



**JOINT MEETING OF THE MANAGEMENT COMMITTEE AND THE
INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION**

Wednesday, November 18, 2015

3:30 pm ET / 2:30 pm CT / 1:30 pm MT / 12:30 pm PT

1. Roll Call
2. Report of the Legislative Committee
3. Report of the Audit Committee and Consideration by the Commission to Adopt the Report of the Audit Committee
4. Public Hearing on the Proposed 2016 Annual Budget and Schedule of Fees and the Uniform Standards Issued on August 27, 2015
 - [Group Disability Income Insurance Policy And Certificate Uniform Standards For Employer Groups](#)
 - [Uniform Standards For Riders, Endorsements Or Amendments Used To Effect Group Disability Income Insurance Policy Changes](#)
 - [Uniform Standards For Riders, Endorsements Or Amendments Used To Effect Group Disability Income Insurance Certificate Changes](#)
 - [Uniform Standards For Group Disability Income Insurance Enrollment Forms And Statement Of Insurability Forms](#)
 - [Uniform Standards For Group Disability Income Insurance Statement Of Insurability Change Form](#)
 - [Uniform Standards For Group Disability Income Insurance Initial Rate Filings](#)
 - [Uniform Standards For Filing Revisions To Rate Filing Schedules In Group Disability Income Insurance Policies](#)
 - [Group Policyholder Application Uniform Standards](#)
5. Report of the Finance Committee and Consideration by the Management Committee to Approve the Report of the Finance Committee
6. 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

7. Report of the Rulemaking Committee and Consideration by the Management Committee to Approve the Report of the Rulemaking Committee
8. Management Committee and Commission Consideration of Adoption of Meeting Minutes of the August 14th Joint Meeting of the Management Committee and Commission
9. Management Committee Consideration of Approval of Meeting Minutes of the October 26th Meeting of the Management Committee
10. Management Committee Consideration of Approval of 2016 Annual Budget and Resource Recommendation as Issued on October 26th and Schedule of Fees as Issued on August 14, 2015
11. Commission Consideration of Adoption of 2016 Annual Budget, Resource Recommendation and Schedule of Fees as Approved by the Management Committee
12. Annual Formation of Management Committee for 2015/2016
13. Elections of the 2015/2016 Officers
14. Treasurer's Report
15. Operational Update
16. Any Other Matters
17. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance
Product Regulation Commission
Wednesday, November 18, 2015**

Members of the Commission and Department Staff in Attendance:

Commissioner David Mattax, Chair, Texas
Commissioner Jacqueline Cunningham, Vice Chair, Virginia
Commissioner Angela Weyne, Treasurer, Puerto Rico
Charles Angell as a designated representative for Commissioner Jim Ridling, Alabama
Jacob Lauten as a designated representative for Director Lori Wing-Heier, Alaska
Darren Ellingson as a designated representative for Director Andy Tobin, Arizona
Bill Lacy as a designated representative for Commissioner Allen Kerr, Arkansas
Steve Manders as a designated representative for Commissioner Ralph Hudgens, Georgia
Kathleen Nakasone as a designated representative for Commissioner Gordon Ito, Hawaii
Paulette Dove as a designated representative for Acting Director Anne Melissa Dowling, Illinois
Cindy Colonius, Illinois
Amy Beard as a designated representative for Commissioner Stephen Robertson, Indiana
Doug Ommen as a designated representative for Commissioner Nick Gerhart, Iowa
Julie Holmes as a designated representative for Commissioner Ken Selzer, Kansas
Jason Lapham, Kansas
Maggie Woods, Kentucky
Barry Ward as a designated representative for Commissioner Jim Donelon, Louisiana
Superintendent Eric Cioppa, Maine
Tom Record, Maine
Nancy Grodin as a designated representative for Commissioner Al Redmer, Maryland
Commissioner Daniel R. Judson, Massachusetts
Joseph Garcia as a designated representative for Commissioner Patrick McPharlin, Michigan
Tammy Lohmann, Minnesota
Jay Eads as a designated representative for Commissioner Mike Chaney, Mississippi
Mary Mealer as a designated representative for Director John Huff, Missouri
Jeannie Keller as a designated representative for Commissioner Monica Lindeen, Montana
Director Bruce Ramage, Nebraska
Commissioner Roger Sevigny, New Hampshire
Superintendent John Franchini, New Mexico
Ted Hamby as a designated representative for Commissioner Wayne Goodwin, North Carolina
Lilane Fox, Ohio
Jillian Froment as a designated representative for Director Mary Taylor, Ohio
Joel Sander as a designated representative for Commissioner John Doak, Oklahoma
Commissioner Laura Cali, Oregon
Johanna Fabian-Marks as a designated representative for Commissioner Teresa D. Miller, Pennsylvania
Superintendent Joseph Torti, Rhode Island
Elizabeth Dwyer, Rhode Island
Commissioner Raymond G. Farmer, South Carolina
Chlora Lindley-Myers as a designated representative for Commissioner Julie Mix McPeak, Tennessee
Sara Waitt, Texas
Tanji Northrup as a designated representative for Commissioner Todd Kiser, Utah
Betsy Jerome, Utah
Kaj Samsom as a designated representative for Commissioner Susan Donegan, Vermont
Don Beatty, Virginia
Leslie Krier as a designated representative for Commissioner Mike Kreidler, Washington
Alan Hudina, Washington
Andrew Pauley as a designated representative for Commissioner Michael D. Riley, West Virginia

Cari Lee as a designated representative for Commissioner Ted Nickel, Wisconsin
Commissioner Tom Glause, Wyoming
Brittany Buss, Wyoming

Members of the Industry Advisory Committee in Attendance:

Bill Anderson, National Association of Insurance and Financial Advisors
Hugh Barrett, MassMutual Financial Group
Jason Berkowitz, Insured Retirement Institute
Angela Hanson, Northwestern Mutual Life Insurance Company
Miriam Krol, American Council of Life Insurers
Amanda Matthiesen, Association of Health Insurance Plans
Joe Muratore, New York Life Insurance Company
Rod Perkins, American Council of Life Insurers

Members of the Consumer Advisory Committee in Attendance:

Brendan Bridgeland, Center for Insurance Research
Sonja Larkin-Thorne, NAIC Funded Consumer Representative
Fred Nepple, Consumer representative
Ryan Wilson, AARP

Members of the IIPRC Legislative Committee in Attendance:

Senator Travis Holdman, Indiana
Senator Delores Kelley, Maryland
Representative Brian Patrick Kennedy, Rhode Island
Senator Jason Rapert, Arkansas
Susan Nolan, National Conference of Insurance Legislators

IIPRC Staff in Attendance:

Karen Schutter, Executive Director
Becky McElduff, Assistant Director-Product Operations/Counsel
Sara Dubsy, Senior Operations Manager
MacKenzie Heidelmark, Administrative Coordinator
Mindy Bradford, Product Reviewer
Jeanne Daharsh, Actuarial Consultant
Alice Fontaine, Actuarial Consultant
Karen Givens, Product Review Consultant
Aimee Lawson, Intake Coordinator
Anne Marie Narcini, Regulatory Consultant
Maureen Perry, Product Review Consultant

Interested Parties in Attendance:

Susan Fendell, Mental Health Legal Advisors Committee
Charles Piacentini, Unum

Commissioner Mattax called to order the in-person 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; and the Industry Advisory and Consumer Advisory Committees. Commissioner Mattax 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 Mattax 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. There were no objections to this proposal.

Commissioner Mattax proceeded to recognize the members of the Industry Advisory and Consumer Advisory Committees in attendance, as well as the Legislative Committee; and asked Senator Kelley if she had any remarks. Senator Kelley announced that the Committee was pleased with several of the Commission's recent achievements. Representative Kennedy and Senator Holdman also provided some brief remarks.

Commissioner Mattax advanced to the first item on the agenda, the Report of the Audit Committee which was presented by Superintendent Torti. Superintendent Torti reported that the Audit Committee met recently to review the current IIPRC financials and prepare for the 2015 audit process. The Committee will use McGladrey, LLP for its services in conducting the independent audit of the IIPRC for 2015. During the recent meeting, the IIPRC office provided a briefing on its Private Letter Ruling Request to the IRS earlier this year. The IRS notified the IIPRC Office that it was not taking action on its request and returning its filing fee which is one of the courses of action available to the IRS in response to a Private Letter Ruling Request. This action simply means the IRS did not issue a favorable or an adverse ruling and that the organization can continue to operate as a §115 governmental entity without a ruling from the IRS. The IIPRC Office has worked with outside counsel to reaffirm its tax-exempt status as a §115 governmental entity. The IIPRC Office will continue to work with outside counsel to determine whether any amendments to the Bylaws or procedures are recommended to more clearly set forth the §115 attributes. As there were no questions or comments, Superintendent Torti concluded the report of the Audit Committee. Commissioner Cunningham made a motion to adopt the report and Commissioner Weyne seconded the motion.

Commissioner Mattax moved to the public hearing to receive comments on the proposed 2016 Annual Budget and Schedule of Fees in addition to the group disability income uniform standards. The proposed budget was forwarded to the Management Committee during the October 26th teleconference after several weeks of review by the members of the Finance Committee and an opportunity for public comment. There were no written comments submitted regarding the 2016 Annual Budget. Ms. Schutter proceeded to provide a summary of the 2016 Annual Budget and Schedule of Fees. Commissioner Mattax opened the public hearing to receive comments on the 2016 Annual Budget and Schedule of Fees and asked for comments from the members of the Commission, the Legislative Committee, the Consumer Advisory Committee, the Industry Advisory Committee, and any interested parties. There were no comments.

Commissioner Mattax proceeded to open the public hearing for comments on the group disability income uniform standards, which were issued on August 27th for comment after several months of review by the members of the Product Standards Committee and public calls to receive comments. Written comments have been received from several interested parties on these uniform standards including the Vermont Department of Financial Regulation and the members of the Consumer Advisory and the Industry Advisory Committees. Prior to hearing oral comments, Commissioner Mattax asked Mr. Lapham from Kansas, chair of the Product Standards Committee, to review the process these group disability income standards have undergone. Mr. Lapham provided a brief summary on the development of the uniform standards and Commissioner Mattax proceeded to open the public hearing to receive comments on these uniform standards. When asked if Vermont wished to make comments, Mr. Samsom stated that the

Vermont Department of Financial Regulation submitted comments on October 9th and the uniform standards allow insurers to exclude or limit coverage for mental health or nervous disorders as well as substance abuse conditions. Vermont has a prohibition on mental health and substance abuse exclusions in these types of policies and therefore will have to opt out of the uniform standards unless it can be amended in a manner suggested by their comment letter. There were no questions for Vermont.

Commissioner Mattax asked for questions and comments from the Consumer Advisory Committee and Ms. Larkin-Thorne and Mr. Bridgeland announced that they both concurred with Vermont. Additionally, Mr. Nepple urged the Commission to table the provision which allows offset of disability income benefits against a possible third party recovery. Mr. Bridgeland announced that he concurred with Mr. Nepple's comments. When asked if there were any comments from the members of the Legislative Committee, Senator Kelley mentioned that the Committee had a call on this issue after it was brought to their attention by the Consumer Advisory Committee. The Legislative Committee decided that it would not take a position on this issue. When asked if there were any comments from the Industry Advisory Committee, Ms. Krol announced that the Industry Advisory Committee submitted comments on October 27th which addressed the uniform standards and read a brief section from the comments in response to the comments just made. There were no questions for Ms. Krol. When asked for comments from interested parties, Ms. Fendell explained that the Mental Health Legal Advisors Committee of the Commonwealth of Massachusetts is asking the IIPRC to amend its proposed uniform standards to prohibit the exclusion or limitation of benefits to persons with mental or nervous disabilities. At the very least, the Mental Health Legal Advisors Committee of the Commonwealth of Massachusetts is asking the IIPRC to leave it up to the states. Mr. Samsom then clarified Vermont's position on the uniform standards and that it was not asking for a prohibition of this exclusion but that it be amended to be subject to state law. Ms. Mealer asked if the IIPRC's legal counsel had reviewed the offset provision and Ms. Schutter replied that no, the Compact has not provided any legal guidance on the offset provision. Ms. Krol responded to the Vermont and Mental Health Legal Advisors Committee's comments by stating that as an industry, they do not disagree that the time has come to address mental health and alcohol issues in the nation. The industry simply disagrees that the burden needs to be shifted to private insurers. The cost of providing this type of benefit would be quite high and it is not reflective of the position or law of many states which allow limitations and exclusions in group disability income policies for mental health or nervous disorders.

Commissioner Mattax concluded the public hearing and asked the Product Standards Committee to review the comments received and provide the Management Committee with feedback on whether these comments were discussed during the Product Standards Committee's development and its recommended approach.

Commissioner Mattax moved to the Report of the Finance Committee which was provided by Commissioner Cunningham, who reported that the committee has been preparing the 2016 Annual Budget and reviewing the current financials. The IIPRC has earned \$1,312,760 in revenue as of September 30th which is approximately 10% or \$147,000 under budgeted revenue and expenses are under budget by \$126,796 or 9%. Revenue has been running under budget since April of this year with the product filing fee category approximately \$8,000 under the total amount collected for the same time last year. The IIPRC did budget for modest growth in 2015 in its product filing fees and annual registration fees but that has not been realized. The IIPRC Office attributes the slow down to the industry-wide product development cycle and perhaps last year was an inflated filing year as companies updated their products for nonforfeiture changes and may be waiting on new and updated product development as the NAIC is getting ready to vote on new CSO Mortality tables. Commissioner Cunningham explained that the IIPRC continues to operate in a self-sufficient manner and even though its actuals are under budget, it will not need to borrow from the NAIC line of credit for the third full year in a row. On the Commission's agenda today is to consider the adoption of the 2016 Annual Budget and Schedule of Fees, which includes a 25% increase in the per-filing fee. For purposes of clarification, this proposed fee increase is

not related to the fact that the IIPRC is currently under budgeted revenues. Rather, it is based upon keeping up with the operational growth and expenses of the product operations which added four new full-time resources since it restructured its fee schedule in 2012. Commissioner Cunningham concluded the report of the Finance Committee and there were no questions or comments. Commissioner Mattax recommended hearing the next Committee Reports and considering approval of the Finance, Product Standards, and Rulemaking Committee Reports in a single motion. There were no objections to that motion.

Commissioner Mattax continued to the Report of the Product Standards Committee, which was presented by Mr. Lapham. Mr. Lapham announced that the Product Standards Committee's recommendation today is for amendments for Phase Five of the 5-year review process which includes eight Uniform Standards that were originally adopted on or before June 30, 2010. The IIPRC Office presented a report and recommendation to the Product Standards Committee on July 29, 2015 with a detailed description of the submitted comments and suggested changes as well as changes proposed by the IIPRC Office as a result of applying the Uniform Standard. During the review process, the Product Standards Committee received comments from the Industry Advisory Committee, two industry representatives and the Consumer Advisory Committee. As required by the procedures for the 5-year review process, the chart attached to the transmittal memorandum summarizes the Committee's recommendations with regard to all comments presented, whether the comments resulted in amendments or not. As was agreed to with prior phases of the 5-year review, the amendments are proposed to apply only to new filings made after the effective date of these amendments. This means that filings approved under the current Uniform Standards would remain effective with no re-filing necessary. The Procedures for 5-year review call for the Management Committee to commence the formal rulemaking process pursuant to the Rulemaking Rule to receive comments on the Committee's recommendations. As with any initial recommendation from the Product Standards Committee, accepting this recommendation would provide at least 60 days for public comment before any final action is taken to amend the standards. Mr. Lapham concluded the Report of the Product Standards Committee and there were no comments or questions.

Mr. Beatty gave the Report of the Rulemaking Committee and reported that the Committee continues to work on a member survey that it conducted in August and September. The survey provided Compacting state regulators an opportunity to provide feedback on what they are seeing in terms of state filings that are being used for mix and match with Compact filings. Results were received from 38 of the 44 Compact Member States, and based on the results received, there have not been specific instances of regulatory issues with the mix and match process for the majority or more of the states – whether at the time of submission or at the market conduct stage or through consumer complaints. A very high percentage of responders indicated that they have no specific issues or concerns with the mix and match process. Approximately 8 states indicated they have concerns with or specific examples of the improper use of mix and match by companies and provided suggestions for further guidance or changes. The majority of the states agreed it would be helpful to have additional outreach and guidelines on the proper uses of mix and match. Mr. Beatty announced that the Rulemaking Committee has asked the IIPRC Office to follow up with states that provided suggestions and to develop a draft of guidance for both states and companies as to the proper use of mix and match. The Rulemaking Committee will convene a public call to receive comments regarding the survey results and proposed guidance in the coming weeks. Mr. Beatty concluded the Report of the Rulemaking Committee and there were no questions or comments. Commissioner Mattax asked for a motion from a member of the Management Committee to adopt the Reports of the Finance, Product Standards, and Rulemaking Committees including the recommendation by the Product Standards Committee to publish for notice and comment changes to certain individual annuity Uniform Standards under Phase 5 of the Five-Year Review process. Commissioner Weyne made a motion and Mr. Beatty seconded the motion.

Commissioner Mattax moved to the next two items on the agenda which were the approval of minutes. The minutes in draft format were circulated to the Members of the Commission before today's meeting. Commissioner Mattax asked for a motion from a member of the Commission who is also a member of the Management Committee to adopt the meeting minutes of the August 14th joint meeting. Ms. Lohmann made a motion, while Ms. Froment seconded that motion. Commissioner Mattax proceeded to call for a voice vote of the entire Commission which also includes the Management Committee. A voice vote was taken and the motion carried.

Commissioner Mattax continued to the Management Committee Consideration of Approval of Meeting Minutes of the October 26th Meeting of the Management Committee and asked for a motion from a member of the Management Committee to adopt the minutes. Commissioner Weyne made a motion to approve the minutes while Commissioner Cali seconded the motion. A voice vote was taken and the motion passed.

The next agenda item was the consideration of approval of the draft 2015 Annual Budget and Schedule of Fees. Commissioner Mattax asked for a motion from a member of the Management Committee to approve the 2016 Annual Budget, Resource Recommendation, and Schedule of Fees as recommended by the Finance Committee. Mr. Garcia made a motion while Commissioner Weyne seconded the motion. A voice vote was taken and the motion passed. Commissioner Mattax continued to the Commission Consideration of Adoption of 2016 Annual Budget, Resource Recommendation, and Schedule of Fees as Approved by the Management Committee. Director Range made a motion and Ms. Mealer seconded the motion. A voice vote was taken and the motion passed.

Commissioner Mattax explained that at each Annual Meeting, the Commission officially forms the Management Committee for the upcoming annual period. The composition of the Management Committee is governed by the Compact statute and the selection process is laid out in Article 3 of the Commission Bylaws. The 14-member Management Committee is based on representation from the Member states as follows: six Member states with the largest premium volume are automatically on the Management Committee; four seats are allotted to Member states with more than 2% of premium volume -- other than the six largest -- and is based on an annual rotation procedure; and four seats are allotted to Member states with less than 2% of premium volume selected to represent each of the four NAIC zones. The six largest compacting states based on premium volume are: Texas, Pennsylvania, New Jersey, Illinois, Ohio, and Michigan. The Management Committee members representing the states with 2% or more of the premium volume are Georgia, Maryland, Virginia, and Wisconsin. For those states with less than 2% of the premium volume, each zone selects their representative: Maine will represent the Northeastern Zone; Puerto Rico will represent the Southeastern Zone; Oklahoma will represent the Midwestern Zone; and Oregon will represent the Western Zone

Commissioner Mattax announced that the next agenda item was to elect the IIPRC Officers – Chair, Vice Chair, and Treasurer - for the coming annual period. Under the IIPRC bylaws, the Officers are elected by the entire Commission but must be from the membership of the Management Committee. Commissioner Mattax proceeded to open the floor for nominations for the office of Chair of the Commission. Commissioner Sevigny made a motion to nominate a slate for Chair, Vice Chair, and Treasurer. Commissioner Sevigny nominated Virginia Insurance Commissioner and current IIPRC Vice Chair Jackie Cunningham for the office of Chair; Puerto Rico Commissioner and Angela Weyne for the office of Vice Chair; and Maine Superintendent Eric Cioppa for the office of Treasurer. Ms. Mealer seconded the motion. There were no other nominations. Ms. Mealer then made a motion to close the nominations and elect by acclamation the nominated slate of Commissioners Cunningham, Weyne, and Superintendent Cioppa for Chair, Vice Chair, and Treasurer, respectively. Ms. Lindley-Myers seconded the motion. A voice vote was taken and the motion passed.

Commissioner Mattax moved to the Treasurer's Report, which was provided by Commissioner Weyne. Commissioner Weyne noted that through September 30th, the IIPRC has collected a total of \$2,828,030 in both IIPRC fees and state filing fees, and of this total amount, the IIPRC received \$1,312,042 in its self-generated revenue since January 1, 2015. Actual revenues are approximately 10% under the 2015 Budget for self-generated revenues. More specifically, the IIPRC has earned: \$512,870 in Compact per Filing Fees which is 99% of product filings fees as of September 2014; \$799,125 in Annual Registration Fees – 195 companies have registered – the IIPRC has received 10 more registrations compared to September 2014. The IIPRC is currently operating 9% under budgeted expenses. To date, the IIPRC Office has operated under budget in all expense lines. For the third year in a row, the IIPRC has not requested any of the available \$150,000 Line of Credit and does not expect to utilize the Line of Credit. In Spring 2010, the NAIC and Commission agreed to restructure the IIPRC's outstanding debt obligations by combining all debt into one note payable effective January 1, 2010 at the prime rate of 3.25% minus 1% and accrual of interest on future borrowings at 2.25%. At this time the IIPRC is in deferral status on its repayment of debt to the NAIC. Based on the proposed 2016 Budget, the IIPRC does not expect to request another line of credit from the NAIC in 2016 and to be in a position to begin repayment of the debt in 2017. Commissioner Weyne concluded the report and there were no questions or comments.

As the final agenda item, Ms. Schutter discussed several items under Operational Matters. Ms. Schutter announced that the Compact will soon hold a webinar for any interested state legislators. The webinar will discuss Compact background, principles and activities. Ms. Schutter also discussed the ACORD letter and asked the Product Standards Committee to review the letter and report back to the Management Committee and Commission on a recommended approach.

After Ms. Schutter's operational update, Commissioner Mattax recognized two members of the Industry Advisory Committee who will soon retire; Bill Anderson with NAIFA and Miriam Krol of ACLI. Commissioner Mattax also recognized Betsy Jerome, Jason Lapham, and Sara Waitt and thanked them for their service. As there were no further matters or questions, Director Ramge made a motion to adjourn and Ms. Lindley-Myers seconded and the meeting was adjourned.