

**Minutes of the Meeting of the
Interstate Insurance Product Regulation Commission (IIPRC)
Monday, September 21, 2009**

Members of the Commission in attendance:

Commissioner Jane L. Cline, Chair, West Virginia
Director Mary Jo Hudson, Vice Chair, Ohio
Commissioner Sean Dilweg, Treasurer, Wisconsin
John Postowloski as a designated representative for Commissioner Marcy Morrison, Colorado
Justin Durrance as a designated representative for Commissioner John W. Oxendine, Georgia
John Kissling as a designated representative for Commissioner Carol Cutter, Indiana
Tom O'Meara as a designated representative for Commissioner Susan Voss, Iowa
Director William W. Deal, Idaho
Marlyn Burch as a designated representative for Commissioner Sandy Praeger, Kansas
Commissioner Sharon P. Clark, Kentucky
Commissioner James J. Donelon, Louisiana
Commissioner Ralph S. Tyler III, Maryland
Acting Commissioner Joe Murphy, Massachusetts
Tom Record as a designated representative for Superintendent Mila Kofman, Maine
Joan Moiles as a designated representative for Commissioner Kenneth Ross, Michigan
Commissioner Glenn Wilson, Minnesota
Commissioner Mike Chaney, Mississippi
Director John M. Huff, Missouri
Director Ann M. Frohman, Nebraska
Michael Wilkey as a designated representative for Commissioner Roger A. Seigny, New Hampshire
Tom Bowling as a designated representative for Superintendent Morris J. Chavez, New Mexico
Commissioner Wayne Goodwin, North Carolina
Commissioner Kim Holland, Oklahoma
Brad Harker as a designated representative for Commissioner Joel Ario, Pennsylvania
Yvette Domenech as a designated representative for Commissioner Ramon Cruz-Colon, Puerto Rico
Superintendent Joseph Torti III, Rhode Island
Commissioner Leslie A. Newman, Tennessee
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Commissioner D. Kent Michie, Utah
Commissioner Paulette J. Thabault, Vermont
Don Beatty as a designated representative for Commissioner Alfred W. Gross, Virginia
Commissioner Mike Kreidler, Washington
Commissioner Ken Vines, Wyoming

Regulator Staff in attendance:

Malinda Shepherd, Kentucky
Edward Charbonnier, Massachusetts
Emmanuel Munson-Regala, Minnesota
Beth Dwyer, Rhode Island
Shawn Hawk, Tennessee
Betsy Jerome, Utah
Beth Berendt, Washington

Members of the Legislative Committee in attendance:

Representative Robert Damron, Chair, Kentucky
Senator Ralph Hudgens, Vice Chair, Georgia
Representative Kurt Olson, Alaska

Senator Delores Kelley, Maryland
Susan Nolan, National Conference of Insurance Legislators (NCOIL), Executive Director
Mike Humphreys, NCOIL
Representative Brian Patrick Kennedy, Rhode Island

Members of the Consumer Advisory Committee in attendance:

T. Ryan Wilson, AARP
Brendan Bridgeland, Center for Insurance Research
Ken Libertoff, Vermont Association for Mental Health

Members of the Industry Advisory Committee in attendance:

Michael Lovendusky, American Council of Life Insurers
Maureen Adolf, Prudential
Tom English, New York Life
Michael Gerber, National Association of Insurance and Financial Advisors
Amanda Matthiesen, America's Health Insurance Plans
Steve Buhr, AEGON
Mary Keim, State Farm

Interested Parties in attendance:

Miriam Krol, ACLI
Joe Muratore, New York Life

IIPRC Staff in attendance:

Karen Schutter, Executive Director
Sara Dubsky, Operations Manager
Karyn Onyeneho, Administrative Assistant
Charles Rapacciuolo, Development Consultant
David Morris, Product Review Consultant
Alice Fontaine, Actuarial Consultant

NAIC Staff in attendance:

Becky McElduff, Senior Counsel
Kay Noonan, General Counsel
Julie Fritz, Director, Insurance Products and Services
Amanda Yanek, Legislative Analyst

Commissioner Cline called the Annual Meeting of the Interstate Insurance Product Regulation Commission (IIPRC) to order. Commissioner Cline addressed the first item on the agenda, a meeting of the Legislative Committee.

Representative Kennedy commented on the increased percentage of product filings and company registrations in 2009 compared to 2008 and stated that this demonstrates that the insurance industry has recognized the value of filing with the IIPRC. Representative Kennedy encouraged non-Compacting states to take advantage of the benefits of the IIPRC's speed-to-market efficiencies and to consider adopting Compact legislation.

Representative Damron stated that adopting Compact legislation does not require states to give up state-based regulatory authority; rather, that it affords insurance carriers the ease of making use of a product filing process which allows states to regulate insurance and consumer protections. Representative Damron anticipated that additional states would soon join the Compact and encouraged membership of non-Compacting states.

Senator Kelley congratulated Missouri as the newest member to join the Compact and advised that its recent request to opt-out of a particular Uniform Standard is important and demonstrates that consumer protections are essential.

Senator Hudgens stated that legislators in California have expressed a great deal of interest in getting involved with the Compact's initiative.

Commissioner Holland expressed appreciation to legislators for speaking to their colleagues on behalf of the Compact in highlighting the benefits of becoming a member. Commissioner Cline asked if there were any questions or comments. There were none. Commissioner Cline turned to the next item on the agenda, a report of the Management Committee teleconference which was held on September 14, 2009. Commissioner Cline noted that during this meeting, the Management Committee welcomed Missouri as the 36th state to join the Compact—effective August 28, 2009.

Commissioner Cline stated that the Communications Committee provided a report which indicated that the IIPRC Focus Group has been diligent in providing useful feedback to the IIPRC. The Focus Group expressed that there is uniformity in Uniform Standards which provides speed-to-market and allows companies to track one standard across all of the Compacting states. The Communications Committee reported that there has been a significant increase in traffic on the IIPRC web site over the course of this year—exceeding activity from all of last year.

Commissioner Cline stated that the Technology Committee reported that it is monitoring the enhancements which are currently under development in the System for Electronic Rate and Form Filing (SERFF); and stated that these enhancements will allow companies to better track “mix and match” product filings.

Commissioner Cline stated that the Product Standards Committee provided an update on the development of the suite of individual long-term care standards. The Product Standards Committee reported that the Committee has completed its review of the long-term care advertising standards and is in the process of reviewing long-term care rate change standards. The Product Standards Committee noted that it is still reviewing standards within the long-term care suite and expects to make a recommendation to the Management Committee once the review of all the standards is complete. The Product Standards Committee advised that the Committee plans to recommend the standards for guaranteed living benefits and standards for guaranteed minimum death benefits to the Management Committee in October.

Commissioner Cline stated that the Rulemaking Committee reported that it is still working on a proposed rule for Self-Certification. The Rulemaking Committee advised that it has solicited feedback on what products are appropriate for Self-Certification and how such products would operate with the IIPRC. The Rulemaking Committee noted that the Committee has moved forward in developing a draft of the rule with Ohio, Vermont and Washington taking the lead in this effort.

Commissioner Cline stated that the Finance Committee reported that the IIPRC has more than doubled the number of registrations and filings received to date compared with the same time as last year. The Finance Committee reported that IIPRC revenue is under what was budgeted and that expenses are significantly under budget. The Finance Committee noted that it is working closely with the IIPRC Office to review actual results and projections throughout the rest of the year.

Commissioner Cline stated that during the September 14 Management Committee members of the Management Committee approved the 2010 Annual Budget; received an operational update from the Executive Director as well as reviewed the annual formation of the Management Committee. Commissioner Cline explained that appointments were approved for the Industry Advisory Committee. Commissioner Cline encouraged parties who are interested in serving on the Industry Advisory Committee to submit an

application. Commissioner Cline recognized Dennis Herchel with Massachusetts Mutual for his service on the Industry Advisory Committee as well as his contributions to the IIPRC.

Commissioner Cline asked if there were any questions regarding the report of the Management Committee. Hearing none, Commissioner Cline asked for a motion to adopt the report of the Management Committee. Commissioner Kreidler made a motion and Commissioner Deal seconded the motion. Commissioner Cline asked if there were further discussion. Hearing none, a voice vote was taken and the motion passed unanimously.

Commissioner Cline noted that the Commission held an emergency meeting on September 18 for the purpose of considering a request from Missouri to stay the effectiveness of the Additional Standards for Market Value Adjustment Features Provided Through the General Account while Missouri continues its regulatory process in reviewing this standard. Commissioner Cline stated that the request was approved and will remain effective for ninety days unless there are extenuating circumstances that arise during Missouri's regulatory process—in which the request may be extended for up to one (1) year.

Commissioner Cline proceeded to the next item on the agenda, a report of the Audit Committee; and asked Commissioner Michie to provide the report. Commissioner Michie reported that the Audit Committee held a conference call on September 15 to review second quarter financial statements of the IIPRC as well as review 2009 budget projections. Commissioner Michie stated that the Audit Committee is closely monitoring the financial situation of the IIPRC from the perspective that the organization will be able to cover its expenses as well as pay its loan obligations. Commissioner Michie advised that positive trends are apparent in terms of company registrations and filing submissions. Commissioner Michie reported that self-generating revenue is significantly below budgeted revenue and that the IIPRC operated well below budgeted expenses through the first half of the year. Commissioner Michie reported that the unaudited operational figures of the second quarter financial statements accurately reflect the operations of the IIPRC.

Commissioner Cline asked if there were any questions regarding the report of the Audit Committee. Hearing none, Commissioner Cline asked for a motion to adopt the report of the Audit Committee. Commissioner Newman made a motion and Commissioner Goodwin seconded the motion. Commissioner Cline asked if there were further discussion. Hearing none, a voice vote was taken and the motion passed unanimously.

Commissioner Cline moved to the next item on the agenda, a report from the Treasurer; and asked Commissioner Dilweg to provide the report. Commissioner Dilweg reported that the IIPRC has increased its self-generating revenue by 210% over 2008 since the beginning of 2009. Commissioner Dilweg noted that the IIPRC has collected almost \$300,000 in state fees which has been remitted directly to member states. Commissioner Dilweg stated that the IIPRC is operating 36% under budgeted expenses and that it has been operating under budget in all expense lines to date—which has largely been attributed to the vacant Executive Director position which was filled on June 22, 2009. Commissioner Dilweg reported that the IIPRC requested \$300,000 on the available Line of Credit in July and stated that it is anticipated that the IIPRC Office will need the remaining line of credit in the amount of \$250,000 from the NAIC in October. Commissioner Dilweg noted that the IIPRC will have sufficient cash flow to satisfy its operating expenses and loan obligations and will not likely need an additional line of credit until January 1, 2010.

Commissioner Cline asked if there were any questions regarding the Treasurers report. Hearing none, Commissioner Cline asked for a motion to adopt the report of the Treasurer. Director Hudson made a motion and Commissioner Thabault seconded the motion. Commissioner Cline asked if there were further discussion. Hearing none, a voice vote was taken and the motion passed unanimously.

Commissioner Cline addressed the next item on the agenda, to consider adopting the 2010 Annual Budget. Commissioner Cline stated that the proposed 2010 Annual Budget was posted to the IIPRC web-site on August 1 for the purpose of receiving written comments which were due on September 1. Commissioner

Cline stated that no written comments were received and asked if there were any oral comments to be considered. Hearing none, Commissioner Cline asked for a motion to adopt the 2010 Annual Budget as approved by the Management Committee. Commissioner Dilweg made a motion and Commissioner Holland seconded the motion. Commissioner Cline asked if there were further discussion. Hearing none, a voice vote was taken and the motion passed unanimously.

Commissioner Cline turned to the next item on the agenda, to adopt the meeting minutes of the July 27, 2009 Joint Management Committee and Commission Meeting. Commissioner Cline noted that edits were received from Virginia and incorporated into the meeting minutes and asked if there were further edits. Hearing none, Commissioner Cline asked for a motion to adopt the meeting minutes. Mr. Beatty made a motion and Mr. Burch seconded the motion. Commissioner Cline asked if there were further discussion. Hearing none, a voice vote was taken and the motion passed unanimously.

Commissioner Cline proceeded to the next item on the agenda, an operational update of the IIPRC. Ms. Schutter provided the report. Ms. Schutter highlighted IIPRC product filing statistics and reported that there has been a 184% increase in company registrations and a 146% increase in product filings to date compared to the total number of filings and registrations received in all of 2008. Ms. Schutter informed that 40% of the companies that registered this year are new companies; and that companies registering again this year demonstrated a 90% retention rate. Ms. Schutter stated that amid the increased workload the IIPRC Product Review Team has maintained an average product review approval time of under 20 days. Ms. Schutter expressed appreciation to the IIPRC Team for all of their hard work in doing an excellent job in maintaining the operations of the IIPRC; as well the speed-to-market efficiencies of the product review platform. Ms. Schutter acknowledged the many NAIC Staff and SERFF Team members who have provided valuable support to the IIPRC Office over the course of the year. Ms. Schutter reported that the Management Committee created an Actuarial Working Group that will review any actuarial components of uniform standards and raise any issues to the Product Standards Committee. Ms. Schutter encouraged industry and consumer representatives to attend the IIPRC Filing Demonstration which will be held on September 23. Ms. Schutter advised that the long-term care draft standards, which are currently under development by the Product Standards Committee, will be made available on the IIPRC web site. Ms. Schutter noted that the IIPRC Employee Handbook will be considered for adoption during the Management Committee meeting being held in October and that IIPRC has been using the NAIC Employee Handbook in the interim which served as the foundation for customization of the IIPRC Employee Handbook.

Commissioner Cline asked if there were any questions regarding the operational update of the IIPRC. Hearing none, Commissioner Cline thanked the IIPRC Team for all of their hard work throughout the course of the year.

Commissioner Cline addressed the next item on the agenda, the annual formation of the 2010 Management Committee. Commissioner Cline reported that the six largest states, based on the nationwide premium volume, that will serve on the Management Committee are: Texas, Pennsylvania, Ohio, Michigan, North Carolina and Massachusetts; and the states with 2% or more of premium volume to serve are: Wisconsin, Minnesota, Maryland and Missouri; and the states with 2% or less premium volume to serve are: Vermont, Mississippi, Oklahoma and Washington. Commissioner Cline thanked Virginia, Georgia, Indiana, Idaho and West Virginia for their membership and service to the Management Committee during the past year.

Commissioner Cline asked if there were any questions or comments regarding the formation of the 2010 Management Committee. Hearing none, Commissioner Cline turned to the next item on the agenda, the election of the 2010 IIPRC Officers. Commissioner Cline stated that each year, during the IIPRC Annual Meeting, members of the Management Committee must select the Officers of the IIPRC as pursuant to the IIPRC Bylaws. Commissioner Cline asked for nominations to elect the 2010 IIPRC Officers. Commissioner Dilweg made a motion to elect Director Hudson to serve as Chair of the IIPRC; and Commissioner Holland seconded the motion. Commissioner Cline asked if there were further nominations. Hearing none, a voice

vote was taken and the motion passed unanimously. Commissioner Donelon made a motion to elect Commissioner Dilweg to serve as Vice Chair of the IIPRC; and Commissioner Michie seconded the motion. Commissioner Cline asked if there were further nominations. Hearing none, a voice vote was taken and the motion passed unanimously. Commissioner Dilweg made a motion to elect Commissioner Thabault to serve as Treasurer of the IIPRC; and Superintendent Torti seconded the motion. Commissioner Cline asked if there were further nominations. Hearing none, a voice vote was taken and the motion passed unanimously.

Commissioner Cline asked if there were any other matters to be discussed.

Representative Kennedy congratulated the newest elected Officer's of the IIPRC and acknowledged Commissioner Cline for her participation in the development of the IIPRC.

Senator Kelley commented that Missouri's election to stay the effectiveness of the Additional Standards for Market Value Adjustment Features Provided Through the General Account should be understood as fact that this state is not opting out of IIPRC membership.

Director Hudson thanked members of the Commission for all of their work and contributions in the development of the IIPRC. Director Hudson stated that next year will be a critical year in terms of ensuring that the remaining uniform standards which are under development will be available for use by insurance carriers who are waiting to file. Director Hudson acknowledged Virginia, Indiana and Georgia for their membership on the Management Committee since the inception of the IIPRC, as well as Idaho who joined in 2008, for all of their efforts in the development of the IIPRC. Director Hudson expressed gratitude to Commissioner Cline for her dedicated service to the IIPRC.

Commissioner Cline acknowledged the staff of the West Virginia Insurance Department for their support of the IIPRC; and recognized the IIPRC Team, NAIC Staff and the many IIPRC Committees who have been great assets in moving the IIPRC forward.

Commissioner Cline asked if there were any other matters to be discussed. There were none. Commissioner Cline asked for a motion to adjourn the Commission meeting. Mr. Beatty made a motion and Commissioner Dilweg seconded the motion. The meeting was adjourned by a unanimous voice vote.