



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

Wednesday, February 24, 2016

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

1. Roll Call
2. Report of the Product Standards Committee including the Response to Comments Regarding the PSC-Recommended Group Disability Income Uniform Standards being Considered by the Management Committee
3. Management Committee Consideration of Approval of Group Disability Income Uniform Standards as Issued on August 27, 2015 (including any Amendments that may be proposed by way of formal motion)
4. Commission Consideration of Adoption of Group Disability Income Uniform Standards as Approved by the Management Committee
5. Public Hearing on the Uniform Standards listed under Phase 5 of the Five-Year Review Published on December 9th, 2015:
 - [Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts](#)
 - [Additional Standards for Waiver of Premium Benefit for Child Insurance in the Event of Payor's Total Disability or Death](#)
 - [Additional Standards for Market Value Adjustment Feature Provided Through the General Account](#)
 - [Additional Standards for Market Value Adjustment Feature Provided Through a Separate Account](#)
 - [Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities](#)
 - [Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities](#)
 - [Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities](#)
 - [Additional Standards for Intermediate Period Endowment Benefit Features for Individual Life Insurance Policies](#)
6. Management Committee and Commission Consideration of Adoption of Meeting Minutes of the November 18th Joint Meeting of the Management Committee and Commission

7. Management Committee Consideration of Approval of Meeting Minutes from the December 21st Meeting of the Management Committee
8. Operational Update
9. Any Other Matters
10. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance
Product Regulation Commission
Wednesday, February 24, 2016**

Members of the Commission and Department Staff in Attendance:

Commissioner Jacqueline Cunningham, Chair, Virginia
Elizabeth Roman as a designated representative for Commissioner Angela Weyne, Chair, Puerto Rico
Superintendent Eric A. Cioppa, Treasurer, Maine
Steve Ostlund as a designated representative for Commissioner Jim Ridling, Alabama
Director Lori Wing-Heier, Alaska
Mayumi Gabor, Alaska
Bill Lacy as a designated representative for Commissioner Allen Kerr, Arkansas
Russ Galbraith, Arkansas
Tom Abel as a designated representative for Commissioner Marguerite Salazar, Colorado
Steve Manders as a designated representative for Commissioner Ralph Hudgens, Georgia
Kathleen Nakasone as a designated representative for Commissioner Gordon Ito, Hawaii
Colin Hayashida, Hawaii
Martha Im, Hawaii
Director Dean Cameron, Idaho
Donna Daniel, Idaho
Paulette Dove as a designated representative for Acting Director Anne Melissa Dowling, Illinois
Amy Beard as a designated representative for Commissioner Stephen Robertson, Indiana
Mihir Nag, Indiana
Douglas Ommen as a designated representative for Commissioner Nick Gerhart, Iowa
Craig VanAalst as a designated representative for Commissioner Ken Selzer, Kansas
Commissioner James J. Donelon, Louisiana
Beth O'Quin, Louisiana
Commissioner Al Redmer, Maryland
Commissioner Daniel R. Judson, Massachusetts
Sheri Cullen, Massachusetts
Joseph Garcia as a designated representative for Director Patrick M. McPharlin, Michigan
Roger Stefani as a designated representative for Commissioner Mike Rothman, Minnesota
Jay Eads as a designated representative for Commissioner Mike Chaney, Mississippi
Mary Mealer as a designated representative for Director John M. Huff, Missouri
Richard Hersey as a designated representative for Commissioner Monica Lindeen, Montana
Rebecca Dennis as a designated representative for Director Bruce Ramage, Nebraska
Michael Wilkey as a designated representative for Commissioner Roger A. Sevigny, New Hampshire
Felix Schirripa as a designated representative for Acting Commissioner Richard Badolato, New Jersey
Terry Seaton as a designated representative for Superintendent John Franchini, New Mexico
Ted Hamby as a designated representative for Commissioner Wayne Goodwin, North Carolina
Jillian Froment as a designated representative for Lieutenant Governor Mary Taylor, Ohio
Lilane Fox, Ohio
Joel Sander as a designated representative for Commissioner John Doak, Oklahoma
Cuc Nguyen, Oklahoma
Commissioner Laura Cali, Oregon

Johanna Fabian-Marks as a designated representative for Commissioner Teresa D. Miller, Pennsylvania
Superintendent Elizabeth K. Dwyer, Rhode Island
Andrew Dvorine as a designated representative for Director Raymond G. Farmer, South Carolina
Tina Brown, South Carolina
Chlora Lindley-Myers as a designated representative for Commissioner Julie Mix McPeak, Tennessee
David Bolduc as a designated representative for Commissioner David Mattax, Texas
Jan Graeber, Texas
Tanji Northrup as a designated representative for Commissioner Todd Kiser, Utah
Nancy Askerlund, Utah
Tomasz Serbinowski, Utah
Kaj Samsom as a designated representative for Commissioner Susan Donegan, Vermont
Alan Hudina as a designated representative for Commissioner Mike Kreidler, Washington
Tonya Gillespie as a designated representative for Commissioner Michael D. Riley, West Virginia
Cari Lee as a designated representative for Commissioner Ted Nickel, Wisconsin
Brittany Buss as a designated representative for Commissioner Tom Glause, Wyoming

Members of the Industry Advisory Committee in Attendance:

Rod Perkins, American Council of Life Insurers
Amanda Matthiesen, America's Health Insurance Plan
Hugh Barrett, MassMutual Financial Group
Miriam Krol, American Council of Life Insurers
Wayne Mehlman, American Council of Life Insurers

Members of the Consumer Advisory Committee in Attendance:

Brendan Bridgeland, Center for Insurance Research
Sonja Larkin-Thorne, NAIC Funded Consumer Liaison Representative
Fred Nepple, Consumer Liaison Representative

Members of the IIPRC Legislative Committee in Attendance:

Senator Jason Rapert, Arkansas
Senator Robert D. Hackett, Ohio

IIPRC Staff in Attendance:

Karen Schutter, Executive Director
Becky McElduff, Assistant Director
Sara Dubsky, Senior Operations Manager
MacKenzie Heidelmark, Administrative Coordinator
Lucy Conley-Smoucha, Administrative Assistant
Ed Charbonnier, Product Reviewer

Maureen Perry, Product Review Consultant
Mindy Bradford, Product Reviewer
Alice Fontaine, Actuarial Consultant
Jeanne Daharsh, Actuarial Consultant
Katie Campbell, Actuarial Consultant
Aimee Lawson, Intake Coordinator
Anne Marie Narcini, Regulatory Consultant

Interested Parties in Attendance:

Lauren Roberts, AFLAC Group
Kenyon Stevenson, AFLAC Group
Melissa Clines, Nationwide Insurance Company
Craig Hopkins, Pacific Life Insurance, Co.
Sheila Kenny, Prudential
Tyler Matheny, Principal Financial Group
Elaine Zurovski, RiverSource Life Insurance Company
Beth Lindsay, VOYA Financial
Susan Fendell, Mental Health Legal Advisors Committee

Commissioner Cunningham called to order the joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission (Commission) by teleconference. Ms. Schutter took the roll call of the Management Committee, the Commission, the Legislative Committee, the Industry Advisory Committee and the Consumer Advisory Committee. Commissioner Cunningham noted that, as provided in the bylaws and because the meeting is by conference call, a roll call vote on each substantive action item would be taken.

Commissioner Cunningham proceeded to the first item of the agenda and invited the Chair of the Product Standards Committee, Ms. Mealer, to deliver the report of the Product Standards Committee. Ms. Mealer reported that during December and January, the Product Standards Committee reviewed all public comments that were received by the Management Committee for the proposed Group Disability Income Insurance uniform standards, and held a public call earlier in the month to receive final input from interested parties. Ms. Mealer stated that comments were received on three of the eight recommended uniform standards, including *Group Disability Income Insurance Policy and Certificate Uniform Standards For Employer Groups*, *Uniform Standards For Group Disability Income Insurance Initial Rate Filings*, and *Uniform Standards For Filing Revisions To Rate Filing Schedules In Group Disability Income Insurance Policies*. Ms. Mealer said that the Product Standards Committee was not recommending any amendments to the five proposed uniform standards that did not receive any comments; she also noted that some of the comments received for the other three proposed uniform standards were the same comments that the Committee received during the eight public calls held during the drafting process with no new information, and therefore the Committee would not recommend any amendments on those items.

Ms. Narcini then provided a summary of the three amendments suggested by the Committee, as listed on the chart *Summary of the Product Standards Committee Response to Comments Regarding the PSC-Recommended Group Disability Income Uniform Standards Currently Being Considered by the Management Committee*. Ms. Narcini reported that the Vermont Department of Insurance requested revisions to the Policy and Certificate standards for Employer Groups so that the limitations or exclusions for disabilities as a result of: (C) Chemical Dependency, (L) Intoxicants, (M) Voluntary Intake of Narcotics and Other Substances, and (O) Mental Or Nervous Disorders in Section 7 of the uniform standards would continue to follow and be subject to state law. Ms. Narcini noted that the Vermont Department of Insurance has stated that without such provisions, they would opt out of the Uniform Standards for Group Disability Income. She further noted that this issue was discussed in great detail prior to the standards being proposed and during the sixty-day comment period. She stated that the Committee's main concern about such a change was that including this type of variable language for a single state is not in accordance with the goal of establishing uniform standards across all member states. Ms. Narcini reaffirmed the Committee's decision not to recommend the amendment, but to instead provide the Management Committee with the history of the issue, and suggest it as a policy decision that the Management Committee may wish to consider. She noted that "Exhibit A" at the end of the chart has language that would achieve Vermont's objective. She reported that the Product Standards Committee also suggests that any amendment include a drafting note indicating that the IIPRC office will maintain a list of states that limit or prohibit these exclusions.

Ms. Narcini then explained a suggested amendment recommended by the Consumer Advisory Committee (CAC) to eliminate language from the Benefit Provisions section for reducing Disability Benefits on account of other benefits or income that is related to lost wages minus any incurred legal fees that are recovered from responsible third parties as a result of settlements or judgments. She stated that while the Product Standards Committee understands the concerns of the CAC, they do not recommend eliminating the language in question, as the vast majority of states do not prohibit third-party settlement offset. The current provisions as proposed provide additional consumer protections by requiring that amounts from third-party settlements that the insured must pay in legal fees cannot be offset; the offset can only be for the part of the settlement that applies to lost income and the insurance company can either offset or subrogate for the claim, but not both. The Committee noted that the NAIC Regulatory Framework (B) Task Force will be reviewing whether to make changes to the NAIC *Accident and Sickness Insurance Minimum Standards Model Act* (#171) that may impact group disability income products, and therefore suggested the addition of a drafting note which states that the Commission will revisit Section 9.B(1)(m) of this Uniform Standard if: revisions are made to the NAIC *Accident and Sickness Insurance Minimum Standards Model Act* (#170); or the Model Regulation #171; or a new Model or Guidance is developed for group disability income products that impacts offset provisions.

The final amendment presented by Ms. Narcini was a clarification to the Incidental Benefit Provisions for COBRA Insurance Premium Benefit in the Group Disability Income Insurance Policy and Certificate Standards as suggested by the Industry Advisory Committee (IAC). The uniform standards state that a disclosure notice should be included in the policy, and the IAC noted that in practice, the clarification is often included in the certificate. The Product Standards Committee therefore recommended the proposed amendment to add a sentence at the end of the provision stating “[t]he certificate may also include this notice.”

Ms. Narcini noted that the remainder of the recommended revisions, as listed on the chart, relate to the Initial Rate and Rate Revision uniform standards, in that the draft rate uniform standards used the Individual Disability Uniform Standards as the starting point. During the public comment period, the Committee became aware that some requirements were not applicable to Group Disability Income Rate filings. Some of the uniform standards were only applicable to issue age products, and many Group Disability Income products are attained age products. Ms. Narcini gave an overview of the suggested amendments, and stated that the Committee recommended that the Management Committee add drafting notes similar to those found in the Individual Long Term Care Rate Uniform Standards, to explain that actuarial requirements vary depending upon premium structure and type of renewability guarantee period, and permitting the company to note when certain requirements are not applicable. The drafting notes also refer to the appropriate Actuarial Standard of Practice for guidance concerning the key pricing assumptions, underlying actuarial judgments and the manner in which the premium rates are to be tested against regulatory benchmarks as covered in the “Criteria for Review” in the uniform standards. Ms. Narcini stated that the Committee believes that allowing this flexibility will work for all of the different products and pricing approaches in the market.

Ms. Mealer stated that the Product Standards Committee believes that the proposed uniform standards as well as the suggested amendments provide strong standards and consumer

protections for the review of group disability income insurance products and rates, and recommends that the Management Committee adopt the uniform standards with the amendments noted. She stated that the Committee would now begin consideration of the recommendations for Phase Six of the Five-Year Review process, which includes all of the Uniform Standards for the Individual Long Term Care insurance products. Ms. Mealer noted that the IIPRC office is finalizing the initial report and recommendation to the Product Standards Committee with detailed descriptions of the submitted comments and suggested changes, as well as changes proposed by the IIPRC office as a result of applying the Uniform Standards. The report will be exposed for Public Comment in March and the Committee will hold a public call to hear comments. In coordination with interested parties, the Committee will consider the comments and suggestions submitted and provide recommendations to the Management Committee.

Commissioner Cunningham then asked for any comments on the Product Standards Committee update. There were no comments. Commissioner Cunningham noted that there was no action needed to adopt the Product Standards Committee Report as it would be considered under the next two agenda items.

Commissioner Cunningham moved to the next agenda item, Management Committee consideration of approval of Group Disability Income uniform standards as issued on August 27, 2015, including any amendments that may be proposed by way of formal motion. The Commissioner noted that there are seven new uniform standards for the Group Disability Income product line, along with an amendment to the Group Policyholder Application Uniform Standards for consideration by the Management Committee, and if approved, by the full Commission. She then summarized the request from Vermont to amend the Permissible Limitations and Exclusions in Section 7 of the Group Disability Income Insurance Policy and Certificate uniform standards as detailed by Ms. Narcini. There were no questions or discussion on the proposed language.

Superintendent Cioppa moved to amend the Group Disability Income Insurance Policy and Certificate uniform standards by adopting the language proposed in Appendix A of the Chart provided by the Product Standards Committee; Mr. Sander seconded. Commissioner Cunningham asked if the members of the Management Committee or Commission had questions or comments on the proposed amendment. Mr. Samsom noted Vermont has never opted out of a Uniform Standard; however the principal of equal treatment for mental health is deeply seeded in Vermont law, and unless the proposed amendment for permissible exclusions is adopted in its entirety – to defer to state law, Vermont will be forced to opt out. He urged that the amendment be adopted in full, without exclusions. Commissioner Cali emphasized Oregon's support for the motion. Ms. Krol stated that the IAC disagrees with the motion, and requested that (L) Intoxicants and (M) Voluntary Intake of Narcotics And Other Substances not be included in the amendment; she stated that while individuals may make decisions to become involved in intoxicants and voluntary intake of narcotics and other substances, the Compact Standards should not encourage risky or potentially illegal behavior. Ms. Larkin-Thorne strongly supported the request from Vermont, maintaining that it was more important for the states to address these issues as they see fit, than for standardization. Ms. Fendell made remarks in support of Vermont as well. After these comments were heard, Commissioner Cunningham called for a roll call of the Management Committee members. Ms. Schutter took the roll call vote. All Management

Committee members present voted in favor, except for Texas and Wisconsin which voted against the motion based on the principles of the Compact that the Uniform Standards should establish uniform, standard provisions and not defer to state-by-state law. The amendment passed with a majority vote.

Commissioner Cunningham next asked the Management Committee to consider in another motion the other suggested changes from the Product Standards Committee based on their feedback regarding the Policy and Certificate uniform standards. Ms. Schutter summarized the standards for the Commission, as detailed earlier by Ms. Narcini. Mr. Garcia moved to add the suggested Drafting Note in Section 9 as proposed by the Product Standards Committee and to add the suggested sentence proposed by the Committee at the end of Section 10H(4). Commissioner Cali seconded the motion. There were no comments for discussion. Ms. Schutter took a roll call vote, and the motion passed unanimously.

Commissioner Cunningham then asked Ms. Schutter to summarize the final amendment scheduled for consideration regarding rate filing uniform standards. Ms. Schutter deferred to the summary of the changes to the group rate filings as described previously by Ms. Narcini, emphasizing that the changes were developed in concert with the Compacting States that review group rate filings. Ms. Schutter stated that these states had accepted the changes. Ms. Fabian-Marks made a motion to adopt the revisions to the uniform standards for Group Disability Income Insurance Initial Rate Filings and the uniform standards for Group Disability Insurance and the uniform standards for Filing Revisions to Rate Filing Schedules in Group Disability Income Insurance Policies suggested by the Product Standards Committee; Mr. Bolduc seconded the motion. Commissioner Cunningham then asked for any discussion from members of the Management Commission regarding the motion. Mr. Seaton asked for clarification with regard to the proposed uniform standards and whether the uniform standards were intended for groups that were not employer groups. Ms. Schutter responded that the intent of the uniform standards is to apply only to employer groups, and that the Compact would not accept product filings for non-employer groups. As there were no other comments or questions, Commissioner Cunningham asked Ms. Schutter to take a roll call vote of the Management Committee regarding the motion. The motion carried.

Commissioner Cunningham stated that those were all of the amendments based on the feedback of the Product Standards of Committee, and asked the members of the Management Committee if there were any other motions to amend. Hearing none, Commissioner Cunningham asked for a motion from a member of the Management Committee to approve the seven new uniform standards for Group Disability Income Insurance as proposed by the Product Standards Committee, with the amendments just adopted by the Management Committee, as well as the amended Group Policyholder Application Uniform Standards also recommended by the Product Standards Committee. Superintendent Cioppa moved, and Mr. Sander seconded. Commissioner Cunningham called for any further discussion, and hearing none, called for a roll call vote of the Management Committee to be taken by Ms. Schutter. To adopt Uniform Standards, a two-thirds supermajority vote in favor is required by the Compact Statute and Bylaws. The motion passed unanimously.

Commissioner Cunningham then moved to the next agenda item, consideration of the uniform standards by the full Commission. The Commissioner asked if there were any further motions to amend the Uniform Standards just approved by the Management Committee. Hearing none, the Commissioner asked for a motion from a Commission member to adopt the seven new uniform standards for Group Disability Income Insurance as well as the amendment to Group Policyholder Application Uniform Standards as approved by the Management Committee. Mr. Ostlund moved, and Ms. Roman seconded. There was no further discussion by the Commission or others and the motion passed by roll call vote of the full Commission. All members present voted in favor, except for Colorado, who abstained. The motion received 37 votes in favor, exceeding the 29 votes needed for the two-thirds supermajority required by the Compact Statute and Bylaws.

Commissioner Cunningham stated that the uniform standards have been adopted, and would be promulgated within ten days. They would then become effective within ninety days, in early- to mid-June.

Commissioner Cunningham then moved to the next item on the Agenda, the Public Hearing on the Uniform Standards listed under Phase Five of the Five-year Review published on December 9, 2015. Commissioner Cunningham asked Ms. Schutter to provide a brief summary of the 5-Year Review process. Ms. Schutter stated that the eight Uniform Standards currently under review were originally made effective from July 1, 2010 thru the end of 2010. The Product Standards Committee made the recommendation to the Management Committee at the November 18, 2015 in-person meeting, and written comments were due on February 8, 2015. During the review process the Product Standards Committee held two conference calls to receive comments, and referred two issues to the Actuarial Working Group, who also held calls. The proposed amendments were subject to public comment period under the formal rulemaking, and reflect strong consumer protections and provide clarity to ensure consistent application of the standards and are reflective of what is being accepted in most states today. Commissioner Cunningham then opened the public hearing to receive comments on the amendments to the Uniform Standards.

Mr. Serbinowski commented that Utah's previously-submitted comments are limited to two related Uniform Standards – the Uniform Standards for Guaranteed Living Benefits in both Variable and Non-Variable Annuities. The comments question the Compact's authority to adopt a uniform standard that may be consistent with the policies of a number of Compacting states, but may be at odds with NAIC Long Term Care (LTC) model regulation. He stated that with the addition of some qualifying events in the Uniform Standards that seem to provide benefits that are triggered by functional or cognitive impairments, the Uniform Standards would allow for certain policies that might otherwise met the definition of LTC to be offered while not subject to LTC Uniform Standards.

Ms. Krol commented that the issue of triggers in the Uniform Standards is not being introduced in the five-year review, but has been included in the original version of these Uniform Standards. She stated that the triggers were included in the Compact's first draft of the Uniform Standards in parenthesis and without specificity. She stated that in later drafts, because there was no specificity, the IIPRC office would not accept this benefit feature with these triggers. Ms. Krol stated the opinion of ACLI that the NAIC LTC Model Act is a living

document, and does allow these triggers in non-LTC products for the purpose of triggering the benefit and not paying for long-term care services.

Hearing no further comments, Commissioner Cunningham asked the Product Standards Committee to consider the comments received, and to provide the Management Committee with feedback on whether these comments were discussed during the Committee's 5-year review process and its recommended approach. Commissioner Cunningham then proceeded to the next agenda items, and deferred the adoption of the minutes until the April 2, 2016 meeting.

The Commissioner then asked Ms. Schutter to provide an operational update. Ms. Schutter reported that the next in-person meeting is taking place on Saturday, April 2, 2016 at 12:30 pm in New Orleans, LA. She stated that it would be a 90-minute meeting with conference call capabilities, and that the public notice of the meeting would be issued shortly.

Commissioner Cunningham then asked if there were any other matters. Hearing none, the Commission asked for a motion to adjourn. Ms. Mealer moved, and Mr. Sander seconded.