



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

Friday, December 9, 2016

12:30 pm ET / 11:30 am CT / 10:30 am MT / 9:30 am PT

Miami, FL

1. Roll Call
2. Report of the Legislative Committee
3. Public Hearing on the Proposed 2017 Annual Budget and Schedule of Fees
4. Management Committee Consideration of Approval of the Proposed 2017 Annual Budget and Schedule of Fees
5. Commission Consideration of Adoption of the 2017 Annual Budget and Schedule of Fees as Approved by the Management Committee
6. Discussion of Comments Regarding Product Standards Committee Recommendation of Phase 6 Five-Year Review Amendments to Individual Long-Term Care Insurance Uniform Standards
7. Report of the Audit Committee and Consideration by the Commission to Adopt the Report of the Audit Committee
8. Report of the Communications Committee and Consideration by the Management Committee to Approve the Report of the Communications Committee
9. Report of the Product Standards Committee and Consideration by the Management Committee to Approve the Report of the Product Standards Committee
10. Management Committee and Commission Consideration of Adoption of Meeting Minutes of the August 25th Joint Meeting of the Management Committee and Commission
11. Management Committee Consideration of Approval of Meeting Minutes of the November 7th Meeting of the Management Committee
12. Update on the Opt-Out Process and Consider Extension of Stay of the Effectiveness of the Group Disability Income Uniform Standards for Wyoming
13. Formation of IIPRC Member Committees

14. Appointments to the Advisory Committees
15. Annual Formation of Management Committee for 2016/2017
16. Elections of the 2016/2017 Officers
17. Treasurer's Report
18. Operational Update
19. Any Other Matters
20. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance
Product Regulation Commission
Friday, December 9, 2016**

Members of the Commission and Department Staff in Attendance:

Commissioner Jacqueline K. Cunningham, Virginia
Commissioner Angela Weyne, Vice Chair, Puerto Rico
Superintendent Eric A. Cioppa, Treasurer, Maine
Charles Angell as a designated representative for Commissioner Jim L. Ridling, Alabama
Director Lori K. Wing-Heier, Alaska
Interim Director Leslie R. Hess, Arizona
Bill Lacy as a designated representative for Commissioner Allen W. Kerr, 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 I. Ito, Hawaii
Director Dean L. Cameron, Idaho
Laura Kotelman as a designated representative for Acting Director Anne Melissa Dowling,
Illinois
Tina Korty as a designated representative for Commissioner Stephen W. Robertson, Indiana
Craig Van Aalst as a designated representative for Commissioner Ken Selzer, Kansas
Commissioner Brian Maynard
Commissioner Al Redmer, Jr., Maryland
Randall Gregg as a designated representative for Director Patrick M. McPharlin, Michigan
Tammy Lohmann as a designated representative for Commissioner Mike Rothman, Minnesota
Chad Bridges as a designated representative for Commissioner Mike Chaney, Mississippi
Mary Mealer as a designated representative for Director John M. Huff, Missouri
Christina Goe as a designated representative for Commissioner Monica J. Lindeen, Montana
Richard Hersey, Montana
Christine Neighbors as a designated representative for Director Bruce R. Range, Nebraska
Laurie Squarstoff as a designated representative for Commissioner Barbara Richardson, Nevada
Mackay Moore, Nevada
Commissioner Roger Sevigny, New Hampshire
Felix Schirripa as a designated representative for Commissioner Richard J. Badolato, New Jersey
Robert Doucette as a designated representative for Superintendent John G. Franchini, New
Mexico
Ted Hamby as a designated representative for Commissioner Wayne Goodwin, North Carolina
Jillian Froment as a designated representative for Lt. Governor-Director Mary Taylor, Ohio
Commissioner John D. Doak, Oklahoma
TK Keen as a designated representative for Commissioner Laura N. Cali, Oregon
Johanna Fabian-Marks as a designated representative for Commissioner Teresa D. Miller,
Pennsylvania
Superintendent Elizabeth Kelleher Dwyer, Rhode Island
Sarah Neil, 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

Commissioner Michael Pieciak, Vermont
Molly Nollette 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
Sue Ezalarab, Wisconsin
Commissioner Tom Glause, Wyoming

Members of the Industry Advisory Committee in Attendance:

Hugh Barrett, MassMutual Financial Group
Jason Berkowitz, Insured Retirement Institute
Miriam Krol, American Council of Life Insurers
Rod Perkins, American Council of Life Insurers
Angela Schaaf, Northwestern Mutual Life Insurance Company
Joseph Muratore, New York Life Insurance Company

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:

Senator Travis Holdman, Indiana
Senator Delores Kelley, Maryland
Representative Kurt Olson, Alaska
Paul Penna, Executive Director, National Conference of Insurance Legislators
Representative Steve Riggs, Kentucky

IIPRC Staff in Attendance:

Karen Schutter, Executive Director
Becky McElduff, Assistant Director of Product Operations and Counsel
Sara Dubsky, Senior Operations Manager
Mindy Bradford, Product Reviewer
Ed Charbonnier, Product Reviewer
Jeanne Daharsh, Actuary
Karen Givens, Product Reviewer
Anne Marie Narcini, Regulatory Consultant
Maureen Perry, Product Review Consultant

Interested Parties in Attendance:

Birny Birnbaum, Center for Economic Justice, NAIC Consumer Funded Representative

Bonnie Burns, California Health Advocate, NAIC Consumer Funded Representative

Yvonne Hayward, Pacific Life Insurance Company

Shawna Meyer, New York Life Insurance Company

Greg Gurlik, Northwestern Mutual Life Insurance Company

Commissioner Cunningham called to order the Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission (Compact or Commission). Commissioner Cunningham announced that Agenda Item 6 would be moved to Agenda Item 3 to accommodate regulators and interested parties attending the NAIC Long-Term Care Actuarial Working Group meeting at 1:00 p.m. Ms. Schutter took the roll call of the Management Committee, the Commission, the Legislative Committee, and the Industry and Consumer Advisory Committees. The Commissioner proposed that a voice vote be taken for most items, since only a few members participated via telephone, and conducting a roll call when otherwise requested. There were no objections.

Commissioner Cunningham moved to the second agenda item, the Report of the Legislative Committee. Commissioner Cunningham recognized the members of the Legislative Committee and other State Legislators who attended the meeting. Senator Kelley provided the Report of the Legislative Committee, and expressed her support for the work done by Committees and the Commission in 2016. Senator Kelley concluded her report. There were no additional questions.

Commissioner Cunningham then moved to Agenda Item 6, the Discussion of Comments Regarding Product Standards Committee Recommendation of Phase 6 Five-Year Review Amendments to Individual Long-Term Care Insurance Uniform Standards. Commissioner Cunningham stated that the only outstanding issue with respect to the recommendation was the industry's request to reconsider the Product Standard Committee's recommendation not to amend the *Core Standards for Individual Long-Term Care Insurance Policies* to add what industry has called a "non-duplication of benefits" provision. The Management Committee held a public hearing during the November 7th Conference call in which the Committee heard from company representatives. Ms. Schutter then summarized the recommendation of the Product Standards Committee and the rulemaking process to date. Commissioner Cunningham noted that at the request of the Insurance Compact Officers, the Insurance Compact Office developed and circulated questions amongst the Members and committees to help facilitate the discussion. Commissioner Cunningham suggested that the industry proposal not be referred to as "non-duplication of benefits," or "coordination of benefits," as these designations have distinct meanings in the health care context, and long-term care is not treated as a health product under the Compact Uniform Standards. Commissioner Cunningham suggested the proposal be referred to as "a provision for the management of benefits under multiple policies" for the purposes of this discussion. She then asked if there were questions from members of the Commission or the Legislative Committee with respect to the Industry Advisory Committee's proposal.

Senator Kelley asked the Industry Advisory Committee to provide clarification of the parameters of the provision for the management of benefits under multiple policies. Senator Kelley stated the opinion of the Legislative Committee members is that an insured's use of a single policy would result in higher utilization than if the insured had multiple policies, and that the multiple policies should thus be less expensive for the insured. Ms. Meyer provided an example in which an insured with two policies, each with a daily maximum of \$100, would be reimbursed \$200 in total for a \$100 bill if he or she submitted the claim to each policy; whereas if the insured had a single policy with a \$200 daily maximum, the insured would only receive \$100. Ms. Meyer noted that in the first example, the insured is being reimbursed more than the cost of the bill, while in the second example the insured is receiving a full reimbursement, but no more. Senator Holdman then asked how industry defines "Affiliate." Ms. Schaaf stated that "Affiliate" is defined as a parent company and

its subsidiaries. Senator Kelley stated that the Legislative Committee would like to see statistical data showing how often Affiliates hold duplicate policies, either with the same company or as the result of a merger. Ms. Meyer explained that the stacking of benefits to cover up to the billed amount, subject to maximums, works to extend the benefit period for the insured. She stated that insureds typically buy what they can afford, instead of what they need, and the stacking of benefits allows consumers to purchase more benefits as they can afford them. Ms. Meyer stated that insurance companies will not be motivated to issue additional policies without the management of benefits provision in place. Ms. Burns said that she could clearly see the advantage the provision would provide for companies, but not the benefits that it would provide to consumers.

Ms. Burns stated that the provision would raise disclosure and suitability issues. Senator Kelley stated that consumers would need to be notified, prior to purchase, of the way that benefits under a second policy would be administered if this provision were in place. Mr. Schirripa asked why companies could not achieve the extra benefit through a rider to the original policy or through conversion. Ms. Meyer stated that the benefit and rate the consumer originally purchased may no longer be available. Ms. Lee stated that Wisconsin would want the consumer to have a new policy, because state regulations would limit rate increases to a new benefit under an existing policy. Representative Riggs asked if application requirements apply only to new issue business. Ms. Schutter provided a summary of the Uniform Standard application requirements for individual long-term care. Representative Riggs asked how rates would be determined if a subsequent policy is purchased, and whether the rating would recognize that the utilization of the plan would be lower because of the additional policy. Ms. Meyer stated that the additional policies would not have decreased rates. She stated that it is important all insureds be treated equally, and that per dollar benefit underlies the pricing. Mr. Gurlik agreed that additional policies would not have decreased rates.

Mr. Birnbaum stated his strong opposition to the industry recommendation regarding the proposed management of benefits provision. He stated that the proposal would incentivize insurers to stack and sell additional benefits, leading to greater consumer abuse at best and greater consumer confusion at worst. Ms. Meyer stated that industry is only asking for management of benefits among a company and its affiliates. She stated that the objective is to let the consumer build coverage over time, and that hybrid or accelerated benefits would not be included. Ms. Meyer stated that there is not an over-insurance problem in private long-term care but rather underfunding of private liability for long-term care costs. Ms. Meyer stated the intent of New York Life is to ensure that the insured is reimbursed up to, but not beyond, the cost of services. Mr. Birnbaum stated that the premium paid by the insured should reflect the benefits to which the insured is entitled, and the payment from the policy should reflect the benefits for which the insured's premium paid.

Commissioner Cunningham suggested that the Management Committee ask the Product Standards Committee to review the information and comments that have been submitted during the rulemaking period and provide feedback as to whether it changes its recommendation not to include a provision and also in addition to the feedback, that the Product Standards Committee draft a provision for showing this concept in concrete language. As Chair of the Product Standards Committee, Ms. Mealer stated she would take this request back to the Product Standards Committee. Commissioner Cunningham requested that industry provide information about how this issue is addressed in products approved by states. Mr. Schirripa moved to refer the issue to the Product Standards Committee and Ms. Mealer seconded. The motion carried.

Commissioner Cunningham continued to Agenda Item 3 and opened the public hearing on the Proposed 2017 Annual Budget and Schedule of Fees. Commissioner Cunningham reported that the proposed budget was forwarded to the Management Committee during the November 7th teleconference after review by the Finance Committee and a public call of the Finance Committee on October 18th. Commissioner Cunningham stated that the Compact Filing Fee Rule requires that the Management Committee and Commission adopt the Schedule of Fees on an annual basis in conjunction with the Annual Budget, and stated that there were no proposed changes to the Schedule of Fees for 2017. She stated that no written comments were submitted regarding the 2017 Annual Budget. Ms. Schutter then provided a summary of the 2017 Annual Budget and the Finance Committee Memo. Ms. Schutter noted that the 2017 budget does not include an in-person meeting in December, and that the Management Committee would decide whether it should be added to the budget. There were no comments from the members, committees or interested parties, so Commissioner Cunningham concluded the hearing.

Commissioner Cunningham proceeded to the Management Committee Consideration of Approval of the Proposed 2017 Annual Budget and Schedule of Fees. Commissioner Cunningham asked the members of the Management Committee and the Commission if there were any comments on the exclusion from the 2017 budget of expenses for a December in-person meeting such that it would not take place in conjunction with the NAIC Fall National Meeting in Hawaii. There were no comments or objections. Commissioner Cunningham then requested a motion from a member of the Management Committee to adopt the 2017 Annual Budget and Schedule of Fees recommended by the Finance Committee. Commissioner Weyne moved and Ms. Froment seconded. There was no further discussion or objections and the motion carried.

Commissioner Cunningham then proceeded to the next agenda item, Commission Consideration of Adoption of the 2017 Annual Budget and Schedule of Fees as Approved by the Management Committee. Mr. Lacy moved to adopt the 2017 Annual Budget and Schedule of Fees as approved by the Management Committee, and Ms. Froment seconded. The motion carried.

Commissioner Cunningham then moved to Agenda Item 7, and asked Commissioner Pieciak to provide the report of the Audit Committee. Commissioner Pieciak reported that the Audit Committee met recently to review the Commission financials and prepare for the 2016 audit process. He stated that for the fifth and final year, the Audit Committee will use McGladrey, LLP for its services in conducting the independent audit of the Commission for 2016 and will present the 2016 audit findings to the membership at the April 2017 in-person meeting. Commissioner Pieciak stated that financial audit services are rebid at least every five years. He said that in 2017, the Compact Office will join the NAIC in conducting a bid process to select an external auditor to conduct financial audits for up to five years. Commissioner Pieciak reported that the Compact Office will also seek a separate bid for services for only the Commission audit. He said that the Audit Committee will then determine whether to utilize the same audit firm as the NAIC and the NIPR, as it has done in past years, or whether to have another firm conduct the Commission's audit separately. Commissioner Pieciak stated that the Audit Committee members are pleased that the Commission did not need to utilize the NAIC line of credit for the fourth consecutive year. There were no questions for the Audit Committee. Commissioner Cunningham requested a motion from a Commission member to adopt the Report of the Audit Committee. Ms. Fabian-Marks moved and Ms. Mealer seconded. There was no further discussion, and the motion carried.

Commissioner Cunningham proceeded to Agenda Item 8 and asked Ms. Lee to provide the Report of the Communications Committee. Ms. Lee reported that the Communications Committee recently met with the Compact Office to receive updates on several items. Ms. Lee reported that the Compact Office worked with the NAIC Communications Department to create an updated logo in honor of the 10th anniversary of the inaugural meeting of the Commission. Ms. Lee presented the new logo to the Commission as was presented to the Communications Committee by the Compact Office. She reported that the new logo will be in use after this meeting on the website and all other places the logo is currently used. Ms. Lee reported that the Compact Office participated in 23 different outreach events in 2016, the majority for industry users at compliance-based events. She stated that two events were hosted by member states, Louisiana and Missouri. Ms. Lee encouraged all member states to invite the Compact Office to participate in state compliance days for companies. She stated that having a Compact team member at E-days will help to bridge the knowledge gap and encourage industry to use the Insurance Compact. Ms. Lee concluded her report and there were no questions.

Commissioner Cunningham recommended that the Commission hear the next Committee Report and consider approval of both reports in a single motion. There were no objections. Commissioner Cunningham invited Mary Mealer to deliver the report of the Product Standards Committee. Ms. Mealer reported that the Product Standards Committee is continuing its discussion of recommendations for Phase 7 of the Five-Year Review. She reported that the Compact Office finalized the initial draft report with preliminary recommendations and the Product Standards Committee reviewed the draft and compiled several questions and issues for which the Committee sought public comment. Ms. Mealer stated that a public call of the Product Standards Committee was held on November 1st, and the Committee has received suggestions for several substantive changes that require significant dialogue with interested parties. Ms. Mealer noted that the Product Standards Committee referred several items to the Actuarial Working Group for consideration. She stated that the Product Standards Committee anticipates holding at least one more public call in early 2017 prior to finalizing the Committee recommendations to the Management Committee. Ms. Mealer stated that the Product Standards Committee is also prepared to provide assistance to finalize the adoption of the amendments to the Long-Term Care Uniform Standards. Ms. Mealer concluded her report, and there were no additional questions. Mr. Schirripa moved to adopt the reports of the Communications and the Product Standards Committees. Commissioner Weyne seconded and the motion carried.

Commissioner Cunningham proceeded to the next item, Management Committee and Commission Consideration of Adoption of Meeting Minutes of the August 25th Joint Meeting of the Management Committee and Commission. Commissioner Cunningham requested a joint motion of the Management Committee and Commission. Commissioner Weyne moved and Superintendent Cioppa seconded. The motion carried.

Commissioner Cunningham proceeded to Agenda Item 11 and requested a motion from a member of the Management Committee to adopt the minutes of its November 7th meeting. Superintendent Cioppa moved and Ms. Mealer seconded. The motion carried.

Commissioner Cunningham stated that Agenda Item 12 would be bypassed, as the regulatory processes in Montana and Wyoming were finalized before the meeting, so no action was necessary.

Commissioner Cunningham proceeded to the Formation of 2017 Member Committees, and thanked Commission members for their support and interest in service on the Compact Committees. Commissioner Cunningham stated that under the Bylaws, the Chair makes appointments to Compact Committees subject to the approval of the Management Committee. The Commissioner stated that every effort was made by the Compact Officers to accommodate member state requests to serve on committees, keeping in mind that the number of states requesting to serve on the Product Standards Committee exceeds the Committee's 20-member capacity each year. Commissioner Cunningham then asked for a motion from a member of the Management Committee to approve the 2017 Committee Assignment Recommendation from the Compact Officers. Commissioner Weyne moved and Superintendent Cioppa seconded. There were no additional questions. The motion carried.

Commissioner Cunningham stated that under the Bylaws, the Industry Advisory Committee has eight seats with staggered two-year terms. She stated that there are four specifically designated seats that must be reappointed for 2017. One seat is reserved for a representative from industry trade organizations and three seats are reserved for Company representatives. Commissioner Cunningham reported that the Officers recommend the appointment of Nationwide and Pacific Life, and the reappointment of the current IRI and MassMutual Financial Group members to another two-year term on the Industry Advisory Committee. There were no questions regarding these recommendations. Ms. Mealer moved to adopt the proposed appointment, and Mr. Schirripa seconded. The motion carried.

Commissioner Cunningham proceeded to the next agenda item and summarized the composition of the 2017 Management Committee and the selection process, as written in Article 3 of the IIPRC Bylaws. Commissioner Cunningham reported that six seats on the Management Committee go to the six largest compacting states based on premium volume, which are: Texas, Pennsylvania, New Jersey, Illinois, Ohio and Michigan. Four seats go to states with 2% or more of asset-based premium volume; for 2017 those include Massachusetts, Missouri, Virginia and Wisconsin. Commissioner Cunningham then explained that for states with less than 2% of the premium volume, each zone selects their representative. For 2017, Maine will represent the Northeastern Zone, Mississippi will represent the Southeastern Zone, Oklahoma will represent the Midwestern Zone, and Idaho will represent the Western Zone.

Commissioner Cunningham proceeded to the Election of the Compact Officers for 2017. Commissioner Cunningham stated that under the Bylaws, the Officers are elected by the entire Commission, but must be from the membership of the Management Committee. Commissioner Weyne then opened the floor for nominations for the offices of Chair, Vice Chair and Treasurer of the Commission. Superintendent Dwyer nominated Commissioner Cunningham for the office of Chair, Superintendent Cioppa for the office of Vice Chair and Lt. Governor-Director Taylor for the office of Treasurer of the Commission. Wyoming seconded and there were no additional nominations. Ms. Lee moved to close the nominations and elect the nominated Officers by acclamation. Commissioner Doak seconded. The motion carried.

Commissioner Cunningham invited Superintendent Cioppa to deliver the 2016 Treasurer's Report. Superintendent Cioppa reported that through October 31st, the Compact collected \$863,086 in Per-Filing Fees and \$915,375 in Annual Registration Fees. Actual revenues were approximately 3%

over the 2017 budget for self-generated revenues. Superintendent Cioppa noted that the Compact collected \$1,905,851 in state filing fees remitted directly to the states. This is 111% of the amount collected and remitted as of October 2015. Superintendent Cioppa stated that the Compact is operating 2% under budgeted expenses, and to date it has operated under budget in all expense lines. Superintendent Cioppa stated that the outstanding debt to the NAIC as of October 31st is \$3,215,624. Superintendent Cioppa reported that the Compact is currently in deferral status on its repayment of debt to the NAIC, and for the fourth year in a row has not utilized the available line of credit. Based on the 2017 Budget, the IIPRC will request a minimal line of credit. Superintendent Cioppa concluded his report and there were no additional questions.

Commissioner Cunningham moved to the final agenda item and asked Ms. Schutter to provide the operational update. Ms. Schutter provided an overview of operations in 2016 and thanked the various departments and committees for all of the hard work done on behalf of the Insurance Compact. Ms. Schutter concluded her update and there were no questions.

Commissioner Cunningham proceeded to the final agenda item and recognized outgoing Commissioners Goodwin, Huff, Lindeen and Gerhart for their service to and support of the Commission and state-based regulation. Commissioner Cunningham also recognized outgoing Commissioner and Vice Chair Angela Weyne for her service to the Insurance Compact.

As there were no other matters, Superintendent Cioppa moved to adjourn. Commissioner Weyne seconded and the meeting was adjourned.