



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

Monday, January 25, 2010
1:30pm ET / 12:30pm CT / 11:30am MT / 10:30am PT

1. Roll Call
2. **Management Committee Consideration of Uniform Standards Issued on October 29, 2009 including Update from the Actuarial Working Group**
 - Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities;
 - Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities;
 - Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Annuities
3. **Report of the Product Standards Committee and Consider Adoption of Product Standards Committee Report**
4. **Report of Rulemaking Committee and Consider Adoption of Rulemaking Committee Report**
5. **Report of Finance Committee and Consider Adoption of Finance Committee Report**
6. **Report of Communications Committee and Consider Adoption of Communications Committee Report**
7. **Update from the Associate Membership Exploratory Committee**
8. **Consideration of Approval of Prior Management Committee Meeting Minutes**
9. **Operational Update**
10. Any Other Matters
11. Adjourn

**Minutes of the Meeting of the Management Committee of
The Interstate Insurance Product Regulation Commission (IIPRC)
Monday, January 25, 2010**

Members of the Management Committee in attendance:

Director Mary Jo Hudson, Chair, Ohio
Commissioner Sean Dilweg, Vice Chair, Wisconsin
Commissioner Paulette Thabault, Treasurer, Vermont
Karen Hornig as a designated representative for Acting Commissioner Elizabeth Sammis, Maryland
Acting Commissioner Joe Murphy, Massachusetts
Joan Moiles as a designated representative for Commissioner Kenneth Ross, Michigan
Emmanuel Munson-Regala as a designated representative for Commissioner Glenn Wilson, Minnesota
Aaron Sisk as a designated representative for Commissioner Mike Chaney, Mississippi
Matt Barton as a designated representative for Director John M. Huff, Missouri
Commissioner Wayne Goodwin, North Carolina
Commissioner Kim Holland, Oklahoma
Brad Harker as a designated representative for Commissioner Joel Ario, Pennsylvania
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Beth Berendt as a designated representative for Commissioner Mike Kreidler, Washington

Regulator Staff in attendance:

Katie Campbell, Alaska
Martha Im, Hawaii
John Kissling, Indiana
Melinda Shepherd, Kentucky
Ron Henderson, Louisiana
Tom Travis, Louisiana
Brenda Wilson, Maryland
Edward Charbonnier, Massachusetts
Brian Pennington, Minnesota
Mary Kempker, Missouri
Bruce Ramge, Nebraska
Tom Bowling, New Mexico
Theresa Shackelford, North Carolina
Peter Weber, Ohio
Kathie Stepp, Oklahoma
Elizabeth Dwyer, Rhode Island
Shawn Hawk, Tennessee
Neil Gooch, Utah
Betsy Jerome, Utah
Tomasz Serbinowski, Utah
Herb Olson, Vermont
Don Beatty, Virginia
Susan Ezalarab, Wisconsin

Members of the Legislative Committee in attendance:

Susan Nolan, National Conference of Insurance Legislators (NCOIL)
Mike Humphries, NCOIL

Members of the Industry Advisory Committee in attendance:

Maureen Adolf, Prudential
Bill Anderson, National Association of Insurance and Financial Advisors (NAIFA)

Joe Muratore, New York Life Insurance Company

Interested Regulators in attendance:

Mary Kosinski, Arizona
James Hulme, New York

Interested Parties in attendance:

Miriam Krol, ACLI
Cande Olson, ACLI
Bill Waldie, AEGON USA
John MacBain, Actuarial Resources Group
James DeVivo, Cigna
Scott Schneider, Cigna
Helene Landow, John Hancock Life Insurance Company
John Kelley, John Kelley and Associates
Barbara Lautzenheiser, Lautzenheiser and Associates
Brian Staples, Life Insurance Settlement Association
Linda Elston, Riversouce Life Insurance Company
Jim Connolly, The Insurance Bellweather

IIPRC Staff in attendance:

Karen Schutter, Executive Director
Karyn Onyeneho, Administrative Assistant
Charles Rapacciuolo, Development Consultant
David Morris, Product Review Consultant
Alice Fontaine, Actuarial Consultant

NAIC Staff in attendance:

Becky McElduff, Senior Counsel
Kay Noonan, General Counsel
Kara Binderup, Staff Attorney III
Amanda Yanek, Government Relations Policy & Legislative Analyst

Director Hudson called to order the meeting of the Management Committee of the Interstate Insurance Product Regulation Commission (IIPRC). Director Hudson asked for a roll call of the Management Committee members.

Director Hudson proceeded to the first item on the agenda, a consideration of the Uniform Standards issued on October 29, 2009, which were the Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities; Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities; and the Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Annuities. Director Hudson indicated that an update from the Actuarial Working Group would also be considered regarding comments received on these uniform standards for the purpose of providing constructive feedback pertinent to cost and pricing issues surrounding the termination provisions which currently exist within the standards. Director Hudson noted that comments related thereto were received during a prior Management Committee meeting held on January 11, in which comments were heard on the issue of retaining or removing the proposed termination provision in these uniform standards.

Mr. Weber, Chair of the Actuarial Working Group, provided a summary on the actuarial issues which were raised in the comments submitted regarding the guaranteed living benefit and minimum death benefit standards—specifically with reference to the extent that the termination provisions would impact cost effectiveness and cause risks to consumers. Mr. Weber noted that the Actuarial Working Group held two (2)

conference calls to discuss comments regarding the actuarial issues associated with the proposed termination provisions. Mr. Weber stated that the Actuarial Working Group concurred with the conclusion of the American Academy of Actuaries that the removal of the termination provision would result in additional risks to companies which would increase the initial costs of the annuity policy. Mr. Weber further stated that this effect would move a wide distribution of relatively smaller individual risks to a more concentrated distribution of larger risks. Mr. Weber indicated that the level of increase could not be confirmed or estimated as it would require additional analysis and information on the part of the Actuarial Working Group. Mr. Weber noted that companies can theoretically price policies with and without termination provisions and stated that permitting or not permitting termination upon ownership change is ultimately a public policy issue.

Director Hudson proposed that the Product Standards Committee review the termination provisions and provide their feedback during the next Management Committee meeting to determine whether it would make recommendations for additional changes based on the comments and discussion before the Management Committee.

Director Hudson proposed that all of the Committee Reports be adopted with one (1) motion after all reports were provided. There were no objections to this proposal.

Director Hudson turned to the next item on the agenda, a report of the Product Standards Committee. Ms. Waitt provided the report. Ms. Waitt reported that there were no Uniform Standards ready for Management Committee action and that the Product Standards Committee would meet weekly to work on standards for individual longevity and annuity contracts. Ms. Waitt stated that the Committee would also work on amendments to existing standards for clarification purposes.

Director Hudson asked if there were any questions regarding the report of the Product Standards Committee. Hearing none, Director Hudson moved to the next item on the agenda, a report of the Rulemaking Committee.

Commissioner Thabault provided the report of the Rulemaking Committee. Commissioner Thabault noted that the Rulemaking Committee had not met since late last year and stated that during their last meeting, held December 2, 2009, the Rulemaking Committee recommended to the Management Committee the Rule for the Self-Certification of Product Components Filed with the Interstate Insurance Product Regulation Commission ("Self-Certification Rule"). Commissioner Thabault stated that the Management Committee published the Self-Certification Rule on the IIPRC web site for a 60-day public notice and comment and noted that comments were due by February 10. Commissioner Thabault reported that the Rulemaking Committee would review the feasibility of a rule that would govern the IIPRC's ability to review "innovative products", which are products that do not fit into the scope of one (1) or more of the adopted Uniform Standards, and that this effort would be commence in the coming months.

Director Hudson asked if there were any questions regarding the report of the Rulemaking Committee. Hearing none, Director Hudson addressed the next item on the agenda, a report of the Finance Committee.

Mr. Ränge provided the report of the Finance Committee. Mr. Ränge reported that the Finance Committee held a member-only conference call on January 20 for the purpose of reviewing the IIPRC's financial performance through November 2009 as well as to receive an update on the filing and registration activity of the IIPRC for 2010. Mr. Ränge reported that as of November 2009, the IIPRC increased its registration volume by more than 100% and its filing volume by more than 150% compared to November 2008. Mr. Ränge stated that as of November 2009, the IIPRC more than doubled its self-generating revenue in comparison to November 2008 and reported that IIPRC revenue and expenses were considerably under what was budgeted in 2009. Mr. Ränge further reported that 60 companies have registered with the IIPRC for 2010 thus far and noted that the majority of the registered companies took advantage of the IIPRC Annual

Registration Fee pricing incentive—adopted by the Management Committee last year. The pricing incentive allows companies who submit their Annual Registration Fee on or before January 31, 2010 to receive a discount of \$500 off the Annual Registration Fee. Mr. Ramage reported that the Finance Committee would review the Interstate Insurance Product Regulation Commission Terms and Procedures for IIPRC Filing Fees (“Product Filing Rule”) with reference to registration and filing fees for regional insurers, which are companies that file in five (5) or less states throughout the year, as the Committee observed that no companies have elected to take advantage of the discounted regional insurer filing fees. Mr. Ramage stated that the Committee would convene at least one (1) public conference call related to the Product Filing Rule before making a recommendation to the Management and Rulemaking Committees.

Director Hudson asked if there were any questions regarding the report of the Finance Committee. Hearing none, Director Hudson proceeded to the next item on the agenda, a report of the Communications Committee. Commissioner Holland provided the report. Commissioner Holland reported that the Communications Committee would convene a member-only conference call in the coming week for the purpose of discussing and updating outreach strategies for 2010—primarily focusing on target outreach and encouraging Member states to reach out to domestic insurance companies in understanding the benefits of using the IIPRC. Commissioner Holland stated that the Committee plans on collaborating with the IIPRC Focus Group this year in continuing to gauge input from companies who are filing, as well as those not filing, with the IIPRC for the purpose of getting their feedback on the benefits of using the IIPRC as well as other areas. Commissioner Holland stated that companies who have already registered to utilize the IIPRC this year demonstrate a positive outlook for the IIPRC.

Director Hudson asked if there were any questions regarding the report of the Communications Committee. Hearing none, Director Hudson turned to the next item on the agenda, an update from the Associate Membership Exploratory Committee.

Commissioner Dilweg provided the update of the Associate Membership Exploratory Committee. Commissioner Dilweg noted that the Management Committee established the Associate Membership Exploratory Committee in December 2009 for the purpose of evaluating a form of membership for non-compacting states who are supportive of fully joining the Compact. Commissioner Dilweg reported that Alabama is in the process of enacting a “file and use” regulation for IIPRC-approved insurance products under their broad regulatory process. Commissioner Dilweg stated that the Committee would hold a public conference call on January 29 to discuss and receive comments regarding the benefits and concerns related to creation of an associate membership category.

Director Hudson asked if there were any questions regarding the Associate Membership Exploratory Committee update. Hearing none, Director Hudson addressed the next item on the agenda, the adoption of the December 4, 2009 Joint Management Committee and Commission Meeting Minutes and the January 11, 2010 Management Committee Meeting Minutes.

Director Hudson asked whether there was a motion from members of the Management Committee to adopt the meeting minutes as well as to adopt the reports of the Product Standards, Rulemaking, Finance, Communications and Associate Membership Exploratory Committee reports. Commissioner Goodwin made a motion and Commissioner Dilweg seconded the motion. Director Hudson asked if there were further discussion. Hearing none, a roll call vote was taken and the motion passed unanimously.

Director Hudson moved to the next item on the agenda, an operational update of the IIPRC. Ms. Schutter provided the update. Ms. Schutter reported that the IIPRC received 61 registration filings this year so far and noted that there were 11 new registered companies among these registrations. Ms. Schutter noted that the discounted 2010 Annual Registration Fee was still available until January 31 and encouraged companies to take advantage of the pricing incentive. Ms. Schutter stated that the IIPRC received 17 product filings this year so far, which is consistent with the product filing volume received within previous months. Ms.

Schutter noted that the Docket on the IIPRC web site has available all 10 individual long-term care Uniform Standards, which include redlined versions to indicate changes that were incorporated during the standards development process. Ms. Schutter stated that the Self Certification Rule was also available on the Docket and noted that comments related to the rule were due on February 10. Ms. Schutter indicated that the Management Committee would convene a joint conference call with the Commission on February 22. Ms. Schutter noted that the IIPRC Spring Meeting would take place at a different time and noted that such information is available on the IIPRC web site. Ms. Schutter proposed the institution of a part-time Product Review Consultant for the IIPRC Office in support of the product review and approval process due to the increased volume of product filings received through the past several months. Ms. Schutter advised that the part-time consultant would be valuable in working with the product review team in maintaining the product review process and approval time. Ms. Schutter stated that IIPRC filing activity has grown immensely and noted that the IIPRC Office anticipates this growing trend to continue throughout the year.

Director Hudson asked if there were any questions regarding the IIPRC update. Hearing none, Director Hudson asked for a motion from members of the Management Committee to approve the new IIPRC part-time consultant position. Commissioner Thabault made a motion and Commissioner Holland seconded the motion. Director Hudson asked if there were further discussion. Hearing none, a roll call vote was taken and the motion passed unanimously.

Director Hudson stated that the Industry Advisory Committee currently had an open seat and noted that nominations to fill the position would remain effective for a two (2) week period.

Director Hudson asked if there were any other matters to be discussed. Hearing none, Director Hudson asked for a motion to adjourn the meeting of the Management Committee. Commissioner Dilweg made a motion and Commissioner Thabault seconded the motion. The meeting was adjourned by a unanimous voice vote.