

INTERSTATE INSURANCE  
PRODUCT REGULATION COMMISSION



*States, Strength & Speed Aligned*

**AGENDA**

**MANAGEMENT COMMITTEE**

**Teleconference Meeting**

**Monday, May 21, 2007**

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

Jane Cline, Chair	West Virginia
Linda Watters, Vice Chair	Michigan
Glenn Wilson, Treasurer	Minnesota
John Oxendine	Georgia
Jim Atterholt	Indiana
Nonnie Burnes	Massachusetts
Jim Long	North Carolina
Mary Jo Hudson	Ohio
Kim Holland	Oklahoma
Randy Rohrbaugh	Pennsylvania
Mike Geeslin	Texas
Paulette Thabault	Vermont
Alfred W. Gross	Virginia
Mike Kreidler	Washington

1. Roll Call
2. [Product Standards Committee Report](#)
3. [Rulemaking Committee Report](#)
4. [Consumer Advisory Committee Appointment Process/Consideration](#)
5. [Public Access Rule](#)
6. Any Other Matters
7. Adjourn

**Minutes of the Meeting of the Management Committee of  
The Interstate Insurance Product Regulation Commission (IIPRC)  
Monday, May 21, 2007  
Teleconference**

**Management Committee Members in attendance:**

Commissioner Jane Cline, Chair, West Virginia  
Fran Wallace as a designated representative for Commissioner Linda Watters, Michigan  
Patrick Nelson as a designated representative for Commissioner Glenn Wilson, Minnesota  
Margaret Witten as a designated representative for Commissioner John Oxendine, Georgia  
Carol Cutter as a designated representative for Commissioner Jim Atterholt, Indiana  
Joe Murphy as a designated representative for Commissioner Nonnie Burnes, Massachusetts  
Ted Hamby as a designated representative for Commissioner Jim Long, North Carolina  
Director Mary Jo Hudson, Ohio  
Commissioner Kim Holland, Oklahoma  
Brad Harker as a designated representative for Acting Commissioner Randy Rohrbaugh,  
Pennsylvania  
Ana Smith-Daley as a designated representative for Commissioner Mike Geeslin, Texas  
Commissioner Paulette Thabault, Vermont  
Don Beatty as a designated representative for Commissioner Al Gross, Virginia  
Beth Berendt as a designated representative for Commissioner Mike Kreidler, Washington

**Commission Members in attendance:**

Commissioner Roger Sevigny, New Hampshire  
Shelley Santo, Hawaii

**Regulator Staff in attendance:**

Marlon Burch, Kansas  
Betsy Jerome, Utah  
John Rink, Nebraska  
Michael Ridgeway, Oklahoma  
Shawn Hawk, Tennessee  
Beth Dwyer, Rhode Island  
Brian Pennington, Minnesota  
Tom Record, Maine  
Louis Belo, North Carolina  
Stewart Johnson, North Carolina

**Legislative Committee members in attendance:**

Kevin Horan, NCOIL  
Heather Morton, NCSL  
Susan Nolan, NCOIL

**Consumer Advisory Members in attendance:**

Ryan Wilson, AARP  
Ron Bordelon, Office of Public Insurance Council, Texas  
Brendan Bridgeland, Center for Insurance Research

**Industry Advisory Members in attendance:**

Cande Olson, New York Life  
Julie Miller, AHIP

Michael Gerber, NAIFA  
Gary Sanders, NAIFA IHIA  
Dennis Hershel, Mass Mutual  
Miriam Krol, ACLI  
Nancy Johnson, UNUM

**Interested Parties in attendance:**

Susan Ezalarab, Wisconsin  
Melinda Shepherd, Kentucky  
Nancy Yannuzzi, Penn Mutual  
Ellie Jurado-Nieves – Met Life  
John McBain, Actuarial Resources  
Don Dillard, Florida  
Mary Kozinski, Arizona  
Lynn Espeland, Woodmen of the World  
Tim Ring, Met Life  
Gayle Woods, Oregon  
Josh May, Coventry  
Berine Birnbaum  
Deanne Marino, Ameriprise Financial  
Peg Van Drisse, Ameriprise

**IIPRC Staff:**

Frances Arricale, Executive Director  
Sara Bamford, Administrative Coordinator

**NAIC Staff:**

Becky McElduff, Staff Attorney  
Kay Noonan, NAIC General Counsel  
Karen Schutter, Senior Manager, Business Initiatives

Commissioner Cline started the meeting of the Management Committee of the Interstate Insurance Product Regulation Commission (“IIPRC”).

Moving to the first item on the Agenda, the Report of the Product Standards Committee, Commissioner Cline asked Commissioner Sevigny to provide this report.

Commissioner Sevigny reported that the Product Standards Committee has continued to meet and review the Uniform Standards for individual life insurance products. Commissioner Sevigny continued and stated that the next set of standards to come before the Management Committee will be four Individual Endowment standards in June. Commissioner Sevigny noted that the Committee has scheduled a public meeting from 2 to 5pm in San Francisco in the afternoon after the full Commission meeting and has encouraged all states on the Committee to attend. Commissioner Sevigny noted that the agenda for the meeting includes receiving public comments on several topics: the Endowment standards, the first two (2) Individual Variable Annuity standards and a work place for developing a full list of uniform standards for Appendix A to the product filing rule.

Commissioner Cline asked if there any members of the Management Committee had any comments for Commissioner Sevigny regarding his Report; the Commission; the Legislative

Committee; the interim Consumer Advisory Committee; the Industry Advisory; or any interested parties.

Hearing none, Commissioner Cline asked if there was a motion to adopt the report of the Product Standards Committee. Carol Cutter, from Indiana, motioned and Commissioner Holland, from Oklahoma, seconded the motion. A question was raised as to the details of the Product Standards Committee meeting in San Francisco. Frances Arricale, Executive Director of the IIPRC, responded with the details. Commissioner Cline asked Ms. Arricale to conduct a roll call vote. The motion passed unanimously.

Commissioner Cline moved to the next item of the Agenda, the report of the Rulemaking Committee. Commissioner Cline called upon Commissioner Thabault to provide the report.

Commissioner Thabault reported that Rulemaking Committee had a conference call on April 17 and during this call the committee discussed drafting the rule providing for Conforming Amendments that was brought forth by the Product Standards Committee. Commissioner Thabault reported that three (3) committee members, Ohio, Vermont and Washington volunteered to work on the creating a draft for the full committees review. Commissioner Thabault continued the Report that the Committee discussed which rules and operating procedures are outstanding based on the initial list of rules and operating procedures which the Committee began its work. Commissioner Thabault reported that the outstanding items have been identified and states will be divided into work groups in order to provide drafts in a timely manner to be recommended to the Management Committee.

Commissioner Cline thanked Commissioner Thabault for the Report. Commissioner Cline asked the members of the Management Committee if there were any comments or questions regarding the report; the members of the Commission; the legislative Committee; the Interim Consumer Advisory committee; the Industry Advisory Committee; and all interested parties. Hearing no comments, Commissioner Cline asked if there was a motion to adopt the report of the Rulemaking Committee. Don Beatty, from Virginia, motioned that the report be adopted; Fran Wallace, from Michigan, seconded the motion. Commissioner Cline asked Ms. Arricale to conduct a roll call vote. The motion passed by a unanimous vote.

Commissioner Cline moved to the next item on the Agenda, the Consumer Advisory Committee Process/Consideration. Commissioner Cline reminded the members of the Management Committee that during the March New York City meeting the application process was held open as very few applications had been received since the process was opened in November 2006. Commissioner Cline noted that during this time, the Commission office has received six (6) applications and only three (3) submitted the required full applications as described under the Interim Submission Requirements. Commissioner Cline highlighted that Ms. Arricale has provided background to the members on these applications. Commissioner Cline asked Ms. Arricale to provide a brief summary on each of the three (3) applications.

Ms. Arricale explained that under the Compact Bylaws the IIPRC is to establish a Consumer Advisory Committee consisting of eight (8) Consumer Representatives independent of the insurance industry. Ms. Arricale continued, the Management Committee shall appoint the committee members; and under the interim submission requirements adopted during the December 2006 meeting; there were a number a requirements that were to be submitted with the application. Ms. Arricale explained that out of the six (6) applications received only three (3) of those applications had submitted a full applications. Ms. Arricale named the three (3) applicants. The first is the American Association of Retired Persons (AARP), Mr. Ryan Wilson who is the

Strategic Policy Advisor for the AARP. Ms. Arricale noted that Mr. Wilson has submitted a statement that the Public Policy arm is completely separate from the AARP services for-profit corporation which does market insurance. The second application is for Mr. Rob Bordelon who is the Public Counsel for the Office of Public Insurance Counsel in the State of Texas. The third application is for Mr. Brendan Bridgeland who is the Policy Director and Staff Attorney for the Center for Insurance Research.

Commissioner Cline asked if there were any comments on the process or the applications that Ms. Arricale has reviewed. Director Hudson asked if the Commission office has contacted the three (3) other applicants to see if they would submit complete applications. Ms. Arricale responded that of the other applications, two the individuals were connected to with Industry interests and the third did not have any representation of consumer interest but was an individual consumer. Commissioner Thabault asked what the plans were in filling the other seats. Ms. Arricale replied that the Commission Office had reached out to consumer organizations that were recommended by Oklahoma, issued a press release, posted the information on the web site and have made announcements at the public meetings. Ms. Arricale stated that the Commission Office could devise a plan to continue the outreach until the seats are filled if that is the will of the Management Committee. Ms. Cutter from Indiana asked if there was a timeline in which the Management Committee was obligated to fill the positions on the Committee. Ms. Arricale replied that a deadline was addressed during the March meeting and that was set as April 16. Ms. Arricale continued, the April 16<sup>th</sup> deadline is the deadline in which the Commission office had received these six (6) applications. Ms. Arricale noted that within the Bylaws, there is no specific timeline; but that there are two-year and one-year terms with each annual meeting allowing for turnover and that is the only timeline mentioned in the Bylaws. Ms. Cutter then asked if the seats needed to be filled by the July 1<sup>st</sup> operational timeline. Ms. Arricale replied that there is no specific deadline and that the Commission office has run into an issue with very limited response. Commissioner Thabault stated that she thought it was important to have the seats filled and that maybe the Commission Office should increase the efforts in outreach. Commissioner Cline agreed and stated that if there are individual states that have knowledge of people that are able to serve in this capacity they should provide that information to the Commission Office.

Commissioner Cline asked if there was a motion to appoint these three (3) individuals on behalf of their consumer organizations to serve two-year terms on the Consumer Advisory Committee. Director Hudson, from Ohio, made the motion and Brad Harker, from Pennsylvania, seconded the motion. Commissioner Cline asked Ms. Arricale to conduct a roll call vote. The vote was unanimous. Commissioner Cline congratulated the newly elected Consumer Advisory Committee members.

Birny Birnbaum made remarks regarding the Consumer application process. Mr. Birnbaum noted that there are limited resources that have been made available to the interim consumer advisory committee and that this will have an affect on the applications submitted.

Commissioner Cline asked the members of the Management Committee, based on the discussion and the concerns raised regarding outreach, if there was a motion to recommend additional receipt of applications for the remaining five (5) seats to be approved at the Washington, DC meeting. Commissioner Thabault motioned and Ms. Cutter seconded the motion. Commissioner Cline asked Ms. Arricale to conduct a roll call vote. The motion passed unanimously.

Commissioner Cline proceeded to the next item on the agenda, the Public Access Rule. Commissioner Cline reminded the members of the Management Committee that it was discussed during prior meetings to continue the discussion of the Public Access Rule. Commissioner Cline

also reminded the Management Committee that the Public Access Rule was adopted during the December 2006 meeting and the Commission is currently operating under this Rule.

Commissioner Cline asked Commissioner Thabault to start this discussion. Commissioner Thabault stated that she would refrain from making comments at this time and would prefer to hear comments from other members. Commissioner Cline asked Texas if they had any comments regarding the Public Access rule. Ana Smith-Daley, from Texas, replied that Texas continues to have concerns with openness of the filings and the section of the Rule that addresses pending product filings, disapproved or were withdrawn; and how they could be defined as being subject to trade secret. Texas is concerned that the state allows for more openness as well as other states, concerned about how the rules are drafted and are not as open as those in the state. As this is the case, would like to ask for changes to the rule that would create a more open process. Beth Berendt, from Washington, Washington would echo the concerns raised by Texas; there are very few documents that are not subject to public inspection. Ms. Berendt stated that it is appropriate to have these documents made available for public inspection. Director Hudson stated that Ohio shares the concerns voiced by Texas. Director Hudson continued, the Ohio laws are very similar and they request Section 103 (11) be revisited by the Commission. Ms. Wallace stated that Michigan shares the concerns as well and supports revisiting Section 103 (11). Ms. Cutter stated that Indiana would as well. Commissioner Thabault stated that Vermont would favor looking at the Rule from the transparency perspective and to see if it could be approved upon. Mr. Wilson asked with regard to the definition of the public record and credit scoring methodologies, concerned about the use of credit scoring in insurance rating. Mr. Wilson asked where the ten (10) day period came from in Section 104. Ms. Arricale asked the NAIC Legal staff about the 10 day working period and the origination. Karen Schutter, from the NAIC, replied that the committee thought that 10 working days equals 2 weeks and that is reasonable time to reply.

Mr. Bordelon stated that he supports the openness and that there hasn't been any adverse effect in having any of these things open. Mr. Bordelon thought that it would be more beneficial than hurtful.

Mr. Bridgeland stated that he was very worried and opposed to anything that would undermine the protections that exist currently in the states. Mr. Bridgeland stated that the Rule, as it is written currently, does this. Mr. Bridgeland stated that this was a concern that Florida raised during the November 2006 meeting and would prevent them from joining the Compact. Mr. Bridgeland stated that if this is something that slows the rate of states joining the Compact, then this is something that should be looked at. Mr. Bridgeland supports putting a committee together to review the rule. Mr. Bridgeland stated he did not think that the entire filing should be a trade secret.

Michael Lovendsusky, from the ACLI, stated that the majority of the existing members have found the Rule to be appropriate. Mr. Lovendsusky continued that the Industry Advisory Committee does not think that a company would attempt to protect an entire filing that lacks a genuine trade secret. Mr. Lovendusky noted that the Rule will operate effectively to encourage the companies to use the Commission early and often. Miriam Krol, from the ACLI, commented that pending filings were determined to not be accessible because it was the intent of the Commission to not allow others to review the filing simultaneously. Ms. Krol stated that the industry has serious concerns about the trade secret access within the states and that there is no value to view the filing during the review process. Ms. Krol noted that a filing that has been withdrawn has no value to anyone. Julie Miller, from America's Health Insurance Plan, stated that one of the issues discussed during the November 2006 meeting regarding the access to the pending, disapproved or withdrawn filings was the competitive advantage be protected while the

filing is within the approval process. Ms. Miller noted that the one of the rationales for having the trade secret designation during that process is to protect competition.

Mr. Bordelon stated that the Office of Public Insurance Counsel actually reviews the filings prior to being approved. Mr. Bordelon noted that even though the filings are open, there is a process for the companies to file a trade secret. Mr. Bordelon also noted that companies do abuse these privileges.

Mr. Birnbaum noted that the issue of public access is an issue for consumers not just with the filings, but also other documents such as the interim financing and Services Agreement. Mr. Birnbaum noted that there is zero evidence with regard to the competitive problem as discussed. Mr. Birnbaum noted that there is a problem with the way that the Rule is written in that the certain documents are declared non-public, but that the documents that are potentially public will never see the light of day because of the overly expansive ability to claim trade secret. Mr. Birnbaum noted that he is concerned that the Compact will not allow the consumers to see the product as it is being reviewed and wants to know why this is as he has worked with states in the past and helped them make decisions that are beneficial to the consumers.

Commissioner Thabault made a motion that the Management Committee ask the Rulemaking committee to further analyze the Public Access Rule and come back to the Management Committee with a recommendation. Director Hudson seconded the motion. Commissioner Cline asked if there were was further discussion. Hearing none, Commissioner Cline asked Ms. Arricale to conduct a Roll Call vote. The motion passed unanimously.

Commissioner Cline moved to the next Agenda item, Any Other Matters. Commissioner Cline provided some information as to how the Compact will proceed going further with meetings scheduled for this week. Commissioner Cline noted that the Product Filing Rule is still under consideration and it was approved by the Management Committee with provisions for "Mix and Match" on April 23 and was sent to the Commission to consider for adoption on May 25. Commissioner Cline noted that Pennsylvania and Washington have submitted proposed amendments to the Rule to be considered. Commissioner Cline advised the Committee that Ms. Arricale has consulted with the NAIC Legal department on this matter. Commissioner Cline noted that NAIC Legal has advised that a Motion for Reconsideration of the Product Filing Rule may be made during the May 25 Commission Meeting which would forward the Rule back to the Management Committee in order to consider the Pennsylvania and Washington amendments and vote on such. Commissioner Cline further explained that since the Management Committee is already scheduled on June 1, the Rule may be taken up for consideration at this time without losing much time on the schedule for final consideration of the rule.

Commissioner Cline asked if there were any other matters for the meeting today. Mr. Lovendusky asked if the Service Agreement will be provided to the advisory committees and the legislative committee for evaluation. Commissioner Cline asked Ms. Arricale to address this request. Ms. Arricale responded that, in terms of the pending agreements with the NAIC for the Line of Credit and the Services Agreement, the intent to conclude these agreements have been out in the public forum for a number of months as these propose how the Commission would continue through its start-up. Ms. Arricale noted that these agreements are currently being negotiated between the two parties and at the March meeting in New York the Management Committee asked the Finance Committee to review the proposed agreements and provide a recommendation to the Management Committee. Ms. Arricale noted that the Commission is currently working with the outside counsel, Kelly Drye, in finalizing the agreements. Ms. Arricale explained that the agreements are still being negotiated and reviewed by outside counsel.

The Commission has released the proposed terms in order to meet the obligations to engage public comment on the intended relationship between the NAIC and the Commission. Ms. Arricale noted that the recommendation has not been forwarded to the Management Committee and as such it is the proposed recommendation by the Finance Committee which was charged to undertake this analysis. Ms. Arricale noted that under the Public Access Rule, the agreements will be available once they are signed by both entities. Mr. Birnbaum commented that if there is a recommendation, then the documents should be made available for public comment. Mr. Lovendusky commented that the ACLI does have questions regarding the structural relationship between the Commission and the NAIC that are important to understand that may be determined by the Services Agreement. Mr. Lovendusky noted that the members of the ACLI are extremely interested in knowing who the filing examiners are going to be and they think that this information may be found in the Services Agreement. Mr. Lovendusky noted that this is an example of structural issues that the ACLI is interested in learning. Commissioner Cline replied that with respect to the review process, it is the intent of the Commission to have staff. Commissioner Cline recommended that if there are specific questions like that, they should be submitted in writing to the Commission office so that they may be reviewed. Commissioner Cline asked Ms. Arricale to provide further comments. Ms. Arricale noted that the Commission is in the process of reviewing potential reviewers. Ms. Arricale also noted that the Management Committee has not received the recommendation from the Finance Committee as the Committee is still reviewing. Ms. Arricale also noted that the Finance Committee has an open call on May 30 to receive comments on the Services Agreement and that is where the Commission is engaging public input.

Commissioner Cline asked if there were any further comments. Hearing none, Commissioner Cline asked if there was a motion to adjourn. Ms. Wallace motioned to adjourn and Ms. Cutter seconded the motion. The meeting adjourned after a unanimous voice vote.