

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

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

**Saturday, December 14, 2013
Washington, D.C.
1:30 – 3:00 pm ET
Washington Marriott Wardman Park
Washington, DC**

1. [Roll Call](#)
2. [Meeting of the Legislative Committee](#)
3. [Public Hearing on the Proposed 2014 Annual Budget](#)
4. [Report of the Audit Committee and Consideration by the Commission to Adopt the Report of the Audit Committee](#)
5. [Report of the Communications Committee and Consideration by the Management Committee to Approve the Report of the Communications Committee](#)
6. [Report of the Finance Committee and Consideration by the Management Committee to Approve the Report of the Finance Committee](#)
7. [Report and Recommendation of the Rulemaking Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Rulemaking Committee](#)
8. [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](#)
9. [Management Committee Consideration to Approve the Uniform Standards Issued on April 12th, 2013 and May 25th, 2013:](#)
 - Group Term Life Insurance Uniform Standards for Accelerated Death Benefits;
and

- Additional Standards for Incidental Guaranteed Minimum Death Benefits for Individual Deferred Non-Variable Annuities Benefits
10. [Commission Consideration to Adopt the Uniform Standards Issued on April 12th and May 25th as Approved by the Management Committee](#)
 11. [Management Committee Consideration to Approve the 2014 Annual Budget](#)
 12. [Commission Consideration to Adopt the 2014 Annual Budget as Approved by the Management Committee](#)
 13. [Management Committee Consideration to Approve the November 18th Joint Management Committee and Commission Meeting Minutes](#)
 14. [Commission Consideration to Adopt the November 18th Joint Management Committee and Commission Meeting Minutes as Approved by the Management Committee](#)
 15. [Annual Formation of Management Committee for 2013/2014](#)
 16. [Elections of the 2013/2014 Officers](#)
 17. [Formation of IIPRC Member Committees and Industry Advisory Committee](#)
 18. [Treasurer's Report](#)
 19. [Operational Update](#)
 20. Any Other Matters
 21. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance
Product Regulation Commission
Saturday, December 14, 2013**

Members of the Commission and Department Staff in Attendance:

Commissioner Roger Seigny, Chair, New Hampshire
Commissioner Michael Consedine, Vice Chair, Pennsylvania
Commissioner Joseph G. Murphy, Treasurer, Massachusetts
Steve Ostlund as a designated representative for Commissioner Jim Ridling, Alabama
Director Bret Kolb, Alaska
Commissioner Jay Bradford, Arkansas
John Postolowski as a designated representative for Commissioner Marguerite Salazar, Colorado
Steve Manders as a designated representative for Commissioner Ralph Hudgens, Georgia
Paul Yuen as a designated representative for Commissioner Gordon Ito, Hawaii
Director William Deal, Idaho
Bruce Sartain as a designated representative for Director Andrew Boron, Illinois
Kate Kixmiller as a designated representative for Commissioner Stephen Robertson, Indiana
Sandy Praeger, Kansas
Commissioner Sharon Clark, Kentucky
Commissioner James Donelon, Louisiana
Tom Record as a designated representative for Superintendent Eric Cioppa, Maine
Commissioner Therese Goldsmith, Maryland
Joe Garcia as a designated representative for Director Ann Flood, Michigan
Tammy Lohmann as a designated representative for Commissioner Mike Rothman, Minnesota
Bob Williams as a designated representative for Commissioner Mike Chaney, Mississippi
Director John Huff, Missouri
Rosann Grandy as a designated representative for Commissioner Monica Lindeen, Montana
Director Bruce Ramage, Nebraska
Commissioner Scott Kipper, Nevada
Felix Schirripa as a designated representative for Commissioner Kenneth Koblylowski, New Jersey
Anne Marie Narcini, New Jersey
Ted Hamby as a designated representative for Commissioner Wayne Goodwin, North Carolina
Mike Farley as a designated representative for Director Mary Taylor, Ohio
Cuc Nguyen as a designated representative for Commissioner John Doak, Oklahoma
Gayle Woods as a designated representative for Commissioner Laura Cali, Oregon
Peter Camacci, Pennsylvania
Commissioner Angela Weyne, Puerto Rico
Superintendent Joseph Torti, Rhode Island
Tina Brown as a designated representative for Commissioner Raymond G. Farmer, South Carolina
Chlora Lindley-Myers as a designated representative for Commissioner Julie Mix McPeak, Tennessee
Sara Waitt as a designated representative for Commissioner Julia Rathgeber, Texas
Betsy Jerome, Utah
Commissioner Todd Kiser, Utah
Crosby Sherman as a designated representative for Commissioner Susan Donegan, Vermont
Don Beatty as a designated representative for Commissioner Jacqueline Cunningham, Virginia
Leslie Krier as a designated representative for Commissioner Mike Kreidler, Washington
Andrew Pauley as a designated representative for Commissioner Michael D. Riley, West Virginia
Sue Ezalarab as a designated representative for Commissioner Ted Nickel, Wisconsin

Members of the Industry Advisory Committee in attendance:

William Anderson, National Association of Insurance and Financial Advisors

Jason Berkowitz, Insured Retirement Institute
Mary Keim, State Farm Life 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 (U.S.A)

Members of the Consumer Advisory Committee in attendance:

Sonja Larkin-Thorne, NAIC Consumer Liaison representative
Fred Nepple, Consumer Liaison representative
Ryan Wilson, AARP

Members of the IIPRC Legislative Committee in attendance:

Senator Delores Kelley, Maryland
Senator Travis Holdman, Indiana
Representative Robert Damron, Kentucky
Representative Kurt Olson, Alaska

IIPRC staff in attendance:

Karen Schutter, Executive Director
Sara Dubsy, Senior Operations Manager
MacKenzie Heidelmark, Administrative Coordinator
Alice Fontaine, Actuarial Consultant
Jeanne Daharsh, Actuarial Consultant
Karen Givens, Product Review Consultant
David Morris, Product Review Consultant

NAIC staff in attendance:

Becky McElduff, Senior Counsel

Commissioner Consedine called to order the joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission (Commission). Ms. Schutter took the roll call of the Management Committee, Commission, members of the Legislative Committee, members of the Industry Advisory Committee, and members of the Consumer Advisory Committee. Commissioner Sevigny noted that as provided in the bylaws, when one or more member participates by telephone, a roll call vote upon each action item is to be taken. However, since there is only one Commissioner on the phone, Commissioner Sevigny proposed taking voice votes instead of roll call votes and taking roll call votes only if requested or if there are any votes in opposition on a particular action item or when considering the uniform standards for adoption. There were no objections to this proposal.

Commissioner Sevigny recognized the members of the Legislative Committee in attendance, and asked Senator Kelley if she had any remarks. Senator Kelley announced that the Committee was pleased with several of the Commission's recent achievements; including the improved financial status and the addition of two new Compacting States. There were no questions or comments for Senator Kelley. Commissioner Sevigny then acknowledged the members of the Consumer Advisory Committee that were in person and by phone and welcomed the newest member of the Committee, Fred Nepple. Commissioner Sevigny asked if any of the members of the Consumer Advisory Committee wished to make remarks and Ms. Larkin Thorne stated that the Consumer Advisory Committee appreciates how the Commission and

NAIC continue to encourage consumer involvement. Commissioner Sevigny also acknowledged and thanked the Industry Advisory Committee and there were no remarks from the Committee.

Commissioner Sevigny acknowledged the Federal Insurance Office Report on How to Modernize and Improve the System of Insurance in the United States (FIO Report) that had recently been issued. The FIO Report stated that the IIPRC should serve as the vehicle for full implementation and modernization of the product approval process for asset-based products. Commissioner Sevigny proceeded to read the recommendation regarding product approval: *“State-based insurance product approval processes should be improved by securing the participation of every state in the Interstate Insurance Product Regulation Commission and by expanding the products subject to approval by the IIPRC.”* Commissioner Sevigny highlighted that this recommendation coming from the FIO is a strong affirmation of the commitment and efforts put into laying the foundation with so many states working together to enact the Compact and to build and embrace detailed and consumer-oriented uniform standards. There were no comments on the FIO Report’s recommendation regarding the IIPRC.

Commissioner Sevigny advanced to the public hearing to receive comments on the proposed 2014 Annual Budget. The proposed budget was forwarded to the Management Committee at its meeting in November after several weeks of review by the members of the Finance Committee and an opportunity for public comment. There were no written comments submitted regarding the 2014 Annual Budget. Ms. Schutter provided a brief summary of the 2014 Annual Budget. Mr. Wilson asked how much the Compact has grown in registrations. Ms. Schutter noted that the number of registrations continue to not meet what has been budgeted. With that, Commissioner Sevigny concluded the public hearing portion of the meeting.

Commissioner Sevigny advanced to the report of the Audit Committee. Superintendent Torti provided the report and noted that the Committee recently held a conference call to review the Commission’s financials. The Commission has met its budgeted revenue and is under budget for expenses and therefore does not need to utilize the Line of Credit from the NAIC. The NAIC made \$250,000 available this year but because the Commission consistently met revenue projections and kept expenses under budget, it will be the first time in its operational history that it will not need to draw on the available credit line. In the coming weeks, the Audit Committee will meet with the independent auditor RSM McGladrey. The Commission Office will receive an overview of the 2013 audit process, which will commence in January. There were no questions or comments for Superintendent Torti. As this was a Commission action item, Superintendent Torti made a motion to adopt the Report of the Audit Committee and Mr. Beatty seconded the motion. A voice vote was taken and the motion passed.

Commissioner Sevigny moved to the report of the Communications Committee. Mr. Williams provided the report, and noted that the Communications Committee convened earlier in December and received an update from the Commission Office with regard to recent outreach activities. The Commission Office was busy this fall with the amount of outreach it conducted on behalf of the Commission. The Commission conducted a series of webinars for company filers as well as State Regulators as well as a webinar series for the State Regulators on mix and match. Earlier in the fall, the Rulemaking Committee proposed amendments to the Product Filing Rule, specifically the provisions regarding the use of mix and match. The Commission Office conducted these webinars to make sure that all Regulators were aware of these proposed amendments. In addition to the recent webinars, the Commission participated in the Association of Insurance Compliance Professionals’ Annual Conference in Toronto. More enhancements and tools are expected to be launched next year, so please continue to monitor the website for these updates. There were no questions for Mr. Williams. Commissioner Sevigny suggested waiting to approve the Reports of the Communications, Finance, Rulemaking, and Product Standards Committee and have one motion after the Product Standards Committee has concluded its report. There were no objections to this suggestion.

Commissioner Sevigny moved to the Report of the Finance Committee, which was presented by Commissioner Murphy. Commissioner Murphy noted that the Committee has been meeting on a regular basis with the Commission Office to review the Financials as well as the proposed budget. The Commission is keeping its expenses under its expense budget, and currently, the year-to-date expenses are approximately 15% under budget. Revenues are approximately 2% above the budget year-to-date as of the end of November. The Finance Committee has worked on the proposed 2014 Annual Budget which assumes a conservative growth assumption of 12% in its revenue while keeping growth in expenses modest in light of the additional resources coming on in the next year. The Finance Committee does not recommend a change to the current Schedule of Fees for 2014 and feels the structural changes made at the beginning of this year have been very effective. Further details on the Commission's 2013 financial performance and condition will be provided under the Treasurers Report. There were no comments regarding the report of the Finance Committee.

Commissioner Sevigny advanced to the report of the Rulemaking Committee. Mr. Beatty reported that on November 13th the Rulemaking Committee held a public call for the purpose of receiving and reviewing comments on the proposed amendments to the Product Filing Rule, specifically regarding the mix and match provisions. The Rulemaking Committee does not have a recommendation to make regarding the proposed amendments to the Product Filing Rule. The Committee met recently to review the comments that were submitted by the members of the Industry Advisory Committee in advance of the November 13th conference call. During this call the Committee decided that it would continue to work on this issue as it moves into 2014. The Committee will be soliciting additional examples and comments from State Regulators as well as from company filers. Also during the November 13th call; the Rulemaking Committee presented its report on the Operating Procedures and Rules that were subject to the 5-Year Review that was noticed on August 1st. These Operating Procedures are the Operating Procedure for the Filing of Certifications for Foreign Language Translations for Product Filings and Operating Procedure for the Issuance of Advisory and Interpretative Opinions which became effective October 11, 2008. The Rulemaking Committee continues to work on the applicability of certain state laws that could affect the content of Compact-approved products. There were no questions regarding the report.

Ms. Ezalarab proceeded to provide the report of the Product Standards Committee and announced that the Committee does not have any recommendations for the Management Committee. Currently, the Product Standards Committee is in the midst of work on the Standards for Accelerated Death Benefits applicable to individual life insurance policies. An additional round of public comments on the individual uniform standards has been held, which should result in uniform standards that recognize market trends while maintaining robust consumer protections. The Committee's consideration should conclude in January, including another public comment period, before providing a recommendation to the Management Committee. The Product Standards Committee's next project will be to continue working through the first phase of the 5-year review of Uniform Standards, which encompasses all of the major types of individual life insurance and several more benefit features. In doing so, the Committee will work through the Commission Office's proposed Report and Recommendation, which is organized into three categories: substantive change items, clarification items and technical items. As it was a Management Committee action item, Commissioner Consedine made a motion to approve the reports of the Communications, Finance, Product Standards and Rulemaking Committees, and Director Huff seconded that motion. As there was no further discussion, a voice was taken and the motion passed.

Commissioner Sevigny moved to the Management Committee Consideration to Approve the Uniform Standards Issued on April 12th, 2013 and May 25th, 2013: the Group Term Life Insurance Uniform Standards for Accelerated Death Benefits and the Additional Standards for Incidental Guaranteed Minimum Death Benefits for Individual Deferred Non-Variable Annuities Benefits. These particular uniform standards have been in the rulemaking process for several months and have had several comment periods. Ms. Ezalarab provided a brief summary of the work that has been undertaken regarding the

continued review of the two uniform standards. There were no questions or comments. Commissioner Sevigny proposed considering the two uniform standards under separate motions, and first, asked for a motion from a member of the Management Committee to approve the Group Term Life Insurance Uniform Standards for Accelerated Death Benefits with the amendments being suggested by the Products Standards Committee. Commissioner Consedine made a motion while Mr. Schirripa seconded the motion. As there was no further discussion, a voice vote was taken and the motion passed. Next, Commissioner Sevigny asked for a motion from a member of the Management Committee to approve the Additional Standards for Incidental Guaranteed Minimum Death Benefits for Individual Deferred Non-Variable Annuities Benefits with the amendments being suggested by the Product Standards Committee. Commissioner Goldsmith made a motion while Commissioner Consedine seconded the motion. As there were no comments or questions, a voice vote was taken and the motion passed.

The Commission then considered adoption of the uniform standards Issued on April 12th and May 25th as just approved by the Management Committee. Commissioner Clark made a motion to adopt the Group Term Life Insurance Uniform Standards for Accelerated Death Benefits as approved by the Management Committee, and Commissioner Praeger seconded the motion. A voice vote was taken and the motion passed. In regards to the Additional Standards for Incidental Guaranteed Minimum Death Benefits for Individual Deferred Non-Variable Annuities Benefits as approved by the Management Committee, Mr. Beatty made a motion to adopt the uniform standards and Commissioner Clark seconded the motion. A voice vote was taken and the motion passed.

Commissioner Sevigny proceeded to the approval of the 2014 Annual Budget, and asked for a motion from a member of the Management Committee to approve the 2014 Annual Budget as issued on November 18th. Director Ramage made a motion and Ms. Lindley-Myers seconded the motion. A voice vote was taken and the motion passed.

Commissioner Sevigny moved to the Commission adoption of the 2014 Annual Budget just approved by the Management Committee. Mr. Ostlund made a motion to adopt the budget, while Commissioner Praeger seconded the motion. A voice vote was taken, and the motion passed.

Commissioner Sevigny advanced to the approval of meeting minutes. Commissioner Sevigny asked for a motion from a member of the Management Committee to approve the November 18th Joint Management Committee and Commission Meeting Minutes. Commissioner Consedine made a motion, and Mr. Farley seconded the motion. A voice vote was taken and the motion passed.

Commissioner Murphy continued to the Commission Consideration to adopt the same meeting minutes as approved by the Management Committee. Mr. Beatty made a motion to adopt the meeting minutes, while Mr. Ostlund seconded the motion. A voice vote was taken and the motion passed.

At each Annual Meeting the Commission officially forms the Management Committee for the upcoming annual period. The composition of the Management Committee is governed by the Compact statute and the selection process is laid out in Article 3 of the Commission Bylaws. The 14-member Management Committee is based on representation from the Member states as follows: six Member states with the largest premium volume are automatically on the Management Committee; four seats are allotted to Member states with more than 2% of premium volume -- other than the six largest -- and is based on an annual rotation procedure; and four seats are allotted to Member states with less than 2% of premium volume selected to represent each of the four NAIC zones. The six largest compacting states based on premium volume are: Texas, Pennsylvania, New Jersey, Illinois, Ohio, and Michigan. The Management Committee members representing the states with 2% or more of the premium volume are Indiana, Maryland, Massachusetts, and Wisconsin. For those states with less than 2% of the premium volume, each zone selects their representative: New Hampshire will continue to represent the Northeastern Zone;

Tennessee will represent the Southeastern Zone; Nebraska will continue to represent the Midwestern Zone; and Oregon will continue to represent the Western Zone.

Commissioner Sevigny proceeded to the election of the Commission Officers for the coming annual period – Chair, Vice Chair and Treasurer. Under the Commission Bylaws, the Officers are elected by the entire Commission but must be from the membership of the Management Committee. Commissioner Sevigny asked Commissioner Consedine, Vice Chair, to conduct the election for the position of Chair. Commissioner Consedine opened the floor for nominations for the office of Chair of the Commission. Superintendent Torti nominated current Commission Chair, Commissioner Sevigny, for the position of Chair. As there were no other nominations, Superintendent Torti made a motion to close the nominations for Chair and to elect by acclamation Roger Sevigny as Chair of the Commission. Ms. Lindley-Myers seconded the motion, a voice vote was taken, and Commissioner Sevigny was reelected Chair of the Commission. Commissioner Sevigny proceeded to open the floor for nominations for the office of Vice Chair. Director Huff nominated a slate for the office of Vice Chair and Treasurer, and nominated Commissioner Consedine for Vice Chair, and Commissioner Murphy for Treasurer. There were no other nominations. Director Huff made a motion to close the nominations and to elect by acclamation the slate as moved by Director Huff and Ms. Lindley-Myers seconded the motion. A voice vote was taken, and Commissioner Consedine was reelected as Vice Chair, with Commissioner Murphy being re-elected as Treasurer.

Commissioner Sevigny continued onto the approval of the 2014 Member Committee Assignments. Under the Commission Bylaws, the Chair makes the appointments to Commission Committees subject to the approval of the Management Committee. The recommendation for 2013 committee assignments was sent to Commission members prior to today's meeting. The appointment of representatives to the four seats on the Industry Advisory Committee also needed to be approved. Under Article VIII, Section 2 of the Compact Bylaws, the Industry Advisory Committee has eight seats with staggering two-year terms. There are four seats that must be reappointed. These seats are specifically designated in the Commission's Bylaws. One seat is reserved for a representative from a company and three seats are reserved for representatives from industry trade organizations. Each of the industry organizations that are currently sitting on the Industry Advisory Committee has requested to be reappointed, including Miriam Krol of the ACLI, Amanda Matthiesen of AHIP, and William Anderson of NAIFA. Mary Keim from State Farm has served as the fourth seat and is now coming off the Committee. The Officers have reviewed the applicant information and recommend that the current industry organization members of the IAC – that is the ACLI, AHIP, and NAIFA – be reappointed for another two-year term. Two submissions for the company representative appointment were received, and the Officers are recommending Angela Hanson with Northwestern Mutual Life Insurance Company be appointed to the open company representative seat. Commissioner Goldsmith made a motion to approve the 2014 Member Commission Committee assignments and appoint the proposed four Industry Advisory Committee members for a two-year term. Mr. Schirripa seconded the motion. As there was no further discussion, a voice vote was taken and the motion passed.

Commissioner Sevigny moved to the Treasurer's Report, which was provided by Commissioner Murphy. Commissioner Murphy noted that through November 30th, the Commission has received \$1,306,429 in self-generated revenue since January 1, 2013 – which is a 25% increase over November 2012. The Commission's revenue has shown positive growth, and actual revenues are approximately 2% above the 2013 Budget for self-generated revenues. More specifically, the Commission has collected: \$592,004 in Compact Filing Fees – an increase of 70% over November 2012; and \$714,440 in Annual Registration Fees – 180 companies have registered – an increase of approximately 2% in earned revenue over November 2012. The Commission has collected \$1,655,786 in state filing fees, which are remitted directly to the Member States. This is almost an 8% increase over the amount collected and remitted as of November 2012. The Commission has not requested any of the available \$250,000 Line of Credit and

does not expect to utilize the Line of Credit. This was the first year that the Commission has not had to borrow to cover its operating expenses. In Spring 2010, the NAIC and Commission agreed to restructure the Commission's outstanding debt obligations by combining all debt into one note payable effective January 1, 2010 at the prime rate of 3.25% minus 1% and accrual of interest on future borrowings at 2.25%. The outstanding debt to the NAIC as of October 31 is \$3,011,559 and is in deferral status on its repayment of debt to the NAIC. Based on the proposed 2014 Budget, the Commission expects to request another line of credit from the NAIC in 2014 in the amount of \$150,000. As there were no questions regarding the report, Commissioner Clark made a motion to adopt the Treasurer's Report, and Mr. Beatty seconded the motion. A voice vote was taken, and the motion passed.

As the final agenda item, Ms. Schutter provided the Operational Update, and explained that 180 companies have registered as of the end of November. Combined, these companies represent almost 75% of the premium volume written for the Commission's product lines. Over 700 products have been approved this year and the Commission has already surpassed many of the records set last year. Since the in-person meeting in August, Arkansas and Montana have implemented the Compact, which several filers have added to already-approved product filings. Ms. Schutter announced that the two open positions approved by the Management Committee earlier this year have been filled. Becky McElduff has accepted the Assistant Director for Product Operations and Counsel position and Anne Marie Narcini has accepted the Regulatory Consultant position.

As there were no further matters or questions, Mr. Beatty made a motion to adjourn which was seconded by Commissioner Consedine. The meeting was adjourned.