



**JOINT MEETING OF THE MANAGEMENT COMMITTEE AND THE  
INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION**

**Monday, September 25, 2017  
1:30 pm ET / 12:30 pm CT / 11:30 am MT / 10:30 am PT**

1. Roll Call
2. Commission Consideration of Adoption of [Amendments to the Bylaws of the Interstate Insurance Product Regulation Commission](#)
3. Commission Consideration of Adoption of [Procedures for Participation by the Insurance Compact Office in Third-Party Litigation](#)
4. Management Committee Consideration of Approval of Death Benefit Proceeds Provision for Core Annuity Uniform Standards:
  - i. [Core Standards for Individual Deferred Variable Annuity Contracts](#)
  - ii. [Individual Immediate Variable Annuity Contract Standards](#)
  - iii. [Core Standards for Individual Deferred Non-Variable Annuity Contracts](#)
  - iv. [Individual Immediate Non-Variable Annuity Contract Standards](#)
5. Commission Consideration of Adoption of Amendments to Core Annuity Uniform Standards as Approved by the Management Committee
6. Report and Recommendation of the Audit Committee and Consideration by the Commission to Ratify the Report and Recommendation of the Audit Committee
7. Report and Recommendation of the Finance Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Finance Committee
8. Report of the Product Standards Committee and Consideration by the Management Committee to Approve the Report of the Product Standards Committee
9. Management Committee Consideration of Appointment to the Consumer Advisory Committee
10. Management Committee and Commission Consideration of Adoption of Meeting Minutes of the August 5, 2017 Joint Meeting of the Management Committee and Commission
11. Operational Update
12. Any Other Matters
13. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance Product  
Regulation Commission  
Monday, September 25, 2017**

**Members of the Commission and Department Staff in Attendance:**

Commissioner Jaqueline K. Cunningham, Chair, Virginia  
Tom Record as a designated representative for Superintendent Eric A. Cioppa, Vice Chair, Maine  
Director Jillian E. Froment, Treasurer, Ohio  
Steve Ostlund as a designated representative for Commissioner Jim L. Ridling, Alabama  
Director Lori K. Wing-Heier, Alaska  
Mayumi Gabor, Alaska  
Don Hale, Alaska  
Bill Lacy as a designated representative for Commissioner Allen W. Kerr, Arkansas  
Michael Conway as a designated representative for Commissioner Marguerite Salazar, Colorado  
Mary Ellen Breault as a designated representative for Commissioner Katharine L. Wade, Connecticut  
Commissioner Ralph T. Hudgens, Georgia  
Steve Manders, Georgia  
Director Dean L. Cameron, Idaho  
Donna Daniel, Idaho  
Mike Chrysler as a designated representative for Director Jennifer Hammer, Illinois  
Kate Kixmiller as a designated representative for Commissioner Stephen W. Robertson, Indiana  
Mihir Nag, Indiana  
Mathew Cunningham as a designated representative for Commissioner Doug Ommen, Iowa  
Julie Holmes as a designated representative for Commissioner Ken Selzer, Kansas  
Commissioner James J. Donelon, Louisiana  
Devin Rhoad as a designated representative for Commissioner Al Redmer, Jr., Maryland  
Sheri Cullen, Massachusetts  
Randall Gregg, as a designated representative for Director Patrick M. McPharlin, Michigan  
Tammy Lohmann as a designated representative for Commissioner Mike Rothman, Minnesota  
Kristi Bohn, Minnesota  
Bob Williams as a designated representative for Commissioner Mike Chaney, Mississippi  
Mary Mealer as a designated representative for Director Chlora Lindley-Myers, Missouri  
Tiffany Caverhill as a designated representative for Commissioner Matthew Rosendale, Montana  
Richard Hersey, Montana  
Steve Hess, Montana  
Director Bruce R. Ramge, Nebraska  
Michael Wilkey as a designated representative for Commissioner Roger A. Sevigny, New Hampshire  
Diana Lavoie, New Hampshire  
Denise Lamy, New Hampshire  
Superintendent John G. Franchini, New Mexico  
Terry Seaton, New Mexico  
Theresa Schaefer, Ohio  
Cuc Nguyen as a designated representative for Commissioner John D. Doak, Oklahoma  
Acting Director Jean Straight, Oregon  
Tracy Bixler, Pennsylvania  
Tracie Gray, Pennsylvania  
Tom Kilcoyne, Pennsylvania  
Superintendent Elizabeth Kelleher Dwyer, Rhode Island

Kendall Buchanan, South Carolina as a designated representative for Director Raymond G. Farmer, South Carolina  
Michael Humphreys as a designated representative for Commissioner Julie Mix McPeak, Tennessee  
Brian Hoffmeister, Tennessee  
Doug Danzeiser as a designated representative for Temporary Acting Commissioner Mike Einfalt, Texas  
John Carter, Texas  
Jan Graeber, Texas  
Nancy Askerlund, Utah  
Tanji Northrup as a designated representative for Commissioner Todd E. Kiser, Utah  
Tomasz Serbinowski, Utah  
Emily Brown as a designated representative for Commissioner Michael S. Pieciak, Vermont  
Christine Menard-O'Neil, Vermont  
Barbara Prentice, Vermont  
Don Beatty, Virginia  
Alan Hudina as a designated representative for Commissioner Mike Kreidler, Washington  
John Haworth, Washington  
Tonya Gillespie as a designated representative for Commissioner Allan L. McVey, West Virginia  
Joylynn Fix, West Virginia  
Cari Lee as a designated representative for Commissioner Ted Nickel, Wisconsin  
Sue Ezalarab, Wisconsin  
Lisa Brandt, Wisconsin  
John Kitslaar, Wisconsin  
Commissioner Tom Glause, Wyoming  
Brittany Buss, Wyoming

**Members of the Industry Advisory Committee in Attendance:**

Melissa Clines, Nationwide Financial  
Miriam Krol, American Council of Life Insurers  
Wayne Mehlman, American Council of Life Insurers  
Michael Hitchcock, Pacific Life

**Members of the Consumer Advisory Committee in Attendance:**

Sonja Larkin-Thorne, NAIC Funded Consumer Liaison Representative  
James McSpadden, AARP

**Members of the Insurance Compact Legislative Committee in Attendance:**

Representative Sam Kito III, Alaska  
Senator Robert D. Hackett, Ohio  
Representative Bill Botzow, Vermont

**Insurance Compact Staff in Attendance:**

Karen Schutter, Executive Director  
Becky McElduff, Assistant Director of Product Operations and Counsel  
Sara Dubsy, Senior Operations Manager  
Mindy Bradford, Product Reviewer  
Ed Charbonnier, Product Reviewer  
Jeanne Daharsh, Actuary  
Karen Givens, Product Reviewer  
Anne Marie Narcini, Regulatory Consultant  
Maureen Perry, Product Review Consultant

**Interested Parties in Attendance:**

Richard Bowman, New York Life Insurance Company  
Patrick Coleman, National Catholic Society of Foresters  
Shannon Cubby, Transamerica  
Craig Hopkins, Pacific Life  
Keith Mancini, Great-West Financial  
Joseph Muratore, New York Life Insurance Company  
Bill Otten, The Lincoln National Life Insurance Company

Commissioner Cunningham called to order the Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission (Compact or Commission). Ms. Schutter took the roll call of the Management Committee, the Commission, the Legislative Committee, and the Industry and Consumer Advisory Committees. Commissioner Cunningham stated that a roll call vote would be taken on each substantive action item, as provided for in the Bylaws. There were no objections.

Commissioner Cunningham proceeded to the second agenda item and asked Ms. Schutter to provide an overview of the proposed amendments to the *Bylaws of the Interstate Insurance Product Regulation Commission* (Bylaws). Ms. Schutter stated that the Bylaws were first adopted in 2006 and have only been amended once, in 2007, to update provisions with respect to legislative notice. Ms. Schutter stated that some of the current amendments were suggested by outside counsel to further strengthen the Commission's position as a Section 115 tax-exempt entity, while others address practical issues. Ms. Schutter reported that after opportunity for public comment, the Rulemaking Committee recommended these amendments to the Management Committee and Commission at the June 26<sup>th</sup> joint teleconference. Ms. Schutter stated that the Management Committee held a public hearing on the proposed amendments at the August 8<sup>th</sup> in-person meeting, and to date no comments have been submitted or made regarding the proposed amendments to the Bylaws. Ms. Schutter concluded her summary and there were no questions. Commissioner Cunningham requested a motion from a Commission member to adopt the amendments to the Bylaws as recommended by the Rulemaking Committee. Mr. Ostlund moved and Ms. Froment seconded. There was no further discussion. Commissioner Cunningham then asked Ms. Schutter to take a roll call vote. The motion carried with none opposed.

Commissioner Cunningham proceeded to the next agenda item and asked Ms. Schutter to summarize the proposed *Procedures for Participation by the Insurance Compact Office in Third-Party Litigation* as recommended by the Rulemaking Committee at the June 26<sup>th</sup> Joint Teleconference. Ms. Schutter stated that the procedures are objective criteria to be followed by the Insurance Compact Office with respect to how and when the Insurance Compact Office can provide input on factual and legal issues to inform courts about the Compact, its Commission, or any aspect thereto, including questions regarding the validity of the Compact, the Uniform Standards, or a Compact approval. Ms. Schutter stated that the proposed procedures have been posted to the Event Calendar for this meeting and the June 26<sup>th</sup> joint teleconference.

There were no questions or comments regarding the proposed procedures. Commissioner Cunningham requested a motion from a Commission member to adopt the *Procedures for Participation by the Insurance Compact Office in Third-Party Litigation* as recommended by the Rulemaking Committee. Ms. Mealer moved and Mr. Gregg seconded. There was no further discussion. Ms. Schutter called a roll call vote and the motion carried with none opposed.

Commissioner Cunningham proceeded to the next agenda item, Management Committee Consideration of Approval of the Death Benefit Proceeds Provision for Core Annuity Uniform Standards. Commissioner Cunningham asked Ms. Schutter to provide a brief background on the proposed amendment. Ms. Schutter stated that the recommendation resulted from a request by the Industry Advisory Committee submitted in the Spring. Ms. Schutter reported that the Industry Advisory Committee suggested a provision for death benefits for annuities would provide additional consumer protection and further clarity and uniformity for compacting states and filers, as state requirements vary widely regarding the payment of interest on annuity death benefit proceeds, both in regard to when

interest payment commences and the amount of interest owed. Ms. Schutter stated that the Product Standards Committee exposed the recommended proposal for written comment and held a public conference call to receive comments. Ms. Schutter stated that the Product Standards Committee recommended the amendment to the Management Committee at the June 26<sup>th</sup> joint teleconference, and a public hearing on the amendment was held at the August in-person meeting. Ms. Schutter stated that there were no oral comments, but one written comment was received from the Industry Advisory Committee, proposing that the term “each claimant” be added to subsection 4(b), (c), and (d), to clarify that in situations with multiple beneficiaries, a claim form, payment direction and proper identification is needed from each claimant. Ms. Schutter reported that the Product Standards Committee examined the comment at the request of the Management Committee and agreed that it is a good clarification, and a minor amendment.

Ms. Northrup asked if adding “each” to the provision would delay payment to claimants until all forms have been received. Ms. Krol stated that it should not, as each claimant must go through the process separately to receive benefits when there are multiple claimants. Mr. Muratore agreed with Ms. Krol. Mr. Record and Ms. Northrup asked for clarification that the Industry Advisory Committee’s request to add “each” was considered by the Product Standards Committee. Ms. Schutter stated that Product Standards Committee discussed the request and considered it to be acceptable clarification, but it was not discussed at the public hearing. Ms. Schutter clarified that the comment letter had been on file at the time of the hearing, although the issue was not raised. Ms. Larkin-Thorne asked if a guardian of minors who were beneficiaries would have to fill out three separate forms for three minors, or if one form would be accepted when the minors are represented by one adult. Ms. Schutter stated that the situation Ms. Larkin-Thorne described would be a claims-administration issue. Ms. Krol and Mr. Muratore agreed that each company has its own process in place to ensure claims are processed as quickly as possible. Commissioner Cunningham stated that the proposed provision is similar to provisions already in the Life Insurance Uniform Standards. Mr. Bowman stated that the provision is not expected to change any process that companies already have in place. Ms. Schutter stated that the proposed provision is permissive, such that it is not required to be in the contract, but if it is included it, must follow the Uniform Standards.

Commissioner Cunningham proceeded to request a motion from a member of the Management Committee to approve the amendment to the four core Annuity Uniform Standards with the clarifying change as proposed by the Product Standards Committee. Mr. Record moved and Ms. Mealer seconded. Ms. Schutter took a roll call vote. The motion carried. Virginia voted in favor as Chair, and Texas opposed the motion.

Commissioner Cunningham continued to the next agenda item and requested a motion from a Commission member to adopt the amendment to the four core Annuity Uniform Standards as approved by the Management Committee. Ms. Froment moved and Mr. Chrysler seconded. There was no further discussion. Ms. Schutter took a roll call vote. The motion carried with Texas and Utah opposed.

Commissioner Cunningham proceeded to the next agenda item and asked Director Ränge to provide the Report and Recommendation of the Audit Committee. Director Ränge reported that the Audit Committee held a public call on September 7<sup>th</sup> to receive comments and make a determination on the selection of the independent audit firm for the next five years. Director Ränge stated that the Audit Committee published its recommendation with respect to the selection of the auditor on August 23<sup>rd</sup> and

did not receive any written or oral comments on the recommendation. Director Ramage reported that the Audit Committee selected RSM, with a new audit partner and manager, to perform the 2017 independent audit with the initial term of the relationship for three years and the option to extend the relationship for two additional one-year periods without going back to bid. Director Ramage stated that the 2016 audit period was the fifth year with RSM and the policy of the Compact, along with the NAIC and NIPR, is to bid services every five years.

Director Ramage stated that the Audit Committee is an independent committee directly responsible for the appointment, compensation and oversight of the independent certified public accountant employed to conduct the annual audit of the Compact, pursuant to the Bylaws. Director Ramage reported that at the direction of the Audit Committee, the Commission Executive Director participated in the request for proposal process as coordinated by the NAIC Chief Financial Officer and the NAIC Finance Division. Director Ramage reported that the request for proposal asked respondents to submit two bids with respect to the Compact; one bid assuming the audit firm would audit the NAIC, NIPR, and the Compact, and the second bid assuming a stand-alone audit of the Compact. Director Ramage stated that RSM was the lowest bid, and that a stand-alone audit would cost significantly more. He stated that there are significant resource and cost efficiencies of having the same audit firm utilized by the NAIC, as the Compact's accounts are handled by the NAIC under a service agreement and the Compact utilizes the NAIC financial reporting systems and internal controls. Director Ramage stated that if the Compact selected a different audit firm than the NAIC, the Insurance Compact would likely also need to adjust the timing of its audit so as not to coincide with the NAIC and NIPR audit. Director Ramage reported that the NAIC and the NIPR both officially selected RSM as their respective audit firm at the NAIC Summer Meeting in Philadelphia, Pennsylvania. Director Ramage stated that the Bylaws require the Audit Committee to make its selection at a public meeting or conference call which it do so on September 7<sup>th</sup>. Director Ramage requested the Commission to ratify the Committee's selection. Director Ramage concluded his report and recommendation, and there were no questions.

Commissioner Cunningham then requested a motion from a Commission member to adopt the Report of the Audit Committee and to ratify its selection of RSM to perform the Commission's 2017 independent audit and the four years thereafter. Mr. Ostlund moved and Director Cameron seconded. There was no further discussion. Ms. Schutter took a roll call vote and the motion passed.

Commissioner Cunningham proceeded to the next agenda item and asked Director Froment to provide the Report and Recommendation of the Finance Committee. Director Froment reported that the Finance Committee held a public call on September 13<sup>th</sup> to receive comments on three recommendations that it is now bringing forth to the Management Committee. Director Froment stated that the first recommendation is to amend the annual registration provision in the *Terms and Procedures for IIPRC Filing Fees* to move the date that annual registration fees prorate from July to October 1. Director Froment stated that companies should pay the full annual registration fee which is intended to keep the per-filing fee relatively low in relation to the actual resource expense to the Insurance Compact in reviewing a filing, and to smooth out the Insurance Compact's cash flow throughout the year. Director Froment stated that the second recommendation is the proposed 2018 Schedule of Fees. Director Froment reported that the proposed 2018 Schedule of Fees includes an increase to the fee for filings requiring actuarial review from \$600 to \$625 for companies with \$50 million or less in premium volume, as well as an increase in the self-certified filing fee from \$50 to \$100 for the forms to be used with the long-term care applications. Director Froment stated that the third recommendation is the

proposed 2018 Annual Budget. Director Froment reported that the total revenues proposed for next year would grow by about 4.5% over the 2017 budgeted revenues, proposed total expenses would grow by about 4%, and revenues would come in \$296 over expenses. Director Froment reported that through the end of August 2017, revenues are 100% of budget, while expenses are 7% under budget. Director Froment concluded her report and there were no questions.

Commissioner Cunningham proceeded to the following agenda item and asked Ms. Mealer to provide the report of the Product Standards Committee. Ms. Mealer reported that the Product Standards Committee recently reviewed comments on the addition of death benefits proceeds provisions to the core Annuity Uniform Standards and provided feedback to the Management Committee on a suggested revision. Ms. Mealer stated that the Product Standards Committee has been focusing its efforts on Phase 8 of the Five-Year Review, and held a public call on July 11<sup>th</sup> to hear comments on the initial draft report. Ms. Mealer stated that the Product Standards Committee has been meeting to review the report and public comments, and to draft final recommendations for the Management Committee's consideration. Ms. Mealer stated that the Product Standards Committee has referred items to the Actuarial Working Group for feedback, and anticipates holding more public calls as the recommendations are finalized. Ms. Mealer reported that the Product Standards Committee also plans to hold public calls regarding the conceptual issue of whether uniform standards for incidental benefits for life insurance products are needed. Ms. Mealer stated that these public calls will solicit input about the type of products and benefit features companies file state-by-state because the Compact does not have uniform standards, as well as the type of products and benefit features consumers want that insurers are unable to provide because of state regulatory requirements. Ms. Mealer concluded her report and there were no questions.

Commissioner Cunningham requested a motion from a member of the Management Committee to approve the reports of the Finance and Product Standards Committees, including accepting and publishing the recommendation for notice and comment with regards to the proposed amendment to the Filing Fee Rule and Schedule of Fees for 2018, as well as the draft 2018 Annual Budget. Mr. Chrysler moved and Director Cameron seconded. There was no further discussion. Ms. Schutter took a roll call vote and the motion carried.

Commissioner Cunningham proceeded to the next agenda item, Management Committee Consideration of Appointment to the Consumer Advisory Committee. Commissioner Cunningham stated that the Compact Office received an application from Andrew Sperling with the National Alliance on Mental Illness (NAMI) to serve on the Consumer Advisory Committee. Commissioner Cunningham reported that Mr. Sperling currently serves as an NAIC Consumer Representative and has indicated that the work of the Insurance Compact would be relevant to the work that NAMI does to improve the lives of individuals affected by mental illness. Commissioner Cunningham stated that the Officers recommend the appointment of Mr. Sperling to one of the open seats on the Consumer Advisory Committee. There were no questions. Commissioner Cunningham requested a motion from a member of the Management Committee to appoint Andrew Sperling to serve on the Consumer Advisory Committee. Director Cameron moved and Ms. Mealer seconded. There was no further discussion. Ms. Schutter took a roll call vote and the motion carried.

Commissioner Cunningham proceeded to the next agenda item and requested a joint motion of the Management Committee and Commission to adopt the meeting minutes of the August 5<sup>th</sup> Joint Meeting

of the Management Committee and Commission. Director Froment moved and Ms. Mealer seconded. There was no further discussion. Ms. Schutter took a roll call vote and the motion carried. Commissioner Cunningham then called for a voice vote of the entire Commission. The motion carried with none opposed and the meeting minutes were adopted.

Commissioner Cunningham proceeded to the next agenda item and asked Ms. Schutter to provide an operational update. Ms. Schutter provided an update on recent Compact filing statistics. Ms. Schutter stated that the Insurance Compact Office will be attending several outreach events in the upcoming weeks, and is currently conducting State of the Compact conference calls with Compacting State Commissioners and their senior staff. Ms. Schutter stated that the Commission will not hold an in-person meeting in conjunction with the NAIC Fall National Meeting in Hawaii, as included in the terms of the 2017 Annual Budget adopted last fall. Ms. Schutter stated that the Commission's Annual Meeting will convene via conference call on November 27<sup>th</sup>. Ms. Schutter then provided an update on the Colorado federal district court case which involves litigation between an insurer and beneficiary with respect to a Compact-approved product and raises issues of constitutionality and validity of the Insurance Compact and Uniform Standards. Ms. Schutter concluded her update and there were no questions.

As there were no other matters, Mr. Ostlund moved to adjourn. Ms. Mealer seconded and the meeting was adjourned.