

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

ANNUAL MEETING OF THE
INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION (IIPRC)

Sunday, September 21, 2008
Gaylord National Harbor Hotel
2:00pm – 3:00pm ET

AGENDA

1. Roll Call of the Commission
2. [Report of Management Committee and Consider Adoption of Report and Recommendations](#)
3. [Report of the Audit Committee and Consider Adoption of Audit Committee Report](#)
4. [Report of the IIPRC Treasurer](#)
5. [Consider Adoption of 2009 Annual Budget](#)
6. [Consider Adoption of Amendment to “Public Access Rule”](#)
7. [Consider Adoption of Prior Commission Meeting Minutes](#)
8. [Annual Formation of Management Committee](#)
9. [Officers Elections](#)
10. Any Other Matters
11. Adjourn

**Minutes of the Meeting of
Interstate Insurance Product Regulation Commission (IIPRC)
September 21, 2008
National Harbor, MD**

Members of the Commission in Attendance:

Commissioner Jane Cline, Chair, West Virginia
Director Mary Jo Hudson, Vice Chair, Ohio
Commissioner Glenn Wilson, Treasurer, Minnesota
Director Linda Hall, Alaska
Margaret Witten as a designated representative for Commissioner John Oxendine, Georgia
Shelley Santo, Hawaii
Commissioner Jim Atterholt, Indiana
Tom O'Meara as a designated representative for Commissioner Susan Voss, Iowa
Commissioner Sandy Praeger, Kansas
Commissioner James Donelon, Louisiana
Joe Murphy as a designated representative for Commissioner Nonnie Burnes, Massachusetts
Eric Cioppa as a designated representative for Commissioner Mila Kofman, Maine
Joan Moiles as a designated representative for Commissioner Kenneth Ross, Michigan
Director Ann Frohman, Nebraska
Barbara Richardson as a designated representative for Commissioner Roger Sevigny, New Hampshire
Commissioner Jim Long, North Carolina
Commissioner Kim Holland, Oklahoma
Commissioner Joel Ario, Pennsylvania
Miriam Ortiz as a designated representative for Commissioner Dorelisse Juarbe Jimenez, Puerto Rico
Beth Dwyer as a designated representative for Superintendent Joseph Torti, Rhode Island
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Commissioner Kent Michie, Utah
Commissioner Paulette Thabault, Vermont
Don Beatty as a designated representative for Commissioner Al Gross, Virginia
Beth Berendt as a designated representative for Commissioner Mike Kreidler, Washington
Susan Ezalarab as a designated representative for Commissioner Sean Dilweg, Wisconsin
Commissioner Ken Vines, Wyoming

Members of the Legislative Committee in Attendance:

Representative Robert Damron, Chair, Kentucky
Representative Brian Kennedy, Rhode Island
Senator Delores Kelley, Maryland
Susan Nolan, NCOIL

Members of the Consumer Advisory Committee in Attendance:

Ken Liberto, Vermont Association for Mental Health
Brendan Bridgeland, Center for Insurance Research
Ryan Wilson, American Association of Retired Persons

Members of the Industry Advisory Committee in Attendance:

Michael Lovendusky, American Council of Life Insurers
Randi Reichel, America's Health Insurance Plans
Dennis Hershel, Mass Mutual
Nancy Johnson, UNUM
Gary Sanders, AHIA

Michael Gerber, NAIFA
Tom English, New York Life

IIPRC Staff in Attendance:

Frances Arricale, Executive Director
Sara Bamford, Operations Manager
Karyn Onyeneho, Administrative Assistant
Charles Rapacciuolo, Development Consultant
David Morris, Product Review Consultant
Alice Fontaine, Actuarial Consultant

NAIC Staff in Attendance:

Kay Noonan, NAIC General Counsel
Becky McElduff, Senior Counsel

Commissioner Jane Cline called the meeting of the Interstate Insurance Product Regulation Commission to order and asked for a Roll Call. Commissioner Cline asked the Legislative Committee, Consumer Advisory Committee and Industry Advisory Committee members present to identify themselves for the record.

Commissioner Cline noted that this is the Third Annual Meeting of the IIPRC, and extended appreciation to all for the dedication and work that has contributed to the IIPRC's start-up success to date. Commissioner Cline also welcomed again the newest Members to the Compact, Louisiana and South Carolina (effective 1/1/09).

Commissioner Cline then turned to first item on the Agenda, which was a Report of the Management Committee and the consideration for the adoption of the Report and recommendations of the Management Committee.

Commissioner Cline noted that the Management Committee just met that morning. Commissioner Cline then proceeded to give a Report of that meeting. Commissioner Cline noted that the Members of the Management Committee met with the Legislative Committee on an Agenda that the Legislative Committee wished to discuss. Commissioner Cline stated that Commissioner Paulette Thabault, of the Vermont Department of Insurance, provided a Report of the Rulemaking Committee with a brief summary of the rulemaking process for the proposed amendments to the Public Access Rule and an updated copy of the Rulemaking Committee work agenda. Commissioner Cline noted that the proposed amendments to the Public Access Rule were considered for approval; that the amendments to open public inspection of pending files were not approved, but that electronic requests for public access and a technical clean up of the Rule were approved. Commissioner Cline stated that the Management Committee held a public hearing on the Budget to receive any comments regarding the Proposed 2008 IIPRC Annual Budget. Commissioner Cline noted that a motion was approved to adopt the 2009 IIPRC Annual Budget.

Commissioner Cline stated that Director Frohman provided the Finance Committee Report and it was decided that the Finance Committee will meet on a quarterly basis to address the evolving financial needs of the IIPRC throughout the fiscal year.

Commissioner Cline stated Commissioner Sevigny of the New Hampshire Department of Insurance, provided the Report of the Product Standards Committee. Commissioner Cline noted that the Management Committee was informed that the Committee and the NAIC National Standards Working Group will meet jointly on a quarterly basis immediately following the National meetings to strategize

and coordinate work plans of both groups for the next quarter. Commissioner Cline thanked Commissioner Sevigny as outgoing chair of the Committee for all of his work.

Commissioner Cline stated that the Management Committee received the Communications Committee Report from Commissioner Holland that a Memo on considerations for an Outreach/Market Strategy was submitted for further discussion during the October 27, 2008 Management Committee Call.

Commissioner Cline noted that Director Mary Jo Hudson of the Ohio Department of Insurance provided the Report of the Technology Committee which noted the recent completion of the survey conducted to assess the IIPRC Technology needs. Commissioner Cline noted that recommendations to adopt the results of the survey are pending further analysis of the survey data.

Commissioner Cline stated that the Management Committee approved the most recent set of Meeting Minutes which brings current all of the Management Committee minutes which are posted on the IIPRC website. Commissioner Cline stated that Frances Arricale, IIPRC Executive Director, made a recommendation to the Management Committee regarding a potential Flat Filing Fee. Commissioner Cline noted that Ms. Arricale affirmed that due to the lack of sufficient information, there will not be a recommendation for a Compact Flat Filing Fee but that in the interim, a spreadsheet will be tested to assist filers with calculating the state filing fees for their Compact filings. Commissioner Cline stated that Ms. Arricale also provided the Management Committee with a brief Operational Update, including recent filing statistics and information on Outreach/Marketing efforts.

Commissioner Cline stated that she provided a brief update on the re-formation of the Management Committee as described in the Compact Bylaws. Commissioner Cline noted that subcommittees were discussed and a review was requested to be considered in October. Additionally, four (4) seats on the Industry Advisory Committee were appointed. Commissioner Cline also noted that there are still four (4) open seats on the Consumer Advisory Committee. Commissioner Cline noted that the IIPRC website will contain all of the updated information.

The Report of the Management Committee was adopted by a unanimous voice vote after a motion was made by Commissioner Kent Michie of the Utah Department of Insurance and seconded by Commissioner James Donnelon of the Louisiana Department of Insurance.

Commissioner Cline turned to the next item on the Agenda which was a Report of the Audit Committee and the consideration of the adoption of the Audit Committee Report. Commissioner Cline called on Commissioner Michie to provide a report of the Audit Committee. Commissioner Michie stated that he is pleased to report to the Commission the results of the Audit Committee meeting on September 9, 2008. Commissioner Michie noted that the purpose of this meeting was to review the Commission's financial reports through the second quarter of 2008. Commissioner Michie noted that the role of the Audit Committee is to review the financial reports with IIPRC Management and NAIC Finance, who performs all accounting and financial reporting services for the Commission pursuant to the Services Agreement to ensure the accuracy and completeness of the financial statements. Commissioner Michie reminded the Management Committee that while the Finance Committee focuses on the preparation of the Commission's budget and undertakes an annual review of the financial reports for actual to budget variances, the Audit Committee reviews the reports for accuracy and to ensure any significant or unusual variances are in fact appropriate. Commissioner Michie noted that the independent auditor is responsible for validating the accuracy and completeness of the Commission's financial reports each year. Commissioner Michie stated that the Audit Committee reviewed the June 30 year-to-date financial reports and accepted them as presented by NAIC Staff. Commissioner Michie mentioned that concern was noted regarding the lagging IIPRC revenues. Commissioner Michie also noted as to whether some action should be taken to enhance revenues. Commissioner Michie stated that the IIPRC seems to be close to

on-target with meeting 96% of Annual Registration Fee Revenue as of the quarter ending June 23, 2008, but that the Per Filing Fees seems to have slowed. Commissioner Michie stated that the Audit Committee has discussed some of the possible reasons for the slowing of actual product filings by companies; but that the Audit Committee highlighted this by submitting a letter to the Management Committee. Commissioner Michie noted that the NAIC financial and legal staff will review the terms presented in the 2008 audit engagement letter received from the independent auditor; that if the terms are deemed acceptable, the staff will obtain the required signatures from IIPRC management. Commissioner Michie stated that it is the recommendation of the Audit Committee that the Compact conduct a preliminary interview with the independent auditor in conjunction with the NAIC Winter National Meeting. In other matters, Commissioner Michie stated that the Audit Committee was reminded that outside counsel has been engaged to work on the Commission's potential structural issues as the any potential IRS filing determinations that may be necessary. Commissioner Michie stated that the IIPRC Executive Director informed the Audit Committee that the IIPRC's outside counsel, the law firm of Kelley Drye in Washington, DC, would be communicating with our outside auditors, Mayer Hoffman McCann to ensure that all necessary financial information on structural issues will be brought to the Management Committee by the Executive Director before the end of the year. Commissioner Michie asked if there were any questions; and recommended that the Commission accept his Report.

Commissioner Cline asked if there were any questions for Commissioner Michie. Hearing none, Commissioner Cline asked if there was a motion to adopt the Report of the Audit Committee. A motion was made by Commissioner Michie and seconded by Susan Ezalarab, a designated representative for Commissioner Sean Dilweg, Wisconsin. The Report of the Audit Committee was approved by a unanimous voice vote.

Commissioner Cline turned to the next item on the Agenda, which was a Report of the IIPRC Treasurer. Commissioner Cline called on Commissioner Glenn Wilson of the Minnesota Department of Insurance and Treasurer of the IIPRC to provide a Report. In providing a brief summary, Commissioner Wilson stated that to date, the IIPRC has received \$171,500.00 in self-generated revenue since January 1, 2008; that this corresponds to approximately 40% of the IIPRC's self-generated revenue forecasted from Compact Fees both Per Filing Fees and Annual Registration Fees in the 2008 Budget. Commissioner Wilson noted that more specifically, the IIPRC has collected \$34,400.00 in Compact Per Filing Fees and \$137,500 in Annual Registration Fees in which 33 companies have registered. Commissioner Wilson noted that the IIPRC has collected \$90,495 in state filing fees and remitted these fees directly to the Member States; Commissioner Wilson noted that this is not revenue attributed to the IIPRC. Commissioner Wilson stated that the IIPRC is currently operating 27% under budgeted expenses; that there are some line items in the Budget where costs are currently exceeding forecasts. Commissioner Wilson stated that such line items included Staff Travel due to the number of trips that have been taken to support the Compact Bill in non-compacting states as well as marketing/outreach efforts to promote the Compact with the Industry; Telephone Expenses which included the costs of the conference calls that the IIPRC Office conducts for the monthly Management Committee calls as well as any subcommittee conference calls. Commissioner Wilson also noted, in regards to the line items in the Budget, that the IIPRC has requested the remaining \$550,000.00 on the Additional Line of Credit Agreement to be credited on October 1, 2008. Commissioner Wilson noted that an the IIPRC made an initial payment of \$34,440.00 and another payment in the amount of \$31,284.00 is due on October 1, 2008 and that subsequent payments will be due quarterly. Commissioner Wilson concluded the Report of the Treasury of the IIPRC. Commissioner Cline asked if there were any questions for Commissioner Wilson. Hearing none, Commissioner Cline asked if there were any further discussion.

Commissioner Cline asked for a motion to adopt the Treasurer's Report. Tom O'Meara, a designated representative for Commissioner Susan Voss, Iowa, made a motion and Director Ann Frohman of the

Nebraska Department of Insurance seconded the motion. The Report of the Treasurer was then approved by a unanimous voice vote.

Commissioner Cline noted that Commissioner Wilson will no longer be serving on the Management Committee and therefore will no longer be the IIPRC Treasurer. Commissioner Cline and Director Hudson of the Ohio Department of Insurance gave a token award of appreciation to Commissioner Wilson for his service to the IIPRC.

Commissioner Cline turned to the next item on the Agenda which was to consider the adoption of the 2009 Annual Budget. Commissioner Cline noted that since the Budget was approved by the Management Committee, the Finance Committee recommended that the Proposed 2009 Annual Budget be exposed for a 30-day comment period by the Management Committee. Commissioner Cline noted that the Management Committee exposed the Budget and that as mentioned earlier, there was a Public Hearing and the Budget was approved by the Management Committee earlier that day. Commissioner Cline asked if there was a motion to adopt the 2009 Annual Budget. Director Hudson made a motion to adopt the 2009 Annual Budget and the motion was seconded by Commissioner James Donelon of the Louisiana Department of Insurance. Commissioner Cline asked if there was any discussion. Maryland Senator Delores Kelley commented that if filings increase in the last quarter then the IIPRC would be able to put off the Line of Credit request. Commissioner Cline stated that she hopes for the IIPRC to be more independent but that this depends on the filings and the standards that will be developed. Commissioner Michie noted that he believes that the monies from the NAIC should be in the form of a grant rather than a loan to the IIPRC. Senator Kelley noted that the IIPRC should be financial independent. Commissioner Holland noted that it is reasonable to expect that the NAIC push back if the intent is to eventually move away from financing. Commissioner Cline noted that these discussions on financing and additional loans will take place in the NAIC EX1 Committee. The 2009 Annual Budget was then approved by a unanimous voice vote.

Commissioner Cline turned to the next item on the Agenda which was to consider the adoption of the amendments to the Public Access Rule approved by the Management Committee earlier that day – the allowance of electronic requests for public records and technical clean up to Section 104 of the Public Access Rule. Oklahoma motioned and Wisconsin seconded the adoption of the electronic requests and technical clean-up to the Public Access Rule. The motion was adopted by a voice vote.

Commissioner Cline turned to the next item on the Agenda which was to consider the adoption of prior Commission Meeting minutes. Ms. Arricale noted that Sara Bamford, IIPRC Operations Manager, has done a great job with updating the minutes of all of the Commissioner Meetings and noted that copies of all of the minutes have been provided to Members of the Commission during that meeting. Ms. Arricale also noted that these minutes will be available on the IIPRC website for review. Ms. Arricale recommended adoption of the Commission Meeting minutes. Commissioner Jim Long of the North Carolina Department of Insurance made a motion to adopt the prior Commission Meeting minutes and the motion was seconded by Director Hudson. The adoption of the prior Commission Meeting minutes was approved by a unanimous voice vote.

Commissioner Cline turned to the next item on the Agenda which was the annual formation of the Management Committee. Commissioner Cline stated that according to Article III, Section 1 of the Compact Bylaws, that at each Annual Meeting, the Management Committee needs to be re-formed based upon the premium volume figures of the prior year as supplied by the NAIC. Commissioner Cline stated that the Management Committee consists of three (3) tiers; the first tier consisting of the six (6) members who represent the largest premium volume for the four (4) product lines, both individual and group, as determined from the records of the NAIC as of December 31, of the preceding year. Commissioner Cline

noted that these members are: Texas, Pennsylvania, Ohio, Michigan, North Carolina and Massachusetts. Commissioner Cline stated that the second tier consists of four (4) members with at least 2% of the market share of the premium volume, with each of the four (4) NAIC zones selecting one (1) member in this category by majority vote of all the compacting states in the zone that are also in this category. Commissioner Cline noted that these members are: Virginia, Georgia, Wisconsin and Indiana. Commissioner Cline stated that third tier consists of four (4) members with less than 2% of the market share of the premium volume, with each of the four (4) NAIC zones selecting one (1) member in this category by majority vote of all the compacting state in the zone that are also in this category. Commissioner Cline noted that these members are: Vermont, West Virginia, Oklahoma and Idaho. Commissioner Cline stated that upon the conclusion of the Annual Meeting that day, that the new Management Committee will be in effect. Commissioner Cline recognized a Member of the Management Committee who will be retiring at the end of this year, that Member being Commissioner Long. Commissioner Cline thanked Commissioner Long for his support of the Compact, particularly for his work in chairing the Bylaws Committee. Commissioner Cline presented Commissioner Long with a token award for all of his hard work. Director Hudson thanked Commissioner Long for doing a great job and for his efforts in the development and the success of the IPRC.

Commissioner Cline turned to the next item on the Agenda which was an election of the IIPRC Officers. Commissioner Cline called on Commissioner Wilson to conduct the election of the Officers.

Commissioner Long made a motion to re-elect Commissioner Cline as the Chair of the IIPRC and the motion was seconded by Commissioner Kim Holland of the Oklahoma Department of Insurance. Commissioner Long moved to vote by proclamation for the re-election of Commissioner Cline to remain as the Chair of the IIPRC and Tom O'Meara, a designated representative for Commissioner Susan Voss, Iowa, seconded the proclamation as no other nominations were made. Commissioner Cline was re-elected.

Director Ann Frohman of the Nebraska Department of Insurance made a motion to re-elect Director Hudson as the Vice Chair of the IIPRC and the motion was seconded by Commissioner Sandy Praeger of the Kansas Department of Insurance. Commissioner Donnelon moved to vote by proclamation for the re-election of Director Hudson to remain as the Vice Chair of the IIPRC and Sara Waitt, a designated representative for Commissioner Mike Geeslin, Texas, seconded the proclamation as no other nominations were made. Director Hudson was re-elected.

Commissioner Holland made a motion to elect Commissioner Dilweg as the new IIPRC Treasurer and the motion was seconded by Commissioner Kent Michie of the Utah Department of Insurance. No other nominations were made. Commissioner Dilweg was elected.

Commissioner Cline asked if there were any other matters. The Annual Meeting of the Interstate Insurance Product Regulation Commission was adjourned by a unanimous voice vote.