



DRAFT

**MINUTES
Meeting
of the
Compliance & Ethics Committee
The Compliance & Ethics Forum for Life Insurers
December 19, 2011
2:00 PM – 3:00 PM, EST**

A meeting of the CEFLI Compliance & Ethics Committee (the "Committee") was held via conference call on Monday, December 19, 2011 at 2:00 p.m., EDT.

The following CEFLI member company representatives participated in the meeting:

Yvonne Adams (Baltimore Life)
J. D. Beam (Genworth)
Christine Benefield (American National)
Maureen Closson (AVIVA USA)
Cindy Hall (Sammons Financial)
Brian Leary (Fidelity Investments Life Insurance)
Bob Ludwig (Country Financial)
Kevin Sullivan (Protective Life)
Nancy Sweet (CNO Financial)
Holly Taylor (Sammons Financial)

John Travagline and Don Walters of CEFLI also participated in the meeting.

I. Welcome and Introduction.

Don Walters welcomed the members of CEFLI's Compliance and Ethics (C&E) Committee. CEFLI's Antitrust Policy was read and all participants were encouraged to be cognizant of the policy and to raise objections if deemed appropriate.

II. Approval of Minutes – November 29, 2012 meeting.

Minutes from the November 29, 2011 Compliance & Ethics Committee meeting were approved by the Committee with no revisions.

III. Review of Next Steps – November 29, 2011.

John Travagline reviewed CEFLI's "next steps" from the previous month's minutes with the Committee, and there were no additional comments.

IV. Topic Discussion.

A. FIO Conference – Insurance Regulatory Modernization.

Don Walters provided a report on the initial meeting held by the Federal Insurance Office. The December 9, 2011 meeting consisted of three panel discussions covering: Consumer Protection and Business Insurance, International Developments and Prudential Standards for Insurance Companies.

Don reported that the last panel had an interesting discussion regarding the NAIC. One insurance executive noted that the NAIC is a trade association that sets standards without any real regulatory authority. This is not the view of the NAIC.

There continues to be talk about various federal strategies to regulate insurance; however, it was acknowledged that states may be in a better position to respond to consumers and understand specific complaints within their state. As a result, some have proposed a hybrid approach to federal regulation of insurance in which the federal government would regulate solvency and other financial matters and the states would regulate market conduct and other consumer-related matters.

B. Formation of CEFLI Advisory Committee.

Don informed the Committee that CEFLI will be convening an Advisory Committee in 2012. CEFLI has distributed invitations to serve on the Advisory Committee to the SEC, FINRA, NAIC, AARP, NAIFA and CEFLI's affiliate members (PricewaterhouseCoopers, Drinker Biddle and Dewey & LeBoeuf). The purpose of this group is to get their insights on current issues and trends they are observing so these issues can be brought back to the C&E Committee for further review and discussion, as appropriate. One objective of the Advisory Committee is to be able to assist CEFLI in identifying impending issues so CEFLI member companies can be fully informed and act as proactively as possible. The first

meeting that CEFLI will have with the Advisory Committee is scheduled for January 10, 2012.

Next Steps: Publish the members of the Advisory Committee and make the agendas and meeting minutes available to CEFLI member companies on the CEFLI website.

C. Update on Report from the SEC Office of the Whistleblower.

Don provided a brief update on the recently issued annual report of the SEC's Office of the Whistleblower. After quickly reviewing the report, it was noted that the issues identified in the report reflect the most common complaint categories such as manipulation, inadequate corporate disclosures and fraud. No payouts to whistleblowers have occurred in 2011, but it is expected that payouts will take place in 2012. The Committee's comments referred to developing measures whereby companies can encourage internal reporting of instances of misconduct. The Committee noted that companies can foster internal reporting by making sure issues that are reported are addressed and acted upon in a timely manner.

D. CEFLI Working Groups.

1. Annuity Suitability - It was reported to the Committee that CEFLI has formed its Annuity Suitability Working Group and the Working Group is currently developing a benchmarking survey to be distributed to the life insurance industry in late January – early February. Members of

the Committee were encouraged to identify company representatives to serve on this Working Group.

Next Steps: The Annuity Suitability Working Group will provide the Committee with a final draft of the Annuity Suitability Benchmarking Survey for their review and comments.

2. Fraud Awareness - It was reported to the Committee that the formation of CEFLI's Fraud Awareness Working Group is complete. Currently, the Working Group is developing a mission statement, objectives and expected deliverables. The primary theme will be to share information with CEFLI member companies to enhance fraud awareness and be in a better position to proactively prevent fraud.

Next Steps: The Fraud Awareness Working Group will provide the Committee with its mission statement, objectives and expected deliverables for comment and feedback.

3. Privacy - Given the Committee's discussion of possible privacy-related issues that will need to be addressed going forward, CEFLI asked the Committee if the formation of a Privacy Working Group would add value for the member companies. The Committee agreed that this would be worth pursuing.

Next Steps: CEFLI will begin the process of establishing a Privacy Working Group. Initially, this will begin with the Committee

representatives recommending individuals from their companies that would be good candidates to serve on the CEFLI Privacy Working Group.

E. California Suitability Law.

Don provided an update on specific questions posed by the Committee in regards to the California Suitability Law. These questions were in reference to the scope of the law and whether related provisions of the California Insurance Code referencing reverse mortgage transactions may be applicable to other products such as life insurance.

Next Steps: CEFLI will ask Jodi Lerner, Senior Staff Counsel of the California DOI, to present at CEFLI's upcoming webinar on Annuity Suitability. The purpose of having Ms. Lerner as a presenter would be to engage regulators in further discussion about the California Suitability Law, which was made effective on January 1, 2012. CEFLI also will contact Ms. Lerner in advance of the webinar to gain the California Department of Insurance interpretation of related California Insurance Code provisions pertaining to reverse mortgage transactions.

V. Current Compliance Challenges.

1. A Committee member mentioned that there was a recent bulletin distributed by the state of New York in reference to product filings. The initial observation is that this could possibly extend the time line for new product

approvals in the state. The bulletin will be forwarded to Committee members for further review.

2. Indexed Universal Life Insurance – Don shared with the Committee reported concerns regarding some possible issues with Indexed Universal Life Insurance, and how it is being presented at sale. Also, the Committee commented that the state of Iowa is looking to meet with its domestic insurance companies on this issue.

Next Steps: CEFLI will continue to explore issues associated with the sale of Indexed Universal Life and bring any findings back to the Committee for further review and discussion.

VI. Other Business.

There was no other business to discuss.