

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

MEETING OF THE MANAGEMENT COMMITTEE
OF THE
INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION (IIPRC)

Friday, June 12, 2009
1:00pm CT -2:00 pm CT

Hilton Minneapolis
Minneapolis, MN 55403
Room: Salon D - 3rd Floor

AGENDA

1. Roll Call
2. **Public Hearing on Uniform Standards Issued March 25, 2009 and Amendments for Operating Procedure for the Filing and Approval of Product Filings**
3. **Consideration of Approval of Uniform Standards from Public Hearing**
4. **Report of the Finance Committee and Consider Adoption of Finance Committee Report**
5. **Report of the Communications Committee and Consider Adoption of the Communications Committee Report**
6. **Report of the Technology Committee and Consider Adoption of the Technology Committee Report**
7. **Report of Product Standards Committee and Consider Adoption of Product Standards Committee Report**
8. **Report of the Rulemaking Committee and Consider Approval of Rulemaking Committee Report**
9. **Consideration of Approval of April 27, 2009 Management Committee Meeting Minutes**
10. **Operational Update**
11. Any Other Matters

12. Adjourn

**Minutes of the Meeting of Management Committee of
The Interstate Insurance Product Regulation Commission (IIPRC)
Friday, June 12, 2009**

Members of the Management Committee in attendance:

Commissioner Jane L. Cline, Chair, West Virginia
Director Mary Jo Hudson, Vice Chair, Ohio
Sue Ezalarab as a designated representative for Commissioner Sean Dilweg, Treasurer, Wisconsin
Margaret Witten as a designated representative for Commissioner John Oxendine, Georgia
Director 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
Joan Moiles as a designated representative for Commissioner Kenneth Ross, Michigan
Louis Belo as a designated representative for Commissioner Wayne Goodwin, North Carolina
Michael Ridgeway as a designated representative for Commissioner Kim Holland, Oklahoma
Brad Harker as a designated representative for Commissioner Joel Ario, Pennsylvania
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Commissioner Paulette Thabault, Vermont
Don Beatty as a designated representative for Commissioner Alfred W. Gross, Virginia

Members of the Commission in attendance:

Director Linda Hall, Alaska
Commissioner Susan Voss, Iowa
Commissioner Sharon Clark, Kentucky
Commissioner Jim Donelon, Louisiana
Commissioner Ralph Tyler, Maryland
Director Ann Frohman, Nebraska
Commissioner Leslie Newman, Tennessee
Commissioner Kent Michie, Utah
Commissioner Ken Vines, Wyoming

Regulator Staff in attendance:

Peg Brown, Colorado
Marilyn Niimi, Hawaii
Linda Sheppard, Kansas
Ron Henderson, Louisiana
Eric Cioppa, Maine
Manny Munson-Regala, Minnesota
Brian Pennington, Minnesota
Barbara Richardson, New Hampshire
Michael Wilkey, New Hampshire
Tom Bowling, New Mexico
Ted Hamby, North Carolina
Alan Furan, Ohio
Yvette Domenech-Avilés, Puerto Rico
Elizabeth Dwyer, Rhode Island
Shawn Hawk, Tennessee
Neal Gooch, Utah
Betsy Jerome, Utah
Herb Olson, Vermont
Leslie Krier, Washington
Mary Jane Pickens, West Virginia

Members of the Legislative Committee in attendance:

Representative Robert Damron, Kentucky
Representative Brian Patrick Kennedy, Rhode Island
Susan Nolan, National Conference of Insurance Legislators (NCOIL) Executive Director
Candace Thorson, NCOIL

Members of the Industry Advisory Committee in attendance:

Steve Buhr, AEGON
Randi Reichel, America's Health Insurance Plans (AHIP)
Michael Lovendusky, American Council of Life Insurers (ACLI)
Dennis Herchel, Massachusetts Mutual Life Insurance Company
Thomas English, New York Life Insurance Company
Maureen Adolf, Prudential Insurance Company of America

Members of the Consumer Advisory Committee in attendance:

T. Ryan Wilson, American Association of Retired Persons (AARP)
Brendan Bridgeland, Center for Insurance Research
Ken Liberto, Vermont Association for Mental Health

IIPRC Team in attendance:

Karen Schutter, Executive Director
Sara Dubsky, Operations Manager
Karyn Onyeneho, Administrative Assistant
Alice Fontaine, Actuarial Consultant
David Morris, Product Review Consultant
Charles Rapacciuolo, Development Consultant

NAIC Staff in attendance:

Kay Noonan, General Counsel
Becky McElduff, Senior Counsel
Julie Fritz, Director of Insurance Products and Services
Amanda Yanek, Government Relations Policy Analyst
Jolie Matthews, Senior Health and Life Policy Advisor and Counsel

Commissioner Cline called to order the meeting of the Management Committee of the Interstate Insurance Product Regulation Commission (IIPRC). Commissioner Cline welcomed the three (3) newest members to join the Compact—Mississippi, New Mexico and Missouri. Commissioner Cline thanked members of the Industry Advisory Committee and the members of the Legislative Committee for their support in working with these states to adopt the Compact legislation.

Representative Damron congratulated the newest Compact members and expressed anticipation that the Compact will continue to expand its membership as outreach efforts to non-Compacting states prosper.

Representative Kennedy stated that outreach efforts to non-Compacting states are still being pursued by the Legislative Committee as they continue to network with state legislators in demonstrating the effectiveness of the Compact.

Commissioner Cline provided an update on the vacant Executive Director position. Commissioner Cline stated that a joint Management Committee and Commission meeting was held in executive session on June 10 to receive a recommendation regarding an Executive Director candidate. Commissioner Cline stated that both committees unanimously approved the recommendation from the Search Committee to appoint Karen

Z. Schutter as the permanent Executive Director. Commissioner Cline noted that the search to fill the position was extensive and that Ms. Schutter was the person best qualified for the position.

Ms. Schutter thanked Commissioner Cline and expressed appreciation to the membership of the Compact in being able to work with chief insurance regulatory officials; and stated that she looks forward to continuing to support the IIPRC in the future.

Commissioner Cline proceeded to the first item on the agenda, the Public Hearing on the Uniform Standards issued on March 25, 2009; and the proposed amendments to the IIPRC Operating Procedure for the Filing and Approval of Product Filings (the Product Filing Rule).

Commissioner Cline stated that the Uniform Standards being considered for approval were the Amendments to Individual Immediate Non-Variable Annuity Contract Standards as pertains to structured settlements. Commissioner Cline stated that these standards were published for the 60-day public comment period in February. Commissioner Cline noted that the Industry Advisory Committee advised that there were no comments regarding the amendments to these Uniform Standards. Commissioner Cline asked if there were any other comments. Hearing none, Commissioner Cline stated that on April 27, the Management Committee published recommendations from the Rulemaking Committee with regard to removing the two (2) year timeline associated with the ability to “mix and match” Compact product components with state-approved product components; and the retention of Appendix A within the Product Filing Rule. Commissioner Cline noted that the recommendations are currently in a 60-day public comment period and comments are due on or before July 6. Commissioner Cline stated that the Management Committee will allow for oral comments on the rule before taking action during a joint meeting of the Management Committee and Commission which will be held on July 27. Commissioner Cline asked if there were any comments in reference to the “mix and match” process of the Product Filing Rule.

Mr. Bridgeland commented that he opposes the removal of the two (2) year timeline for “mix and match”. Mr. Bridgeland stated that the Center for Insurance Research originally opposed the adoption of the “mix and match” process and stated that this process is detrimental to the IIPRC’s potential for fulfilling its role as the national platform for electronic filing of insurance products. Mr. Bridgeland noted that the IIPRC will instead become an alternative resource if the removal of the timeline is approved. Mr. Bridgeland emphasized that there must be a replacement established before eliminating the process to prevent disorder to consumers and to the IIPRC. Mr. Bridgeland advised that the IIPRC does not have authority to recompense consumers injured by a conflict which may arise as a result of “mix and match” errors. Mr. Bridgeland stated that the existence of “mix and match” products will cause serious conflict between compact-approved provisions and state-approved provisions.

Ms. Krol noted that the “mix and match” filing process was originally created as a business necessity during the establishment of the Compact given that there were very few Uniform Standards developed and available for filing during that time. Ms. Krol stated that companies have filed an abundance of products from their portfolio within the last several months as a result of the development of Uniform Standards and that there is no need for a timeline with regard to the development of Uniform Standards. Ms. Krol noted that companies are using the IIPRC as a central point of electronic filing for their insurance products. Ms. Krol also stated that Appendix A should be eliminated from the Product Filing Rule and noted that it serves no purpose in determining which products should be mixed and matched; and that “mix and match” products should in fact be stipulated based on the merit of a Uniform Standard.

Scott Gilliam, Cincinnati Life Insurance Company, commented that his insurance company has a significant life and health insurance operation and noted that life insurance policies are actively being written in 49 states. Mr. Gilliam stated that he looks forward to filing products through the Compact upon the removal of the two (2) year timeline for the “mix and match” process. Mr. Gilliam further stated that the IIPRC would

be an efficient tool in speeding insurance products to market and insisted that his company will begin using the Compact immediately upon the removal of the timeline.

Director Hudson expressed appreciation to Mr. Bridgeland for his comments. Director Hudson stated that there has been a significant decrease in “mix and match” product filings over the past three (3) years as a result of the development of Uniform Standards. Director Hudson noted that “mix and match” is not being used as often as when the IIPRC filing operations began. Director Hudson stated that filers should understand that the “mix and match” product filing process is used as a foundation to build a product portfolio. Director Hudson stated that the decrease in “mix and match” product filings is as a result of having more Uniform Standards available for filing.

Mr. Bridgeland reiterated that an incentive must be incorporated upon the removal of the “mix and match” two (2) year timeline.

Director Hudson stated that enhancements to the System for Electronic Rate and Form Filing (SERFF) are currently being worked on by the IIPRC Office together with the SERFF Team in order to address the ability for states to search and track “mix and match” product filings.

Commissioner Cline noted that on July 27 interested parties will have the ability to provide further comments about the amendments to the Product Filing Rule.

Mr. Buhr stated that the Industry Advisory Committee intends to provide the best advice to the Compact to ensure that the Compact prospers. Mr. Buhr further stated that the incentive to use the Compact to file products results from the product filing process—which creates uniformity, practicality and brings products to market in a prompt manner.

Commissioner Cline asked if there were further comments. Hearing none, Commissioner Cline concluded the public hearing.

Commissioner Cline turned to the next item on the agenda and asked for a motion to approve the Amendments to Individual Immediate Non-Variable Annuity Contract Standards with reference to structured settlements. Director Hudson made a motion and Mr. Belo seconded the motion. Commissioner Cline asked if there were any questions. Hearing none, a roll call vote was taken and the motion passed unanimously.

Commissioner Cline turned to the next item on the agenda, the report of the Finance Committee; and asked Director Frohman to provide the report.

Director Frohman reported that the Finance Committee was closely monitoring the financial performance of the IIPRC. Director Frohman noted that the Finance Committee met at the end of March for the purpose of discussing the IIPRC 2008 Financials. Director Frohman further noted that the Finance Committee met with the Audit Committee to discuss the 2009 financial developments along with the budgeted projections for the year. Director Frohman stated that the Finance Committee met more recently to review April Financials, the preliminary 2010 Annual Budget draft, and to review revised pro forma projections through 2012. Director Frohman noted that positive trends were apparent in reference to IIPRC company registrations and that the IIPRC is operating well below expenses. Director Frohman explained that the IIPRC Office worked diligently to ensure that the draft 2010 Annual Budget was based on realistic targets in terms of company registrations relative to the number of member states as well as the number of approved product filings. Director Frohman stated that the draft 2010 Annual Budget will be published for public comment following a public Finance Committee conference call which will be held in mid-July. Director Frohman encouraged regional carriers to make use of the product filing process.

Commissioner Cline asked if there were any questions for Director Frohman regarding the report of the Finance Committee. Hearing none, Commissioner Cline asked for a motion to adopt the report of the Finance Committee. Mr. Murphy made a motion and Mr. Beatty seconded the motion. Commissioner Cline asked if there were further discussion. Hearing none, a voice vote was taken and the motion passed unanimously.

Commissioner Cline moved to the next item on the agenda, the report of the Communications Committee; and asked Mr. Ridgeway to provide the report. Mr. Ridgeway reported that the Communications Committee met in April for the purpose of adopting a recommendation to the Management Committee to form a focus group. Mr. Ridgeway stated that the Management Committee and the Commission approved the recommendation to form a focus group and that an announcement was posted to the IIPRC web site in May to solicit interested parties. The focus group would provide customer and consumer feedback to the IIPRC with regard to the product filing process as well as provide input on communication effectiveness to potential and existing filers. Mr. Ridgeway stated that the focus group would review any issues related to SERFF and Uniform Standards and noted that the IIPRC will accept requests for persons interested in participating in the focus group until June 15. Mr. Ridgeway noted that a conference call will be held following the Summer National Meeting for the purpose of finalizing the participants of the focus group. Mr. Ridgeway reported that the Communications Committee also met at the end of May to review and provide feedback to the IIPRC Office regarding the draft 2008 Annual Report. Mr. Ridgeway informed that the 2008 Annual Report will be published on the IIPRC web site and noted that copies of the report will be mailed to Compacting state Governor's as required by the Compact Statute. Mr. Ridgeway noted that the IIPRC Staff has hosted presentations at four (4) regional chapter meetings of the Association of Insurance Compliance Professionals (AICP); as well as a presentation hosted for the Life and Health Compliance Association (LHCA) within the last quarter. Mr. Ridgeway stated that the Communications Committee approved a template for a web link which serves the purpose of allowing access to the IIPRC web site from the IIPRC Member web sites. Mr. Ridgeway explained that instructions on how to post the link will be distributed to all members via email. Mr. Ridgeway noted that the Communications Committee intends to encourage more action on part of insurance companies to register and begin utilizing the benefits of the IIPRC.

Commissioner Cline asked if there were any questions for Mr. Ridgeway regarding the report of the Communications Committee. Hearing none, Commissioner Cline asked for a motion to adopt the report of the Communications Committee. Ms. Waitt made a motion and Ms. Ezalarab seconded the motion. A voice vote was taken and the motion passed unanimously.

Commissioner Cline proceeded to the next item on the agenda, the report of the Technology Committee; and asked Commissioner Voss to provide the report. Commissioner Voss reported that the Technology Committee met at the end of April for the purpose of receiving comments and to adopt a recommendation to make enhancements to SERFF. The enhancements to SERFF are intended to address the ability for states to search and track "mix and match" product filings. Commissioner Voss stated that the first enhancement would add a new field in the Compact Filing Wizard in order to enable filers to indicate which filings contain "mix and match" products. Commissioner Voss stated that the second enhancement would be to convert the Statement of Intent into fielded data which would allow states to obtain a report and to better associate Compact-approved product components with state-approved product components. Commissioner Voss noted that the Management Committee approved the recommendation to make enhancements to SERFF at the end of April. Commissioner Voss stated that the IIPRC Office is collaborating with the SERFF Team to finalize the business requirements for these enhancements and noted that these enhancements would be included in the SERFF 5.7 release which is expected to be available during the fourth quarter of this year. Commissioner Voss advised that the Technology Committee will continue to work with the SERFF Team together with the IIPRC Office in addressing any questions that may arise amid the SERFF enhancement process.

Commissioner Cline asked if there were any questions regarding the report of the Technology Committee. Hearing none, Commissioner Cline asked for a motion to adopt the report of the Technology Committee. Director Deal made a motion and Mr. Belo seconded the motion. Commissioner Cline asked if there were further discussion. Hearing none, a voice vote was taken and the motion passed unanimously.

Commissioner Cline turned to the next item on the agenda, a report of the Product Standards Committee; and asked Ms. Waitt to provide the report. Ms. Waitt thanked Ana Smith-Daley, of the Texas Department of Insurance and contributor to the development of product standards, for her diligence in working with the Product Standards Committee in developing draft standards. Ms. Waitt reported that there were no standards ready for Management Committee action and that the Product Standards Committee will continue to work on the suite of uniform standards for individual long-term care insurance products. Ms. Waitt stated that there is a new feature available on the Industry Resources page of the IIPRC web site which is intended to allow state regulators and other interested parties to review draft standards that are currently being worked on before being recommended to the Management Committee. These draft standards have not been issued for public comment by the Management Committee or by the Product Standards Committee and are published for informational purposes only. Ms. Waitt noted that the Product Standards Committee continues to meet weekly for the purpose of working to develop the suite of uniform standards for individual long-term care products as well as other emerging issues. Ms. Waitt explained that the Committee is currently working on long-term care policy standards which are expected to be completed by the end of June. Ms. Waitt advised that the Committee will next consider the long-term care application and outline of coverage standards. Ms. Waitt explained that the Product Standards Committee would recommend all long-term care standards to the Management Committee once the full suite of individual long-term care standards was ready to be vetted for comment; however that the Committee intends to receive comments on policy and initial rate standards in the coming weeks. Ms. Waitt advised that the Product Standards Committee encourages Compact members, as well as prospective Compact members, to follow the development of these standards at the NAIC National Standards (EX1) Working Group and Product Standards Committee levels. Ms. Waitt stated that the Product Standards Committee is waiting to receive new drafts of uniform standards under development for the other product lines by the NAIC National Standards (EX1) Working Group. Ms. Waitt thanked all groups involved in the development of draft standards for their time and continued efforts.

Commissioner Cline asked if there were any questions regarding the report of the Product Standards Committee. Director Hudson acknowledged Ms. Smith-Daley for her hard work with respect to the standards development process and thanked members of the Product Standards Committee and their staff for their diligence in this regard. Director Hudson also expressed appreciation to other Compact members for their work on other national standards efforts. Commissioner Cline echoed comments made by Director Hudson and stated that the Management Committee has reached out to non-Compacting states to advise that their input on the standards development process is very important. Commissioner Cline asked for a motion to adopt the report of the Product Standards Committee. Mr. Beatty made a motion and Commissioner Thabault seconded the motion. Commissioner Cline asked if there were further discussion. Hearing none, a voice vote was taken and the motion passed unanimously.

Commissioner Cline proceeded to the next item on the agenda, a report of the Rulemaking Committee; and asked Commissioner Thabault to provide the report. Commissioner Thabault advised that Mr. Olson would provide the report. Mr. Olson reported that the Rulemaking Committee held a public meeting in April for the purpose of receiving comments and to adopt the recommendation to amend the Product Filing Rule. Mr. Olson noted that the proposed amendment would remove the two (2) year timeline associated with the “mix and match” process. Mr. Olson stated that the amendment was noticed and has been published for a 60-day public comment period until July 6. Mr. Olson reported that the Rulemaking Committee is approaching the end of developing the proposed rules and operating procedures that were identified upon the establishment of the Compact. Mr. Olson stated that the last rule to be developed, as required by the Compact Statute, is a rule for self-certification. Mr. Olson stated that the Rulemaking Committee published a draft Self-Certification Rule for comment in February. During the April 27 Management Committee meeting, a wide

range of views were expressed in reference to the need for and scope of the rule. Mr. Olson stated that the Rulemaking Committee intends to defer the drafting process for the rule in order to obtain guiding principles, with regard to underlying issues as well as a need for the rule, from the perspective of Compact members and other affected parties. Mr. Olson noted that the Rulemaking Committee intends to conduct a public conference call in the coming months for the purpose of receiving feedback in reference to the Rule for Self-Certification.

Commissioner Cline asked if there were any questions regarding the report of the Rulemaking Committee. Hearing none, Commissioner Cline asked for a motion to adopt the report of the Rulemaking Committee. Mr. Olson made a motion and Ms. Waitt seconded the motion. Commissioner Cline asked if there were further discussion. Hearing none, a voice vote was taken and the report of the Rulemaking Committee passed unanimously.

Commissioner Cline turned to the next item on the agenda, which was to consider the adoption of the April 27, 2009 Management Committee meeting minutes. Commissioner Cline noted that no comments were submitted for edits to the minutes and asked if there were any edits that should be considered. Hearing none, Commissioner Cline asked for a motion to adopt the meeting minutes. Director Hudson made a motion and Ms. Ezalarab seconded the motion. Commissioner Cline asked if there were further discussion. Hearing none, a voice vote was taken and the April 27 Management Committee meeting minutes were approved unanimously.

Commissioner Cline asked Ms. Schutter to provide an operational update of the IIPRC. Ms. Schutter noted that the most recent report of IIPRC 2009 Product Filing Statistics was distributed in advance of the Management Committee meeting. Ms. Schutter highlighted the filing statistics and reported that the IIPRC product review process still maintains an approval time of less than 20 days. Ms. Schutter also reported that the percentage of “mix and match” products being submitted through the IIPRC is below last year’s percentage. Ms. Schutter stated that filing fees received, to date, were below average due to the reduced pricing incentive which was implemented earlier in the year. Ms. Schutter stated that, moving forward, the IIPRC Office will provide additional details on filing trends, including the utilization of the Types of Insurance (TOI) in SERFF. Ms. Schutter referenced the TOI Link, which is available on the IIPRC web site, and informed that it serves as an online source which maps Uniform Standards to the SERFF Product Coding Matrix. Ms. Schutter encouraged more usage of the TOI Link as a benefit to reviewing the number of TOIs and sub-TOIs available for filing. Ms. Schutter noted that the product filing statistics from this year represent 70% of registered companies who have previously registered with the IIPRC and 30% of first-time filers. Ms. Schutter also noted that half of the filers have submitted at least one filing and that the remaining half have submitted two (2) or more filings; which demonstrates a growing trend of repeat filers.

Ms. Schutter reported that the 2008 Annual Report was distributed at this Management Committee meeting and will be published on the IIPRC web site as well as sent to Compact legislators, Compact members and state Governors, as required by the Compact statute and bylaws. Ms. Schutter expressed that the IIPRC looks forward to supporting the membership of the two (2) newest states to join the Compact—Mississippi and New Mexico, and noted that membership of both states will become effective by the end of July. Ms. Schutter informed that the “Add a State” function in SERFF can be utilized for these states with no cost, however that state filing fees would apply. Ms. Schutter stated that the IIPRC actively continues its outreach efforts to non-Compacting states; most recently, with state legislators in Alabama, California, Delaware, New Jersey and New York. Ms. Schutter noted that the IIPRC intends to ensue its outreach efforts with other states as they consider their 2010 legislative agenda. Ms. Schutter recognized members of the Legislative Committee, as well as members of the National Conference of Insurance Legislators (NCOIL) and the National Conference of State Legislatures (NCSL), for their collaborative efforts in working with the IIPRC.

Ms. Schutter stated that the IIPRC will target outreach to regional companies given that the implementation of a regional insurer annual registration fee is in place for regional filers. The regional insurer annual registration fee was adopted to serve as an incentive to regional carriers, which are defined as companies that file in five (5) or less state annually.

Commissioner Cline asked if there were any questions for Ms. Schutter regarding the IIPRC operational update. Hearing none, Commissioner Cline expressed appreciation and thanked the IIPRC Team for all of their hard work and continued efforts in succeeding the Compact.

Commissioner Cline noted that Lee Covington, Senior Vice President and General Counsel with NAVA, the Association for Insured Retirement Solutions (NAVA), would like to provide comment. Mr. Covington commented that NAVA represents both the producers and the consumers of insured retirement products. Mr. Covington further commented that NAVA's Board of Directors is comprised of leading insurance companies in the industry. Mr. Covington explained that NAVA's focus is to promote the use of insured retirement products as a way to contribute to meeting the needs of consumers planning for retirement. Mr. Covington stated that he is hopeful that NAVA will become an avid partner in assisting the Compact with its objectives in terms of the product approval process. Mr. Covington noted that during NAVA's national conference, it was apparent that there was an overwhelming need for retirement savings. Mr. Covington expressed that, as former Commissioner of the Ohio Department of Insurance, he was an active supporter of the Compact during its initial development stages and made efforts to ensure that SERFF would become the national one-stop filing system. Mr. Covington noted that NAVA anticipates working with the Compact in support of its mission to enhance the efficiency and effectiveness of the way insurance products are filed, reviewed and approved. Commissioner Cline thanked Mr. Covington for his comments.

Commissioner Cline asked if there were any other matters. Hearing none, Commissioner Cline asked for a motion to adjourn the Management Committee meeting. Mr. Beatty made a motion and Director Hudson seconded the motion. The meeting was adjourned.