Commission Members Present:
Commissioner Jane Cline, Chair, West Virginia
Commissioner Glenn Wilson, Treasurer, Minnesota
Katie Campbell as a designated representative for Director Linda Hall, Alaska
Peg Brown as a designated representative for Commissioner Marcy Morrison, Colorado
Margaret Witten as a designated representative for Commissioner John Oxendine, Georgia
Shelley Santo, Hawaii
Carol Mihalik as a designated representative for Director Jim Atterholt, Indiana
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
Malinda Sheppard, Kentucky
Commissioner Steven Orr, Maryland
Fran Wallace as a designated representative for Commissioner Linda Watters
Director Tim Wagner, Nebraska
Commissioner Roger Sevigny, New Hampshire
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 Rohbaugh, Pennsylvania
Lelia Gonzalez as a designated representative for Commissioner Dorelisse Jiménez, Puerto Rico
Elizabeth Dwyer as a designated representative for Superintendent Joseph Torti, Rhode Island
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Commissioner Kent Michie, Utah
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

Representative of the Legislative Committee:
Representative Bob Damron, KY
Heather Morton, NCSL
Kevin Horan, NCOIL

Representatives of the Interim Industry Advisory Committee:
Michael Lovendusky, ACLI
Gary Sanders, AHIA
Nancy Johnson, UNUM
Dennis Hershel, Mass Mutual
Cande Olsen, New York Life
Representative of the Interim Consumer Advisory Committee in attendance:
Brendan Bridgeland,

Interested Parties in attendance:
Josh May, Coventry
Miriam Krol, ACLI

Regulator Staff in attendance:
Peg Ising, OH
Brian Pennington, MN
Pat Nelson, MN

IIPRC Staff:
Frances Arricale, Executive Director
Sara Bamford, Administration Coordinator

NAIC Support Staff:
Kay Noonan, General Counsel
Karen Schutter, Strategic Initiatives
Becky McElDuff, Staff Attorney
Ryan Workman, Staff Attorney

Commissioner Cline asked Frances Arricale, IIPRC Executive Director to take the Roll call. Ms. Arricale conducted the Roll Call.

Commissioner Cline: Are there any other Regulators on the call who wish to identify themselves.
Julie McPeak, Kentucky, Marlyn Burch, Kansas, Monica Rutowski, Florida, Tom Record, Maine, John Postolowski, Colorado, Shelley Santo, Hawaii.

Commissioner Cline: Any members of the Legislative Committee present? Any members of the Industry Advisory Committee present?
Michael Lovendusky, ACLI accompanied by Miriam Krol, Cande Olson, New York Life, Randi Reichel, from America’s Health Plan, Michael Gerber, NAIFA.

Commissioner Cline: Any other Industry Advisory Committee members? Members of the Consumer Advisory Committee? Ryan Wilson, with the AARP. Any other consumer reps? Members of the media or the press?

This is a Public Hearing of the Management Committee of the Interstate Insurance Product Regulation Commission. The purpose of this Hearing is to receive comments on the proposed Uniform Standards issued on April 27, 2007 and the Filing Fees Proposal issued on June 15, 2007.
The Commission has received written comments from the Industry Advisory Committee on both the proposed Standards and the Filing Fees. Comments on the Uniform Standards have been posted to the “Docket” section our web site. Comments on the Filing Fees Proposal were posted on the Event Calendar for this Public Hearing.

The public hearing notice for today requested that those interested in providing oral comments notify the Commission in advance of the hearing. It is my understanding that we did not receive specific requests to address the Management Committee. However, we did want to proceed with the Public Hearing to afford any Member or Interested Party the opportunity to comment.

I would ask that each person limit their comments to no more than 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.

Are there any Members of the Commission who may wish to speak during this Public Hearing?

Herb Olson, VT: Are you speaking just to the Product Standards or the proposed Filing Fee structure.

Commissioner Cline: Let us take the standards first. Any members of the Commission wishing to speak to the Standards? Any Members of the Legislative Committee, who may have joined, who wish to speak to the standards? Members of the Industry Advisory Committee? I know that you have submitted written comments, but are there members who would wish to speak to the Standards. Are there any Consumer Advisory Committee members who wish to speak to the Standards?

Miriam Krol: ACLI, I am sorry Commissioner I was on mute. We are going to pass on the Current Assumption Whole Life as those comments were technical and we are sure that you will make those changes. On the Modified Single Premium, we have two of them – we have the Modified Single Premium and then the Joint First to Die version. We had a conversation on Friday with the Product Standards Committee where we are recommending a roll up initiatives to eliminate having multiple sets of standards. I think that we have two options here since these two have been done already. We can leave these as is, and there are some technical changes that are needed to this. We think that the definition of “Account Value” as was discussed on last Friday’s call needs to be split out to address separate and general accounts more clearly. In the Reports to the Owner provisions there is a reference to each insured which would be inappropriate for the Joint First to Die standards. There are a bunch of little things that could be easily fixed. What we are wondering is, how do we want to fix these standards? Do we want to go into two of these standards and make these fixes or do we want to consider eliminating the Joint First to Die version and adding Joint First to Die standards to one of these? This kind of circular because the Joint First to Die version never existed. A reference to it was included in the Modified Single Premium and then it was said we need to remove them and make them separate standards because we were doing that with all of the Joint First to Die and Joint Last to Die standards. Now that we are starting to look at the intended issues, and we are looking at the standards, going forward we want to do it a different way and we leave it up to you as to how
you want to do this. Do you us want to suggest fixes to these two or do you want to start rolling
up here?

Beth Berendt, WA: I suspect that unless folks have been involved with the Product Standards
review, they are not aware of the changes that are being discussed at the Committee level now. I
think that it is to premature to even begin talk about the roll up because that recommendation has
to wind its way through the various processes.

Miriam Krol: Again, we are noting some of these technical errors because we are reviewing at
everything with a different set of eyes. We could email by the end of today the comments about
the definition of Account Value, the Report to Owner Provision, and the appendix. They are not
major and are just technical errors. Cande Olsen, are you on?

Cande Olsen: Yes.

Miriam Krol: Do you want to give a brief overview? I think that the Joint First to Die version
that has the error, right?

Cande Olsen: In the non-Joint, there is a reference to more than one insured that would not be
appropriate if we are only talking about one insured and if we are looking at the First to Die, at
the Appendix, there is reference to issue age when it needs to reference two different issue ages.

Miriam Krol: Again, we could submit these in writing by the end of today if that helps.

Commissioner Cline: They are not already in the written comments?

Miriam Krol: No because of the Appendix initiative, we are starting to look at a lot of these
standards and we are catching these little technical issues. We just got these done in the last few
hours.

Commissioner Cline: If you could provide us with your comments.

Miriam Krol: We can submit these to you by the end of the day rather than belabor these points.

Commissioner Cline: Are there any other comments from Industry? If not, thank you for your
comments. Does anyone else have any comments with respect to the Standards? If not, why
don’t we turn to the Filing Fees proposal and first let us go to any members of the Commission
who might have comments.

Herb Olson: Is it appropriate to ask some questions about the proposal at this time?

Commissioner Cline: Yes.

Herb Olson: On page two, in section 104, subsection A, the per filing fee subsection, and talks
about the approval of the Management Committee for adopting the fee and I think that made
some sense. I could not specifically recall the full Commission action in terms of allocating to
the Management Committee the ability to do that and to adopt the fee structure. I just wanted to make sure that had been done. That there was some expressed authority from the Commission delegating to the Committee this approval or adoption.

Commissioner Cline: Fran, would you please reply on this?

Frances Arricale, IIPRC Executive Director: The intent of this proposal itself, it will also go in front of the full Commission.

Herb Olson: Ok that is good. I guess my question though would be in that particular subsection, though it calls for the fee being adjusted upon the approval of the Management Committee, would that then be subject to further approval of the Commission or not?

Frances Arricale: Basically once the proposal is passed, the adjusting is based on the terms of cost and what is feasible for the Commission under the authority of the Management Committee. Did you want note a concern for that or was it just a clarification?

Herb Olson: I guess that is appropriate as long as the Commission is comfortable with that notation in making the adjustment in terms.

Frances Arricale: Under the Bylaws, Article III, Section 3, the Management Committee can oversee the organizational structure and the administrative and technical appropriate procedures, so once the proposal framework is in place, any adjustments would fall under that duty of the Management Committee.

Herb Olson: This fee structure itself would be approved by the full Commission?

Frances Arricale: The intent is for this to go in front of the full Commission.

Herb Olson: Ok. The second question that I had, is subsection b of Section 104. I was wondering if it might be helpful to say specifically when the fee is actually due. As it stands the wording says that a fee is required. It might be helpful to have a date when it is due and if it is after that date, for initial registrations, then some time period before the filings are due that you have received the registration fee. It might be helpful to have specification as to when the fee is actually due.

Commissioner Cline: Do you have any further comments Herb?

Herb Olson: Yes. As to the study for the flat filing fee structure, I am not sure that it is entirely necessary to have this section in the procedure. I think that the Committee, and the Commission, is certainly empowered to make whatever studies they need to make. But I can understand that it might be good to put that in writing as a commitment. I would like to note that it will be interesting, a little challenging, as you have a couple of legal obligations to the Compact. One is to make sure that all state fees are remitted to the states to fulfill that obligation. Second, to make sure that the revenues are sufficient to support the Budget of the Compact Commission. I think that this will be a challenge to make sure that both of those obligations are fulfilled.
Commissioner Cline: Are there any other members of the Commission who would like to provide comments? If not, if there is any member of the Legislative Committee who would like to provide comments? Are there any representatives of the Industry Advisory Committee that would like to make comments?

Miriam Krol: We submitted written comments if you would like us to walk through them or if there are questions from other members of the Commission, we would be happy to address them.

Commissioner Cline: I do not know that we would need to walk through all of the comments, but if there are highlights that you would like to make.

Miriam Krol: I think that, most for the part, we thought that the suggestions in the fee structure were reasonable. I think that one item that was not addressed, at least not specifically, the situation where you have a fleet of companies. We have some major fleets that have ten, 15 or 20 companies. The question would be whether each of those companies would have to pay the annual registration fee or would the fleet pay one registration fee? We, obviously, per our comment letter, we support a fleet paying one registration fee because if you look at the filing fees per filing it is on a per company basis. If you have “Fleet A” that has 10 companies, it will pay $5000 and then you will get each company $500 when they file. We think that the per filing fee structure captures the per company payments. We did not think that it was fair to require companies who are members of a fleet to pay separate registration fee and also pay a separate filing fee.

Commissioner Cline: Thank you. Are there any other Industry Advisory Committee members who would like to speak? Are there any members of the Consumer Advisory Committee that would like to address the committee?

Ryan Wilson, AARP: We did not submit written comments and I will keep my verbal comments very brief. I believe that it was the gentleman from Vermont who mentioned the challenges of collecting the fees and making sure that they were adequate. We would like to ensure that the Commission works and the fees are adequate.

Commissioner Cline: Thank you. Are there any other member states that would like to speak?

Don Beatty, VA: I have some questions for the IAC and a question for Fran. On this cap on the fleets, did the IAC discuss this suggestion with any non-fleet companies?

Miriam Krol: Yes. We have non-fleet and fleet companies on the call. We were aware of the revenue issues for the Compact and we did discuss this and we decided to suggest that there be a flat fee per fleet if the Commission wanted to consider some sort of a cap. Meaning that if I have 10 companies, that you would make them pay $5000 per company up to five companies and then every body else is in, is another possibility. I think that the general consensus among the none-fleet and fleet members, is that each company is going to get hit separately with the $500 per filing fee, and that is a pretty hefty filing fee, although we do think that it is reasonable since it is not limited to per content, that you would be hitting the members
of the fleet when they file each time. Do you need to hit them in January of each year and then each time that they file? We realize that is a revenue issue and we did not have appropriate numbers to play with to see if this was a reasonable.

Don Beatty: I wanted to make sure that everyone was brought into the loop. My next question is for Fran. And this relates to whether or not, Fran, you think you have the same costs, in terms of record keeping and managing for companies. In other words, if a fleet has five companies, is there any efficiency you have that would warrant charging the fleet less than $5000 per company or is it the same amount of work for each individual company?

Frances Arricale: If you are referring to regards of the review process, if we have 5 companies all looking to sell the product under the same, per filing per company, and it is the same product then we are reviewing the product that each of those companies wants to sell. If they are each submitting something different, then it is an individual review process. Is that what you were looking for, Don?

Don Beatty: Yes.

Frances Arricale: Commissioner Cline, if I may add some information, as the Commission has received initial filings, we have certainly gone through some of the initial filings and see how these operate for the Compact on SERFF and what is being submitted. I will note that for “per filing” we need to define what that means more succinctly and in the Industry’s comments, they have asked that this be defined.

Commissioner Cline: Thank you; are there any other regulators that would wish to provide comments?

Herb Olson: I have a question for Fran, as to whether or not the industry suggestions, about how to assess the registration fee whether that is going to have a material impact on the budget.

Frances Arricale: In terms of the registration fees, industry has asked specifically that if a company pays a registration fee due at the start of each year and they find that they do not submit a filing, does that carry over. I would say, from an operational perspective that in particularly in our start up phase, it would not be unreasonable to look at. But I do not think that the Commission can be in the business of refunding for a host of reasons; the least of those being logistical. Miriam, I will ask you, is that what you were looking at in terms of, if a company would have the intent to use the Commission next year and finds that they can not and want to carry it over to 2009?

Miriam Krol: Yes. We were never looking at a refund; we agree with you that it is totally unreasonable. I think the issue here is one issue the company pays the annual registration fee, and for one reason or another, the company does not make any filings. Could they carry that over to 2009? The other issue was if the company does not pay the annual registration fee and comes to you in July, August and September and says that they want to make a filing, can I pay a registration fee now. Do we charge them the $5000 or a pro-rated version for the remainder of the year? What we are looking for to accommodate for the initial transitional period, which we
call 2008 – 2009 and maybe 2010, the companies may not know that at the beginning of the year whether you will have what they may need in order to file. In good faith, they will pay the $5000 but then later on it may turn out that they can not do a filing; or company does not give you the $5000 in January, as they do not think that they can make a filing, and the standards that they need are effective and then they could file in August. But what happens to the registration fee when I start in August and end in December of the same year. We were looking for some sort of appropriating of the fees or touch luck it is $5000. We want to give the companies incentive to file and give you money up front if and when they can, but not penalize them when they can not make filings.

Frances Arricale: Herb, to answer your question, with the continued start-up of the Commission as we look at our operations and as we are continuing to develop, I think that it is reasonable to look into these two items in terms of pro-rating and allow a carry over; unless the members have a different opinion.

Herb Olson: I do not have any problem conceptually with this proposal being made by the IAC, my only concern is that we fulfill our obligation to set fees that are sufficient to cover the costs of the budget. That is the only issue and that is why I asked the question, Fran.

Frances Arricale: I hear your point.

Miriam Krol: Our point is that I would rather have a company, in good faith, give you the $5000 fee in 2008 and I have a feeling that they will try to do some filings and that does not work out and they could be given credit for 2009, and if they had not given you the $5000 for 2008 then you would be out that $5000. There are twos sides to this, I think that it is a way of getting companies active and interested in the Compact and showing good faith and not being penalized if it turns out that for some reason or another they can not do any filings.

Commissioner Cline: Are there any other members or regulators that would like to ask any questions or provide comments? Are there any members of the public that might be present that would like to provide any comments? Are there any other comments from anyone? If not, I would like to thank all the participants and attendees for today’s Public Hearing for your time and input.

Commissioner Cline: It is anticipated that the proposed Standards and the Filing Fees Proposal commented upon today will be taken up by the Management Committee during our Teleconference this Monday, August 27th. The Agenda for this Teleconference has already been forwarded and are also available on our web site. We look forward to your attendance on Monday. Thank you again for your participation today.