

LIFE INSURANCE (A) COMMITTEE

Reference:

1989 Proc. I p. 670
1989 Proc. II p. 414

Harold C. Yancey, Chairman—Utah
Mike Weaver, Vice Chairman—Ala.

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AGENDA

1. Adopt Wilmington, Chicago and Conference Call Minutes
2. Report of Life and Health Actuarial Task Force
3. Report of Product Development Task Force
4. Report on Prioritization of State Survey Concerns
5. Consider Adoption of Accelerated Benefit Riders Guideline
6. Any Other Matters Brought Before the Committee

REPORT

The Life Insurance (A) Committee met in Pavilion 1 of the Las Vegas Hilton in Las Vegas, Nev., at 1 p.m. on Dec. 6, 1989. A quorum was present and Harold C. Yancey (Utah) chaired the meeting. The following committee members or their representatives were present: Mike Weaver, Vice Chair (Ala.); Roxani Gillespie (Calif.); Margurite C. Stokes (D.C.); William D. Hager (Iowa); Douglas D. Green (La.); Gerald Grimes (Okla.); and Theodore "Ted" Kulongoski (Ore.).

1. Adoption of Sept. 12, 1989; Nov. 9 and 10, 1989; and Nov. 20, 1989, Minutes

Upon motion duly made and seconded, the minutes of the Life Insurance (A) Committee meetings of Sept. 12 (Attachment Five), Nov. 9 and 10 (Attachment Four), and Nov. 20, 1989 (Attachment Three), were adopted.

2. Report of Life and Health Actuarial (Technical) Task Force

John Montgomery (Calif.) presented the report of the Life and Health Actuarial (Technical) Task Force giving a synopsis of the task force projects as follows:

1. 1d. Reviewing the Adequacy of the 1980 CSO Tables as a Valuation Standard. This project is being recommended for deletion from the task force agenda.
2. 2j. Revision of the Standard Valuation Law. A subgroup of the Actuarial Task Force is preparing a recommended comprehensive revision of the Standard Valuation Law which is intended to appropriately reflect the valuation actuary concept. The work of the subgroup is still in the initial stages and questions to be considered include how actuarial standards will be defined and what types of requirements should apply to smaller companies. Mr. Montgomery commented that the discussion draft was inadvertently omitted as an attachment to the task force report, and he would recommend that the Life Insurance (A) Committee direct that it be attached.
3. 3g. Revision of the Standard Nonforfeiture Laws. The task force is studying the American Academy of Actuaries Task Force on Nonforfeiture Principles report and is in the process of determining the appropriate response.
4. 4. Special Plans. The task force's request to upgrade project 4s "Special Plans - Accelerated Death Benefits" to a Priority One project was adopted by the Product Development (A) Task Force.

LIFE INSURANCE (A) COMMITTEE

Reference:

1990 Proc. I p. 437
1989 Proc. II p. 414

Harold C. Yancey, Chair—Utah
Mike Weaver, Vice Chair—Ala.

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AGENDA

1. Adopt March 27 Salt Lake City Minutes
2. Report of Accelerated Benefits Working Group
3. Report of Marketing Practices to Senior Citizens Working Group
4. Report of Graded Death Benefit Policies Working Group
5. Report of Projected Interest Earnings Working Group
6. Report of Product Development Task Force
7. Report of Life and Health Actuarial (Technical) Task Force
8. Any Other Matters Brought Before the Committee

REPORT

The Life Insurance (A) Committee met in the Baltimore A/B Room of the Stouffer Harborplace Hotel in Baltimore, Md., at 2 p.m. on June 6, 1990. A quorum was present and Harold C. Yancey (Utah) chaired the meeting. The following committee members or their representatives were present: Mike Weaver, Vice Chair (Ala.); Margurite C. Stokes (D.C.); David Lyons (Iowa); Douglas D. Green (La.); George Fabe (Ohio); Gerald Grimes (Okla.); Theodore "Ted" Kulongoski (Ore.); and Steven T. Foster (Va.).

1. Adopt March 27 Salt Lake City Minutes

Upon motion duly made and seconded, the minutes of the March 27 Salt Lake City meeting were adopted (Attachment Four).

2. Report of Accelerated Benefits Working Group

Commissioner Harold Yancey (Utah) delivered the report of the Accelerated Benefits Working Group and pointed out that the group met in Kansas City on May 15 to review recommended revisions to the NAIC Accelerated Benefits Guideline adopted in December 1989. He further stated that the changes considered were primarily recommended by the American Council of Life Insurance (ACLI). He emphasized that the document is still a working draft and will receive further consideration at a meeting to be scheduled in July. Commissioner Yancey announced the appoint-

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Reference:

1990 Proc. I p. 437
1990 Proc. II p. 563

Harold C. Yancey, Chair—Utah
Mike Weaver, Vice Chair—Ala.

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AGENDA

1. Adopt September 11 Kansas City and November 5 Conference Call Minutes
2. Report of Product Development Task Force
3. Report of Life & Health Actuarial (Technical) Task Force
4. Adopt December 2 Minutes and Accelerated Benefit Model Regulation
5. Adopt November 21 and December 1 Minutes and Amendments to Life Insurance Disclosure Model Regulation and Disclosure Form
6. Adopt Resolution Regarding Rules Governing the Advertising of Life Insurance
7. Adopt Illustrated Interest Projections Bulletin
8. Any Other Matters Brought Before the Committee

REPORT

The Life Insurance (A) Committee met in the Lafoon Room of the Galt House Hotel in Louisville, Ky., at 8:30 a.m. on Dec. 5, 1990. A quorum was present and Harold C. Yancey (Utah) chaired the

LIFE INSURANCE (A) COMMITTEE

Reference:

1991 Proc. I p. 538
1990 Proc. II p. 563

Harold C. Yancey, Chair—Utah
David J. Lyons, Vice Chair—Iowa

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AGENDA

1. Adopt April 15 Charleston Minutes
2. Report on Adoption of Accelerated Benefits Regulation
3. Reports from Working Groups
 - a. Senior Marketing
 - b. Annuities
 - c. Standard Policy Forms
4. Report of Product Development Task Force
5. Report of Life & Health Actuarial (Technical) Task Force
6. Any Other Matters Brought Before the Committee

REPORT

The Life Insurance (A) Committee met in Grand 2 of the Westin Hotel in Indianapolis, Ind., at 8:30 a.m. on June 12, 1991. A quorum was present and Harold C. Yancey (Utah) chaired the meeting. The following committee members or their representatives were present: David J. Lyons, Vice Chair (Iowa); Mike Weaver (Ala.); John Garamendi (Calif.); Harold T. Duryee (Ohio); Gary Weeks (Ore.); Philip W. Barnes (Texas); Steven T. Foster (Va.); and Richard "Dick" Marquardt (Wash.).

1. Adopt April 15 Charleston Minutes

Upon motion duly made and seconded, the minutes of the Life Insurance (A) Committee meeting of April 15 were adopted (Attachment Five).

2. Report on Adoption of Accelerated Benefits Regulation

Commissioner Harold C. Yancey (Utah) presented a status report of the state adoption of the NAIC Accelerated Benefits Regulation (Attachment One). He commented that Utah is moving toward adoption of the Accelerated Benefits Regulation with minor changes.

Commissioner Harold Duryee (Ohio) reported that Ohio has legislation pending that would mandate the offering of accelerated benefits in life insurance. He offered to furnish copies of this legislation to the Committee.

LIFE INSURANCE (A) COMMITTEE

Reference:

1991 Proc. I p. 538
1991 Proc. II p. 563

Harold C. Yancey, Chair—Utah
David J. Lyons, Vice Chair—Iowa

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AGENDA

1. Adopt September 17 Pittsburgh Minutes
2. Report of Annuities Working Group
3. Report of Senior Marketing Working Group
4. Report of Insurable Interest Working Group
5. Report of Life and Health Actuarial (Technical) Task Force
6. Any Other Matters Brought Before the Committee

REPORT

The Life Insurance (A) Committee met in Galleria II of the Westin Hotel in Houston, Texas, at 2 p.m. on Dec. 11, 1991. A quorum was present and Harold C. Yancey (Utah) chaired the meeting. The following committee members or their representatives were present: David J. Lyons, Vice Chair (Iowa); Mike Weaver (Ala.); John Garamendi (Calif.); Harold T. Duryee (Ohio); Gary Weeks (Ore.); Georgia D. Flint (Texas); Steven T. Foster (Va.); and Richard "Dick" Marquardt (Wash.).

1. Adopt September 17 Pittsburgh Minutes

Upon motion duly made and seconded, the minutes of the Life Insurance (A) Committee meeting of Sept. 17 were adopted (Attachment Four).

2. Report of Annuities Working Group

Commissioner David Lyons (Iowa) reported that the Annuities Working Group had completed its work on the Two-Tier Annuity Model Regulation and the Two-Tier Annuity Disclosure Form. He thanked the advisory committee for its input and support of the regulation and disclosure form.

LIFE INSURANCE (A) COMMITTEE

Reference:

1991 Proc. II p. 563
1992 Proc. I p. 859

Mike Weaver, Chair—Ala.
David J. Lyons, Vice Chair—Iowa

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AGENDA

1. Adopt March 31 Seattle Minutes
2. Report of Drafting Group for Shopper's Guide to Life Insurance for Older Adults
3. Report of Insurable Interest Working Group
4. Report of Life and Health (Technical) Actuarial Task Force
5. Any Other Matters Brought Before the Committee

MINUTES

The Life Insurance (A) Committee met in the Sheraton Ballroom South of the Sheraton Hotel in Washington, D.C., at 1 p.m. on June 10, 1992. A quorum was present and Mike Weaver (Ala.) chaired the meeting. The following committee members or their representatives were present: David J. Lyons, Vice Chair (Iowa); John Garamendi (Calif.); Robert M. Willis (D.C.); James H. Brown (La.); Harold T. Duryee (Ohio); Georgia D. Flint (Texas); Harold C. Yancey (Utah); and Steven T. Foster (Va.).

1. Adopt March 31 Seattle Minutes

Upon motion duly made and seconded, the minutes of the March 31, 1992, Seattle meeting were adopted (Attachment Four).

2. Shopper's Guide to Life Insurance for Older Adults

Commissioner Mike Weaver (Ala.) called upon Commissioner David Lyons (Iowa) for a report of the drafting group for the Shopper's Guide to Life Insurance for Older Adults. Commissioner Lyons reported that the drafting group had met June 8, 1992 (Attachment One). Commissioner Lyons stated that at the meeting the group had discussed the Shopper's Guide draft which Lee Norgaard (American Association of Retired Persons) had prepared. Commissioner Lyons expressed his appreciation to Mr. Norgaard for his efforts in preparing the draft and noted that, while some progress was made at the drafting group meeting, there were still some conceptual problems with the draft among some members of the group. Commissioner Lyons said that the group had identified three options for proceeding on the project:

- (1) Continue to develop a comprehensive guide geared toward educating older adults on life insurance in general and the Financial Review of This Policy disclosure form in particular;
- (2) Focus on enhancing the pre-notification currently required under the Life Insurance Disclosure Model Regulation for policies which trigger the disclosure form and limit the guide to an explanation of the meaning and purpose of the Financial Review of This Policy disclosure form; and
- (3) Expand the current buyer's guide required by the Life Insurance Disclosure Model Regulation by adding a section to specifically address seniors' issues and the Financial Review of This Policy disclosure form.

LIFE INSURANCE (A) COMMITTEE

Reference:

1992 Proc. II p. 663
1993 Proc. I p. 779

Mike Weaver, Chair—Ala.
David J. Lyons, Vice Chair—Iowa

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MINUTES

The Life Insurance (A) Committee met in the Taylor Room the Opryland Hotel in Nashville, Tenn., at 9 a.m. on March 9, 1993. A quorum was present and Mike Weaver (Ala.) chaired the meeting. The following committee members or their representatives were present: David J. Lyons, Vice Chair (Iowa); John Garamendi (Calif.); Robert M. Willis (D.C.); James H. Brown (La.); Harold T. Duryee (Ohio); Gary Weeks (Ore.); Claire Koriath (Texas); and Steven T. Foster (Va.).

1. Receive Report of the Life Disclosure Working Group

Commissioner Mike Weaver (Ala.) summarized the meeting of the Life Disclosure Working Group. He emphasized that the working group is continuing to receive input on sales illustrations. He encouraged input from concerned members of the industry. Commissioner Weaver said that there is agreement that some changes are needed in the way illustrations are prepared and used in sales presentations.

Upon motion duly made and seconded, the minutes of the Life Disclosure Working Group were adopted (Attachment One).

2. Establish Viatical Settlement Working Group

Commissioner Weaver appointed the following states to be on the working group: Chair, Iowa; Members, District of Columbia, Oregon, Texas and Virginia.

Brian Pardo (Life Partners) asked whether an advisory committee would be appointed. Commissioner David Lyons (Iowa) responded that the Executive Committee had decided not to appoint advisory committees at this time. The working group would instead solicit information in an informal manner from knowledgeable resources and in a formal manner by way of public hearings before making any final decisions. Chris MacDonald (Ohio Hemophilia Insurance Advocacy Project), one of the funded consumer representatives in attendance, offered her assistance to Commissioner Lyons and the working group.

3. Receive Report of Life and Health Actuarial (Technical) Task Force

Sheldon Summers (Calif.) presented the report of the Life and Health Actuarial Task Force. Recommendations are:

- i. Recommend revising the priorities of the following projects from number one priority to number two priority: 2j, 2n, 4n, 4p and 5.

LIFE INSURANCE (A) COMMITTEE

Reference:

1993 Proc. 1Q p. 249
1993 Proc. I p. 779

David J. Lyons, Chair—Iowa
Gary Weeks, Vice Chair—Ore.

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MINUTES

The Life Insurance (A) Committee met in Salon F/G of the Marriott Hotel in Chicago, Ill., at 9 a.m. on June 23, 1993. A quorum was present and David Lyons (Iowa) chaired the meeting. The following committee members or their representatives were present: Gary Weeks, Vice Chair (Oregon); James H. Dill (Ala.); John Garamendi (Calif.); Robert M. Willis (D.C.); James H. Brown (La.); Harold T. Duryee (Ohio); Claire Koriath (Texas); and Steven T. Foster (Va.).

1. Old Business

Commissioner David Lyons (Iowa) read a resolution commending former Commissioner Mike Weaver (Ala.) for his able leadership as chair of the Life Insurance (A) Committee. Upon motion duly made and seconded, the resolution was adopted (Attachment One).

2. Determine How to Implement Charge of the Executive Committee to Revisit the Issue of Low-Value Life Insurance

Commissioner Lyons summarized the activity of the Life Insurance (A) Committee in this area. He said that disclosure requirements had been added to the Life Disclosure Model Regulation a couple of years ago and last year a buyer's guide was added to the model to explain the disclosure form. The Life Insurance (A) Committee has been charged to consider the issue further. Commissioner Lyons noted that previously the committee had chosen disclosure, but that was not the only route. He called on Melodie Bankers (Wash.) to enlighten the group on the Washington approach (Attachment Two). Ms. Bankers explained that Washington had adopted a regulation in 1989 prohibiting certain low face-value policies. This rule was challenged, but the state Supreme Court unanimously upheld the commissioner's authority to promulgate the rule. The Washington rule was adopted in response to complaints about policies where the premium paid exceeded the death benefit in just a few years.

Commissioner Lyons asked the committee members if they wanted to proceed with a working group to develop a model using the Washington approach or whether more time should be allowed to see if the disclosure approach would eliminate the abuses. Mary Alice Bjork (Ore.) suggested that the committee allow time to see if disclosure would work, but retain the issue on the agenda so that the committee could move forward with a ban if it did not. Ms. Bankers said the target market of senior citizens was

LIFE INSURANCE (A) COMMITTEE

Reference:

1993 Proc. 1st Qtr. 249
1993 Proc. 2nd Qtr. 714

David J. Lyons, Chair—Iowa
Gary Weeks, Vice Chair—Ore.

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MINUTES

The Life Insurance (A) Committee met in the Republic Room of the Sheraton Hotel and Towers in Boston, Mass., at 1 p.m. on Sept. 21, 1993. A quorum was present and David J. Lyons (Iowa) chaired the meeting. The following committee members or their representatives were present: Gary Weeks, Vice Chair (Oregon); James H. Dill (Ala.); John Garamendi (Calif.); Robert M. Willis (D.C.); James H. Brown (La.); Harold T. Duryee (Ohio); and Steven T. Foster (Va.).

1. Discuss Low-Value Life Insurance: Response of the States

Commissioner David Lyons (Iowa) called on Carolyn Johnson (NAIC/SSO) to report on the survey she had conducted of the states (Attachment One). Ms. Johnson reported that of the 27 jurisdictions that responded, nine states limit or prohibit sales of low-value life insurance with one more state planning to adopt a prohibition; seven plan to adopt the model provisions with one state already having the model in place; and nine states responded that no action was planned. Commissioner Lyons summarized the concerns which had been raised that caused this item to be placed on the agenda. He said some thought that if the low-value life insurance provisions of the Life Disclosure Model Regulation were not put in place by the states, it would be appropriate for the NAIC to draft a model to ban the product. Of the states Commissioner Lyons spoke with, many were focusing on other issues, primarily accreditation, and plan to deal with disclosure at a later date. Commissioner Lyons said that states had requested information on how to proceed and he suggested the following approach: The Life Insurance (A) Committee should send an outline to the Executive Committee showing the alternatives available to the states: disclosure, such as developed in the model regulation; a ban on the sale of products as done in Washington; and a review of options followed by other states. Bob Katz (Ohio) asked that Ohio be added to the list of states that will consider the model next year. This information was added to the memo from Ms. Johnson.

Upon motion duly made and seconded, the Life Insurance (A) Committee voted to send a report to the Executive Committee at the winter National Meeting.

LIFE INSURANCE (A) COMMITTEE

Reference:

1993 Proc. 3rd Qtr. 426
1993 Proc. 2nd Qtr. 714

David J. Lyons, Chair—Iowa
Vacant, Vice Chair

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MINUTES

The Life Insurance (A) Committee met in Coral IV of the Hilton Hawaiian Village, Honolulu, Hawaii, at 1 p.m. on Dec. 8, 1993. A quorum was present and David J. Lyons (Iowa) chaired the meeting. The following committee members or their representatives were present: John Garamendi (Calif.); Robert M. Willis (D.C.); James H. Brown (La.); Harold T. Duryee (Ohio); Kerry Barnett (Ore.); J. Robert Hunter (Texas); and Steven T. Foster (Va.).

1. Consumer Evaluation of Buyer's Guide

Commissioner David J. Lyons (Iowa) asked Mary Griffin (Consumers Union) to speak for Jim Hunt (National Insurance Consumer Organization). Ms. Griffin said that Mr. Hunt had asked her to summarize his concerns about the charge to evaluate the Life Insurance Buyer's Guide. Considering that the Buyer's Guide had not changed since 1984, Mr. Hunt did not think it was an effective or relevant tool. Ms. Griffin said that Mr. Hunt had reviewed more than 1,500 life insurance proposals over the last three years and not one of the purchasers had indicated an interest in the Buyer's Guide. He suggested a red sticker on the policy to give a warning about early surrender and the costs involved. He said the latest data he had was that 30% of the policies were dropped in two years and 40% within five years. Mr. Hunt thought that after the Life Disclosure Working Group had finished its life insurance illustrations task, it might want to consider revising the guide to include pertinent information. Commissioner Lyons said he agreed that this was an important issue and that later the Buyer's Guide could be considered for revision. Commissioner Lyons thought it was important to work on the priority issue—that of life insurance illustrations. He suggested keeping this item as a charge to work on at the appropriate time.

2. Report of Unfunded Checking Accounts Working Group

Mary Alice Bjork (Ore.) reported that the Unfunded Checking Accounts Working Group had not expected to have a quorum at its meeting on Dec. 6 so held two conference calls prior to that time. One of the issues of concern to the working group had been whether or not guaranty funds would cover unfunded checking accounts, and she said this issue had been resolved. There still were several issues outstanding, so the group had decided it was appropriate to do a sample bulletin. A draft was attached to the working group minutes, and she said comments were to be received on this draft by Feb. 1. After that time she said the working group would hold a conference call with interested parties to

LIFE INSURANCE (A) COMMITTEE

Reference:

1992 Proc. II p. 663
1992 Proc. I p. 859

Mike Weaver, Chair—Ala.
David J. Lyons, Vice Chair—Iowa

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AGENDA

1. Report of Insurable Interest Working Group
2. Report of Life Disclosure Working Group
3. Report of Life and Health Actuarial (Technical) Task Force
4. Any Other Matters Brought Before the Committee

MINUTES

The Life Insurance (A) Committee met in Salon III of the Marriott Marquis in Atlanta, Ga., at 1 p.m. on Dec. 8, 1992. A quorum was present and Mike Weaver (Ala.) chaired the meeting. The following committee members or their representatives were present: David J. Lyons, Vice Chair (Iowa); John Garamendi (Calif.); Robert M. Willis (D.C.); James H. Brown (La.); Harold T. Duryee (Ohio); Georgia D. Flint (Texas); Harold C. Yancey (Utah); and Steven T. Foster (Va.).

1. Report of Insurable Interest Working Group

Commissioner Mike Weaver (Ala.) called on Commissioner Harold Yancey (Utah) to give the report of the Insurable Interest Working Group. Commissioner Yancey noted that there were two items addressed by the committee. The first was the adoption of a Guideline on Corporate Owned Life Insurance. Commissioner Yancey noted that with one minor modification, the June 4, 1992, draft, as modified by the advisory committee, was adopted.

LIFE INSURANCE (A) COMMITTEE

Reference:

1993 Proc. 4th Qtr. 642
1993 Proc. 3rd Qtr. 426

David J. Lyons, Chair—Iowa
Robert M. Willis, Vice Chair—D.C.

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MINUTES

The Life Insurance (A) Committee met at 2 p.m. on March 7, 1994, to hold a hearing on two proposed models. David J. Lyons (Iowa) chaired the meeting.

1. Life Insurance (A) Committee Hearing on Nonforfeiture

Commissioner David Lyons (Iowa) convened the Life Insurance (A) Committee for the purpose of conducting a hearing on the Second Standard Nonforfeiture Law for Life Insurance and the Standard Nonforfeiture Law for Deferred Annuities. He said it had come to the attention of the regulators that there may be some flaws in these models that needed to be addressed, and he asked those commenting to be specific about what needed to be changed, cautioning the speakers that if they were not, the Life and Health Actuarial (Technical) Task Force would not know how to make changes.

Bill Carroll (American Council of Life Insurance—ACLI) said the ACLI did not believe the life insurance model should be adopted in its present form because it constituted rate regulation, especially in respect to non-traditional products, referred to as fund-based products. He said he thought it created an uneven playing field between traditional and non-traditional products. He said no testing had been done, and no standards have been developed by which one would know if the test passed or failed if one was done. Mr. Carroll also reminded the regulators of the importance of having uniform nonforfeiture regulation throughout the states and expressed concern that the possibility of this model being uniformly adopted was poor.

Regarding the annuity nonforfeiture model, he said there was less concern, but a few areas need alterations. He saw a reference to the Employee Retirement Income Security Act (ERISA) in the Scope section as a problem because the implications were not well-defined. The other problem he pointed out had to do with the 10% differential allowed between the account value and the cash surrender value. The theoretical basis for this percentage should be laid out so one would know how that percentage was derived.

Barbara Lautzenheiser (Lautzenheiser and Associates) said the annuity model did not go far enough in its detail, particularly with respect to two-tier annuities. Companies need to be able to provide

LIFE INSURANCE (A) COMMITTEE

Reference:

1993 Proc. 4th Qtr. 642
1994 Proc. 1st Qtr. 352

David J. Lyons, Chair—Iowa
Robert M. Willis, Vice Chair—D.C.

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MINUTES

The Life Insurance (A) Committee met in Maryland B of the Stouffer Harborplace Hotel in Baltimore, Md., at 11 a.m. on June 15, 1994. A quorum was present and David J. Lyons (Iowa) chaired the meeting. The following committee members or their representatives were present: Robert M. Willis, Vice Chair (D.C.); James H. Dill (Ala.); Dwight K. Bartlett, III (Md.); Harold T. Duryee (Ohio); Kerry Barnett (Ore.); J. Robert Hunter (Texas); Steven T. Foster (Va.); and Deborah Senn (Wash.).

1. Report of the Life Disclosure Working Group

Bob Wright (Va.) said the working group met twice in Baltimore and circulated drafts of the Life Insurance Illustrations Model Act and the Rules Governing the Use of Illustrations. He said these drafts permit illustrations of guarantees only into the future as well as illustrations of past performance. He said the working group did not intend to expose the drafts until September, and he asked for further comments by July 20. Mr. Wright also said that the working group would request approval from the Life Insurance (A) Committee to look at future projections possibly to develop a second draft.

Commissioner Robert Willis (D.C.) commended the group for its work product, which he said demonstrated substantial progress. He said the framework is now set to take on more thought-provoking issues. He applauded the working group for looking at the issue from the viewpoint of the consumer. He said the sales illustration should not be thought of as a sales tool, but a consumer information tool.

LIFE INSURANCE (A) COMMITTEE

Reference:

1994 Proc. 1st Qtr. 352
1994 Proc. 2nd Qtr. 549

Robert M. Willis, Chair—D.C.
Dwight K. Bartlett, Vice Chair—Md.

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MINUTES

The Life Insurance (A) Committee met in Salon E of the Minneapolis Hilton in Minneapolis, Minn., at 11 a.m. on Sept. 20, 1994. A quorum was present and Robert M. Willis (D.C.) chaired the meeting. The following committee members or their representatives were present: Dwight K. Bartlett, III, Vice Chair (Md.); James H. Dill (Ala.); Terri Vaughan (Iowa); Harold T. Duryee (Ohio); Kerry Barnett (Ore.); J. Robert Hunter (Texas); Steven T. Foster (Va.); and Deborah Senn (Wash.).

1. Consider the Issues of Viatical Settlement Companies Owned by Insurers

Roger Strauss (Iowa) reported that when David Lyons was chair of the A Committee, he sent a letter to the American Council of Life Insurance (ACLI) asking for information requested by the Life Insurance (A) Committee at the summer National Meeting. Mr. Strauss said the letter asked the ACLI to survey its members and get information on several questions, and Mr. Strauss reported that the ACLI had responded that it was not a pressing question for its members and not a good way to expend its resources (Attachment One). Mr. Strauss said that Commissioner Glenn Pomeroy (N.D.) had some additional comments he would like to make on the issue of viatical settlements. Commissioner Pomeroy said that he appreciated the good work the Life Insurance (A) Committee had done on the issue of viatical settlement companies and their regulation. He reported that the full NAIC membership had adopted the Viatical Settlement Model Regulation on Sept. 18, and his state, among others, plans to introduce the Viatical Settlements Model Act in the legislature during the next session. He asked the Life Insurance (A) Committee to consider requesting an additional charge from the Executive Committee to discuss the related issue of whether insurance regulators should be concerned about the secondary market created by purchasing life insurance policies and remarketing them as investment opportunities. He reported that while he was securities commissioner in North Dakota, he had issued a cease and desist order against an individual marketing such policies in North Dakota and the Securities and Exchange Commission (SEC) had recently filed an action against the same individual. He said that it was his opinion the Life Insurance (A) Committee could add value to the study of this topic by considering whether there is an insurable interest concern with this type of marketing. Roy Olson (Wash.) said he agreed that this needs further review. Upon motion duly made and seconded, the Life Insurance (A) Committee voted to ask the Executive Committee for an additional charge to further consider issues related to viatical settlements.

LIFE INSURANCE (A) COMMITTEE

Reference:

1994 Proc. 3rd Qtr. 515
1994 Proc. 2nd Qtr. 549

Robert M. Willis, Chair—D.C.
Dwight K. Bartlett III, Vice Chair—Md.

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MINUTES

The Life Insurance (A) Committee met in the Bissonet Room of the New Orleans Marriott in New Orleans, La., at 2 p.m. on Dec. 6, 1994. A quorum was present and Robert M. Willis (D.C.) chaired the meeting. The following committee members or their representatives were present: Dwight K. Bartlett III, Vice Chair (Md.); James H. Dill (Ala.); Terri Vaughan (Iowa); Harold T. Duryee (Ohio); Kerry Barnett (Ore.); J. Robert Hunter (Texas); Steven T. Foster (Va.); and Deborah Senn (Wash.).

1. Hear Report of Synthetic GIC Working Group

Reginald Berry (D.C.) gave the report of the Synthetic GIC Working Group (Attachment One). He said the first page of his report included a recommendation that the Life Insurance (A) Committee ask for a charge to draft a model law and regulation that grant life insurance companies the authority to utilize what are currently described as "synthetic guaranteed interest contract (GIC) products." He said his report contained several recommendations about what should be included in a model law. Commissioner Robert M. Willis (D.C.) asked about the estimated target date for completion of the model. Mr. Berry responded that the working group thought it could complete work by December 1995. Martin Carus (N.Y.) said that the New York position was aired at the June NAIC meeting and through the circular letter issued by the New York Insurance Department. He said the use of synthetic GIC products was objectionable from New York's prospective because it was in actuality financial guaranty insurance. He saw the possibility of conflict with the Financial Guaranty Insurance Model Act.

Ted Becker (Texas) said the Life and Health Actuarial Task Force already had a project related to synthetic GICs and asked if the recommendation in the working group's report is intended to be folded into that project and to move it to a number one priority. Mr. Berry said the original charge to the Life and Health Actuarial Task Force had not come from the A Committee, and this request was meant to clarify that.

Upon motion duly made and seconded, the report of the Synthetic GIC Working Group was adopted.

LIFE INSURANCE (A) COMMITTEE

Reference:

1994 Proc. 4th Qtr. 651
1994 Proc. 3rd Qtr. 515

Dwight K. Bartlett III, Chair—Md.
Kerry Barnett, Vice Chair—Ore.

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MINUTES

The Life Insurance (A) Committee met in Club Atlantic D of the Fontainebleau Hilton in Miami, Fla., at 10 a.m. on March 14, 1995. A quorum was present and Dwight K. Bartlett III (Md.) chaired the meeting. The following committee members or their representatives were present: Kerry Barnett, Vice Chair (Ore.); Terri Vaughan (Iowa); James H. Brown (La.); Fabian Chavez (N.M.); Elton Bomer (Texas); and Robert E. Wilcox (Utah).

1. Hear Report of Life and Health Actuarial Task Force

Jerry Fickes (N.M.) reported that the Life and Health Actuarial Task Force had eliminated some projects from its agenda that were not being addressed. The Life Working Group prepared a statement of basic principles for the life nonforfeiture law and plans to redraft the model from that list of principles. He said that the working group wants to explore the concept of considering the current formula-based method as well as the possibility of determining a more accurate dynamic approach. He said the American Academy of Actuaries had been requested to investigate this approach and bring recommendations to the working group at its next meeting. Upon motion duly made and seconded, the Life and Health Actuarial Task Force report was received.

2. Consider Standard Nonforfeiture Law for Deferred Annuities

Mr. Fickes said the Actuarial Task Force report contained a recommendation to the Life Insurance (A) Committee to consider amendments it had prepared and attached to its report. He said the task force had reviewed all of the comments that had been submitted to the Life Insurance (A) Committee and recommended a number of changes to the draft Standard Nonforfeiture Law for Deferred Annuities. Mr. Fickes said the task force's recommendation was that the Life Insurance (A) Committee further expose the draft to hear comments resulting from the changes made. Upon motion duly made and seconded, the Life Insurance (A) Committee adopted the recommendation of the Life and Health Actuarial Task Force to continue to receive comments on the annuity nonforfeiture law draft.

3. Hear Report of Genetic Testing Working Group

Commissioner Dwight Bartlett (Md.) said that Ohio had been chairing the Genetic Testing Working Group but had asked to be relieved of this duty. Ohio intends to remain a part of the Genetic Testing Working Group, but because of budget constraints is no longer able to chair the working group. Dixon Larkin (Utah) agreed to chair the working group. Ted Becker (Texas) asked if Texas could be added to the working group, and Commissioner Bartlett agreed.

LIFE INSURANCE (A) COMMITTEE

Reference:

1995 Proc. 1st Qtr. 475
1994 Proc. 4th Qtr. 651

Dwight K. Bartlett III, Chair—Md.
Kerry Barnett, Vice Chair—Ore.

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MINUTES

The Life Insurance (A) Committee met in St. Louis E of the Adam's Mark Hotel in St. Louis, Mo., at 1 p.m. on June 7, 1995. A quorum was present and Mary Alice Bjork (Ore.) chaired the meeting for Commissioner Kerry Barnett, Vice Chair (Ore.). The following committee members or their representatives were present: Terri Vaughan (Iowa); James H. Brown (La.); Dwight Bartlett (Md.); Christopher P. Krahling (N.M.); Elton Bomer (Texas); and Robert E. Wilcox (Utah).

1. Report of the Genetic Testing Working Group

Commissioner Robert E. Wilcox (Utah) reported for Dixon Larkin (Utah), the chair of the Genetic Testing Working Group. Commissioner Wilcox said that the working group is receiving comments and is ready to begin to take the information provided and flesh out the outline that had been developed at the spring National Meeting. He said the working group members plan to choose particular sections to draft and then to hold an interim meeting to discuss the combined draft. Upon motion duly made and seconded, the report of the Genetic Testing Working Group was received (Attachment One).

2. Report of the Viatical Settlements Working Group

Mary Alice Bjork (Ore.) reported for Commissioner Glenn Pomeroy (N.D.). Ms. Bjork said that the main thrust of the meeting was to hear from states that had adopted the NAIC's model on viatical settlements or had other regulatory authority for regulating viatical settlement companies. She said the working group was encouraged that more states were beginning to regulate viaticals. Upon motion duly made and seconded, the report of the Viatical Settlements Working Group was received (Attachment Two).

3. Report of the Life Disclosure Working Group

Commissioner Wilcox reported that the working group met four times since the spring National Meeting, most recently at a hearing June 3 and a meeting June 5. He said the working group produced a draft of the Life Insurance Sales Illustration Model Regulation that it thinks is in final form, but delayed adoption pending the results of final testing. The working group expects to bring back a document that is essentially the draft attached to its report except for a couple of open items. The working group still needs to consider persistency bonuses and term insurance more fully and expects to present a draft for the A Committee to adopt in September. He said included in the regulation is a Jan. 1, 1997, effective date, which will give the industry time to implement its computer software development. He said many companies are interested in getting started now so that an illustration standard could be in place before 1997. He said as soon as the working group completes the last items, it intends to begin work on variable life insurance.

LIFE INSURANCE (A) COMMITTEE

Reference:

1995 Proc. 2nd Qtr. 531
1995 Proc. 1st Qtr. 475

Dwight K. Bartlett III, Chair—Md.
Kerry Barnett, Vice Chair—Ore.

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MINUTES

The Life Insurance (A) Committee met in Salon D of the Marriott Hotel in Philadelphia, Pa., at 10 a.m. on Sept. 12, 1995. A quorum was present and Dwight K. Bartlett III (Md.) chaired the meeting. The following committee members or their representatives were present: Kerry Barnett, Vice Chair (Ore.); Terri Vaughan (Iowa); James H. Brown (La.); Christopher P. Krahling (N.M.); Jim Long (N.C.); Elton Bomer (Texas); and Robert E. Wilcox (Utah).

1. Report of the Life and Health Actuarial Task Force

Jerry Fickes (N.M.) reported that the Life Nonforfeiture Working Group is developing a plan that is a substantial change from the current nonforfeiture practice. This is a long-term project, requiring a large commitment of time. He said the Task Force would like permission to request a 10-minute time slot at the Commissioners Roundtable at the Winter National Meeting to explain this theory to all of the commissioners.

He said the other action item for the Life Insurance (A) Committee was a question-and-answer document on the Life and Health Reinsurance Agreements Model Regulation. Mr. Fickes said the document had been under development for more than a year and a half and had received considerable exposure. He said that it had been developed in response to many questions about interpretation of the Life and Health Reinsurance Agreements Model Regulation, and the Task Force believed it was most appropriate to attach this to the NAIC's model in the NAIC's *Model Laws, Regulations and Guidelines*, as additional guidance. Mr. Fickes explained that the Life and Health Actuarial Task Force had adopted the document and suggested that the Life Insurance (A) Committee allow a period for further comments and consider whether this document should be attached to the Life and Health Reinsurance Agreements Model Regulation.

Upon motion duly made and seconded, the report of the Life and Health Actuarial Task Force was received, and the Committee concurred with the recommendations made by the Task Force.

Julie Spiezio (American Council of Life Insurance—ACLI) requested that the A Committee consider an ACLI suggestion that it would be more appropriate to include the question-and-answer document as an appendix to Chapter 24 of the *Accounting Practices and Procedures Manual*, which had just been adopted by the Accounting Practices and Procedures Task Force. She said from the perspective of the ACLI, if the question-and-answer document were added to the Life and Health Reinsurance Agreements Model Regulation, it would serve as a modification of the regulation. Commissioner Dwight Bartlett (Md.) asked if the Life and Health Actuarial Task Force had considered this location. Mr. Fickes responded that the Task Force had, but felt that the document would be more readily available if attached to the Life and Health Reinsurance Agreements Model Regulation, but the Task Force would defer to the judgment of the A Committee. Commissioner Bartlett asked that comments for the A Committee regarding this issue be sent to Carolyn Johnson (NAIC/SSO) by Oct. 15, 1995.

LIFE INSURANCE (A) COMMITTEE

Reference:

1995 Proc. 3rd Qtr. 673
1995 Proc. 2nd Qtr. 531

Dwight K. Bartlett III, Chair—Md.
Kerry Barnett, Vice Chair—Ore.

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MINUTES

The Life Insurance (A) Committee met in Salon C of the Marriott Rivercenter Hotel in San Antonio, Texas, at 8:30 a.m. on Dec. 6, 1995. A quorum was present and Dwight K. Bartlett III (Md.) chaired the meeting. The following committee members or their representatives were present: Kerry Barnett, Vice Chair (Ore.); Terri Vaughan (Iowa); James H. Brown (La.); Chris P. Krahling (N.M.); Elton Bomer (Texas); and Robert E. Wilcox (Utah).

1. Report of the Viatical Settlements Working Group

Tom Foley (N.D.) reported that the Viatical Settlements Working Group had spent most of 1995 monitoring state activity in adoption of viatical settlement laws and regulations. He said the working group had decided that the NAIC's models adopted in 1994 may be antiquated already. Originally, viatical settlements were used when death was relatively close, but now with a longer life span and marketing to seniors, the minimum payouts in the model may need to be changed. In addition, the Life and Health Actuarial (Technical) Task Force nonforfeiture activity may have an impact on viatical settlements. Upon motion duly made and seconded, the report of the Viatical Settlements Working Group was adopted (Attachment One).

2. Report of the Genetic Testing Working Group

Director Robert Lange (Neb.) reported that the Genetic Testing Working Group continues development of a white paper that will help states in formulating a position on the issue of genetic testing. He said a very preliminary draft was attached to the working group's report, and the working group hopes to have a more complete document ready for consideration at the 1996 Spring National Meeting. Upon motion duly made and seconded, the report of the Genetic Testing Working Group was received (Attachment Two).

3. Report of the Life Disclosure Working Group

Commissioner Robert E. Wilcox (Utah) reported that the Life Disclosure Working Group is reviewing possible conflicts of the recently adopted Life Insurance Illustrations Model Regulation with other NAIC models. He said the working group also intends to begin consideration of variable life and its special problems and had concluded that it would be wise to divide into subgroups to work on variable and annuity illustrations. Commissioner Wilcox reported that Tony Higgins (N.C.) would lead a subgroup on annuity illustrations, and Rick Morse (N.Y.) would lead a subgroup on variable life

LIFE INSURANCE (A) COMMITTEE

Reference:

1995 Proc. 4th Qtr. 763
1995 Proc. 3rd Qtr. 673

Dwight K. Bartlett III, Chair—Md.
Patrick E. Kelly, Vice Chair—D.C.

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MINUTES

The Life Insurance (A) Committee met in the Mackinac Room of the Westin Hotel in Detroit, Mich., at 11 a.m. on March 26, 1996. A quorum was present and Dwight K. Bartlett III (Md.) chaired the meeting. The following committee members or their representatives were present: Patrick Kelly, Vice Chair (D.C.); Terri Vaughan (Iowa); Chris P. Krahling (N.M.); Jim Long (N.C.); Glenn Pomeroy (N.D.); Kerry Barnett (Ore.); and Robert E. Wilcox (Utah).

1. Report of the Life Disclosure Working Group

Commissioner Robert E. Wilcox (Utah) reported that the working group had considered the interaction of the Life Insurance Illustrations Model Regulation with other NAIC models and state provisions that might be based on them. A letter was prepared for the NAIC members, alerting them to potential overlap that might need to be addressed when the Life Insurance Illustrations Model Regulation is adopted in the state. Commissioner Wilcox said the working group also is prepared to answer questions about the illustrations model and the Actuarial Standards Board is ready to address questions about the actuarial standard of practice. He said the working group intends to prepare documents with answers to questions so that regulators can speak with one voice for consistency.

Commissioner Wilcox said the working group has a number of charges and has decided to address them by appointing subgroups of members. One of the charges is to address churning issues and New Jersey has agreed to chair a new subgroup to look at that issue. Because New Jersey recently conducted an extensive market conduct examination of one of its domestics, these regulators feel they are in a good position to apply the results of their examination to the NAIC's work. Another subgroup is working on annuity illustrations and has prepared a draft for comments. Commissioner Wilcox said the issue of annuity illustrations is turning out to be more difficult than originally anticipated and he did not believe it would be possible to complete that project by the Summer National Meeting as had been indicated in the original work plan. Commissioner Wilcox drew the committee's attention to a revised life insurance buyer's guide attached to the working group's minutes. He said the group is encouraging comment on all areas of the buyer's guide but particularly on the issue of cost indices. A subgroup was appointed to look at the issue of variable life illustrations and met with the Securities and Exchange Commission (SEC) to begin building a relationship with that organization. He reported

LIFE INSURANCE (A) COMMITTEE

Reference:

1995 Proc. 4th Qtr. 763
1996 Proc. 1st Qtr. 591

Dwight K. Bartlett III, Chair—Md.
Patrick E. Kelly, Vice Chair—D.C.

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MINUTES

The Life Insurance (A) Committee met in the New York B Ballroom of the Sheraton Hotel in New York, N.Y., at 9 a.m. on June 5, 1996. A quorum was present and Patrick E. Kelly, Vice Chair (D.C.) chaired the meeting. The following committee members or their representatives were present: Terri Vaughan (Iowa); Chris P. Krahling (N.M.); Edward Muhl (N.Y.); Jim Long (N.C.); Glenn Pomeroy (N.D.); Kerry Barnett (Ore.); and Robert E. Wilcox (Utah).

1. Report of the Annuities Working Group

Jerry Fickes (N.M) reported that the working group discussed three issues. A panel consisting of representatives from three organizations discussed the definition of annuities. The working group discussed annuities and the senior population. Concerns have been raised that seniors are being sold annuities inappropriately. He said there is definitely a lack of understanding on the part of consumers of the restrictions on annuity withdrawals. The working group will look at suitability information that is being distributed by the companies and may suggest suitability requirements similar to those for long-term care insurance. The working group will begin drafting a model law on charitable gift annuities and will have a draft to discuss at the next meeting. Upon motion duly made and seconded, the report of the Annuities Working Group was adopted (Attachment One).

2. Report of the Viatical Settlements Working Group

Tom Foley (N.D.) reported that the working group had received testimony from the viatical settlement industry that the marketplace is significantly changing, and this necessitates a review of the existing Viatical Settlements Model Act and Viatical Settlements Model Regulation. The working group also discussed the pricing of viatical settlements. Those in attendance alerted the working group to two problems they face: (1) many insurers marketing group policies will not accept an assignment for consideration, and (2) an incontestability clause is being put into the contract. The working group will

LIFE INSURANCE (A) COMMITTEE

Reference:

1996 Proc. 2nd Qtr. 646
1996 Proc. 1st Qtr. 591

Dwight K. Bartlett III, Chair—Md.
Patrick E. Kelly, Vice Chair—D.C.

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MINUTES

The Life Insurance (A) Committee met in Space 2/11/12 of the Egan Center in Anchorage, Alaska, at 11 a.m. on Oct. 1, 1996. A quorum was present and Dwight K. Bartlett III (Md.) chaired the meeting. The following committee members or their representatives were present: Patrick E. Kelly, Vice Chair (D.C.); Terri Vaughan (Iowa); Chris P. Krahling (N.M.); Edward Muhl (N.Y.); Glenn Pomeroy (N.D.); Kerry Barnett (Ore.); and Robert E. Wilcox (Utah).

1. Report of Synthetic GIC Working Group

Rick Morse (N.Y.) presented the report of the Synthetic GIC Working Group. He said a draft had been distributed of a model regulating synthetic guaranteed interest contracts (GICs). Both he and Larry Gorski (Ill.) agreed that it would be appropriate to expand the working group to include regulators of states where companies writing the product are domiciled. He suggested that at least regulators from California, Connecticut, Massachusetts and New Jersey consider participating. He said regulators from New Jersey had already indicated an interest in participating in the working group. Mr. Morris asked that a formal invitation be extended to the states he had indicated. Upon motion duly made and seconded, the report of the Synthetic GIC Working Group was received. (Attachment One).

Commissioner Dwight Bartlett (Md.) complimented Mr. Morse on the excellent report and asked Mr. Morse to consent to serve as vice chair of the working group. Mr. Morse responded affirmatively. Commissioner Barlett said the report represented substantial progress for the working group, and he agreed to follow through with sending an invitation to other states to join the group.

LIFE INSURANCE (A) COMMITTEE

Reference:

1996 Proc. 2nd Qtr. 646
1996 Proc. 3rd Qtr. 906

Dwight K. Bartlett III, Chair—Md.
Patrick E. Kelly, Vice Chair—D.C.

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The Life Insurance (A) Committee met in the Marquis II Room of the Marriott Marquis in Atlanta, Ga., at 8 a.m. on Dec. 18, 1996. A quorum was present and Dwight K. Bartlett III (Md.) chaired the meeting. The following committee members or their representatives were present: Patrick E. Kelly, Vice Chair (D.C.); Terri Vaughan (Iowa); Chris P. Krahling (N.M.); Edward Muhl (N.Y.); Jim Long (N.C.); Glenn Pomeroy (N.D.); Kerry Barnett (Ore.); and Robert E. Wilcox (Utah).

1. Plan Strategy for Charge from Executive Committee to Consider *Harris Trust* Issue

The members of the Life Insurance (A) Committee reviewed the charge from the Executive Committee to respond to the Department of Labor Request for Information that would affect insurance company general accounts. Commissioner Dwight K. Bartlett (Md.) asked Rick Morse (N.Y.) if he would draft an initial response for A Committee consideration. Mr. Morse responded that he would be willing to do that, as he had worked on the U.S. Supreme Court brief for the *Harris Trust* case for the State of New York. Commissioner Bartlett suggested a conference call of the Life Insurance (A) Committee shortly before the Commissioners Conference in mid-January, and then taking the draft to the Commissioners Conference. Roy Woodall (American Council of Life Insurance—ACLI) said the ACLI is also working on a response to the Department of Labor Request for Information and would be happy to share its thoughts with the Life Insurance (A) Committee.

2. Report of Life Disclosure Working Group

Commissioner Robert E. Wilcox (Utah) reported that the Life Disclosure Working Group met by conference call and in Atlanta. The working group discussed implementation of the Life Insurance Illustrations Model Regulation in states and company implementation even where the state law did not require it. He noted that the working group had spent a significant amount of time developing questions and answers on the regulation. He emphasized these were not intended to be binding on states or on the NAIC, but rather to be thought of as a document to help everyone understand the intent of the working group. He also noted that the working group agreed it would be premature to consider amendments to the model until some states had implemented it and tested the model. Included is a report from the Replacement Issues Subgroup which is working on a survey of life insurers replacement practices.

LIFE INSURANCE (A) COMMITTEE

Reference:

1996 Proc. 4th Qtr. 1006
1996 Proc. 3rd Qtr. 906

Terri Vaughan, Chair—Iowa.
Greg Serio, Vice Chair—N.Y.

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MINUTES

The Life Insurance (A) Committee met in the Grand E Room of the Omni Rosen Hotel in Orlando, Fla., at 9 a.m. on March 19, 1997. A quorum was present and Greg Serio, Vice Chair, (N.Y.) chaired the meeting. The following committee members or their representatives were present: Patrick E. Kelly, (D.C.); Roger Strauss on behalf of Terri Vaughan (Iowa); Lester Dunlap on behalf of James H. Brown (La.); Dwight K. Bartlett III (Md.); Don Judson on behalf of Linda Ruthardt (Mass.); Tom Rushton on behalf of Chris P. Krahling (N.M.); Tom Foley on behalf of Glenn Pomeroy (N. D.); and Don Green on behalf of John Crawford (Okla.).

1. Adopt Minutes of the Jan. 22, 1997, Conference Call

Roger Strauss (Iowa) moved, and Rick Morse (N.Y.) seconded, a motion to adopt the minutes of the Jan. 22, 1997, conference call. Mr. Morse asked the record to show that the disagreement between he and Steve Krause (American Council of Life Insurance—ACLI) referred to in the minutes was due to the fact that they were talking about different things. This miscommunication was because the rules are different for the period up to the end of 1998 and after 1998. The motion passed (Attachment Eight).

LIFE INSURANCE (A) COMMITTEE

Reference:

1996 Proc. 4th Qtr. 1006
1997 Proc. 1st Qtr. 659

Terri Vaughan, Chair—Iowa
Neil D. Levin, Vice Chair—N.Y.

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MINUTES

The Life Insurance (A) Committee met in the Continental C Room of the Chicago Hilton & Towers in Chicago, Ill., at 10 a.m. on June 11, 1997. A quorum was present and Terri Vaughan (Iowa) chaired the meeting. The following committee members or their representatives were present: Martin Carus representing Neil D. Levin, Vice Chair, (N.Y.); Clark Simcock representing Patrick E. Kelly (D.C.); Lester Dunlap representing James H. Brown (La.); Tom Foley representing Glenn Pomeroy (N. D.); Jerry Fickes representing Chris P. Krahling (N.M.); and Dan Keating representing John Crawford (Okla.).

1. Report of the Viatical Settlements Working Group

Lester Dunlap (La.) reported that the working group convened twice since the Spring National Meeting in furtherance of its charge. First, a small group of regulators met to draft revisions to the Viatical Settlements Model Act, considering proposals from the National Viatical Association, the Viatical Association of America and viatical settlement companies. That draft was sent to interested parties for review in advance of the Summer National Meeting, and during the Summer National Meeting the regulators heard comments for further revisions. Mr. Dunlap highlighted the major changes being suggested: (1) an expanded definition of "viatical settlement provider" includes those who solicit investors in response to a case in California where individual investors have apparently been scammed out of nearly \$100 million; (2) information is being included in this draft to conform to

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LIFE INSURANCE (A) COMMITTEE

Reference:

1997 Proc. 2nd Qtr. 604
1997 Proc. 3rd Qtr. 1207

Terri Vaughan, Chair—Iowa
Neil D. Levin, Vice Chair—N.Y.

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MINUTES

The Life Insurance (A) Committee met in Room 6C of the Washington State Convention and Trade Center in Seattle, Wash., at 3 p.m. on Dec. 8, 1997. A quorum was present and Terri Vaughan (Iowa) chaired the meeting. The following committee members or their representatives were present: James H. Brown represented by Lester Dunlap (La.); Steven B. Larsen represented by Donna Imhoff (Md.); Linda Ruthardt represented by Cindy Martin (Mass.); Chris P. Krahling represented by Jerry Fickes (N.M.); Glenn Pomeroy represented by Tom Foley (N. D.); and John Crawford represented by Dan Keating (Okla.).

1. Report of Viatical Settlements Working Group

Lester Dunlap (La.) reported that the Viatical Settlements Working Group adopted a final draft of the Viatical Settlements Model Act for consideration by the Life Insurance (A) Committee. He said the working group looked at the existing Viatical Settlements Model Act and prepared needed amendments. Because there has been a significant growth in the viatical settlement industry over the past few years and more than 20 states have adopted laws on viatical settlements, there is more experience to draw upon than when the model was first prepared. Mr. Dunlap said that during 1997 the working group met at all four national meetings, held two interim meetings and three conference calls leading up to the final draft that the working group adopted at the Winter National Meeting. He highlighted changes from the existing Viatical Settlements Model Act. There are a number of significant new definitions to cover financing entities and this will provide a basis for further discussions in 1998 in the model regulation. Some of the amendments to the model act respond to the

LIFE INSURANCE (A) COMMITTEE

Reference:

1997 Proc. 4th Qtr. 763
1997 Proc. 3rd Qtr. 1207

Terri Vaughan, Chair—Iowa
Neil D. Levin, Vice Chair—N.Y.

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LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

Reference:

1997 Proc. 4th Qtr. 763
1998 Proc. 1st Qtr. 676

Terri Vaughan, Chair—Iowa
Neil D. Levin, Vice Chair—N.Y.

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LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

Reference:

1998 Proc. 2nd Qtr. 651
1998 Proc. 1st Qtr. 676

Terri Vaughan, Chair—Iowa
Neil D. Levin, Vice Chair—N.Y.

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MINUTES

The Life Insurance and Annuities (A) Committee met in the Riverside Ballroom of the Sheraton New York Hotel & Towers in New York, N.Y., at 9 a.m. on Sept. 16, 1998. A quorum was present and Terri Vaughan (Iowa) chaired the meeting. The following committee members or their representatives were present: Marty Carus representing Neil D. Levin, Vice Chair, (N.Y.); Clark Simcock representing Patrick E. Kelly (D.C.); Cindy Martin representing Linda Ruthardt (Mass.); Mike Batte representing Chris P. Krahling (N.M.); Dan Keating representing John Crawford (Okla.); and Leslie Jones representing Lee P. Jedziniak (S.C.).

1. Report of Viatical Settlements Working Group

Dan Keating (Okla.), reporting for Lester Dunlap (La.), said the working group continues to review the Viatical Settlements Model Regulation and made two significant changes to the draft at its New York meeting. A new Section 10 and forms were added to regulate the interaction between viatical settlement providers and life insurance companies. In addition, the viatical settlement industry recommended a revised Section 6 containing reporting requirements. The two new sections will be reviewed further by the working group at its next meeting. Mr. Keating said the working group meeting was dominated by a more general discussion about the viatical settlement market. Mr. Keating moved and Leslie Jones (S.C.) seconded a motion to receive the report of the Viatical Settlements Working Group (Attachment One). The motion passed.

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

Reference:

1998 Proc. 2nd Qtr. 651
1998 Proc. 3rd Qtr. 516

Terri Vaughan, Chair—Iowa
Neil D. Levin, Vice Chair—N.Y.

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MINUTES

The Life Insurance and Annuities (A) Committee met in Salon IV of the Walt Disney World Dolphin Hotel in Orlando, Fla., at 11 a.m. on Dec. 9, 1998. A quorum was present and Roger Strauss, representing Terri Vaughan (Iowa) chaired the meeting. The following committee members or their representatives were present: Lester Dunlap representing James H. Brown (La.); Cindy Martin representing Linda Ruthardt (Mass.); Clyde Dailey representing Mark O'Keefe (Mont.); Mike Batte representing Chris P. Krahlung (N.M.); Dan Keating representing John Crawford (Okla.); and Leslie Jones representing Lee P. Jedziniak (S.C.).

1. Report of Viatical Settlements Working Group

Lester Dunlap (La.) said the working group met Dec. 6, the day following the hearing held by the Life Insurance and Annuities (A) Committee. (A summary of the testimony is Attachment One.) The working group first discussed whether to finish its charge or to go back and review the entire project, based on the discussion at the hearing. The working group decided to finish the redraft of the Viatical Settlements Model Regulation, hopefully completing this work by conference call about Feb. 1, 1999. Mr. Dunlap expressed the desire to bring the completed document to the A Committee for adoption at the Spring National Meeting. Mr. Dunlap said the working group changed Section 5 to reinsert the minimum standards table with the "reasonableness" test as an alternative approach. The working group has several suggested charges for 1999 to pursue other issues identified at the Life Insurance and Annuities (A) Committee hearing. He said the most important project is to develop an "Alert" package to inform regulators, consumers and investors about issues of current concern regarding viatical settlements. Tom Foley (N.D.) offered to head the group working on that project. Mr. Dunlap said that the working group will ask for a charge in 1999 to examine the investor's side of the viatical transaction. He said the group hopes to come to some conclusions that will help regulate that side of

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

Reference:

1998 Proc. 4th Qtr. 607
1998 Proc. 3rd Qtr. 516

Terri Vaughan, Chair—Iowa
Diane Koken, Vice Chair—Pa.

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MINUTES

The Life Insurance and Annuities (A) Committee met in the Grand Hyatt Hotel in Washington, D.C., at 11:30 a.m. on March 10, 1999. A quorum was present and Terri Vaughan (Iowa) chaired the meeting. The following committee members or their representatives were present: Diane Koken, Vice Chair (Pa.); Lester Dunlap representing James H. Brown (La.); Linda Ruthardt (Mass.); Michael Batte (N.M.); Tom Foley representing Glenn Pomeroy (N.D.); and Dalora Schafer representing Carroll Fisher (Okla.).

1. Ratification of Appointment of Working Groups

Commissioner Diane Koken (Pa.) moved and Commissioner Linda Ruthardt (Mass.) seconded a motion to ratify the appointment of the working groups. Commissioner Terri Vaughan (Iowa) said she had received requests to make several additions to the list. Iowa and Pennsylvania will be added to the Viatical Settlements Working Group and Pennsylvania will be added to the Suitability Working Group. With those alterations, the motion to ratify the appointment of the working groups passed (Attachment One).

2. Report of Viatical Settlements Working Group

Lester Dunlap (La.) said the working group received a charge two years ago to amend the Viatical Settlements Model Act and Regulation. The amendments to the model act were adopted last year and the working group has completed work on the Viatical Settlements Model Regulation. Mr. Dunlap said the working group encountered serious issues, which were extensively debated. The revisions being recommended by the working group accomplish several goals: 1) the definition of viator has been expanded to include the chronically ill; 2) the licensing requirements have been strengthened, updated and consolidated; 3) the model regulation now contains two alternative methods of determining whether payments are reasonable and just. In conjunction with the second alternative, Section 6 was amended to provide for further reporting of information needed to help the insurance department evaluate whether the payment made has been reasonable and just and to reduce the incidence of “gaming”; 4) the working group discussed the issue of privacy to a considerable length. The working group recognizes the need to restrict access to information but is also cognizant of the need to make that information available to those providing funding for viatical settlements. The solution agreed upon by the working group is to make the viator’s personal information available only with his express consent; 5) the disclosure requirements have been expanded; and 6) a new Section 10 has been added to respond to concerns of insurers and viatical settlement providers to standardize their interaction.

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

Reference:

1998 Proc. 4th Qtr. 607
1999 Proc. 1st Qtr. 505

Terri Vaughan, Chair—Iowa
Diane Koken, Vice Chair—Pa.

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MINUTES

The Life Insurance and Annuities (A) Committee met in Kansas City, Mo., at 8 a.m. on June 9, 1999. A quorum was present and Terri Vaughan (Iowa) chaired the meeting. The following committee members were present: Greg Martino representing Diane Koken, Vice Chair (Pa.); Tom Foley representing Kathleen Sebelius (Kan.); Lester Dunlap representing James H. Brown (La.); Michael Batte (N.M.); and Joan Williams and Dalora Schafer representing Carroll Fisher (Okla.).

1. Report of Viatical Settlements Working Group

Lester Dunlap (La.) reported that the Viatical Settlements Working Group met at an interim meeting in April and held a conference call in May and used the majority of the time at both of these meetings to work on its charge to complete a viatical advisory package. The focus of this package is to inform the end-product user of important issues and to illustrate regulator concerns. The impetus for the viatical advisory was testimony from Tom Foley (Kan.) at the A Committee hearing held at the Winter National Meeting in 1998. Mr. Dunlap reported that work on the project is substantially complete. The three elements of the package are a cover memo, a narrative description of the issues and the concerns of regulators, and three brochures intended to be distributed to interested parties. The plan is to complete the technical review of these documents and to hold a conference call to adopt the final product. Mr. Dunlap asked the A Committee to consider a conference call in early July to adopt the package so that it could be submitted to the Executive Committee for a vote in October. The Viatical Settlements Working Group also discussed its other charges. Mr. Dunlap noted that several states' securities regulators have joined in discussion of investment issues.

Commissioner Terri Vaughan (Iowa) complimented the working group on the viatical advisory package. She noted that a tremendous amount of work has gone into this project. She asked Mr.

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

Reference:

1999 Proc. 1st Qtr. 505
1999 Proc. 2nd Qtr. 487

Terri Vaughan, Chair—IA
Diane Koken, Vice Chair—PA

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MINUTES

The Life Insurance and Annuities (A) Committee met in Atlanta, GA, on Oct. 6, 1999. A quorum was present and Terri Vaughan (IA) chaired the meeting. The following committee members were present: Diane Koken, Vice Chair (PA); Tom Foley for Kathleen Sebelius (KS); Lester Dunlap for James H. Brown (LA); Dan Judson for Linda Ruthardt (MA); and Dalora Schafer for Carroll Fisher (OK).

1. Review Information on Structured Settlements and Discuss How to Proceed

Commissioner Vaughan noted that the NAIC legal staff summarized laws on structured settlements for the Life Insurance and Annuities (A) Committee. She suggested that a conference call be scheduled for late October or early November after the regulators have had time to review the chart.

2. Report of Viatical Settlements Working Group

Mr. Dunlap reported that the working group adopted three appendices to the Viatical Settlements Model Regulation and held extensive discussion regarding the appropriate approach to life settlements. The working group recommends to the A Committee that it be allowed to create a model to provide for regulation of life settlements and for solicitation of investors. Mr. Dunlap said these are very important issues and the most expeditious manner to proceed would be to amend the existing Viatical Settlements Model Act. The working group did not discuss at its meeting the strengthening of the informational brochures in the Viatical Advisory Package adopted by the Plenary, as promised to the A Committee in the July conference call. The chair will solicit suggestions and ask staff to put those together by Nov. 1. On Nov. 9, a conference call of the Viatical Settlements Working Group will

LIFE INSURANCE AND ANNUITIES (A) COMMITTEE

Reference:

1999 Proc. 3rd Qtr. 745
1999 Proc. 2nd Qtr. 487

Terri Vaughan, Chair—IA
Diane Koken, Vice Chair—PA

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MINUTES

The Life Insurance and Annuities (A) Committee met in San Francisco, CA, on Dec. 7, 1999. A quorum was present and Terri Vaughan (IA) chaired the meeting. The following committee members were present: Diane Koken, Vice Chair (PA); Tom Foley for Kathleen Sebelius (KS); Lester Dunlap for James H. Brown (LA); Kevin Beagan for Linda Ruthardt (MA); Tom Rushton for Don Letherer (NM); and Dalora Schafer for Carroll Fisher (OK).

1. Consider Adoption of Standard Valuation Law

Commissioner Vaughan said that this model is one of the set of models being revised to add regulatory confidentiality provisions. When the NAIC held a hearing on Dec. 4, 1999, several minor changes were discussed and these will be added by the Executive Committee before it considers adoption. Commissioner Koken moved and Ms. Schafer seconded a motion to adopt the revised Standard Valuation Law (Attachment One). The motion passed.

2. Report of Viatical Settlements Working Group

Mr. Dunlap said that one of the requests of the A Committee was that the brochures that were a part of the Viatical Advisory Package should be strengthened. Sue Anderson (ND) and Brenda Cude (University of Georgia) each provided significant comments to strengthen and to make the brochures understandable. The working group also discussed insurable interest and will have an interim meeting in January 2000 to talk about revisions to the Viatical Settlements Model Act to incorporate provisions related to life settlements and investor protection. Mr. Dunlap noted that states also have an option not to allow life settlements. Because of the regulatory vacuum that now exists, the working group will proceed vigorously to develop a model.

Commissioner Vaughan said there is no question that the working group can proceed immediately with development of the model because it was a 1999 charge which will be carried over to 2000. She