



**DATE:** August 15, 2023

**TO:** Interstate Insurance Product Regulation Commission

**FROM:** Insurance Compact Finance Committee

**RE:** Report of Finance Committee Activities for Joint Meeting of the Management Committee and Commission

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The Insurance Compact Finance Committee met on July 31<sup>st</sup> and received an update on the financials through the end of June 2023.

The Compact earned \$2.32 million in revenue as of June 30, 2023 which is 3% under the budgeted \$2.40 million. The actual expenses were 9% under the budgeted \$1.62 million. The change in net assets was \$858,863.

The Compact Office is currently preparing the 2024 draft annual budget and will be scheduling calls with the Finance Committee in the coming weeks to review the draft budget. The Commission will consider the Annual Budget for adoption during the Annual Meeting to be scheduled during the NAIC Fall National Meeting. There will be no fee increase proposed in conjunction with the annual budget.

The Finance Committee will continue to monitor the financials with the Compact Office.

Please contact the West Virginia Commissioner Allan McVey, Chair of the Insurance Compact Finance Committee, or Karen Schutter, Executive Director for questions or further information.



**DATE:** August 15, 2023

**TO:** Insurance Compact Management Committee

**FROM:** Karen Schutter, Executive Director

**RE:** Operational Report of the Executive Director for August 15<sup>th</sup> Joint Meeting of the Management Committee and Commission

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The Compact Office is working with North Dakota Department of Insurance to prepare for implementation. North Dakota officially joined the Compact on August 1, 2023 when Senate Bill 2172 took effect. North Dakota opted out of the long-term care Uniform Standards in its enabling legislation. Filers will be able to add North Dakota to new, pending and previously approved filings (other than long-term care) on Wednesday, August 16<sup>th</sup>.

The Compact Officers are hosting the Compact's fourth Roundtable on the morning of Wednesday, October 25<sup>th</sup> at the Marriott Omaha Downtown in Omaha, Nebraska. Commissioners and regulators attending the InsurTech on the Silicon Prairie are encouraged to stay for this interactive Roundtable. The Compact may also be able to provide member funding to attend. The Roundtable is an excellent opportunity to exchange perspectives and ideas on a variety of topics ranging from speeding up the standards development process to positioning the Compact to provide advisory services.

The Compact Office continues to receive amendments to previously-approved Compact products to come into compliance with the amendments to the suicide exclusion provision in the life Uniform Standards. When the Commission made this amendment in 2022, they decided it would apply to Compact-approved products still being issued on and after October 3, 2023. The Compact Office has issued several reminders and a filing information notice.

The Compact Office continues to working on a project plan to integrate the state approval process for the specific non-employer group with the approval process for the Compact product. As the Product Standards Committee works on amending group Uniform Standards to accommodate non-employer groups, the Compact is meeting with Compacting States and filers.

The Compact Office, specifically Sara Dubsky and Sarah Neil, are seeking feedback from members and their designated representatives on evaluation of strategic plan deliverables and what should be accomplished in the next strategic plan. If you would like to participate and have not yet been contacted, please follow up with the Compact Office.

Please contact Karen Schutter, Executive Director, Becky McElduff, Director of Product Operations and Chief Counsel, or Sara Dubsky, Assistant Director of Administrative Operations for questions or further information.

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

**Tuesday, June 27, 2023  
3 pm ET / 2 pm CT / 1 pm MT / 12 pm PT**

**Via WebEx**

**AGENDA**

1. **Roll Call**
2. **Report on the DC Compact Roundtable Discussion**

**EXPLANATION:** On May 17, 2023, Commissioners, regulators, state legislators, consumer representatives, state legislators, company and industry representatives, and NAIC and Compact Office staff gathered at the Washington Marriott Capitol Hill in the District of Columbia for a three-hour roundtable discussion. The report will provide an overview of this discussion and key takeaways.

3. **Consideration of Request for Stay of Individual Disability Income Insurance Uniform Standards from the Wyoming Department of Insurance**

**EXPLANATION:** The action item is for the members of the Commission to consider a request from the Wyoming Department of Insurance to stay the effectiveness of the Individual Disability Income Buy-Sell Insurance Policy Standards and Individual Disability Income Key Person Replacement Insurance Uniform Standard adopted on March 24, 2023, while Wyoming pursues a regulation to opt out. The Compact Office received written notice of intent to opt-out by regulation and request for a stay from Wyoming on April 24, 2023. The procedure for opting out by regulation and requesting a stay is outlined in Article VII of the [Compact Statute](#).

4. **Report and Recommendation of the Product Standards Committee and Management Committee Consideration to Adopt the Report and Commence Rulemaking on the PSC Recommendation**

**EXPLANATION:** The Product Standards Committee is bringing forth a recommendation to amend the Single Premium Group Fixed Annuity Contract Standards for Employer Groups to expand the scope to other types of contracts beyond those used in pension risk transfers. The Management Committee will consider action to initiate the rulemaking process for these amendments.

5. **Consent Agenda:** Joint Action Item by the Management Committee and Commission to Adopt the Report of the Rulemaking Committee, the Operational Report of the Executive Director and Minutes of the March 24, 2023, Joint Meeting of the Management Committee and the Commission.

**EXPLANATION:** The action item is to consider adoption by consent the written reports of the Rulemaking Committee and Executive Director and the Minutes of the March 24, 2023, joint meeting.

6. **Any Other Matters**

7. **Adjourn**

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

Commissioner Allan McVey, Treasurer, West Virginia  
Matthew Gendron as a designated representative for Superintendent Elizabeth Kelleher Dwyer, Past President, Rhode Island  
Yada Horace as a designated representative for Commissioner Mark Fowler, Alabama  
Sara Bailey as a designated representative for Director Lori Wing-Heier, Alaska  
Director Barbara Richardson, Arizona  
Jason Lapham as a designated representative for Commissioner Michael Conway, Colorado  
Tanisha Merced as a designated representative for Commissioner Trinidad Navarro, Delaware  
Howard Liebers as a designated representative for Commissioner Karima Woods, District of Columbia  
Kathleen Nakasone as a designated representative for Commissioner Gordon Ito, Hawaii  
Shannon Hohl as a designated representative for Director Dean Cameron, Idaho  
Jeff Varga as a designated representative for Director Dana Popish Severinghaus, Illinois  
Commissioner Doug Ommen, Iowa  
Andria Seip, Iowa  
Julie Holmes as a designated representative for Commissioner Vicki Schmidt, Kansas  
Tom Travis as a designated representative for Commissioner James Donelon, Louisiana  
Acting Superintendent Tim Schott, Maine  
Nour Benchaaboun, as a designated representative for Commissioner Kathleen Birrane, Maryland  
Sheri Cullen as a designated representative for Commissioner Gary Anderson, Massachusetts  
Karen Dennis as a designated representative for Director Anita G. Fox, Michigan  
Tammy Lohman as a designated representative for Commissioner Grace Arnold, Minnesota  
Jo LeDuc as a designated representative for Director Chlora Lindley-Myers, Missouri  
David Dachs as a designated representative for Commissioner Troy Downing  
Superintendent Alice Kane, New Mexico  
Tracy Biehn as a designated representative for Commissioner Mike Causey, North Carolina  
Daniel Bradford as a designated representative for Director Judith French, Ohio  
Kurt Cagle as a designated representative for Commissioner Glen Mulready, Oklahoma  
Laura Bodine as a designated representative for Director Andrew Stolfi, Oregon  
Shannen Logue, as a designated representative for Commissioner Mike Himphreys, Pennsylvania  
Stephanie Cope as a designated representative for Commissioner Carter Lawrence, Tennessee  
Debra Diaz-Lara as a designated representative for Commissioner Cassie Brown, Texas  
Commissioner Jonathan Pike, Utah  
Mary Block as a designated representative for Commissioner Kevin Gaffney, Vermont  
Don Beatty as a designated representative for Commissioner Scott A. White, Virginia  
Ned Gaines, Washington  
Commissioner Mike Kreidler, Washington  
Erin Hunter, West Virginia  
Commissioner Nathan Houdek, Wisconsin  
Commissioner Jeff Rude, Wyoming

**Legislative Committee:**

None in attendance

**Consumer Advisory Committee:**

None in attendance

**Industry Advisory Committee:**

Wayne Mehlman, ACLI

Eric Weinstein, Massachusetts Mutual Life Insurance Company

Sarah Wood, IRI

Joseph Muratore, New York Life Insurance Company

**Insurance Compact Staff in Attendance:**

Karen Schutter, Executive Director

Becky McElduff, Director of Product Operations & Chief Counsel

Sara Dubsky, Assistant Director of Administrative Operations

Joe Bonfitto, Product Reviewer

Mindy Bradford, Product Reviewer

Ed Charbonnier, Product Reviewer

Susan Ezalarab, Regulatory Coordinator Consultant

Karen Givens, Senior Product Reviewer & Manager

Naomi Kloepersmith, Actuary

Sarah Neil, Communications and Outreach Coordinator

Commissioner Allan McVey called to order the meeting of the Joint Management Committee. Ms. Schutter took the roll call of the Management Committee, the members of the Commission, Legislative Committee, and Industry and Consumer Advisory Committees.

Commissioner McVey stated the first action item is to consider Wyoming's request to stay two Uniform Standards adopted by the Commission at its in-person meeting in Louisville and the second action item is to consider moving forward a recommendation from the Product Standards Committee.

Commissioner McVey moved to the first item on the agenda, a report on the DC Compact Roundtable Discussion. Commissioner McVey noted he was not able to attend this one and has heard it was similar to the two held last year in terms of robust discussion and collaborative ideas. Ms. Schutter was asked to provide a summary of the roundtable. Ms. Schutter reported there was a good mix of regulators and Commissioners in attendance for breakout discussions. One discussion was how can we further enhance the current Compact process. The discussions were focused on the scope and speed of the Uniform Standards development. Ideas included to accelerate certain types of amendments, ones that are not controversial or might be based on amendments to model laws and regulations; continuing a subgroup framework; having a more detailed timetable like legislative calendars; and carving out controversial items or issues that are key public policy ones that need Commission-level guidance.

Ms. Schutter noted continuation of the discussion regarding the development of a regulatory review process. She explained that this would be a separate process to review Compact office decisions in the product review operations. During the Roundtable, there were questions and

concerns, especially by insurers on what that would look like in terms of having informal appeals process to look at the Compact office decision. Questions were centered around how that would affect timeliness, confidentiality, and competitiveness. The latter part of the session was devoted to what could be the objective of the Compact's adjunct services. Ms. Schutter reminded everyone this was an idea generated from previous roundtable conversations.

Ms. Schutter reported the adjunct or advisory services objective would be to achieve speed to market uniformity and consistency. For those authorized product lines, the Compact could facilitate a cohesive review of products, not within the uniform standards, rather using the common requirements across all states. There was a discussion to have the Compact serve as an innovation forum for interested states to gain critical mass and avoid duplication. There was wide agreement that the structure of the standards was very fitting for applying some forms of artificial intelligence, machine learning and the review process and the group agreed that the newly formed Adjunct Services Committee, would be a good place to explore these ideas in more detail. SERFF Modernization will provide opportunities for technology improvements and pilot a team, the use of AI within the compact review. Ms. Schutter concluded the summary of the Compact roundtable and opened the floor for any questions.

Commissioner McVey asked if anyone on the call that attended the Roundtable had any comments or any questions regarding the summary that Ms. Schutter provided. Commissioner McVey also announced during the call that the Compact already announced the next roundtable that is going to be held in Omaha, Nebraska on Wednesday October 25<sup>th</sup> the day after the InsurTech on the Silicon Prairie Program that is being offered by the Nebraska Department of Insurance. Further details will be provided during the next meeting.

Commissioner McVey moved to the second item on the agenda, to consider a request from the Wyoming Department of Insurance to stay the effectiveness of the two new Disability Income Uniform Standards adopted on May 1<sup>st</sup>, one for Buy Sell agreements and the other for Key Person plans. Wyoming has followed the procedures to exercise its right to opt out by regulation which is a right of every state in the Compact Statute. Commissioner McVey asked Ms. Schutter to explain the request for the stay procedures that are built into the Compact and its rules as well as further background on Wyoming's request. Ms. Schutter explained that the Compact Statute provides the ability for every state to exercise an opt out either by legislation or regulation. If it is by regulation, there are parameters. If by legislation, it is unfettered. Per the regulation, there is a requirement to provide written notice within ten business days of the standard being promulgated. Wyoming submitted their request to opt out on April 24, 2023.

Since the regulation-making process can take several weeks or months, the drafters of the Compact included the ability to petition the Commission to grant to the Compacting State, pursuing the opt-out, a stay of the effectiveness of the Uniform Standard. A stay avoids the inclusion of the opting-out state in a product filing before the opt-out is perfected. The stay periods are in 90-day increments and can be extended beyond 90 days if affirmatively agreed to by the Commission. In practice, regulation-making opt-outs have taken up to one year, if not longer. For this reason, Wyoming seeks a stay of the effectiveness of these two IDI Standards of up to one year with regular reporting on its progress to the Commission. The Commission has precedent, including when Wyoming opted out of other individual disability income Uniform Standards, of granting a

stay longer than 90 days. Wyoming was granted 120- and 180-day stays in conjunction with that opt-out. Wyoming is opting out of the individual disability income Uniform Standards due to conflicts with state law with respect to pre-existing condition requirements, including look-back and limitation periods with state law.

Commissioner McVey asked if there were any questions before he asked for a motion. Mr. Gendron asked if there would be updates at the in-person meetings? Ms. Schutter responded the Compact Office could provide an update in the reporting to the members every meeting, specifically in the Executive Director's report. Commissioner McVey asked for a motion to grant Wyoming a stay on the Individual Disability Income Buy Sell Insurance Policy Standards and the Individual Disability Income Key Person Replacement Insurance Policy Standards for a period of one year while the Wyoming Department of Insurance pursues its opt out by regulation. Director Richardson made the motion and Commissioner Kreidler seconded the motion. Commissioner McVey conducted a voice vote. The motion carried.

Commissioner McVey moved to the third item on the agenda, report and recommendation of the Product Standards Committee (PSC) and Management Committee Consideration to adopt the Report and Commence Rulemaking on the PSC Recommendation. Commissioner McVey asked Mr. Lapham to provide the report and recommendation. Mr. Lapham provided a summary of the activities of the PSC, The PSC recommended the Management Committee initiate the rulemaking procedure with respect to amendments to the Single Premium Group, Fixed Annuity Contract Uniform Standards for employer groups. The draft amendments were developed in response to a request from the Compact Office to amend the scope of the standard to apply beyond pension risk transfers. The amendments remove the reference to single premium, fixed annuity contracts, adding a definition of pension risk transfers and changing the name of the standard to Group Fixed Annuity Contract Uniform Standards for employer groups. The PSC exposed the draft for public comment and held a public call on April 25<sup>th</sup> to obtain further input. Comments were received from one company filer and as a result of the suggestions from the public call, clarifying revisions were made to the definition of pension risk transfer.

Mr. Lapham provided an additional summary of other activities of the PSC. Mr. Lapham stated that the PSC has two subgroups. The subgroup working on the drafting of the Employer Group Whole Life Uniform Standard completed its work and referred the draft to the PSC. The PSC held two public calls on the Employer Group Whole Life Policy and Certificate Standards and the nine additional associated standards. The PSC is finalizing the drafts and expects to refer them to the Management Committee during the August in-person meeting. The Index-Link Variable Annuity Subgroup continues to meet weekly and held a public call to receive comments on its initial draft in May. The PSC will review suggestions and comments received during the Annual Uniform Standards development comment period – you can find these suggestions on the Compact website's Standards page. Mr. Lapham concluded the report of the PSC and would be happy to answer any questions.

Commissioner McVey stated that only the recommendation was being received and the committee will not be taking any substantive comments at this time. Commissioner McVey then asked if there were any procedural questions before a motion was sought. Hearing none, Commissioner McVey asked for a motion from a member of the Management Committee to receive the recommendation

of the PSC and commence rulemaking for the amendments to the Single Premium Group Fixed Annuity Contract Uniform Standards. Mr. Benchaaboun made the motion and Commissioner Rude seconded the motion. t. A voice vote was conducted and the motion passed.

Commissioner McVey moved to the fourth item on the agenda, to consider adoption by consent the written reports of the Rulemaking Committee and Executive Director, along with the March 24, 2023, Joint Meeting minutes. Director Richardson made a motion and Ms. Logue seconded the motion. Commissioner McVey asked if there were any questions before proceeding to a voice vote of the full commission. The motion passed.

Commissioner McVey proceeded to any other matters and shared the results of the recent electronic vote of the Management Committee on a matter regarding the Executive Director's contract. All members of the Management Committee voted in favor of taking action in lieu of a meeting and all in favor of the proposed compensation item. These results will be reflected in the minutes of this meeting and a matter of information. Commissioner McVey reported the next meeting of the Compact will be in person in Seattle, which is scheduled during the National Meeting on Tuesday, August 15<sup>th</sup> at eight o'clock am PT and there will be a virtual attendance option.

Hearing no other matters to be brought forward, Commissioner McVey asked if there was a motion to adjourn. Mr. Benchaaboun moved to adjourn the meeting and Ms. Logue seconded.

Commissioner McVey adjourned the meeting.