

INTERSTATE INSURANCE  
PRODUCT REGULATION COMMISSION



*States, Strength & Speed Aligned*

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

**Friday, March 28, 2014**

**12:30 pm – 2:00 pm ET**

**Hilton Orlando Bonnet Creek, Bonnet Creek Ballroom XI/XII**

**Orlando, FL**

**CHORUS CALL DIAL-IN: 1-866-332-4905**

**Ask for “IIPRC Joint Meeting”**

1. [Roll Call](#)
2. [Report of the Audit Committee and Consideration by the Commission to Adopt the Report of the Audit Committee](#)
3. [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](#)
4. [Report and Recommendation of the Rulemaking Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Rulemaking Committee](#)
5. [Report of the Finance Committee and Consideration by the Management Committee to Approve the Report of the Finance Committee](#)
6. [Management Committee Consideration of Approval of the December 14<sup>th</sup> Joint Meeting of the Management Committee and Commission Meeting Minutes](#)
7. [Commission Consideration to Adopt the December 14<sup>th</sup> Joint Management Committee and Commission Meeting Minutes as Approved by the Management Committee](#)
8. [Operational Update](#)
9. Any Other Matters
10. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance Product  
Regulation Commission  
Friday, March 28, 2014**

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

Commissioner Roger Sevigny, Chair, New Hampshire  
Commissioner Michael Consedine, Vice Chair, Pennsylvania  
Commissioner Joseph G. Murphy, Treasurer, Massachusetts  
Charles Angell as a designated representative for Commissioner Jim Ridling, Alabama  
Director Lori Wing-Heier, Alaska  
Dan Honey as a designated representative for Commissioner Jay Bradford, Arkansas  
Steve Manders as a designated representative for Commissioner Ralph Hudgens, Georgia  
Colin Hayashida as a designated representative for Commissioner Gordon Ito, Hawaii  
Donna Daniel as a designated representative for Director William Deal, Idaho  
Tina Korty as a designated representative for Commissioner Stephen Robertson, Indiana  
Mihir Nag, Indiana  
Doug Ommen as a designated representative for Commissioner Nick Gerhart, Iowa  
Commissioner Sandy Praeger, Kansas  
Commissioner Sharon Clark, Kentucky  
Craig Gardner as a designated representative for Commissioner James Donelon, Louisiana  
Superintendent Eric Cioppa, Maine  
Commissioner Therese Goldsmith, Maryland  
Joe Garcia as a designated representative for Director Ann Flood, Michigan  
Tammy Lohmann as a designated representative for Commissioner Mike Rothman, Minnesota  
Jay Eads as a designated representative for Commissioner Mike Chaney, Mississippi  
Director John Huff, Missouri  
Commissioner Monica Lindeen, Montana  
Rosann Grandy, Montana  
Director Bruce Ramge, Nebraska  
Commissioner Scott Kipper, Nevada  
Peter Hartt as a designated representative for Commissioner Kenneth Kobylowski, New Jersey  
Ted Hamby as a designated representative for Commissioner Wayne Goodwin, North Carolina  
Peter Weber as a designated representative for Director Mary Taylor, Ohio  
Joel Sander, as a designated representative for Commissioner John Doak, Oklahoma  
Gayle Woods as a designated representative for Commissioner Laura Cali, Oregon  
David Bolton, Oregon  
Rhonda Saunders-Ricks, Oregon  
Sol Gisela Marrero as a designated representative for Commissioner Angela Weyne, Puerto Rico  
Superintendent Joseph Torti, Rhode Island  
Commissioner Raymond G. Farmer, South Carolina  
Commissioner Julie Mix McPeak, Tennessee  
Sara Waitt as a designated representative for Commissioner Julia Rathgeber, Texas  
Commissioner Todd Kiser, Utah  
Crosby Sherman as a designated representative for Commissioner Susan Donegan, Vermont  
Don Beatty as a designated representative for Commissioner Jacqueline Cunningham, Virginia  
Leslie Krier as a designated representative for Commissioner Mike Kreidler, Washington  
Andrew Pauley as a designated representative for Commissioner Michael D. Riley, West Virginia  
Angela Miller, West Virginia  
Sue Ezalarab as a designated representative for Commissioner Ted Nickel, Wisconsin  
Peter Greff as a designated representative for Commissioner Tom Hirsig, Wyoming

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

William Anderson, National Association of Insurance and Financial Advisors  
Jason Berkowitz, Insured Retirement Institute  
Angela Hanson, Northwestern Mutual Life Insurance Company  
Miriam Krol, American Council of Life Insurers (ACLI)  
Amanda Matthiesen, America's Health Insurance Plans (AHIP)  
Jill Morgan, Symetra Life Insurance Company  
Joe Muratore, New York Life Insurance Company  
Marie Roche, John Hancock Life Insurance Company (U.S.A)

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

Brendan Bridgeland, Center for Insurance Research  
Sonja Larkin-Thorne, NAIC Consumer Liaison representative  
Fred Nepple, Consumer Liaison representative

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

Representative Brian Patrick Kennedy, Rhode Island  
Senator Travis Holdman, Indiana  
Representative Greg Wren, Alabama  
Susan Nolan, National Conference of Insurance Legislators (NCOIL)

**IIPRC staff in attendance:**

Karen Schutter, Executive Director  
Becky McElduff, Assistant Director-Product Operations/Counsel  
Sara Dubsky, Senior Operations Manager  
MacKenzie Heidelmark, Administrative Coordinator  
Aimee Lawson, Intake Coordinator  
Jeanne Daharsh, Actuarial Consultant  
Alice Fontaine, Actuarial Consultant  
Karen Givens, Product Review Consultant  
David Morris, Product Review Consultant  
Anne Marie Narcini, Regulatory Consultant

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Commissioner Sevigny called to order the joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission (Commission). Ms. Schutter took the roll call of the Management Committee, Commission, members of the Legislative Committee, members of the Industry Advisory Committee, and members of the Consumer Advisory Committee. Commissioner Sevigny noted that as provided in the bylaws, when one or more member participates by telephone, a roll call vote upon each action item is to be taken. However, since only a few Commission members joined by phone, Commissioner Sevigny proposed taking voice votes instead of roll call votes and taking roll call votes only if requested or if there are any votes in opposition on a particular action item or when considering the uniform standards for adoption. There were no objections to this proposal.

Commissioner Sevigny recognized the ten-year anniversary of the creation of the Compact. Commissioner Sevigny noted that ten years ago in March 2004, Colorado was the first state to enact the model Compact legislation into law and was followed shortly by Utah who also enacted the model legislation thereby legally creating an interstate compact between states. Commissioner Sevigny proceeded to recognize the members of the Legislative Committee in attendance. Representative Kennedy announced that the Legislative Committee had recently held a conference call and had no issues to bring before the Commission.

Commissioner Seigny advanced to the report of the Audit Committee. Superintendent Torti reported that the 2013 Audit was completed in a timely manner and the IIPRC received an unqualified opinion from the auditors, McGladrey, LLP. Superintendent Torti noted that a copy of the Independent Auditors Report may be found in the back of the IIPRC's 2013 Annual Report, which is on the flash drive distributed to the members and also available on the IIPRC web site. Kevin Smith, the IIPRC engagement partner from McGladrey, met with the Audit Committee at the end of March via teleconference to present the results of the 2013 audit, which includes the unqualified audit opinion, along with supplemental letters to the audit report, required under auditing standards issued by the AICPA, noting no deficiencies in IIPRC's internal control structure or disagreements/issues/concerns with management. Superintendent Torti noted that the Audit Committee also continues to monitor the financial performance of the IIPRC including keeping abreast of short-term and long-term financial projections. The IIPRC consistently reached budgeted revenues and did not need to utilize the NAIC's line of credit in 2013. There were no questions or comments for Superintendent Torti. As this was a Commission action item, Commissioner Consedine made a motion to adopt the Report of the Audit Committee and Commissioner Murphy seconded the motion. A voice vote was taken and the motion passed.

Commissioner Seigny moved to the report and recommendation of the Product Standards Committee. Ms. Ezalarab presented the report and announced the Committee's recommendation to publish the amendments resulting from the 5-year review process to the Standards for Accelerated Death Benefits for Individual Life Insurance. Ms. Ezalarab reported that these Uniform Standards were first adopted in 2007 and were subject to the first phase of the mandatory 5-year review. These Standards for Accelerated Death Benefits were brought to the Management Committee earlier and separately from the other 5-year review recommendations because they generated the most specific comments during the 5-year review process. Ms. Ezalarab explained that the recommended amendments come from two sources. Those detailed in the chart attached to the transmittal memo come from the 5-year review process and those not detailed in the memo are proposed for consistency with the Group Term Life Insurance Uniform Standards for Accelerated Death Benefits. The chart summarizes the Committee's recommendations with regard to all comments presented, whether the comments resulted in amendments or not. Ms. Ezalarab highlighted that the amendments are proposed to apply only to new filings made after the effective date of the amendments. The Procedures for 5-year review call for the Management Committee to commence the formal rulemaking process pursuant to the Rulemaking Rule to receive comments on the Product Standards Committee's recommendations. Accepting this recommendation would provide at least 60 days for public comment before any final action is taken to amend the Uniform Standard. Ms. Ezalarab concluded the report and noted that in the coming weeks, the Product Standards Committee will be completing the remaining recommendations for the first phase of the 5-year review process with a public call scheduled for April 15<sup>th</sup> to receive comments on the remaining clarification items. As this was a Management Committee action item, Commissioner Goldsmith made a motion to approve the report and recommendation of the Product Standards Committee, and Commissioner Murphy seconded that motion. As there was no further discussion, a voice was taken and the motion passed.

Commissioner Consedine then advanced to the report of the Rulemaking Committee. Mr. Beatty reported that the Rulemaking Committee held a member-only call on March 25<sup>th</sup> to discuss next steps with regards to identifying and addressing areas of concern with the mix and match process. Mr. Beatty noted that in 2013, the Rulemaking Committee formed a subgroup and much work was done gathering examples of mix and match concerns and discussing possible approaches. Last fall, the Rulemaking Committee asked for public comments on a proposal to amend Section 111 of the Commission's Product Filing Rule to include additional certifications from filers and limitations on a company's ability to file forms with the state to be used with previously filed or approved forms with the Commission – what is commonly called mix-and-match. In reviewing the comments submitted regarding this proposal and consulting with the IIPRC Office regarding their outreach efforts, the Rulemaking Committee is reassessing the approach to

address this issue, and is now looking at an alternative approach rather than further amending the mix and match rule. Mr. Beatty noted that one possible alternative approach would be issuing filing guidance from the Commission to filers on how to use mix and match. Additionally, the Rulemaking Committee is considering providing suggested uniform instructions that states can issue for filers that file state forms for mix and match with Compact forms. The IIPRC Office will prepare the initial drafts for review and it is expected that a recommendation will be brought to the Management Committee by or before the next in-person meeting. One other development is that the IIPRC Office has done considerable outreach to regulators in the Compacting States. The IIPRC Office offered a member-only webinar for regulators to provide an overview of the mix-and-match process and discuss things they should be looking for when their department receives a filing that will be used with a Compact-approved product. Mr. Beatty concluded the report and there were no questions regarding the report.

Commissioner Consedine continued to the report of the Finance Committee which was provided by Commissioner Murphy. Commissioner Murphy noted that the Finance Committee held a member-only call on March 13<sup>th</sup> to receive an update from the IIPRC Office on end-of-year audited financials and to review the financials for the first two months of 2014. Commissioner Murphy noted that for the first time in its operational history, the Commission reached breakeven in its financial operations with \$1,369,911 in total revenue and its total expenses of \$1,350,712 resulting in an operating profit of \$19,199 for 2013. Additionally, actual expenses were significantly under budgeted expenses by almost 15%. Commissioner Murphy highlighted that the Commission did not need to draw upon the available line of credit from the NAIC last year. Commissioner Murphy reported that the Commission is off to a strong start in 2014 by meeting and exceeding budgeted revenues in both January and February. Revenues through the end of February are roughly 20% higher than revenues through the end of last February. Operating expenses are running approximately 8% under budget, largely due to the timing of certain expenses. Commissioner Murphy explained that the Commission is not expected to have the type of expense savings as 2013. For this reason, the Commission is seeking an available line of credit for 2014 as a matter of prudent governance and budget planning. The Commission will ask the NAIC Executive Committee and EX1 to approve an available line of credit in the amount of \$150,000 for 2014 – which represents the lowest amount requested to date. The Commission believes that if its revenue budget is achieved in 2014, as it was in 2013, it will only need to draw \$40,000 or less to cover the differential based on its adopted operating budget. There were no questions or comments for Commissioner Murphy. As this was a Management Committee action item, Commissioner Consedine made a motion to adopt the reports of the Finance Committee and Rulemaking Committee. Director Range then seconded the motion. Director Huff asked if there was anything in the original Compact agreement that prohibits the NAIC from forgiving the debt once the compact does not use the line of credit. Commissioner Murphy stated that there was nothing that would prevent the NAIC from perhaps looking at that differently if the Commission made such a request. As there was no further discussion, a voice was taken and the motion passed.

Commissioner Sevigny advanced to the approval of meeting minutes. Commissioner Sevigny asked for a motion from a member of the Management Committee to approve the December 14<sup>th</sup> Joint Management Committee and Commission Meeting Minutes. Commissioner Consedine made a motion, and Commissioner Murphy seconded the motion. A voice vote was taken and the motion passed.

Commissioner Sevigny continued to the Commission consideration to adopt the same meeting minutes as approved by the Management Committee. Commissioner Clark made a motion to adopt the meeting minutes, while Superintendent Torti seconded the motion. A voice vote was taken and the motion passed.

As the final agenda item, Ms. Schutter provided the Operational Update, and explained that 159 companies have already registered with the Commission this year, meaning that the Commission is on pace to exceed its 2013 total of 182 registered companies. Ms. Schutter provided an update on Non-

Compacting States, and announced that the Compact legislation was introduced in Arizona as house bill 2482. The bill has passed the House and is now making its way through the Senate. Ms. Schutter then gave a brief update on the status of the Compact legislation in Florida. Regarding outreach, the IIPRC Office continues to conduct webinars on various topics for both members and industry. The IIPRC Office just finished a webinar series for industry as well as a webinar series for regulators. Ms. Schutter announced that the IIPRC Office will be working with the SERFF team to implement web-based public access to Compact-approved filings with a target date of this summer. The IIPRC Office will be working with the IIPRC Technology Committee to keep the members informed and receive direction as this project moves forward. Representative Kennedy asked about the status of Connecticut as a Non-Compacting State. Ms. Schutter explained that industry has been working with the Connecticut Department. Ms. Krol suggested Commission members should increase outreach with the Connecticut Department.

As there were no further matters or questions, Commissioner Consedine made a motion to adjourn and the meeting was adjourned.