



**JOINT TELECONFERENCE MEETING OF
THE MANAGEMENT COMMITTEE AND THE
INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION**

**Friday, March 2, 2012
New Orleans, LA
2 pm ET / 1 pm CT / 12 pm MT / 11 am PT**

1. Roll Call
2. [Report of the Audit Committee and Consideration by the Commission to Adopt the Report of the Audit Committee](#)
3. [Report of the Communications Committee and Consideration by the Management Committee to Approve the Report of the Communications Committee](#)
4. [Report and Recommendation of the Finance Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Finance Committee](#)
5. [Report of the Product Standards Committee and Consideration by the Management Committee to Approve the Report of the Product Standards Committee](#)
6. [Report and Recommendation of the Rulemaking Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Rulemaking Committee](#)
7. [Consider Illinois' Request for 120-day Stay of the Effectiveness of Additional Standards for Market Value Adjustment Feature Provided Through a Separate Account](#)
8. [Management Committee Consideration of Approval of Meeting Minutes of the December 19, 2011 Joint Meeting of the Management Committee and Commission](#)
9. [Commission Consideration of Adoption of Meeting Minutes of the December 19, 2011 Joint Meeting of the Management Committee and Commission](#)
10. [Operational Update](#)
11. Any Other Matters
12. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance
Product Regulation Commission
Friday, March 2, 2012**

Members of the Commission and Department Staff in Attendance:

Commissioner Roger Sevigny, New Hampshire
Matt Barton, as a designated representative for Director John Huff, Missouri
Commissioner Michael F. Consedine, Pennsylvania
Commissioner Jim Ridling, Alabama
Director Linda S. Hall, Alaska
Commissioner Jim Riesberg, Colorado
Steve Manders, as a designated representative for Commissioner Ralph T. Hudgens, Georgia
Colin Hayashida, as a designated representative for Commissioner Gordon Ito, Hawaii
Donna Daniel, as a designated representative for Director William W. Deal, Idaho
Bruce Sartain, as a designated representative for Director Andrew Boron, Illinois
Susan Lamb, Illinois
Mihir Nag, as a designated representative for Commissioner Stephen Robertson, Indiana
Tom O'Meara, as a designated representative for Commissioner Susan Voss, Iowa
Commissioner Sandy Praeger, Kansas
Commissioner Sharon P. Clark, Kentucky
Ben Moss, as a designated representative for Commissioner James J. Donelon, Louisiana
Robert Wake, as a designated representative for Superintendent Eric A. Cioppa, Maine
Brenda Wilson, as a designated representative for Commissioner Therese Goldsmith, Maryland
Commissioner Joseph G. Murphy, Massachusetts
Rhonda Fossitt, as a designated representative for Commissioner R. Kevin Clinton, Michigan
Blaine Shepherd, as a designated representative for Commissioner Mike Rothman, Minnesota
Brian Pennington, Minnesota
Aaron Sisk, as a designated representative for Commissioner Mike Chaney, Mississippi
Molly White, Missouri
Director Bruce Ramge, Nebraska
Commissioner Scott J. Kipper, Nevada
Felix Schirripa, as a designated representative for Acting Commissioner Kenneth Kobylowski, New Jersey
Peter Weber, as a designated representative for Director Mary Taylor, Ohio
Denise Engle, as a designated representative for Commissioner John Doak, Oklahoma
Administrator Lou Savage, Oregon
Peter Camacci, Pennsylvania
Superintendent Joseph Torti III, Rhode Island
Chlora Lindley-Myers, as a designated representative for Commissioner Julie Mix-McPeak, Tennessee
Sara Waitt, as a designated representative for Commissioner Eleanor Kitzman, Texas
Commissioner Neal Gooch, Utah
Susan Donegan, as a designated representative for Commissioner Steve Kimbell, Vermont
Don Beatty, as a designated representative for Commissioner Jacqueline K. Cunningham, Virginia
Beth Berendt, as a designated representative for Commissioner Mike Kreidler, Washington
Commissioner Michael D. Riley, West Virginia
Sue Ezalarab, as a designated representative for Commissioner Ted Nickel, Wisconsin
Peter Greff, as a designated representative for Commissioner Ken Vines, Wyoming

Interested Regulators in attendance:

Sarah Huffer, New York
Geoffrey Margolis, California

Members of the Legislative Committee in attendance:

Representative Greg Wren, Alabama
Representative Kurt Olson, Alaska
Senator Delores Kelley, Maryland
Representative Brian Patrick Kennedy, Rhode Island
Susan Nolan, National Conference of Insurance Legislators

Interested Legislators in attendance:

Senator Carroll Leavell, New Mexico
Representative George Kaiser, North Dakota

Members of the Industry Advisory Committee in attendance:

Karen Alvarado, Insured Retirement Institute (IRI)
Mary Keim, State Farm Mutual Automobile Insurance Company
Miriam Krol, American Council of Life Insurers (ACLI)
Amanda Matthiesen, America's Health Insurance Plans (AHIP)
Jill Morgan, Symetra Life Insurance Company
Joe Muratore, New York Life Insurance Company
Marie Roche, John Hancock Life Insurance Company

Members of the Consumer Advisory Committee in attendance:

Brendan Bridgeland, Center for Insurance Research
Sonja Larkin-Thorne, NAIC Consumer Liaison representative
Ryan Wilson, American Association of Retired Persons (AARP)

IIPRC staff in attendance:

Karen Schutter, Executive Director
Sara Dubsy, Operations Director
MacKenzie Heidelberg, Administrative Coordinator,
Jeanne Daharsh, Actuarial Consultant
Alice Fontaine, Actuarial Consultant
Karen Givens, Product Review Consultant
David Morris, Product Review Consultant
Maureen Perry, Product Review Consultant
Charlie Rapacciuolo, Product Review Consultant

Commissioner Sevigny called to order the Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission. Ms. Schutter took the roll call of the Management Committee, Commission, Legislative Committee, Industry Advisory Committee, Consumer Advisory Committee, and other Interested Parties.

Commissioner Sevigny recognized the members of the Legislative Committee in attendance. Commissioner Sevigny also recognized the following legislators who were in attendance: Representative George Keiser, North Dakota and Senator Carroll Leavell, New Mexico.

Speaking on behalf of the Legislative Committee, Representative Kennedy reported that the Chair, Representative Damron, could not attend the meeting and the Committee was very pleased with the number of states that have joined the Compact as well as the overall progress that has been made. Representative Kennedy also announced that Rhode Island recently introduced a bill which Superintendent Torti submitted on behalf of the department. This bill will drive more business into the Compact by raising Rhode Island's state fees when a company files directly with the department, but lowering the state fees if filed through the Compact. Commissioner Sevigny noted that the Compact would be interested in the outcome of this bill for Rhode Island as well as the Compact. There were no further comments from the Legislative Committee.

Commissioner Sevigny then turned to the first item on the agenda and called on Superintendent Torti to make the report of the Audit Committee. Superintendent Torti reported the 2011 Audit was completed in a timely manner and received an unqualified opinion (the best opinion possible) from the Compact auditors, Mayer Hoffman McCann. Brent Wilson, the IIPRC engagement partner from Mayer Hoffman McCann, met with the Audit Committee earlier to present the results of the 2011 audit, which included the unqualified audit opinion, along with supplemental letters to the audit report noting no deficiencies in IIPRC's internal control structure or disagreements/issues/concerns with management. The Audit Committee also continues to monitor the financial performance of the IIPRC including keeping abreast of both short and long-term financial projections. Superintendent Torti concluded his report, and made a motion to adopt the Report of the Audit Committee and Mr. Beatty seconded. Hearing no further discussion, Commissioner Sevigny called for a voice vote and the motion passed.

The next action item was the report of the Communications Committee, which was provided by Mr. Sisk. Mr. Sisk reported that the Communications Committee has not met recently, but has plans to meet in the coming weeks to discuss the feedback of the Focus Group as well as other outreach activities. Mr. Sisk noted that one item of importance is the release of the 2011 IIPRC Annual Report as it not only includes the Independent Auditors Report and financial statements, but shows the significant achievements that were made last year as well as just how far the Compact has come since it became operational. Mr. Sisk noted that as required by the Compact, the Annual Report will be sent to all governors and legislative committee chairs in the Compacting States and posted to the IIPRC website. Mr. Sisk also provided an update on the implementation of the Focus Group which was approved by the Management Committee at the end of 2011. The IIPRC received an overwhelming response from companies and filers who wanted to participate on a Compact Focus Group. For this reason, the IIPRC Office plans to facilitate two focus groups breaking the number of those responding into two groups of 20 each. The IIPRC Office will begin meeting with these Focus Groups later this month with the goal of providing feedback to the Communications Committee which will then report to the Management Committee in April or May. The IIPRC continues to ask all members to consider inviting the IIPRC Office to participate in their outreach to life companies. Mr. Sisk concluded his report and made a motion to adopt the report of the Communications Committee. Commissioner Consedine seconded the motion. Commissioner Sevigny stated that he concurred with Mr. Sisk's remarks regarding outreach to life companies. Seeing no further discussion, Commissioner Sevigny called for a voice vote and the motion passed.

Commissioner Sevigny proceeded to the next item on the Agenda, the report of the Finance Committee. Commissioner Murphy presented the report. Commissioner Murphy noted that the Finance Committee is bringing forth a recommendation to the Management Committee and Commission for action to restate the 2012 adopted budget. The Finance Committee worked with the IIPRC Office to review the 2011 end-of-year financial reports as well as analyzed the 2012 Annual

Budget. The Commission demonstrated another year in revenue growth with a 26% growth overall in both registration and filing fees. The IIPRC Office also maintained operations under budgeted expenses by approximately 20%. However, the Commission continues to fall short of its budget revenue goals as its actual revenue ended the year at 64% of budgeted revenues. Under the adopted budget, the Commission's revenue would need to grow by almost 50% over 2011 actual revenues. In consultation with the IIPRC Officers and members of the Finance Committee, the IIPRC Office has proposed a restatement of the budget to bring revenue growth more in line with the growth experienced in 2011. The IIPRC Office has also scrutinized the operating expenses to find offsetting reductions in budgeted expenses for 2012. The revised budget would reduce revenue by \$185,000 with an equal reduction in expenses. The reduction in revenues stems from revising the assumptions for registered companies as well as filing volumes. The reduction in expenses stems mainly from reducing the budget for the health insurance, travel, legal services and meetings expense lines based on historical performance in these lines. With these changes, the new operating revenue would grow by 26% over 2011 actual revenue. Commissioner Murphy noted that 2012 is starting on a very positive note, as the Compact has met both registration and filing revenue budget for January collecting over \$500,000 in self-generated revenue. This momentum continues from the end of 2011 which saw a record number of product filings of 75 for the month of December. Even with these positive results, the Finance Committee believes it is prudent to restate the budget to bring revenues more in line with our actual experience in 2011. Commissioner Murphy reported that the IIPRC anticipates to make a request to the NAIC's Internal Administration Subcommittee and Executive Committee for a line of credit for 2012 as expenses are projected to exceed our revenues even under the growing revenue line. The amount being requested is \$400,000 though the IIPRC projects that it will only need \$250,000 or maybe even less if it meets budgeted revenue as restated. In the coming weeks the IIPRC Office and the Finance Committee will begin working on assessing the possibility of making structural changes to the framework for the self-generating fees in order to more closely align it with the operational cost structure while achieving higher industry utilization. Commissioner Murphy reported that the Finance Committee will be reviewing the filing fee structure for possible changes. Commissioner Murphy did note that the IIPRC will be conducting analysis of the cost structure and potential revenue growth under various scenarios. Commissioner Murphy concluded the Report of the Finance Committee and made a motion to approve the report, and Director Rame seconded. With no further discussion, a voice vote was taken by Commissioner Sevigny and the motion passed unanimously.

Commissioner Sevigny turned to the next item on the agenda. Ms. Ezalarab provided the report of the Product Standards Committee. Ms. Ezalarab stated that there are no uniform standards ready for recommendation to the Management Committee. The Product Standards Committee has continued to work on the first set of group insurance uniform standards, an important landmark for the Commission. The Committee started with term life insurance uniform standards for employer group, which includes the policy and the certificate forms, employer application forms, change forms, enrollment forms, and several rider standards. The Product Standards Committee has completed its first review of the policy uniform standards, and has received public comments on these uniform standards. The Product Standards Committee continues to assist the IIPRC Team with questions of clarification and interpretation on existing uniform standards. Ms. Ezalarab concluded her report, and Commissioner Sevigny asked for a motion to adopt from a member of the Management Committee. Mr. Schirripa made a motion while Director Rame seconded the motion. As there were no further questions or comments, a voice vote was taken and the motion passed unanimously.

Commissioner Sevigny proceeded to the next action item on the agenda; and Mr. Beatty provided the report of the Rulemaking Committee. Mr. Beatty reported that the Rulemaking Committee convened in February to review the proposed procedures being brought forward today to the Management

Committee regarding the required 5-year review of the Commission's Rules. The Rule for the Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission, (the "Rulemaking Rule"), requires that the Commission shall review the rules within five years of the rule's original effective date or within five years of the filing of the last five-year review, whichever is later. Mr. Beatty noted that the procedures outline the scope of review which would be focused on the need for continuation, repeal or amendment of the rule based on whether circumstances or underlying assumptions have changed since the last time the rule was adopted or amended. In the proposed procedures, the committee of jurisdiction of the rules or Uniform Standards would begin review of the rules on a semi-yearly basis. Mr. Beatty further explained that the IIPRC Office would issue notice to all Members of the Commission, Legislative Committee, Consumer Advisory and Industry Advisory Committee, and all other interested parties 60 days prior to the on-set of the review. After the 60-day notice period, the IIPRC Office will make a report to the committee of jurisdiction that includes all comments received, recommended changes as well as other relevant information. Within 60 days of receipt of the report, the committee of jurisdiction will review the rule and make a recommendation to the Management Committee outlining the review process as well as any recommended changes; and solicit comments from all interested parties regarding the proposed changes. Upon the recommendation to the Management Committee, the committee of jurisdiction will provide a summary of the changes being made as well as the reasoning behind the changes. The Management Committee will then determine if the rule should be continued, repealed or amended. If it is determined to repeal or amend the rule, the formal rulemaking process will commence. Mr. Beatty then concluded the report, and Commissioner Consedine made a motion to approve the report, which Mr. Schirripa seconded. Seeing no further discussion, Commissioner Sevigny took a voice vote and the report was accepted.

Commissioner Sevigny moved to the next agenda item, the consideration of the written request from the Illinois Department of Insurance for a 120-day extension of its Stay of the Effectiveness for the Additional Standards for Market Value Adjustment through the Separate Accounts. Commissioner Sevigny explained that Illinois was granted a series of stays through 2011 to enable it to conduct its regulatory due diligence and work to address its questions. Over the course of 2011 Illinois lifted its stay for all Uniform Standards but this one. Illinois has indicated that it does not permit these types of products but has legislation pending in its legislature this session to give the Commissioner discretionary authority to accept these products. Illinois has indicated if this legislation is enacted, it will be able to lift its stay of the one remaining standard. Commissioner Sevigny then asked Illinois if they had any additional comments, and they did not. There were no other comments from the Commission or the Management Committee. Commissioner Sevigny noted that due to the timing of this meeting, Illinois' last stay had technically expired and they submitted this request to the Commission prior to the expiration. Similar to the way this has been handled in the past, Commissioner Sevigny asked for a motion from a member of the Commission to grant Illinois' Request for a 120-day Extension of its Stay of certain individual life and annuity Uniform Standards in Illinois retroactive to January 1. Mr. Beatty made a motion and Mr. Schirripa seconded the motion. There was no objection to a voice vote, therefore a voice vote was taken and the measure passed.

Commissioner Sevigny proceeded to the next item on the agenda, the approval of the Management Committee minutes from its December 19th joint conference call of the Management Committee and Commission. Commissioner Sevigny noted that there were no edits made to the minutes. Commissioner Consedine made a motion and Director Ramge seconded. Hearing no further comments, a voice vote was taken and the motion passed. The Commission adoption of the December 19th meeting minutes was next on the agenda. As this was a Commission action item, Commissioner Sevigny asked for a motion from the Commission to adopt the minutes.

Commissioner Consedine made a motion and Commissioner Gooch seconded. As there was no further discussion, a voice vote was taken and the motion carried.

Commissioner Sevigny then called upon Ms. Schutter to provide an operational update on the IIPRC. Ms. Schutter reported that the 2011 Annual Report was recently printed and a copy will be sent to the Governor of each member state as well as their legislative leadership. As of mid-January, the IIPRC is accepting products for all individual product lines, including disability income products. The IIPRC has hosted a few webinars for companies on how to make disability income filings, so interest has been high. All 41 states are accepting individual life, annuity and disability income product filings. Oregon was the most recent state to begin accepting filings at the beginning of January. On the long-term care side, 37 states are accepting individual long-term care insurance products. There are 4 states, Hawaii, Indiana, New Jersey and Nevada, that do not accept these products. With regards to the status of non-compacting states; the IIPRC recently learned that Florida's bill (which was pending) did not make it out of committee this session, but the department and industry are supportive and optimistic of its chances for next year. The IIPRC Office has also been working with the Connecticut and California insurance departments to address their questions and concerns with differences in their requirements and our Uniform Standards. The Compact bill was introduced last week in the Insurance Committee of the California Senate, and there is also a Compact bill pending in New York. Montana, Arkansas, and North Dakota do not have sessions this year, but the IIPRC is working with them for next year. Ms. Schutter noted that 2012 is off to a very good start; through the end of January the IIPRC was able to hit its budget numbers. Ms. Schutter highlighted that registrations are also off to a strong start with 113 companies already registered for this year. Ms. Schutter then concluded her report, and as there were no comments, Commissioner Sevigny moved to the final item on the agenda.

As there were no further matters, Mr. Beatty made a motion for adjournment, Commissioner Riesberg seconded and the meeting was adjourned.