MEMORANDUM

TO: Members of the Interstate Insurance Product Regulation Commission
FROM: Commissioner Allan McVey, Treasurer
DATE: December 15, 2022

- To date, the Insurance Compact has collected a total of $4,617,205 in both Compact fees and state filing fees in 2022.

- Of this total amount, the Insurance Compact received $2,316,942 in its self-generated revenue since January 1, 2022. This amount is 25% below 2021 actuals due in large part to companies not filing as budgeted due to the filings made in 2021 required to meet regulatory deadlines of January 1, 2022. Actual 2022 revenues year-to-date are approximately 20% below the 2022 budget. More specifically, the Insurance Compact has earned:
  - $899,479 in Compact Per Filing Fees – 1,150 products have been submitted.
  - $1,404,313 in Annual Registration Fees – 275 companies have registered.

- The remainder of the fees collected by the Insurance Compact represents state filing fees of $2,300,263, which are remitted directly to the Member States. This is 16% under the amount as of October 31, 2021.

- The Insurance Compact is currently operating approximately 13% under budgeted expenses. An open position along with not incurring the budgeted amount of outside counsel fees are the leading drivers of the expense savings.

- The Insurance Compact has a change in net assets of $40,829, which is approximately $261,000 under the budgeted change in net assets. The Insurance Compact has a cash balance of $1,361,771, which is $277,551 under the cash balance as of October 31, 2021.

- The Insurance Compact made its third annual payment to the NAIC under the restructured debt arrangement. Under this 2020 agreement, repayment will be made on the principal balance of $2,740,134 in ten equal annual installments. If the organization’s cash balance is less than $250,000 as reflected in the annual audited financial statements, the required repayment for the following year will be deferred and the repayment period extended accordingly. Upon the final payment on the principal, the accrued interest of $712,733 will be treated as a contribution to the Commission. The current balance of the outstanding debt to the NAIC as of October 31st is $1,918,095.

- The Insurance Compact Office monitors the performance of its revenues to budget and keeps the Officers, Management Committee, and Finance & Audit Committees regularly informed of its financial condition.
DATE: December 15, 2022

TO: Management Committee

FROM: Finance Committee


The Finance Committee has not convened since the last Commission conference call in November.

The Finance Committee delivered its recommended 2023 Annual Budget and Schedule of Fees to the Management Committee in September. The Finance Committee reviewed and signed off on the Compact Office comprehensive professional development plan which was a strategic action item.

The Finance Committee will continue to monitor the financial condition of the organization as well as its actual-to-budget performance.

Please refer to the 2023 Treasurer’s Report for further financial information.
The Governance Committee has not convened since the last in-person Commission meeting in Portland.

The Governance Committee has completed important items on its 2022 work plan including completing the Bylaws amendment process, overseeing the annual governance process, completing the process for adoption of Position Statement 1-2022 with respect to receipt of congressional consent, and coordinating the proposed amendments to the Uniform Standards for a state-specific exception for the suicide clause.

In the coming months, the Governance Committee plans to finish the recommended projects outlined in the independent governance review report including written documentation for the roles and responsibilities for officers, committee leadership, Management Committee, members, and designated representatives; review of the Code of Ethics; development of a written policy for immunity, indemnification and defense recognition and payment of expenses; and development of a table of decision authorities.

The Governance Committee will coordinate with other committees on how best to address certain types of conflicts with some state’s law and provisions of the Uniform Standards, as applicable.
DATE: December 15, 2022

TO: Management Committee

FROM: Product Standards Committee

RE: Report of the Product Standards Committee Activities for the December 15 Management and Commission Meeting

The PSC completed its work on the Individual Disability Income Buy Sell and Individual Disability Income Key Person Replacement Uniform Standards. The PSC completed its review of the requests for Uniform Standards Development for 2023. These two items are covered elsewhere in the agenda.

The PSC created two subgroups to work on the Employer Group Whole Life Insurance Uniform Standard and the Indexed-Linked Variable Annuity Uniform Standard. The Employer Group Whole Life subgroup has completed an initial review and will be holding a public call to receive comments on the draft standard.

The PSC also stands ready to respond to other requests from the Management Committee and the Commission regarding uniform standards development. Please contact Jason Lapham of the Colorado Division of Insurance, Chair of the Product Standards Committee, or Susan Ezalarab, the Compact Office’s Regulatory Coordinator Consultant.
DATE: December 15, 2022
TO: Management Committee
FROM: Rulemaking Committee
RE: Report of the Rulemaking Committee Activities for the December 15 Management and Commission Meeting

The Rulemaking Committee has not convened since the last Commission conference call in November.

The Rulemaking Committee has completed its work on an important strategic plan action item to develop a framework and Operating Procedure for expanding Uniform Standards to accommodate non-employer group types.

The Rulemaking Committee conducted a mix-and-match survey of regulators and filing companies. This information assisted in developing a detailed project plan for further work to recommend changes to improve the process and further minimize the need for mix and match.

In the coming months, the Rulemaking Committee will conduct its work on mix and match as well as identify processes and recommend new or changes to existing Rules and Operating Procedures to enhance flexibility in addressing regulatory, market or member concerns with provisions of Uniform Standards.
AGENDA

1. Roll Call
2. Update on Compact Activities
3. Commission Consideration of Adoption of the Insurance Compact Position Statement 1-2022
4. Management Committee and Commission Consideration of Phase 9 Five Year Review Amendments to Certain Uniform Standards
5. Audit Committee Selection of the Independent Audit Firm for 2022-2027
6. Report and Recommendation of the Governance Committee
7. Public Hearing on the Proposed Operating Procedure for the Use of Compact-Approved Products for Groups Other Than Employer Groups
8. CONSENT AGENDA: Joint Action Item by the Management Committee and Commission to Adopt Noncontroversial Reports and Minutes of the Management Committee and the Commission.
9. Any Other Matters
10. Adjourn
Members of the Commission and Department Staff in Attendance:
Commissioner Kathleen A. Birrane, Chair, Maryland
Director Eric Dunning, Vice Chair, Nebraska
Commissioner Allan McVey, Treasurer, West Virginia
Superintendent Elizabeth Kelleher Dwyer, Rhode Island
Director Lori Wing-Heier, Alaska
Erin Klug as a designated representative for Director Evan Daniels, Arizona
Jimmy Harris as a designated representative for Commissioner Alan McClain, Arkansas
Peg Brown as a designated representative for Commissioner Michael Conway, Colorado
Paul Lombardo as a designated representative for Commissioner Andrew Mais, Connecticut
Howard Liebers as a designated representative for Commissioner Karima Woods, District of Columbia
Steve Manders as a designated representative for Commissioner John King, Georgia
Martha Im as a designated representative for Commissioner Colin Hayashida, Hawaii
Shannon Hohl as a designated representative for Director Dean Cameron, Idaho
Jeff Varga as a designated representative for Director Dana Popish Severinghaus, Illinois
Commissioner Doug Ommen, Iowa
Andria Seip, Iowa
Julie Holmes as a designated representative for Commissioner Vicki Schmidt, Kansas
Commissioner Sharon P. Clark, Kentucky
Commissioner James Donelon, Louisiana
Acting Superintendent Tim Schott, Maine
Nour Benchaaboun, Maryland
Alex Borkowski, Maryland
Sheri Cullen as a designated representative for Commissioner Gary Anderson, Massachusetts
Karen Dennis as a designated representative for Director Anita G. Fox, Michigan
Jo LeDuc as a designated representative for Director Chlora Lindley-Myers, Missouri
Laura Arp, Nebraska
Director Barbara Richardson, Nevada
Jason Dexter as a designated representative for Commissioner Chris Nicolopoulos, New Hampshire
Commissioner Marlene Caride, New Jersey
Patrick Zeller as a designated representative for Superintendent Russell Toal, New Mexico
Ted Hamby as a designated representative for Commissioner Mike Causey, North Carolina
Director Judith French, Ohio
Daniel Bradford, Ohio
Commissioner Glen Mulready, Oklahoma
Director Andrew Stolfi, Oregon
Commissioner Michael Humphreys, Pennsylvania
Shannen Logue, Pennsylvania
Brian Hoffmeister as a designated representative for Commissioner Carter Lawrence, Tennessee
Chris Herrick as a designated representative for Commissioner Cassie Brown, Texas
Commissioner Jonathan Pike, Utah
Tanj Northrup, Utah
Kevin Gaffney as a designated representative for Commissioner Michael Pieciak, Vermont
Mary Block, Vermont
Commissioner Birrane called to order the Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission (Insurance Compact or Commission). Ms. Schutter took the roll call of the: Management Committee, Commission, Legislative Committee,
and Industry and Consumer Advisory Committees.

Commissioner Birrane recognized the members of the Legislative Committee in attendance. She reported both NCSL and NCOIL recently passed resolutions reaffirming their support for the Insurance Compact as the key state-based initiative and support of the Position Statement. Commissioner Birrane asked if any legislators had any comments. Representative Lehman noted that NCOIL appreciated the important issues before the Commission, and he looks forward to the continued collaboration. There were no other comments.

Commissioner Birrane proceeded to the next item on the Agenda and provided an update on recent activities of the Compact. She reported a Value of Services report has been generated for each state and distributed these at the Commissioner Conference in June. It was explained these reports provide an estimate on the value of membership in the Compact and the details on filing activity and the most active filing companies per state. All states, regardless of the size, benefit from the Compact as the extension of rate and form filing functions. Commissioner Birrane noted the Roundtable held by the Compact Officers in New York City was successful. There were 40 in attendance which included 10 Commissioners, three state legislators, four industry association representatives, representatives from 12 companies and a member of the Consumer Advisory Committee. During the Roundtable, the perspectives on the Compact, as well as the strengths, challenges and next ideas were discussed. The key topics were uniformity, standards development and innovation. Commissioner Birrane noted all agreed uniformity was a foundational purpose but addressing the meaningful conflicts with certain state laws especially ones of political or legal necessity. Additionally, there was general agreement this Uniform Standards should be reviewed at least every five years, but there should be an opportunity to open the Standards in the interim. There was discussion as to how the Compact can assist the states with product reviews of non-Compact products. Commissioner Birrane reviewed the three takeaways from the Roundtable. The first was to have regular forum for dialogue between companies and industry and the Commissioner and their designated representatives about product development and changes or additions to the Uniform Standard. The second was to form a task force to outline the parameters of an adjunct services office within the Compact to facilitate review of products not yet within scope of the Uniform Standards. The third is to continue to conduct the Compact Roundtables across the country. There were no comments.

Commissioner Birrane moved to the next item on the Agenda, the adoption of the Position Statement 1-2022. Commissioner Birrane explained the Position Statement was recommended by the Governance Committee. The Position Statement provides the analysis and acknowledges the Compact received congressional consent with a federal law was enacted by Congress in 2006 providing consent to the District of Columbia to join the Compact and delegating the powers thereunder to the Commission. Commissioner Birrane asked Director Dunning to provide a report of the work the Governance Committee took in developing the Position Statement.

Director Dunning reported the Governance Committee met in July to review the comments received during the public comment period. Comments were received from the ACLI, AHIP and members of the Consumer Advisory Committee. There were no changes proposed to the Position Statement.
Director Dunning noted with the Position Statement adopted, and the validity and effect of the Uniform Standards affirmed by the Commission, it is important to next work on flexibility and procedural safeguards are available to the states when a conflict arises between state law and the provisions within the Uniform Standards. Staying true to the core values of the Compact, the processes and procedures should be reviewed to make it possible for the states to petition the Commission when there is a conflict creating a legal concern in the state legislature or courts. Director Dunning concluded his report.

Commissioner Birrane asked for a motion from a Commission member to adopt the Position Statement 1-2022. Director French made the motion and Superintendent Dwyer seconded. The motion was adopted by voice vote. Missouri abstained.

Commissioner Birrane proceeded to the next item on the Agenda, the Management Committee and Commission consideration of Phase 9 Five Year Review Amendments to Certain Uniform Standards.

Ms. Schutter provided an overview of the five-year process for these particular standards. There were no questions or comments about the Uniform Standards.

Commissioner Birrane asked for a motion from a member of the Management Committee to adopt the amendments to the 10 Uniform Standards. Director Dunning made the motion and Commissioner Rude seconded. The amendments to the Uniform Standards were adopted by roll call vote.

Commissioner Birrane moved to the next item on the Agenda, the Audit Committee’s selection of the independent audit firm. The purpose of this item is to provide the Audit Committee an opportunity to conduct a public meeting and to take action to select the next independent auditor.

Director Richardson provided an overview of the Committee’s process and recommendation. She asked if there were any comments. Hearing none, she asked if there was a motion from a member of the Audit Committee to adopt the firm of Rubin Brown. Commissioner Clark made the motion and Ms. Nolette seconded. The motion carried.

Commissioner Birrane proceeded to the report of the Governance Committee and asked Director Dunning to provide this report.

Director Dunning reported the Committee is forwarding the recommendation to consider certain amendments to the Uniform Standards to minimize the conflict between the two-year suicide exclusion period in the Uniform Standards and the one-year suicide exclusion in the statute in Colorado at issue in recent litigation. The Governance Committee has been focused on exploring the issue of congressional consent which was the crux of the Colorado Supreme Court ruling. Director Dunning noted the conflict that was the source of that case – the one-year suicide exclusion statute in Colorado – should not be overlooked. The Commission should see if the conflict not only for Colorado but for a few other states could be minimized.
The Product Standards Committee delivered its recommendation with respect to the proposed amendments to two areas in the life Uniform Standards where the suicide exclusion is referenced. The proposed amendment would prospectively recognize this state exception by continuing to keep the standard two-year suicide exclusion period unless the state where the policy is delivered or issued for delivery has a shorter period which would then apply. The Governance Committee accepted the PSC recommendation, but put the matter on hold to finalize and recommend the Position Statement. The Governance Committee has expressed is recommendation that the Commission work on procedures and processes to give states more flexibility to step out of or request amendments to the Uniform Standards for conflicts with political or legal ramifications to the states. As such, the Committee is recommending with respect to the change in the suicide exclusion provision as there is a member state, Colorado, with a binding court opinion and two other states where addressing this conflict would be meaningful. Importantly, the suicide exclusion affects all life Uniform Standards so opting out would not be a desirable solution for the affected states. This amendment is a benefit to the filing companies, as uncertainty still exists in Colorado given this is a binding court ruling from their supreme court. Director Dunning concluded the report asking the Management Committee consider this recommendation and publish the proposed amendments for a period of 90 days to make sure it is fully vetted before the Commission considers the proposed amendments for final action later this year.

Hearing no questions or comments, Commissioner Birrane asked if there was a motion to approve the Governance Committee recommendation. Commissioner McVey made the motion and Commissioner Carride seconded the motion. The motion was approved by voice vote.

Commissioner Birrane progressed to the public hearing on the proposed Operating Procedure for the Use of Compact-Approved Products for Groups Other Than Employer Groups. Commissioner Birrane asked Ms. Schutter to provide an overview of the proposed Operating Procedure and framework.

Ms. Schutter reported on the work the Rulemaking Committee undertook to provide the proposed Operating Procedure and framework. This is a Strategic Plan action item for the Rulemaking Committee which would provide for more group products to be filed and approved by the Compact. Ms. Schutter noted that the applicable group approvals still resides with the states and it is only the product which will be approved by the Compact.

Commissioner Birrane opened the floor for comment from the Commission members. Vermont expressed their concern for the inclusion of POE as employee groups. Portability trust definition is permitted for life but not disability income. The Department does plan to submit comments. Commissioner Pike asked for clarification on certificates and where they are issued. Ms. Klug asked for clarification regarding the process. Ms. Schutter responded the process would be similar to the current SOI process and a certification would be required of the companies. The company filer would need to certify the company is authorized to sell that particular group and action could be taken against the company by the state.

Mr. Mehlman noted the ACLI and member companies were supportive of the framework and the proposed Operating Procedure.
Mr. Tobin stated New York Life is supportive of the proposed Operating Procedure and framework and looks forward to filing group products with the Compact.

Commissioner Birrane noted the Management Committee is asking the Rulemaking Committee to review the comments made today as well as the written comments to be submitted by the deadline of September 18th and provide feedback on whether further changes are recommended.

Commissioner Birrane moved to the last item on the Agenda, and asked for a motion from a member of the Management Committee to adopt the consent report items – the reports of the Finance, Product Standards and Rulemaking Committees along with the Executive Director’s report and the minutes from the June 28 joint meeting of the Management Committee and Commission. Director French made the motion and Mr. Beatty seconded the motion. The consent report item was adopted by voice vote.

Hearing no other matters, Commissioner Birrane asked if there was a motion to adjourn. Superintendent Dwyer made a motion to adjourn which was seconded by Commissioner Rude.
JOINT MEETING OF THE MANAGEMENT COMMITTEE AND THE INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION

Tuesday, November 15, 2022
3 pm ET / 2 pm CT / 1 pm MT / 12 pm PT

WebEx

AGENDA

1. Roll Call


4. Report and Recommendation of the Rulemaking Committee

5. Report and Recommendation of the Product Standards Committee

6. Consent Agenda

7. Any Other Matters

8. Adjourn
Members of the Commission and Department Staff in Attendance:

Director Eric Dunning, Vice Chair, Nebraska
Commissioner Allan McVey, Treasurer, West Virginia
Superintendent Elizabeth Kelleher Dwyer, Rhode Island
Sarah Bailey as a designated representative for Director Lori Wing-Heier, Alaska
Mayumi Gabor, Alaska
Erin Klug as a designated representative for Director Evan Daniels, Arizona
Jimmy Harris as a designated representative for Commissioner Alan McClain, Arkansas
Howard Liebers as a designated representative for Commissioner Karima Woods, District of Columbia
Martha Im as a designated representative for Commissioner Colin Hayashida, Hawaii
Lisa Zarko, Hawaii
Weston Trexler as a designated representative for Director Dean Cameron, Idaho
Jeff Varga as a designated representative for Director Dana Popish Severinghaus, Illinois
Andria Seip as a designated representative for Commissioner Doug Ommen, Iowa
Julie Holmes as a designated representative for Commissioner Vicki Schmidt, Kansas
Frank Opelka as a designated representative for Commissioner James Donelon, Louisiana
Acting Superintendent Tim Schott, Maine
Nour Benchaboun as a designated representative for Commissioner Kathleen A. Birrane, Maryland
Alex Borkowski, Maryland
Sheri Cullen as a designated representative for Commissioner Gary Anderson, Massachusetts
Karen Dennis as a designated representative for Director Anita G. Fox, Michigan
Tammy Lohman as a designated representative for Commissioner Grace Arnold, Minnesota
Director Chlora Lindley-Myers, Missouri
Jo LeDuc, Missouri
Camille Anderson-Weddle, Missouri
Cynthia Amann, Missouri
Martin Swanson, Nebraska
Commissioner Marlene Caride, New Jersey
Ted Hamby as a designated representative for Commissioner Mike Causey, North Carolina
Daniel Bradford as a designated representative for Director Judith French, Ohio
Cuc Nguyen as a designated representative for Commissioner Glen Mulready, Oklahoma
Director Andrew Stolfi, Oregon
Shannen Logue as a designated representative for Commissioner Michael Humphreys, Pennsylvania
Steve Boston, Pennsylvania
Brian Hoffmeister as a designated representative for Commissioner Carter Lawrence, Tennessee
Chris Herrick as a designated representative for Commissioner Cassie Brown, Texas
Commissioner Jonathan Pike, Utah
Tanji Northrup, Utah
Tomasz Serbinowski, Utah
Anna VanFleet as a designated representative for Commissioner Michael Pieciak, Vermont
Mary Block, Vermont
Molly Nollete as a designated representative for Commissioner Mike Kreidler, Washington
Ned Gaines, Washington
Erin Hunter, West Virginia
Rebecca Rebholz as a designated representative for Commissioner Nathan Houdek, Wisconsin
Commissioner Jeff Rude, Wyoming
JoAnne DeBella, Wyoming

**Legislative Committee:**
Representative Deborah Ferguson

**Consumer Advisory Committee:**
Brendan Bridgeland
Fred Nepple

**Industry Advisory Committee:**
Anne Correia, Allianz
Megan Phillips, Athene
Wayne Mehlman, ACLI
Sarah Wood, IRI

**Insurance Compact Staff in Attendance:**
Karen Schutter, Executive Director
Becky McElduff, Director of Product Operations & Chief Counsel
Sara Dubsky, Assistant Director of Administrative Operations
Joe Bonfitto, Product Reviewer
Mindy Bradford, Product Reviewer
Ed Charbonnier, Product Reviewer
Jeanne Daharsh, Actuary
Susan Ezalarab, Regulatory Coordinator Consultant
Karen Givens, Senior Product Reviewer & Manager
Naomi Kloeppersmith, Actuary
Sarah Neil, Communications and Outreach Coordinator

Director Dunning called to order the Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission (Insurance Compact or Commission). Ms. Schutter took the roll call of the: Management Committee, Commission, Legislative Committee, and Industry and Consumer Advisory Committees.

Director Dunning proceeded to the first item on the Agenda, and began the public hearing on the proposed 2023 Annual Budget and the Uniform Standards prioritization list for 2023. Director Dunning noted the Officers received the recommendation from the Finance and Product Standards Committees on behalf of the Management Committee.

Director Dunning asked Commissioner McVey to provide a report of the Finance Committee. Commissioner McVey reported the Finance Committee is proposing an increase to the 2023 Schedule of Fees. Through the end of September, the Compact has earned $2.4 million which is
Commissioner McVey noted the significant reduction in filing volumes has been a trend demonstrated all year and is offsetting the positive revenues for $800,000 in 2021 when the companies had to satisfy the state requirement to refile or update their life products. It was explained the number of companies currently registered with the Compact is close to the budget indicating companies are continuing to file with the Compact, just not at the levels demonstrated in 2021. Commissioner McVey noted expenses continue to be under budget by 12%. Commissioner McVey noted no comments have been submitted in writing on either the proposed budget or the Schedule of Fees and asked Ms. Schutter to provide an overview of the budget process.

Ms. Schutter reported the 2023 budget is based on lower projected volumes than the 2022 budget but higher than actual volumes so far in 2023. The 2023 budget assumes an increase to certain Compact fees in 2023. This is a planned increase based on pro forma projections during the line of credit renegotiation in 2019. The Compact has increased fees 4 times in its history and the per filing fees being increased from 15 – 25% have not been increased since 2016. These increases and the first-time increases for the LTC annual and triennial certification filings are aimed at better aligning the operating costs involved in reviewing these filings. This alignment of fees for 2023 will ensure the Compact has sufficient staffing to accomplish its mission and goals for members and filers. The expense budget for 2023 is expected to grow by 5%. The Compact Office is filling a position that has been open during 2022 and is being converted to a project coordinator. Jeanne Daharsh, a long-time actuary is retiring in April, and her full-time position will be backfilled while there is overlap to provide for transition. Travel and meetings expenses are increasing significantly as returning to pre-pandemic level of outreach and planning for roundtables and reception opportunities, as well as the increase in travel costs generally.

Commissioner McVey concluded the Finance Committee’s report. Hearing no questions or comments, Director Dunning proceeded to receiving comments on the proposed 2023 Uniform Standards Development Prioritization list and asked Ms. Seip to provide an overview of the proposed list.

Ms. Seip reported this is the second year of a new system put in place under the strategic plan -- a system for identification and prioritization of Uniform Standards development. Under this new procedure, members, regulators, the Compact Office and interested parties may request development of a new or amended standard for a new product or benefit feature. The Compact Office posts all requests received on its website, and on July 1 of each year, the Product Standards Committee (PSC) takes the list of requested standards and recommends how to prioritize. The PSC did not receive any new requests from regulators or interested parties other than to request what was already on the prioritization list. The PSC and Compact Office added items to the list to address scope and clarification items. This process follows a similar one to the annual budget process where the PSC develops a recommended prioritization and presents to the Management Committee and Commission for their consideration. The goal is for action to be taken at the annual meeting each December so that the Uniform Standards Development prioritization list can be in place when the PSC begins its work for the coming annual period. This process ensures the Commission is comfortable with the work being performed by the PSC. For 2023, the development of group Whole Life Uniform Standards and updating group Uniform Standards for non-employer groups once the Commission considers the Rulemaking Committee recommendation is high on
Director Dunning proceeded to the next item on the Agenda, the public hearing on the amendments to address the Colorado statutory conflict with the suicide exclusion provisions. Director Dunning explained these amendments were drafted by the PSC in 2021 at the request of the Governance Committee. These amendments would address a recommendation from the Governance Committee to address meaningful conflicts between the Uniform Standards and the state statutes, especially ones of political or legal significance. In addition to Colorado, the Compact is aware of at least two other states with a one-year suicide exclusion period. Director Dunning reported the proposed amendments were exposed for a 90-day public comment period. The amendments would impact life products and will apply to Compact-approved products issued on or after the effective date. Director Dunning asked Ms. Schutter to provide an overview of the amendment and how it would apply to previously approved and new products upon the effective date.

Ms. Schutter reported the amendment adds the phrase “or any shorter period as may be required by applicable law in the state where the policy is delivered or issued for delivery.” This amendment was published for 90 days written notice and comment originally due on November 21st but the deadline has been extended until December 2nd. Ms. Schutter provided a point of clarification and explained the amendment will be effective for compliance purposes for new filings and new issues of approved Compact products at and after the effective date. If the Commission adopts this amendment at its December 15th meeting, the effective date will likely be April 3rd for compliance. The Compact Office would suggest for clarity purposes, and to remove any room for interpretation, the Management Committee and Commission explicitly state with respect to the effective date, that as of the effective date the amendments are effective for purposes of compliance for new issues of previously-approved Compact products.

Director Dunning asked if there were any questions or comments. Ms. Wood expressed concern about an increase in state exceptions and a precedence being set. She stated the Uniform Standards provide for efficiency and companies rely on the uniformity and consistent review process. Ms. Wood concluded that it is understood there are some exceptions required, but would strongly encourage the Compact to limit the number of exceptions. Mr. Mehlman noted the American Council of Life Insurers (ACLI) would echo the comments made by Ms. Wood.

Director Dunning concluded the public hearing and noted the Commission will consider final action on these amendments during the December 15th meeting in Tampa.
Compact-Approved Products for other than Employer Groups. Commissioner Birrane asked Commissioner Stolfi and the Rulemaking Committee to review the submitted comments and provide feedback as to whether the Committee would recommend additional changes to the proposed framework or Operating Procedure.

Commissioner Stolfi provided an overview of the work the Committee took in developing the framework and Operating Procedures. Written comments were submitted by the Vermont Department of Financial Regulation and the ACLI. Vermont, Utah and New York Life made comments at the public hearing held during the August meeting in Portland. The Rulemaking Committee has reviewed these comments and is recommending revisions to the proposed Operating Procedure. The Committee has also outlined the proposed workflow for this new process which is added to the Framework. Both sets of written comments had concerns with the definition sections of the Operating Procedure especially the inclusion of portability trusts and Professional Employer Organizations (PEO) under the definition of Employer Groups. The key change the Committee is recommending is substantive, and it would remove the definitions for portability trusts, labor unions and PEO that were under the category of Employer Group such that they will now fall under Section 102(3) in the category of Non-Employer Group. This change will keep the status quo that the Compact-approved products can be issued to Employer Groups and that all other groups would need to follow the Compacting State procedure for authorization of the eligibility and legitimacy of the non-employer group before it could use a Compact-approved product for that non-employer group.

Commissioner Stolfi asked Ms. Schutter to provide further details on the additional changes being proposed. Ms. Schutter explained the changes are to Section 102(2) to remove trusts, labor unions and PEO from the category of employer. Due to this, these group types must first seek state approval for the specific group, if required or applicable. The Committee made changes to the drafting note which now appears after Section 102 and Section 103 to emphasize and make clear that the definitions in this section do not create or alter statutory definitions for these groups under state law. The Committee also suggests a change to the last provision in Section 104 to provide a 90-day window after state approval to update the Compact filing to reflect the state approval. The Committee updated the Framework to outline the proposed workflow between the Compact filing and the state filings including adding submission and certification requirements to the Compact filing when being used for non-employer groups.

Commissioner Stolfi explained the Rulemaking Committee exposed this recommended feedback for comment and held a public call on October 27th. A company representative expressed concern that the wording in this Operating Procedure, especially Section 102(3) subsections (b) and (c) which describes characteristics of non-employer groups, could be construed to add or change the definitions in state law. The Rulemaking Committee did not make further changes in response to this comment, noting there are multiple places including in two drafting notes that explicitly states provisions in the Operating Procedure are solely to administer this process at the Compact and do not change or alter state laws with respect to non-employer groups. Commissioner Stolfi concluded the report of the Rulemaking Committee.
Hearing no questions or comments, Director Dunning noted the Management Committee will continue to receive comments on this item until December 2nd and the Commission will take final action on this item during the Tampa meeting on December 15th.

Director Dunning proceeded to the report and recommendation of the Product Standards Committee and asked Ms. Seip to provide the report.

Ms. Seip explained the Product Standards Committee would be recommending two new uniform standards for publication. The PSC has finalized the draft uniform standards Individual Disability Income Key Person Replacement Insurance and Individual Disability Income Buy-Sell Insurance. The drafts were developed based on the Individual Disability Income Business Overhead Expense Uniform Standard with modifications for the unique features of the Buy-Sell and Key Person Replacement products. The PSC exposed several updates to the draft for public comment and held four public calls to obtain further input. The PSC received comments from the ACLI at the same time the ACLI also responded to written questions from the PSC. There were comments about the definitions of benefit factor, benefit period, concurrent disability, recurrent disability and rehabilitation; the use of the word “company”; the use of Activities of Daily Living as a benefit trigger; the use of the term “fair market value”; and the section on benefit reduction on account of other disability buy-sell coverage in the Individual Disability Income Buy-Sell Insurance draft. There were comments about the definitions of business income; modifications to the definitions of business and key person; and comments on the definition of the cost of sales and services in the Individual disability Income Key Person Replacement draft. Given the extensive, transparent, and documented drafting process preceding this recommendation, the PSC suggests that any additional comments or concerns about these recommended Uniform Standards be raised, considered, and discussed by all members and interested parties during the Management Committee’s formal rulemaking process.

Ms. Seip concluded her report. Director Dunning, hearing no comments on the proposed uniform standards, asked for a motion from the Management Committee to receive the report and recommendation of the Product Standards Committee. Commissioner McVey made the motion and Mr. Benchaaboun seconded the motion. The motion was passed with a voice vote.

Director Dunning noted the items for the Consent Agenda will be deferred until the December 15th meeting in Tampa. Before concluding the meeting, Director Dunning asked Ms. Schutter provide an overview of the Tampa meeting.

Ms. Schutter noted the December 15th meeting is the Compact’s annual meeting. Ms. Schutter highlighted the Compact meeting is from 9:00 am to 10:15 am on Thursday, December 15th and was moved from the original afternoon time slot on the initial agenda published by the NAIC. The Compact will be co-hosting a reception with the Center for Insurance Policy & Research on Thursday evening. The Compact Office would like to remind the members about the committee preference forms and submitting their preferences to assist the Officers in preparing their committee assignment recommendation for the Management Committee. Additionally, the Compact has notified affected states of pending in-force rate increases for Compact-approved long-term care products and will be hosting webinar opportunities for states to go over the Compact Office’s regulatory review.
Hearing no other matters, Director Dunning asked if there was a motion to adjourn. Commissioner Carride made a motion to adjourn which was seconded by Commissioner Rude.