

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

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

September 24, 2012

1:30 pm ET / 12:30 pm CT / 11:30 am MT / 10:30 am PT

1. Roll Call
2. [Report of the Audit Committee on the Selection Process for New Audit Firm and the Selection by Audit Committee of New Audit Firm](#)
3. [Report and Recommendation of the Finance Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Finance Committee](#)
4. [Report and Recommendation of the Product Standards Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Product Standards Committee](#)
5. [Management Committee Consideration of Approval of Group Term Life Insurance Policy and Certificate Standards for Employer Groups](#)
6. [Commission Consideration of Adoption of Group Term Life Insurance Policy and Certificate Standards for Employer Groups](#)
7. [Management Committee Consideration of Approval of Meeting Minutes of the August 10, 2012 Joint Meeting of the Management Committee and Commission](#)
8. [Commission Consideration of Adoption of Meeting Minutes of the August 10, 2012 Joint Meeting of the Management Committee and Commission as Approved by the Management Committee](#)
9. [Operational Update](#)
10. Any Other Matters
11. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance
Product Regulation Commission
Monday, September 24, 2012**

Members of the Commission and Department Staff in Attendance:

Commissioner Roger Sevigny, Chair, New Hampshire
Director John Huff, Vice Chair, Missouri
Commissioner Michael Consedine, Treasurer, Pennsylvania
Robert Turner, as a designated representative for Commissioner Jim Ridling, Alabama
Director Bret Kolb, Alaska
Steve Manders, as a designated representative for Commissioner Ralph Hudgens, Georgia
Martha Im, as a designated representative for Commissioner Ito, Hawaii
Donna Daniel, as a designated representative for Director William Deal, Idaho
Yvonne Clearwater, as a designated representative for Director Andrew Boron, Illinois
Susan Lamb, Illinois
Mihir Nag, as a designated representative for Commissioner Robertson, Indiana
Commissioner Susan Voss, Iowa
Marlyn Burch, as a designated representative for Commissioner Sandy Praeger, Kansas
Debbie Stamper, as a designated representative for Commissioner Sharon Clark, Kentucky
Barry Ward, as a designated representative for Commissioner James Donelon, Louisiana
Tom Record, as a designated representative for Superintendent Eric Cioppa, Maine
Commissioner Therese Goldsmith, Maryland
Commissioner Joseph Murphy, Massachusetts
Tammy Lohmann, as a designated representative for Commissioner Mike Rothman, Minnesota
Aaron Sisk, as a designated representative for Commissioner Mike Chaney, Mississippi
David Hippen, Missouri
Director Bruce Ramge, Nebraska
Holly Blanchard, Nebraska
John Rink, Nebraska
Felix Schirripa, as a designated representative for Acting Commissioner Kenneth Kobylowski, New Jersey
Lila Tyson, New Jersey
Ted Hamby, as a designated representative for Commissioner Wayne Goodwin, North Carolina
Peter Weber, as a designated representative for Director Mary Taylor, Ohio
Tynesia Dorsey, Ohio
Denise Engle, as a designated representative for Commissioner John Doak, Oklahoma
Verneta Pavel, Oklahoma
Commissioner Lou Savage, Oregon
Dave Bolton, Oregon
Peter Camacci, Pennsylvania
Superintendent Joe Torti, Rhode Island
Andy Dvorine, as a designated representative for Acting Director Gwendolyn Fuller McGriff, South Carolina
Chlora Lindley Myers, as a designated representative for Commissioner Julie Mix McPeak, Tennessee
Brett Barratt, as a designated representative for Commissioner Neal Gooch, Utah
Betsy Jerome, Utah
Don Beatty, as a designated representative for Commissioner Jacqueline Cunningham, Virginia
Beth Berendt, as a designated representative for Commissioner Mike Kreidler, Washington
Tonya Gillespie, as a designated representative for Commissioner Michael Riley, West Virginia
Barbara Hudson, West Virginia
Sue Ezalarab, as a designated representative for Commissioner Ted Nickel, Wisconsin

Members of the Legislative Committee in attendance:

Senator Delores Kelley, Maryland
Susan Nolan, National Conference of Insurance Legislators
Representative Greg Wren, Alabama

Members of the Industry Advisory Committee in attendance:

Mary Keim, State Farm Insurance Companies
Miriam Krol, American Council of Life Insurers (ACLI)
Amanda Matthiesen, America's Health Insurance Plans (AHIP)
Joe Muratore, New York Life Insurance Company

Members of the Consumer Advisory Committee in attendance:

Sonja Larkin-Thorne, NAIC Consumer Liaison representative

IIPRC staff in attendance:

Karen Schutter, Executive Director
Sara Dubsy, Operations Manager
MacKenzie Heidelmark, Administrative Coordinator
Alice Fontaine, Actuarial Consultant
Karen Givens, Product Review Consultant
David Morris, Product Review Consultant
Maureen Perry, Product Review Consultant
Charles Rapacciuolo, Product Review Consultant

NAIC staff in attendance:

Chara Bray, Government Relations Policy Advisor
Becky McElduff, Senior Counsel
Jim Woody, Chief Financial Officer

Interested Parties:

Hugh Barrett, MassMutual Financial Group
Francine Cardon, Sagicor Life Insurance Company
Eugene Choate, Bankers Fidelity
Shirley Grossman, Lincoln Heritage Life Insurance Company
Nancy Johnson, Unum Provident
Beth Lindsay, ING
Lori Morgan, State Farm Life Insurance

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, members of the Legislative Committee, members of the Industry Advisory Committee, members of the Consumer Advisory Committee, and other Interested Parties. Commissioner Sevigny asked Superintendent Torti to provide the report of the Audit Committee. Superintendent Torti reported that the Audit Committee worked with the IIPRC Office and the NAIC Finance Division as the NAIC conducted a bid and selection process over the summer for independent audit services for the NAIC, NIPR, and the Commission. Superintendent Torti explained that the Bylaws require the Audit Committee to select an auditor during an open

meeting. Superintendent Torti indicated since 2006, the Commission's Audit Committee has engaged the audit firm that also performs the independent audit of the NAIC and NIPR to perform a separate and independent audit of the Commission and its financial accounts and reports including the system of internal controls and procedures of the Commission. The Commission benefits in terms of time, resources and costs in using the same audit firm as the NAIC to perform its separate and independent audit since it uses the services of the NAIC's Finance Division in maintaining its financial accounts and reports under the Services Agreement. The Commission's Audit Committee enters into its own engagement letter with the auditor on an annual basis, separately meets with the auditor and receives a separate and independent report of the Commission's audited financial statement which is also published in the Commission's annual report. As part of the NAIC's internal controls, it undertakes a thorough bid and selection process every five years or less. Based on this process, the NAIC has selected McGladrey LLP to perform the audit of its financial statements for the years ending December 31, 2012, 2013 and 2014, with an option to extend the relationship for 2015 and 2016. Superintendent Torti, with Commissioner Sevigny's consent, called for a vote of the independent Audit Committee on the selection of the audit firm. Commissioner Voss made a motion to retain McGladrey LLP as the Commission's independent audit firm, and Mr. Beatty seconded the motion. Ms. Schutter conducted a roll call of the Audit Committee and the motion carried. Commissioner Sevigny asked for a motion from a member of the Commission to adopt the Report of the Audit Committee, and Superintendent Torti made a motion and Mr. Beatty seconded. A voice vote was taken and the motion carried.

Commissioner Sevigny proceeded and asked Commissioner Murphy to provide a report of the Finance Committee. Commissioner Murphy announced that the Finance Committee is recommending amendments to the Filing Fee Rule and a proposed Schedule of Fees for 2013 to the Management Committee. There are two proposed amendments to the Filing Fee Rule. The first would clarify the definition of "Regional Filer" as companies who are licensed to do business in 12 or less Compacting States rather than companies who are filing in 12 or less Compacting States. The second recommendation being made would remove the specific date in the Filing Fee Rule related to the annual publication of the proposed schedule of fees. Commissioner Murphy reported that the Committee recommended that the filing fees for both the Annual Registration Fee and the per product filing fee be tied to the asset-based premium volume based on the Schedule T-Part 2 of the Financial Annual Statement filed with the NAIC for the reporting year prior to the current annual registration period. Companies that report more than \$50 million in premium volume will register using the current registration fee structure of \$5,000 from January 1 until June 30; and then the pro-rated amount of \$2,500 from July 1 until the end of the calendar year. This will create a new registration fee category for companies that report less than \$50 million in premium volume. Those companies will pay \$2,500 annually or \$1,250 prorated after June 30. Commissioner Murphy explained that the per product filing fees being recommended for 2013 are based on whether an actuarial review is required. The proposed changes would eliminate the product line distinctions in favor of whether actuarial review is called for by the uniform standards applicable to the product being filed and the premium volume of the filing company. The proposal is that companies with premium volume greater than \$50 million submitting a filing requiring an actuarial review would pay \$1,000 per product per company per submission; those filings that do not require an actuarial review would require \$500 per company per submission. Companies with premium volume less than \$50 million filers

would pay \$500 and \$250 for the respective filing fees. Companies registered as Regional Filers will pay half of the applicable filing fee. Commissioner Consedine made a motion to recommend that the proposed amendments to the Filing Fee Rule and proposed Schedule of Fees for 2013 be published for public comment, and Commissioner Goldsmith seconded that motion. As there were no further comments, Ms. Schutter took a roll call vote of the Management Committee and the motion passed. Commissioner Sevigny announced that a public hearing on these items and the Annual Budget will take place in November during the Annual Meeting.

Commissioner Sevigny moved to the next agenda item, the Report and Recommendation of the Product Standards Committee. Ms. Ezalarab announced the Product Standards Committee is recommending three new group life insurance standards to accompany the group policy and certificate standards; the group policyholder application, the group policy change form standards, and the group certificate change form standards. These three uniform standards were already subject to one round of public comments before the Product Standards Committee. The Industry Advisory Committee submitted written comments and most of their suggestions were incorporated. The Committee is recommending that these forms be subject to prior approval because the forms do not fit the parameters for self-certification. Commissioner Goldsmith made a motion to recommend the proposed standards to be published on the Docket for the public comment period, and Mr. Weber seconded that motion. As there were no additional comments, Ms. Schutter took a roll call vote of the Management Committee and the measure passed. Commissioner Sevigny noted that these recommendations would be posted on the Docket for the public comment for a period of 60 days and there would be a public hearing on these items in November during the Annual Meeting.

Commissioner Sevigny proceeded to the next item on the agenda, the Management Committee Consideration of Approval of Group Term Life Insurance Policy and Certificate Standards for Employer Groups. Commissioner Sevigny reminded everyone that a public hearing was held on these uniform standards at the Joint Meeting of the IIPRC Management Committee and Commission in August. The formal rulemaking process for this uniform standard commenced at the end of June. The Management Committee received written feedback from New Jersey and Oregon, as well as the Industry Advisory Committee. Ms. Ezalarab reported that after the August in-person meeting the Product Standards Committee made further revisions based on the comments received from New Jersey and Oregon, as well as the Industry Advisory Committee as was asked by the Management Committee.

There were no additional questions or comments. Commissioner Sevigny asked for a motion from a member of the Management Committee to approve the Group Term Life Insurance Policy and Certificate Standards for Employer Groups with the amendments recommended by the Product Standards Committee. Commissioner Consedine made the motion, and Director Ränge seconded the motion. Ms. Schutter took a roll call vote of the Management Committee, and the motion carried.

Commissioner Sevigny then proceeded to the full Commission's consideration of the same proposed uniform standards. Ms. Berendt made a motion to adopt the standards, and Ms. Ezalarab seconded the motion. As there were no additional comments, Ms. Schutter took a roll call of the Commission and the motion carried. Commissioner Sevigny noted that these Uniform

Standards as adopted would be available for filing in January 2013 after promulgation for a period of 90 days.

The Management Committee Consideration of Approval of Meeting Minutes of the August 10, 2012 Joint Meeting of the Management Committee and Commission was next on the agenda. Director Huff made a motion to approve the minutes and Commissioner Goldsmith seconded the motion. A voice vote was taken as this was a ministerial matter, and the motion carried. Next, the Commission needed to consider the adoption of the August 10 meeting minutes. Commissioner Voss made a motion and Commissioner Praeger seconded.

The next agenda item was the IIPRC operational update, which was provided by Ms. Schutter. Ms. Schutter reported that the next in-person meeting of the Commission would be held on Wednesday November 28th during the NAIC Fall National Meeting. The Compact has taken part in many outreach activities this fall; including a recently completed webinar series for filers which focused on a wide range of topics. Additionally, two Compact informational sessions will be held on September 25th at the Massachusetts Division of Insurance, and on September 26th at the NAIC's New York City office. A new Filing Information Notice was recently released to filers, as the IIPRC was aware of some updates caused by circumstances outside of the Compact, such as the MIB authorization. Companies would therefore need to update their nonforfeiture interest rates, and the Compact issued some direction to companies and that may be found on the IIPRC website. Currently, there are 157 companies registered with the Compact, and as of the previous week, the number of filings submitted for 2012 has exceeded the total number of filings for 2011. As for filing volume, there have been 465 filings submitted to the Compact so far in 2012 with many more filings expected between now and the end of the year.

As there were no further matters, Mr. Beatty made a motion to adjourn, and Ms. Berendt seconded the motion. The joint meeting of the Management Committee and the Interstate Insurance Product Regulation Commission was then adjourned.