



States, Strength & Speed Aligned

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

Monday, February 22, 2010

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

1. Roll Call
2. **Report and Recommendation of the Product Standards Committee and Consideration by the Management Committee to Adopt the Report and Recommendation of the Product Standards Committee**
3. **Management Committee Consideration of Approval of Uniform Standards Issued on October 29, 2009**
 - **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**
4. **Commission Consideration of Adoption of Uniform Standards Issued on October 29, 2009**
 - **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**
5. **Public Hearing on proposed Rule for the Self-Certification of Product Components filed with the Interstate Insurance Product Regulation Commission**
6. **Management Consideration of Approval of the Rule for the Self-Certification of Product Components filed with the Interstate Insurance Product Regulation Commission**
7. **Commission Consideration of Adoption of the Rule for the Self-Certification of Product Components filed with the Interstate Insurance Product Regulation Commission**

8. **Update from the Associate Membership Exploratory Committee**
9. **Commission Consideration of Adoption of Minutes of the December 4th Joint Meeting of the Management Committee and Commission**
10. **Operational Update**
11. Any Other Matters
12. Adjourn

**Minutes of the Joint Meeting of the Interstate Insurance
Product Regulation Commission and its Management Committee
Monday, February 22, 2010**

Members of the Commission in attendance:

Director Mary Jo Hudson, Chair, Ohio
Commissioner Sean Dilweg, Vice Chair, Wisconsin
Commissioner Paulette Thabault, Treasurer, Vermont
Katie Campbell as a designated representative for Director Linda Hall, Alaska
Cindy Ward as a designated representative for Commissioner Marcy Morrison, Colorado
Margaret Witten as a designated representative for Commissioner John W. Oxendine, Georgia
Director William W. Deal, Idaho
John Kissling as a designated representative for Commissioner Carol Cutter, Indiana
Commissioner Susan Voss, Iowa
Diane Haverkamp as a designated representative for Commissioner Sandy Praeger, Kansas
Ron Henderson as a designated representative for Commissioner James Donelon, Louisiana
Brenda Wilson as a designated representative for Acting Commissioner Elizabeth Sammis, Maryland
Thomas Record as a designated representative for Superintendent Mila Kofman, Maine
Joan Moiles as a designated representative for Commissioner Kenneth Ross, Michigan
Commissioner Glenn Wilson, Minnesota
Matt Barton as a designated representative for Director John M. Huff, Missouri
Aaron Sisk as a designated representative for Commissioner Mike Chaney, Mississippi
Bruce Ramage as a designated representative for Director Ann M. Frohman, Nebraska
Commissioner Wayne Goodwin, North Carolina
Kathie Stepp as a designated representative for Commissioner Kim Holland, Oklahoma
Brad Harker as a designated representative for Commissioner Joel Ario, Pennsylvania
Sol Gisela-Merrero as a designated representative for Commissioner Ramón Cruz-Colón, Puerto Rico
Superintendent Joseph Torti, Rhode Island
Commissioner Leslie A. Newman, Tennessee
Sara Waitt as a designated representative for Commissioner Mike Geeslin, Texas
Acting Commissioner Neal T. Gooch, Utah
Don Beatty as a designated representative for Commissioner Al Gross, Virginia
Beth Berendt as a designated representative for Commissioner Mike Kreidler, Washington
Commissioner Jane Cline, West Virginia
Commissioner Ken Vines, Wyoming

State Regulator Staff in attendance:

Melinda Shepherd, Kentucky
Brian Pennington, Minnesota
Mary Kempker, Missouri
Molly White, Missouri
Ernest Nickerson, North Carolina
Susan Dobbins, Oklahoma
Mike Ridgeway, Oklahoma
Hildy Sellas, Puerto Rico
Ana Smith-Daley, Texas
Betsy Jerome, Utah
Herb Olson, Vermont

Members of the Legislative Committee in attendance:

Representative Robert Damron, Chair, Kentucky
Susan Nolan, Executive Director, National Conference of Insurance Legislators (NCOIL)

Mike Humphries, NCOIL

Members of the Industry Advisory Committee in attendance:

Steve Buhr, AEGON/Transamerica
Amanda Matthiesen, America's Health Insurance Plans (AHIP)
Michael Lovendusky, American Council of Life Insurers (ACLI)
Bill Anderson, National Association of Insurance and Financial Advisors (NAIFA)
Mary Keim, State Farm Life Insurance Company
Carol Mayer, New York Life Insurance Company
Joseph Muratore, New York Life Insurance Company

Members of the Consumer Advisory Committee in attendance:

Brendan Bridgeland, Center for Insurance Research

Interested Parties in attendance: Cande Olson, Actuarial Resources Group on behalf of ACLI

Rod Perkins, Genworth Financial
Yen Lucas, Genworth Financial
Karen Alvarado, Insured Retirement Institute
Darla Mercado, Investment News
Marie Roche, John Hancock Life Insurance Company
Janice Dimon, Met Life Insurance Company
Carolyn Roth, Met Life Insurance Company
Brian Staples, Right LLC on behalf of Life Insurance Settlement Association (LISA)
Linda Elston, Riversource Life Insurance Company
Ute Luedtke-Ahrens, Universal Underwriters Life Insurance Company
Nancy Johnson, Unum Provident

Interested Regulators in attendance:

Mary Kosinski, Arizona Department of Insurance
James Hulme, New York State Insurance Department
Dave Bolton, Oregon Insurance Division
Cheryl Martinis, Oregon Insurance Division

IIPRC Team in attendance:

Karen Schutter, Executive Director
Sara Dubsy, Operations Manager
Karyn Onyeneho, Administrative Assistant
Charles Rappaciuolo, Marketing & 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
Carol Hartley, Senior Controller
Amanda Yanek, Government Relations Legislative Analyst

Director Hudson called to order the joint meeting of the Interstate Insurance Product Regulation Commission ("IIPRC") and its Management Committee. Director Hudson explained that two (2) key issues were to be discussed during this joint meeting: (1) the adoption of three (3) Uniform Standards issued on October 29, 2009, namely 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 Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Annuities; and (2) the adoption of the proposed Rule for the Self-Certification of Product Components filed with the Interstate Insurance Product Regulation Commission (“Self-Certification Rule”).

Director Hudson provided a brief update on the rulemaking history of the proposed uniform standards. Director Hudson noted that the uniform standards had been exposed for public comment on October 29, 2009 after a very lengthy and detailed review by the Product Standards Committee as well as the National Standards (EX) Working Group. Director Hudson highlighted that during the December 4, 2009 Joint Meeting of the Management Committee and Commission, the Management Committee conducted a Public Hearing on these uniform standards. Director Hudson noted that written comments were received by the Management Committee and they were posted to the Docket on the IIPRC web site. Director Hudson explained that the majority of the comments received were regarding the termination provision in the Guaranteed Living Benefit Standards as they allow for termination in the event of a change in ownership other than a change to essentially the same owner (such as a transfer to a personal revocable trust). Additional comments were received and reviewed, including from the American Academy of Actuaries (Academy), during the January 11, 2010 and January 25, 2010 Management Committee conference calls. Director Hudson remarked that the Management Committee, during the January 11 conference call, asked the Actuarial Working Group to review the comments received and to provide further guidance on the actuarial considerations surrounding the termination provisions. The Actuarial Working Group did provide a report to the Management Committee on January 25. Director Hudson noted that the Actuarial Working Group agreed with the Academy’s methodology that the risk would increase causing the initial costs of the product to increase if these products were to be sold by the initial purchaser in the secondary market. The Actuarial Working Group did not validate the level of price increase set forth in the Academy’s comments. Director Hudson highlighted that during the January 25th Management Committee conference call, consumer interests were again discussed. If the termination provision were retained, the consumers would face possible termination of this feature which could reduce the value of the annuity policy if they wanted to sell the policy. Director Hudson reiterated that the Management Committee confirmed the termination provision as drafted only affects the guaranteed features and a company would not be able to terminate an IIPRC-approved annuity policy if the owner were to transfer ownership. Director Hudson reminded everyone that the Management Committee on January 25 asked the Product Standards Committee to review the comments and to make a recommendation if the Committee would propose any further changes.

Director Hudson proceeded to the report of the Product Standards Committee. Ms. Smith-Daley provided the report.

Ms. Smith-Daley reported that the Product Standards Committee was focusing on the development of longevity annuity standards in consultation with the IIPRC Actuarial Working Group. Ms. Smith-Daley stated that the Committee completed a review of the guaranteed living and minimum death benefit standards, with regard to termination provisions, and reported that the retention of the termination provisions are essential. Ms. Smith-Daley explained that the Committee considered several factors in its recommendation to retain the termination provisions, particularly with regard to two (2) key issues: (1) the unrestricted ability to transfer ownership and (2) the potential for increased cost and reduced availability if the termination of the benefit feature is prohibited. Ms. Smith-Daley stated that the Committee would recommend that the termination provisions be retained but that they be amended to add specific disclosure language intended to make the consumer aware that the benefit will terminate unless certain conditions are met as the original language was not specifically prescribed. Ms. Smith-Daley, continued and noted that the disclosure will be required on the cover page or specifications page of the contract or rider. Ms. Smith-Daley concluded her report by noting that the Product Standards Committee recommendation is to adopt the guaranteed living and minimum death benefit standards with the inclusion of prescribed consumer disclosure language. Ms. Smith-Daley indicated that this disclosure would effect improvements in these standards.

Director Hudson asked if there were any questions or comments regarding the report of the Product Standards Committee.

Representative Damron noted that the benefits should not be terminated as they are property of the purchaser. Representative Damron is concerned and opposed to what the Product Standards Committee has set forth.

Mr. Lovendusky stated that the guaranteed living and minimum death benefit standards received a substantial due process and the Industry Advisory Committee is appreciative of the processes that the uniform standards have been subject to. Mr. Lovendusky indicated that termination provisions contained there within are permissive; noting that companies may offer guaranteed benefits that do not restrict the transfer of ownership. Mr. Lovendusky agreed with the recommendation of the Product Standards Committee and expressed his support for the approval of the guaranteed living and minimum death benefit standards.

Mr. Staples stated that although the standards may be permissive, it is apparent that the standards may remove a consumer's right to exercise decisions that pertain to their financial options. Mr. Staples expressed concerns about how the guaranteed living and minimum death benefit standards may affect consumer protection in the event that a product does not perform as sold the consumers will have no option but to render the product back to the insurance company for pennies on the dollar. Mr. Staples noted that they do not know if there is going to be a market for this type of product in the marketplace. Mr. Staples said he is concerned that the standards take away the right for the consumers to exercise their decisions regarding their financial options. Mr. Staples stated that the consumers should have the right to investigate whether or not they could benefit financially from the sale of their annuity product with guaranteed features to an available secondary market.

Ms. Alvarado stated that allowing the termination provisions to exist within the guaranteed living and minimum death benefit standards preserves consumer protection and at a reasonable cost. Ms. Alvarado expressed her support for the recommendation made by the Product Standards Committee and stated that the additional disclosure language regarding the transfer of ownership is sufficient and will ensure the adequacy of consumer protection.

Director Hudson asked if there were any other comments or questions. Hearing none, Director Hudson asked whether there was a motion from members of the Management Committee to adopt the recommendation of the Product Standards Committee including the amendments regarding the cover page disclosure. Commissioner Dilweg made a motion and Mr. Harker seconded the motion. A roll call vote was taken and the motion passed unanimously.

Director Hudson asked members of the Management Committee whether there was a motion to approve the uniform standards issued on October 29, 2009 as amended. Mr. Harker made a motion and Commissioner Dilweg seconded the motion. A roll call vote was taken and the motion passed unanimously.

Director Hudson then asked members of the Commission to adopt the three (3) uniform standards issued on October 29, 2010 as approved by the Management Committee. Mr. Beatty made a motion and Mr. Ramage seconded the motion. Director Hudson asked if there were further discussion. Representative Damron reiterated his previous comments. Mr. Bridgeland agreed with Representative Damron's comments.

A roll call vote was taken and the motion passed with Indiana voting no.

Director Hudson turned to the item on the agenda, a public hearing on the Self Certification Rule. Director Hudson stated that the proposed Self-Certification Rule was published for comment on December 11, 2009 and noted that written comments were received from Missouri and from members of the Industry Advisory Committee.

Commissioner Thabault provided a review of the Self-Certification Rule. Commissioner Thabault indicated that the Self-Certification Rule establishes eligibility requirements which allow filings that only contain product components that have been expressly authorized for self-certification by the applicable Uniform Standard as adopted by the Management Committee and Commission. Commissioner Thabault stated that the Rule provides provisions for random auditing of self-certified filings and allows the IIPRC to take action, such as the suspension of self-certification for companies, on self-certified filings that do not comply with the Uniform Standard.

Director Hudson asked if there were any questions or comments regarding the review of the Self-Certification Rule.

Mr. Olson proposed a technical amendment to the Self-Certification Rule, with reference to § 105 (b), in which he stated that references to “compliance certification” language should be replaced by “officer compliance certification” and “actuarial compliance certification” language.

Director Hudson asked if there were any additional questions or comments. Hearing none, Director Hudson addressed the next item on the agenda, the approval of the Self-Certification Rule. Director Hudson asked whether there was a motion from members of the Management Committee to adopt the Self-Certification Rule with the inclusion of the technical amendment Commissioner Thabault 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 then asked whether there was a motion from members of the Commission to adopt the Self-Certification Rule as amended. Commissioner Voss made a motion and Mr. Beatty seconded the motion. A roll call vote was taken and the motion passed unanimously.

Director Hudson moved to the next item on the agenda, an update from the Associate Membership Exploratory Committee. Commissioner Dilweg provided a report. Commissioner Dilweg reported that the Committee had been working on a proposal to create an associate membership category within the IIPRC for non-compacting states. Commissioner Dilweg noted that the Committee held a public conference call on January 29 for the purpose of discussing concerns relevant to this proposal. Commissioner Dilweg stated that the Committee would hold another public meeting to further discuss the proposal before making a recommendation to the Management Committee and Commission.

Director Hudson asked if there were any questions regarding the Associate Membership Exploratory Committee update. There were none.

Director Hudson proceeded to the next item on the agenda, the adoption of the meeting minutes from the December 4, 2009 Joint Management Committee and Commission Meeting. Director Hudson noted that edits were received from Virginia and incorporated into the meeting minutes and asked if there were further edits. There were no additional edits. Director Hudson asked for a motion to adopt the meeting minutes. Mr. Beatty made a motion and Commissioner Dilweg seconded the motion. A voice vote was taken and the motion passed unanimously.

Director Hudson discussed the Management Committee’s proposal to fill a vacant seat on the Industry Advisory Committee in which she affirmed that nominations were received on behalf of Nicole Allen, Vice President of Industry Affairs with the Council of Insurance Agents and Brokers. Director Hudson asked for a motion from members of the Management Committee to appoint Ms. Allen as a member of the Industry Advisory Committee. Commissioner Dilweg made a motion and Commissioner Wilson seconded the motion. A voice vote was taken and the motion passed unanimously.

Director Hudson turned to the next item on the agenda, an operational update of the IIPRC. Ms. Schutter provided the report.

Ms. Schutter reported that the IIPRC had already exceeded registrations received in all of last year compared to this year, with a total of 77 company registrations received to date. Ms. Schutter provided details for the Joint Management Committee and Commission Meeting scheduled to take place during the Spring Meeting in Denver, Colorado on March 25. Ms. Schutter stated that a public hearing would be conducted during this joint meeting on the proposed individual long-term care insurance uniform standards. Ms. Schutter noted that public comments on long-term care uniform standards were due by March 23. Ms. Schutter stated that the IIPRC Office continues to actively work with prospective non-compacting states in the anticipation that additional states will join the Compact. Ms. Schutter indicated that New York, New Jersey and Illinois have introduced Compact legislation and noted that Florida is expected to introduce soon. Ms. Schutter reported that Alabama and Oregon may publish state provisions which allow these states to accept IIPRC approved products and stated that the IIPRC Office is working with both states to facilitate transmission of IIPRC approved filings.

Director Hudson asked if there were any questions regarding the IIPRC update. There were none.

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