



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

Saturday, April 2, 2016

1:30 pm ET / 12:30 pm CT / 11:30 am MT / 10:30 am PT

New Orleans, LA

1. Roll Call
2. Report of the Audit Committee and Consideration by the Commission to Adopt the Report of the Audit Committee
3. Report of the Communications Committee and Consideration by the Management Committee to Approve the Report of the Communications Committee
4. Report of the Finance Committee and Consideration by the Management Committee to Approve the Report of the Finance Committee
5. Report of the Product Standards Committee and Consideration by the Management Committee to Approve the Report of the Product Standards Committee
6. Report of the Rulemaking Committee and Consideration by the Management Committee to Approve the Report of the Rulemaking Committee
7. Management Committee Consideration of Approval of Uniform Standards listed under Phase 5 of the Five-Year Review Published on December 9, 2015, more specifically:
 - a. Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts
 - b. Additional Standards for Waiver of Premium Benefit for Child Insurance in the Event of Payor's Total Disability or Death
 - c. Additional Standards for Market Value Adjustment Feature Provided Through the General Account
 - d. Additional Standards for Market Value Adjustment Feature Provided Through a Separate Account
 - e. Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities
 - f. Additional Standards for Intermediate Period Endowment Benefit Features for Individual Life Insurance Policies
8. Commission Consideration of Adoption of Uniform Standards listed under Phase 5 of the Five-Year Review as Approved by the Management Committee

9. Commission Consideration of Requests for Stay of Group Disability Income Insurance Uniform Standards from the Montana Office of Commissioner of Securities and Insurance and the Wyoming Insurance Department
10. Discussion of the Request from the Connecticut Insurance Department to Clarify the War Exclusion Provision in the Uniform Standards for Individual and Group Life Insurance Policies
11. Management Committee and Commission Consideration of Adoption of Meeting Minutes of the November 18, 2015 and February 24, 2016 Joint Meetings of the Management Committee and Commission
12. Management Committee Consideration of Approval of Meeting Minutes from the December 21st Meeting of the Management Committee
13. Operational Update
14. Any Other Matters
15. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance
Product Regulation Commission
Saturday, April 2, 2016**

Members of the Commission and Department Staff in Attendance:

Commissioner Jacqueline K. Cunningham, Chair, Virginia
Commissioner Angela Weyne, Vice Chair, Puerto Rico
Charles Angell as a designated representative for Commissioner Jim Ridling, Alabama
Director Lori Wing-Heier, Alaska
Commissioner Allen W. Kerr, Arkansas
Bill Lacy, Arkansas
Michael Conway as a designated representative for Commissioner Marguerite Salazar, Colorado
Steve Manders as a designated representative for Commissioner Ralph T. Hudgens, Georgia
Kathleen Nakasone as a designated representative for Commissioner Gordon Ito, Hawaii
Director Dean Cameron, Idaho
Acting Director Anne Melissa Dowling, Illinois,
Tina Korty as a designated representative for Commissioner Stephen W. Robertson, Indiana
Douglas Ommen as a designated representative for Commissioner Nick Gerhart, Iowa
Julie Holmes as a designated representative for Commissioner Ken Selzer, Kansas
Korey Harvey as a designated representative for Commissioner James J. Donelon, Louisiana
Commissioner Al Redmer, Jr., Maryland
Joe Garcia as a designated representative for Director Patrick M. McPharlin, Michigan
Tammy Lohman as a designated representative for Commissioner Mike Rothman, Minnesota
Bob Williams as a designated representative for Commissioner Mike Chaney, Mississippi
Mary Mealer as a designated representative for Director John M. Huff, Missouri
Steve Matthews as a designated representative for Commissioner Monica J. Lindeen, Montana
Director Bruce R. Ramage, Nebraska
Commissioner Roger A. Sevigny, New Hampshire
Felix Shirripa as a designated representative for Acting Commissioner Richard J. Badolato, New Jersey
David Barton as a designated representative for Superintendent John G. Franchini, New Mexico
Ted Hamby as a designated representative for Commissioner Wayne Goodwin, North Carolina
Pete Weber as a designated representative for Lt. Governor-Director Mary Taylor, Ohio
Joel Sander as a designated representative for Commissioner John D. Doak, Oklahoma
Commissioner Laura N. Cali, Oregon
Johanna Fabian-Marks as a designated representative for Commissioner Teresa D. Miller, Pennsylvania
Superintendent Elizabeth Kelleher Dwyer, Rhode Island
Director Raymond G. Farmer, South Carolina
Chlora Lindley-Myers as a designated representative for Commissioner Julie Mix McPeak, Tennessee
Commissioner David Mattax, Texas
Commissioner Todd E. Kiser, Utah
Kaj Sansom as a designated representative for Commissioner Susan L. Donegan, Vermont
Don Beatty, 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

Cari Lee as a designated representative for Commissioner Ted Nickel, Wisconsin
Commissioner Tom Glause, Wyoming

Members of the Industry Advisory Committee in Attendance:

Hugh Barrett, MassMutual Financial Group
Jason Berkowitz, Insured Retirement Institute
Tanya Gonzales, Great-West Life & Annuity Insurance Company
Steve Kline, National Association of Insurance and Financial Advisors
Amanda Matthiesen, Association of Health Insurance Plans
Joe Muratore, New York Life Insurance Company
Rod Perkins, American Council of Life Insurers

Members of the Consumer Advisory Committee in Attendance:

Brendan Bridgeland, Center for Insurance Research
Sonja Larkin-Thorne, NAIC Funded Consumer Liaison Representative
Angela Lello, Autism Speaks
Fred Nepple, Consumer Liaison Representative

Members of the IIPRC Legislative Committee in Attendance:

Tom Considine, National Conference of Insurance Legislators
Senator Travis Holdman, Indiana
Senator Delores Kelley, Maryland
Representative Brian Patrick Kennedy, Rhode Island

IIPRC Staff in Attendance:

Karen Schutter, Executive Director
Becky McElduff, Assistant Director of Product Operations and Counsel
Sara Dubsky, Senior Operations Manager
Katie Campbell, Actuary
Jeanne Daharsh, Actuary
Alice Fontaine, Actuarial Consultant
Anne Marie Narcini, Regulatory Consultant

Interested Parties in Attendance:

Elaine Zurovski, RiverSource Life Insurance Company

Commissioner Cunningham 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, the Commission, the Legislative Committee, the Industry Advisory Committee, and the Consumer Advisory Committee. Commissioner Cunningham stated that, as provided in the Bylaws, when one or more members of the Commission participates by telephone, a roll call vote on each substantive action item would be taken. Commissioner Cunningham proposed that a voice vote be taken for most items, as only a few members participated via telephone. She proposed conducting a roll call vote on the Uniform Standards, and when otherwise requested. There were no objections to this approach.

Commissioner Cunningham recognized Tom Considine, the new CEO of the National Conference of Insurance Legislators (NCOIL) and invited him to make a few remarks. Mr. Considine voiced his support of state-based regulation of insurance, and stressed the importance of maintaining strong ties between NCOIL and the IIPRC. NCOIL President Senator Travis Holdman echoed his remarks.

Commissioner Cunningham proceeded to the first item of the agenda and invited Director Ramage to provide the report of the Audit Committee. Director Ramage reported that Kevin Smith, the IIPRC Engagement partner from RSM, met with the IIPRC by telephone to present the Compact with the results of the audit report and noted no deficiencies in the IIPRC internal controls structure, nor disagreement, issues or concerns with management. Director Ramage expressed that the Committee is pleased that the Commission was able to manage its operating budget in 2015 and avoid utilizing the NAIC Line of Credit for the third year in a row. There were no questions for Director Ramage regarding his report. Commissioner Mattax moved to adopt the report of the Audit Committee and Commissioner Weyne seconded. The Commission adopted the report with no further discussion.

Ms. Lee then provided the report of the Communications Committee. Ms. Lee reported that the Committee held two conference calls in 2015 and a public call on March 29 to receive feedback on the Committee's 2016 work plan. The Committee finalized proposed language to offer to Commission members to ensure that there is a prominent link to the Commission website on each member state's website, as well as to provide a write-up on the Commission and the Commission's activities for inclusion in a Department's newsletter or other communications. Ms. Lee noted that the Committee has asked the IIPRC Office to request that state departments include the link on their website if it is not already there, and include a write-up in their next newsletter or regulatory update. Ms. Lee stated that the Committee also recommended that the Management Committee authorize the formation of four focus groups – two for Compacting State regulators, and two for company filers. Members of the Legislative, Consumer Advisory and Industry Advisory Committees would be invited to participate and monitor the discussion. The IIPRC Office would report to the Communications Committee with feedback and recommendations for changes, and the Committee expects to report on the work product of the focus groups at the Summer Meeting in August. Ms. Lee reported that the Committee is working with the IIPRC Office to provide feedback on the updated Commission website, and that the Committee will work with the IIPRC Office to coordinate a roundtable discussion later in the year which will involve commissioners, regulators, industry representatives, state legislators, and consumer representatives to discuss ways to collaborate and encourage all states to join the

Compact, and fuller utilization of the Compact by industry. There were no questions. Commissioner Cunningham recommended that the Committee hear the reports of the Finance, Product Standards, and Rulemaking Committees and vote to approve their reports in a single motion. There were no objections.

Commissioner Cunningham delivered the report of the Finance Committee for the Committee Chair, Superintendent Cioppa. She stated that the Finance Committee held a member-only call on March 17 with the IIPRC Office to discuss end-of year audited financials and to review the financials for January 2016. Commissioner Cunningham emphasized that for the third year in a row, the Commission avoided drawing on the available Line of Credit from the NAIC. She reported that the Commission's 2015 expenses were under budget by approximately 4%, and the Commission earned \$1,498,107 in 2015 – approximately 15% under the budgeted \$1,760,750 and 3% under the 2014 earned revenue. She noted that although a record number of companies registered with the Compact in 2015, the product filing fees and volumes were significantly under budget and approximately 10% below 2014 levels. Commissioner Cunningham stated that many Compacting States, along with the NAIC's System for Electronic Rate and Form Filing (SERFF) saw a meaningful dip in product filings for life insurance product lines in 2015, and that some of this lack of growth can be explained by regulatory and market dynamics influenced by the anticipated implementation of Principles-Based Reserving (PBR). For 2016, Commissioner Cunningham reported that registrations and product volumes are sustained, and that the Commission's revenue is more than \$60,000 over budget through the end of February. Expenses for January and February 2016 are 2% over budget due to the altered timing of certain budgeted expenses, such as the IIPRC Team Meeting in January. To conclude her report, Commissioner Cunningham noted that the Commission's 2015 Annual Report was released in conjunction with this Joint Meeting and is available on the Compact website. Hearing no questions, Commissioner Cunningham invited the chair of the Product Standards Committee, Mary Mealer, to provide the Committee's report.

Ms. Mealer stated that since the last report in February, the Product Standards Committee discussed comments received by the Management Committee regarding the proposed amendments to the *Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities* and the *Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities* (GLB Uniform Standards). She stated that the Committee received an overview of the initial *Report and Recommendations from the IIPRC Office for the Long-Term Care Uniform Standards currently under Five-Year Review*. Ms. Mealer noted that there is a public call scheduled for April 12 to receive comments on both items from interested parties. She stated that the Product Standards Committee will finalize its recommendations on the proposed amendments to the GLB Uniform Standards following the public call, and then begin discussion of recommended amendments to the Long-Term Care Uniform Standards in coordination with interested parties. Hearing no questions, Commissioner Cunningham asked Don Beatty to provide the report of the Rulemaking Committee.

Mr. Beatty reported that the Rulemaking Committee held a member-only call on March 28 to develop a plan for addressing items referred to the Committee, including: the development of a procedure for participation by the IIPRC in third party litigation with respect to providing affidavits, amicus briefs, or other input in cases where the applicability of the Compact and its

Uniform Standards are at issue; continued review of Compact Mix and Match procedures and determining whether further changes to the Operating Procedures are recommended; and continued work on the best form of guidance with respect to the applicability and non-applicability of state law to Compact-approved products. Mr. Beatty stated that the Committee may be able to leverage guidance that is now included in the NAIC *Market Regulation Handbook* regarding Compact-approved products to formulate more detailed discussions and concluded his report. There were no further questions.

Commissioner Cunningham requested a motion to adopt the reports of the Communications, Finance, Product Standards, and Rulemaking Committees, to include the recommendation by the Communications Committee that the IIPRC Office facilitate the formation of Focus Groups. Commissioner Weyne moved, Commissioner Cali seconded, and the motion passed with no further discussion.

Commissioner Cunningham, moving to Agenda Item 7, asked the Management Committee to consider the approval of amendments to six Uniform Standards that were effective on or before July 1, 2010, including:

- *Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts;*
- *Additional Standards for Waiver of Premium Benefit for Child Insurance in the Event of Payor's Total Disability or Death;*
- *Additional Standards for Market Value Adjustment Feature Provided Through the General Account;*
- *Additional Standards for Market Value Adjustment Feature Provided Through a Separate Account;*
- *Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities; and*
- *Additional Standards for Intermediate Period Endowment Benefit Features for Individual Life Insurance Policies.*

Ms. Mealer provided a summary of the Product Standards Committee's work on the amendments to these Uniform Standards as part of Phase 5 of the Five-Year Review process. Ms. Mealer reported that Phase 5 of the Five-Year Review initially included eight Uniform Standards originally effective on or before July 1, 2010, including two benefits features for life products and six benefits features for annuity products. She stated that the IIPRC Office prepared and exposed for public comment a report and recommendation to the Product Standards Committee with detailed descriptions of the submitted comments and suggested changes, as well as changes proposed by IIPRC Office. The Product Standards Committee also held public calls and referred two of the items to the Actuarial Working Group for consideration and recommendations. Ms. Mealer stated that after the Management Committee accepted the Product Standards Committee's recommendations, the amendments were published for a 60-day comment period on December 9, 2015, and a Public Hearing was held on February 24, where comments were received on the two additional Uniform Standards for Guaranteed Living Benefits. She noted that the Product Standards Committee has held several calls and has scheduled a public call for April 12 to discuss the comments received on the Guaranteed Living Benefits, which are not included in the Uniform Standards under consideration today. Ms. Mealer stated that the Committee did

not receive any further comments on the six remaining proposed amendments to Uniform Standards. She said that the Committee believes the proposed amendments reflect strong consumer protections, allow insurers to file products currently available in the market with the Compact and provide clarity to assure consistent application of the Uniform Standards. Hearing no questions, Commissioner Cunningham requested a motion to approve the amendments to the Uniform Standards listed in the agenda. Commissioner Weyne moved and Commissioner Cali seconded. There was no further discussion, and the amendments to the Uniform Standards were approved by a voice vote of the Management Committee.

Commissioner Cunningham then asked for a motion of the Commission to adopt the amendments to the Uniform Standards that were just approved by the Management Committee. Ms. Mealer moved, and Commissioner Rothman seconded. There was no further discussion, and the motion passed with a voice vote. Commissioner Cunningham noted that the IIPRC Office would send notice of a 90-day promulgation period for the amended Uniform Standards in the next ten business days. She stated that these Uniform Standards would apply going forward and that filers would not need to resubmit or suspend use of previously-approved forms.

Commissioner Cunningham moved to Agenda Item 8, Commission Consideration of two requests to stay the effectiveness of the Group Disability Income Insurance Uniform Standards for Montana and Wyoming while they pursue opt out by regulation. She stated that the Commission received separate notices of election from Montana and Wyoming to opt out of these Uniform Standards by regulation on March 24, within the ten-day window after promulgation required by the Compact Statute to provide written notice of opt out election. The Commissioner asked Ms. Schutter to provide an overview of the opt out process.

Ms. Schutter noted that the Compact Statute provides a sovereign right to each member state to opt out of any newly adopted Uniform Standard by legislation or regulation. This is a key feature of the Compact which supports the limited delegation of legislative authority by providing each state an opportunity to determine on a per-product basis whether the balance of requirements in a given Uniform Standard uphold reasonable national consumer protections. She stated that once the IIPRC Office has notified members of the promulgation of new or newly amended Uniform Standards, a ten-day window begins during which each state must notify the Commission if it intends to pursue its right to opt out by regulation. Ms. Schutter reported that Montana and Wyoming submitted requests to the Compact to stay the effectiveness of the Uniform Standards for the Group Disability Income Insurance Product Line while they pursue their respective regulations, and simultaneously provided the Compact with a notice of intent to opt out. She noted that the stay would only be effective for the states requesting it, and even with these stays in place, the Group Disability Income Insurance Uniform Standards will become effective for use in the remaining Compacting States on June 8 as scheduled. Ms. Schutter reported that the Commission may grant a stay for 90 days beginning when the Uniform Standards become effective, and may continue to grant 90-day stays while the state conducts its process. She also stated that the Operating Procedure provides that the Commission may grant a petition for stay of a Uniform Standard if it determines that the Compacting State is pursuing the regulatory opt out in a reasonable manner and there is a likelihood of success. Ms. Schutter then delivered the recommendation of the IIPRC Office to grant these stays to avoid the potential availability of these Uniform Standards in Montana or Wyoming, given the documented intent of the state to

adopt regulations under their respective requirements. Ms. Schutter stated that the IIPRC Office will continue to work with both states on their specific concerns and provide guidance during this process. Commissioner Cunningham then asked if there were any other questions regarding the Commission Action Item. Mr. Weber asked for clarification that the stays would only apply to Montana and Wyoming, and Ms. Schutter confirmed. Commissioner Cunningham requested a motion from a Commission member to stay the effectiveness of the eight Uniform Standards that apply to Group Disability Income Insurance for Montana and Wyoming for period of 90 days starting on June 8 while these states take respective action to opt out by regulation. Mr. Schirripa moved and Ms. Lindley-Myers seconded. There were no objections, and no objections to taking a voice vote on this item. The motion passed.

Commissioner Cunningham then moved to the next agenda item, a discussion of the written request from Connecticut Commissioner Katharine Wade for clarification with respect to a general provision found within several Uniform Standards for life insurance policies. Commissioner Cunningham reported that the Compact legislation is currently under consideration by the Connecticut General Assembly as Governor's House Bill 5051, and the Connecticut Real Estate and Insurance Committee has expressed serious concern that Section (1)(a)(ii) of the war exclusion provision within the Uniform Standards could be construed to permit a death benefit exclusion for known members of the military that die in combat. She noted that the current provision in the Uniform Standard does provide an unequivocal prohibition on excluding the risk of death as a result not only of war, but of any act related to military service if the proposed insured represents at the time of application that he or she is a member of the military, military reserves, or the National Guard, notwithstanding whether they are active or inactive. Commissioner Cunningham stated that during the drafting process, this war exclusion prohibition derived from language in a 1950s NAIC model where a war exclusion was permissible for so-called "combatants", but was really a permissible exclusion for those policyholders who died while defending in a time of war. She stated that Commissioner Wade, who was unable to attend the Commission meeting, had asked that the Commission look at the provision in light of the concerns or potential for a contrary interpretation as expressed by certain legislators on the committee of jurisdiction in Connecticut. She then asked if there were any questions or comments from the Commission.

No members of the Commission had questions, but Ms. Larkin-Thorne stated that the war exclusion is a critical obstacle preventing her home state of Connecticut from joining the Compact, and urged that the matter be referred to the Product Standards Committee for review and feedback. Commissioner Cunningham then requested a motion to refer this matter to the Product Standards Committee for review and feedback within the next 30 days on whether clarifying changes should be made to ensure the prohibition on the war exclusion for applicants that are military service members is clear. Commissioner Mattax moved and Commissioner Cali seconded.

Commissioner Cunningham continued to the next agenda item, Management Committee and Commission consideration of adoption of the meeting minutes of the November 18, 2015, and February 24, 2016, joint meetings of the Management Committee and Commission. Commissioner Cunningham requested a motion from a member of the Commission who is also a member of the Management Committee to adopt the meeting minutes of the November 18, 2015,

and the February 24, 2016, joint meeting. Commissioner Weyne moved, and Commissioner Doak seconded. A voice vote was then taken and the motion passed.

Commissioner Cunningham then moved to the approval of meeting minutes from the December 21, 2015, meeting of the Management Committee. Commissioner Mattax moved, Commissioner Weyne seconded, and the motion passed.

Commissioner Cunningham moved on to the IIPRC Operational Update, and reported that the IIPRC Officers asked Ms. Schutter to schedule a brief conference call with each Compacting State Commissioner and their designated Compact staff during the second quarter to deliver a report of Commission activities. She stated that the Officers believe the IIPRC Office should touch base with each Commissioner, the statutory member of the Commission under the Compact laws in each Compacting state, at least on an annual basis. Ms. Schutter continued with the Operational Update and stated that the Compact is seeing increased filing activity with a 10% growth in the number of registered companies compared to this time last year. She stated that although product filings are lagging, pre-filing communication activity has been strong, indicative of future filings. She reported that Mix and Match percentage has continued to decrease to around 45%, a 10% decrease from this time last year. Ms. Schutter stated that review turnaround times are falling as a direct result of the new resources hired last year. The Compact now has four full-time product reviewers and two full-time actuaries. She stated that the IIPRC has asked the NAIC for an available line of credit every year since 2007, and today will be asking the NAIC for an available Line of Credit for 2016. Ms. Schutter reported that there are two new members on the Consumer Advisory Committee, Angela Lello with Autism Speaks, and James McSpadden with AARP. She then provided an update on non-compacting states. She reported that Connecticut is currently considering the Compact legislation, and that last fall, California enacted AB 687, authorizing the California Insurance Department to work with a multistate regulatory support organization to conduct a comparative study of California law and the IIPRC Uniform Standards. She noted that the Compact is working with the Department to be available to provide support and expertise to the analysis of the Uniform Standards. Ms. Schutter reported that the 2015 Annual Report is available online, and that the IIPRC Office will be mailing physical copies of the Annual Report to each Compacting governor and digital copies to the Compacting state legislatures, including the presiding officer of each chamber, the chair and ranking member of each committee jurisdiction, and the member of each committee of jurisdiction as required by the Compact Bylaws and Statute. Ms. Schutter stated that the IIPRC Office will be sending out notices in the next ten days seeking regulator and industry focus group participants. Following NAIC adoption of the final CSO Mortality Tables, the IIPRC Office will publicize instructions to filers on updating their Compact-approved filings to reflect the updated tables. Ms. Schutter provided a brief update on the outreach activities of the IIPRC Office. Ms. Schutter concluded her remarks, and there were no further questions.

As there were no further matters, Ms. Mealer made a motion to adjourn, and the meeting was adjourned.