

DATE: March 26, 2008

TO: IIPRC Management Committee

FROM: IIPRC Industry Advisory Committee (“IAC”)

SUBJECT: Agenda for March 28, 2008

- **Product Standard Committee Recommendations for the Mortality Table Change Form**
- **Rulemaking Committee Recommendations for Rate Filings**

Re: Mortality Table Change Form

We appreciate the comments included in the March 28th Product Standard Committee’s (PSC) response to the IAC comments during the IIPRC Management Committee meeting at the 2007 NAIC Winter meeting.

We developed the first draft of the standards at the end of July 2007. Through November 2007, there were numerous discussions regarding the content and use of the form. Industry representatives made it clear throughout the development process that we wanted the standards expedited so that they could be used on a “mix and match” basis as soon as reasonably possible to accommodate those companies that chose to use the IIPRC to update their life insurance portfolios for compliance with the 2001 CSO requirements. We also received confirmation that the Appendix was not carved in stone and just because a standard was not already included would not mean that the Appendix could not be amended to include it.

As the standard evolved, some regulators expressed concern with the “endorsement only” approach and the standards were changed to require the use of policy replacement pages. During the NAIC Life Team discussions no regulator indicated that the “replacement pages” approach was unacceptable, or that we needed to rule out “mix and match” and restrict the use of the standard to only IIPRC approved forms.

The first time we were notified of these issues was the day before the 2007 Winter NAIC meeting. The November 29th recommendations of the PSC which we received on November 30th stated that “[The PSC observes that several steps, such as nonforfeiture testing, are involved in approving a change of mortality table. Full documentation for the necessary steps is not currently required under IIPRC filing guidelines. It is premature to include Change of Mortality Table on Appendix A without further discussion about how to get the necessary information to the IIPRC. Additional discussion would include whether the IIPRC and states would allow amendment of state approved forms via the limited mix and match process.](#)”

In our testimony the next day, we clarified that a nonforfeiture compliance demonstration is required as part of the Mortality Table Change Form IIPRC filing and requested clarification as to why these issues were never publicized during the NAIC Product Team and the public PSC discussions. We welcomed the discussion and professed optimism that we could overcome the issues, provided that further elaboration of the issues was forthcoming.

We advised both the Management Committee and the Commission that the exposure of the standards, as restricted by the PSC, would have no value for filers or the IIPRC. As they would be restricted, the standards could only be used if and when the CSO tables were again changed. It would be highly unlikely that anyone would file a life insurance policy in April 2008 that would not include the 2001 CSO mortality table, so the standards would never be used with such forms. Regardless of this fact, the standards were adopted and exposed for a 60 day comment period.

No additional discussions on these issues with industry have ever taken place.

The PSC response dated March 28th reiterates that the PSC does not support “mix and match” feasibility with respect to this standard, and that no amendment is anticipated “*especially given the extensive consideration undertaken during the 6 months preceding its adoption*”. We believe that this statement is misleading – *the “mix and match” issues that were publicized and considered during this period of time were resolved. The issues alluded to on November 29th and detailed in the March 28th response have never been fully vetted with industry. In fact, we believe that the issues identified could be resolved if there was an interest on the part of the PSC in doing so.*

We also question the presumption that by now most companies have already filed new products to comply with the 2001 CSO requirements that take effect January 1, 2009. We have heard that NAIC Leadership is concerned about the number of companies that have yet to file the required 2001 CSO changes and an effort might be made to seek a 50-state agreement to expedite such filings. Our conversations with some member companies confirm that many companies have not yet filed.

If the PSC and the Management Committee agree, industry would be willing to prioritize the resolution of the issues/concerns identified in the March 28th PSC response and work with the PSC to determine if indeed there is a solution for a “mix and match” feasibility with respect to this standard.

Re: IIPRC Rulemaking Committee’s Work Agenda / Proposed Operating Procedures and Rules in Process, Item 2

We believe that the Compact Model Act and the Operating Procedure for the Filing and Approval of Product Filings clearly include rate filings under the jurisdiction of the IIPRC, and the intent of item 2 was to limit its scope to rate increase filings. If all rate filings were removed from the jurisdiction of the IIPRC, the product and related advertising filings would also have to be removed, and such a possibility would severely damage the viability of the IIPRC. Additionally, each Compacting State would have to amend its Compact Model Act accordingly.

With regard to the Operating Procedure for the Filing and Approval of Product Filings, in section 102 item (1), the term “Product Filing” is defined to mean “a Product, Rate, or Advertisement submitted to the Commission for review in accordance with the Commission’s Rules and Operating procedures.” Section 103 makes reference to the applicable Uniform Standard. It should be noted that the NAIC DI Team has finalized standards for initial DI rate filings and that the NAIC LTC Team has finalized standards for initial LTC rate filings. The standards for the DI policy and application are expected to be finalized by end of April, at which time these would be forwarded to the Product Standards Committee. The standards for the LTC policy and advertising have been finalized for quite some time and could also be forwarded to the Product Standards Committee.

What has been identified as an issue is how to handle rate increase filings. Before the IIPRC became operational, a Resolution (brokered by industry, NAIC staff and regulators) was adopted by the Speed To Market Task Force agreeing to remove LTC rate increase filings from the jurisdiction of the IIPRC. This was done in an effort to make it easier for Florida and New Jersey to become Compacting States; an effort that to date has not been successful. Several weeks ago, as the NAIC LTC Team was poised to develop standards for rate increase filings, industry advised about the Resolution which had never been acknowledged by the IIPRC, and once regulators were aware of the Resolution, they questioned the appropriateness of the Compacting States individually handling rate increase filings when they did not approve the initial rate filings. The matter was referred to the Rulemaking Committee for resolution.

We suggest that the scope of item 2 be limited to the issue of rate increase filings. Although no regulator has voiced concern over DI rate increase filings, we agree that it would make sense to include DI in the revised scope of item 2.

Submitted by:

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