

**Minutes of the Meeting of  
the Management Committee of the  
Interstate Insurance Product Regulation Commission**

**Friday, December 8, 2006  
San Antonio Rivercenter  
San Antonio, Texas**

Management Committee Members in Attendance:

- Commissioner Diane Koken (PA), Chair
- Commissioner Jane Cline (WV), Vice-Chair
- Commissioner Glenn Wilson (MN), Secretary-Treasurer
- Margaret Witten (GA) as designated representative for Commissioner John Oxendine
- Carol Mihalik (IN) as designated representative for Commissioner Jim Atterholt
- Commissioner Julie Bowler (MA)
- Commissioner Jim Long (NC)
- Director Ann Womer Benjamin (OH)
- Commissioner Kim Holland (OK)
- Sara Waitt as designated representative for Commissioner Mike Geeslin (TX)
- Commissioner John Crowley (VT)
- Don Beatty as designated representative for Commissioner Alfred W. Gross (VA)
- Beth Berendt as designated representative for Commissioner Mike Kreidler (WA)

Legislative Committee Members in Attendance:

- Senator Ruth Teichman (KS)
- Senator Delores Kelley (MD)
- Representative Brian Patrick Kennedy (RI)
- Representative Mike Ripley (IN)
- Representative Robert Damron (KY)
- Representative Larry Taylor (TX)

Interim Consumer Adviosry Committee Members in Attendance:

- Birny Birnbaum (Center for Economic Justice)
- Brendan Bridgeland (Center for Insurance Research)

Interim Industry Advisory Committee Members in Attendance:

- Michael Lovendusky (American Council of Life Insurers)
- Dennis Herschel (MassMutual Life Insurance Company)
- Michael Gerber (National Association of Insurance and Financial Advisors)
- Julie Miller (America's Health Insurance Plans)

1. Consider Adoption of Adjustable Life Uniform Standards

Director Womer Benjamin made a motion to adopt the following Adjustable Life Uniform Standards: a) Proposed Flexible Premium Adjustable Life Product Standards; b) Proposed Modified Premium Variable Adjustable Life Product Standards; c) Proposed Modified Single Premium Adjustable Life Product Standards; d) Proposed Joint Last to Die Survivorship Flexible Premium Adjustable Life Product Standards; and e) Proposed Joint Last to Die Survivorship Flexible Premium Variable Adjustable Life Product Standards. Commissioner Crowley seconded the motion.

Birny Birnbaum (Center for Economic Justice), a member of the interim Consumer Advisory Committee, requested reconsideration of the exception to the incontestability clause for fraud in the procurement when permitted by applicable law. Mr. Birnbaum indicated that to allow state exceptions is contrary to concept of Compact and will encourage the insurance industry to work at the state level to undermine national standards. Maryland State Senator Delores Kelley, member of the Legislative Committee stated that nearly all states have no fraud exceptions and that this provision was accommodating to those states with a legitimate conflict with their state public policy so that they could join the Compact. Mr. Birnbaum said that if accommodating states was the foundation for this exception, the same logic should apply to providing exceptions to the public access rule in states with more open policies.

Commissioner Bowler made a friendly amendment to the motion to amend the Adjustable Life Uniform Standards for the technical amendments submitted to the Management Committee. Commissioner Cline seconded the friendly amendment. Director Womer Benjamin and Commissioner Crowley accepted the friendly amendment to the motion. The Management Committee unanimously adopted the motion as amended.

2. Consider Selection Procedures for Advisory Committees

Commissioner Koken indicated the Legislative Committee has appointed its members in accordance with the Bylaws with the following representatives appointed by the National Conference of State Legislatures: Senator Teichman, Senator Kelley, and Senator Ralph Hudgens (GA) and the following representatives appointed by the National Conference of Insurance Legislators: Representative Kennedy, Representative Ripley, Representative Damron, and Representative Taylor. Senator Teichman stated that NCSL has one more member to appoint to the Legislative Committee.

Commissioner Koken discussed the proposed selection procedures for the Consumer Advisory Committee and the Industry Advisory Committee, respectively. She indicated the advisory committees working with the Executive Director would be asked to evaluate these procedures over the coming year and make any suggested changes in advance of the next annual meeting.

Mr. Birnbaum requested a change to the procedures to provide nominations come from consumer organizations exclusively and not also from Commission members suggesting a conflict of interest if commission members are able to nominate as well as select the members of the consumer advisory committee. Mr. Lovendusky indicated the interim industry advisory committee was concerned with the ability of the Commission to make nominations in its selection procedures as well. Commissioner Koken stated that advisory committees are treated differently than the Legislative Committee under the Compact legislation and the Bylaws and these procedures wanted to broaden the reach of groups that may have interest in Compact-related issues. Commissioner Kelley said these initial procedures were a good step in allowing the Commission to solicit good nominees and that the Commission would have the final selection of members based on their ability to assess what areas of the consumer community should be representative on the advisory committee

Commissioner Koken noted the Section 3(e) of the consumer advisory committee procedures should reflect the requirement in the Bylaws that the consumer organization provide information to demonstrate its independence from the insurance industry

Commissioner Cline made a motion to adopt the respective selection procedures for Consumer Advisory Committee and the Industry Advisory Committee with any changes to make them consistent with the Bylaws and to charge the Executive Director to work with the advisory committees to bring recommendations for changes, if any, to these procedures back to the Management Committee at the next annual meeting. Mr. Beatty seconded the motion and the motion passed. ATTACHMENT

### 3. Status Report on Commission Services Agreement

Commissioner Koken indicated the negotiations between the NAIC and the Commission on the terms of the Services Agreement are still ongoing and that Ms. Arricale will be working with NAIC to finalize the terms between the parties so the Services Agreement can be presented to the Management Committee for its consideration hopefully by its next meeting.

### 4. Consider Staffing Issues

Ms. Arricale stated that she has had an opportunity to review the requirements, objectives and duties of the Commission in terms of notice and setting up operations in the coming months. Ms. Arricale requested the Management Committee's consideration to provide in the 2007 budget a position for Administrative Coordinator, that would provide high-level support to the Commission and its members. Ms. Arricale indicated she expects to fully utilize NAIC assistance and leverage expertise and cost efficiencies through the NAIC and that the Administrative Coordinator would also serve as a liaison with the NAIC. Commissioner Koken acknowledged the tremendous time and effort that will be required to support the Commission, the Management Committee as well as all the committees including the Legislative Committee and the advisory committees.

Commissioner Long made a motion to allow the Executive Director to hire an Administrative Coordinator effective January 1, 2007 and incorporate this position into the Commission budget for 2007. Director Womer-Benjamin seconded and the motion passed.

5. Approval of Commission Benefits Package

Commissioner Bowler made a motion to adopt the establishment of the three Commission retirement plans for the benefit of Commission employees as outlined in the Memorandum from Brent Roper, NAIC Director of Human Resources and Internal Services to the Commission. Mr. Beatty seconded and the motion passed. ATTACHMENT.

6. Report of the Technology Committee

Director Womer-Benjamin indicated that at the request of the Management Committee, the Technology Committee has reviewed the outstanding issues regarding the Commission's requirements that could have an impact on the SERFF software and makes the following recommendations based on whether the issue merits SERFF modification; could be handled manually through user training and awareness; and those that require no further action.

The Technology Committee recommended the SERFF should be modified to allow a company to select a previously approved filing and extend its use to additional compacting states. The only companies that can be included in the extension of use are companies that were included in the original filing. A separate effective date for the extension of the product filing should be tracked for states in which the product filing is extended. All applicable state, SERFF and Commission fees shall apply. The estimated cost for this change is \$20,000 and the TIC recommends including in 2007 budget.

The Technology Committee recommended the following issues be handled through user education. First, if a filing is submitted to the Commission, but not yet approved and a state included in the filing opts out of a standard prior to that approval, the filer should be allowed to withdraw the filing and all applicable Commission, state and SERFF fees should be refunded. Second, in the event a state identified in a product filing determines that the state fees submitted are insufficient, the state shall take responsibility to collect additional fees directly from the insurer, outside the SERFF system.

The Technology Committee recommended the following issues have no further action unless otherwise directed by the Management Committees. First, states should be allowed to modify state specific fields in filings submitted to the Compact. Second, mixing and matching of products did not appear to be something the Commission was going to allow and therefore no action was required. Third, the discussion regarding handling of states withdrawing from the Commission was deferred as this was unlikely in the next several

months. Next, it appeared fine to allow ‘view only’ state access to a ‘submitted filing’ and no further action was required. Finally, it was recommend that functionality for long-term care rate renewal filings, assuming the Commission does not develop standards in this area, does not need to be deactivated for the Commission as no standards would exist and a filing could not be made.

Mr. Herschel requested a placeholder for further discussion on the mix and matching issue. Commissioner Koken indicated that if the Commission made a policy decision on this issue that affected SERFF technology, it would ask the Technology Commission for further consideration of it impact.

Director Womer-Benjamin moved to adopt all the recommendations of the Technology Committee provided in its report. Commissioner Cline seconded and the motion passed.

#### 7. Report of Products Standards Committee

Commissioner Roger Sevigny (NH) indicated the Product Standards Committee is charged with reviewing and proposing draft uniform product standards for the Management Committee’s review and publication pursuant to the Rule on Rulemaking. The Standards Committee has weekly meetings to review uniform product standards drafted by the NAIC Interstate Compact National Standards (EX) Working Group.

Three sets of standards have been under development with the goal of recommending them for approval by the Management Committee, including, Standards for All Benefit Features Added by Rider, Endorsement or Amendment to an Individual Life Policy; Standards for Accelerated Death Benefits; Standards for Accidental Death Benefits; and, Standards for Accidental Death and Dismemberment Benefits. The first standard establishes the general submission requirements for all benefit features added by rider, endorsement or amendment. The remaining standards establish submission and content requirements for certain benefit features added to base insurance policies by rider, endorsement or amendment.

The Standards Committee is in the process of documenting any proposed revisions to the following draft standards approved by the NAIC working group for recommendation to the Management Committee: Standards for Waiver of Premium Benefit; Standards for Waiver of Monthly Deductions Benefit; Standards for Waiver of Premium Benefit for Child Insurance in the Event of Payor’s Total Disability or Death; and, Standards for Application Change Form. These standards establish submission and content requirements for certain benefit features added to base insurance policies by rider, endorsement or amendment. The Standards for Application Change form outline the requirements for forms used to make changes to an applicant’s responses on a life insurance application.

The Standards Committee is in the process of documenting any proposed revisions to the draft standards approved by the NAIC working group for recommendation to the working group: Individual Term Life Policy Standards; Individual Single Premium Term Life

Policy Standards; Individual Joint Last to Die Survivorship Term Life Policy Standards; Individual Single Premium Joint Last to Die Survivorship Term Life Policy Standards. These standards establish submission and content requirements for individual term life insurance policies.

Ms. Waitt moved to adopt the report of the Product Standards Committee. Commissioner Crowley seconded the motion and the motion passed.

#### 8. Report and recommendation of Rulemaking Committee

Commissioner Cline stated the Rulemaking Committee is charged with developing, reviewing and proposing draft rules and operating procedures for the Management Committee's review. The Rulemaking Subcommittee has finalized drafts of the following three operating procedures for recommendation to the Management Committee:

- Operating Procedure for Filing and Approval of Product Filings: This operating procedure establishes the process for the filing, review and approval or disapproval of Product Filings with the Commission.
- Operating Procedure for Notice and Hearing: This operating procedure establishes a notice and hearing process to be used in disputed cases such as the review of Commission decisions regarding filings and determinations as to whether a Compacting State is in default.
- Operating Procedure for Implementation of Uniform Standards: This operating procedure outlines the process and obligations for implementing uniform standards adopted by the Commission.

Commissioner Cline moved to publish these three operating procedures for notice and comment in accordance with the Commission's rulemaking rule. Commissioner Crowley seconded the motion and the motion passed.

#### 9. Prioritization and Timeline for Adoption of Uniform Standards

Commissioner Koken stated that based on the Management Committee's November 28, 2007 conference call, revisions to the prioritization and timeline for adoption of uniform standards is before the Management Committee for its consideration. Commissioner Koken indicated that since the industry will be the users of the product filing system, the Commission wishes to be mindful of which products industry feels are the most critical from an implementation standpoint.

Commissioner Koken explained the original prioritization and timeline was based on SERFF volume. Members of industry have raised the need to refile term life products due to changes in the CSO Mortality Tables and it would be ideal if the Commission had term life product standards in place in time for when the companies need to make these

filings. Commissioner Koken acknowledged the timetable for rolling out thirty (30) standards in 2007 is aggressive and achievable because of the tremendous efforts of the NAIC's Interstate Compact National Standards Working Group.

Commissioner Bowler moved to adopted the revised prioritization and 2007 timeline for adoption of uniform standards. Commissioner Wilson seconded the motion and the motion passed. ATTACHMENT.

#### 10. Manner of Commission Notices to State Legislators

Commissioner Koken stated that the first mailing to state legislators went out a couple of weeks ago to 950 individuals including the state insurance departments at a cost of \$5,700 and in excess of 100 hours of staff time. Commissioner Koken noted that vision for the Commission was that it would operate primarily in a virtual, paperless world and the power of one-stop automation is a selling point both to the states and industry.

Representative Kennedy asked whether it is absolutely necessary to mail out to every member of states insurance committees as it is not only expensive but many of these members may not have the time or interest to read all this material. Commissioner Koken indicated that Article 5, Section 2(k) of the Bylaws requires written notice to the chair, ranking member and members of each committee of jurisdiction. Senator Teichman said the result of this mailing was an unintended consequence of this provision as it was designed to make sure the legislative leadership in each state had necessary information to keep abreast of the Compact. Representative Damron indicated the Legislative Committee would be supportive of a change to the Bylaws. Commissioner Koken asked Executive Director to work with the Legislative Committee to evaluate these requirements and provide a recommendation to the Management Committee and the Commission for possible changes to the Bylaws.

#### 11. Other Matters

Commissioner Wilson made a motion to modify the deposit account and related services and **borrowing** agreement for the Commission to add Frances Arricale as signatory.

Commissioner Cline seconded the motion and the motion passed.

Deleted: .

Having no further business, the Management Committee adjourned.