

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



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MEETING OF THE
MANAGEMENT COMMITTEE
OF THE
INTERSTATE INSURANCE PRODUCT
REGULATION COMMISSION (IIPRC)

Monday, February 26, 2007
1:30pm EST/12:30pm CST/11:30am MST/10:30am PST
Conference Call

1. Roll Call
2. [Consider Adoption of Proposed Revised 2007 IIPRC Budget](#)
3. [Receive Report and Adopt Recommendation of Product Standards Committee](#)
4. [Consider Adoption of Proposed Product Standards Issued for Comment on November 22, 2006 and December 22, 2006](#)
5. [Receive Report of Rulemaking Committee](#)
6. [Consider Adoption of Proposed Operating Procedures Issued for Comment on November 22, 2006 and December 22, 2006](#)
7. Any other business
8. Adjourn

**Minutes of the Management Committee Meeting of
The Interstate Insurance Product Regulation Commission (IIPRC)
Friday, February 26, 2007**

Commission Members Present:

Commissioner Jane Cline, Acting Chair, West Virginia
Commissioner Glenn Wilson, Treasurer, Minnesota
Margaret Whiten as a designated representative for Commissioner John Oxendine, Georgia
Shelly Santo, Hawaii
Commissioner Jim Atterholt, Indiana
Marlyn Burch as a designated representative for Director Sandy Praeger, Kansas
Director Julie McPeak, Kentucky
Commissioner Steven Orr, Maryland
Fran Wallace as a designated representative for Commissioner Linda Watters
John Rink as a designated representative for Director Tim Wagner, Nebraska
Commissioner Roger Sevigny, New Hampshire
Louis Belo as a designated representative for Commissioner Jim Long, North Carolina
Director Mary Jo Hudson, Ohio
Commissioner Kim Holland, Oklahoma
Phil Sheridan as a designated representative for Superintendent Joseph Torti, Rhode Island
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Betsy Jerome as a designated representative for Commissioner Kent Michie, Utah
Herb Olson as a designated representative for Commissioner Paulette Thabault, Vermont
Don Beatty as a designated representative for Commissioner Al Gross, Virginia
Commissioner Mike Kreidler, Washington

Regulator Staff in Attendance:

Ted Hamby, North Carolina
Brian Pennington, Minnesota
Brad Harker, Pennsylvania
Mike Ridgeway, Oklahoma
Herb Olson, Vermont
Phil Keller, Vermont
Ana Smith-Daley, Texas

Legislative Committee Members present:

State Representative Bob Damron, Representative of the Legislative Committee
Susan Nolan, NCOIL

Representatives of the Interim Industry Advisory Committee:

Michael Lovendusky, ACLI
Gary Sanders, NAIFA
Candy Olsen, New York Life
Dennis Hershel, Mass Mutual
Tim Ring, Met Life

Representative from the Consumer Advisory Committee in attendance:

Brendan Bridgeland, Representative of the Interim Consumer Advisory Committee

Other Interested Parties:

Josh May, Coventry
Lynn Espeland, Woodmen
Miriam Krol, ACLI
Doug Head, Life Insurance Settlement Association
Jack Kelly, Kelly & Associates
Charles Breiststadt, Nationwide
Jim Harrison, Principal
John McBain, Consultant

IIPRC Staff:

Frances Arricale, Executive Director
Sara Bamford, Administrative Coordinator

NAIC Support Staff:

Kay Noonan, General Counsel
Karen Schutter, Senior Manager, Business Initiatives
Becky McElduff, Staff Attorney
Ryan Workman, Staff Attorney

As Commissioner Jane Cline, from West Virginia, called the meeting of the Management Committee to order, she informed the members of the Committee that in the absence of a Chair, one of her responsibilities as Vice Chair is to be Acting Chair until the vacancy elections are held at the March New York meeting.

Commissioner Cline, in explaining the business before the Committee, stated that the Management Committee held a public hearing on the 23rd of February to receive comments on the proposed 2007 Budget as well as the Uniform Standard and Operating Procedures that were published for notice on November 22 and December 22, 2006. The purpose of the meeting today is to consider any proposed amendments and approve the items to be considered on the February 28, 2007 conference call of the full Commission.

Commissioner Cline moved to the approval of the proposed 2007 Operating Budget. Miriam Krol from the ACLI asked what “test filings” were under the Revenue line item. Fran Arricale, Executive Director of the IIPRC, explained that the footnotes found in the budget were based on good faith estimates of foreseeable revenue. “Test Filings” were meant to note that a few filings would be made by the companies as a test of the new system rather than all products being filed at once. Commissioner Cline asked if there were any other questions or changes regarding the budget. After hearing none, she called for a motion. Commissioner Glenn Wilson, from Minnesota, offered the motion to approve the Revised Proposed 2007 Operating Budget. Don Beatty, from Virginia, seconded the motion. A unanimous Roll Call vote was taken. The 2007 Operating Budget was approved.

Commissioner Cline moved to the next item of business, the Report of the Product Standards Committee. Commissioner Cline asked Commissioner Roger Sevigny, of New Hampshire, to provide the report. Commissioner Sevigny reported that the Product

Standards Committee was recommending that the Management Committee initiate the rulemaking process and issue the Single Premium and Joint Last-To-Die Survivorship Individual Term Life Policy Standards for the 60-day public comment period. Commissioner Sevigny stated that revisions made were fully vetted and were being introduced as Conforming Amendments to the Adjustable Life Policy Standards approved in December. Commissioner Cline then asked for a motion to approve the Report of the Product Standards Committee as there were no comments on the report. Louis Belo, from North Carolina, made the motion and Director Mary Jo Hudson, from Ohio, seconded the motion. Commissioner Cline asked all those in favor to say “aye” upon hearing no objections, she considered the report adopted.

Commissioner Cline then moved on to the approval of the proposed Product Standards issued for comment on November 22 and December 22, 2006. Commissioner Cline suggested that the technical amendments be discussed first and asked if there were any comments on these amendments. Upon hearing none, Commissioner Cline asked for a motion. Mr. Beatty offered the motion to approve these amendments. Bard Harker, from Pennsylvania, seconded the motion. A roll call vote was taken and the technical amendments were approved unanimously.

Commissioner Cline asked Commissioner Sevigny to explain the non-technical amendments. Commissioner Sevigny proceeded to explain the amendments and identified the five areas where substantive amendments were suggested. Revisions were proposed by the Industry Advisory Committee and the National Fraternal Conference of America to include the references to the fraternal benefits societies’ articles and bylaws as well as adding an appendix with further information about the operation fraternal. These changes were made accordingly. Commissioner Sevigny reported that the Industry Advisory Committee suggested the following: a re-insertion of the words “place of birth” in a list of potential identifiers the application may solicit; applications to ask whether an applicant has entered into agreement to join the military at a future date; to add the ability to ask a question about complications of pregnancy; and lastly, a proposal to question an applicant about not seeking medical attention for symptoms. These changes were not made for they were not received during the preparation process by the Product Standards Committee; they were considered to possibly conflict with statutes prohibited to questions related to national origin; due to the language of lead-in identifiers, they were not seen as a prohibited question under the standards as proposed; or they were already consistent with the standards or it was seen as self diagnosis creates a burden on the reviewer to determine the appropriateness of symptom questions. After Commissioner Sevigny concluded his report, Mr. Beatty raised a question about the place of birth with regard to the Patriot Act compliance. Ms. Krol replied that the Patriot Act does require it and the Industry Advisory Committee provided the supporting language with their remarks. Upon hearing no further questions or comments, Commissioner Cline asked for a motion to adopt the amendments.

Mr. Beatty, for clarification purposes, asked if the amendments were being recommended by the Committee. Mr. Beatty offered a motion to adopt the amendments if the Committee was actually recommending the standards; Sara Wait, from Texas seconded. Director Hudson raised a question about the proposed changes and if they were all in the proposed amendments?

In response to Director Hudson's question, Ms. Arricale asked Becky McElduff, of the NAIC, to explain the red-lined versions that are to be adopted by the Management Committee. Ms. McElduff started by stating that the Management Committee has already-adopted a good number of these changes as they occurred in other already adopted Uniform Standards. Before explaining each one individually, Ms. McElduff stated that each change will need to have separate motion and vote. The first were the Fraternal changes that were adopted to allow the Fraternals to make use of the Compact and these are consistent with the changes that were made to the Adjustable Life Standards. Upon hearing no comments or questions about these changes, Commissioner Cline asked if there was a motion to adopt the changes. Director Hudson made the motion and Fran Wallace from Michigan made the second. A unanimous Roll Call vote was taken.

The second amendment detailed was with regard to the place of birth question. Ms. McElduff explained that the Product Standards Committee did not approve to add this addition to the Life Standards. Ms. Wallace asked if this were mandatory, could this been seen as running afoul of anti-discriminatory groups? Commissioner Sevigny explained that didn't want to have the language mandated because the lead in uses "such as" and it is not considered prohibited with such a lead in. Ms. Krol stated that all jurisdictions use this identifier with the exception of Maryland. The Industry Advisory Committee wanted it to be a way to identify someone and to give a unique identifier to the insured. The information would be supplied as well as used. Herb Olson, from Vermont, asked Ms. Krol, if the Industry was asserting that the Patriot Act requires this question. Mr Olson wanted to know if it violated the Patriot Act by not asking or was it something the Industry Advisory Committee thought they should be doing. Ms. Krol stated that the Industry is required to red flag suspicious activity and it is an important identifier. Mr. Olson stated that Vermont sees that it is not required. Ms. Krol replied that per se no, it is not required to meet the requirements compliance. Brad Harker asked, if the clause is not in the standard, can the question still appear on the application. The Industry Advisory Committee believes that they would not be allowed to include the question. If filed with, then the filing would be disapproved. If the "such as" was deleted would it be allowed in the filing. Commissioner Cline asked if there was someone willing to make a motion to add this to the Application. There was no motion to amend the application.

Ms. McElduff moved to the next change, the ability to ask whether or not an applicant has entered into agreement to join the military (active or inactive) at a future date. Ms. McElduff stated that this comment was not made at the Product Standards Committee level. Commissioner Cline asked if there was a motion to have this recommendation adopted. Commissioner Kim Holland from Oklahoma made a motion to make the change, Mr. Harker seconded the motion. Ms. Wallace inquired as to whether or not, as originally written, the inquiry wasn't broad enough to encompass written commitments that in effect create the same situation as being a member of the military; and if that is the case what is the nature of these written commitments are they open ended or do they have a definite time periods. Ms. Krol responded that yes these are people that have committed to enter the military at a certain date and time. There were no other comments. The amendment was approved by a unanimous voice vote.

Ms. McElduff explained that the next recommendation was made by the Industry Advisory Committee and would allow the ability to ask if the proposed insured has been treated for complications of pregnancy as noted by a medical professional. Ms. McElduff highlighted that the Product Standards Committee has no recommendation as this was not received by the Committee. Mr. Harker asked why it was important to the industry. Director Hudson asked why it was open ended. Ms. Wallace stated that this is a condition other than a disorder or a disease, so why is additional language needed later in the application regarding gynecological conditions. Ms. Wallace wanted to know why they could not be encompassed into one. Ms. Krol responded that they are not one in the same, as gynecological disorders are not related to pregnancy. Phil Keller from Vermont wanted to know why it is necessary to find out if a viable birth resulted from an underwriting standpoint. Ms. Krol responded that it relates to complications of pregnancy. Mr. Keller asked if this was not addressed by finding out the nature of the complication. Mr. Harker pointed out that many complications are resolved once the pregnancy is over. Ms. Krol responded that the companies try to cover all grounds. Ms. Wallace asks if a medical record will be required. Ms. Krol replied in the affirmative. Director Julie McPeak, from Kentucky, is curious how this information will be used, if the insured is upgraded due to a complication and the issue is resolved is the upgrading reduced to show that the complication is no longer apparent and complications may not reoccur. Ms. Krol replied that decision is left to the underwriter and state that this is language being used in all jurisdictions. Commissioner Cline asked if there was a motion. Mr. Belo made a motion to adopt the language; Mr. Beatty seconded the motion. A roll call vote was taken and it was passed.

Ms. McElduff explained the final recommendation made by the Industry Advisory Committee was a proposal to add a medical question about symptoms for which the applicant did not seek medical attention. This proposal was made to the Product Standards Committee and the Committee declined to include this recommendation for two (2) reasons. The first was because a degree of self diagnosis was involved; and second, concern that it would be difficult for the IIPRC form reviewer to know what to types of symptoms to ask and what not to ask about. Mr. Beatty asked how this would be determined after the fact as to whether or not a person answered this question incorrectly. Ms. Krol responded, if a worse condition does occur and it appears in the medical records and the industry would find out that way. Mr. Keller stated that Vermont disagreed with the industry on self diagnosis. Ms. Wallace stated that there could be a situation where a person does go and see a doctor and the fact that it could potentially create a problem with insuring. Brendan Bridgeland, with the Center for Consumer Research, suggested that a list of specific symptoms be provided as opposed to having a blank statement. Commissioner Cline asked if there was a motion to approve this amendment. There was not a motion.

Commissioner Cline stated that a motion was needed to move the application standards as amended. Mr. Belo from North Carolina made the motion; Commissioner Wilson seconded. The application was approved as amended.

Ms. Arricale pointed out that the report was not approved to be published. Commissioner Cline asked if there is a motion to publish the report of the Product Standards Committee.

Commissioner Jim Atterholt from Indiana moved that the report of the Product Standards Committee be published; Mr. Harker seconded the motion. It was approved by a unanimous roll call vote.

Commissioner Cline proceeded to move to the next agenda item, the report of the Rulemaking Committee. Commissioner Cline called upon Commissioner Thabault to make the report of the Rulemaking Committee. Commissioner Thabault reported that the committee will have a public call on March 1, 2007 to receive comments on the drafts of the operating procedures for Advisory Opinions and for Requests for Financial Assistance from the Consumer Advisory Committee. After receiving comments on March 1 on these proposed Operating Procedures, the committee plans to recommend the two procedures to the Management Committee in a finalized form for notice and comment.

Upon Commissioner Thabault asking if there were any questions, Ms. Waitt asked if the public access rule was before the committee at this time. Commissioner Thabault noted that the rule was already adopted and listed as such on the website. Ms. Waitt has a concern about the rule that can be taken up at another time.

Commissioner Cline noted that the committee report had to be adopted. Ms. Wallace made a motion to adopt the report of the Rulemaking Committee. The report was adopted by unanimous voice vote.

Commissioner Cline moved to the next Agenda Item, the consideration of adoption of the proposed Operating Procedures that were initiated for comment on November 22, 2006 and December 22, 2006. Commissioner Cline noted that that Management Committee was not taking action on the Product Filing rule at this time as the Committee will have time for further comments and discussion during the March 9th meetings in New York City. Commissioner Cline asked Ms. Arricale to make further comments regarding this rule. Ms. Arricale stated that the rule has been forwarded by the Rulemaking Committee, is now before the Management Committee, and further discussion will take place at the Management Committee level.

Ms. Wallace made a motion to approve the Operating Procedures with the exception of the Product Filing rule; Mr. Belo seconded the motion. A unanimous roll call vote was taken.

Commissioner Cline ended the meeting as there were no other matters to be brought forward. The motion to adjourn was made by Mr. Belo and Mr. Beatty seconded the motion. A unanimous voice vote ended the meeting.