

**Minutes of the Meeting of Management Committee of  
The Interstate Insurance Product Regulation Commission (IIPRC)  
Monday, October 27, 2008**

**Management Committee Members in attendance:**

Tonya Gillespie as a designated representative for Commissioner Jane Cline, Chair, West Virginia  
Director Mary Jo Hudson, Vice Chair, Ohio  
Commissioner Sean Dilweg, Treasurer, Wisconsin  
Margaret Witten as a designated representative for Commissioner John Oxendine, Georgia  
Joseph Murphy as a designated representative for Commissioner Nonnie Burnes, Massachusetts  
Joan Moiles as a designated representative for Commissioner Ken Ross, Michigan  
Commissioner Jim Long, North Carolina  
Commissioner Kim Holland, Oklahoma  
Brad Harker as a designated representative for Commissioner Joel Ario, Pennsylvania  
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas  
Commissioner Paulette Thabault, Vermont  
Jackie Cunningham as a designated representative for Commissioner Al Gross, Virginia

**Commissioner Members in attendance:**

Shelley Santo, Hawaii  
Commissioner Sandy Praeger, Kansas  
Commissioner Sharon Clark, Kentucky  
Commissioner Glenn Wilson, Minnesota  
Director Ann Frohman, Nebraska  
Superintendent Joseph Torti III, Rhode Island  
Commissioner Leslie Newman, Tennessee

**Regulator Staff in attendance:**

Brian Pennington, Minnesota  
Marlyn Burch, Kansas  
Betsy Jerome, Utah  
Herb Olsen, Vermont  
Ted Hamby, North Carolina  
Shawn Hawk, Tennessee  
Beth Dwyer, Rhode Island  
Ron Henderson, Louisiana  
Kathie Stepp, Oklahoma  
John Rink, Nebraska  
Ramona Goodwin, Utah

**Legislative Committee Members in attendance:**

Mike Humphries, NCOIL

**Industry Advisory Committee Members in attendance:**

Michael Gerber, NAIFA  
Dennis Herchel, Massachusetts Mutual  
Cande Olsen, Actuarial Resources Corporation

**IIPRC Team Members in attendance:**

Frances Arricale, Executive Director  
Sara Bamford, Operations Manager

Karyn Onyeneho, Administrative Assistant  
Charles Rapacciuolo, Development Consultant  
David Morris, Product Review Consultant  
Alice Fontaine, Actuarial Consultant

**NAIC Staff:**

Becky McElduff, Senior Counsel

Director Mary Jo Hudson, Ohio, called the meeting of the Interstate Insurance Product Regulation Commission (IIPRC) Management Committee to order and asked for a Roll Call. Director Hudson also asked that the Legislative Committee, Consumer Advisory Committee and Industry Advisory Committee members present identify themselves for the record.

Director Hudson addressed the first item on the Agenda, a Public Hearing on Uniform Standards which were issued on August 1, 2008 and August 27, 2008. Director Hudson commented that these standards include: the Individual Annuity Application Standards, Individual Annuity Application Change Form, Additional Standards for Bonus Benefits (for Individual Deferred Non-Variable Annuities), Amendment to Individual Life Application Standards, Amendment to Standards for Individual Life Application Change Form, and Amendment to Deferred Non-Variable Annuity Contract Standards. Director Hudson stated that written comments for these Standards were received from the Industry Advisory Committee and from the Life Insurance Settlement Association (LISA). Director Hudson asked if there were any comments from the Members of the Management Committee; Commission; Legislative Committee; and Consumer Advisory Committee.

Director Hudson asked Cande Olsen, from Actuarial Resources Corporation, on behalf of the ACLI a member of the Industry Advisory Committee, to review the substantive comments that were submitted by the Industry Advisory Committee. Ms. Olsen commented on the Additional Standards for Bonus Benefits (for Individual Deferred Non-Variable Annuities) with the regard to the recommendations for the guidance for completing Appendices A-1 and A-2 are substantive. Ms. Olsen remarked that there should be a sentence added to the Drafting Note on page 5 that clarifies the fact that these standards will apply to premium policies with premium based surrender charges. Ms. Olsen commented that the surrender charges contained in Appendices A-1 and A-2 of the Amendment to Deferred Non-Variable Annuity Contract Standards are mentioned in the guidelines of the Standards and this is not appropriate since these guidelines exist for the purpose of demonstrating compliance. Ms. Olsen stated that with regard to the Application, all of the comments are non-substantive and that instead of the phrase “standards do not apply”, this should say that “separate standards will be created for the other items” as to eliminate any confusion. Ms. Olsen affirmed that the Industry Advisory Committee comments that have been provided are mostly in the nature of clarification.

Becky McElduff, NAIC Senior Counsel, agreed with Ms. Olsen and stated that her comments are non-substantive. Ms. McElduff stated that she consulted with Alice Fontaine, IIPRC Actuarial Consultant, and referenced that she is in agreeance with this. Ms. Fontaine agreed with Ms. McElduff and affirmed that the comments from Ms. Olsen are non-substantive.

Director Hudson thanked Ms. Olsen for her comments and called on Doug Head, Executive Director of the Life Insurance Settlement Association (LISA). Mr. Head submitted comments in reference to the Amendment to Individual Life Insurance Application Standards. Mr. Head explained that his concerns were largely in reference to the amendment referenced on the front page of the Standard. Mr. Head noted that with regard to the proposed change, page nine (9) states that an application “may”, not “shall”, include language similar to language which previously advised applicants that as a general practice in all states, laws may prohibit the owner from entering into an agreement to sell, exchange or settle a life

insurance policy for two (2) years after the date of issue. Mr. Head stated further that there are four (4) states that have passed laws that alter this provision under certain conditions in which a policy may not be sold within the two (2) year contest period or for a period thereafter for various criteria. Mr. Head suggested that consumers may be confused as to what their rights are and that if it is said to consumers that they may not be able to have a transfer or assignment of a policy for a period of time specified by state law, then at a minimum there should be discussions during the Standard development process for the Individual Life Application which contain provisions that clearly recognize the clarity of such rights and any effects that may result. Mr. Head stated that page nine (9) contains a substantive issue and wants to know how such provisions can be implemented. Mr. Head stated that the Amendment to Individual Life Application Standards should not be approved at this time and that he would like to engage in further understanding of the implications of this provision and what it may mean in each state in terms of interpretation as applicable to an application.

Malinda Shepherd, Kentucky, commented that when a life insurance policy is sold, the state in which the product is sold always has jurisdiction over the contract regardless of where the consumer moves; thus allowing the state insurance department of the state of domicile to handle any issues or complaints from the consumer.

Mr. Head noted that in recent laws, the reference to the “seller” describe this person as a resident of the state selling a policy and that this causes jurisdictional confusion. Mr. Head stated that it is for this reason that he is concerned about the language within the Life Application Standards. Mr. Head stated that the he is baffled about how the provision would be entered into an application and interpreted by each state.

Ms. Shepherd stated that the Amendment is meant to be useful to all Compact states which have diversity during their inner holding period and that this is not about rejection or acceptance of the provision.

Mr. Head stated that this may be useful information, but that it is not clear under what circumstances that a prohibition on the sale or assignment of a policy would apply. Mr. Head stated that in regards to the Amendment, that clarity must be interpreted in other ways not just in a blanket fashion on the prohibition on sale beyond two years as most of the Compact states have not adopted such a provision. Mr. Head stated that some states prohibit a transfer under certain conditions before five (5) years but after two (2) years and that it is unclear as to whether the consumer is getting accurate information and in knowing which jurisdiction is applicable with respect to state law.

Director Hudson asked if there were any other comments. Commissioner Sean Dilweg, Wisconsin, stated that the Compact is not an enforcement mechanism as this is left up to the Commissioner, Superintendent or Attorney General of every state department of insurance. Commissioner Dilweg stated that he understands the sensitivity in the comments made by Mr. Head but that he does not share his concerns.

Director Hudson asked if there were any other comments on the Standards. Hearing none, Director Hudson concluded the Public Hearing and moved to the next item on the Agenda, to consider the approval of the Uniform Standards from the Public Hearing.

Director Hudson stated that the Management Committee will consider the Uniform Standards from the Public Hearing for approval. Director Hudson noted that the written comments received for these Uniform Standards have been posted to the IIPRC web site. Director Hudson suggested that the approval of all six (6) proposed Standards and Amendments be taken up as one (1) vote.

Director Hudson asked for a motion from a Member of the Management Committee to approve the proposed Uniform Standards. Commissioner Dilweg made the motion and Commissioner Paulette

Thabault, Vermont, seconded the motion. Director Hudson asked Frances Arricale, IIPRC Executive Director, to conduct the Roll Call vote. The Uniform Standards were approved by a unanimous voice vote.

Director Hudson thanked the Product Standards Committee and for everyone who worked on the Standards and for the comments received on the Standards. Director Hudson then turned to the next item on the Agenda, the review and consideration of the Communications Committee Memo on IIPRC Outreach/Marketing Strategy Considerations.

Director Hudson stated that this Memo was distributed during the IIPRC Annual Meeting on September 21, 2008 and was made available for review on the IIPRC web site. Director Hudson stated that the Communications Committee had outlined considerations for the Management Committee in terms of two (2) important goals for the IIPRC which include (1) having more states to join the Compact and (2) to promote the use of the Compact for industry product filings.

Director Hudson asked Commissioner Kim Holland, Oklahoma, for a brief highlight of goals of the Memo.

Commissioner Holland explained that the marketing and outreach strategies in the Memo point out the involvement of two (2) key components. First, to increase Compact membership; and in doing so, by assuring that there are Agenda items that address Compact goals during NAIC meetings together with the use of national forms and the use of other forms that would allow Compact Members, or Ms. Arricale, to address the importance and value of the Compact with direct dialogue from Commissioner-to-Commissioner in supporting non-Compacting states to consider legislation to enact the Compact. Commissioner Holland highlighted that working with the Legislative Committee on state outreach would be a very important and helpful tool in getting the support of their fellow legislators. Commissioner Holland also stated that the use of the web to increase awareness is another strategy that would help to increase Compact membership. Commissioner Holland noted that promoting filings with the Industry is necessary to promote the convenience and ease of filing; that this would include member outreach sessions with domestics and with the Industry. Commissioner Holland also stated that webinar sessions have already started and will continue in the outreach efforts to promote Compact Filings. Commissioner Holland remarked that conducting Industry surveys is a way to get feedback as to how to improve and facilitate filing efforts with the Compact. Commissioner Holland highlighted that these outreach efforts can assist with ensuring that budget objectives may be met.

Director Hudson thanked Commissioner Holland for her leadership in putting the outreach efforts together and asked if there were any comments from Commission Members; Legislative Committee Members; Consumer Advisory Committee Members; Industry Advisory Committee Members; and Interested Parties. Hearing none, Director Hudson noted that it is critical to begin with such substantial outreach efforts to ensure that that the Industry understands the Compact, as well as the states and the legislators. Director Hudson suggested that Commissioner Holland can provide a regular report to the Management Committee regarding the progress of the outreach efforts.

Director Hudson asked if there was a motion to approve the IIPRC Outreach/Marketing Strategy Considerations. Commissioner Holland made the motion and Commission Dilweg seconded the motion. Director Hudson asked Ms. Arricale to conduct the Roll Call vote. The IIPRC Outreach/Marketing Strategy Considerations were approved by unanimous voice vote.

Director Hudson thanked Commissioner Holland and the Communications Committee for their work on the outreach efforts to improve the Compact. Director Hudson then turned to the next item on the Agenda, to consider the reappointments of the IIPRC Subcommittees. Director Hudson noted that a list

of the Subcommittee assignments were distributed at the IIPRC Annual Meeting which were based upon the preferences provided by the Members. Director Hudson noted that there were more requests for the Product Standards Committee than could be accommodated. Director Hudson explained that under the Compact Bylaws, if there is a majority of Management Committee or Commission Members in a meeting, then it is considered a Management Committee Meeting or Commission Meeting, respectively.

Director Hudson asked if there was a motion to approve the reappointments of the IIPRC Subcommittees. Commissioner Dilweg made the motion and Commissioner Holland seconded the motion. Director Hudson asked if there were any comments. Director Hudson asked Ms. Arricale to conduct the Roll Call vote. The reappointments of the IIPRC Subcommittees were approved by a unanimous voice vote. Director Hudson explained that the assignments of the Subcommittee members will start immediately.

Director Hudson turned to the next item on the Agenda, to consider the approval of prior Management Committee Meeting Minutes. Director Hudson stated that there would be two (2) sets of Meeting Minutes up for approval, a verbatim transcript of the Public Hearing of the Management Committee and the minutes of the Management Committee meeting both from September 21, 2008. Director Hudson acknowledged that the edits received from Don Beatty, Virginia, have been incorporated in the final version before the Committee today. Director Hudson asked if there was a motion to approve the prior Management Committee Meeting Minutes. Commissioner Dilweg made the motion and Commissioner Holland seconded the motion. Director Hudson asked if there were any comments. Hearing none, Director Hudson asked Ms. Arricale to conduct the Roll Call vote. The approval of the prior Management Committee Meeting Minutes was approved by a unanimous voice vote.

Director Hudson turned to the next item on the Agenda and asked Ms. Arricale to provide an operational update.

Ms. Arricale noted that the Budget adopted on September 21, 2008, during the IIPRC Annual Meeting, contained a typographical error in the financing information on the summary page which has since been corrected. Ms. Arricale stated that this did not affect anything that has been voted on in terms of the Budget, but that this affected the loan amounts. Ms. Arricale stated that there was an error in the calculation on the spreadsheet that will be corrected to reflect the loan amount as it is carried from 2008 to 2009 year. Ms. Arricale noted that the IIPRC is hosting webinar sessions twice a month which are geared directly towards product filings which will allow companies and other interested parties to understand how to create a Compact Product Filing. Ms. Arricale also noted that these webinar sessions also provide an overview of the IIPRC and welcomed members to join and participate in these informative webinar sessions. Ms. Arricale noted that there will be a new IIPRC web site which is currently in production and will be unveiled in November. Ms. Arricale stated that the web site will include targeted web pages which will contain helpful and useful information to Members of the Commission and to the Industry that will be valuable on an everyday basis. Ms. Arricale highlighted that the Compact is looking forward to more filings as more Uniform Standards are adopted and Industry Product Filings are welcomed. Ms. Arricale stated that the IIPRC has the capacity to review more filings and noted that the IIPRC anticipates continued outreach efforts to the Industry. Ms. Arricale highlighted that there will be a meeting of the IIPRC on December 4, 2008 immediately preceding the NAIC meetings and the agenda will be sent as the meeting approaches. Ms. Arricale also stated that there will be a joint meeting of the NAIC National Standards Working Group and the Product Standards Committee on December 4, 2008.

Commissioner Holland asked Ms. Arricale if she had any feedback about the Industry in terms of their willingness to file.

Ms. Arricale stated that there have been more Annual Registration Fee Filings received from the Industry since the IIPRC Annual Meeting in September. Ms. Arricale noted that she has had discussions with the Industry during past IIPRC Outreach events and has encouraged the Industry to prepare portfolios based on what can be filed at this time with the Compact.

Director Hudson stated that since issues surrounding the Public Access Rule have been resolved, companies are beginning to recognize the potential of filing with the Compact. Director Hudson noted that helping the Industry to understand how to get involved with the Compact and overcome any challenges surrounding this is necessary; and can be suitable for the Communications Committee in developing a survey which can also help the Product Standards Committee in prioritizing the Uniform Standards.

Dennis Herchel, Massachusetts Mutual, stated that there are concerns that are apparent with “Mix and Match” filings and that dialogue on how this can work; in addition to concerns with regard to the deadline has been triggered under the current Appendix Standards. Mr. Herchel noted that this may discourage companies from filing.

Director Hudson stated that the Industry Advisory Committee has provided feedback for “Mix and Match” filings and that this will need to be taken up to make sure that everyone is on the same page.

Ms. Olsen stated that the ACLI will be sharing the “Mix and Match” filing issues for companies during the December 4, 2008 Winter National Meetings and that such dialogue will be helpful.

Ms. Arricale stated that the state of New Jersey has had a hearing on Compact legislation within the Assembly to consider passing legislation.

Director Hudson noted that there will be a full Commission Meeting on October 29, 2008 and information related to this meeting will be posted to the IIPRC web site.

Director Hudson asked if there were any other comments or questions. Hearing no other comments, Director Hudson asked if there was a motion to adjourn. Commission Dilweg made the motion and Commissioner Holland seconded the motion. The meeting was adjourned by a unanimous voice vote.