Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission

Friday, August 15, 2014
12:30 pm – 1:30 pm ET
Cascade Ballroom C at the Kentucky International Convention Center
CHORUS CALL DIAL-IN: 1-866-332-4905
Ask for “IIPRC Joint Meeting”

1. Roll Call

2. Report and Recommendation of the Regulatory Counsel Committee and Consideration by the Commission to Approve the Report and Recommendation of the Regulatory Counsel Committee

3. Management Committee Consideration to Approve the Uniform Standards Subject to Phase One of the Five-Year Review as Issued on April 14th and May 12th

4. Commission Consideration to Adopt the Uniform Standards Subject to Phase One of the Five-Year Review as Approved by the Management Committee

5. Management Committee Consideration to Approve the July 28th Management Committee Meeting Minutes

6. Commission Consideration to Adopt the March 28th Joint Meeting of the Management Committee and Commission Meeting Minutes as Approved by the Management Committee on April 28th

7. Report and Recommendation of the Product Standards Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Product Standards Committee

8. Report of the Rulemaking Committee and Consideration by the Management Committee to Approve the Report of the Rulemaking Committee

9. Report of the Finance Committee and Consideration by the Management Committee to Approve the Report of the Finance Committee

10. Operational Update

11. Any Other Matters

12. Adjourn
Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission
Friday, August 15, 2014

Members of the Commission and Department Staff in Attendance:
Commissioner Roger Sevigny, Chair, New Hampshire
Commissioner Michael Consedine, Vice Chair, Pennsylvania
Commissioner Joseph G. Murphy, Treasurer, Massachusetts
Charles Angell as a designated representative for Commissioner Jim Ridling, Alabama
Dan Honey as a designated representative for Commissioner Jay Bradford, Arkansas
Steve Manders as a designated representative for Commissioner Ralph Hudgens, Georgia
Kathleen Nakasone as a designated representative for Commissioner Gordon Ito, Hawaii
Donna Daniel as a designated representative for Director William Deal, Idaho
Cindy Colonius as a designated representative for Director Andrew Boron, Illinois
Amy Beard, Indiana
Tina Korty as a designated representative for Commissioner Stephen W. Robertson, Indiana
Mihir Nag, Indiana
Commissioner Sandy Praeger, Kansas
Maggie Woods as a designated representative for Commissioner Sharon Clark, Kentucky
Barry Ward as a designated representative for Commissioner James Donelon, Louisiana
Tom Record as a designated representative for Superintendent Eric Cioppa, Maine
Commissioner Therese Goldsmith, Maryland
Randall Gregg as a designated representative for Director Ann Flood, Michigan
Tammy Lohmann as a designated representative for Commissioner Mike Rothman, Minnesota
Jay Eads as a designated representative for Commissioner Mike Chaney, Mississippi
Director John Huff, Missouri
Commissioner Monica Lindeen, Montana
Myrna O’Dell, Montana
Director Bruce Ramge, Nebraska
Commissioner Scott Kipper, Nevada
Felix Schirripa as a designated representative for Commissioner Kenneth Kobylowski, New Jersey
Commissioner John Franchini, New Mexico
Ted Hamby as a designated representative for Commissioner Wayne Goodwin, North Carolina
Peter Weber as a designated representative for Director Mary Taylor, Ohio
Joel Sander as a designated representative for Commissioner John Doak, Oklahoma
Eric Cutler as a designated representative for Commissioner Laura Cali, Oregon
Commissioner Angela Wayne, Puerto Rico
Superintendent Joseph Torti, Rhode Island
Commissioner Raymond G. Farmer, South Carolina
Sherry Miles, South Carolina
Commissioner Julie Mix McPeak, Tennessee
Chlora Lindley-Myers, Tennessee
Sara Waitt as a designated representative for Commissioner Julia Rathgeber, Texas
Tanji Northrup as a designated representative for Commissioner Todd Kiser, Utah
Betsy Jerome, Utah
Commissioner Susan Donegan, Vermont
Bob Grissom as a designated representative for Commissioner Jacqueline Cunningham, Virginia
Leslie Krier as a designated representative for Commissioner Mike Kreidler, Washington
Commissioner Michael D. Riley, West Virginia
Sue Ezalarab as a designated representative for Commissioner Ted Nickel, Wisconsin
John Titslaar, Wisconsin
Commissioner Consedine called to order the joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission (Commission). Ms. Schutter took the roll call of the Management Committee, Commission, members of the Legislative Committee, members of the Industry Advisory Committee, and members of the Consumer Advisory Committee. Commissioner Sevigny noted
that as provided in the bylaws, when one or more member participates by telephone, a roll call vote upon each action item is to be taken. However, since only a few Commission members joined by phone, Commissioner Sevigny proposed taking voice votes instead of roll call votes and taking roll call votes only if requested or if there are any votes in opposition on a particular action item or when considering the uniform standards for adoption. There were no objections to this proposal.

Commissioner Sevigny advanced to the first item on the agenda, the Report and Recommendation of the Regulatory Counsel Committee. As Chair of the Regulatory Counsel Committee, Commissioner Sevigny presented the Report and Recommendation and announced that on June 30th, the Management Committee formed the Committee for the purpose of providing guidance and recommendations to the Commission in responding to the notification from Florida Commissioner McCarty regarding Florida’s Compact legislation, which became effective on July 1, 2014. In the notification, Commissioner McCarty stated the Florida legislature expressed its intent to join the Compact but included terms and conditions within the legislation that were not in the Model Compact. The notification requested a formal response whether the Commission assents to the new terms and conditions.

The Committee worked with the IIPRC Office, the NAIC Legal Division and outside counsel to review Florida’s law, to review legal principles of Compact law and to apply these principles to the Florida law. Tom Bond with Greenberg Traurig was retained as outside legal counsel for this purpose. The Committee issued its Proposed Report and Recommendation on August 1st and held a public call to receive public comments on August 8th. No comments were received from Commission members, the Legislative Committee, the advisory committees or the public. Commissioner Sevigny provided the conclusion of the Report and Recommendation from the Regulatory Counsel Committee. The Regulatory Counsel Committee recommends that the Commission recognize that the acceptance of the offer to join the Interstate Insurance Product Regulation Compact and participate in the Interstate Insurance Product Regulation Commission is through the enactment of the Model Compact. The Committee further recommends that the Commission find that the Florida Compact Statute contains several material variances from the Model Compact and because of these material variances, the Florida Compact does not constitute an acceptance of the offer to join the Compact. Mr. Robleto stated that on behalf of the Office of Insurance Regulation and Commissioner McCarty, they did not take issue with the findings or recommendation. There were no questions or comments. Mr. Ward made a motion to adopt the Report and Recommendation of the Regulatory Counsel Committee and Commissioner Praeger seconded the motion. Ms. Schutter took a roll call vote of the Commission and the motion passed.

Commissioner Sevigny moved to the Management Committee Consideration to Approve the Uniform Standards Subject to Phase 1 of the Five-Year Review as Issued on April 14th and May 12th. Proposed amendments to the Additional Standards for Accelerated Death Benefits for Individual Life Insurance Policies were issued for public comment on April 14th, and proposed amendments to the remaining Uniform Standards were issued on May 12th. The Management Committee convened a Public Hearing for the proposed amendments on Monday, July 28th and no additional comments were received during this Public Hearing. Commissioner Goldsmith made a motion to approve all the amendments to the Uniform Standards issued on April 14th and May 12th, and Commissioner Consedine seconded the motion. Ms. Schutter took a roll call vote of the Management Committee and the motion passed.

Commissioner Sevigny proceeded to the Commission Consideration to Adopt the Uniform Standards Subject to Phase 1 of the Five-Year Review as just Approved by the Management Committee. Commissioner Murphy made a motion and Mr. Hamby seconded the motion. Ms. Schutter took a roll call vote of the Commission and the motion passed. Commissioner Sevigny explained that the amendments in
these Uniform Standards will apply on a going-forward basis and therefore it is not necessary for filers to resubmit previously-approved forms or to suspend use of previously-approved forms.

Commissioner Sevigny advanced to the approval of minutes, and suggested adopting the meeting minutes from the July 28th Management Committee teleconference and the March 28th joint meeting of the Management Committee and Commission as approved by the Management Committee on April 28th under one motion. There was no objection. Commissioner Sevigny asked for a motion from a member of the Commission to adopt the meeting minutes. Mr. Ward made a motion and Commissioner Praeger seconded the motion. As this was a ministerial matter, a voice vote was held and the motion passed.

The Report and Recommendation of the Product Standards Committee was the next agenda item. Ms Ezalarab explained that the Product Standards Committee’s recommendation was for amendments to Uniform Standards subject to the next three phases of the 5-year review process. Phase 2 covers Uniform Standards effective between January 1 and June 30, 2008. Phase 3 covers Uniform Standards effective between July 1 and December 31, 2008. Phase 4 covers the Uniform Standards effective between January 1 and June 30, 2009. The IIPRC Office presented a report and recommendation to the Product Standards Committee on June 18th with a detailed description of the submitted comments and suggested changes including changes proposed by the IIPRC Office as a result of applying the Uniform Standards. Written comments were requested on the IIPRC Office Report and Recommendation; and two public calls were held to receive comments on the Product Standards Committee’s questions and recommendations. Comments were received from the Industry Advisory Committee, an industry representative, and a member state. Ms. Ezalarab concluded the report and there were no questions or comments. Commissioner Mix McPeak made a motion to approve the Report and Recommendation of the Product Standards Committee to publish for notice and comment the amendments to the Uniform Standards as part of the 5-Year Review process for Phases 2, 3 and 4 and Commissioner Goldsmith seconded the motion. Ms. Schutter took a roll call vote of the Management Committee and the motion passed.

Commissioner Sevigny advanced to the report of the Rulemaking Committee. Ms. Lindley-Myers explained that the Rulemaking Committee report would be brief as the Committee had not met in several weeks. The Committee will be convening in the upcoming weeks to continue to examine the mix and match process and develop guidelines for the IIPRC Office, filers, and states to identify inappropriate uses of mix and match. It is helpful when a filer or a state contacts the IIPRC Office about whether a state filing intended to be used with a Compact filing is being made because the Compact does not have an available uniform standard or for other legitimate product filing and business systems needs. The Committee observes that the use of mix and match continues to decrease, which is an indicator of companies bringing more product components into the Compact. Ms. Lindley-Myers concluded the report and there were no questions or comments. Commissioner Sevigny suggested hearing the Report of the Finance Committee and then considering the approval of both the Rulemaking and Finance Committee reports in a single motion. There was no objection.

Commissioner Murphy provided the report of the Finance Committee. The Committee held a member-only call to receive an update from the IIPRC Office on the financials as of June 30th and to review the initial budget drafting process. The Commission continues to meet budgeted revenue throughout the year and as of the end of June, has earned $1,098,261 in revenue. This is approximately $130,000 more than this time last year. The product filing fees are approximately $49,000 (or 16%) higher than budgeted through the first half of 2014, and expenses are operating at about 89% of the budget which equates to an 11% savings. The NAIC Finance Department is reviewing the draft 2015 Annual Budget before returning to the IIPRC Office for the final edits. It is the intention of the Finance Committee to make a recommendation to the Management Committee regarding the 2015 Annual Budget and then provide a public comment period before considering the 2015 Annual Budget for final action by the Management Committee and Commission later in the year. Commissioner Murphy concluded the report of the Finance
Committee and there were no comments or questions. Commissioner Consedine made a motion to approve the Reports of the Rulemaking and Finance Committees and Commissioner Murphy seconded the motion. As this was a ministerial item, a voice vote was taken and the motion passed.

As the final agenda item, Ms. Schutter provided the Operational Update of the IIPRC and gave an update of recent Compact filing and registration statistics. Ms. Schutter announced a new IIPRC webinar series for industry filers which will commence in the September. Ms. Schutter also noted that the IIPRC office had been working with the NAIC SERFF team to release a new functionality in SERFF called “Associated Filings,” which will allow states to easily link between Compact filings that are related. Additionally, the IIPRC Office has been working with the NAIC SERFF team to implement SERFF Filing Access this year. As there were no further matters or questions, Commissioner Consedine made a motion to adjourn and the meeting was adjourned.