Transcription of the Public Hearing before the Management Committee Meeting of
The Interstate Insurance Product Regulation Commission (IIPRC)
Friday, February 23, 2007

Management Committee Members Present:
Commissioner Jane Cline, Acting Chair, West Virginia
Commissioner Glenn Wilson, Treasurer, Minnesota
Margaret Witten as a designated representative for Commissioner John Oxendine, Georgia
Carol Mihalik as a designated representative for Director Jim Atterholt, Indiana
Fran Wallace as a designated representative for Commissioner Linda Watters
Louis Belo as a designated representative for Commissioner Jim Long, North Carolina
Director Mary Jo Hudson, Ohio
Delora Schafer as a designated representative for Commissioner Kim Holland, Oklahoma
Brad Harker as a designated representative for Acting Commissioner Randy Rorhbaugh, Pennsylvania
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Herb Olson as a designated representative for Commissioner Paulette Thabault, Vermont
Don Beatty as a designated representative for Commissioner Al Gross, Virginia
Beth Berendt as a designated representative for Commissioner Mike Kreidler

Commission Members Present:
Katie Campbell as a designated representative for Director Linda Hall, Alaska
Peg Brown as a designated representative for Commissioner Marcy Morrison, Colorado
Shelley Santo, Hawaii
Tom O’Meara as a designated representative for Commissioner Susan Voss, Iowa
Marlyn Burch as a designated representative for Director Sandy Praeger, Kansas
Director Julie McPeak, Kentucky
Commissioner Steven Orr, Maryland
Director Tim Wagner, Nebraska
Commissioner Roger Sevigny, New Hampshire
Lelia Gonzalez as a designated representative for Commissioner Dorelisse Jimenéz, Puerto Rico
Elizabeth Dwyer as a designated representative for Superintendent Joseph Torti, Rhode Island
Commissioner Kent Michie, Utah

Regulator Staff in attendance:
Peg Ising, Ohio
Brian Pennington, Minnesota
Pat Nelson, Minnesota
Malinda Sheppard, Kentucky
Lorraine Young, Massachusetts
Tom Record, Maine
Amy Foxworthy, Indiana
Ted Hamby, North Carolina
Sue Ezalarab, Wisconsin
Rich Robleto, Florida
Commissioner Cline started the Public Hearing before the Management Committee of the Interstate Insurance Product Regulation Commission (“IIPRC”). Commissioner Cline asked Frances Arricale, Executive Director, to take the roll call to start the Public Hearing before the Management Committee. Commissioner Cline stated that she was the Commissioner from West Virginia and as the Vice Chair of the Compact is acting Chair in the absence of Diane Koken, the Chair. Ms. Arricale took the roll call of the Management Committee. Ms. Arricale stated that a quorum was present. Commissioner Cline then asked for other Members of the Commission to identify themselves. Commissioner Cline asked if there were any other regulators on the call. Commissioner Cline asked the members of the Legislative Committee members to identify themselves. Commissioner Cline asked for the members of the Industry Advisory Committee to identify themselves. Commissioner Cline asked for the Consumer Advisory Committee members to identify themselves. Commissioner Cline asked if there were any Media or Press members on the call.

Starting with the Public Hearing, Commissioner Cline stated that the purpose of the hearing was to receive comments on the Proposed 2007 Budget as well as the Operating Procedures and
Uniform Standards that were published for notice and comment on November 22\textsuperscript{nd} and December 22\textsuperscript{nd}, 2006, respectively.

Commissioner Cline: The public hearing notice requested that those in providing oral comments notify the Commission in advance of the hearing. It is my understanding that three individuals requested an opportunity to address the Management Committee. I would ask that each person limit their comments to no more than ten (10) minutes. Specifically, I would note that we received in the written comments a number of formatting and technical corrections. I would ask that comments today not focus on these corrections, but please be assured that these have been duly noted. Using our time efficiently by keeping to ten (10) minutes for each speaker will give the Management Committee and other Commission members the opportunity to ask questions. After we have received comments from these individuals, we will then ask if there are any others who wish to address the Management Committee.

Let me briefly cover the next steps. This coming Monday, February 26, the Management committee will meet via conference call at 1:30 pm to work their way through the comments and proposed changes and amendments. I am hopeful that the Management Committee will be able to consider any changes and approve the budget, the draft standards and the number of rules on this call. The Commission will then meet via conference call on February 28\textsuperscript{th} for the purpose of considering and hopefully adopting the Budget and draft Standards.

There are a couple of reasons for such a fast track. One is that it is good to have the meetings of the Management Committee and Commission so soon after the Public Hearing as the comments and discussion are fresh in everyone’s mind. Another reason is that we are two months into 2007 without an approved Budget which is necessary to the smooth continuation of operations and the discussions with the NAIC in securing a line of credit. Also, and very important to our successful start-up operations -- if we are to keep on target with a June 2007 date for accepting product filings, we need to adopt these standards in order to start the 90 day period before these Standards are effective for filing use.

There is one more issue before we proceed. I expect that we will hear comments today on what we refer to as the “Mix and Match” issue, particularly with regards to the proposed Operating Procedure for the Filing and Approval of Product Filings. This is an important issue with many views. In response to comments raised by industry and operational concerns, the Commission will be holding a special one-hour session during our March 9\textsuperscript{th} Meeting in New York City to review this issue. Therefore, we may hear comments today but hold off on considering this Operating Procedure until we can have the planned discussion devoted to “Mix and Match” during the Commission Meeting in New York City. I would like to emphasize that we recognize the administrative, operational and other regulatory concerns of our Members, as well as the comments raised by industry and interested parties. As the Commission has been structured to provide an open and collaborative process to ensure the best and highest-level Uniform Standards and Rules, we look forward to a productive exchange on this issue in New York City.

Let’s now turn to the oral comments. Please provide all the comments you have on all the matters including the proposed Budget, Standards and Operating Procedures during your ten-minute time period.
Miriam Krol, ACLI was asked to provide comments on behalf of ACLI.

Miriam Krol: Thank you Madame Chair. In the ten minutes, do you want that to include the applications, riders and the budget and “Mix and Match”?

Commissioner Cline: Yes, that is what we were hoping.

Miriam Krol: Ok. There are comments that we have to mention today that came up during another call and were not submitted in the written comments. Additional Submission requirements Item 7, should say “a certification signed by a company officer should say that the Application has a minimum Flesch score of 50”. This is an oversight that the Certification has to say that the score is 50. The Appendix A does not bring up the score is 50, the Readability section does and this is a change that was made on the Disability Income Application. We wanted to share that with you as the life and annuity applications should have the same thing. Moving to the “place of birth issue” of the proposed insured section on page 5, initially the Product Standards Committee had recommended that place of birth be deleted because it violated a Maryland Statute. It is strongly recommended that it be reconsidered. It is a critical identifier and a component of the MID Database as well as the Patriot Act. This was identified in our comments submitted. If the information can not be collected then it can not be provided to those that need it and that would hamper the companies complying with the Patriot Act. We do not see how we can do that and collect place of birth information. If any of you have concerns about how the Place of birth is going to be used we believe that would be under the Unfair Trade Practice Act that is totally under your control to monitor.

I am going to move along to the Military Service question and the pregnancy question. What is seen in red in our comments was additional information that is out there being used today and should be included to give the companies more flexibility in the type of questions they can ask. Very self explanatory and would be happy to discuss should anyone have questions.

Moving on to the symptoms question, which is medical question new item L on page 13. This was initially suggested and it was turned down. We don’t believe that what is offering requires self diagnosis. We believe if people have blood in the urine, rectal bleeding, bloody stool or fainting spells, that these are the kinds of things that they will be able to report without having to self-diagnosis. We don’t think that including the question violates the Fairness provision. If you recall, we have something in there we can’t ask people about the “symptoms of” and will provide specific examples so people won’t have to self-diagnosis. We would very much like to have the committee consider including this. We feel that people who go to doctors with these symptoms and those that don’t go to doctors with these symptoms, they are in the same risk class and there is no reason to penalize one class from going to a doctor. Do you want me to stop, Madame Chair, or keep rolling along?

Commissioner Cline replied that it would be preferred to let Ms. Krol continue.

Miriam Krol: Moving to the Benefit Features Standards, we wanted to remind everyone that the Standards for all Benefit Features were originally envisioned as standards that would apply to a
benefit feature that would be built into the policy or added by attachments such as a rider. So we are recommending a whole bunch of changes that would need to be made to acknowledge that. If some of the recommended changes are made, then we will be ok. We are making a bunch of Scope changes and other things to bring everything in to line. This is all we need to say on the Riders. With the application, we are recommending that the application says “Life Application Change Form” as there will be a whole bunch of others.

On the budget, which is easier than “Mix and match,” our comments were more in the nature of some explanation on some of the language in option two (2) in the budget item Revenues note #2. Wanted to know what flat fee meant and what test filings mean? Not sure how test filings are being used. We have some information but we are not sure that it is what you mean here in the note. We are looking for more clarification and to not have any changes made.

On the “Mix and Match” issue, we have given you what we think are fairly extensive comments on what they feel is a very important issue for the Compact. We met with a lot of our companies and there is serious concern. We have been calling it “Mix and Match” but in reality we think that it means “all or nothing” because it has been explained to us that the expectation was that companies would file a resubmitted entire portfolio and only use Compact approved forms with compact approved forms and no there would be no way to use Compact approved forms with Compacting State approved forms. Unfortunately, that is highly unlikely to happen in the next few years, possibly several years down the road. Companies typically revise their portfolios en masse very rarely. The 2001 CSO is one example of when companies may want to do work on their life insurance forms, but typically companies filed odds and ends. They will revise an application, come up with a new rider, file a new policy form as a new addition to their portfolio. They are not going to revise their whole portfolio in order to file with the compact over all the other business that is currently before them. We think that it is going to be quite some time before the Compact includes enough standards to allow a company to revise their whole portfolio. We think that it is very unrealistic to say that it has to be all or nothing. For a company to file an application with the Compact, it would have to file the form and then put it on the shelf until they are able to file policies and riders to be used with the applications. What we are proposing is that companies should be allowed to file applications, riders, and policies forms and use these with riders, applications and policy forms that have been and approved by the Compacting State. We just do not see any other way that we can help get the Compact up and running. We think that the first two years of the Compact are going to be very crucial to prove that we built something that is beneficial and is going to work if what you do is create a situation where the companies have to sit on the sidelines and wait until the companies can file forms with the Compact because they can not do mix and match. We think that we are going to be missing an opportunity to show just exactly what the Compact can do and how good it can be to the process. We are quite concerned about the image of what we have done and what we will not be able to do. The perception that others will have of the work that we have done if mix and match is not allowed. We have also had concern about companies not being able to file with the Compact, test the process and be more and more impressed with the compact and want to file again with the Compact. There has to be some recognition of the fact that “Mix and Match” is just the way that the companies do business. It is not the way that they are going to business with the Compact; it is the way that they do business today with the States. The Compact can
not expect all or nothing and they can not expect that only Compact Approved forms can be used with Compact approved forms.

Commissioner Cline: We have come to recognize that “Mix and Match” is a very complex issue and an issue that was thoroughly vetted through the Rulemaking Committee. I think that the Compact Members coming from one perspective are now understanding yours perspective and some of the operational issues. This is exactly why we are going to set aside an hour in New York City so that the Members that have concerns are able to better understand the industry perspective.

Miriam Krol: we will have a lot of our member companies who are located very close by. We do intend to have at least four (4) or (5) of the member companies present to be able to provide better life examples as what this means to them and why this is very problematic. In our comment letter, we also added a point that we are willing to provide whatever level of information with mix and match that the Compacting states and the Compact feels is necessary. We are also willing to do a compatibility certification that mix and match will only take place when the company has done due diligence for compatibility issue, and again on the back end is always the market conduct and other tools that the states have to make sure that compatibility issue is being resolved.

Commissioner Cline: For the sake of today is to get to all the other issues on the Agenda with the exception of “Mix and Match”. I would like to see know if there are any Management Committee members who have any questions of Miriam. Are there any other Commission members who have questions for Miriam?

John Rink, Nebraska: If “Mix and Match” would be allowed, would it be potentially possible to the companies in their cover letter to suggest which forms they would be mixing and matching these with?

Miriam Krol: Yes and the only caveat to that would be that we are willing to provide whatever level of information would make states comfortable. But if it is just information that is not going to be used then it is a waste of everyone’s time. In today’s world, it is not being provided to most of the states, I think that there are one or two states that want only for riders or applications. We are willing to do whatever is necessary to provide a level of comfort. I think that a company, John, would have to know what it is going to use the forms with when it files because it has probably done some of the due diligence already to figure out the value of filing the form. It is not as the company would have to do some extra homework and the company should have some of that information already available.

Beth Berendt, Washington: Miriam, you and I have had long conversations about “Mix and Match”. When you bring the examples, and you state specifically to applications, I do not want an answer now as we will be talking about this in New York, but as a reasonable compromise if we allowed to use an application in our state that have been filed with through the Compact. Would that be a step in the right direction recognize that we still have serious concerns about the use of riders and other benefit types of forms with Washington-approved forms.
Miriam Krol: I think that the application is probably as critical as riders and sometimes these are policies, but I think that we definitely appreciate the fact that you thought about this and are trying to figure out how to do some of it and maybe we could talk more about this in New York City. I am concerned, and I do not know how often the companies sit down and create new application forms. If we just say application forms, again, we are short changing how many filings the compact is going to get in the next few years. We are very concerned about the perception that this thing has to get off the ground and start product filings and approvals and disapprovals and whatever, hopefully not disapprovals. If we start saying that we can only do this, this and this, we are not going to get a lot of filings. And those of you who thought that you could shut down the operations at the compact state level, you can forget about that. Ms. Berendt, with all do respect, Miriam, Washington knows that we will not be able to shut down the rate side. I have heard others say that they are counting on this process to replace most of theirs. This is just not the way that the companies doe business today. It is not that we don’t want exceptions for the Compact; we are looking for the Compact to carry on what is done within the states. We realize that we are introducing another level of complexity, but we still think that this is doable and if we can sit down and talk about the specific issues, we think that we can resolve most of the issues, if not all of them.

Commissioner Cline: Again, what we are hopeful to it in place when we are in New York City where everyone can be faced to face and not on a conference call because of the complexity of the issues and the concerns of some of the Commission Members.

Miriam. Krol: Madame Chair, would it be possible, before the New York City meeting, we have been addressing these issues in the blind and we really have not seen anything in writing as to what the concerns and issues are. We did speak to two people, and our comment letter basically documents what we have been hearing. It would really help us if someone could publish before the March meeting, what some of the issues and concerns are so that we can come better prepared if they have not been addressed in our comment letter. There are going to be company people there and we want to make sure that we can give you the information you need. I don’t want to state in March that I will have to go back to the companies and come back to you.

Director Mary Jo Hudson Ohio: Ohio and Vermont originally drafted this Operating Procedure and between now and the time that we go to New York, we would be willing to work with Vermont and others to look at the issue and have some suggestions and have the information available for when we arrive in New York.

Commissioner Cline: I think that would be very helpful.

Miriam Krol: Mary Jo, do you want to work with us before March or do you want to give us something to respond to in March?

Director Hudson: We would be happy to work with you.

Miriam Krol: That is our preference and we appreciate it. Is it open to any state that is willing to sit down and talk about these things? It just would not be Ohio and Vermont.
Commissioner Cline: No. I think that how we have been generally working, we have these states that take on the issue and share their work product with the others. We invite other to participate.

Miriam Krol: If Fran Arricale, IIPRC Executive Director, could set up a meeting.

Beth Berendt: Is this going to be an ad hoc committee outside our normal structure or are we going to follow the structure that we have followed for established for other work groups and that sort of things and that means internally meetings that does not involve the industry. I have no preference on that.

Frances Arricale: If I could take a moment to elaborate on the process setting up for New York. This was meant to be a dialogue where the industry could present what their proposals were and we have a dialogue with the Members. I think that if we would have, as Director Hudson has kindly suggested to provide some of the comments that have already been worked through and the Rulemaking Committee and provide those as Miriam Krol has asked, really New York was set up to be the dialogue to begin or to further elaborate on the discussions that have been happening. I would propose that there would not be a meeting before NY, that we would have this dialogue begin in New York. Commissioner?

Director Hudson: With all due respect, we think that if we could at least get a start on that, there would be recommendations to consider in New York and we could have vet through some of the issues because given the time allotted, I don’t think that we see the issues through start through finish. And I know everyone’s goal is to get this up and running.

Miriam Krol: The Industry Advisory Committee would strongly agree with that.

Paulette Thabault, Vermont: We would also like to do that and we would like to have something to respond to in New York and would be happy to join in that effort.

Commissioner Cline: I am thinking that if Ohio, Vermont and, I have a couple of staff members, and the Rulemaking Committee are willing to do some preliminary meetings and share that information out.

Frances Arricale: I am happy to do it. I tried to explain how had we set it up.

Director Hudson: We certainly suggest that this be an open process.

Commissioner Cline: It would be an open process. The process that has been working has been the Member states meet on conference call and do some work and then go back and forth. We could take that and work and get some type of schedule out there.

Director Hudson: A recommendation?

Commissioner Cline: This is a little more work for some people before we get to New York, but if this helps further the goal, I do not see this as being a bad thing. The objective is to be able to
have some of the discussion point on the industry concerns versus member state concerns are with the mm and rule and we could move the conversation along further in New York City as opposed to beginning it.

Miriam Krol: We have two weeks from today and the clock is ticking and if we could meet as soon as possible. We may need more than one meeting. We would be willing to accommodate any schedule that Fran can set up.

Beth Berendt: Again, is this going to be an ad hoc group and have a different process or are we going to follow our normal process. I would like that clear so that everyone knows what the expectations are for this process.

Frances Arricale: In terms of the process, I would suggest that since this was in front of the Rulemaking Committee that we could work through that Committee.

Commissioner Cline: I think that was going to be my suggestion and the Rulemaking Committee is the best process. Perhaps we can work with staff to get an agenda revised. I know that Vermont and Ohio are on the Rulemaking Committee as well as Washington. I think that we should start with the Rulemaking Committee and then look at the comments and set up a meeting for discussion with interested parties.

Frances Arricale: Ok, I will set that up and everyone will be notified.

Commissioner Cline: Are there any other questions for Miriam from the Management Committee or any other Commission Members? If not, I would like to ask Bob Huxel from Life Insurance Settlement Association to provide their comments.

Bob Huxel, National Fraternal Congress: I am Bob Huxel and I am from the National Fraternal Congress. We did submit written comments. They are very similar to the manner in which we approached the additional meetings of the Product Standards for the five universal life products. We are requesting a change in the owner provision to track that in the proposed owner/annuitant section of the annuity application standards. With the change in the consistency that would allow us to advocate the owner on the application on the period of time. We have modified the agreement section as we did in the other product standards by adding the same drafting note: “these standards are modified, as required or permitted by law, to enable fraternals to implement their respective articles and bylaws. See Appendix B.” We added a new section because we are a membership organization and some members use the application both as membership and as a ___ application and we have added a specific provision to allow that to occur. We have added an Appendix B which is similar to the appendix that is added at this point in time. We would like consistency with the applications. We have no comments on the budget or “Mix and Match.”

Commissioner Cline: Are there any members of the Management Committee that has any questions for Mr. Huxel? Are there any questions from members of the Commission? At this time, I would like to if there are any members of the Legislative committee on the call and if they
would wish to provide any comments. Are there any members of the Consumer Advisory Committee that may have joined us who wish to provide comments?

Brendan Bridgeland, Center for Insurance Research: I will not take too much as I know the standards have been worked around for quite some time and some of things have been discussed. Just one brief comment, I appreciate the comments made by the interested parties the Commission should pay attention to things like self-diagnosing. One of the examples mentioned, blood in the urine, and based on what I know, can be associated with a urinary tract infection and common to women and probably not a life threatening thing. There should be more examples made of what those and extent to self-diagnosing and what the specific questions would be and specific categories would be. I would be interested in seeing the specific medical questions like that would be.

Commissioner Cline: Are there any other Consumer Committee members who wish to comment? Are there any members of the Commission that would like to provide further comments? Are there Members of the Management committee? Are there any other regulators that would like to provide any comments? Is there anyone from the public that would like to provide comments?

If not, I think that this has gone along rather smooth other than the exception of “Mix and Match.” I do think that the opportunity to work some of the issues ahead of New York will help move things along a little further, I appreciate Ohio and Vermont willing to do that. We will provide further guidance for this special meeting. The Rulemaking Committee is scheduled to meet next Thursday; we will be back in touch so that everyone has the information.

Commissioner Thabault: I apologize that we joined the call a little late. Was the filing fees issue discussed already?

Commissioner Cline: There were general comments made by Miriam with respect to the budget.

Miriam Krol: She is talking about the comments that Vermont submitted. Vermont wanted to make changes to clarify the responsibilities for filing fee structure. We can talk about those further on Monday during the Management Committee meeting. Did you want to mention anything now?

Commissioner Thabault: No, we can wait until Monday.

Commissioner Cline: If there are no further comments, I would like to thank all the persons for participating in the Public Hearing. I would like to remind you that the Management Committee will meet via conference call this Monday, February 26 to consider adoption of the recommended Standards, Rules and the proposed 2007 Budget. In Advance Materials that will be forwarded before the 1:30 pm EST meeting on Monday, you will receive applicable red line version of the proposed Standards and Rules discussed today which will highlight proposed changes. Again like to thank everyone for their participation. This concludes the Public Hearing.