



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

**Friday, August 3, 2018
12:30 pm ET / 11:30 am CT / 10:30 am MT / 9:30 am PT
Boston, MA**

1. Roll Call
2. Management Committee Consideration of Approval of Proposed Amendments to the Uniform Standards Listed Under Phase 8 of the Five-Year Review Published on April 5, 2018:
 - i. [RAUS 2018-1: Standards for Individual Disability Income Insurance Policies](#)
 - ii. [RAUS 2018-2: Individual Disability Business Overhead Expense Insurance Policy Standards](#)
 - iii. [RAUS 2018-3: Individual Disability Income Insurance Application Standards](#)
 - iv. [RAUS 2018-4: Standards for Initial Rate Filings for Individual Disability Income Insurance Policies](#)
 - v. [RAUS 2018-5: Standards for Individual Disability Income Insurance Outline of Coverage](#)
 - vi. [RAUS 2018-6: Standards for Forms Used to Limit or Exclude Individual Disability Income Insurance Policy Coverage Based on the Underwriting Process](#)
 - vii. [RAUS 2018-7: Standards for Riders, Endorsements or Amendments Used to Effect Individual Disability Income Insurance Policy Changes](#)
 - viii. [RAUS 2018-8: Standards for Individual Disability Income Insurance Application Change Form](#)
 - ix. [RAUS 2018-9: Standards for Filing Revisions to Rate Filing Schedules in Individual Disability Income Insurance Policies](#)
3. Commission Consideration of Adoption of Amendments to the Uniform Standards Listed Under Phase 8 of the Five-Year Review as Approved by the Management Committee
4. Management Committee Consideration of Approval of Proposed *Comment Form for Future Five-Year Review*
5. Commission Consideration of Adoption of *Comment Form for Future Five-Year Review* as Approved by the Management Committee
6. Report of the Product Standards Committee and Consideration by the Management Committee to Approve the Report of the Product Standards Committee
7. Report of the Finance Committee and Consideration by the Management Committee to Approve the Report of the Finance Committee
8. Report of the Regulatory Counsel Committee and Consideration by the Management Committee to Approve the Report of the Regulatory Counsel Committee

9. Report of the Communications Committee and Consideration by the Management Committee to Approve the Report of the Finance Committee
10. Management Committee and Commission Consideration of Adoption of Meeting Minutes of the June 4, 2018 Joint Meeting of the Management Committee and Commission
11. Management Committee Consideration of Applications for Appointment to Two Open Seats on the Consumer Advisory Committee
12. Operational Update
13. Any Other Matters
14. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance Product
Regulation Commission
Friday, August 3, 2018**

Members of the Commission and Department Staff in Attendance:

Director Jillian Froment, Chair, Ohio

Sarah Neil as a designated representative for Superintendent Elizabeth Kelleher Dwyer, Vice Chair,
Rhode Island

Director Dean Cameron, Treasurer, Idaho

Steve Ostlund as a designated representative for Commissioner Jim L. Ridling, Alabama

Director Lori K. Wing-Heier, 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

Steve Manders as a designated representative for Commissioner Ralph T. Hudgens, Georgia

Kathleen Nakasone as a designated representative for Commissioner Gordon I. Ito, Hawaii

Director Jennifer Hammer, Illinois

Amy Beard as a designated representative for Commissioner Stephen W. Robertson, Indiana

Mihir Nag, Indiana

Commissioner Doug Ommen, Iowa

Julie Holmes as a designated representative for Commissioner Ken Selzer, Kansas

Tom Travis as a designated representative for Commissioner James J. Donelon, Louisiana

Tim Schott as a designated representative for 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

Bob Williams as a designated representative for Commissioner Mike Chaney, Mississippi

Director Chlora Lindley-Myers, Missouri

Mary Mealer, Missouri

Tiffany Caverhill as a designated representative for Commissioner Matthew Rosendale, Montana

Peg Jasa as a designated representative for Director Bruce R. Ramge, Nebraska

Rebecca Dennis, Nebraska

Commissioner Barbara Richardson, Nevada

Michael Wilkey as a designated representative for Commissioner John Elias, New Hampshire

Diana Lavoie, New Hampshire

Kristine Maurer as a designated representative for Commissioner Marlene Caride, New Jersey

Kacy Dunn as a designated representative for Superintendent John G. Franchini, New Mexico

Ted Hamby as a designated representative for Commissioner Mike Causey, North Carolina

Lilane Fox, Ohio

Cuc Nguyen as a designated representative for Commissioner John D. Doak, Oklahoma

Commissioner Andrew Stolfi, Oregon

T.K Keen, Oregon

Tashia Sizemore, Oregon

Commissioner Jessica K. Altman, Pennsylvania

Director Raymond G. Farmer, South Carolina

Lorrie 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
Phil Keller 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
Commissioner Allan L. McVey, West Virginia
Cari Lee 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
Jason Berkowitz, Insured Retirement Institute
Hugh Barrett, MassMutual

Members of the Consumer Advisory Committee in Attendance:

James McSpadden, AARP
Brendan Bridgeland, Center for Insurance Research
Yvonne Hunter, Consumer Liaison Representative
Fred Nepple, Consumer Liaison Representative
Andrew Sperling, National Alliance on Mental Illness

Members of the Insurance Compact Legislative Committee in Attendance:

Representative Steve Riggs, Kentucky
Senator Robert D. Hackett, Ohio
Tom Considine, NCOIL

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
Anne Marie Narcini, Regulatory Consultant
Maureen Perry, Product Review Consultant

Director Froment 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. Director Froment proposed that a roll call vote be taken on the Uniform Standards and a voice vote be taken on the remaining items. There were no objections.

Director Froment welcomed New Hampshire Insurance Commissioner John Elias to the Commission. Director Froment then reported that NCSL notified the Commission on July 19th of new appointments for its four seats on the Legislative Committee, effective on August 2nd. Director Froment welcomed the new legislators to the Committee and thanked the outgoing NCSL-appointed Committee members for their long-time contributions to the Compact. Director Froment extended special recognition to Maryland Senator Delores Kelley who served since 2006, on the interim Legislative Committee, and on the Legislative Committee continuously since then. State Senator Rapert expressed gratitude for having had the opportunity to serve on the Legislative Committee. There were no further comments from members of the Legislative Committee. Director Froment also welcomed Yvonne Hunter, as the newest member of the Consumer Advisory Committee.

Director Froment proceeded to the second agenda item, Management Committee Consideration of Approval of Proposed Amendments to the Uniform Standards Listed Under Phase 8 of the Five-Year Review Published on April 5, 2018. Director Froment stated that the Management Committee held a public hearing on the amendments that were recommended by the Product Standards Committee (PSC) on March 23rd, and held a 60-day public comment period. Director Froment stated that the Management Committee asked the PSC to review all comments received during the comment period and to provide feedback on whether the comments had been previously considered by the PSC and if any further amendments were recommended. Director Froment then asked Ms. Mealer to summarize the two additional amendments suggested by the PSC as a result of this review.

Ms. Mealer stated that all the Individual Disability Income Insurance Uniform Standards were included in Phase 8 of the Five-Year Review. Ms. Mealer reported that during the 60-day comment period and the Management Committee's Public Hearing, comments were received from the Texas Insurance Department and the Industry Advisory Committee. Ms. Mealer stated that the PSC reviewed and discussed these comments at the request of the Management Committee. Ms. Mealer reported that the PSC agreed with a suggestion for a technical revision to a provision regarding Permissible Limitations for Specified Conditions to clarify conditions that cannot be limited. Ms. Mealer stated that the PSC also agreed to a suggestion to require that filers use variability to identify when the product is issued in a state that places restrictions on mental health and substance abuse related disability exclusions or limitations.

Ms. Mealer stated that two issues were raised by industry during the review and during the public comment period that were not recommended by the PSC. The first issue, a change to the definition of Total Disability such that the insured must be unable to perform the duties of "any occupation" for which he or she is qualified by education and training in order to receive benefits, rather than the inability to perform "one's own" occupation for the first 12 months of coverage. The second issue, a change to the application standards to allow a look back period for certain medical conditions beyond the 10-year period in the current standards. Ms. Mealer reported that with respect to the definition of Total Disability, the PSC did not wish to remove an existing consumer protection in the standards, and members believed that coverage from one's own occupation when totally disabled is a reasonable consumer expectation. Ms. Mealer

reported that with respect to the look back period, the PSC did not receive sufficient data from Industry in support of the position that applicants who experienced these health conditions but did not need treatment for a period of more than 10 years prior to application are more of a risk than those without such conditions, as requested. Ms. Mealer stated that absent such data, and because some states have requirements for look back periods of less than 10 years, while most other states' laws are silent, the PSC did not wish to take away an existing consumer protection.

Ms. Mealer reported that the final issue raised by industry was a request to add a return of premium provision. Ms. Mealer stated that although the PSC was not opposed to considering this, several significant questions were raised by members and input from the Actuarial Working Group would be beneficial. The PSC suggested that separate additional standards for a return of premium benefit be considered in the future, rather than delay adoption of the proposed amendments for all of the Individual Disability Income Insurance Uniform Standards. Ms. Mealer concluded her summary.

Commissioner Stolfi asked for clarification on the lookback provision. Ms. Schutter clarified that there would be no change to the provision that is in the current Uniform Standards. Ms. Micale stated that the Uniform Standards should be based on the majority practices of states, not the minority. Ms. Micale expressed ACLI support for a separate Return of Premium benefit uniform standard, as the benefit is available in most Compacting States today. There were no further comments. Director Froment requested a motion from a member of the Management Committee to approve the amendments to the individual Disability Income Insurance Uniform Standards, including the amendment to the Variability Section and Appendix A of RAUS 2018-1. Mr. Gregg moved and Mr. Morrow seconded. Ms. Schutter took a roll call vote and the motion carried.

Director Froment proceeded to the next agenda item and requested a motion from a Commission member to adopt the amendments to Uniform Standards as approved by the Management Committee. Mr. Lombardo moved and Commissioner Richardson seconded. There was no further discussion. Ms. Schutter took a roll call vote. The motion carried, with Oregon abstaining. Director Froment stated that the amended Uniform Standards would be promulgated in approximately 10 days, after which they will become effective in 90 days, in mid-November.

Director Froment continued to the next agenda item and asked Ms. Schutter to provide background information on the proposed *Comment Form for Future Five Year Review*. Ms. Schutter stated that the form was originally proposed by the Insurance Compact Office, and was discussed on a public call of the Rulemaking Committee. A public hearing was held at the June 4th joint meeting of the Management Committee and Commission via teleconference, and no written or oral comments were received at the Management Committee level. Ms. Schutter concluded her summary and there were no questions. Director Froment requested a motion from a member of the Management Committee to approve the proposed *Comment Form for Future Five-Year Review*. Ms. Neil moved and Director Cameron seconded. The motion carried via voice vote.

Director Froment proceeded to the next agenda item and asked Ms. Mealer to deliver the report of the PSC. Ms. Mealer reported that the PSC recently reviewed comments on Phase 8 of the Five-Year Review and provided feedback to the Management Committee. Ms. Mealer stated that the PSC is now focusing its efforts on the Management Committee request to determine if there is a need for development of additional individual life and annuity uniform standards. Ms. Mealer reported that the PSC has been

accepting written and oral comments regarding products that are currently filed directly with the states because the Insurance Compact does not have standards, or new benefit features that should be considered, and after two public calls, the PSC worked with the Insurance Compact Office to prepare a gap analysis of the existing individual life and annuity Uniform Standards. Ms. Mealer reported that the analysis was exposed, and a public call was held in July to receive comments. Ms. Mealer stated that the PSC requests the Management Committee to provide feedback and direction regarding the proposed work plan. Ms. Mealer stated that the PSC will be working with interested parties to begin development of group annuity uniform standards in the coming months. Ms. Mealer concluded her report, and there were no further questions.

Director Froment suggested that the Management Committee review the PSC gap analysis and prioritized list of uniform standards and benefit features for further development, and provide further direction to the PSC at the next joint meeting of the Management Committee and Commission in September. Director Froment then suggested the Commission hear the reports of the other Committees before taking action to adopt the reports. There were no objections to the proposed approach.

Director Froment proceeded to the next agenda item and asked Director Cameron to provide the report of the Finance Committee. Director Cameron summarized the Commission's financials through June 30th, and reported that the Commission earned \$1,569,737, which was 4% greater than budgeted revenue. Director Cameron stated that product filing submissions were stronger than expected, offsetting the 3% under-budget in the registration category, and incurred expenses were at 99% of budgeted expenses at \$1,114,156. Director Cameron reported that the Commission collected and remitted more than \$1.5 million in state filing fees to its member states through June 30th.

Director Cameron reported that the Finance Committee recently held two member calls to review proposed changes to the 2019 Schedule of Fees. Director Cameron stated that the Finance Committee will expose a draft recommendation early next week and expects to have a public call in late August to review feedback on these changes. Director Cameron provided a brief summary of the fee proposals: an increased Annual Registration Fee (ARF) for companies with more than \$1 billion in premium volume, from \$5,000 to \$10,000; a decreased ARF for companies with \$10 million or less in premium volume, from \$2,500 to \$1,250; an increased Per Filing Fee for product filings requiring a rate review, from \$1,250 to \$2,000; a new fee for Electronic Funds Transfer (EFT) returns; a new voluntary service fee for calculating Compact and state filing fees for filing companies in advance of submission; and a pilot program to see if there is demand for a limited expedited review process associated with an added fee. Director Cameron reported that several Commissioners on the Finance Committee have indicated they are comfortable with the pilot Expedited Review Program, but maintain reservations that such a process may disadvantage smaller companies with fewer resources to pay a higher fee for a faster review. Director Cameron stated that the Finance Committee will finalize the proposal for the 2019 Schedule of Fees and Annual Budget to present to the Management Committee at the end of September, with the goal of final consideration by the Commission at the November in-person meeting. Director Cameron concluded his report.

Commissioner Richardson requested more information on the liability concerns regarding EFT returns, and stated her concern that the pilot program could be considered a pay-for-play process. Ms. Schutter stated that the EFT returns are problematic because when an EFT return occurs in SERFF, the payment from the filing company is rejected on the front end, but the payment amount is transferred from the Compact to the states, leaving the Compact with the rejected payment as a liability. Ms. Schutter stated

that this recently happened with a \$45,000 payment. Ms. Schutter reported that the EFT Return Fee is intended to incentivize companies to take measures to avoid EFT Returns. Ms. Schutter then addressed Commissioner Richardson's comment regarding the Expedited Review pilot program, and stated that most companies are happy with the current review time. However, many companies do pressure the Compact to provide review and approval in a shorter timeframe than is required by the *Operating Procedure for the Filing and Approval of Product Filings*, and the Compact generally tries to meet these demands. Ms. Schutter remarked that this is one of the few services that the Insurance Compact is able to monetize and stated that the pilot program will include a clear set of eligibility criteria and a limited queue. Ms. Schutter stated that Compact intends to conduct the pilot program to ensure that the Expedited Review Process does not jeopardize review time for all other filers.

Director Cameron expressed the commitment of Finance Committee to protect small companies with limited resources. Director Cameron and Ms. Schutter welcomed suggestions from all interested parties for ways to generate revenue in addition to fee increases. Mr. Gregg requested clarification on the proposed ARF decrease for certain companies. Ms. Schutter clarified that for smaller companies with \$10 million or less in premium volume, the ARF would decrease from \$2,500 to \$1,250. Director Wing-Heier asked whether the Expedited Review Process would require a change in staffing level for the Compact product reviewers. Ms. Schutter stated that the pilot program would hopefully clarify whether additional resources would be necessary if the process were implemented permanently. Commissioner Stolfi expressed concern that the Expedited Review Process could be a pay-for-play process. There were no further questions or comments, and Director Froment encouraged Commission members and interested parties to participate in the upcoming budget process.

Director Froment proceeded to the next agenda item and asked Ms. Schutter to provide the report of the Regulatory Counsel Committee. Ms. Schutter reported that Regulatory Counsel Committee has held three calls primarily focused on their first charge, becoming familiar with the issues and briefings in a pending third-party litigation matter in the federal district court of Colorado. Ms. Schutter summarized the case, and stated that the Regulatory Counsel Committee reviewed and provided comments to the Insurance Compact Office on a recent briefing in this matter, and is working with the legal team at the Insurance Compact to discuss next steps for when a final order is issued in the coming months. Ms. Schutter reported that the Regulatory Counsel will continue to plan for a variety of possible outcomes. Ms. Schutter concluded her report and there were no further questions.

Director Froment proceeded to the next agenda item and asked Ms. Lee to provide the report of the Communications Committee. Ms. Lee reported that the Communications Committee has not met recently. However, the Insurance Compact Office has been active in their outreach efforts. Ms. Lee stated that the Insurance Compact Office participated in numerous outreach events, provided filing updates to over a dozen states, and made more than 20 visits throughout Compacting States over the course of the year. Ms. Lee stated that the Insurance Compact Office will offer a webinar series for company filers in the fall, and is also available to provide one-on-one introductory conference calls with State Insurance Departments as requested. Ms. Lee reported that the Insurance Compact Office is now active on Twitter, and will be Tweeting updates on outreach, public announcements, and tips for efficient filing using the Twitter handle @InsCompact. Ms. Lee concluded her report and there were no further questions.

Director Froment requested a motion from a member of the Management Committee to adopt the Reports of the Finance, Product Standards, Regulatory Counsel, and Communications Committees, to include the

recommendation from the PSC to review the uniform standards priority list. Ms. Neil moved and Director Cameron seconded. There was no further discussion. Director Froment called a voice vote and the motion carried.

Director Froment proceeded to the next agenda item and requested a joint motion of the Management Committee and Commission to adopt the meeting minutes of the June 4th joint meeting of the Management Committee and Commission. Director Cameron moved and Mr. Gregg seconded. There was no further discussion. Director Froment called a voice vote of the entire Commission and the motion carried.

Director Froment proceeded to the next agenda item, Management Committee Consideration of Applications for Appointment to Two Open Seats on the Consumer Advisory Committee. Director Froment asked Ms. Schutter to provide an overview of the Consumer Advisory Committee appointment process and additional detail on the applicants. Ms. Schutter summarized the appointment process and stated that the Committee has eight seats which have never before been filled in entirety. Ms. Schutter then summarized the applicants, and stated that Peter Kochenburger has served as an NAIC Funded Consumer Representative since 2010, and Roger Sevigny served as the New Hampshire Insurance Commissioner from 2002 to 2018. Ms. Schutter stated that Mr. Sevigny was the PSC Chair from 2010 to 2014. Ms. Schutter stated that other former regulators and funded consumer representatives have served, or currently serve, on the Consumer Advisory Committee. Ms. Schutter concluded her overview.

Mr. Bridgeland expressed his support for both candidates. Director Froment stated that it would be great to fill all eight seats of the Committee with such outstanding candidates. There were no further questions or comments. Director Froment requested a motion from a member of the Management Committee to appoint Mr. Sevigny and Mr. Kochenburger to the two open seats on the Consumer Advisory Committee. Commissioner Ommen moved and Director Cameron seconded. There was no further discussion and the motion carried via voice vote.

Director Froment proceeded to the next agenda item and asked Ms. Schutter to provide an Operational Update. Ms. Schutter reported that the updated Compact Product Filing Statistics are available on the Insurance Compact website, and stated that the Compact is still experiencing a stronger filing volume than budgeted, as companies continue to update their product filings to implement the 2017 CSO Mortality Tables. Ms. Schutter stated that there are no updates on legislative activity at present. Ms. Schutter encouraged Commission members and interested parties to follow the Compact on Twitter. Ms. Schutter concluded her report and there were no questions.

There were no other matters and Ms. Neil moved to adjourn. Ms. Brouse seconded and the meeting was adjourned.