Actuarial Innovation and Technology

Actuarial Innovations and Regulatory Approval

September | 2024

SOA Research INSTITUTE

Actuarial Innovations and Regulatory Approval

Obtaining Regulatory Approval for Actuarial Innovations in the United States

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Actuarial Innovations and Regulatory Approval

Obtaining Regulatory Approval for Actuarial Innovations

Section 1: Use of Work Product

The data in this report has been summarized for public distribution. Some of the data presented in this report has been aggregated across all individual interviews and focus groups. In addition, not all data points collected from the interviews may be shown in this report. It is possible that different reviewers of the data could produce different conclusions than those that may be drawn from this report. As such, readers of this report should be cautious when interpreting the data and making decisions regarding specific strategies.

Milliman has prepared this report for the specific purpose of providing the results of the Innovation and Regulators research project. In preparing this report, Milliman relied upon the opinions and information provided by the interview, focus group, and survey participants. Milliman has not verified the information provided.

Section 2: At a Glance

The Society of Actuaries (SOA) Research Institute sought to investigate successful approaches to gaining regulatory acceptance for actuarial innovations to expand the industry's knowledge of effective regulatory approval processes and strategies. The SOA engaged Milliman to conduct in-depth interviews, focus groups, and surveys with select actuaries and regulators who have received or provided regulatory approval for an actuarial innovation (see subsection 3.4 for a breakdown of the geographical location of participants). The data was used to derive key strategies and strengths of actuaries who have achieved regulatory approval for their innovations, and to share the perspectives of state regulators. This paper summarizes these results.

Participants in this project described the innovative processes and products they have developed and successfully moved through the regulatory approval process. The "Innovators and Innovations: A Case Study" section highlights one of these innovators and their accomplishments.

Each actuary and regulator interviewed offered their unique perspective on the regulatory approval process for innovative ideas; however, there were key themes found throughout all responses, which are summarized in the sections of this report:

Presenting and Defending Ideas

Understanding how to present and defend your innovation to regulators is critical. This section discusses recommendations for important and persuasive information to include in proposals and initial filings, as well as issues to avoid.

The Regulatory Framework

Though dynamic and changing, the current regulatory framework can impact the success of an innovative actuarial idea. While some actuaries find success within the confines of the current framework, others try to expand upon it, and have needed to be innovative in their approach to gain regulatory approval.

Regulatory Approval Milestones

The process for regulatory approval looks different between states, and even within the same state between filings. Actuaries and regulators discussed their experiences with approval timelines, including how they have successfully been managed.

Communication

Communication can be the determining factor in the speed and success of the regulatory approval process for an actuarial innovation. In this section, actuaries and regulators share their experiences with communicating during the process, with an emphasis on regulator preference.

"Participant quotes are displayed in this manner throughout this report."

Section 3: About this Project

3.1 DESCRIPTION

This report investigates how actuaries and regulators are approaching actuarial innovations during the regulatory approval process. It explores some actuaries' biggest successes – including how they obtained regulatory approval for their ideas – and explores the regulatory perspective of such filings.

3.2 METHODOLOGY

Milliman's research team collected data on practices for obtaining regulatory approval for actuarial innovations via interviews and focus groups with actuaries, as well as interviews and surveys with regulators. Participants were selected for this project in two ways: the Actuarial Innovation and Technology Strategic Research Program Steering Committee (AITPSC) and other industry experts recommended several actuaries, who were invited to participate in our interviewing process; additionally, the SOA posted a request for volunteers to participate in this project. All actuaries who volunteered were screened for eligibility (an actuarial professional with experience guiding or helping to guide an actuarial innovation through the regulatory approval process). All eligible actuaries were invited to participate in an interview or focus group.

In accordance with the research project plan, data was collected from 13 actuaries from around the United States via five extensive virtual individual interviews and two virtual focus groups, with four actuaries in each group. Milliman's Research Director moderated individual in-depth interviews and focus groups according to the proposal guidelines set by the Society of Actuaries Research Institute and their aims for this research project. See Appendix A for the primary interview and focus group questions asked.

Data was also collected from six regulators via interviews and 25 regulators via an online survey. Milliman's Research Director also moderated these in-depth interviews, and the primary interview questions can be found in Appendix B. The online survey was conducted through an online survey tool; Appendix C provides a list of the questions asked in the survey.

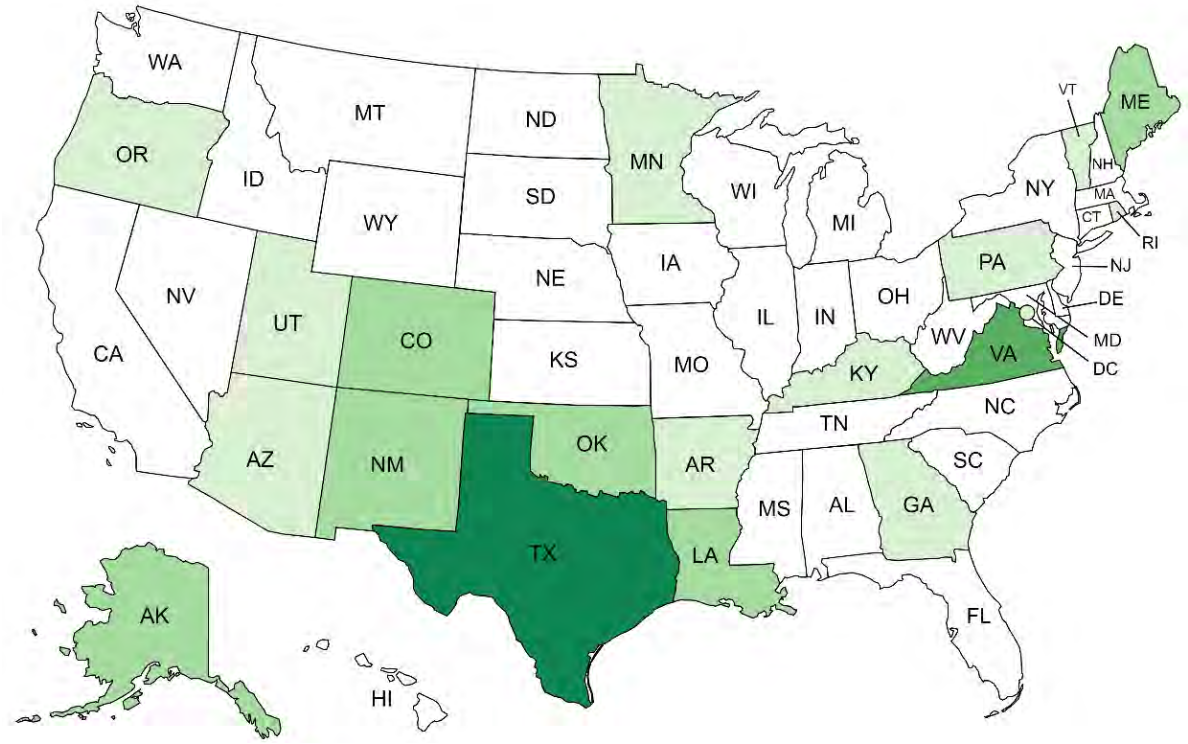
An intentional effort was made to ensure that the actuaries and regulators interviewed included people with various demographic backgrounds who had experience with actuarial innovation.

3.3 PARTICIPANT BACKGROUNDS

This study's participants – both actuaries and regulators – reported having responsibility for several areas of the regulatory approval process in their current roles and throughout their careers. Areas of expertise included (but were not limited to) medical insurance, health insurance, life insurance, property and casualty (P&C)/general insurance, supplemental health insurance, and more. Many of the regulators are currently serving or have previously served as Senior and/or Chief Actuaries of their Departments of Insurance (DOIs), mainly overseeing rate and form reviews and renewals.

3.4 STATES REPRESENTED

The actuaries who participated in this study have worked and lived in several regions throughout the United States. Several regulatory professionals from each state department were invited to participate in either an individual in-depth interview or in the survey. Actual participant counts by state are solely dependent on the responsiveness of the regulators from that state. The map and table below display the number of regulator participants in this study, including both interviewees and survey participants. Darker colors represent a higher saturation of regulator participation from that state. See Appendix D for more details.



Section 4: Presenting and Defending Ideas

Actuarial participants described their experiences with presenting and defending their actuarial innovations through the regulatory approval process, while regulators shared their experiences from the other side of the process. Each group provided recommendations for actuaries looking to gain regulatory approval for their actuarial innovation. Their input is summarized and discussed in the subsections below.

4.1 ADVICE FROM ACTUARIES

Very commonly, participants in this study emphasized that aspiring actuarial innovators should be open-minded, flexible, willing to adapt to changes, and graceful in accepting critiques. These qualities and more are explored in the recent publication from Milliman Supplemental and Specialty Research (MSSR), *Fostering Innovation*[1], as important characteristics for innovators. Please see this publication for more information about the important qualities and traits of innovators.

Outside of the qualities and characteristics of an innovator that aid in presenting and defending ideas, as an innovative actuary, one may need to slightly adjust their approach to the specific regulatory approval processes they aim to clear. Experienced actuarial innovators in this study recommend that actuaries prepare by researching everything they can about the state(s) they are filing in with regard to the product they are trying to obtain approval for. Knowing as much as they can about the regulatory environment, as well as the product itself ahead of time, can benefit both the actuary and the regulator greatly, as the actuary will be able to answer questions with full accuracy and appropriate depth to best support their argument.

Gaining all relevant knowledge about regulations for the innovative idea equips the filing actuary with the ability to be proactive in addressing their unique idea(s) in communications with regulators. If an actuary is aware of current regulations and how their idea does not fit within those restrictions, they can predict the steps they need to take to be successful in obtaining regulatory approval. This requires vision, either from the filing actuary or a teammate.

"You cannot let current regulations or limitations prevent you from being innovative, especially if it is in the best interest of our consumers. We owe it to our consumers to try to be innovative even in the face of restrictive regulatory frameworks."

– Life & Health Actuary

Participating actuaries recommend using this background knowledge and preparation to communicate with regulators as soon as possible, even prior to the initial filing. Effective communication is key, and it can help to avoid surprising regulators when an innovation is proposed that does not fit within current regulatory frameworks. Allowing regulators to prepare for a conversation about a filing that tests the limits of regulatory boundaries provides them time to do their own research and learn how to best support actuaries during the approval process.

"Spend a lot of time listening to the regulators and taking their lead in what to address. They will tell you exactly what they want to know, you just need to be able and willing to listen."

– Actuary working in product implementation

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[1] Bahlinger, D, D'Amico, E, and Kuretich, C. *Fostering Innovation: A Guide for the Actuarial Profession*. The Society of Actuaries, 2023. https://www.soa.org/resources/research-reports/2023/fostering-innovation/

Actuaries also mentioned the importance of utilizing their broader team and allowing relevant members of that team to be a part of these regulatory approval interactions. Actuaries often mentioned being accompanied by compliance team members when meeting with regulators, as they can provide crucial insight and knowledge about the laws and regulations, and even the regulators that may be met with. However, actuarial participants warned against bringing too big of a team, so as not to overwhelm the regulators. They emphasized the importance of bringing only people who are familiar with the product that is being developed.

"Keep in mind that you will probably be talking to two, maybe three people from the regulator's office, and we do not need eight people to show up. That is overwhelming and it will shut conversation down. I find it's best if you can have one knowledgeable person who has the authority to negotiate on behalf of the company."

– Life & Health Actuary

Another characteristic mentioned by actuarial participants in this study is salesmanship. Knowing everything about your product and filing is, of course, extremely valuable. However, it is less valuable if one lacks the ability to convey that information in a way that regulators can understand. Regulators should be able to use the information the actuary provides to make informed decisions regarding the approval of the filing.

"You may know what you are trying to say in your filing defense, but it is crucial that I, as a regulator, also understand what you are trying to say. Miscommunication can quickly impact the outcome of a filing, so developing effective communication skills is important."

– Regulator (Western State)

Finally, establishing common values and goals with regulators is crucial. Touched on previously, consumer benefit is a priority for innovative actuaries, but it is also the main priority for regulators. Some actuaries even stated that innovations should *only* be brought in front of regulators if the proposed idea can be proven to benefit consumers.

"Values, missions, and principles of the people you are presenting to may be the steppingstone to connecting with them. When I talk to regulators, I know that we both care about consumer protection, and if I keep that top-of-mind, communicating my point of view becomes easier and more efficient."

– Life Actuary

In other words, several innovative actuaries agree that, if an idea does not serve to improve upon current product offerings for the sake of consumers, it is very unlikely to even be considered by a regulator. The relationship between actuaries and regulators is a partnership, with a common goal of designing improved products for the enhancement of consumer well-being.

4.2 ADVICE FROM REGULATORS

Regulators were asked how they prefer actuaries to outline their innovative ideas in their product filings (e.g., more information is better, simplicity is preferred, etc.). Participants were split on the issue, with 25% preferring simplicity, 45% preferring more information and detail, and 30% preferring a thoughtful balance of simplicity (via outlines and summaries) and detailed information.

"Oftentimes a summary is sufficient, but details can be crucial in addressing questions I may have and can help speed up the review process."

- Regulator (Southwestern State)

In terms of what an actuary should prioritize during the approval process to give themselves the best chance at success (regulatory approval), regulators suggested the following:

Completeness and Accuracy

Follow instructions and provide complete, accurate information during the initial submission. Such proactiveness saves time and can convey preparedness to reviewers. Regulators suggested what type of information should be included in product filings:

- Thorough descriptions of the innovation, including benefit features, target markets, product types, etc.
- Support for all rates and assumptions

"Actuaries should disclose all methods, assumptions, and data sources they use in the development of proposed rates."

– Regulator (Southeastern State)

- Discussions of compliance with existing statutes
  Identify the existing regulations and statutes that impact the actuarial innovation and pre-emptively address why the innovation should be approvable within that legal framework.
- Explanation of intent for product/reason for implementing
  Explain the purpose behind the innovation, especially when it is one that is consumer oriented. This can help frame the review and aid in approval.
- Marketing plans
  Innovative product filings often include unique marketing approaches, which help reviewers understand the goal of the innovation.
- Cost analyses
  New features or products are only beneficial to the insured if the premium is reasonable in relation to the benefit offered. Supporting this fact with data in an actuarial submission is crucial.
- Experience data
  Actuaries should provide any experience data they have that can support the financial viability of their innovation. Additionally, as most innovative ideas lack direct experience data, they should be prepared to support any experience projections based on other related products or features.
- Any other relevant information.

Clarity and Correctness

Submit clear, detailed, and easily readable content without errors. All descriptions, discussions, and data throughout the filing should be thorough, yet concise in explanations and descriptions.

Familiarity with State-Specific Regulations

Become familiar with state-specific regulations rather than assuming that a state follows the National Association of Insurance Commissioners (NAIC) models. State insurance departments provide this information through bulletins and other publications.

Communication

Prioritize open and responsive communication, particularly for innovative filings, which are unique and will likely require more than the typical level of discussion between parties.

Researched and Justified

Be informed and informative in describing the issue the innovation is addressing and submit as much information as possible to support your idea. This may include an explanation of how the product will function in the market and how the rates were developed, quantifying results and assumptions, how rate sets were developed, etc.

"Show all of the sides of the picture. You are trying to get your product approved for a reason, show us the reason, and show us why your idea works for everyone involved."

– Regulator (Southwestern State)

Further, participating regulators identified some actions and information that actuaries should avoid during the approval process, as they may hinder their chances of obtaining approval. The most commonly noted issue to avoid during the regulatory approval process is poor communication. This may come in the form of unresponsiveness, avoiding certain questions, not providing complete answers to questions, and even contacting the wrong employee in the DOI (despite state DOI websites providing contact information for the applicable employees). As discussed later, clear and easy-to-understand communication between actuaries and regulators during the approval process can be an important deciding factor in the approval or denial of an innovation.

"I am a regulator, not an actuary; I trust your expertise, but I still want an explanation to support your reasoning for each aspect of the filing. This is a partnership!"

– Regulator (Northeastern State)

Often, regulators mentioned feeling that actuaries apply too much pressure during the approval process by constantly requesting status updates, which slows the process and further delays response. Participants explained that each time a status update is requested, they must contact several people to track down the requested information. To avoid this, actuaries should be patient and flexible with regulators, understanding that this process takes time. Additionally, regulators noted the importance of avoiding submitting several post-filing changes or corrections, naming the wrong state in a cover letter, and disrespecting the staff who process the filings.

Along with these top suggestions of things to avoid, regulators also warn against submitting incomplete initial filings with several errors, overly large and confusing filings, features that are noncompliant with current rules, and weak supporting documentation.

Section 5: The Regulatory Framework

The framework in which innovations must fit to meet regulatory requirements can often feel restrictive and discouraging, dampening an actuary's innovative drive. While several actuaries have managed to adapt their innovations to fit within the current regulatory framework at the time of their initial filing, few have succeeded in pushing their innovation through while also expanding beyond the confines of current regulatory guidelines.

5.1 STAYING WITHIN THE BOUNDS

Innovation as a concept is often considered to include the breaking of existing boundaries. However, as discussed in *Fostering Innovation*[1], innovations can take many forms, including variations of existing ideas that fit very naturally into current regulatory frameworks.

Only one-quarter of regulators who participated in this study said that they would not (or were very unlikely to) consider approving a filing which did not fit into current regulatory frameworks. However, as one regulator noted, they have not come across such boundary-breaking filings in their experience.

"I cannot think of an occasion when a product would not fit within current regulatory frameworks. It would be unlikely that those products would be approved."

– Regulator (Southeastern State)

Despite these sentiments, many actuaries have found success in obtaining regulatory approval for their actuarial innovations that expand beyond current regulatory frameworks.

5.2 EXPANDING THE BOUNDS

The remaining three-quarters of participating regulators in this study were either experienced with or willing to consider approving filings that are outside the bounds of current regulations. Almost all stated that communication is the key factor in such cases and, if a proposing actuary is clear and communicative even before the filing process begins, they have a much greater chance of obtaining approval.

"We generally take a broad approach of what 'fits' within current regulatory frameworks, so the best approach is to reach out to us with an explanation of their idea before submitting the filing. We would love to discuss and clarify as much as possible before the process begins to give the filing the best chance at approval."

– Regulator (Northeastern State)

Some states are beginning to not only permit but encourage innovations in the area of insurance regulation. In 2024, the Louisiana legislature passed the Insurance Regulatory Sandbox Act[2], which encourages companies to contact the Louisiana Department of Insurance to discuss whether their filing is more suited for traditional approval processes or the 'sandbox.' Such legislation is becoming more common, and actuaries have begun to take advantage of such state flexibility.

"States like Pennsylvania, Georgia, Tennessee… They are all making great efforts to improve their regulatory approval process. We are always excited to see states taking an interest in enhancing this collaborative relationship."

– Life & Health Actuary

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[2] https://www.legis.la.gov/Legis/ViewDocument.aspx?d=1379563

Section 6: Regulatory Approval Milestones

6.1 FOR ACTUARIES

This study's actuarial and regulatory participants – all of whom have either led or supported the movement of an actuarial innovation through the regulatory approval process – shared similar thoughts on the key milestones for this process.

- Idea creation

  The obvious beginning of the regulatory approval process is the formation and design of the innovative actuarial idea or new product, as described in *Fostering Innovation*[1]. As noted by many participating regulators in this study, the idea creation step is also a great time to engage with state regulators and determine the viability of the innovation. These pre-development discussions can help direct the innovation and increase the likelihood of approval.

"The best approach is for actuaries to reach out to regulators and explain what they are planning to file before their initial filing submission. This allows us to discuss how the product may fit, and the aspects they need to alter."

– Regulator (Northeastern State)

- Initial filing

  At this point in the process, an innovative actuarial concept is submitted through the official channels to the state regulator for review. The initial filing should be error-free and include all supporting documentation. Several regulators recommended contacting them for guidance if the filing will require non-traditional approval processes and considerations. While most innovative actuarial ideas will be presented for review as an imbedded feature within a broader form and rate filing, there may be times when a different type of review is necessary. Pre-development discussions, mentioned previously, can help point an actuary to the correct review type.

"In Louisiana, companies are encouraged to contact regulators to discuss whether their proposal can be submitted via the traditional process, or if it is better suited for the sandbox." (discussed in subsection 5.2)

– Regulator (Southeastern State)

- Obstacles and edits

  Commonly known as the "objection" phase of a filing, this is the stage during which regulators provide their feedback on the innovative product, idea, or filing and communicate that feedback officially to the filing actuaries. Despite any pre-filing discussions or ensuring appropriate documentation, it is likely that there will be at least some amount of discussion during the official filing as well. It is important to take note of the advice from regulators during this stage in the process (see subsection 4.2). Provide clear, detailed, data-supported responses to all state objections and be courteous to reviewers.

- Final approval

  Once the approving regulator is comfortable that the product – including any actuarial innovations – is compliant with state laws and regulations, the state will provide its approval. In some cases, particularly with innovative products or features, states may be likely to ask for assurances that experience will be closely monitored and may also ask actuaries to provide periodic filings so the state can continue to monitor the efficacy of the innovation(s).

- Disapproval

  Unfortunately, not every actuarial innovation will obtain approval. In these cases, the actuary should continue to foster lines of communication with regulatory contacts. Understanding the reason for the disapproval is important for future innovation; the actuary can now re-evaluate the filing with a new perspective, considering all the feedback they received. This can be a valuable opportunity to form a stronger, more clearly communicated argument or alter the innovative idea to address outstanding regulator concerns. In cases where regulator concerns cannot be satisfied, actuaries should consider whether the innovative idea still has potential.

6.2 FOR REGULATORS

When asked about their timelines for regulatory approval of actuarial innovations, many regulators said that they try to respond within 14 business days with their immediate objections and concerns, though this has recently transitioned to more of a 10-day turnaround. While this can vary by state and department, regulators agreed that they put significant effort into providing actuaries with responses quickly, without sacrificing the quality of their feedback.

"While I have an open-door policy regarding communicating with companies and actuaries, I do require some time to read through the full filings and all of the provided information and think through it all. You have put a lot of time and effort into your filing, and I want to grant the filing that same respect."

– Regulator (Northeastern State)

Some regulators mentioned filing with the Interstate Insurance Compact ("Compact"), which may impact timelines. While this may be beneficial for actuaries attempting to obtain regulatory approval in multiple states at once, the waiting period for a response in these circumstances may be much longer, such as 90 days. Additionally, the Compact only has the authority to review certain product lines and must follow specific standards set forth by its charting members.

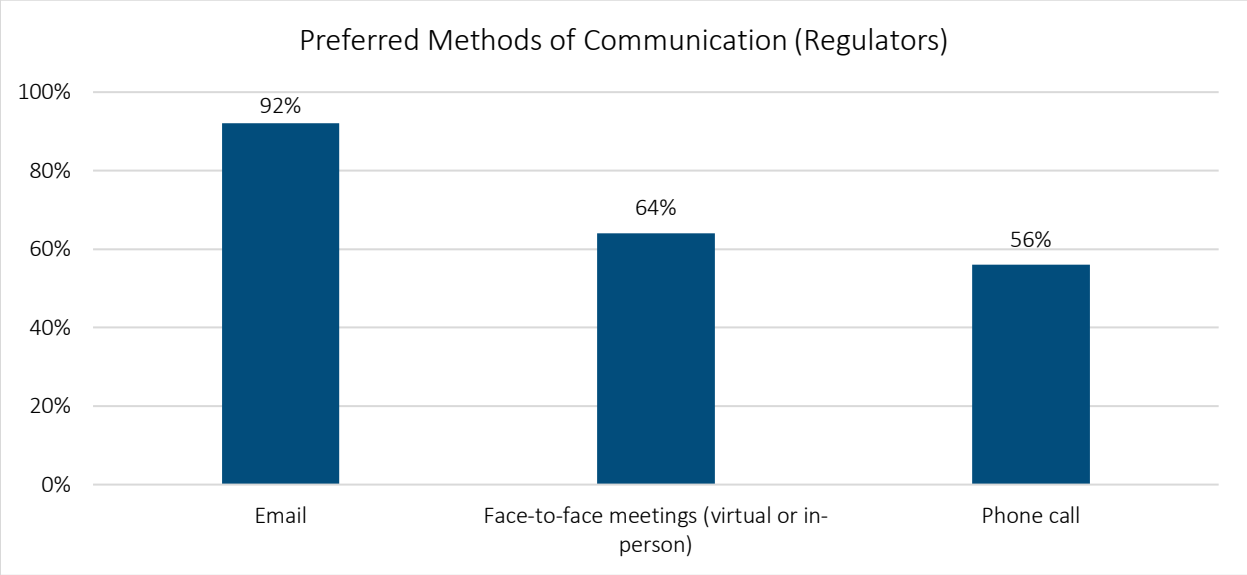
Section 7: Communication

7.1 FORMAT, FREQUENCY, AND CONTENT

Both actuaries and regulators agreed that direct communication positively impacts efficiency and productivity during the regulatory approval process, especially if actuaries can find a balance between being concise and providing sufficient detail in their explanation and defense. However, many actuaries interviewed for this project stated that they often feel as though they do not receive enough communication from regulators during the approval process, both in terms of frequency and content. Regulators, conversely, often feel that they hear from actuaries too frequently, and noted that actuaries tend to either over-explain or under-explain their positions.

Regarding appropriate situations for actuaries to reach out to regulators during the approval process, opinions vary; while about half of regulator participants said that any regulatory question is an appropriate reason to reach out, others prefer communication to remain strictly routine, relevant to current filings, and/or related to form and filing questions. It is beneficial for actuaries to determine the preferred communication methods of the state regulator(s).

Regulators in particular identified their preferred methods of communication during the approval process. The chart below depicts the responses. It is important to note that participants had the option to choose as many options as applied.



7.2 TIPS FOR EFFICIENCY

An actuary with regulatory approval experience said that one of the best ways to improve communication between actuaries and regulators is to understand that it is normal for each party to differ in terms of their experience and understanding of the proposed ideas. A skilled actuary will be able to proactively combat this potential obstacle through the way they frame and present their arguments.

> *"Build your credibility and those relationships. With this trust, it does not matter if you have shared experience or backgrounds – communicating will become smoother with mutual understanding and respect."*
>
> *—Life Actuary*

From the regulator perspective, conciseness and clarity are critical skills for an actuary to have if they want to obtain regulatory approval. While requesting status updates slows the process down, failure to provide complete and topical responses can be just as inhibiting. In these ways, actuaries can be their own biggest obstacle to obtaining approval. Generally, regulators recommended the following in terms of improving communication:

Schedule a Meeting

Meeting with regulators face-to-face, even virtually, has many benefits. Primarily, this method of communication is best for obtaining quicker responses to questions. Also, being able to see the other party's faces during the conversation can add another element to the communication; for example, it is much easier to sense confusion verbally than via email, and to identify nonverbal cues. In this way, an actuary can be proactive in explaining their points if they notice a sense of confusion from a regulator.

> *"Going back and forth in disagreements over email can be frustrating and lead to unproductive conversations. Seeing the other person's face, remembering that they are also just another human being trying to work through this process with you, is helpful and refreshing."*
>
> *—Life Actuary*

Become Familiar with State Requirements before any Discussions

Even in this modern age of technology and potential for instantaneous messaging and virtual meetings, time is valuable and should not be wasted. This is especially true during the process of obtaining regulatory approval for an actuarial innovation. Going into a discussion with a regulator unprepared can waste both the actuary's time and the regulator's time; rather, an actuary should equip themselves with all of the information they can before touching base with a regulator. Primarily, they may be able to find the answer to their questions without asking a regulator and can then spend time discussing more important topics during a meeting.

Support the Actuarial Assumptions

Mentioned earlier, regulators highly recommend providing all relevant information in the initial filing submission, from the beginning, instead of waiting to be asked for these elements later in the process. This may include actuarial memorandums explaining rate filings and structures, examples of similar legislation filed and approved in other states or jurisdictions, and real data from either actuarial forecasting or other states in which the proposed idea has been successful.

Be Transparent

According to participants, the biggest way that an actuary can be an obstacle to themselves throughout the filing process is by avoiding questions, answering questions only partially, or providing inaccurate information. An example that was noted was failing to notify a regulator of an objection from another regulator; objections from other regulators may lessen the likelihood that a filing is approved but, according to regulators, hiding such information is far worse and may lead to distrust and suspicion. Providing all relevant information immediately is not only helpful for the filing's chances of acceptance, but also for the actuary's and company's reputation for future filings.

Begin Communications with Summary Memos

Knowing your audience can be a great benefit when drafting communications to regulators. Oftentimes, lengthy messages are necessary; however, summarizing lengthy messages with a summary memo can help in many ways. It serves as an outline of the important parts of the message by highlighting key aspects of the communication, and it also provides both parties a way to quickly remember the nature of the message for future use.

Be Kind and Patient

Regulators say that they want to help consumers receive new, innovative, and helpful benefits just as much as actuaries, and they also want to get them approved just as much. Though the process may be painstaking – particularly the "waiting game" – regulators recommend practicing patience and kindness throughout the entire filing process. They are always doing their best to be timely and efficient, even in the face of staffing shortages, and stated that actuaries who frequently request updates may slow the process even more.

"Let the process work. On the regulatory side, we often have actuaries waiting on status updates and contacting us constantly, even being disrespectful to the staff that processes filings. We want to help get the filing approved just as much as the actuary filing it, which is why it can take so long sometimes."

– Regulator (Western State)

Section 8: The Bottom Line

This report presents several experiences of actuaries and regulators regarding the regulatory approval process for actuarial innovations in the United States. During this study, actuaries mentioned their dissatisfaction with long waits for updates, frustrating objections, and inconsistent regulations across states; simultaneously, regulators noted their own dissatisfaction with constant requests for updates, unclear or incomplete filings, and actuaries being uninformed about state regulations.

However, there were far more commonalities shared between participants than differences. Both actuaries and regulators agree that clear and respectful communication is crucial, and the process can be long and tiring, especially for an innovative filing. The largest similarity between the actuaries and regulators who participated, however, is their common goal of getting filings approved.

For actuaries, this goal may seem more obvious; getting a new product, benefit, or feature approved rewards the company from a financial perspective, but also provides new and improved services to consumers. Regulators also want to get new filings approved to provide beneficial services to consumers. Additionally, according to regulatory participants, they also want actuaries to be successful so they can provide a valuable product and pay claims to constituents for years to come. For this reason, the review process can be lengthy and grueling. Regulators said that it is important for the filings they approve to have longevity for everyone's sake, including the actuary and their company.

"Nobody wants the process to take as long as it does; however, we owe it to the public to approve innovations that will succeed in helping them. We need to make sure we are approving strong, functional, and beneficial products for the long-term."

– Regulator (Northeastern State)

Ultimately, approving actuarial innovations that are valuable to consumers is the goal of both filing actuaries *and* regulators, despite the noted tensions and frustrations that may arise during the approval process. Moving forward, effort should be put forth by both actuaries and regulators to view each other as partners, rather than as barriers to successfully bringing actuarial innovations to market.

"In the end, we are all trying to do the right thing. Sometimes a conversation can go a long way to help both parties understand the other's perspective and move things forward."

– Regulator (Southwestern State)

Section 9: Innovators and Innovations: A Case Study

To provide a specific example of how actuaries have been successful in obtaining regulatory approval for their innovations, the following section provides insight into the experience of one of the actuarial participants from this study.

"Throughout my work with Hospital Indemnity and Critical Illness insurance products, I felt as though these products did not serve consumers as well as I thought they should. I recognized a need in the market for a product that fit customer needs and was offered at an affordable price point; so, I decided to co-develop a totally new supplemental health insurance product.

We stayed in touch with the departments before filing; it was helpful to present our concept and get feedback. We contacted the manager of the health department and explained our product and filing plans, which gave us the opportunity to ask and answer any questions that arose. It made the actual filing process much more seamless.

In my experience, something that frustrates regulators and causes delays is being unprepared regarding your background research and the rules that apply to your product. For this reason, we placed a lot of emphasis on understanding the existing laws and regulations we would face during the process, including which ones we would have to find solutions for.

In terms of the actual presentation, we made the product as clear to the regulators as possible, even using an existing policy form that we modified to fit our specific products. It helped us present our product in a way that was familiar to the regulator, thus saving time in the process. Using the standard policy form, we wrote in the cover letter what was new about the product and which particular aspects should be given extra attention. It helped the reviewers find information easily and identify the parts of the proposal they would really need to focus on.

Even though we met with reviewers beforehand, there were, of course, still objections in response to our initial filing. A benefit of meeting with reviewers before the initial filing was that we were able to discuss which applicable rules and laws we should plan to address, so this was not a large obstacle. Most of our objections related to compromising – on language, formatting, etc. – which we expected. Nothing is ever completely perfect on the first try, but we were excited to be discussing things like accessibility of wording rather than whether the product was even viable, because we had those conversations early on. At that point, we were able to refine the product to make it easier for the general public to access and understand.

After obtaining our first state approval, getting the product approved in other states became much quicker. That leverage of acceptance in at least one state can exponentially speed things up, it feels. I would recommend, however, to first seek approval from a state that is known to thoroughly consider filings and provide good feedback, but not provide too many obstacles. This allows for a solid foundation that can positively influence the perspectives of reviewers in other states."

Section 10: Authors

David Bahlinger leads the Milliman market research team that specializes in developing, analyzing, and summarizing survey and focus group market research for health insurance and ancillary products. These include individual and group products such as critical illness, cancer, accident, hospital indemnity, dental, worksite life, long-term care, and compliance. David and his team analyze trends on topics such as distribution, competition, product development, enrollment capabilities, and partnerships.

David's responsibilities include:

- Determining best methods to gather meaningful and impactful results
- Developing surveys and interview guides
- Coordinating and executing qualitative and quantitative research projects
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- Preparing and delivering presentations at industry conferences and client meetings

Elizabeth D'Amico currently serves as a Research Analyst reporting to David Bahlinger. She works as part of the market research team which specializes in developing, analyzing, and summarizing survey and focus group market research for health insurance and ancillary products. Prior to working at Milliman, Elizabeth served as a Teaching Assistant and an Undergraduate Research Assistant in a Developmental and Pedagogical Research Laboratory at the University of Florida.

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Taylor McKinnon, J.D. is the Principal and Compliance Consultant leading Milliman's compliance team and has worked with supplemental health carriers for eight years. Taylor provides comprehensive compliance support for insurance clients with an emphasis on supplemental insurance product development and design. Taylor drafts contracts, assists in market competitiveness analysis, manages project workflow, and provides state filing support, which involves communicating with state departments of insurance to facilitate product approvals. He also researches and summarizes state insurance statutes and regulations as necessary for product development and to support clients' other compliance needs.

Beyond product design, Taylor assists clients with a wide variety of accident and health insurance compliance issues, such as consulting on unique and innovative product designs, taxation of benefits, federal regulations, HSA compliance, and state legislative and regulatory changes.

Randy Beams' primary areas of concentration are the life and long-term care insurance markets. He frequently works on a variety of projects including pricing, product development, valuation, and modeling of life, long-term care, and hybrid products. Randy is a leader in model development, having worked on the development and expansion of the firm's modeling capabilities with regard to the hybrid product market. Prior to joining the firm, Randy began his career in reinsurance.

Section 11: Acknowledgements

The researchers' deepest gratitude goes to those without whose efforts this project could not have come to fruition: the Project Oversight Group and others for their diligent work overseeing questionnaire development, analyzing, and discussing respondent answers, and reviewing and editing this report for accuracy and relevance.

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Appendix A: Primary Interview Questions for Actuaries

- Please describe your educational/career background.
- Please describe an actuarial innovation you have developed or helped to develop that required and gained acceptance from regulators. It can be in your current role or any past role you have had.
- How did you successfully present and defend your idea to the regulators?
    - Any specific strategies?
    - Ways of framing your idea?
- How did you prove to regulators that your innovation, while requiring time and resources, was valuable?
- At the time, did your innovation fit within the current regulatory framework?
    - If yes: How did you evaluate the innovation to ensure it met the requirements?
    - If no: how did you approach and evaluate it if not by those requirements?
- What was the timeline for your innovation from proposal to approval?
- How did you maintain those timelines/help regulators follow this timeline?
    - When does the timeline start?
- How was your communication with the approving regulators?
    - Do you have any suggestions for how to improve the communication?
- What did you learn from the experience?

Appendix B: Primary Interview Questions for Regulators

- Please describe your educational/career background.
- Please talk a bit about yourself, such as your education, career background, years of experience, and areas of responsibilities.
- Please briefly describe an innovation or two that you have approved.
- For those actuaries who successfully presented and defended their innovative ideas, were there any specific strategies or ways of framing their ideas that particularly helped?
- What is the best way to prove the soundness of an innovative idea to regulators? E.g., is more information better? Or is simplicity better?
- How do you approach innovations that do not fit within your current regulatory framework?
- How would you suggest actuaries approach these non-conventional innovations during the filing process?
- What does the timeline look like from proposal to approval on your end?
- What was your experience regarding the communication between you and the filing actuaries?
- Do you have any ideas or suggestions for how to improve that communication?

Appendix C: Survey Questions for Regulators

- Please briefly describe your areas of responsibilities in your current role (and in any relevant previous roles).
- How do you prefer actuaries outline their innovative ideas in their product proposals? For example, is more information better, or is simplicity preferred?
- What are appropriate situations in which an actuary applying for regulatory approval could reach out to you directly?
- When actuaries reach out to you directly to discuss their proposed actuarial innovations, which method(s) of communication do you most prefer? Please select all that apply.
- Do you have any ideas or suggestions for improving communication between actuaries and regulators during the approval process? Please discuss.
- How do you suggest that actuaries approach the approval process when their ideas do not fit within current regulatory frameworks?
- What should actuaries prioritize during the approval process to give themselves the best chance at success?
- What type of information should the actuary be sure to include in their product proposals?
- What should actuaries avoid during the approval process that would hinder their chances at success?
- What advice would you share with actuaries to help them navigate the approval process for their innovative products?

Appendix D: States Represented by Regulatory Participants

States Represented by Regulators in this Study	
State	Number of Regulator Participants
Alaska	2
Arizona	1
Arkansas	1
Colorado	2
District of Columbia	1
Georgia	1
Kentucky	1
Louisiana	2
Maine	2
Minnesota	1
New Mexico	2
Oklahoma	2
Oregon	1
Pennsylvania	1
Rhode Island	1
Texas	5
Utah	1
Vermont	1
Virginia	3

About The Society of Actuaries Research Institute

Serving as the research arm of the Society of Actuaries (SOA), the SOA Research Institute provides objective, data-driven research bringing together tried and true practices and future-focused approaches to address societal challenges and your business needs. The Institute provides trusted knowledge, extensive experience, and new technologies to help effectively identify, predict and manage risks.

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Our research encompasses Voluntary Benefits, Small and Large Group Products, and other supplemental products. We supplement this research with surveys of brokers and other key market contributors as well as with information collected from focus groups and in-depth interviews of a wide range of contributors. The insights and contributions of our consultants, experts in these specialty products, augment the value of the product.