

**Minutes of the Meeting of
The Interstate Insurance Product Regulation Commission**

**Tuesday, June 13, 2006
National Press Club
Washington, D.C.**

Commission members in attendance

Director Linda Hall (AK)
Erin Toll (CO) as designated representative for Commissioner David Rivera
Margaret Witten (GA) as designated representative for Commissioner John Oxendine
Director Jeffrey P. Schmidt (HI)
Commissioner Jim Atterholt (IN)
Commissioner Susan Voss (IA)
Commissioner Sandy Praeger (KS)
Director Glenn Jennings (KY)
Superintendent Alessandro Iuppa (ME)
Commissioner R. Steven Orr (MD)
Commissioner Glenn Wilson (MN)
Director Tim Wagner (NE)
Commissioner Roger Sevigny (NE)
Louis Belo (NC) as designated representative for Commissioner Jim Long
Director Ann Womer Benjamin (OH)
Commissioner Kim Holland (OK)
Commissioner Diane Koken (PA)
Commissioner Dorelisse Juarbe Jimenez (PR)
Superintendent Joseph Torti III (RI)
Sara Waitt as designated representative for Commissioner Mike Geeslin (TX)
Commissioner Kent Michie (UT)
Commissioner John Crowley (VT)
Commissioner Alfred W. Gross (VA)
Commissioner Mike Kreidler (WA)
Commissioner Jane Cline (WV)

Superintendent Iuppa called the inaugural meeting of the Interstate Insurance Product Regulation Commission (herein referred to as “Compact Commission” or “Commission”) to order. Commissioner Michie agreed to be the recording secretary for the meeting.

Superintendent Iuppa stated the Compact Commission meeting represents a formative moment in the life of the Interstate Compact and a pivotal one for the future of insurance regulation. He said the significance of 27 states adopting the Interstate Compact in as many months signifies the commitment of governors, state legislators, and insurance commissioners to strengthen our state-based-system of insurance supervision that has proven successful for over 135 years. Superintendent Iuppa recognized the President of the National Conference of State Legislatures (“NCSL”), Illinois State Senator Steven J. Rauschenberger, President-Elect of NCSL, Texas State Senator Leticia Van de Putte, and the President of the National Conference of Insurance Legislators, North Dakota State Representative Frank Wald and expressed the heartfelt appreciation from the insurance regulatory community for the ongoing support of state legislatures.

Superintendent Iuppa indicated as a parliamentary matter, it is proper to formally elect a chair for the meeting and asked for nominations. Commissioner Michie nominated Commissioner Koken to serve as chair of the meeting and Commissioner Praeger seconded the nomination. Commissioner Koken accepted the nomination, no other nominations were received and Commissioner Koken was elected chair of the Compact Commission meeting.

Commissioner Koken stated the success of the legislative adoption of the Compact is a result of working with and educating legislators, governors, attorneys general, industry and consumers about the importance and benefits of this initiative. Commissioner Koken said the Compact Commission is in a phase where a significant amount of work needs to be done within a short period of time. The Compact Commission will successfully accomplish this work with continued cooperative effort among the compacting states.

Commissioner Koken noted that Colorado and Utah are sitting out of alphabetical order to signify that the Compact Commission technically came into existence in March 2004 when the first two states enacted the Compact legislation. Under the terms of the legislation, the Compact became operational for purposes of adopting uniform product standards and accepting filings only after the 26th state legislature passed the Compact, which was Ohio. The 26th governor to sign the compact was Alaska's Frank H. Murkowski. The newest member, Minnesota, helped the Compact exceed the 40% percent premium volume goal for the covered products. While the compacting states have been meeting during the past eighteen months at the quarterly national meetings of the National Association of Insurance Commissioners ("NAIC"), there has always been consensus among these states to postpone formation activities until the Compact became operational.

Commissioner Koken stated the next agenda item is the establishment of the interim Management Committee. The Compact legislation prescribes the composition of the Management Committee, and the Bylaws provide specifics for the set-up of the Management Committee and election of officers. Commissioner Koken recommended formation of an interim Management Committee to engage in the start-up activities including overseeing the process for adoption of Bylaws. Commissioner Orr made a motion to establish the interim Management Committee to manage the start-up activities of the Commission until such time as the Bylaws are adopted by the Commission and the interim Management Committee would be dissolved. Commissioner Cline seconded the motion and the motion passed.

Commissioner Koken said under the Compact, the six largest premium volume states would automatically serve on the Management Committee. The six largest states in the Compact at the time of this meeting were Texas, Pennsylvania, Ohio, North Carolina, Georgia and Virginia. Only two states fall into the category of having more than 2% of the premium volume that are not already on the interim Management Committee, that is, Minnesota and Indiana. In each of the four geographic zones, the compacting states with less than 2% of the premium volume select their zone representative. Commissioner Koken asked each zone to identify their member selection to the interim Management Committee. Commissioner Kreidler said Washington would represent the Western zone; Commissioner Holland said Oklahoma would represent the Midwestern Zone; Commissioner Cline said West Virginia would represent the Southeastern Zone; and Commissioner Crowley said Vermont would represent the Northeastern Zone.

Commissioner Koken stated the next item of business is to elect a chair of the interim Management Committee who would facilitate and coordinate the work of the interim Management Committee and preside over the meetings. Commissioner Praeger nominated Commissioner Koken to serve as chair of the interim Management Committee and Commissioner

Sevigny seconded the nomination. Commissioner Koken accepted the nomination and asked Superintendent Iuppa to chair the nomination and election process. Upon motion of Commissioner Womer Benjamin, seconded by Commissioner Voss, the Commission voted to close the nominations. Commissioner Koken was elected chair of the interim Management Committee.

Commissioner Koken stated the NAIC's Interstate Compact Implementation Task Force adopted the Recommended Proposed Plan of Action for delivery to the Compact Commission. Commissioner Koken acknowledged the dedicated efforts of the members of two working groups, the Legal/Operational Considerations Working Group under the leadership of Commissioner Michie and the Technology Considerations Working Group under the leadership of Director Womer Benjamin. She noted that their work and the recommended proposed plan of action gives the Commission a boost in moving forward. The Proposed Plan of Action addressed formation of the Interim Management Committee and process for adoption of bylaws and rulemaking. She noted the Proposed Plan of Action provided detail regarding the budget considerations, including factors and decisions that will affect revenue and assumptions regarding needed expenditures. In March 2006, the NAIC agreed to provide an initial contribution in the amount of \$500,000 and at its Summer National Meeting, the NAIC reaffirmed its commitment to the successful rollout of the Commission including assistance with necessary resources.

She further noted the Proposed Plan of Action touched upon the need for an outside services arrangement for technical and administrative services. The Proposed Plan of Action included proposed Bylaws developed by the NAIC's task force, an index of the proposed uniform product standards developed by the NAIC's Interstate Compact National Standards Working Group, a proposed starting budget for 2006 and 2007, a proposed job description for an Executive Director, and a proposed list of committees and their related charges. Upon motion made by Commissioner Sevigny and seconded by Commissioner Kreidler, the Commission received the Proposed Plan of Action.

Commissioner Koken stated one of the most important items is the consideration of the Commission's technology platform. She said the Proposed Plan of Action includes a recommendation the Commission utilize the NAIC's System for Electronic Rate & Form Filing ("SERFF"). The recommendation, which was made after a review of three rate and form filing systems, was based on the following reasons:

- State regulators and industry participants expressed a very strong desire to use a single system for filing and review;
- All states currently use SERFF;
- 1800+ companies are licensed and filing with SERFF;
- SERFF contains the functionality most nearly mirroring Commission needs;
- SERFF rates for change were significantly lower than other providers;
- At least one other system would require an expensive technology infrastructure.

Commissioner Sevigny made a motion, seconded by Commissioner Voss, to adopt SERFF as the Commission's electronic rate and form filing system. The Commission adopted the motion.

Commissioner Koken stated the Proposed Plan of Action included proposed bylaws drafted by the NAIC's Interstate Compact Implementation Task Force. The Legal/Operational Considerations Working Group reviewed these bylaws and recommended the Commission use the bylaws as a starting point for further review, notice and public comment with the goal of having them adopted by September 2006. Superintendent Torti made a motion, which was

seconded by Commissioner Juarbe Jimenez and adopted by the Commission, to initiate the process for the adoption of bylaws with the goal of having them in place by September 2006.

Commissioner Koken said one of the recommendations in the Proposed Plan of Action is for the Commission to establish interim subcommittees to prepare recommendations on organizational issues. Commissioner Koken said the Compact provides for the establishment of the Legislative Committee, the Consumer Advisory Committee, and the Industry Advisory Committee, and the recommendation is to establish these committees on an interim basis as well. Upon motion by Commissioner Michie, seconded by Commissioner Holland, the Commission adopted the recommendation to establish an interim Legislative Committee, an interim Consumer Advisory Committee and an interim Industry Advisory Committee. The Commission adopted a motion made by Ms. Toll and seconded by Commissioner Praeger to establish interim committees of the Commission including an interim audit subcommittee, interim bylaws subcommittee, interim Executive Director hiring subcommittee, interim product standards subcommittee, interim rulemaking subcommittee, interim technology implementation subcommittee, interim website/communications subcommittee, and an interim budget/staffing/services agreement subcommittee. Upon motion of Commissioner Sevigny with a second by Commissioner Voss, the Commission adopted the proposed charges for these interim committees and subcommittees. Commissioner Koken observed a lot of work needs to be done during this start-up period to make the compact a functional organization and these working groups are intended to break down the responsibilities into reasonably manageable assignments. Commissioner Koken stated these subcommittees are interim until the establishment of a permanent structure after the adoption of the bylaws.

Commissioner Koken said the Commission would need to retain certain administrative services externally rather than hiring staff in these areas, such as human resources. In the Proposed Plan of Acton, it was recommended that based on the Commission's limited resources, it may be more efficient to procure certain administrative and technical services from the NAIC, as it has a proven track record for providing these services to regulatory organizations such as the National Insurance Producer Registry. Commissioner Michie asked whether the Commission should consider hiring independent legal counsel. Ms. Waitt said that while it is a good idea, the Commission has resources are too limited at this point to hire a general counsel especially given the small number of staff. Commissioner Koken said the executive director should be the one that assesses the staffing needs and requirements and selects counsel for the Commission. Director Hall agreed that in the structure of a new organization, these decisions should be reserved for the executive director.

Director Wagner stated that the services agreement with the NAIC needs to be an arms-length transaction and volunteered his department's legal counsel to assist the Commission in drafting the services agreement with the NAIC. Upon motion of Commissioner Michie and seconded by Commissioner Wilson, the Commission adopted a charge to utilize the services of the Nebraska Department of Insurance legal counsel in developing a services agreement with the NAIC for certain administrative services and technical support.

Commissioner Michie stated that the Commission must decide upon the location of the Commission headquarters soon, as the location has budget implications as well as possible affects on where the executive director will be located. Commissioner Michie said he has concerns regarding the costs of operation if the Commission is located in Washington, D.C. Commissioner Womer Benjamin said the location of the Commission is an extremely important decision that needs to be considered rather early in the process. Commissioner Koken stated the two obvious locations where the Commission could obtain low-cost space, through utilization of the services

of the NAIC under a services agreement, would be Kansas City or Washington, D.C. Superintendent Iuppa suggested the Commission would need to explore the legal implications associated with the location of its offices. Commissioner Koken noted that with communication technology, the executive director does not have to be primarily located in the same city as the Commission offices. Commissioner Orr said the Commission should look at locating in a market where it would have the best chance of recruiting for this leadership position and where it would give the Compact national exposure.

Commissioner Holland said that locating the Commission offices in Kansas City would be more beneficial from a cost standpoint, but having offices in Washington, D.C. may be more beneficial from a strategic standpoint. Commissioner Kreidler said if the Commission is located in Washington, D.C., it will have more visibility and easier access to the people who are dependent upon it. Commissioner Kreidler said the Commission does not have to utilize the NAIC's office space and can have an office outside the District of Columbia. He also said Chicago is another possibility because it is centrally located. Superintendent Iuppa said that from a practical perspective, it makes sense, at least on an interim basis, to utilize the space available at the NAIC offices in Washington, DC and as the Commission operations develop, the Commission can consider its long-term options. Mr. Belo asked whether Washington D.C.'s lack of membership in the Commission at this time would be a legal impediment. Commissioner Koken said there is no requirement in the Compact as to the location of the Commission and that there is a great deal of flexibility to being located in Washington, D.C., Virginia or Maryland.

Commissioner Cline made a motion that the Commission use the office space available at the NAIC offices in Washington, D.C. for the short term. Commissioner Womer Benjamin requested a substitute motion to defer this matter to the Management Committee for decision within two weeks. Commissioner Womer Benjamin said this matter was not on the agenda and it is a very significant decision that requires further consideration. The substitute motion failed by a margin of 10 to 14. The motion to locate the Commission offices on an interim basis in the NAIC office in Washington, D.C. until the Commission decides otherwise was adopted.

The Commission discussed the process for interviewing and selection of an Executive Director. Commissioner Michie noted the Compact legislation gives the Management Committee the authority to retain an Executive Director. The Commission agreed the hiring for this initial candidate should be subject to the approval of the entire Commission. Commissioner Koken asked whether the Commission wanted the executive director hiring subcommittee to recommend a final candidate or more than one. Commissioner Kreidler suggested the subcommittee narrow the pool to three candidates for consideration of the Management Committee. Commissioner Michie suggested the subcommittee rank the three candidates for consideration by the Management Committee. Superintendent Iuppa offered for the subcommittee to provide a recommendation of three candidates with an explanation of why it believes they are the most appropriate candidates. Upon motion of Commissioner Kreidler, with a second by Commissioner Praeger, the Commission adopted a motion to initiate the process for recruiting an Executive Director with an initial recommendation of the top three candidates from the executive director hiring subcommittee by the end of August 2006.

Commissioner Koken said the Proposed Plan of Action included a proposed budget for the Commission for 2006 and 2007. Commissioner Koken indicated this recommendation is closer to a guideline for proposed expenditures for the coming 12 to 18 months than an actual budget. Commissioner Koken said the NAIC's Interstate Compact Implementation Task Force recognized the inherent difficulty in projecting expenses for an organization

only starting to make decisions affecting revenues and expenses. Commissioner Koken said the Commission appreciated the \$500,000 contribution from the NAIC as well as its continued commitment to the success of the Compact. Commissioner Michie made a motion to adopt the recommended 2006 Commission budget included in the Proposed Plan of Action and to separate it from the 2007 proposed Commission budget which should be subject to further consideration and revision of the budget/staffing and services agreement subcommittee. Minnesota seconded the motion and the Commission adopted the motion.

Commissioner Koken stated that at its recent meeting, the Interstate Compact Implementation Task Force voted to disband as it fulfilled its charge to prepare recommendations for the Commission to assist in preparing a foundation for its start-up activities. Commissioner Koken said it is the responsibility of the Commission to fulfill the goal of adopting product standards and receiving product filings in early 2007. Commissioner Koken reported the Interstate Compact Implementation Task Force adopted a recommendation to the Commission that the work of the NAIC's Interstate Compact National Standards Working Group continue to develop the model product standards on a national basis recognizing that its been a very inclusive group and includes expertise and input from all of the states as well as interested parties. Commissioner Sevigny said it would benefit the Commission to utilize the expertise in this group to help develop standards. The Commission agreed to ask the NAIC's Interstate Compact National Standards (EX) Working Group to continue to develop recommended draft product standards for further consideration by the Commission with a recommendation that the chairs of this working group be members of the Compact.

Commissioner Michie made a motion to authorize the interim Management Committee chair to prepare and send a letter on behalf of the commission to the Governors of the compacting states informing them that the Commission is starting to do business and another letter to the Governors of the non-compacting states extending an invitation to join the Compact at this important stage. The motion was seconded by Director Schmidt and was adopted by the Commission.

Having no further business, the founding meeting of the Interstate Insurance Product Regulation Compact Commission adjourned.