

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

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

**Friday, March 25, 2011
Austin Grand Ballroom Salon F – 6th Floor
Austin, TX
2 pm ET / 1 pm CT / 12 pm MT / 11 am PT**

1. [Roll Call](#)
2. [Report of the Audit Committee and Consideration by the Commission to Adopt the Report of the Audit Committee](#)
3. [Public Hearing on Uniform Standards Issued on January 5, 2011 and Amendments to Uniform Standards Issued on February 3, 2011](#)
4. [Report of the Communications Committee and Consideration by the Management Committee to Approve the Report of the Communications Committee](#)
5. [Report of the Finance Committee and Consideration by the Management Committee to Approve the Report of the Finance Committee](#)
6. [Report of the Product Standards Committee and Consideration by the Management Committee to Approve the Report of the Product Standards Committee](#)
7. [Report of the Rulemaking Committee and Consideration by the Management Committee to Approve the Report of the Rulemaking Committee](#)
8. [Management Committee Consideration of Approval of Uniform Standards Issued on January 5, 2011](#)
9. [Commission Consideration of Approval of Uniform Standards Issued on January 5, 2011](#)
10. [Commission Consideration of Approval of Uniform Standards Issued on October 28, 2010 and as Approved by the Management Committee on February 28, 2011](#)
11. [Management Committee Consideration of Approval of Meeting Minutes of the February 28 Joint Meeting of the Management Committee and Commission](#)
12. [Commission Consideration of Adoption of Meeting Minutes of the February 28 Joint Meeting of the Management Committee and Commission](#)
13. [Operational Update](#)
14. Any Other Matters
15. Adjourn

**Minutes of the Joint Meeting of the Management Committee and the Interstate Insurance Product
Regulation Commission
Friday, March 25th, 2011**

Members of the Management Committee in attendance:

Commissioner Roger Sevigny, Chair, New Hampshire
Commissioner Wayne Goodwin, Vice Chair, North Carolina
Director John Huff, Treasurer, Missouri
Commissioner Michael McRaith, Illinois
Commissioner Sandy Praeger, Kansas
Acting Commissioner Elizabeth Sammis, Maryland
Commissioner Kenneth Ross, Michigan
Aaron Sisk, as a designated representative for Commissioner Mike Chaney, Mississippi
Doug Wheeler, as a designated representative for Commissioner Tom Considine, New Jersey
Sue Real, as a designated representative for Director Mary Taylor, Ohio
Acting Commissioner Michael Considine, Pennsylvania
Sara Waitt, as a designated representative for Commissioner Mike Geeslin, Texas
Don Beatty, as a designated representative for Commissioner Jacqueline K. Cunningham, Virginia
Beth Berendt, as a designated representative for Commissioner Mike Kriedler, Washington
Susan Ezalarab, as a designated representative for Commissioner Ted Nickel, Wisconsin

Members of the Commission in attendance:

Director Linda S. Hall, Alaska
Interim Commissioner John Postolowski, Colorado
Commissioner Ralph Hudgens, Georgia
Robyn Crosson as a designated representative for Commissioner Stephen Robertson, Indiana
Commissioner Susan Voss, Iowa
Commissioner Sharon Clark, Kentucky
Commissioner James Donelon, Louisiana
Ed Charbonnier, as a designated representative for Commissioner Joseph Murphy, Massachusetts
Brian Pennington, as a designated representative for Commissioner Mike Rothman, Minnesota
Director Bruce Ramge, Nebraska
Thomas Bowling as a designated representative for Superintendent John Franchini, New Mexico
Commissioner John Doak, Oklahoma
Yvette Domenech, as a designated representative for Commissioner Ramon Cruz-Colon, Puerto Rico
Superintendent Joseph Torti III, Rhode Island
Larry Knight, as a designated representative for Commissioner Julie Mix McPeak, Tennessee
Commissioner Neal Gooch, Utah
Susan Donagan, as a designated representative for Commissioner Steve Kimbell, Vermont
Commissioner Jane Cline, West Virginia
James Mitchell, as a designated representative for Commissioner Ken Vines, Wyoming

State Regulators in attendance:

Susan Lamb, Illinois
Rebecca Vaughan, Indiana
Ron Henderson, Louisiana
Louis Belo, North Carolina
Ted Hamby, North Carolina
Stuart Johnson, North Carolina
Brad Harker, Pennsylvania
Cindy Carpenter, Texas

Ana Smith-Daley, Texas
Kevin Gaffney, Vermont

Members of the Legislative Committee in attendance:

Representative Robert Damron
Senator Delores Kelley
Representative Brian Patrick Kennedy
Susan Nolan, National Conference of Insurance Legislators (NCOIL)

Members of the Industry Advisory Committee in attendance:

William Anderson, National Association of Insurance and Financial Advisors (NAIFA)
Tom English, New York Life Insurance
Mary Keim, State Farm Insurance Company
Michael Lovendusky, American Council of Life Insurers (ACLI)
Amanda Matthiesen, America's Health Insurance Plans (AHIP)
Jill Morgan, Symetra
Marie Roche, John Hancock

Members of the Consumer Advisory Committee in attendance:

Ryan Wilson, AARP
Brendan Bridgeland, Center for Insurance Research

Interested Parties in attendance:

Miriam Krol, ACLI
Joseph Muratore, New York Life Insurance
Bob Glowacki, Transamerica

IIPRC Team in attendance:

Karen Schutter, Executive Director
Sara Dubsy, Operations Manager
MacKenzie Heidelberg, Administrative Coordinator
Alice Fontaine, Actuarial Consultant
Karen Givens, Product Review Consultant
David Morris, Product Review Consultant
Maureen Perry, Product Review Consultant
Charles Rapacciuolo, Marketing and Development Consultant

NAIC staff in attendance:

Becky McElduff, Senior Counsel
Amanda Yanek, Government Relations Analyst and Chief State Liaison

Commissioner Sevigny called to order the Joint Meeting of the Management Committee and Interstate Insurance Product Regulation Commission ("IIPRC").

Ms. Schutter took the roll call of the Management Committee, the Commission, members of the Legislative Committee, members of the Industry Advisory Committee, members of the Consumer Advisory Committee and other Interested Parties.

Commissioner Sevigny noted that as provided in the Bylaws, when one or more member participates by telephone, a roll call vote upon each action item is to be taken. Commissioner Sevigny then asked if there were any objections from the Commission Members to having a voice vote instead of a roll call vote for the

adoption of ministerial action items. The votes regarding the Uniform Standards would still be conducted by roll call. There were no objections to this matter.

Commissioner Sevigny welcomed the two newest Compacting states - Illinois and New Jersey - to the Commission as well as new Commissioners and senior staff to the Commission. Commissioner Sevigny also welcomed Commissioners and regulators from non-compacting states. The members of the Legislative Committee in attendance were then thanked by Commissioner Sevigny for traveling to the meeting site in the middle of their legislative sessions. Members of the Legislative Committee were asked if there were any comments. Representative Damron thanked Commissioner Sevigny and announced his great appreciation for the Compact. Representative Damron noted that the members of the Legislative Committee recently held the elections for Chair and Vice Chair and he was elected to serve as Chair. Representative Damron reported that Senator Ruth Teichman was elected as Vice Chair of the Legislative Committee, but unfortunately could not attend the meeting to due her legislative session. Representative Damron also mentioned that Representative George Kaiser, Chair of NCOIL was in attendance. Representative Kennedy made a comment congratulating Commissioner Sevigny on his chairmanship.

Commissioner Sevigny proceeded to the second item on the agenda, the Report of the Audit Committee which was provided by Superintendent Torti. Superintendent Torti reported that the Audit Committee completed the 2010 Audit in a timely manner and the Commission received an unqualified opinion from their auditors at Mayer, Hoffman and McCann (MHM). Superintendent Torti noted that a copy of the independent auditor's report can be found in the Compact's 2010 Annual Report and on the Compact's website. Superintendent Torti reported that the Committee met with the audit partner at MHM who presented the results of the 2010 Audit which included the unqualified audit opinion along with supplemental letters to the audit report required under auditing standards issued by the AICPA. Superintendent Torti stated that no deficiencies in the Compact's internal control structure were noted in the audit. Superintendent Torti stated that the Audit Committee continues to monitor the financial performance of the IIPRC. Following the report, Commissioner Sevigny asked if there were any questions or comments regarding the report of the Audit Committee, there were no comments. Commissioner Sevigny then asked for a motion to adopt the Report of the Audit Committee. Commissioner Hudgens made the motion and Commissioner Ross seconded the motion. Commissioner Sevigny then asked for a voice vote to approve the report of the Audit Committee. There was no opposition and the item was approved.

Commissioner Sevigny moved to the next item on the agenda, a Public Hearing on the Uniform Standards that were issued for comment on January 5 and February 3. There are two uniform standards that were issued for public comment on January 5th: Additional Standards for Private Placement Plans for Individual Variable Adjustable Life Insurance Policies and Additional Standards for Private Placement Plans for Individual Deferred Variable Annuity Contracts. Commissioner Sevigny noted that there were no comments submitted regarding the aforementioned uniform standards. There were amendments to four (4) uniform standards that were issued for public comment on February 3: Amendments to Core Standards for Individual Long-Term Care Insurance Policies; Amendments to Rate Filing Standards for Individual Long-Term Care Insurance (Issue Age Rate Schedules Only); Amendments to Rate Filing Standards for Individual Long-Term Care Insurance (Modified Rate Schedules); and Amendments to Standards for Forms Required to Be Used with an Individual Long-Term Care Insurance Application. Commissioner Sevigny noted that the comment period was still on-going for the amendments. Commissioner Sevigny explained that the IIPRC wanted to take advantage of the in-person meeting to receive comments on these amendments.

Commissioner Sevigny asked Ms. Ezalarab to give a brief overview of the aforementioned uniform standards before asking for oral comments. Ms. Ezalarab reported that the Product Standards Committee made some changes to the uniform standards by adding language regarding mix and match and self certification. Ms. Ezalarab noted that the Committee's recommendation is that the uniform standards be available for mix and match but not available for self certification. Ms. Ezalarab explained that the Committee received comments on the private placement uniform standards from the Industry Advisory Committee and that those comments

were mainly technical. Ms. Ezalarab asked if there were any questions on the private placement uniform standards; there were none. Ms. Ezalarab noted that the Committee began review of the Long-Term Care Uniform Standards in August at the request of the Management Committee. Ms. Ezalarab explained that the Committee revised the scope provision of the Rate Filing Standards to clarify which combination of life annuity and long-term care products are not subject to Rate Filing Standards as well as making revisions regarding the annual reporting requirements to clarify the reporting requirements when a form is no longer being marketed or the approved rates will no longer be sufficient. Ms. Ezalarab further explained that in the Core Long-Term Care Policy Uniform Standards, the Committee added a provision regarding the misstatement of age when made at the time of issue. Ms. Ezalarab reported on the amendments made to the Standards for Forms Required to be Used with an Individual Long-Term Care Insurance Application, Ms. Ezalarab noted that the Committee made a correction so that the company rate increase history is only required to be provided with the personal worksheet as is the case with the NAIC model. Ms. Ezalarab explained that the Product Standards Committee received comments on the proposed amendments to the long-term care Uniform Standards.

Commissioner Sevigny asked if there were any comments from members of the Commission on the proposed uniform standards or amendments to the Uniform Standards. Mr. Pennington made a comment about the amendment to the long-term care core standards with regard to the misstatement of age provision. Ms. Berendt replied and explained that if the applicant originally misstated their age and was outside of the underwriting parameters all together, that there was no approved rate on file for that issue age. In that event, the premium has been insufficient over time and the individual would not have been eligible for initial enrollment. Ms. Berendt explained that she is sympathetic and does agree that there is a long period of time between the initial application and the time that the misstatement of age was determined to have taken place. Ms. Berendt continued and expressed concern regarding the fact that there is no rate on file either with the IIPRC or in the individual state, should this happen. In that case, the dilemma is that individuals that have misstated their age are receiving long-term care services that are reimbursed but not supported by adequate premium which adversely affects the other individuals in the particular block of business that did not misstate their age.

Commissioner Sevigny reminded everyone that there would be no action taken on the long-term care amendments during this meeting as the comment period does not close until April 4th. Commissioner Sevigny then asked if there were any comments from members of the Legislative Committee or the Consumer Advisory Committee; there were none. Commissioner Sevigny then asked if there were any comments from members of the Industry Advisory Committee. Ms. Roche made a comment agreeing with Ms. Berendt's statement and explained that long-term care premiums are based on age at the time of issue and if there would be no approved premium on file for the individual, it would result in a deficiency which, if a significant problem, could cause rate increases to be needed.

Commissioner Sevigny then asked if there were any comments from non-compacting states or interested parties; there were none. Commissioner Sevigny then concluded the public hearing.

Commissioner Sevigny proceeded to the next item on the agenda; the reports of the remaining Committees, he suggested everyone wait until the last report -- the report of the Rulemaking Committee -- and take one motion to adopt all reports since there were no recommendations or action items associated with these Reports. There were no objections to Commissioner Sevigny's suggestion.

Commissioner Sevigny asked Mr. Sisk to provide the report of the Communications Committee. Mr. Sisk reported that the Communications Committee met with the IIPRC office in January to discuss key outreach initiatives for 2011. Mr. Sisk explained that the Committee is working with the IIPRC and the Consumer Advisory Committee to develop a consumer page on the IIPRC website with information about the Compact and the Uniform Standards. Mr. Sisk noted that this page has been developed and launched on the IIPRC website, and includes information about the Consumer Advisory Committee and how to apply to be on the

Committee; information as to how to contact various departments within the Compacting states; information about the IIPRC public access requests; and an upcoming webinar for consumers hosted by the IIPRC. Mr. Sisk noted that the Annual Report has been printed and presented to the Compact Members as well as all other interested parties. Mr. Sisk reported that the Annual Report does a very good job showing the significant achievements made last year as well as how far the IIPRC has come since becoming operational. Mr. Sisk highlighted that the IIPRC Office has been increasing its efforts to exhibit at conferences where there will be a high attendance of regulators and company filers. Mr. Sisk noted that each Compact Member has been presented with a list of the companies that are domiciled in each respective state and that the IIPRC will follow up with the Compact Members to provide the information electronically.

Commissioner Sevigny asked if there were any questions. Senator Kelley suggested the Legislative Committee increase its outreach to non-compacting states, and stated the Legislative Committee is willing to do more to help with that. Ms. Schutter commented that the Legislative Committee has been very helpful, especially with outreach to New Jersey. Commissioner Ross thanked the legislators for their support as it was instrumental in Michigan. Commissioner Sevigny asked if there were any other comments. Commissioner Sevigny stressed the importance of outreach to companies who aren't registered. Commissioner Donelon asked if the Communications Committee was considering a name change. Commissioner Sevigny and Ms. Schutter commented that yes it was being considered but it has not been a priority for the Committee. Senator Kelley suggested the IIPRC keep its current name as a way to not cause confusion with those not familiar with the IIPRC at this time. Commissioner Sevigny commented that the IIPRC was considering changing its name to the Insurance Compact.

Commissioner Sevigny turned to the next Agenda item, the Report of the Finance Committee, and asked Commissioner Donelon to provide the report. Commissioner Donelon reported that the Finance Committee met in early March with the IIPRC office to review the 2010 end of year financial reports. Commissioner Donelon reported that the Commission had a 50% growth in both registration and filing volume and the IIPRC office maintained operations under budget by 18%. Commissioner Donelon noted that the recruiting has been completed for the product review consultant position and the recruiting process for the actuarial consultant position is still ongoing. Commissioner Donelon explained that the need for these two additional staff resources is due to the fact that there are now 38 Member states representing approximately two-thirds of the national premium volume and we are experiencing substantial growth in product filing activities. Commissioner Sevigny asked if there were any questions. There were no questions.

Commissioner Sevigny moved to the next item on the Agenda, the Report of the Product Standards Committee, and asked Ms. Ezalarab to provide the report. Ms. Ezalarab reported that there are no uniform standards prepared for recommendation to the Management Committee. Ms. Ezalarab noted that the Product Standards Committee meets weekly and since December, the Committee has been working on the individual disability income uniform standards. Ms. Ezalarab noted that the Committee has been comparing the disability income uniform standards to the Long-Term Care Uniform Standards for consistency purposes as well as reviewing the standards in light of NAIC models and relevant state experience. Ms. Ezalarab stated that the Committee will convene a public call in April for purposes of receiving comments on the uniform standards with the intent of making a recommendation to the Management Committee in May. Commissioner Sevigny asked if there were any questions. There were no questions.

Commissioner Sevigny moved to the next item on the agenda, the report of the Rulemaking Committee and asked Mr. Beatty to make the report. Mr. Beatty noted that the Committee had not met since its last report to the Management Committee in February. Mr. Beatty reported that the Committee divided their work into three subcommittees to perform research and scope the issues in three areas. Mr. Beatty explained that the first is to create a process for advanced rulemaking; the second is to outline a process for implementing the 5 year review of the IIPRC's rules and Uniform Standards as required under Section 118 of the Rulemaking Rule; and the third is to review the issues involved in developing a process to handle product filings that have components for features that are not currently covered by the Uniform. Mr. Beatty further noted that once the

subcommittees have done the preliminary work, the Rulemaking Committee will receive public comments on any recommendation and plans to bring to the Management Committee. Commissioner Sevigny asked if there were any questions. There were no questions.

Commissioner Sevigny noted that the adoption of all Committee reports is a Management Committee action item. Commissioner Sevigny asked for a motion from a member of the Management Committee to adopt the report of the Communications, Finance, Product Standards, and Rulemaking Committees. Commissioner Ross made a motion and Mr. Beatty seconded the motion. There was no further discussion. A voice vote was taken and there was no opposition.

Commissioner Sevigny proceeded to the next item on the agenda, the need to consider action on the two proposed private placement uniform standards, namely: the Additional Standards for Private Placement Plans for Individual Variable Adjustable Life Insurance Policies and the Additional Standards for Private Placement Plans for Individual Deferred Variable Annuity Contracts. Commissioner Sevigny reminded the members of the IIPRC of the voting requirements for adoption of Uniform Standards. Commissioner Sevigny noted that two-thirds of the entire Commission and not two-thirds of those present at a meeting was needed in order to adopt the Uniform Standards. Commissioner Sevigny stressed that this translates into a requirement of 10 votes in favor at the Management Committee and 26 votes in favor at the Commission.

Commissioner Sevigny asked for a motion from a member of the Management Committee to approve the Additional Standards for Private Placement Plans for Individual Variable Adjustable Life Insurance Policies and the Additional Standards for Private Placement Plans for Individual Deferred Variable Annuity Contracts. Commissioner Goodwin made a motion and Ms. Ezalarab seconded the motion. Commissioner Sevigny asked if there was any discussion. There was no further discussion. Ms. Schutter then conducted a roll call vote and the motion passed.

Commissioner Sevigny asked for a motion from a member of the Commission to adopt the Additional Standards for Private Placement Plans for Individual Variable Adjustable Life Insurance Policies and the Additional Standards for Private Placement Plans for Individual Deferred Variable Annuity Contracts. Commissioner Clark made a motion and Commissioner Praeger seconded the motion. Commissioner Sevigny asked if there was any further discussion. There was none. Ms. Schutter took a roll call vote and the motion was adopted.

Commissioner Sevigny moved to the next item on the Agenda, Commission consideration of adoption of Uniform Standards issued on October 28, 2010 and approved by the Management Committee on February 28. Commissioner Sevigny noted that the Management Committee approved the following Uniform Standards during the February 28th Joint conference call of the Management Committee and Commission, - the Additional Standards for Change of Insured Benefit and Additional Standards for Overloan Protection Benefit. Commissioner Sevigny noted that the necessary two-thirds majority was not satisfied when the motion to adopt these Uniform Standards was before the Commission. Commissioner Sevigny asked for a motion from a Commission member to adopt the Additional Standards for Change of Insured Benefit and Additional Standards for Overloan Protection Benefit. Commissioner Hudgens made a motion and Director Huff seconded the motion. Commissioner Sevigny asked if there was any further discussion, hearing none Ms. Schutter took a roll call vote and the motion was adopted.

Commissioner Sevigny advanced to the next item on the agenda, the adoption of the Management Committee minutes from the February 28th joint teleconference of the Management Committee and Commission. Commissioner Sevigny noted that edits from Virginia have been incorporated into the minutes and asked if there were any other edits. Hearing none, Commissioner Sevigny asked for a motion from a member of the Management Committee to approve the February 28th meeting minutes. Commissioner Goodwin made a motion and Commissioner Chaney seconded the motion. A voice vote was needed and taken and the motion was adopted. Commissioner Sevigny asked for a motion from a member of the

Commission to adopt the February 28th meeting minutes. Commissioner Donelon made a motion and Commissioner Ross seconded the motion. There was no further discussion. A voice vote was taken and the motion was adopted.

Commissioner Sevigny proceeded to the next item on the agenda, operational update reported by Ms. Schutter. Ms. Schutter noted that each Commissioner had in their folder the IIPRC's product filing statistics which the IIPRC updates quarterly. Ms. Schutter reported that on March 7th the Compact approved its first long-term care product filing. Ms. Schutter noted that the Compact is still looking for new members of the Consumer Advisory Committee. Ms. Schutter stated that the IIPRC Office will send a physical copy of the annual report to all of the Compacting state governors and that the legislative chair in each Compacting state will receive an electronic copy. Ms. Schutter provided a brief update on the legislative activity in non-Compact states that have the legislation currently pending. Ms. Schutter concluded her report and introduced each member of the IIPRC team.

Commissioner Sevigny then asked if there were any questions or other matters to discuss. Hearing none, the Commissioner asked for a motion to adjourn. Commissioner Hudgens made a motion and Commissioner Praeger seconded the motion. The Joint Meeting of the Management Committee and the Interstate Insurance Product Regulation Commission ("IIPRC") was adjourned.