

What to Expect in 2022: State and Federal policy

Government Affairs

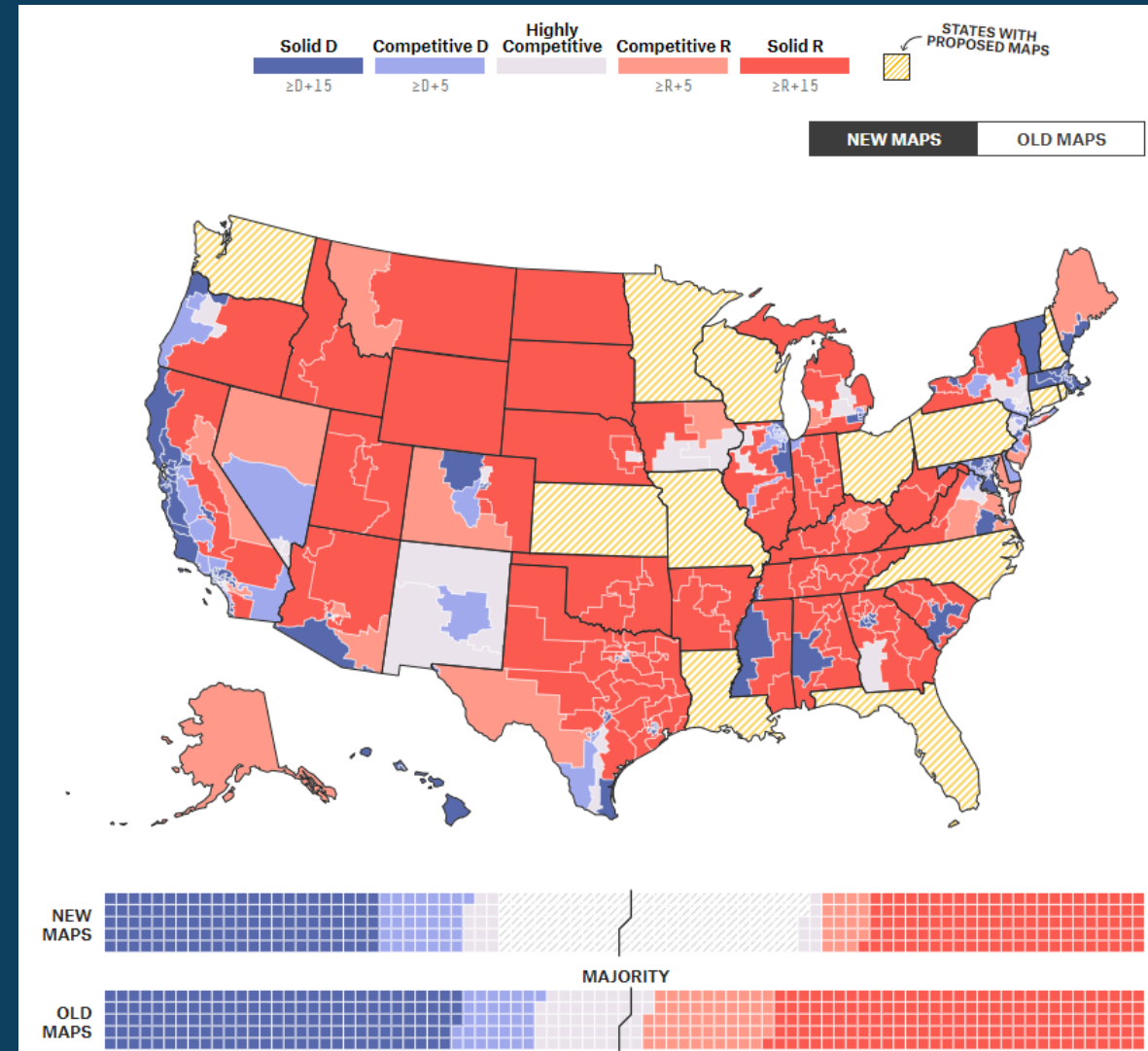
Federal Politics

House and Senate Elections and Redistricting

- The Senate is currently split 50-50, with Vice President Harris as the tiebreaker
 - 34 Senate seats are up for election in 2022
 - 20 Republican and 14 Democratic seats up for election
 - Of the 34 races, 6 will likely be competitive
- The current makeup of the House is 222 Democrats and 212 Republicans, with one vacancy

There are **151 Democratic-leaning seats**, **135 Republican-leaning seats** and **22 highly competitive seats** in the new maps so far.

Change from old maps: **+11 Democratic-leaning seats**, **-3 Republican-leaning seats**, **-8 highly competitive seats**.



State Politics

Gubernatorial Elections and Redistricting

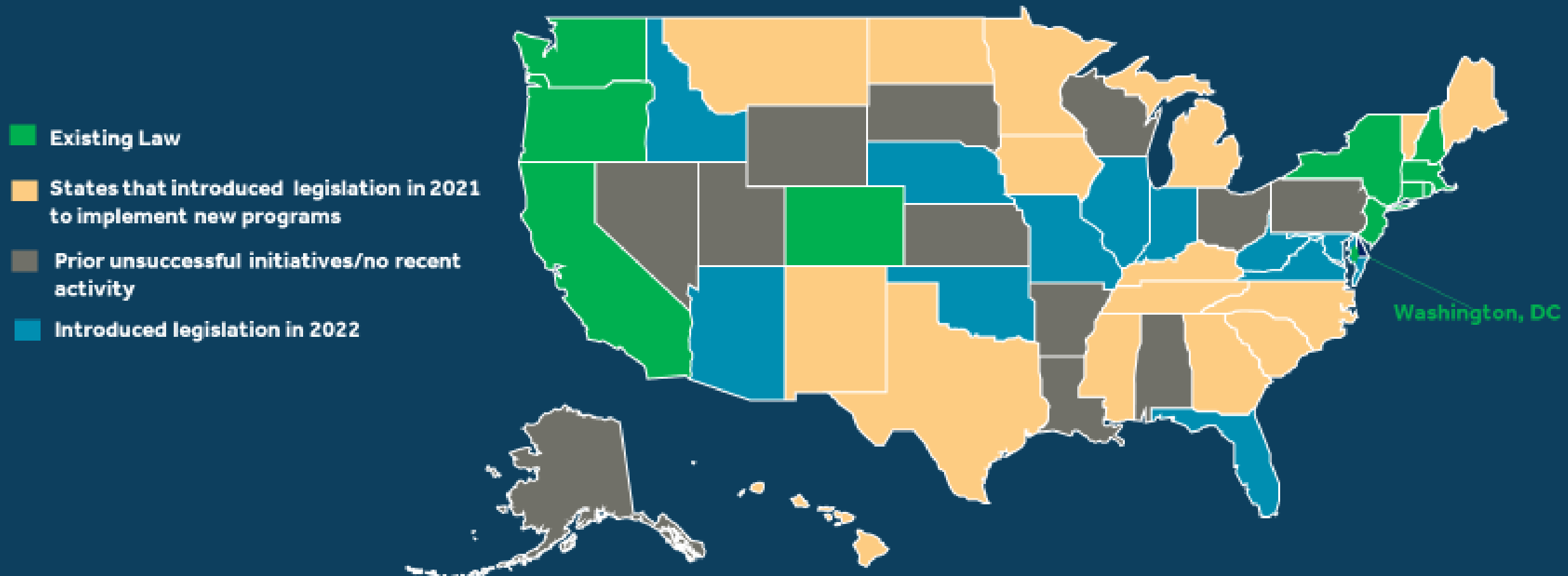
- 36 Governor seats are up for election in 2022
 - 20 Republican and 16 Democratic seats up for election



- Legislatures
 - R's control 30 Legislatures and 27 Governors, D's control 17 Legislatures and 23 Governors, 3 Split Control Legislature
 - Trifectas – Three quarters of states have full party control
- New York – D's have a trifecta and a supermajority in Senate

Paid Family and Medical Leave

11 Jurisdictions Have Passed PFML Laws; Other States Continue to Pursue Enabling Legislation



Federal Paid Leave Initiatives

- **Federal action on national paid leave has stalled in the Senate – but the starting point for future legislation has shifted significantly**
 - 2021 began with a fully government run and administered national PFML benefit
 - 2022 begins with a recognition from both parties that the private sector has a role in any nationwide PFML public policy proposal.
- **CONGRESS** - Other issues are consuming limited Senate bandwidth, squeezing out PFML for now.
 - Russia-Ukraine
 - China
 - Voting rights
 - Supreme Court nomination
 - 2022-2023 budget appropriations

Algorithmic Accountability

Proxy Discrimination and Underwriting Restrictions

- Increased focus on algorithmic and accelerated underwriting
- Concern over potential unintentional discrimination
- Testing algorithmic models for bias

What We Expect in 2022

- European Union: Planning to treat AI systems used for insurance underwriting as “high-risk” in AI regulations
- NAIC: Regulators are drafting a white paper on accelerated underwriting
- NCOIL: Will introduce model law based on Indiana legislation that requires insurers to disclose to consumers the top 5 data elements considered in underwriting that may have led to a denial of coverage
- Colorado: First state to introduce law on proxy discrimination will begin process to draft regulations
- Connecticut: Will require insurers to certify that third-party data elements are not discriminatory
- Other relevant states seeking to address bias in algorithms / data elements used in underwriting: NY, MA, DC, WA

Taxes & Budget

Taxes

STATE

- States are flush with cash – low near-term tax threat for life insurance industry
 - Booming tax revenue and federal aid
 - Revenue collections for FY22 are ahead of projections in 32 states, including New York
 - Along with tax rebates and bonuses, states are paying down debts and pension obligations, investing in short-term infrastructure projects, and building up reserves
 - However, surpluses are likely temporary – hard to say what it will look like in a few years

FEDERAL

- Major tax reform and tax increase proposals have stalled in the Senate
 - Possible we could see scaled down versions of these in a reworked Build Back Better proposal
- Small tax package of non-controversial items possible later this year
- Bipartisan retirement legislation has a lot of support, but may struggle for floor time this year

Financial Services

Financial Services

The House of Representatives and the States will continue to take a deeper dive into consumer protection legislation, although major reforms are unlikely to move.

- The House Financial Services Committee is expected to continue its examination of underwriting practices; consumer credit profiles and credit scores; access to financial services for communities of color; housing; and the disparate impact of the pandemic on minority owned businesses and banks.
- Expect to see more hearings and inquiries into digital assets, privacy, cybersecurity, financial technology , and marijuana banking in light of the recent state and federal developments.

Standard of Care

State and Federal Fiduciary Activity

- Fiduciary: Industry is gearing up for the release of DOL's proposed fiduciary rule in early 2022. The proposed rulemaking is expected to restore much of the vacated 2016 rule, which the industry expects to result in millions of low and middle-income Americans losing access to critical financial products and services.

What does this mean for Guardian?

Q&A