



MEETING OF THE
INTERSTATE INSURANCE PRODUCT
REGULATION COMMISSION (IIPRC)

Friday, March 28, 2008

Gaylord Palms Resort & Convention Center

6000 W. Osceola Parkway

Kissimmee, Florida 34746

Meeting Room: Osceola A- Ballroom Level

3:00pm – 4:00pm ET

1. Roll Call
2. **Report of the Management Committee and Consider Adoption of Report**
3. **Report of the Audit Committee and Consider Adoption of Report of Audit Committee**
4. **Consider Adoption of Operating Procedures approved by the Management Committee on February 25, 2008**
5. **Consider Adoption of Uniform Standards approved by the Management Committee on February 25, 2008**
6. **Consider Adoption of Proposed Code of Ethics**
7. **Consider Adoption of Commission Meeting Minutes**
8. Any Other Matters
9. Adjourn

**Minutes of the Meeting of
The Interstate Insurance Product Regulation Commission (IIPRC)
March 28, 2008**

Members of the Commission in Attendance:

Commissioner Jane Cline, Chair, West Virginia
Director Mary Jo Hudson, Vice Chair, Ohio
Manny Munson-Regala as a designated representative for Commissioner Glenn Wilson, Treasurer, Minnesota
Director Linda Hall, Alaska
John Postolowski as a designated representative for Commissioner Marcy Morrison, Colorado
Margaret Witten as a designated representative for Commissioner John Oxendine, Georgia
Shelley Santo, Hawaii via teleconference
Carol Mihalik as a designated representative for Commissioner Jim Atterholt, Indiana
Jerry Wickersham as a designated representative for Commissioner Susan Voss, Iowa
Director William Deal, Idaho
Malinda Shepherd as a designated representative for Acting Director John Burkholder, Kentucky via teleconference
Joe Murphy as a designated representative for Commissioner Nonnie Burnes, Massachusetts
Superintendent Mila Kofman, Maine
Fran Wallace as a designated representative for Acting Commissioner Kenneth Ross, Michigan
Bruce Ramage as a designated representative for Director Ann Frohman, Nebraska via teleconference
Commissioner Roger Sevigny, New Hampshire
Stewart Johnson as a designated representative for Commissioner Jim Long, North Carolina
Commissioner Kim Holland, Oklahoma
Acting Commissioner Joel Ario, Pennsylvania
Sol Gisela Marrero as a designated representative for Commissioner Dorelisse Juarbe Jimenez, Puerto Rico
Elizabeth Dwyer as a designated representative for Superintendent Joe Torti, Rhode Island
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Commissioner Kent Michie, Utah
Commissioner Paulette Thabault, Vermont
Don Beatty as a designated representative for Commissioner Al Gross, Virginia
Pat McNaughton as a designated representative for Commissioner Mike Kreidler, Washington
Commissioner Sean Dilweg, Wisconsin
Commissioner Ken Vines, Wyoming

Legislative Committee Members in Attendance:

Representative Robert Damron, KY
Senator Delores Kelley, MD
Representative Brian Patrick Kennedy, RI
Susan Nolan, NCOIL
Mike Humphreys, NCOIL

Industry Advisory Committee Members in Attendance

Michael Lovendusky, ACLI
Miriam Krol, ACLI
Cande Olsen, Actuarial Resources for ACLI
Nancy Johnson, UNUM
Michael Gerber, NAIFA
Dennis Herchel, Mass Mutual
Gary Sanders, NAIFA
Tom English, New York Life
Amanda Mathison, AHIP

Consumer Advisory Committee Members in Attendance:

Ryan Wilson, AARP
Rod Bordelon, Texas Office of the Public Insurance Counsel
Brendan Bridgeland, Center for Insurance Research

Regulator Staff in Attendance:

Brian Pennington, Minnesota
Malinda Shepherd, Kentucky
Chris Doane, Pennsylvania
Tom Whalen, Kansas
Betsy Jerome, Utah
Brian Hoffmeister, Tennessee
Tomas Serbinowski, Utah
Christie Brown, Ohio
John Rink, Nebraska
Katie Campbell, Alaska
Michael Ridgeway, Oklahoma
Carol Cutter, Indiana
Susan Ezalarab, Wisconsin

Interested Regulator Staff in Attendance:

Jerry Smith, Florida
Mary Kosinski, Arizona
Gail Keren, New York
Michael Bell, South Carolina

Interested Parties in Attendance:

Rochelle Letourneau, Ameriprise
Bonnie Shadid, Combined Insurance
John McBain, Actuarial Resources
Joe Muratore, New York Life

Participants via Teleconference:

Krista Wall, Allianz Life
Lori Mischan, Wyoming
Becky McElduff, NAIC Senior Counsel
Betsy Jerome, Utah
Tomasz Serbinowski, Utah
Jim Wenzel, Texas Attorney General Office
Joe Muratore, New York Life
Carol Mayer, New York Life
Brad Tibbits, Utah
Rod Bordelon, Texas Office of Public Insurance Counsel

IIPRC Staff in Attendance:

Frances Arricale, Executive Director
Sara Bamford, Operations Manager
David Morris, Product Review Consultant
Charles Rapacciuolo, Development Consultant
Alice Fontaine, Fontaine Consulting, Actuarial Contract

NAIC Staff in Attendance:

Kay Noonan, General Counsel
Kara Binderup, Staff Attorney
Karen Schutter, Senior Strategic Initiatives Counsel

Commissioner Cline called the meeting of the Interstate Insurance Product Regulation to order. Commissioner Cline started with the first item on the Agenda, the Report of the Management Committee. Commissioner Cline reported that the Management Committee met with the Legislative Committee to hear their concerns and recommendations. Commissioner Cline noted that it was during this meeting that a legislative update was provided. Commissioner Cline reported that there was a report of the Finance Committee. Commissioner Wilson provided this report and reported that the Commission operated in a very cost-efficient manner during 2007 with expenses at 43% under budget. Commissioner Cline noted that Director Hudson provided a report of the Technology Committee. Director Hudson reported that the Commission Office will undertake a 'Technology Needs Assessment' to forecast the technology needs on SERFF and for the Commission office for the next three (3) years. Commissioner Cline noted that there was a report of the Rulemaking Committee provided by Commissioner Thabault. Commissioner Thabault reported that the Rulemaking Committee reported on the ongoing Work Agenda which was publicly distributed. Commissioner Cline noted that the Management Committee approved the recommendation of the Rulemaking Committee to initiate the public comment period on the proposed amendment to Section 115 of the Rulemaking Rule. Commissioner Cline reported that Commissioner Holland provided a report of the Communications Committee. Commissioner Holland provided a brief outline of the active outreach efforts to encourage more states to join the Compact as well as the marketing efforts that were undertaken by the Commission Office to encourage insurers to file with the Compact. Commissioner Cline noted that Commissioner Sevigny provided a brief report on the Product Standards Committee. Commissioner Sevigny reported on the ongoing work on the issue of annuity nonforfeiture in the standards as well as plans to clarify the actuarial requirements in the standards which will be reviewed with the public shortly. Commissioner Sevigny also reported that there have been some operational upgrades made to the filings under the Uniform Standards to include a numbering system. Commissioner Cline reported that the Management Committee adopted the recommendation of the Product Standards Committee to follow the Work Agenda of the Uniform Standards Priority List compiled by the Commission Office in consultation with the Members and Interested Parties. Commissioner Cline noted that this will form the schedule the standard-setting work and will be submitted to the NAIC National Standards Working Group as the indication of the Work Agenda at the Commission. Commissioner Cline reported that the proposed Code of Ethics was approved by the Management Committee. Commissioner Cline noted that the Management Committee approved the nomination and appointed Mr. James Wenzel, of the Texas State Attorney General's Office, to the Consumer Advisory Committee. Commissioner Cline noted that Mr. Wenzel's appointment makes him the fifth Consumer Advisory Representative. Commissioner Cline reported that additional sets of meeting minutes were adopted by the Management Committee. Those will be posted the web site. Commissioner Cline highlighted that Frances Arricale, IIPRC Executive Director, provided a brief operational update that reviewed the current filing statistics for the Commission. Commissioner Cline also reported that Ms. Arricale introduced the newest members of the Commission Office – Charlie Rapacciuolo, David Morris, and Alice Fontaine. Commissioner Cline concluded her report of the Management Committee.

Commissioner Cline asked if there was a motion to adopt the report of the Management Committee. Director William Deal, from Idaho, made the motion and Commissioner Jim Long, from North Carolina, seconded the motion. The report was adopted by unanimous roll call vote.

Ms. Arricale provided further explanation on the issue that Michael Lovendusky, of the Industry Advisory Committee, raised with regard to the nomination and appointment of Mr. Wenzel to the Consumer Advisory Committee. Ms. Arricale noted that the Statute and Bylaws provide the requirements for the Consumer Advisory Committee.

Commissioner Cline proceeded to the next item on the Agenda, the report of the Audit Committee. Commissioner Cline called upon Commissioner Michie to make this report.

Commissioner Michie remarked, with regard to the Legislative comments provided during the Management Committee meeting, that the IIPRC is an independent governmental entity that is empowered by the Legislatures of the 31 Member States that have become members of the Compact. Commissioner Michie noted that the Commission does need to act as independent entity. Commissioner Michie reported that 2007 Audit has been completed. Commissioner Michie reported that the Commission has received a clean audit opinion from Mayer Hoffman and McCann (MHM). Commissioner Michie noted that there was a representative of MHM present along with Brady Kelly to provide a brief summary of the findings of the audit. Commissioner Michie reviewed the processes that were undertaken by the IIPRC Audit Committee for the 2007 Audit. Commissioner Michie reported that the Audit Report will be made available to all on the web site and in the Annual Report. Commissioner Michie introduced Jeff Karlstad from MHM. Mr. Karlstad provided a brief summary of the audit findings for the Commission.

Commissioner Cline asked if there were any questions for Commissioner Michie or Mr. Karlstad. Mr. Lovendusky asked for the purpose of clarification that MHM was the independent auditor for the IIPRC and the independent auditor for the NAIC. Mr. Karlstad replied that Mr. Lovendusky was correct. Mr. Lovendusky then asked noted that the IIPRC relies on the NAIC for the provision of services which are executed pursuant to the Services Agreement between the two organizations. Mr. Karlstad replied that Mr. Lovendusky was correct. Mr. Lovendusky then asked if MHM was independently auditing both sides of the transaction with regard to the Services Agreement. Mr. Karlstad noted that Mr. Lovendusky was correct. Mr. Lovendusky then asked if it was unusual for an auditor to audit both sides of similar transactions. Mr. Karlstad replied that it was not unusual practice.

Commissioner Cline asked if there was a motion to adopt the report of the Audit Committee. Commissioner Michie made the motion and Commissioner Roger Sevigny, from New Hampshire, seconded the motion. The report was adopted by unanimous voice vote.

Commissioner Cline proceeded to the next item on the Agenda, the adoption of Operating Procedures which were approved by the Management Committee on February 25, 2008. Commissioner Cline called on Commissioner Paulette Thabault, from Vermont, to provide a brief summary of the Operating Procedures. Commissioner Thabault noted that the Operating Procedures to be adopted were the Operating Procedure Regarding Dissolution of the Compact, Termination of Participation in the Compact, and the Winding Up of the Commission's Operations and the Operating Procedure for Providing Notice of Opt Out of Uniform Standard by Regulation and for Submission and Consideration of Petitions for Stay of Uniform Standard. Commissioner Thabault provided a brief summary on the two (2) Operating Procedures. Commissioner Cline asked if there was a motion to adopt the two (2) Operating Procedures. Commissioner Sevigny made the motion and Commissioner Long made the second. The Operating Procedures were adopted by unanimous voice vote.

Commissioner Cline moved to the next item on the Agenda, the adoption of Uniform Standards approved by the Management Committee on February 25, 2008. Commissioner Cline called on Commissioner Sevigny to advise the Commission on the Standards to be considered. Commissioner Sevigny noted that the standards to be adopted were approved during the Management Committee Teleconference meeting on February 25, 2008. The first is the core Individual Deferred Variable Annuity Contract Standards. Commissioner Sevigny provided a brief summary of the Annuity Contract Standards. Commissioner Sevigny made a motion to adopt the Annuity Contract Standards

as they were approved by the Management Committee to include the revisions recommended by the Industry Advisory Committee. Commissioner Long seconded the motion. Commissioner Cline asked if there were any comments. Cande Olson, from Actuarial Resources on behalf of the ACLI, noted that in the Annuity Standards, there is a component similar to the Non-Variable Annuity Standards present in these Annuity Contract Standards. Ms. Olson stated that as such, the Commission may want to postpone the adoption of the standards for further review. Commissioner Sevigny, in an effort to make sure that the standards are of the highest caliber, withdrew his motion to adopt the standards and recommended that the standards be returned to the Product Standards Committee for further review.

Commissioner Sevigny continued with his report and noted that the next standard to be considered for adoption was the Mortality Table Change Standards which were approved during the February 25, 2008 Management Committee meeting. Commissioner Sevigny noted that the Industry Advisory Committee requested further information as to whether or not Appendix A would be amended to allow the Mortality Table Change Standards to be used with the so-called "mix and match" process. Commissioner Sevigny highlighted that the Product Standards Committee provided a memo with the advance materials to address this issue. In this memo, the Committee reiterated its support for the exclusion of these standards from "mix and match" because such a change represents a critical substantive amendment of a state-approved form, which outside of the "mix and match" concept. Commissioner Sevigny reminded the Commission that mix and match was a way to supplement or combine with state-approved forms using the efficiencies offered by the Commission. Commissioner Sevigny noted that the Product Standards Committee's principal concern that mix and match should not be used to substantively amend, as opposed to add to, state approved forms has been noted since the discussion on the Mortality Table Change Standards began. Commissioner Sevigny highlighted the appreciation of the Industry's work in accelerating the drafting and support of the standards, but the recognition that the mortality table can only be changed by the use of replacement pages further cemented the Product Standards Committee's decision to exclude such filings from Appendix A. Commissioner Sevigny, as the Chair of the Product Standards Committee, rejected the notion that the fundamental concerns of the Product Standards Committee about the appropriate use of the mix and match process have not been vetted or were in some way concealed. Commissioner Sevigny noted that the Product Standards Committee is obligated to critically consider the impact of Commission standards on state-approved products and it is unrealistic to believe the development and approval of new standards necessarily extends that approval to the mix and match process. Commissioner Sevigny concluded his comments, the Product Standards Committee believes that these standards should be adopted as proposed because they may prove to be useful to Commission filers in the future.

Ms. Krol commented on behalf of the Industry Advisory Committee. Ms. Krol requested an additional review of the issue by the Product Standards Committee. Ms. Krol noted that with further discussion that some of these issues could be resolved. Ms. Krol noted that there were a few companies that were waiting for the adoption of the Mortality Table Change Standards to file their CSO Table changes and with the additional review, it would prove to be beneficial to the Commission. Ms. Krol noted that the Industry Advisory Committee feels that they have not had the chance to fully comment with regard to the issues identified by the Product Standards Committee. Ms. Arricale noted that the processes that the Commission follows are different than the processes of the NAIC National Standards Working Group. Ms. Arricale noted that the standards are introduced during a Public Call of the Product Standards Committee and that there is ample time to comment. Ana Smith-Daley, from Texas, commented that the Mortality Table Change Standards as proposed by the Product Standards Committee can still be used for IIPRC forms. Ms. Smith-Daley noted that the thinking of the Product Standards Committee with regard to the consumer who has a policy that states one thing and then a rider, amendment or endorsement that states another poses a problem. Ms. Smith-Daley noted that another problem the Product Standards Committee expressed was the state having an approved form

and then the Commission having pages for that form. Ms. Smith-Daley noted that the complete form needed to be in one place or another. Ms. Krol noted that if a company were to file with the Commission, they would include the new Mortality Table and not need these standards. Commissioner Sevigny suggested that these standards are moved along and at the same time the Commission ask the Product Standards Committee to revisit the issue and if any amendments need to be made, they are considered. Commissioner Cline recognized that Commissioner Sevigny made the motion and Ms. Smith-Daley seconded the motion. Commissioner Cline noted that there was a Public Hearing on these standards on February 25 with ample opportunity to provide comments. Commissioner Cline asked Ms. Arricale to conduct a Roll Call vote. The motion was adopted by unanimous vote.

Commissioner Cline moved to the next item on the Agenda, consider adoption of the Proposed Code of Ethics. Commissioner Cline asked Ms. Arricale to provide a review for the Commission on the Proposed Code of Ethics. Ms. Arricale noted that the Management Committee has approved the proposed Code of Ethics as amended. Ms. Arricale highlighted that the Code of Ethics does reflect a government-type Ethics Code. Commissioner Cline asked if there was a motion to adopt the Code of Ethics. Commissioner Holland made the motion and Director Hudson seconded the motion. The Code of Ethics was adopted with Mr. Beatty, from Virginia, voting against the motion.

Commissioner Cline moved to the next item on the Agenda, the adoption of Commission meeting minutes. Commissioner Cline asked Ms. Arricale to manage the process of reviewing the meeting minutes. Ms. Arricale asked Sara Bamford, IIPRC Operations Manager, to present the drafts to be adopted. Ms. Bamford made them available for all to see with the projector. Ms. Arricale noted that comments with regards to edits have been submitted and those edits were incorporated into the minutes being presented. Ms. Arricale asked if there were any additional edits to be made. Hearing none, Commissioner Cline asked if there was a motion to adopt the meeting minutes as they were amended. Commissioner Joel Ario, from Pennsylvania, made the motion and Director Hudson seconded the motion. The meeting minutes were adopted as amended by unanimous voice vote.

Commissioner Cline asked if there were any other matters to be discussed during the meeting. Commissioner Cline noted that the next quarterly meeting may be moved up an hour to allow the Commission Members to attend other meetings. Commissioner Cline noted that should this happen, Ms. Arricale will provide ample notice to the Commission. Hearing no other comments, Commissioner Cline asked if there was a motion to adjourn the meeting. The meeting adjourned.