

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

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

Monday, April 28, 2008

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

AGENDA

1. Roll Call
2. [Public Hearing on Uniform Standards issued on February 15 and February 27
\(Individual Immediate Variable Annuity Contract Standards, Index-Linked Crediting
Feature for Deferred Non-Variable Annuities and Individual Immediate Non-Variable
Annuity Contract Standards\)](#)
3. [Consideration of Approval of Uniform Standards from Public Hearing](#)
4. [Report and Recommendation of Product Standards Committee and Consider Adoption
of Report and Recommendation of the Product Standards Committee](#)
5. [Report and Recommendation of the Finance Committee and Consider Adoption of
Report and Recommendation of the Finance Committee](#)
6. [Operational Update](#)
7. Any Other Matters
8. Adjourn

**Minutes of the Meeting of the Management Committee of
The Interstate Insurance Product Regulation Commission (IIPRC)
April 28, 2008**

Members of the Management Committee in Attendance:

Barbara Hudson as a designated representative for Commissioner Jane Cline, Chair, West Virginia
Director Mary Jo Hudson, Vice Chair, Ohio
Manny Munson-Regala as a designated representative for Commissioner Glenn Wilson, Treasurer,
Minnesota
Director William Deal, Idaho
John Kissling as a designated representative for Commissioner Jim Atterholt, Indiana
Joe Murphy as a designated representative for Commissioner Nonnie Burnes, Massachusetts
Fran Wallace as a designated representative for Acting Commissioner Kenneth Ross, Michigan
Commissioner Jim Long, North Carolina
Brad Harker as a designated representative for Acting Commissioner Joel Ario, Pennsylvania
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Commissioner Paulette Thabault, Vermont
Don Beatty as a designated representative for Commissioner Al Gross, Virginia

Commission Members in attendance:

Shelley Santo, Hawaii
Commissioner Roger Sevigny, New Hampshire
Director Ann Frohman, Nebraska

Legislative Committee Members in Attendance:

Susan Nolan, NCOIL
Mike Humphreys, NCOIL

Industry Advisory Committee Members in Attendance

Michael Lovendusky, ACLI
Miriam Krol, ACLI
Cande Olsen, Actuarial Resources for ACLI
Nancy Johnson, UNUM
Michael Gerber, NAFIA
Dennis Herchel, Mass Mutual
Tom English, New York Life

Consumer Advisory Committee Members in Attendance:

Ryan Wilson, AARP
Jim Wenzel, State Attorney General Office, Texas
Rod Bordelon, Texas Office of the Public Insurance Counsel
Brendan Bridgeland, Center for Insurance Research

Regulator Staff in Attendance:

Susan Ezalarab, Wisconsin
Betsy Jerome, Utah
Malinda Shepherd, Kentucky
Al Perkins, Kentucky
Louis Belo, North Carolina
Tomasz Serbinowski, Utah
Beth Berendt, Washington
Brian Hoffmeister, Tennessee
Ted Hamby, North Carolina

Tom Record, Maine
Brian Pennington, Minnesota
Chris Doane, Pennsylvania
Tom Whalen, Kansas
Brian Hoffmeister, Tennessee
John Rink, Nebraska
Nick Hoelscher, Texas
Katie Campbell, Alaska

Interested Regulator Staff in Attendance:

Jerry Smith, Florida
Mary Kosinski, Arizona
Dennis Lauzon, New York

Interested Parties in Attendance:

Krista Wall, Allianz Life
Eugene Choate, Bankers Fidelity
John McBain, Actuarial Resources
Joe Muratore, New York Life
Carol Mayer, New York Life
Amanda Mathisen, AHIP

IIPRC Staff in Attendance:

Frances Arricale, Executive Director
Sara Bamford, Operations Manager
David Morris, Product Review Consultant
Charles Rapacciuolo, Development Consultant
Alice Fontaine, Fontaine Consulting, Actuarial Contract

NAIC Staff in Attendance:

Kay Noonan, General Counsel
Becky McElduff, Staff Attorney
Kara Binderup, Staff Attorney

Director Hudson called the meeting of the Management Committee to order.

Director Hudson explained that the first part of the Management Committee meeting will be a public hearing to receive comments on the proposed Uniform Standards issued on February 15 and 27, 2008. Specifically these standards are the Individual Immediate Variable Annuity Contract Standards, Index-Linked Crediting Feature for Deferred Non-Variable Annuities, and Individual Immediate Non-Variable Annuity Contract Standards. Director Hudson noted that she was the one that requested the hearing to keep with the ongoing efforts to afford the widest degree of public participation on these proposed standards. Director Hudson noted that after the hearing, the Management Committee will vote to approve the standard to forward them to the full Commission during the San Francisco meeting. Director Hudson asked if there were comments from any Members of the Commission. Hearing none, Director Hudson asked if there were any comments from the Members of the Legislative Committee. Hearing none, Director Hudson asked if there were any comments from the members of the Consumer Advisory Committee. Hearing none, Director Hudson asked if there were any comments from the Industry Advisory Committee.

Miriam Krol, from the ACLI, spoke on behalf of the Industry Advisory Committee and asked if the comments needed to be explained further. Cande Olson from Actuarial Resources working with the ACLI suggested that she would be able to provide a brief explanation of the suggested changes by the Industry Advisory Committee. Ms. Olson highlighted that the changes that were being recommended to the Index-

Linked Crediting Feature for Deferred Non-Variable Annuities and Individual Immediate Variable Annuity Contract Standards were changes to clean up the standards for clarification and accuracy purposes and were not considered to be substantive changes. Ms. Olson highlighted that for the Index-Linked Crediting Feature for Deferred Non-Variable Annuities changes were suggested for the: Scope, Additional Submission Requirements, Variability of Information, Specifications Page, Contract Guarantees and Discontinuation of or Substantial Change to an Index sections. Ms. Olson noted that for the Individual Immediate Variable Annuity Contract Standards changes were suggested for the Specifications Page, Contract Values and the Right to Examine Contract sections to make the standards consistent with the other annuity standards. Ms. Olson highlighted that the changes that were suggested for the Individual Immediate Non-Variable Annuity Contract Standards were related to the Annuity Purchase Rates for any Premiums Paid After Issue section and were more substantive changes. Ms. Olson explained that the standard should be modified to provide a contract owner with more flexibility.

Hearing no other comments, Director Hudson concluded the Public Hearing section of the Management Committee. Director Hudson proceeded to the next item on the Agenda, the consideration of approval of uniform standards from the Public Hearing. Director Hudson asked if there was a motion to approve the standards to include the changes that were proposed by the Industry Advisory Committee. Commissioner Paulette Thabault, from Vermont, made the motion and Director William Deal, from Idaho, made the second. The standards were approved by unanimous roll call vote. Director Hudson noted that the approved Uniform Standards would be forwarded to the Commission for adoption during the next meeting on May 30 in San Francisco.

Director Hudson proceeded to the next item on the Agenda, the report and recommendation of the Product Standards Committee and consider adoption of report and recommendation of the Product Standards Committee. Director Hudson called upon Commissioner Roger Sevigny to provide the report.

Commissioner Sevigny began his report of the Product Standards Committee and reported that the Committee has two amendments to recommend to the Management Committee for public comment. Commissioner Sevigny provided a brief explanation of the two proposed amendments. The first is to relocate the actuarial requirements into a separate section within the individual life insurance policy standards. The second is to add two (2) new benefit features to Appendix A of the Product Filing Rule which will expand the products that can be mixed and matched with state-approved filings under this temporary framework. Commissioner Sevigny advised the Management Committee that there are five (5) additional Uniform Standards that are ready to be recommended to the Management Committee and will be done so in San Francisco. Commissioner Sevigny concluded the first part of his report and recommendation of the Product Standards Committee.

Ms. Krol noted that there was a typo in Appendix A under the Group Standards section. Director Hudson asked if there were any comments. Hearing none, Director Hudson asked if there was a motion to adopt the amendment recommendation. Director Deal made the motion and Brad Harker, from Pennsylvania, made the second. The motion was adopted by unanimous Roll Call vote.

Director Hudson moved to the next item under the Product Standards Committee's report, the deferred annuity standards. Director Hudson reminded everyone that the Management Committee directed additional comment and consideration the non-forfeiture requirements in the deferred variable and non-variable annuity standards in direct response to specific comments from Alaska and other Member states. Director Hudson turned to Commissioner Sevigny for additional information on the deferred annuity standards. Commissioner Sevigny noted that the Product Standards committee believes the revisions implement a higher level of consumer protection with respect to the non-forfeiture requirements and potential surrender charges and should address the concerns raised by Alaska such that an opt-out will be avoided. Commissioner Sevigny highlighted that there were three (3) public meetings to discuss the revisions. Commissioner Sevigny assured all interested parties on the call that all substantive concerns have been repeatedly reviewed by the Product Standards Committee and the standards establish a very high level of

consumer protection that is supported by many of the Compact States, any potential new Compact State and the Consumer Advisory Committee. Commissioner Sevigny concluded his report.

Director Hudson called for a motion to approve the deferred annuity standards incorporating the revisions recommended by the Product Standards Committee in February. Commissioner Jim Long, from North Carolina, made the motion and Director Deal seconded the motion. Director Hudson asked if any members of the Commission had any comments. Don Beatty, from Virginia, asked if any Members of the Legislative Committee have expressed any concern. Susan Nolan, NCOIL's Executive Director, replied that there are no comments from the Legislators. Director Hudson asked if any of the Consumer Advisory Committee members have any comments. Hearing none, Director Hudson called on the members of the Industry Advisory Committee for any comments.

Ms. Krol spoke on behalf of the Industry Advisory Committee and suggested that Ms. Olson provide a summary of their comments. Ms. Olson noted that most of the Industry Advisory Committee's comments were accepted into the draft proposed for approval. Ms. Olson noted that there was one change that was excluded from the draft but was voted on previously and that was the inclusion of the phrase "and any final changes and expenses" under the definition of "Cash Value" under the Scope section of the Individual Deferred Non-Variable Annuity Contract Standards. Ms. Olson wanted to make sure that the Product Standards Committee had intended to leave the definition as was drafted. Director Hudson asked if there were any comments from the Product Standards Committee. Commissioner Sevigny asked Texas to provide the answer as Vice Chair. Ana Smith-Daley, from Texas, replied that it was correct and the Product Standards Committee had intended to delete the phrase. Ms. Olson moved to the next comment and noted that the Industry Advisory Committee had suggested that some clarifying wording on Premium Bases Surrender Charges in the two different areas of the Deferred Annuity Standards. The IAC suggested that the wording include reference items number 2 and 7 of the Appendix A Guidelines. Director Hudson asked if the Product Standards Committee had any comments with regard to the last comment. Ms. Smith-Daley replied that there was no problem with including the word "of the guidelines to" into 7(f) of the Additional Submission Requirements section.

Ms. Krol noted that the Product Standards Committee may want to go back and review all of the annuity contracts as there is the same issue with certification of compliance with the non-forfeiture law as identified in the Life Insurance Standards. Ms. Krol noted that the Product Standards Committee would want to know of these issues for future discussion. Ms. Krol also noted that the Industry Advisory Committee did submit comments with regard to the timetable of the non-forfeiture discussions. Ms. Krol noted that the Industry Advisory Committee would like to recommend that an Actuarial sub-group be created under the Product Standards Committee to review some of these issues prior to them becoming issues.

Director Hudson thanked Ms. Olson for her comments. Director Hudson asked with regard to the motion on the floor is there a willingness to amend the standards as noted by the Industry Advisory Committee. Commissioner Long agreed that the motion would now be to approve the standards as they have been revised by the Industry Advisory Committee. Director Hudson asked Ms. Arricale to conduct the roll call vote. The annuity standards were approved by unanimous roll call vote.

Director Hudson moved to the next item on the Agenda, the report and recommendation of the Finance Committee. Director Hudson called on Director Anne Frohman, from Nebraska, to provide the report.

Director Frohman reported that the Finance Committee was asked to review a 3-Year Financial Projection developed by the Commission Office in reply to a request from the NAIC Internal Administration (EX1) Subcommittee as it relates to the Line of Credit with the NAIC. The NAIC would like to review for planning purposes what the Commission's expected need is with regard to additional borrowing through 2010. Director Frohman noted that the IIPRC Office and the NAIC Finance Team worked on this together and that this is not a budget as it was created for planning purposes only. Director Frohman reported that these projections were made in good faith as the Commission has a very limited operational history and that the variables are subject to change over time. Director Frohman noted that a key aspect to the projection is the

anticipated product filings the Commission will receive over the 2008 – 2010 time frame. The forecasts were made in comparison to the overall filings made in SERFF for life and health products. Director Frohman stated that it is reasonable to expect the type of filing revenue forecasted; however it is subject to the new standard that are promulgated and the readiness of the industry to make Compact filings. Director Frohman noted that the Projection anticipates an additional line of credit request to the NAIC in 2009 with the Commission filing revenue covering expenses by 2010. Director Frohman highlighted that the Commission will be required to start repaying the line of credit to the NAIC in July of this year, with quarterly principal and interest payments due throughout this Projection time frame. Director Frohman noted that the Finance Committee recognizes the number of variables with which a start-up must work; the Committee agreed that this Projection was created in good faith based on the information that was made available at the end of the last quarter. Director Frohman concluded her report and noted that the Finance Committee would recommend that the Management Committee direct Frances Arricale, IIPRC Executive Director, to formally submit this Projection to the NAIC (EX1) as per their request on behalf of the Commission.

Director Hudson asked if there were any comments on the 3-Year Projection. Hearing none, Director Hudson asked if there was a motion to forward this to EX1. Mr. Beatty made the motion and Fran Wallace, from Michigan, seconded the motion. Director Hudson asked Ms. Arricale to take a Roll Call vote. The motion was approved by unanimous vote.

Director Hudson moved to the next item on the Agenda, an Operational Update. Ms. Arricale noted that the San Francisco meeting has been moved up an hour to allow for Members to attend other meetings. Director Hudson asked Ms. Arricale to provide a brief update on the Congressional Hearing. Ms. Arricale noted that the Commission appeared before the House Financial Services Insurance, Capital Markets and Government Sponsored Enterprises Subcommittee during a Hearing on Insurance Regulation. Ms. Arricale reported that Superintendent Dinallo testified on behalf of the NAIC at this Hearing and that he indicated that New York was looking at the possibility of joining the Compact. Ms. Nolan with NCOIL noted that they have been working with New York on this effort and are looking forward to New York joining the Compact shortly.

Director Hudson noted that Commissioner Cline and Ms. Arricale are at E-Reg. Director Hudson asked Ms. Arricale to provide a brief update on this presentation. Ms. Arricale noted that the IIPRC Team of Charlie Rapacciuolo, Sara Bamford and David Morris along with a representative from New York Life will be providing a brief update on the Commission.

Hearing no other comments, Director Hudson asked if there was a motion to adjourn. Mr. Beatty made the motion and Barbara Hudson, from West Virginia, seconded the motion. The Management Committee meeting was adjourned by unanimous vote.