

**Minutes of the Meeting of  
The Interstate Insurance Product Regulation Commission (IIPRC)  
Friday, March 9, 2007  
Hilton New York  
New York City, NY**

**Commission Members in attendance:**

Commissioner Jane Cline, Chair, West Virginia  
Commissioner Glenn Wilson, Treasurer, Minnesota  
Director Linda Hall, Alaska  
Commissioner Marcy Morrison, Colorado  
Margaret Witten as designated representative for Commissioner John Oxendine, Georgia  
Shelley Santo, Special Designee Hawaii  
Director Jim Atterholt, Indiana  
Commissioner Susan Voss, Iowa  
Director William Deal, Idaho  
Commissioner Sandy Praeger, Kansas  
Director Julie McPeak, Kentucky  
Commissioner Steven Orr, Maryland  
Joe Murphy as designated representative for Commissioner Nonnie Burns, Massachusetts  
Acting Superintendent Eric Cioppa, Maine  
Commissioner Linda Watters, Michigan  
Director Tim Wagner, Nebraska  
Commissioner Roger Sevigny, New Hampshire  
Commissioner Jim Long, North Carolina  
Director Mary Jo Hudson, Ohio  
Commissioner Kim Holland, Oklahoma  
Acting Commissioner Randy Rohrbaugh, Pennsylvania  
Lelia Alvarado as designated representative for Commissioner Dorelisse Juarabe Jiménez, Puerto Rico  
Superintendent Joseph Torti, Rhode Island  
Sara Waitt as designated representative for Commissioner Mike Geeslin, Texas  
Commissioner Kent Michie, Utah  
Commissioner Paulette Thabault, Vermont  
Don Beatty as designated representative for Commissioner Al Gross, Virginia  
Commissioner Mike Kreidler, Washington  
Beth Berendt, Washington  
Jim Mitchell as designated representative for Commissioner Ken Vines, Wyoming

**Regulator Staff in attendance:**

Doug Anderson, Ohio  
Peg Ising, Ohio  
Phil Keller, Vermont  
Herb Olson, Vermont

**IIPRC Office Present:**

Frances Arricale, Executive Director  
Sara Bamford, Administrative Coordinator

**NAIC Staff Present:**

Karen Schutter, Senior Manager, Business Initiatives

Kay Noonan, General Counsel  
Becky McElduff, Staff Attorney  
Ryan Workman, Staff Attorney  
Julie Fritz, Director - SERFF

Commissioner Cline called the meeting of the Interstate Insurance Product Regulation Commission (IIPRC) to order. Commissioner Cline reported that after the reports of the Committees, there will be a discussion on "Mix and Match".

Commissioner Cline then made the report of the Management Committee: The Management Committee heard brief remarks from the Legislative Committee. State Representative Brian Patrick Kennedy from Rhode Island for the Legislative Committee provided comments on continued oversight. The Committee also heard an update on Legislative activity as it pertains to the Commission, provided by the Executive Director, Frances Arricale. The Management Committee approved the final committee structure for the Commission to include the subcommittees and the Industry Advisory Committee. The Consumer Advisory committee application process was reviewed and the application deadline was extended to April 16. Ms. Arricale advised the Committee on the law firm retained as outside counsel to review the corporate structure and tax code as well as advise on the ethics code for the Commission. The Committee was advised that the audit and the Annual Report were in progress; as well as the filing fee structure. At the request of a few members of the Commission, a discussion on the Public Access Rule will be scheduled. At the end of the meeting, the Committee issued four (4) Uniform Standards and two (2) Operating Procedures for public comment.

Commissioner Cline called upon Commissioner Kent Michie (UT) to report on the Audit Committee. Commissioner Michie reported on the pending annual 2006 audit. Mr. Michie notified the Commission that the 2006 audit is still pending due to two reasons. The first, the auditors requested legal counsel on the tax status of the Commission. The second, the auditors need to have copies of all the minutes from Commission meetings. Both issues are structural and are currently the staff of the Compact is working address them. Commissioner Michie informed the Commission that until the two issues are resolved, the audit will remain open. Mr. Michie also mentioned that the time frame for resolution is April and the final Audit Report will be included in the Annual Report. A motion was made, seconded and then the report was approved and adopted by a unanimous voice vote.

Commissioner Cline called upon Director Wagner (NE) to make the report of the Finance Committee. Director Wagner reported that the 2007 Operating Budget for the Compact was adopted without amendment. Mr. Wagner stated that the filing fee structure is still under review. Mr. Wagner recommended that Ms. Arricale be charged with developing a proposal for the Commission's filing fee structure and to submit it to the Finance Committee for review and comment. Mr. Wagner reported that the same proposal will be sent to the Technology Committee simultaneously for review due to the involvement of SERFF. Mr. Wagner told the Commission that the intent of the Finance Committee was to have a filing fees structure before the Management Committee by May. Commissioner Cline interjected that two motions were needed, one to adopt the report and then one for the Filing Fee recommendation.

Director Wagner then reported on the NAIC Line of Credit proposal. Mr. Wagner reported that upon the final approval of the Line of Credit by the EX1 Committee at the NAIC, it be forwarded to the Finance Committee for review and final recommendation to the Management Committee.

Director Wagner made a motion to have this recommendation for the filing fees adopted; there was a second to the motion. Commissioner Cline then asked if there were any further comments regarding the filing fees. Michael Lovendusky, member of the Industry Advisory Committee, inquired when the discussion and deliberation about the filing fee structure would be made to available to the public. Director Wagner replied that there was not a proposal for the fee structure and that once it was in created, the public would be able to see it and make comments on the proposal before it was adopted and approved. In further comments, Commissioner Michie stated that he thought the monies from the NAIC should be a grant and not a line of credit. Director Wagner responded that this was not unusual and that the NAIC will have an arms-length relationship with the Commission. With no further comments, the recommendation was approved and adopted by a unanimous voice vote. Director Wagner made a motion to have this report adopted; there was a second to the motion. The motion was adopted with a unanimous voice vote.

Commissioner Cline called upon Commissioner Thabault (VT) to make a report of the Rulemaking Committee. Commissioner Thabault reported that the Commission has adopted three new Operating Procedures. Ms. Thabault also reported that the Committee held a public call in which two new Operating Procedures were commented upon and finalized. At the Management Committee Meeting the two previously mentioned Operating Procedures were approved and issued for a 60-day notice and comment period pursuant to the Rulemaking Process of the Commission. Commissioner Thabault reported that the Industry Advisory Committee has requested further information from the Rulemaking committee on its recommendation to the Management Committee on the "Mix and Match" issue. Ms. Thabault reported that such information was made available. Commissioner Thabault then made a motion to have the report adopted; the motion was seconded. The report was approved and adopted by a unanimous voice vote.

Commissioner Cline called upon Commissioner Sevigny (NH) to make a report of the Product Standards Committee. Commissioner Sevigny reported that the Product Standards Committee has been busy. The Commission has adopted 14 Uniform Standards, has reviewed and forwarded 8 sets of standards to the Management Committee and is now reviewing 2 additional sets of standards. The 8 standards are now available for comment under the Rulemaking Rule. Mr. Sevigny reported that the Committee has embarked on a schedule of additional public meetings to provide more opportunity for input from interested parties. Commissioner Sevigny reported that the Committee will move on to a group of variable annuity standards in accordance with the order of standards proposed by the Industry Advisory Committee. Mr. Sevigny reported that the Committee is on schedule with the timeline proposed for this year as it continues to draw on the wealth of work provided by the NAIC working group over the past few years. Commissioner Sevigny motioned for the reported to be adopted; there was a second to the motion. The report was approved and adopted by a unanimous voice vote.

Commissioner Cline called upon Commissioner Mary Jo Hudson (OH) to make a report of the Technology Committee. Commissioner Hudson reported that the Technology committee has not met since November 2006 as all current business requirements for SERFF having been identified and approved by the Management Committee. Commissioner Hudson then went on to provide a summary of changes made to SERFF as it pertains to the Commission. Changes were made in the area of: setup; state access; create a compact filing; EFT; extended filing; public access; reports; and SAPI. SERFF version v5.1 is scheduled to be released at the end of March. In this version, there will be changes implemented to accept product filings for the Commission. Additional changes will be necessary before the targeted June 2007 date to begin filing operations. With regard to the Public Access, all filings will be guided by the Public Access

Rule of the Compact. There was a motion made to have the report adopted; it was seconded. The report was adopted and approved by unanimous voice vote.

Commissioner Cline called upon Commissioner Orr (MD) to make a report of the Communications Committee. Commissioner Orr reported that the Communications Committee is charged with overseeing the web site as the main communication platform, as well as any other public communications, including the Press Kits and marketing materials. Mr. Orr reported updates to the web site have been made to make it more user friendly. All updates conform to the requirements set by the Bylaws. Commissioner Orr reported on the recent updates to the press kits as well as the introduction of the "News Flash" as the latest means of highlighting the accomplishments and developments of the Commission. Mr. Orr highlighted that the Communications Committee will continue to make improvements to the website throughout 2007 as well as new approaches to reaching out to all parties involved in the Commission. There was a motion to have the report adopted; there was a second to the motion. The report was adopted by unanimous voice vote.

After the reports of the Commission's committees, Commissioner Cline asked if there were any outstanding matters from the February 28<sup>th</sup> Commission Teleconference meeting. At this point in time, an inquiry was made as to how far along the Product Standards committee was in their work. Commissioner Sevigny responded that the committee still has an incredible amount of work to be done. Commissioner Sevigny estimated that the Committee was about 10% done with the amount of work that needs to be completed. Commissioner Cline asked again if there were any other comments before moving on to the discussion of "Mix and Match". There were no further comments.

Commissioner Cline then opened the discussion on "Mix and Match". Commissioner Cline remarked that the purpose of having this discussion before the full Commission was so that all may be able to participate. Commissioner Cline informed the group that any proposals regarding amendments to the Operating Procedure will be addressed during the next regularly scheduled Management Committee call on March 26<sup>th</sup>. Commissioner Cline then turned to the Industry Advisory Committee to make the first remarks. Michael Lovendusky, Cande Olsen, Nancy Johnson, Steve Buhr, Dennis Hershel and Tim Ring made comments on behalf of the Industry Advisory Committee. All who provided remarks emphasized the importance of being able to mix components of the Commission with those of the States. It was the consensus of the speakers, in order to truly make the Commission operational and effective, with regards to being streamlined, the industry should be able to file products that were mixed and matched, so long as all the components were approved.

After the Industry Advisory Committee members made their remarks, Ohio and Vermont were called upon to explain their proposal. Doug Anderson and Peg Ising spoke on behalf of Ohio. Herb Olson and Phil Keller spoke on behalf of Vermont. The Rule Committee originally assigned the writing of this rule to Ohio and Vermont. It is believed that there are two (2) issues with the rule. The first being a technical issue regarding the filing of the products and making sure that the fees are remitted to the states properly as product filings are filed. The second is substantive and has three components: does the Commission have the authority to authorize such a combination of products? What will the states need to ensure that there are no conflicts between the two (2) components when the products are filed? If the Commission does file a product that creates a conflict, what law, either State or the Commission, governs? The revisions that Ohio and Vermont made to the draft Rule address these concerns. They also proposed that "Mix and Match" only be allowed to be used for two (2) years. The reason being is to allow

time for the Uniform Standards to be put in place and to ensure there would be a full complement of Standards for the Industry to use.

After Ohio and Vermont's remarks, Commissioner Cline opened the floor to the rest of the Commission Members for comments. Commissioner Sevigny reminded the members present that as consumer protectors, we need to be mindful as we move forward.

Commissioner Watters remarked that there is a need for "Mix and Match". Commissioner Watters would like to get more input from the industry regarding the two year deadline. Ms. Watters further remarked that the purpose of the Commission was not to provide additional burden, but more flexibility for the industry.

Commissioner Michie remarked he was very impressed with the comments made by the Industry Advisory Committee and the whole purpose of the Commission is to make things more accessible and faster for the Industry. He addressed the concern that Herb Olson raised about whose law governs. With regards to this, Commissioner Michie stated that the Compact law governs and asked that we get outside counsel to opine about this issue.

Director Mary Jo Hudson pointed out that Ohio and Vermont's proposal is a very reasonable and well thought out suggestion. Director Hudson remarked that there are and will be enough Standards in existence to phase in and use the Commission on a more robust basis.

Director Wagner expressed concern about the two (2) year time frame and about what the Industry's position might be. With regards to generating income for the Commission, the issue of "Mix and Match" is significant. The number of filings are going to be significantly reduced. Is there a way that the Industry would be sympathetic to pricing scales? Director Wagner is greatly concerned by the affect "Mix and Match" will have on the revenue for the Commission and repaying the loan to the NAIC.

Ms. Beth Berendt, from the State of Washington, expressed that Washington has two (2) substantial issues with "Mix and Match". It is believed that the State of Washington would not have the authority to govern should a conflict arise due to their minimum non-forfeiture law. Ms. Berendt raised concern that products would be used that do not meet all the proper requirements and put the consumers in jeopardy.

Mr. Lovendusky remarked on Director Wagner's comments about the fees. Mr. Lovendusky pointed out that should the Commission not allow "Mix and Match" to take place, then the Industry will not be able to file with the Commission and there will be no revenue generated.

Commissioner Cline reminded the Commission that the room would be available for an extra hour after the meeting adjourns and that the conversation had to stop in order to finish all the business on the Agenda for the day. At this point in time, she asked that the Commission move on to the Vacancy Elections for Chair and Vice Chair. Commissioner Cline asked Ms. Arricale to explain the election procedures. After explaining such, Ms. Arricale then asked Commissioner Wilson take charge over the elections. He opened the floor for nominations. Commissioner Cline was nominated by Commissioner Sandy Praeger (KS) and there was a second to the nomination for the position of Chair. Commissioner Wilson asked if there were any other nominations, hearing none, the Commissioner then asked if there was a resolution for unanimous ballot. Commissioner Thabault motioned and Commissioner Praeger seconded the motion for a resolution for unanimous ballot. Commissioner Cline was unanimously elected by voice vote for the position of Chair. Commissioner Wilson then opened the floor for

nominations for the position of Vice Chair. Commissioner Michie nominated Commissioner Linda Watters for the position of Vice Chair. There was a second to the nomination. There was a resolution for the unanimous ballot offered by Director Wagner and seconded by Commissioner Jim Atterholt. Commissioner Watters was elected Vice Chair by unanimous voice vote.

Commissioner Cline thanked all the members and staff for attending the meeting. Ms. Cline made special thanks to the NAIC interim staff for all of their hard work. Commissioner Cline then called upon the Members of the Committee for any further business. None was brought forward. The meeting adjourned after a motion by Director Hudson to conclude the meeting; the motion was seconded. A unanimous voice vote ended the meeting.