



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

**Friday, March 23, 2018**

**1:30 pm ET / 12:30 pm CT / 11:30 am MT / 10:30 am PT**

**Milwaukee, WI**

1. Roll Call
2. Report of the Audit Committee and Consideration by the Commission to Adopt the Report of the Audit Committee
3. Report of the Finance Committee and Consideration by the Management Committee to Approve the Report of the Finance Committee
4. 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
5. Report and Recommendation of the Rulemaking Committee and Consideration by the Management Committee to Approve the Report and Recommendation of the Rulemaking Committee
6. Management Committee and Commission Consideration of Adoption of Meeting Minutes of the November 27, 2017 Joint Meeting of the Management Committee and Commission
7. Management Committee Consideration of Formation of Regulatory Counsel Committee
8. Management Committee Consideration of Application for Appointment to Consumer Advisory Committee
9. Operational Update
10. Any Other Matters
11. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance Product  
Regulation Commission  
Friday, March 23, 2018**

**Members of the Commission and Department Staff in Attendance:**

Amanda Baird as a designated representative for Director Jillian Froment, Chair, Ohio  
Superintendent Elizabeth Kelleher Dwyer, Vice Chair, Rhode Island  
Director Dean Cameron, Treasurer, Idaho  
Charles Angell as a designated representative for Commissioner Jim L. Ridling, Alabama  
Director Lori K. Wing-Heier, Alaska  
Gregory Campbell, Alaska  
Bill Lacy as a designated representative for Commissioner Allen W. Kerr, Arkansas  
Rolf Kaumann as a designated representative for Interim Commissioner Michael Conway, Colorado  
Paul Lombardo as a designated representative for Commissioner Katharine L. Wade, Connecticut  
Kathleen Nakasone as a designated representative for Commissioner Gordon I. Ito, Hawaii  
Donna Daniel, Idaho  
Paulette Dove as a designated representative for Director Jennifer Hammer, Illinois  
Karl Knable as a designated representative for Commissioner Stephen W. Robertson, Indiana  
Kate Kixmiller, Indiana  
Commissioner Doug Ommen, Iowa  
Andria Seip, Iowa  
Julie Holmes as a designated representative for Commissioner Ken Selzer, Kansas  
Commissioner James J. Donelon, Louisiana  
Superintendent Eric A. Cioppa, Maine  
Robert Morrow as a designated representative for Commissioner Al Redmer, Jr., Maryland  
Sheri Cullen as a designated representative for Commissioner Gary D. Anderson, Massachusetts  
Randall Gregg as a designated representative for Director Patrick M. McPharlin, Michigan  
Tammy Lohmann as a designated representative for Commissioner Jessica Looman, Minnesota  
Director Chlora Lindley-Myers, Missouri  
Mary Mealer, Missouri  
Tiffany Caverhill as a designated representative for Commissioner Matthew Rosendale, Montana  
Director Bruce R. Ramage, Nebraska  
Commissioner Barbara Richardson, Nevada  
Commissioner Roger A. Seigny, New Hampshire  
Michael Wilkey, New Hampshire  
Peter Hartt as a designated representative for Commissioner Marlene Caride, New Jersey  
Ted Hamby as a designated representative for Commissioner Mike Causey, North Carolina  
Lilane Fox, Ohio  
Theresa Schaefer, Ohio  
Commissioner Andrew Stolfi, Oregon  
Tracie Gray as a designated representative for Commissioner Jessica K. Altman, Pennsylvania  
Kendall Buchanan as a designated representative for Director Raymond G. Farmer, South Carolina  
Louise Brouse as a designated representative for Commissioner Julie Mix McPeak, Tennessee  
Doug Danzeiser as a designated representative for Commissioner Kent Sullivan, Texas  
Jan Graeber, Texas  
Commissioner Todd E. Kiser, Utah  
Tanji Northrup, Utah  
Christina Rouleau as a designated representative for Commissioner Michael S. Pieciak, Vermont

Don Beatty as a designated representative for Commissioner Scott A. White, Virginia  
Molly Nollette as a designated representative for Commissioner Mike Kreidler, Washington  
Alan Hudina, Washington  
Commissioner Allan L. McVey, West Virginia  
Joylynn Fix, West Virginia  
Rebecca Rebholz as a designated representative for Commissioner Ted Nickel, Wisconsin  
Sue Ezalarab, Wisconsin  
Commissioner Tom Glause, Wyoming  
Brittany Nuoci, Wyoming

**Members of the Industry Advisory Committee in Attendance:**

Amanda Matthiesen, America's Health Insurance Plans  
Emily Micale, American Council of Life Insurers  
Shawn Pollack, Mutual of Omaha  
Michael Hitchcock, Pacific Life  
Hugh Barrett, MassMutual  
Steve Klein, NAIFA

**Members of the Consumer Advisory Committee in Attendance:**

Brendan Bridgeland, Center for Insurance Research  
James McSpadden, AARP  
Andrew Sperling, National Alliance on Mental Illness

**Members of the Insurance Compact Legislative Committee in Attendance:**

Senator Jason Rapert, Arkansas  
Senator Travis Holdman, Indiana  
Representative Steve Riggs, Kentucky  
Senator Robert D. Hackett, Ohio

**Insurance Compact Staff in Attendance:**

Karen Schutter, Executive Director  
Becky McElduff, Assistant Director of Product Operations and Counsel  
Sara Dubsy, Senior Operations Manager  
Mindy Bradford, Product Reviewer  
Jeanne Daharsh, Actuary  
Karen Givens, Product Reviewer  
Aimee Lawson, Product Filing Support Coordinator  
Anne Marie Narcini, Regulatory Consultant

**Interested Parties in Attendance:**

Bonnie Burns, California Health Advocates

Teresa Shackelford, Global Bankers Insurance Group  
Tom Considine, National Conference of Insurance Legislators  
Jon Brunner, State Farm  
Yvonne Hunter, YH Strategies, LLC

Superintendent Dwyer 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, the Commission, the Legislative Committee, and the Industry and Consumer Advisory Committees.

Superintendent Dwyer reported that the Insurance Compact Office received the resignation of Sonja Larkin-Thorne from the Consumer Advisory Committee prior to the meeting. Superintendent Dwyer stated that Ms. Larkin-Thorne joined the Committee in 2010 and was a valuable contributor to the development of the organization and its Uniform Standards.

Superintendent Dwyer proceeded to the second agenda item and asked Director Range to provide the Report of the Audit Committee. Director Range reported that the 2017 Audit was completed in a timely manner and the Commission received an unqualified opinion from the auditors, RSM US LLP. Director Range stated that 'unqualified' is the best opinion possible. Director Range stated that the Independent Auditors Report can be found in the Commission's 2017 Annual Report. Director Range stated that the engagement partner from RSM met with the Audit Committee on March 14 via teleconference to present the results of the 2017 audit along with supplemental letters to the audit report as required under auditing standards issued by the AICPA. Director Range reported that there were no noted deficiencies in the Commission's internal control structure or concerns with management. Director Range stated that the Audit Committee continues to monitor the financial performance of the Commission and keeping abreast of short- and long-term financial projections. Director Range reported that the Insurance Compact was able to manage its operating budget in 2017 and for the fifth year in a row, had no need to utilize the NAIC's Line of Credit. Director Range reported that the Commission will ask the NAIC Executive Committee to make available a Line of Credit for 2018 in the amount of \$100,000, as a matter of prudent governance to manage any unforeseen variance. Director Range concluded his report and there were no additional questions.

Commissioner Donelon moved and Ms. Northrup seconded the motion to adopt the Report of the Audit Committee. There was no further discussion. Superintendent Dwyer called a voice vote of the Commission to adopt the report of the Audit Committee. The motion carried with none opposed.

Superintendent Dwyer proceeded to the next agenda item and asked Director Cameron to provide the Report of the Finance Committee. Director Cameron reported that the Commission earned \$2,003,557 in 2017, which was 91% of the budgeted revenue and approximately 100% of the revenue earned in 2016. Director Cameron summarized the 2017 end-of-year financials, and reported that the Commission achieved its registration revenue budget and fell short of its product filing fee revenue budget during the last quarter of 2017. Director Cameron stated that the number of 2017 registrations and product filings exceeded 2016 levels. Director Cameron stated that the Insurance Compact Office had budgeted for a significant increase in filing activity in 2017, anticipating likely regulatory changes due to the Department of Labor Rules and updates for the 2017 CSO Mortality Table. Director Cameron reported that the filing increase did not materialize, but several companies reported that they will make their CSO Mortality Table updates in the latter half of 2018 and in 2019. Director Cameron reported that changes to the filing deadline for annual Long-Term Care Insurance rate certifications resulting from Five-Year Review amendments to Uniform Standards that were newly in effect negatively impacted the 2017 filing fee revenue budget. Certifications that were due by December 31, 2017 are now due May 1, 2018. Director Cameron reported that the Insurance Compact Office also changed the filing process for

amended filings, which resulted in a reduction in the amount of amended filings received versus budgeted. Director Cameron stated that the Insurance Compact received \$15,410 more non-refundable overpayments in 2016 than in 2017. Director Cameron reported that the Insurance Compact collected and remitted \$2,639,687 in state filing fees to the Compacting States last year. This growth aligns with the growth in the number of transactions, which was the largest percentage growth in Compact History. Director Cameron reported that the Mix and Match percentage fell by 6 percentage points. Director Cameron stated that 2017 expenses were approximately 5% under budget and demonstrated a 1% growth, or \$12,820, over 2016 expenses. Director Cameron stated that 2018 expenses are under budget through the end of February, and that registration and product volumes are at budget through the end of February. Director Cameron concluded his report and there were no questions.

Mr. Hamby moved and Mr. Gregg seconded to adopt the Report of the Finance Committee. There was no further discussion. Superintendent Dwyer called a voice vote of the Management Committee to adopt the report of the Finance Committee. The motion carried with none opposed.

Superintendent Dwyer proceeded to the next agenda item and asked Ms. Mealer to provide the report of the Product Standards Committee (“PSC”). Ms. Mealer reported that the PSC was recommending amendments to the individual Disability Income Insurance Uniform Standards under Phase 8 of the Five-Year Review. Ms. Mealer stated that the Insurance Compact Office presented a report and recommendation to the PSC on June 20, 2017 with a detailed description of the submitted comments and changes suggested by regulators, interested parties, and the Insurance Compact Office. The PSC held four public conference calls to receive comments on the report and the PSC’s recommendations. Comments were received from the Industry and Consumer Advisory Committees, as well as from two industry representatives and seven member states. Ms. Mealer stated that the Committee’s recommendations with regard to all comments presented are summarized in the chart attached to the Transmittal Memorandum, even when the comments did not result in amendments. Ms. Mealer stated that the changes are presented in three sections – substantive changes, clarification items, and conforming amendments. Ms. Mealer stated that the conforming amendments result from certain provisions in the group Disability Income Insurance Uniform Standards that were adopted in 2016. Ms. Mealer stated that the amendments are proposed to apply only to new filings made after the effective date of the amendments, as was agreed to with prior phases of the Five-Year Review. Ms. Mealer stated that the members of the PSC believe the proposed amendments reflect strong consumer protections, allow insurers to file products currently available in the market with the Insurance Compact, and provide clarity to assure consistent application of the Uniform Standards. Ms. Mealer reported that the Five-Year Review procedures call for the Management Committee to commence the formal rulemaking process pursuant to the *Rule for Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission* to receive comments on the PSC recommendations. Ms. Mealer stated that accepting the PSC recommendation would provide at least 60 days for public comment before any final action may be taken to amend the Uniform Standards.

Ms. Mealer stated that with the PSC will begin focusing its efforts on receiving public comments and developing a proposed plan of action for additional standards for individual life and annuities. Ms. Mealer stated that the PSC also plans to propose a process for the use of Compact-approved group products for other eligible groups, and begin work on group annuity uniform standards. Ms. Mealer concluded the Report and Recommendation of the PSC and there were no questions.

Mr. Hamby moved and Mr. Gregg seconded to adopt the Report and Recommendation of the Product Standards Committee. There was no further discussion. Superintendent Dwyer called a voice vote of the Management Committee to adopt the Report and Recommendation of the Product Standards Committee. The motion carried with none opposed.

Superintendent Dwyer proceeded to the next agenda item and asked Mr. Beatty to provide the report of the Rulemaking Committee. Mr. Beatty reported that the Rulemaking Committee held a series of calls in advance of the meeting, including a public call on March 8<sup>th</sup> to receive comments on the proposed form for the submission of Five-Year Review comments, and on the proposed rulemaking citation system. Mr. Beatty stated that comments regarding the Five-Year Review comment form from a regulator as well as from members of the Industry Advisory Committee were incorporated into the form. Mr. Beatty stated that the form was initially recommended by the Insurance Compact Office and vetted by the PSC and the Rulemaking Committee. Mr. Beatty stated that the Rulemaking Committee recommends to the Management Committee that the comment form be exposed for a 60-day comment period before final action is taken.

Mr. Beatty summarized the proposed Rulemaking citation system, and stated that there is currently no system in place to help Insurance Compact constituents understand what items are going through the Rulemaking process. Mr. Beatty reported that the Rulemaking Committee members recommend that the Management Committee implement the proposed Rulemaking Citation system upon approval to fulfill this purpose. Mr. Beatty concluded the report and recommendation of the Rulemaking Committee and there were no further questions.

Superintendent Dwyer requested a motion from a member of the Management Committee to approve the Report and Recommendation of the Rulemaking Committee, including to publish the Five-Year Review Comment Form for comment and to immediately approve the Rulemaking Citation system. Mr. Hamby moved and Mr. Gregg seconded. There was no further discussion. Superintendent Dwyer called a voice vote and the motion carried.

Superintendent Dwyer proceeded to the next agenda item and requested a joint motion of the Management Committee and Commission to adopt the meeting minutes of the November 27<sup>th</sup> joint meeting of the Management Committee and Commission. Mr. Gregg moved and Mr. Hamby seconded. There was no further discussion. Superintendent Dwyer called a voice vote of the entire Commission and the motion carried.

Superintendent Dwyer proceeded to the next agenda item and stated that the Insurance Compact Officers, in consultation with the Insurance Compact Office, recommend a Regulatory Counsel Committee. Superintendent Dwyer asked Ms. Schutter to provide an explanation of the Regulatory Counsel Committee. Ms. Schutter stated that the Regulatory Counsel Committee would be a member-only group of general counsels and legal counsels charged with following developments and providing feedback as needed on legal issues and questions raised in active third-party legislation. Ms. Schutter summarized the active-third party case in a Colorado federal court questioning the constitutional validity of the Insurance Compact, and stated that the NAIC and the Commission filed separate *Amicus Curiae* briefs in October 2017. Ms. Schutter reported that the court has not yet issued an order on the matter. Ms. Schutter reported that the Regulatory Counsel Committee would have up to 12 member states and the following proposed changes: to monitor developments in third party litigation matters with respect to

legal issues about the Insurance Compact; provide feedback and guidance as needed to the Insurance Compact Office and outside counsel on legal issues and questions raised in third-party litigation matters, consistent with the *Guidelines for Input by the Office of the Interstate Insurance Product Regulation Commission in Third-Party Litigation*; develop and recommend written reference materials on the legal principles applicable to interstate compacts and the Insurance Compact, specifically. Ms. Schutter stated that the Regulatory Counsel Committee would be a standing committee until the charges have been completed or there is a period of six months or more without active third-party litigation related to the Insurance Compact. Ms. Schutter concluded her summary of the explanation of the proposed committee.

Mr. Bridgeland asked whether the Regulatory Counsel Committee would be making recommendations for action. Ms. Schutter stated that any committee can make recommendations for action to the Management Committee. Ms. Schutter stated that the advisory committees would receive briefs on any recommendations that come from the Regulatory Counsel Committee, as they do with PSC recommendations, although there may be items subject to attorney-client privilege. Superintendent Dwyer clarified that all members of the Committee that have volunteered to date are attorneys, and thus cognizant of how attorney-client privilege works between states.

Mr. Hartt asked how member states will determine who is appointed to the Committee. Ms. Schutter stated that appointments will be made to the Regulatory Counsel Committee on a volunteer basis, and that volunteer regulators do not need to be general counsels, although a legal background in litigation and compact law is helpful. Ms. Schutter reported that four states have volunteered to participate on the Committee to date. There were no further questions.

Superintendent Dwyer requested a motion from a member of the Management Committee to form a Regulatory Counsel Committee for the purpose of receiving feedback from regulatory counsel in the Compacting States with respect to active third-party litigation and legal reference materials. Director Cameron moved and Mr. Gregg seconded. The motion carried. Superintendent Dwyer stated that the states who have agreed to participate on the Regulatory Counsel Committee to date are: Ohio, Rhode Island, Idaho, and Illinois. Superintendent Dwyer asked that other states interested in participating on this Committee follow up with Ms. Schutter.

Superintendent Dwyer proceeded to the next agenda item, Management Consideration of Application for Appointment to Consumer Advisory Committee. Superintendent Dwyer reported that the Insurance Compact Office received an application from Yvonne Hunter to become a member of the Consumer Advisory Committee. Ms. Hunter formerly served as the Assistant Director of the Consumer Affairs Department at the Arizona Department of Insurance. Ms. Hunter has received the recommendation of two former Commissioners – Gerrie Marks of Arizona and Linda Watters of Michigan. Superintendent Dwyer stated that Ms. Hunter currently researches and writes about insurance issues affecting consumers. Superintendent Dwyer stated that Ms. Hunter serves as a neutral for the American Arbitration Association and would ensure her service on the Consumer Advisory Committee is clearly disclosed to avoid any potential conflicts. There were no questions for Superintendent Dwyer or Ms. Hunter.

Superintendent Dwyer requested a motion from a member of the Management Committee to appoint Yvonne Hunter to the Consumer Advisory Committee. Director Cameron moved and Mr. Gregg

seconded. There was no further discussion. Superintendent Dwyer called a voice vote of the Management Committee and the motion carried.

Superintendent Dwyer then asked Ms. Schutter to provide an Operational Update. Ms. Schutter reported that the Insurance Compact Office is monitoring pending Compact legislation in the District of Columbia (D.C.) and New York, and D.C. Commissioner Stephen Taylor testified in support of the legislation at the end of January. Ms. Schutter reported that the Compact received its second in-force rate increase request on an individual Long-Term Care insurance product that was approved in 2011 for 35 states. Ms. Schutter stated the requested increase exceeds 15% and the request is pending the Compact's advisory review. Ms. Schutter stated that member states have already been notified about this request and will receive the results of the advisory review once it has been completed. Ms. Schutter stated that 22 out of 36 states have issued disposition of the first in-force rate increase request, submitted in 2017, and the significant majority of these states approved the uniform rate increase amount in the advisory review. Ms. Schutter reported that other states granted lower amounts and allowed the company to request additional rate increases in subsequent years, and a few others applied caps. Ms. Schutter reported that the Insurance Compact's 2017 Annual Report is available online and copies will be mailed to the governor of each Compacting State, as required by the Compact Statute. Ms. Schutter stated that copies will be sent electronically to the leadership in the legislative chambers and ranking members of the committees of jurisdiction in each Compacting State. Ms. Schutter thanked all member Commissioners for their dedication and support, and reminded state insurance departments that are hosting E-Days for insurance industry members to consider inviting the Insurance Compact to provide an update. Ms. Schutter concluded her report and there were no questions.

Superintendent Dwyer recognized retiring New Hampshire Commissioner Roger Sevigny as a long-time leader and advocate for the Insurance Compact, and thanked him for his significant contributions. There were no other matters and Mr. Beatty moved to adjourn. Ms. Brouse seconded and the meeting was adjourned.