emphasizing:

- Resolution powers should not be exercised in a way that denies policyholder protections that would otherwise be afforded by an IGS
- Crisis Management Groups (CMGs) should consult with IGSs when they engage in resolution planning

Scott: While not directly related to resolution, much of the insurance industry was keenly interested in seeing the amplified ComFrame sections on recovery planning, which are now embedded in ICP 16—enterprise risk management for solvency purposes. The 2018 consultation added more background on the application of the proportionality principle (which allows supervisors to increase or decrease the intensity of supervision according to the risks posed by a particular insurer) and on supervisory expectations for recovery planning. The IAIS also announced that its Resolution Working Group (ReWG) would be working on an application paper on recovery planning.

NOLHGA Journal: *Have we seen the application paper yet?*

Sara: Yes. In fact, we’ve already seen a couple versions of it.

In early September, the ReWG shared a preliminary version of the application paper with NOLHGA, the NCIGF, and the other participants in a September 12 stakeholder session in Basel. The ReWG released a public consultation version of the application paper on November 12, with comments due on January 7.

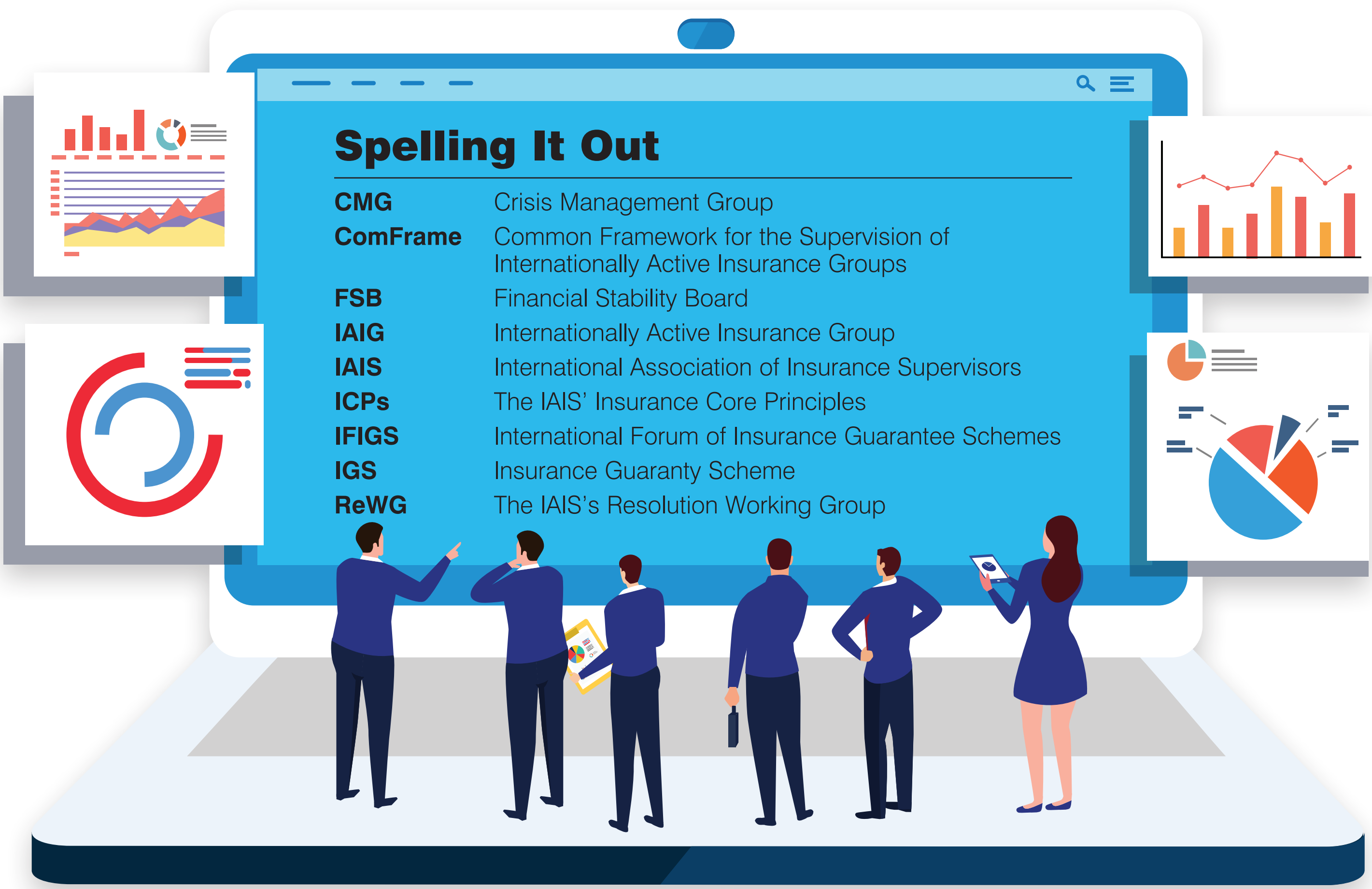
The purpose of the application paper is to provide recommendations and guidance to supervisors (and additional information to insurers) regarding recovery planning for all types of insurance legal entities and groups. The application paper does not contain any new requirements or standards for recovery plans. It simply provides additional details and examples to amplify the recovery planning standards in ICP 16 and the related ComFrame material.

NOLHGA Journal: *Can you explain what is meant by the term “recovery planning?”*

Scott: The application paper defines a “recovery plan” as a plan, put together by an insurer, that “identifies in advance options to restore financial strength and viability if the insurer comes under severe stress.” The application paper says that recovery plans differ from an Own Risk and Solvency Assessment (ORSA), noting that “[t]he objective of the ORSA is to prevent an insurer from coming under severe stress.” A recovery plan, on the other hand, assumes the insurer is under severe stress and needs to take corrective action.

NOLHGA Journal: *Does the application paper on recovery planning say anything about IGSs?*

Scott: Not specifically. The paper does say that cooperation and coordination with respect to recovery planning may affect stakeholders other than supervisors, such as resolution authorities and IGSs. The paper goes on to say that supervisors



Spelling It Out

CMG	Crisis Management Group
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
FSB	Financial Stability Board
IAIG	Internationally Active Insurance Group
IAIS	International Association of Insurance Supervisors
ICPs	The IAIS’ Insurance Core Principles
IFIGS	International Forum of Insurance Guarantee Schemes
IGS	Insurance Guaranty Scheme
ReWG	The IAIS’s Resolution Working Group

should consider establishing cooperation arrangements with such stakeholders.

NOLHGA Journal: *Any other highlights from the Basel meeting?*

Sara: That's about it as far as the IAIS ReWG stakeholder session. The next day, however, the Financial Stability Board's Cross Border Crisis Management Group held an invitation-only Resolution Workshop. The first presentation was made by the CEO of the Guarantee Scheme of German Life Insurers, Jörg Westphal. Westphal gave an overview of the Mannheimer Life insolvency and emphasized the importance of early involvement by the IGS. He explained that early involvement allows an IGS to prepare for the insolvency and helps make a company's entry into receivership go more smoothly. He also stressed the importance of supervisors and IGSs working together cooperatively. As Charlie Richardson would say, NOLHGA and the NCIGF have been singing from the same hymnal for years!

NOLHGA Journal: *Why was the FSB interested in IGSs?*

Scott: The European Union is currently reviewing its standards with respect to Member States' insurance resolution frameworks. In July 2017, the European Insurance and Occupational Pensions Authority (EIOPA)[1] called for the establishment of a minimum harmonized and comprehensive framework in the area of recovery and resolution of insurers and reinsurers. As a follow on to that, in July 2018, EIOPA published a paper on resolution funding and IGSs, raising the question whether the EU should require some degree of minimum harmonization with respect to IGSs among EU Member States. That paper states the following:

> *At present, there is no harmonized approach to guarantee schemes in insurance like the guarantee schemes in other sectors of the financial markets – Deposit Guarantee Schemes (DGS) and Investor Compensation Schemes (ICS). Member States have therefore adopted their own approach to [IGSs], which show noticeable differences in design features, such as scope, coverage and funding. These differences in national IGSs, together with differences in insolvency laws, have led to a situation where policyholders across or even within the same Member States are not protected to the same extent in liquidation.*

Needless to say, we will continue to watch the developments in EU minimum standards related to resolution and particularly IGSs.

NOLHGA Journal: *Harmonization seems like a big step! But do we really care about that? EU initiatives don't impact us here in the U.S., right?*

Sara: You're correct that EU policies do not directly impact U.S. insurance regulation. Practically speaking, however, we have seen examples where regulatory policies initiated in Europe have made their way to the United States, particularly in those instances where the IAIS adopts the EU policy as the basis for an international standard. We saw this with ORSA and are again seeing this phenomenon play out with group capital requirements and potentially recovery planning.

NOLHGA Journal: *What are we doing to make sure that the well-tested U.S. guaranty system is not weakened as a result of this globalization of insurance regulation?*

Sara: That's a great question, and we're glad you asked. Especially in the context of resolution and policyholder protection matters, the United States can speak to the rest of the world from a position of experience and strength. Over the last few years, Peter Gallanis has been a real force in educating foreign financial regulators about the U.S. guaranty system's successful track record, including when he was invited to speak at the 2017 Financial Stability Board's Resolution Workshop. It was apparent from the comments of other presenters and FSB members that none of the other countries had the experience of the United States. In fact, most of the other countries that participated in the workshop had handled only one insolvency, if any!

Scott: Additionally, the U.S. guaranty system was invited to present at EIOPA's Seminar on Recovery & Resolution in Insurance this past October. We joined forces with the Greek IGS to provide an overview of the existing guaranty schemes in the EU and the U.S.

We were somewhat worried that the all-European audience might not be interested in hearing about the U.S. system, but we received far more questions than any other presenters. It's clear that European regulators are serious about how they might harmonize the EU's IGSs, and they appeared eager to learn from the U.S. experience. We expect there may be other opportunities to share lessons learned in the U.S. with EIOPA and the EU.

NOLHGA Journal: *That sounds like a great result. How did we get that invitation?*

Scott: EIOPA actually directed the speaking invitation to the International Forum of Insurance Guarantee Schemes (IFIGS). Peter and Roger Schmelzer thought it wise for the U.S. guaranty system to be represented at the EIOPA seminar, given EIOPA's importance from an international standard-setting perspective and the impact it has on the IAIS. We floated the idea of a joint presentation to the IFIGS Chair, Nikos Zacharopoulos from Greece, and he enthusiastically agreed. This was a good example of how working with IFIGS enables the U.S. guaranty system to connect with a broader group of international policymakers. ✯

End Note

1. By way of background, in the insurance area, EIOPA seeks "to contribute to the establishment of high-quality common regulatory and supervisory standards and practices in the European Union. EIOPA's powers include issuing guidelines and recommendations and developing draft regulatory and implementing technical standards." Among other things, EIOPA "provides input into the European Commission's policy-making with regards to [IGSs] with a view to contributing to the assessment of the need for a European network of national [IGSs] which is adequately funded and sufficiently harmonised."

["President's Column" continues from page 3]

of pro-coverage decisions in a number of jurisdictions. If you're curious, the leading case in my textbook was *Atwood v. Hartford,* from the Supreme Court of New Hampshire.

Finally: Custom, usage, precedent, and course of dealing have always been important to courts in deciding coverage questions: When a question has been resolved one way in many, many previous cases involving a party or interest, courts do not lightly accept an argument that a different result is appropriate in a new case.

None of that, of course, means that new rules may never be devised for new situations. Indeed, the precise subject of how the common law has developed for centuries involves how courts have looked at new facts and new situations, tailoring the existing rules to those new facts and circumstances.

My suggestion is only this: That history, and the legacy of established legal doctrine, will not be cast aside lightly.

Government, like other institutions, sometimes fails to function as we hope it might. That seems to happen when leaders lose sight of the reason they serve—meeting the legitimate expectations of their stakeholders. All enterprises, though, appear to succeed only to the extent that their stakeholders believe that legitimate stakeholder expectations are being met. Is the enterprise making the tough decisions that need to be made? Is it honestly exploring creative avenues to reconcile legitimate differences in perspective that might otherwise derail effective performance?

To date, any objective observer would conclude that our guaranty system has done a very effective job in meeting the expectations of its stakeholders. But it would always seem worthwhile to ask ourselves the question, are we—today—delivering what is expected by those who depend on us? ✯

Peter G. Gallanis is President of NOLHGA.

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NOLHGA Calendar of Events

2019

April 6–9	NAIC Spring National Meeting Orlando, Florida
April 17–18	**MPC Meeting** **Phoenix, Arizona**
July 10	**MPC Meeting** **Boston, Massachusetts**
July 11–12	**NOLHGA's 27th Legal Seminar** **Boston, Massachusetts**
August 3–6	NAIC Summer National Meeting New York, New York
October 9	**MPC Meeting** **Austin, Texas**
October 10–11	**NOLHGA's 36th Annual Meeting** **Austin, Texas**
December 7–10	NAIC Fall National Meeting Austin, Texas