



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

**Tuesday, November 15, 2022  
3 pm ET / 2 pm CT / 1 pm MT / 12 pm PT**

**WebEx**

**AGENDA**

- 1. Roll Call**
- 2. Public Hearing on the Proposed 2023 Annual Budget and the Proposed 2023 Uniform Standards Development Prioritization List**
- 3. Public Hearing on the Amendments to Address Colorado Statutory Conflict with Suicide Exclusion Provisions**
- 4. Report and Recommendation of the Rulemaking Committee**
- 5. Report and Recommendation of the Product Standards Committee**
- 6. Consent Agenda**
- 7. Any Other Matters**
- 8. Adjourn**

**Members of the Commission and Department Staff in Attendance:**

Director Eric Dunning, Vice Chair, Nebraska

Commissioner Allan McVey, Treasurer, West Virginia

Superintendent Elizabeth Kelleher Dwyer, Rhode Island

Sarah Bailey as a designated representative for Director Lori Wing-Heier, Alaska

Mayumi Gabor, Alaska

Erin Klug as a designated representative for Director Evan Daniels, Arizona

Jimmy Harris as a designated representative for Commissioner Alan McClain, Arkansas

Howard Liebers as a designated representative for Commissioner Karima Woods, District of Columbia

Martha Im as a designated representative for Commissioner Colin Hayashida, Hawaii

Lisa Zarko, Hawaii

Weston Trexler as a designated representative for Director Dean Cameron, Idaho

Jeff Varga as a designated representative for Director Dana Popish Severinghaus, Illinois

Andria Seip as a designated representative for Commissioner Doug Ommen, Iowa

Julie Holmes as a designated representative for Commissioner Vicki Schmidt, Kansas

Frank Opelka as a designated representative for Commissioner James Donelon, Louisiana

Acting Superintendent Tim Schott, Maine

Nour Benchaaboun as a designated representative for Commissioner Kathleen A. Birrane, Maryland

Alex Borkowski, Maryland

Sheri Cullen as a designated representative for Commissioner Gary Anderson, Massachusetts

Karen Dennis as a designated representative for Director Anita G. Fox, Michigan

Tammy Lohman as a designated representative for Commissioner Grace Arnold, Minnesota

Director Chlora Lindley-Myers, Missouri

Jo LeDuc, Missouri

Camille Anderson-Weddle, Missouri

Cynthia Amann, Missouri

Martin Swanson, Nebraska

Commissioner Marlene Caride, New Jersey

Ted Hamby as a designated representative for Commissioner Mike Causey, North Carolina

Daniel Bradford as a designated representative for Director Judith French, Ohio

Cuc Nguyen as a designated representative for Commissioner Glen Mulready, Oklahoma

Director Andrew Stolfi, Oregon

Shannen Logue as a designated representative for Commissioner Michael Humphreys, Pennsylvania

Steve Boston, Pennsylvania

Brian Hoffmeister as a designated representative for Commissioner Carter Lawrence, Tennessee

Chris Herrick as a designated representative for Commissioner Cassie Brown, Texas

Commissioner Jonathan Pike, Utah

Tanji Northrup, Utah

Tomasz Serbinowski, Utah

Anna VanFleet as a designated representative for Commissioner Michael Pieciak, Vermont

Mary Block, Vermont

Molly Nollete as a designated representative for Commissioner Mike Kreidler, Washington  
Ned Gaines, Washington  
Erin Hunter, West Virginia  
Rebecca Rebholz as a designated representative for Commissioner Nathan Houdek, Wisconsin  
Commissioner Jeff Rude, Wyoming  
JoAnne DeBella, Wyoming

**Legislative Committee:**

Representative Deborah Ferguson

**Consumer Advisory Committee:**

Brendan Bridgeland  
Fred Nepple

**Industry Advisory Committee:**

Anne Correia, Allianz  
Megan Phillips, Athene  
Wayne Mehlman, ACLI  
Sarah Wood, IRI

**Insurance Compact Staff in Attendance:**

Karen Schutter, Executive Director  
Becky McElduff, Director of Product Operations & Chief Counsel  
Sara Dubskey, Assistant Director of Administrative Operations  
Joe Bonfitto, Product Reviewer  
Mindy Bradford, Product Reviewer  
Ed Charbonnier, Product Reviewer  
Jeanne Daharsh, Actuary  
Susan Ezalarab, Regulatory Coordinator Consultant  
Karen Givens, Senior Product Reviewer & Manager  
Naomi Kloeppersmith, Actuary  
Sarah Neil, Communications and Outreach Coordinator

Director Dunning called to order the Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission (Insurance Compact or Commission). Ms. Schutter took the roll call of the: Management Committee, Commission, Legislative Committee, and Industry and Consumer Advisory Committees.

Director Dunning proceeded to the first item on the Agenda, and began the public hearing on the proposed 2023 Annual Budget and the Uniform Standards prioritization list for 2023. Director Dunning noted the Officers received the recommendation from the Finance and Product Standards Committees on behalf of the Management Committee.

Director Dunning asked Commissioner McVey to provide a report of the Finance Committee. Commissioner McVey reported the Finance Committee is proposing an increase to the 2023 Schedule of Fees. Through the end of September, the Compact has earned \$2.4 million which is

18% under budget. Commissioner McVey noted the significant reduction in filing volumes has been a trend demonstrated all year and is offsetting the positive revenues for \$800,000 in 2021 when the companies had to satisfy the state requirement to refile or update their life products. It was explained the number of companies currently registered with the Compact is close to the budget indicating companies are continuing to file with the Compact, just not at the levels demonstrated in 2021. Commissioner McVey noted expenses continue to be under budget by 12%. Commissioner McVey noted no comments have been submitted in writing on either the proposed budget or the Schedule of Fees and asked Ms. Schutter to provide an overview of the budget process.

Ms. Schutter reported the 2023 budget is based on lower projected volumes than the 2022 budget but higher than actual volumes so far in 2023. The 2023 budget assumes an increase to certain Compact fees in 2023. This is a planned increase based on pro forma projections during the line of credit renegotiation in 2019. The Compact has increased fees 4 times in its history and the per filing fees being increased from 15 – 25% have not been increased since 2016. These increases and the first-time increases for the LTC annual and triennial certification filings are aimed at better aligning the operating costs involved in reviewing these filings. This alignment of fees for 2023 will ensure the Compact has sufficient staffing to accomplish its mission and goals for members and filers. The expense budget for 2023 is expected to grow by 5%. The Compact Office is filling a position that has been open during 2022 and is being converted to a project coordinator. Jeanne Daharsh, a long-time actuary is retiring in April, and her full-time position will be backfilled while there is overlap to provide for transition. Travel and meetings expenses are increasing significantly as returning to pre-pandemic level of outreach and planning for roundtables and reception opportunities, as well as the increase in travel costs generally.

Commissioner McVey concluded the Finance Committee's report. Hearing no questions or comments, Director Dunning proceeded to receiving comments on the proposed 2023 Uniform Standards Development Prioritization list and asked Ms. Seip to provide an overview of the proposed list.

Ms. Seip reported this is the second year of a new system put in place under the strategic plan – a system for identification and prioritization of Uniform Standards development. Under this new procedure, members, regulators, the Compact Office and interested parties may request development of a new or amended standard for a new product or benefit feature. The Compact Office posts all requests received on its website, and on July 1 of each year, the Product Standards Committee (PSC) takes the list of requested standards and recommends how to prioritize. The PSC did not receive any new requests from regulators or interested parties other than to request what was already on the prioritization list. The PSC and Compact Office added items to the list to address scope and clarification items. This process follows a similar one to the annual budget process where the PSC develops a recommended prioritization and presents to the Management Committee and Commission for their consideration. The goal is for action to be taken at the annual meeting each December so that the Uniform Standards Development prioritization list can be in place when the PSC begins its work for the coming annual period. This process ensures the Commission is comfortable with the work being performed by the PSC. For 2023, the development of group Whole Life Uniform Standards and updating group Uniform Standards for non-employer groups once the Commission considers the Rulemaking Committee recommendation is high on

the prioritization list. The development of Uniform Standards for Indexed-Linked Variable Annuities, also known as ILVA or Registered Indexed-Linked Annuities (RILA), is another high priority. Ms. Seip concluded the report of the PSC. There were no comments. Director Dunning concluded the public hearing and noted the Annual Budget plus the Schedule of Fees and the Uniform Standards development Prioritization list are to be considered for final action during the December 15<sup>th</sup> Compact meeting in Tampa.

Director Dunning proceeded to the next item on the Agenda, the public hearing on the amendments to address the Colorado statutory conflict with the suicide exclusion provisions. Director Dunning explained these amendments were drafted by the PSC in 2021 at the request of the Governance Committee. These amendments would address a recommendation from the Governance Committee to address meaningful conflicts between the Uniform Standards and the state statutes, especially ones of political or legal significance. In addition to Colorado, the Compact is aware of at least two other states with a one-year suicide exclusion period. Director Dunning reported the proposed amendments were exposed for a 90-day public comment period. The amendments would impact life products and will apply to Compact-approved products issued on or after the effective date. Director Dunning asked Ms. Schutter to provide an overview of the amendment and how it would apply to previously approved and new products upon the effective date.

Ms. Schutter reported the amendment adds the phrase “*or any shorter period as may be required by applicable law in the state where the policy is delivered or issued for delivery.*” This amendment was published for 90 days written notice and comment originally due on November 21<sup>st</sup> but the deadline has been extended until December 2<sup>nd</sup>. Ms. Schutter provided a point of clarification and explained the amendment will be effective for compliance purposes for new filings and new issues of approved Compact products at and after the effective date. If the Commission adopts this amendment at its December 15<sup>th</sup> meeting, the effective date will likely be April 3<sup>rd</sup> for compliance. The Compact Office would suggest for clarity purposes, and to remove any room for interpretation, the Management Committee and Commission explicitly state with respect to the effective date, that as of the effective date the amendments are effective for purposes of compliance for new issues of previously-approved Compact products.

Director Dunning asked if there were any questions or comments. Ms. Wood expressed concern about an increase in state exceptions and a precedence being set. She stated the Uniform Standards provide for efficiency and companies rely on the uniformity and consistent review process. Ms. Wood concluded that it is understood there are some exceptions required, but would strongly encourage the Compact to limit the number of exceptions. Mr. Mehlman noted the American Council of Life Insurers (ACLI) would echo the comments made by Ms. Wood.

Director Dunning concluded the public hearing and noted the Commission will consider final action on these amendments during the December 15<sup>th</sup> meeting in Tampa.

Director Dunning called on Commissioner Stolfi to provide the report and recommendation of the Rulemaking Committee. Director Dunning reported the Rulemaking Committee presented a recommendation to the Management Committee during the June interim meeting. The recommendation was the framework for the implementation of non-employer group use of Compact-approved products which included the proposed Operating Procedure for the Use of

Compact-Approved Products for other than Employer Groups. Commissioner Birrane asked Commissioner Stolfi and the Rulemaking Committee to review the submitted comments and provide feedback as to whether the Committee would recommend additional changes to the proposed framework or Operating Procedure.

Commissioner Stolfi provided an overview of the work the Committee took in developing the framework and Operating Procedures. Written comments were submitted by the Vermont Department of Financial Regulation and the ACLI. Vermont, Utah and New York Life made comments at the public hearing held during the August meeting in Portland. The Rulemaking Committee has reviewed these comments and is recommending revisions to the proposed Operating Procedure. The Committee has also outlined the proposed workflow for this new process which is added to the Framework. Both sets of written comments had concerns with the definition sections of the Operating Procedure especially the inclusion of portability trusts and Professional Employer Organizations (PEO) under the definition of Employer Groups. The key change the Committee is recommending is substantive, and it would remove the definitions for portability trusts, labor unions and PEO that were under the category of Employer Group such that they will now fall under Section 102(3) in the category of Non-Employer Group. This change will keep the status quo that the Compact-approved products can be issued to Employer Groups and that all other groups would need to follow the Compacting State procedure for authorization of the eligibility and legitimacy of the non-employer group before it could use a Compact-approved product for that non-employer group.

Commissioner Stolfi asked Ms. Schutter to provide further details on the additional changes being proposed. Ms. Schutter explained the changes are to Section 102(2) to remove trusts, labor unions and PEO from the category of employer. Due to this, these group types must first seek state approval for the specific group, if required or applicable. The Committee made changes to the drafting note which now appears after Section 102 and Section 103 to emphasize and make clear that the definitions in this section do not create or alter statutory definitions for these groups under state law. The Committee also suggests a change to the last provision in Section 104 to provide a 90-day window after state approval to update the Compact filing to reflect the state approval. The Committee updated the Framework to outline the proposed workflow between the Compact filing and the state filings including adding submission and certification requirements to the Compact filing when being used for non-employer groups.

Commissioner Stolfi explained the Rulemaking Committee exposed this recommended feedback for comment and held a public call on October 27<sup>th</sup>. A company representative expressed concern that the wording in this Operating Procedure, especially Section 102(3) subsections (b) and (c) which describes characteristics of non-employer groups, could be construed to add or change the definitions in state law. The Rulemaking Committee did not make further changes in response to this comment, noting there are multiple places including in two drafting notes that explicitly states provisions in the Operating Procedure are solely to administer this process at the Compact and do not change or alter state laws with respect to non-employer groups. Commissioner Stolfi concluded the report of the Rulemaking Committee.

Hearing no questions or comments, Director Dunning noted the Management Committee will continue to receive comments on this item until December 2<sup>nd</sup> and the Commission will take final action on this item during the Tampa meeting on December 15<sup>th</sup>.

Director Dunning proceeded to the report and recommendation of the Product Standards Committee and asked Ms. Seip to provide the report.

Ms. Seip explained the Product Standards Committee would be recommending two new uniform standards for publication. The PSC has finalized the draft uniform standards Individual Disability Income Key Person Replacement Insurance and Individual Disability Income Buy-Sell Insurance. The drafts were developed based on the Individual Disability Income Business Overhead Expense Uniform Standard with modifications for the unique features of the Buy-Sell and Key Person Replacement products. The PSC exposed several updates to the draft for public comment and held four public calls to obtain further input. The PSC received comments from the ACLI at the same time the ACLI also responded to written questions from the PSC. There were comments about the definitions of benefit factor, benefit period, concurrent disability, recurrent disability and rehabilitation; the use of the word "company"; the use of Activities of Daily Living as a benefit trigger; the use of the term "fair market value"; and the section on benefit reduction on account of other disability buy-sell coverage in the Individual Disability Income Buy-Sell Insurance draft. There were comments about the definitions of business income; modifications to the definitions of business and key person; and comments on the definition of the cost of sales and services in the Individual disability Income Key Person Replacement draft. Given the extensive, transparent, and documented drafting process preceding this recommendation, the PSC suggests that any additional comments or concerns about these recommended Uniform Standards be raised, considered, and discussed by all members and interested parties during the Management Committee's formal rulemaking process.

Ms. Seip concluded her report. Director Dunning, hearing no comments on the proposed uniform standards, asked for a motion from the Management Committee to receive the report and recommendation of the Product Standards Committee. Commissioner McVey made the motion and Mr. Benchaaboun seconded the motion. The motion was passed with a voice vote.

Director Dunning noted the items for the Consent Agenda will be deferred until the December 15<sup>th</sup> meeting in Tampa. Before concluding the meeting, Director Dunning asked Ms. Schutter provide an overview of the Tampa meeting.

Ms. Schutter noted the December 15<sup>th</sup> meeting is the Compact's annual meeting. Ms. Schutter highlighted the Compact meeting is from 9:00 am to 10:15 am on Thursday, December 15<sup>th</sup> and was moved from the original afternoon time slot on the initial agenda published by the NAIC. The Compact will be co-hosting a reception with the Center for Insurance Policy & Research on Thursday evening. The Compact Office would like to remind the members about the committee preference forms and submitting their preferences to assist the Officers in preparing their committee assignment recommendation for the Management Committee. Additionally, the Compact has notified affected states of pending in-force rate increases for Compact-approved long-term care products and will be hosting webinar opportunities for states to go over the Compact Office's regulatory review.

Hearing no other matters, Director Dunning asked if there was a motion to adjourn. Commissioner Carride made a motion to adjourn which was seconded by Commissioner Rude.