

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

**MEETING OF THE MANAGEMENT COMMITTEE OF THE
INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION (IIPRC)**

**Saturday, December 1, 2007
Hilton Americas, Houston TX
2:00 – 3:00pm CT**

AGENDA

1. Roll Call
2. [Report of the Communications Committee](#)
3. [Report of the Finance Committee](#)
4. [Report of the Rulemaking Committee](#)
5. [Report of the Technology Committee](#)
6. [Report of the Product Standards Committee and Consider Approval of the Recommendations of the Product Standards Committee](#)
7. [Consider Approval of “Appendix A” to the IIPRC Product Filing Rule from Public Hearing on November 19, 2007](#)
8. [Operational Update from Executive Director](#)
9. Any Other Matters
10. Adjourn

**Minutes of the Meeting of the Management Committee of
The Interstate Insurance Product Regulation Commission (IIPRC)
December 1, 2007
Houston, TX**

Members of the Management Committee in Attendance:

Commissioner Jane Cline, Chair, West Virginia
Peg Ising as a designated representative for Director Mary Jo Hudson, Ohio
Commissioner Glenn Wilson, Minnesota
Margaret Witten as a designated representative for Commissioner John Oxendine, Georgia
Commissioner William Deal, Idaho
John Kissling as a designated representative for Director Jim Atterholt, Indiana
Joe Murphy as a designated representative for Commissioner Nonnie Burnes, Massachusetts
Fran Wallace as a designated representative for Acting Commissioner Kenneth Ross, Michigan
Louis Belo as a designated representative for Commissioner Jim Long, North Carolina
Commissioner Kim Holland, Oklahoma
Acting Commissioner Joel Ario, Pennsylvania
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Commissioner Paulette Thabault, Vermont
Don Beatty as a designated representative for Commissioner Al Gross, Virginia

Commission Members in attendance:

Commissioner Roger Sevigny, New Hampshire
Director Tim Wagner, Nebraska
Commissioner Kent Michie, Utah
Commissioner Paulette Thabault, Vermont
Shelley Santo, as a designated representative of Hawaii

Legislative Committee Members in Attendance:

Representative Bob Damron, Kentucky
Senator Delores Kelley, Maryland
Senator Ruth Teichman, Kansas, by conference call
Representative Larry Taylor, Texas
Representative Brian Patrick Kennedy, Rhode Island

Industry Advisory Committee Members in Attendance

Michael Lovendusky, ACLI
Miriam Krol, ACLI
Cande Olsen, New York Life
Nancy Johnson, UNUM
Michael Gerber, NAFIA

Consumer Advisory Committee Members in Attendance:

Ryan Wilson, AARP
Rod Bordelon, Texas Office of the Public Insurance Counsel
Brendan Bridgeland, Center for Insurance Research

Regulator Staff in Attendance:

Brian Pennington, Minnesota
David Morris, Nebraska, by conference call

IIPRC Staff in Attendance:

Frances Arricale, Executive Director
Sara Bamford, Administrative Coordinator, by conference call

NAIC Staff in Attendance:

Kay Noonan, General Counsel
Becky McElduff, Staff Attorney
Karen Schutter, Senior Manager, Business Initiatives

Commissioner Cline started the meeting of the Management Committee of the Interstate Insurance Product Regulation Commission. Commissioner Cline recognized the members of the Legislative Committee that were present: Representative Bob Damron, from Kentucky, Senator Delores Kelley, from Maryland, Representative Brian Patrick Kennedy, from Rhode Island, and Representative Larry Taylor, from Texas. Commissioner Cline also thanked the members of the Consumer Advisory Committee and the Industry Advisory Committee for attending the meeting as well. Commissioner Cline noted that a conference call line was installed so that all may participate.

Commissioner Cline asked that the Management Committee take a few minutes to remember Director Tim Wagner. Commissioner Cline noted that Director Wagner chaired the Finance Committee from the start and led work on the Commission's finances and early start-up budgeting issues. Commissioner Cline stated that the Commission has had 100 trees planted in Yellowstone Park in his honor.

Commissioner Cline asked if the members of the Legislative Committee would care to make any remarks. Representative Damron noted that it was a pleasure to be at the meeting and provided highlights of the NCSL & NCOIL meetings. Senator Kelley thanked Ms. Arricale for her presentation at the Fall NCSL meeting in Phoenix. Senator Kelley also mentioned that the NCSL is going to work on hosting a Plenary Breakfast at the meeting in April in which the IIPRC may be featured. Representative Kennedy stated that he shares in the Commission's loss of Director Wagner. Representative Kennedy highlighted he has spoken with non-compacting states to encourage membership in the Compact. Representative Kennedy offered to go to any state and provide testimony.

Commissioner Cline moved to the first item on the Agenda, the report of the Communications Committee. Commissioner Cline called on Commissioner Holland to provide the Report of the Communications Committee.

Commissioner Holland reported that the Communications Committee met via teleconference on November 1 to review with the Commission staff and the NAIC Communications staff the progress that has been made on the Compact's Communications Agenda. Commissioner Holland noted that the Committee reviewed the Commission's marketing efforts to promote use of the Compact by the industry, and also outreach efforts to non-Compacting states. Commissioner Holland reported that with the marketing efforts, the Committee reviewed with the Commission Office and the NAIC Communications team, current and future opportunities for presentations at industry and other events to advise on the progress of the Compact and promote filings. Commissioner Holland noted that Ms. Arricale has been speaking at various events throughout the country over the past months and has received positive feedback from insurers stating that they are currently preparing filings for the Compact. Commissioner Holland reported that the Committee agreed that these efforts should continue and that the State Resource Group may also be called upon when appropriate for such speaking engagements and other outreach efforts to industry to promote use of the Compact. Commissioner Holland noted that the Commission Office with the assistance of the NAIC Communications staff, has set up a separate page on the website for "Filing Insurers" which will have specific and practical information readily available for those companies looking to make a Compact filing. Commissioner Holland noted that the Commission is developing creative and cost-effective marketing materials. Commissioner Holland noted that the Commission Office with the Committee is continuing their work on outreach to non-Compacting states as

colleagues are encouraged to join the Compact. Commissioner Holland that the Communications Committee has agreed to contact the commissioners in the remaining 22 states yet to join the Compact to answer questions on the Compact and offer the assistance of the Commission for efforts to get legislation introduced. Commissioner Holland thanked the Legislative Committee members who assist on this front as well. Commissioner Holland noted that in the meeting packets is a one-page Suggested Talking Points Sheet which should be used as a ready reference when speaking about the Compact to colleagues. Commissioner Holland noted that with the assistance of Scott Holeman and the NAIC Communications staff, the IIPRC scheduled a Media Session with the press in the meeting hotel to provide an update on the successful progress this past year and answer questions.

Senator Teichman asked if the Talking Points would be made available to those who could not make the meeting. Commissioner Cline noted that the talking points would be distributed.

Senator Kelley noted that there are various different bottlenecks in the non-compacting states and suggested that talking points are customized to a greater extent.

Michael Lovendusky, from the ACLI, reported that he had testified at a Washington, DC hearing before the City Council on the pending Compact bill. Mr. Lovendusky noted that the Industry Advisory Committee members would welcome the opportunity that they may assist with to advance the Compact.

Commissioner Cline asked if there was a motion to adopt the Report. Commissioner Long, from North Carolina, made the motion and Commissioner Joel Ario, from Pennsylvania, made the second. The motion was approved by unanimous voice vote.

Commissioner Cline moved to the next item on the Agenda, the report of the Finance Committee. Commissioner Cline asked Joe Murphy, Deputy Commissioner of Massachusetts, to provide the Report of the Finance Committee.

Mr. Murphy reported that the Finance Committee has not met since the last Management Committee Meeting in Washington, DC. Mr. Murphy provided a summary of the 2008 Budget process this year. Mr. Murphy reminded the Management Committee that the Commission adopted the 2008 Budget on November 19th. This Budget was a product of extensive staff work in cooperation with the NAIC Finance Team. The NAIC assists the Commission on finance matters under the terms of our Services Agreement. Once a budget draft was compiled by the staff, it was reviewed by the Finance Committee and recommended to the Management Committee for exposure for public notice and comment, which was in September. Mr. Murphy noted that the Commission staff received some comments and questions from Members on the Budget for which responses were included in the Budget by updating actual and projected figures and expanding upon explanatory footnotes in the Budget and the Management Committee held a public hearing on where Ms. Arricale answered questions from Members and Interested Parties. After that public hearing, the Management Committee approved the Budget and forwarded it to the full Commission, where it was adopted on November 19. Mr. Murphy briefly highlighted the revenue and expenditures in the 2008 Budget. Mr. Murphy noted the Commission anticipates covering about 1/3 of its 2008 Operating Expenditures with Compact Filing Fees – both the \$500 Per Product Filing Fees and the \$5,000 Annual Registration Fee which will be implemented on January 1, 2008. The Commission has submitted a Request to the NAIC for an Additional Line of Credit to cover our remaining expenses in 2008. This Request will be considered by the NAIC here in Houston. The Commission is looking to becoming self-sufficient; however, as has been explained throughout the continued start-up, it will take us a little time for fees to catch up with the expenses. Mr. Murphy noted that the Budget reflects the efforts to begin to have fees meet expenditures. The majority of the expected expenses relate to staffing, including two (2) new professionals to be brought on board from the regulatory ranks on January 1, development costs to expand our product filing platform on SERFF to accommodate the increasing filings, efforts to promote filings with industry, and outreach to non-compacting states. Mr. Murphy

concluded by noting that the Commission Staff will be working diligently and cost-effectively to meet the goals of the Compact under this 2008 Budget.

Brendan Bridgeland stated that with the funds set aside for independent legal counsel and actuarial resources, the Commission is taking important steps in moving forward.

Commissioner Cline asked if there was a motion to accept the Report of the Finance Committee. Commissioner Bill Deal, from Idaho, made the motion and Commissioner Holland seconded the motion. The motion was approved by unanimous voice vote.

Commissioner Cline moved to the next item on the Agenda, the report of the Rulemaking Committee. Commissioner Cline asked Commissioner Thabault to make the Report of the Rulemaking Committee.

Commissioner Thabault reported that during the last meeting of the Rulemaking Committee it discussed the progress of outstanding rules for the Commission. The Committee has some existing rules that are currently being reviewed for any possible amendments. A subgroup of states has been meeting to review the Public Access Rule. In drafting the Opt-Out Rule, an inconsistency with the Rulemaking Rule was discovered. A subgroup of states has volunteered to review the Rulemaking Rule to see if there are any other inconsistencies and recommend the necessary amendments. Commissioner Thabault noted that the Rulemaking Committee has a list of rules that still need to be drafted. Commissioner Thabault noted those rules and described their status within the Committee.

Commissioner Cline asked if there was a motion to accept the report of the Rulemaking Committee. Commissioner Glenn Wilson, from Minnesota, made the motion and Peg Ising, from Ohio, seconded the motion. The motion was approved by unanimous voice vote.

Commissioner Cline moved to the next item, the report of the Technology Committee. Commissioner Cline asked Peg Ising to make the Report of the Technology Committee.

Ms. Ising reported that the Technology Committee has not met since September. Ms. Ising noted that there have not been any action items in front of the Committee. Ms. Ising reported that upgrades and improvements are continually being made to the Compact Filing Pages of the System for Electronic Rate and Form Filing (SERFF) as necessary to accommodate for the multi-state filing platform under the Compact. Ms. Ising noted that the IIPRC is working with the SERFF Team to initiate the ability for companies to pay the Compact Annual Registration Fee on the SERFF system. An Annual Registration Fee of \$5,000 will be payable to the Compact starting January 1, 2008 by each company utilizing Compact filings throughout the year. This is in addition to the \$500 per Product Filing Fee due to the Compact, and these are separate from the Member state filing fees for each Compact filing which are always due and payable. Ms. Ising stated that companies will be able to pay this via EFT through the SERFF system beginning January 1. It will function as a separate "TOI" or "Type of Insurance" transaction. Ms. Ising reported that the TOI functionality is already built-into the Compact Pages, so this method was determined by staff to be the easiest and most cost-effective manner to proceed on the Annual Fee collection. Ms. Ising noted that the Technology Committee continues to oversee the Compact's technology needs with the goal of utilizing all available technology to the benefit of the Compact in providing a streamlined, central product filing system. Ms. Ising noted that in the meeting packets is "Compact-SERFF Filing TIPS SHEET" which details how to make a Compact filing.

Representative Kennedy noted that he was very appreciative that the Compact will have a SERFF demonstration.

Commissioner Cline asked if there was a motion to approve the Report of the Technology Committee. Commissioner Long made the motion and Commissioner Deal seconded the motion. The motion was approved by unanimous voice vote.

Commissioner Cline moved to the next item on the Agenda, the report of the Product Standards Committee and consider approval of the recommendations of the Product Standards Committee. Commissioner Cline asked Commissioner Sevigny to make the Report of the Committee.

Commissioner Sevigny reported that for this Meeting the Product Standards Committee is prepared to recommend three uniform standards to the Management Committee: Individual Deferred Variable Annuity Contract Standards, Individual Deferred Non-Variable Annuity Contract Standards; and Mortality Table Change Form Standards. Commissioner Sevigny highlighted that the annuity standards represent a new approach for the Committee. The standards were prepared by the NAIC working group as consolidated, or “core standards” versions of several standards that already existed. Commissioner Sevigny noted that in developing Appendix A, it became clear that combining standards for several different types of products into one document was possible, and was likely the most efficient way to bring standards through the adoption process. The core standards approach should result in fewer separate standards. From a business standpoint, it means there will be more product options available more quickly than originally planned. Commissioner Sevigny stated that these drafts were prepared very recently by the NAIC Working Group based on the core standards approach. Commissioner Sevigny thanked the Working Group for their work and effort in developing the standards. Commissioner Sevigny reported that also being recommended at this time is a form to be used for changing the mortality table applicable to individual life insurance forms. All of the standards being recommended were subject to public comments before being finalized. Commissioner Sevigny concluded his report, at this time the Product Standards Committee is recommending that the Management Committee initiate the rulemaking process by issuing these three proposed uniform standards for a 60-day public comment period.

Cande Olsen, from Actuarial Resources on behalf of the Industry Advisory Committee, noted that there are a few, but minor changes that should be made to the annuity contract standards during the 60-day public comment period.

Miriam Krol, from the ACLI on behalf of the Industry Advisory Committee, noted that there were comments regarding the CSO Mortality Table. Ms. Krol stated that it appears that this form is being developed and it will not be a “mix and match” form. Ms. Krol stated that the Committee does not understand what purpose this form would serve if it is not able to be a part of the “mix and match” approach.

Commissioner Cline asked if there was a motion to accept the Report of the Product Standards Committee. Commissioner Watters, from Michigan, made the motion and Commissioner Holland seconded the motion. The motion was approved by unanimous voice vote.

Commissioner Cline moved to the next item on the Agenda, consider approval of Uniform Standards from Public Hearing on November 13 and “Appendix A” to the IIPRC Product Filing Rule from the Public Hearing on November 19. Commissioner Cline noted that the two (2) Uniform Standards will be taken up first. Commissioner Cline asked if there was a motion to adopt the Uniform Standards. Ms. Ising made the motion and Commissioner Thabault seconded the motion. Commissioner Cline asked Commissioner Sevigny to make comments.

Commissioner Sevigny stated that the uniform standards ready for consideration are two standards for individual life insurance benefit features: Standards for Additional Term Life Insurance Benefits; and Standards for Additional Life Insurance Provided on a Guaranteed Insurability Basis. Commissioner Sevigny noted that there has been the required legislative notice, and a Public Hearing on these standards

was conducted on November 13. The Industry Advisory Committee offered comments. At that time, the Management Committee asked the Product Standards Committee for its input on the suggestions made in the Industry Advisory Committee's comments. Commissioner Sevigny reported that the Product Standards Committee has provided a memo after reviewing the comments. The Standards Committee supports two out of the three suggestions. Commissioner Sevigny noted that the third relates to the standard for Reinstatement of benefit features. The position of the Standards Committee has been that reinstatement of the benefit feature should be specifically addressed. The Industry Advisory Committee favors addressing this in the underlying policy form with which the benefit is used. Commissioner Sevigny stated that the Committee offered to consider a conforming amendment to the individual life insurance policy standards, which would address reinstatement of benefit features. Commissioner Sevigny stated that in the meantime, the Committee wanted to maintain the originally suggested Reinstatement provision. Commissioner Sevigny reported that the Standards Committee now recommends for Management Committee approval of the revised drafts that incorporate two out of three of the suggested revisions.

Commissioner Sevigny asked if Texas would care to make any comments. Ms. Waitt stated that she believes Ms. Krol to have a question and whether or not the reinstatement will refer back to the policy and that is the intention. Ms. Krol stated that the Industry Advisory Committee would have no objection to this provision if a company is allowed to file a provision in a rider that would say the reinstatement provision of this rider is subject to the terms of the reinstatement provision of the policy. Ms. Waitt stated that the companies would be able to do this.

Commissioner Sevigny stated that this would be the time for a motion to be made to approve the Standards as amended. Commissioner Cline asked Ohio and Vermont to reconfirm that is the motion they would like to make. Ohio and Vermont confirmed. The Uniform Standards were approved.

Commissioner Cline returned to Commissioner Sevigny for comments on Appendix A. Commissioner Sevigny reminded the Management Committee that the Appendix sets forth all of the uniform standards available for the temporary procedure of combining Commission Product Components with State Product Components. Commissioner Sevigny stated that there was a provisional exhibit adopted with the Product Filing Rule, which will take permanent effect if Appendix A is not adopted six months from the adoption of the Product Filing rule. The Appendix was subject to months of consideration at the Standards Committee level and the Management Committee conducted a hearing on November 19 to receive public comments. Commissioner Sevigny noted in the meeting packets is a memo the Standards Committee dated November 29, in which there are responses to each of the Industry Advisory Committee's suggestions and there is also a revised Appendix dated November 29, incorporating the recommended changes. Commissioner Sevigny asked that if there are specific questions about any of the recommendations, he would be happy to respond, or the staff may summarize the Standards Committee responses.

Commissioner Cline then asked if there was a motion to approve the "Appendix A" to the IIPRC Product Filing Rule. Commissioner Long made the motion and Commissioner Holland seconded the motion.

Commissioner Cline asked if there were any comments from the Industry Advisory Committee. Ms. Krol stated that several comments were submitted by the Industry Advisory Committee. Ms. Krol stated that there are a lot of issues and questions that are coming forward now as more companies are filing with the Compact. Ms. Krol stated that there are two ways a filing can be made, either with the Compact or with the State, and "mix and match" is the one of the important critical factors. Ms. Krol noted that it is not very clear to the Industry Advisory Committee if the Appendix is set once it is approved or as the differences are worked out may they be added to the Appendix as those standards are adopted. The Industry Advisory Committee is concerned with the answers received on the Rate Filing Standards. Ms. Krol stated that the Industry Advisory Committee is concerned about "further discussion is needed"; they

would like to know who is going to hold the discussions and when the discussions will take place. Ms. Krol stated that the Industry Advisory Committee would like to suggest that a group be organized to review these issues of “mix and match” and present the recommendations.

Commissioner Cline replied that the Appendix may be amended under the directions outlined in the Rulemaking Rule as need be. Commissioner Cline noted that the issues are constantly arising and getting more complicated. Commissioner Cline stated that she would take the “mix and match” working group suggestion under advisement. Commissioner Cline asked if the Product Standards Committee chairs would like to make.

Commissioner Sevigny noted that there are many issues that need further discussion and those were issues that were brought to the Committee’s attention. Commissioner Sevigny noted that there has not been sufficient time to vet these issues thoroughly. Ms. Waitt noted that it is not the intent of the Committee to delay the process any further.

Ms. Arricale stated that the Commission office gets calls and emails on a daily basis about the “mix and match” procedures. Ms. Arricale noted that the Commission office is working with the Commission Members and the various Committees of the Commission in developing the procedures needed to address filing with “mix and match”.

Ms. Krol noted that the Industry Advisory Committee is aware how hard the Commission office is working in responding to these issues. Ms. Krol stated that the Industry Advisory Committee would like to be involved more in the discussions and development rather than being handed an answer / product.

Senator Kelley asked if there may be an abbreviated process for procedural items, those that are largely technical, for reaching consensus so that the goal of “speed to market” is not lost. This would be useful if there are not significant market conduct implications in what is being considered.

Commissioner Cline thanked Senator Kelley for the comments.

Mr. Bridgeland reminded the Management Committee of the end goal to get the companies to file the products with the Commission. Mr. Bridgeland noted that “mix and match” is to be an interim step and that the Commission needs to focus on the long term goal of getting the companies to file without “mix and match”. Mr. Bridgeland stated, as a Consumer Representative, that he would like to see the Commission utilize a uniform set of high standard to protect the consumers throughout the Compact.

Dennis Hershel, Mass Mutual, responded to Mr. Bridgeland’s and stated that the industry does agree with the comments with regard to “mix and match”. Mr. Hershel stated that if the rules for “mix and match” are so cumbersome, then the companies would be unwilling to move over to the standards. Mr. Hershel noted that “mix and match” is important and that the issues need to be worked out so the companies may file with the confidence needed to make the Compact successful.

Ms. Arricale highlighted the Commission will be going to a “core” standard approach and it will allow for more filings. Ms. Arricale noted that as long as there are standards for products and they fall under the “umbrella,” the product may be filed. Ms. Arricale stated that this shows the flexibility of the Commission in responding to the issues highlighted by the industry and to encourage filing with the Compact.

Mr. Bridgeland stated that his point was to make “mix and match” as easy as possible for the companies to file without making it so cumbersome for the Commission. If a separate group is formed to review the “mix and match” issues, it would be best if it were streamlined and simplified as much as possible to not spend a great length of time.

Appendix A to the Product Filing Rule was approved by unanimous voice vote.

Commissioner Cline moved to the next item on the Agenda, an operational update from the Executive Director. Ms. Arricale provided an update. Ms. Arricale highlighted the staffing changes: Sara Bamford's promotion to Operations Manager; the further involvement of David Morris as the Product Reviewer; and Charlie Rapacciuolo coming on board. Ms. Arricale noted that the Commission will be canceling the American Express purchasing card and obtaining a Visa purchasing card. Ms. Arricale noted that a motion is needed to allow for Ms. Arricale and Commissioner Wilson to sign the Corporate Card Resolution on behalf of the Commission. Mr. Beatty made the motion and Commissioner Holland seconded the motion. The motion was approved by unanimous voice vote.

Commissioner Cline moved to the last item on the Agenda, any other matters. Commissioner Cline asked Ms. Arricale to address the meeting minutes.

Ms. Arricale moved to the consideration of the meeting minutes. Ms. Arricale noted that the Commission office is committed to getting them all finished in a timely manner. Mr. Beatty noted that there were corrections to the February 26 and March 9 Management Committee Meeting Minutes. Commissioner Thabault noted that her name was misspelled in the February 26 minutes. Commissioner Cline asked if there was a motion to adopt the meeting minutes as amended. Commissioner Ario made the motion to adopt the meeting minutes as corrected and Director Hudson seconded the motion.

Commissioner Cline asked if there were any other matters to be discussed during the meeting. Commissioner Michie stated that he would like to propose the Management Committee consider a "doing business as" name to replace "IIPRC". Commissioner Michie noted that it would be important to be known by another name that is easy to understand the business. Ms. Krol stated that the Industry Advisory Committee thinks that "Insurance Compact" is a good name. Ms. Krol did caution that using "Compact" alone may cause issues as there are other compacts. Senator Kelley noted that "insurance compact" may not be good as well. Senator Kelley noted that it is a good idea to take into consideration, but do not adopt the name as there may be other areas that need to be considered as things develop. Commissioner Cline noted that this is something that has come up before and the Commission office is currently reviewing the suggestion with NAIC legal. Commissioner Cline noted that once there is a decision, Ms. Arricale will present it to the Management Committee for consideration.

Commissioner Cline asked if there were any other matters. Hearing none, Commissioner Cline asked if there was a motion to adjourn. Mr. Beatty moves and Commissioner Deal seconds. The meeting adjourned with unanimous voice vote.