

**Minutes of the Meeting of the Management Committee of
The Interstate Insurance Product Regulation Commission (IIPRC)
November 13, 2007
Conference Call**

Members of the Management Committee in Attendance:

Director Mary Jo Hudson, Vice Chair, Ohio (presiding)
Tonya Gillespie as a designated representative for Commissioner Jane Cline, Chair, West Virginia
Brian Pennington as a designated representative for Commissioner Glenn Wilson, Minnesota
Margaret Witten as a designated representative for Commissioner John Oxendine, Georgia
Commissioner William Deal, Idaho
John Kissling as a designated representative for Director Jim Atterholt, Indiana
Joe Murphy as a designated representative for Commissioner Nonnie Burnes, Massachusetts
Fran Wallace as a designated representative for Acting Superintendent Kenneth Ross, Michigan
Commissioner Jim Long, North Carolina
Commissioner Kim Holland, Oklahoma
Brad Harker as a designated representative for Acting Commissioner Joel Ario, Pennsylvania
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Commissioner Paulette Thabualt
Don Beatty as a designated representative for Commissioner Al Gross, Virginia

Commission Members in attendance:

Commissioner Roger Sevigny, New Hampshire
Shelley Santo, as a designated representative of Hawaii

Legislative Committee Members in Attendance:

Heather Morton, NCSL

Industry Advisory Committee Members in Attendance

Miriam Krol, ACLI
Nancy Johnson, UNUM
Michael Gerber, NAFIA
Dennis Herschel, Mass Mutual

Consumer Advisory Committee Members in Attendance:

Ryan Wilson, AARP

Regulator Staff in Attendance:

Tom Whalen, Kansas
Peg Ising, Ohio
John Postolowski, Colorado
Julie Horner, Colorado
Tom Record, Maine
Tim Murphy, West Virginia
Phil Keller, Vermont
Sean Hawk, Tennessee
Stewart Johnson, North Carolina
Ted Hamby, North Carolina

IIPRC Staff in Attendance:

Frances Arricale, Executive Director

Sara Bamford, Administrative Coordinator

NAIC Staff in Attendance:

Kay Noonan, General Counsel

Becky McElduff, Staff Attorney

Karen Schutter, Senior Manager, Business Initiatives

Other Interested Parties:

Eugene Choate, Bankers Fidelity

Susan Ezalarab, Wisconsin

Cande Oslen, Actuarial Resources

John McBain, Actuarial Resources

Deanne Marino, American Bankers Insurance Association

Gayle Woods, Oregon

Tim Ring, Met Life

Jack Kelly, Kelly & Associates

Mary Keim, State Farm

Dale Turner, New York

Director Hudson started the meeting of the Management Committee. Director Hudson noted that the first portion of the meeting would be a public hearing to receive comments on the proposed 2008 IIPRC Budget and two (2) proposed Uniform Standards in the life product line. The two (2) Uniform Standards are the Additional Term Life Insurance Benefits and the Additional Life Insurance Benefits provided on a Guaranteed Insurability Basis. Director Hudson noted that the standards were issued for comment on September 4. Director Hudson noted that the Commission received comments from Members on the 2008 Proposed Budget and written comments from the Industry Advisory Committee on the proposed uniform standards. Director Hudson explained that the Public Notice for the hearing included a request for those who wish to provide oral comments to notify the Commission office. Director Hudson continued that though no comments were received, the hearing would proceed as a scheduled to afford any Member or Interested Party an opportunity to provide comments. Director Hudson asked Frances Arricale, the IIPRC Executive Director, to provide some information on the proposed 2008 Budget from an operational perspective as well as explaining the updated version that reflects comments already received for the Management Committee to consider.

Ms. Arricale provided some background. Ms. Arricale noted that the version that was sent to the members prior to the meeting is a revised version since being posted to the website in September. This version reflects some comments received from members. Ms. Arricale noted that the Budget was revised and marked up in a way to show the comments that were received. Predominately, the comments were questions asking to explain how numbers were derived. Ms. Arricale noted that she added additional footnotes and those were highlighted to provide these additional explanations. Ms. Arricale noted that in the original draft of the Budget, the travel expenses for the Legislative Committee and the Consumer Advisory Committee were inadvertently omitted. They were added back into the revised version of the budget. Ms. Arricale explained that the Commission Office updated the figures that were provided for the actuals through 2007 as well as the budget figures to more accurately reflect where the Commission is today. Ms. Arricale noted that there were some operational updates added since the Budget was initially drafted. Ms. Arricale highlighted that the most notable one is the salary line – some of the salary lines have been moved to the “Professional Services” line because the Commission will hire on contract some new staff members. Ms. Arricale stated that she would be happy to go page-by-page, but noted that all of the changes were highlighted. Ms. Arricale noted that the Commission will carry over an amount from

2007 into January 1, 2008 to cover the Commission expenses and this is reflected in the funding noted in the Budget.

Director Hudson thanked Ms. Arricale for the updates. Director Hudson asked if there were any comments from Members of the Commission. Ryan Wilson, from AARP, asked why the decision to move the money from "Salaries" to "Professional Services". Ms. Arricale responded that the Commission Office is in the process of bringing on board two (2) professionals who will serve in the Product Review operations and they will be on a contract. The same monies that were in the "Salaries" line item are now under the "Professional Services". Ms. Arricale noted that a third consultant which would be an actuary has also been accounted for in this line. Ms. Arricale reminded the members that the Commission Office has been operating with the thanks to on-loan staff from the member states.

Sara Waitt, from Texas, asked if the Commission office was being overly optimistic with regard to the filing fees. Ms. Arricale explained that the Commission office forecasted the figure for the Compact Fees based on the amount of interest that has been expressed by companies and with the filings received. Ms. Arricale noted that as more standards are adopted and put into effect over the next year, it will also increase the amount of filings the Commission will receive. Ms. Waitt then asked if that many filings are not received then the Commission will operate more in the red. Ms. Arricale responded that the Commission Office has been very cost effective over the course of the past year. Ms. Arricale also highlighted that the Commission Office has not used the entire line of credit and that will be carried over into next year. Ms. Arricale noted that under the Bylaws, if the Commission funds will allow, the Commission will pay for the Commissioners' travel and if there is an issue with the amount of funds received then that is something that the Commission Office can address. Director Hudson stated that the number of filings could affect the money available to pay the consultants as well as the need to pay them based on the workload. Ms. Waitt stated that she was concerned about operating so far in the negative, but understand that this is a start up and may be necessary. Ms. Waitt just wanted her comments included in the record.

Director Hudson asked if there were any comments from the Legislative Committee. Hearing none, Director Hudson asked the members of the Industry Advisory Committee if they had any comments. There were no comments.

Hearing no more comments, Director Hudson thanked everyone who did comment. Director Hudson explained that the intent for the call today is to have the Management Committee to consider approval of the 2008 Budget proposal so that it may be forwarded to the full Commission for consideration. Director Hudson noted that the Commission is working within a tight time line so that the adopted final 2008 Budget may be forwarded on to the NAIC Executive Committee in time for the Houston National meeting. Director Hudson noted that it is the intent of the Commission office to request an Additional Line of Credit from the NAIC in the amount of \$850,000 for 2008.

Director Hudson proceeded to receiving comments on the proposed Uniform Standards. Director Hudson explained that the Standards for Additional Term Life Benefits were designed to enable the benefit of additional term life benefits for the primary insured or any additional insureds in individual life insurance forms. Director Hudson noted that the Standards for Additional Life Insurance Benefits Provided on a Guaranteed Insurability Basis address requirements for the benefit of additional life insurance coverage on the life of a designated insured at specified dates and in specified amounts or under a specified formula, without requiring evidence of insurability for the designated insured. Director Hudson explained that the Industry Advisory Committee has provided some written comments. Director Hudson asked if there were any comments from the Members of the Commission. Hearing none, Director Hudson called on members of the Legislative Committee for any comments; and the Consumer Advisory

Committee had any comments. Hearing none, Director Hudson asked the Industry Advisory Committee to review their written comments.

Miriam Krol of the ACLI on behalf of the Industry Advisory Committee explained that the issue of the reinstatement provision had come up during the NAIC Life team discussions regarding additional life. Ms. Krol noted that the Industry Advisory Committee did submit comments. The language that is being proposed is the “form shall include a reinstatement provision on the same or more favorable terms as contained in the policy.” The Industry Advisory Committee believes that language is inappropriate. Ms. Krol noted that there is no way that a rider can have a more favorable reinstatement provision than the policy; the rider is subject to all of the terms of the policy as well as its own terms. The Industry Advisory Committee believes that the language “being more favorable” makes no sense and there is concern about requiring this language. Ms. Krol, stated that the Industry Advisory Committee strongly feels that whether or not the company includes reinstatement in the riders should be up to the company and should not be required. Ms. Krol stated that the Industry Advisory Committee language that is being proposed which should be added to the end of the reinstatement provision in the policy is that the “provision shall state that any benefits provided by rider, endorsement or amendment terminating due to the lapse of the policy are covered under this provision” Ms. Krol stated that if a benefit is terminated due to the lapse of the policy and not due to its own terms, the Industry Advisory Committees feel it is a much better way to do this and it is up to the companies as to whether they include this in the policy or in the rider. Ms. Krol concluded her comments.

Director Hudson asked if there was someone from the Product Standards Committee who would care to comment. Commissioner Sevigny asked Becky McElduff, of the NAIC, to comment. Ms. McElduff stated that this has come up before and the Product Standards Committee felt very strongly that the rider should have a statement about reinstatement. The provision that is presented today is one that the Product Standards committee feels very strongly about.

Ms. Krol stated that it is very unlikely that a company would have a rider with a reinstatement provision that is more favorable than the policy. Ms. Krol asked where the Commission would go from this point.

Director Hudson replied that the standards were set to be approved today and if need be they can be sent back to the Product Standards Committee for further review.

Ms. Krol stated that there was an additional comment on the Additional Term Life Insurance Benefits. Ms. Krol noted that it appears that a return of premium form could be filed under these standards when the ROP needs its own standards. The IAC was going to offer some language for the scope section to make that very clear. Cande Olsen, from Actuarial Resources, noted that this is language that is found in term policy standard, the applicable parts of that language. Ms. Krol stated that it appears to have been an oversight not to consider the same language.

Ms. Arricale stated that if this something that the Product Standards needs to look at it can go back to the Committee and then based on that bring it back to the Management Committee.

Ana Smith-Daley, from Texas, noted that for the comment on reinstatement it is probably an appropriate thing to do and with regard to the Return of Premium, it is a change that should be made.

Ms. Krol noted that there are a lot of companies who are reviewing these standards for the first time and it would be best to make sure that there are no misunderstandings. Ms. Krol noted that she would be able to submit the language at the end of the call.

Director Hudson thanked everyone for their comments before closing the Public Hearing and moving to the Management Committee meeting portion of the Agenda.

Director Hudson moved to the next item on the Agenda, the consideration of approval of the 2008 IIPRC Proposed Operating Budget. Director Hudson reminded the Members of the Commission that the Commission is trying to move forward in a timely manner so that the fully adopted 2008 Budget may be presented to the NAIC with the request for the Additional Line of Credit. Director Hudson asked if there was a motion to approve the 2008 IIPRC Budget Proposal with updated changes reflecting the comments received and operational adjustments as highlighted by Ms. Arricale during the Public Hearing. Commissioner Holland made the motion and Commissioner Long seconded the motion. Hearing no further comments, Director Hudson asked Ms. Arricale to conduct a roll call vote. The 2008 IIPRC Budget was approved by unanimous vote.

Director Hudson moved to the next item on the agenda, the consideration of approval of the Uniform Standards.

Director Hudson asked if there was a motion regarding the two (2) Uniform Standards. Don Beatty, from Virginia, motioned that the Management Committee send the two (2) Uniform Standards back to the Product Standards Committee; Michigan seconded the motion. Ms. Arricale conducted a roll call vote. The Management Committee approved the motion to send the standards back to the Product Standards Committee by unanimous vote.

Director Hudson asked if there were any other matters to be brought before the Management Committee. Hearing none, Director Hudson asked if there was a motion to adjourn the meeting. Mr. Beatty motioned that the meeting adjourn; Commissioner Deal seconded the motion. The meeting ended after a unanimous voice vote.