



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

**Friday, August 10, 2012**

**Atlanta, GA**

**12 pm ET / 11 am CT / 10 am MT / 9 am PT**

1. Roll Call
2. [Public Hearing on Uniform Standards and Amendments as well as Operating Procedures Subject to Current Rulemaking Process as follows:](#)
  - a. [Group Term Life Insurance Policy and Certificate Standards for Employer Groups;](#)
  - b. [Amendments to Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities;](#)
  - c. [Group Annuities Uniform Standards Framework; and](#)
  - d. [Operating Procedures, Rules, and Uniform Standards Subject to 5-Year Review](#)
3. [Management Committee Consideration of Approval of Conforming Amendments to Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities](#)
4. [Update on Illinois' Request for 120-day Stay of the Effectiveness of Additional Standards for Market Value Adjustment Feature Provided Through a Separate Account](#)
5. [Management Committee Consideration of Approval of Meeting Minutes of the June 25, 2012 Meeting of the Management Committee](#)
6. [Commission Consideration of Adoption of Meeting Minutes of the May 14, 2012 Joint Meeting of the Management Committee and Commission as Approved by the Management Committee on June 25, 2012](#)
7. [Report and Recommendation of the Product Standards Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Product Standards Committee](#)
8. [Report and Recommendation of the Rulemaking Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Rulemaking Committee](#)
9. [Report of the Audit Committee and Consideration by the Commission to Adopt the Report of the Audit Committee](#)
10. [Report of the Communications Committee and Consideration by the Management Committee to Approve the Report of the Communications Committee](#)
11. [Report of the Finance Committee and Consideration by the Management Committee to Approve the Report of the Finance Committee](#)
12. [Operational Update](#)
13. Any Other Matters
14. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance  
Product Regulation Commission  
Friday, August 10, 2012**

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

Commissioner Roger Sevigny, Chair, New Hampshire  
Director John Huff, Vice Chair, Missouri  
Commissioner Michael Consedine, Treasurer, Pennsylvania  
Steve Ostlund, as a designated proxy for Commissioner Jim L. Ridling, Alabama  
Director Bret Kolb, Alaska  
Commissioner Jim Riesberg, Colorado  
Steve Manders, as a designated representative for Commissioner Ralph Hudgens, Georgia  
Leah Dee, as a designated representative for Commissioner Gordon Ito, Hawaii  
Donna Daniels, as a designated representative for Director William W. Deal, Idaho  
Bruce Sartain, as a designated representative for Director Andrew Boron, Illinois  
Mihir Nag, as a designated representative for Commissioner Stephen Robertson, Indiana  
Marlyn Burch, as a designated representative for Commissioner Sandy Praeger, Kansas  
Barry Ward, as a designated representative for Commissioner James Donelon, Louisiana  
Thomas Record, as a designated representative for Superintendent Eric Cioppa, Maine  
Lisa Lewis, Maine  
Commissioner Therese Goldsmith, Maryland  
Robert Whitney, as a designated representative for Commissioner Joseph Murphy, Massachusetts  
Rhonda Fossitt, as a designated representative for Commissioner E. Kevin Clinton, Michigan  
Tammy Lohmann, as a designated representative for Commissioner Mike Rothman  
Brian Pennington, Minnesota  
Aaron Sisk, as a designated representative for Commissioner Mike Chaney, Mississippi  
Director Bruce Ramage, Nebraska  
Commissioner Scott J. Kipper, Nevada  
Acting Commissioner Kenneth Kobylowski, New Jersey  
Superintendent John Franchini, New Mexico  
Ted Hamby, as a designated representative for Commissioner Wayne Goodwin, North Carolina  
Pete Weber, as a designated representative for Lieutenant Governor and Director Mary Taylor, Ohio  
Denise Engle, as a designated representative for Commissioner John Doak, Oklahoma  
Commissioner Lou Savage, Oregon  
Dave Bolton, Oregon  
Superintendent Joseph Torti III, Rhode Island  
Beth Dwyer  
Commissioner Julie Mix McPeak, Tennessee  
Sara Waitt, as a designated representative for Commissioner Eleanor Kitzman, Texas  
Commissioner Neal Gooch, Utah  
Betsy Jerome, Utah  
Susan Donegan, as a designated representative for Commissioner Steve Kimbell, Vermont  
Don Beatty, as a designated representative for Commissioner Jacqueline Cunningham, Virginia  
Leslie Krier as a designated representative for Commissioner Mike Kreidler, Washington  
Commissioner Michael Riley, West Virginia  
Sue Ezalarab, as a designated representative for Commissioner Ted Nickel, Wisconsin  
Commissioner Tom Hirsig, Wyoming

**Members of the Legislative Committee in attendance:**

Representative Robert Damron, Kentucky  
Representative Brian Patrick Kennedy, Rhode Island  
Susan Nolan, NCOIL Executive Director

**Interested Legislators in attendance:**

Senator Carroll Leavell, New Mexico  
Representative George Keiser, North Dakota  
Representative Charles Curtiss, Tennessee

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

Sonja Larkin-Thorne, Consumer Representative  
T. Ryan Wilson, Strategic Policy Advisor American Association of Retired Persons (AARP)

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

Lee Covington, Insured Retirement Institute (IRI)  
Miriam Krol, American Council of Life Insurers (ACLI)  
Amanda Matthiesen, America's Health Insurance Plans (AHIP)  
Joe Muratore, New York Life Insurance Company  
Marie Roche, John Hancock Life Insurance Company

**IIPRC staff in attendance:**

Karen Schutter, Executive Director  
Sara Dubsy, Operations Manager  
Jeanne Daharsh, Actuarial Consultant  
Alice Fontaine, Actuarial Consultant  
Karen Givens, Product Review Consultant  
MacKenzie Heidelmark, Administrative Coordinator  
David Morris, Product Review Consultant  
Maureen Perry, Product Review Consultant

**NAIC staff in attendance:**

Becky McElduff, Senior Counsel  
Jim Woody, Chief Financial Officers

**Interested Parties in attendance:**

Laurie Morgan, State Farm  
Nicole Nichols, Insured Retirement Institute (IRI)

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Director Huff called to order the Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission. Ms. Schutter took the roll call of the Management Committee, Commission, members of the Legislative Committee, members of the Industry Advisory Committee, members of the Consumer Advisory Committee, and other Interested Parties.

Director Huff proposed having voice votes instead of roll call votes and take roll call votes only if requested or if there are any votes in opposition on a particular action item due to the amount of participants on the phone and in person.

Director Huff recognized the members of the Legislative Committee that were in attendance. Representative Kennedy announced one of the members of the Legislative Committee, State Senator Ruth Teichman, had recently lost reelection and therefore Ms. Teichmann would no longer be a member of the Legislative Committee. Representative Damron commented the Legislative Committee is pleased with the number of filings submitted to the IIPRC and the progress being made.

Director Huff explained that before the public hearing commences, the Actuarial Working Group will present an update on its work regarding the Conforming Amendment to the Additional Standards for Guaranteed Minimum Death Benefits. Director Huff explained that this is one of the items listed for the public hearing as well as an action item after the public hearing. The Actuarial Working Group was asked to look at two actuarial issues raised by

Utah that may affect guaranteed benefits on non-variable annuities and report back to the Management Committee with a recommendation as to whether these issues would affect the proposed amendments.

Director Huff asked Mr. Weber to provide the Actuarial Working Group's report. Mr. Weber reported that the Actuarial Working Group has looked at the following two issues. First, whether the IIPRC should publish more detailed guidance on the requirements for demonstrating nonforfeiture compliance when there are rider charges for not only guaranteed minimum death benefits but also guaranteed living benefits. The second issue was whether there would be a concern that companies would file non-variable products where the guaranteed death benefit could greatly exceed the account value. Mr. Weber noted that the Actuarial Working Group provided input on a Filing Information Notice (FIN) that the IIPRC Office will publish shortly to address nonforfeiture compliance for rider charges associated with GLWBs. Mr. Weber stated that at this time, the Actuarial Working Group is recommending that the Management Committee not move forward with the conforming amendment to include non-variable annuities in the scope of the variable annuity GMDB standards due to concerns with nonforfeiture compliance of non-variable annuities. The Actuarial Working Group is supportive of having a GMDB standard for non-variable products in the Compact but recommending a new uniform standard be developed which addresses nonforfeiture requirements, specifically what additional death benefits may be considered "incidental". Mr. Weber concluded his report and noted that by creating a new standard, rather than attempting to address incidental benefits in a FIN, will allow for industry involvement. Director Huff suggested that comments on this item be received during the public hearing but that the Commission defer action to amend this uniform standard today. Director Huff asked the Actuarial Working Group and Product Standards Committee to further discuss the issues described by Ohio and seek industry and public input. There were no questions from anyone regarding the report.

Director Huff proceeded to the public hearing to receive comments on four items. The first was the Group Term Life Insurance Policy and Certificate Standards for Employer Groups. The second was the proposed amendment to Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities which was just discussed. The third was group annuities uniform standards framework; and the fourth was the Operating Procedures, Rules and Uniform Standards Subject to 5-Year Review. Director Huff noted that there will be other opportunities for comments on all of these items before they are considered for adoption. Director Huff reported that the group life uniform standards were issued on June 28th by the IIPRC Office after several months of review by the members of the Product Standards Committee and public calls to receive comments. Written comments are officially due on August 27th. Director Huff highlighted that two sets of written comments have been received from the members of the Industry Advisory Committee.

Before the acceptance of oral comments, Director Huff asked Ms. Ezalarab to review the process these group term life standards have undergone. Ms. Ezalarab reported that the Product Standards Committee began reviewing the group term life standards at the end of 2011 and during review, four public meetings were held to receive comments on the group term policy and certificate standards. Ms. Ezalarab highlighted that the group uniform standards address several new questions for the Commission, such as portability and discretionary clauses. Member states, the Industry Advisory Committee and filing companies provided extensive comments on several key issues. Director Huff then opened the public hearing to receive comments on the group term life uniform standards.

Director Huff asked if there were any comments. Ms. Krol reported that the Industry Advisory Committee submitted comments dated July 31<sup>st</sup>. Ms. Krol noted that in the variability section, there is language that would prevent insurance companies, employers, and policyholders, from making necessary changes to coverage once issued. Ms. Krol explained that it would only be allowed for new covered person, not an existing person, and would therefore create a discriminatory situation. Ms. Krol noted that the Industry Advisory Committee provided alternative language to the Product Standards Committee regarding this issue. Ms. Krol stated that the members of the Industry Advisory Committee support the language that is currently proposed regarding the ability to file a claim electronically. Ms. Krol highlighted that the term "discretionary clause" needs to be defined in the standard; otherwise it would be open to interpretation by all. Ms. Krol remarked that the focus of concern should be on how to prevent the abuse of discretion that insurers need in order to conduct their business; discretion only becomes a problem when it is unfair. Ms. Krol explained that the states already have regulatory tools at their disposal, such as anti-discrimination laws and unfair trade practices act, to regulate unfair application of discretion. Ms. Krol

concluded her remarks by noting that this coupled with the discretionary clause standard in the current proposal would be sufficient to give the Compacting States sufficient ability to address any discretion-related problems.

Director Huff asked if there were any questions for Ms. Krol; there were none. Director Huff reminded everyone that the comment period is open until August 27th. All members and interested parties are encouraged to review this Uniform Standard in light of these comments and to make any further comments. Ms. Schutter has been asked to schedule a conference call of the Commission to consider these comments as well as take action on this Uniform Standard.

Director Huff then asked for comments on the amendments to the Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities. Director Huff noted that action on the proposed amendments will be deferred until a recommendation from the Actuarial Working Group addressing the concerns about guaranteed benefits significantly exceeding the account value is received. Director Huff asked if there were any comments; there were none. Director Huff turned to the comments regarding the development of the group annuity uniform standards. The IIPRC issued notice on June 13th seeking input ahead of its initial development of these uniform standards as to the framework for these uniform standards and key areas of consideration. The group annuity uniform standards are the first set where the IIPRC rather than the NAIC's National Standards Working Group will be developing the initial drafts for consideration. Written comments are due by August 15<sup>th</sup>. Director Huff noted that a handful of comments have been received and they are published on the Docket on the Compact's website. Director Huff asked if there were any comments; there were none.

Director Huff proceeded to the Uniform Standards, Rules and Operating Procedures subject to 5-year review. At the end of June, the IIPRC issued notice that it was accepting comments on the need for continuation, repeal or amendment of those Uniform Standards, Rules and Operating Procedures that were effective on or before December 31, 2007. Director Huff noted that the IIPRC is approaching the 5-year review process similar to the process that states use to routinely review their regulations by looking at whether the circumstances or underlying assumptions have changed since the rule was adopted or last amended. Written comments are due on September 1 and will be posted to the IIPRC's Rulemaking Docket. Director Huff further explained that the Committee of jurisdiction will review these comments as well as input from the IIPRC Office and come forward later in the year with their reports and recommendations for needed changes, if any. Director Huff asked if there were any comments; there were none. That concluded the public hearing portion of the meeting.

Director Huff moved to the next agenda item, the Management Committee Consideration of Approval of Conforming Amendments to Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities. Director Huff noted that as was discussed, this item will be deferred until a later date to allow for further review of the Standards for Guaranteed Minimum Death Benefits for Individual Deferred Non-Variable Annuities.

Director Huff advanced to the consideration of the written request from the Illinois Department of Insurance for a 120-day extension of its Stay of the Effectiveness of one Uniform Standard that is titled "Additional Standards for Market Value Adjustment through the Separate Accounts". Director Huff reported that Illinois has indicated that it does not permit these types of products but has legislation pending in its legislature this session to give the Commissioner discretionary authority to accept these products. Illinois has indicated if this legislation is enacted, it will be able to lift its stay of the one remaining Uniform Standard. However, they are beginning the regulation-making process to opt-out in case the legislation is not passed. Director Huff asked Illinois if they have anything to add; Illinois did not. There were no questions. Director Huff noted that Illinois' current stay will expire at the end of August and they submitted a request to the Commission prior to this meeting. Similar to the way this has been handled in the past, a motion from a member of the Commission is needed to grant Illinois' Request for a 120-day Extension of its Stay of the Additional Standards for Market Value Adjustment through the Separate Accounts in Illinois from August 28th. Commissioner Consedine made a motion to grant the request, and Mr. Beatty seconded the motion. A voice vote was then taken and the motion carried.

Director Huff moved to the approval of the Meeting Minutes of the June 25, 2012 meeting of the Management Committee. Director Huff asked for a motion from a member of the Management Committee to approve the

minutes. Commissioner Goldsmith made a motion, while Mr. Sisk seconded the motion. After a voice vote, the motion carried.

Director Huff proceeded to the next Agenda item, Commission Consideration of Adoption of meeting minutes of the May 14<sup>th</sup> joint meeting of the Management Committee and Commission as approved by the Management Committee on June 25<sup>th</sup>. Director Huff asked for a motion to adopt the meeting minutes of the May 14<sup>th</sup> joint meeting of the Management Committee and Commission as were approved by the Management Committee. Commissioner Consedine made a motion and Mr. Burch seconded that motion. A voice vote was then taken and the motion passed.

Director Huff explained that the next five agenda items are reports from the Committees to receive updates on their current activities. Director Huff noted that there were no recommendations from the Committees and after all reports, one Management Committee motion will be necessary to accept the reports. Director Huff began with the report of the Product Standards Committee and Ms. Ezalarab gave the report. Ms. Ezalarab noted that the Product Standards Committee did not have any uniform standards to recommend to the Management Committee. The Committee has continued its work on an important landmark for the Commission—the first set of group insurance uniform standards. Ms. Ezalarab reported that the Committee has been reviewing the group term life statement of insurability, group term life application, and group life enrollment forms uniform standards. The review of these uniform standards should be completed by the end of the month. Ms. Ezalarab concluded her report and noted that after the completion of the policy and certificate uniform standards, the uniform standards for the additional benefit features will be reviewed.

Director Huff asked Mr. Beatty to provide the report of the Rulemaking Committee. Mr. Beatty remarked that the Rulemaking Committee has not convened since the last Commission meeting. In July, the Rulemaking Committee commenced the five-year review process of all Rules and Operating Procedures adopted before December 31, 2007. Mr. Beatty noted that the Committee expects to review comments received pursuant to the notice as well as feedback from the IIPRC Office and make its report and recommendation to the Management Committee this fall. Mr. Beatty reported that the Rulemaking Committee also convened a subgroup recently to begin work on its last item of the work agenda it adopted last year. The subgroup will be exploring the possibility of developing a process to permit the Commission to handle the review and disapproval of products with features of components not currently included within the Uniform Standards. Mr. Beatty ended his report and noted that the subgroup is mindful of the scope of review granted by the Compact legislation and is focusing on a legal analysis of the issue at this stage.

Director Huff mentioned that the IIPRC Officers have made it a priority to proactively approach any questions that may arise in the market regulation of Compact-approved products. The IIPRC members have all worked very hard over the course of the past six years to achieve uniformity and speed-to-market in the filing and approval of asset-based products. Director Huff remarked that companies who are utilizing the Compact are seeing tremendous benefits in the preparation and deployment of products. In the future, Ms. Schutter and her team will work with the NAIC's D Committee's Market Regulation Handbook Working Group to add discussion about the Compact and Compact-approved products as well as to make available informational sessions to market regulators and examiners to learn more about the Compact process and the Uniform Standards. Director Huff further noted that the next step will be to explore whether the IIPRC can facilitate further coordination and communication with member states and companies to provide guidance and clarify applicable market regulations and requirements that are still applicable to Compact-approved products. Commissioner Consedine reiterated Director Huff's remarks. There were no other comments.

Director Huff proceeded to the next Agenda Item, the Report of the Audit Committee. Superintendent Torti reported that the Committee met recently via conference call to review the IIPRC's financial statements through June 30<sup>th</sup> and receive an update from the IIPRC Office. The IIPRC's actual revenues through the first half of 2012 are meeting budgeted revenues under the restated budget adopted by the Commission in March. The IIPRC is also keeping a close eye on its expenses which are running below budget through the end of June. Superintendent Torti noted that based on the IIPRC's revenue activities, it projects it will not need its first draw on the 2012 line of credit from the NAIC until October. The Committee will also be working with the IIPRC Office and the NAIC Finance

Division in the coming weeks to consider a new audit firm for the next 3 to 5 year period. Superintendent Torti explained that since 2008, the audit of IIPRC's financial statement and activities has been performed by Mayer, Hoffman, McCann. Under the IIPRC's Services Agreement with the NAIC, the NAIC Finance Division is used in tracking and preparing the IIPRC's financial records and the IIPRC greatly benefits from their established internal controls. As such, it has greatly benefited the IIPRC to utilize the same firm as the NAIC to perform a separate and independent audit of its records. Director Huff remarked that the Audit Committee is independent of the Management Committee, therefore this is a Commission action item and a motion is needed. Commissioner Consedine made a motion, while Commissioner Kimbell seconded. A voice vote was then taken and the report was accepted.

Commissioner Sevigny continued the meeting and asked Mr. Sisk to give the report of the Communications Committee. Mr. Sisk noted that the Committee last convened in early June. During this meeting, the IIPRC Office and the Communications Committee reviewed the feedback of the Focus Groups as well as other outreach activities. Mr. Sisk noted that this past spring the IIPRC Office held bi-weekly calls of its Focus Groups – two groups of approximately 20 company representatives and a consumer representative. The IIPRC Office is currently working on implementing some of the suggestions made by the Focus Group. Mr. Sisk highlighted some examples of these such as the Suggestion Box that has been posted on the IIPRC website as well as wider distribution of all IIPRC Notices. The IIPRC Office has also been busy with increasing the amount of outreach it conducts on behalf of the Commission. One way that this has been accomplished is through the publication of a “weekly tip” email to company filers. Mr. Sisk explained that for the past six weeks, at least one correspondence, sometimes two, has been distributed to known company filers providing them with a tip or suggestion to make their filing process easier. Just last week, the IIPRC Office launched a series of webinars for Compact filers and any interested party or regulator. Commissioner Sevigny noted that the success of the Compact is based on participation, not only by the states but by the industry as well.

Commissioner Sevigny proceeded to the next Agenda item and asked Mr. Whitney to provide the report of the Finance Committee. Mr. Whitney reported that the Finance Committee held a conference call in July to receive a report from the IIPRC Office on financial activities and an update on the filing fee restructuring analysis. Through June, the IIPRC's actual revenue has met its restated revenue budget. Compared to 2011, there has been a 60% increase in filing volumes and a 25% increase in registrations. The IIPRC is also keeping its expenses even, if not a little under, its restated expense budget. The IIPRC Office is working on financial analysis of potential changes to its filing fee structure. Mr. Whitney explained that as previously reported, the Committee has asked the IIPRC Office to consider whether a long-term fee restructuring is necessary in order to achieve long-lasting, self-sustaining revenues. This financial analysis looks at several different scenarios focusing on moving to a filing fee structure only without a registration fee. The analysis has not found a scenario where the IIPRC would be in any better revenue position than under the current registration and filing fee structure. By moving to a solely transactional-based fee structure, the filing fee would need to increase by 3 to 6 times the current amount of \$500 depending on the type of filing or number of forms and even when these scenarios are run against current volumes, they result in far less revenue than the IIPRC has today with the registration and filing fee structure. Mr. Whitney highlighted that there is concern that by increasing the transaction fee by such a substantial amount, it may adversely affect filing volumes which have finally rebounded in the past several months. The Focus Groups that were conducted this spring told the IIPRC that companies realize once they use the Compact what a tremendous value they are getting for their current registration and filing fees. The Finance Committee will be working with the IIPRC Office in the coming weeks to develop the 2013 Annual Budget and Schedule of Fees.

Commissioner Sevigny asked for a motion from a member of the Management Committee to accept the Reports of the Communications, Finance, Product Standards and Rulemaking Committees. Director Huff made a motion while Commissioner Consedine seconded the motion. A voice vote was then taken and the motion carried.

Commissioner Sevigny asked Ms. Schutter to provide an operational update. Ms. Schutter reported that the IIPRC has seen a sustained increase in its filing volume as well as the number of registered companies. Ms. Schutter noted that the IIPRC is currently conducting webinars for company filers. For over a year, the Consumer Advisory Committee of the IIPRC has had only three members, and Ms. Schutter encouraged consumer representatives to think about joining the Committee. Ms. Schutter visited the non-compacting states of Arkansas and Montana this

summer and there are high hopes that these states will join the Compact in the coming years. There were no questions for Ms. Schutter.

Commissioner Sevigny asked if there were any other matters to discuss. Ms. Donegan asked if there will ever be a webinar that will highlight issues specific to the Compact, such as market regulation and market conduct, for staff in Compacting States. She suggested it would be very helpful to market conduct staff within the states. Commissioner Sevigny liked the idea of that type of webinar and thought it was very important. Ms. Schutter said the IIPRC is working with the NAIC on this issue, and the IIPRC did a presentation on market regulation at E-Reg in the spring. There were no further comments.

Commissioner Sevigny then recognized the efforts and retirement of two regulators who have been very proactive and instrumental in the Compact's activities since the beginning of the Commission's operation in 2006 especially in the development of uniform standards. Ana Smith-Daley, who retired from the Texas Department of Insurance and Brian Pennington who will soon retire from the Minnesota Department of Commerce. Hearing no further matters, Commissioner Sevigny asked for a motion to adjourn and Mr. Beatty made a motion and Commissioner Consedine seconded the motion. The Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission was then adjourned.