



Senate

General Assembly

File No. 31

January Session, 2007

Senate Bill No. 1105

Senate, March 13, 2007

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT ADOPTING THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS' INTERSTATE INSURANCE PRODUCT REGULATION COMPACT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective October 1, 2007*):
- 2 Article I. Purposes
- 3 The purposes of this Compact are, through means of joint and
- 4 cooperative action among the Compacting States:
 - 5 1. To promote and protect the interest of consumers of individual
 - 6 and group annuity, life insurance, disability income and long-term
 - 7 care insurance products;
 - 8 2. To develop uniform standards for insurance products covered
 - 9 under the Compact;
 - 10 3. To establish a central clearinghouse to receive and provide
 - 11 prompt review of insurance products covered under the Compact and,

12 in certain cases, advertisements related thereto, submitted by insurers
13 authorized to do business in one or more Compacting States;

14 4. To give appropriate regulatory approval to those product filings
15 and advertisements satisfying the applicable uniform standard;

16 5. To improve coordination of regulatory resources and expertise
17 between state insurance departments regarding the setting of uniform
18 standards and review of insurance products covered under the
19 Compact;

20 6. To create the Interstate Insurance Product Regulation
21 Commission; and

22 7. To perform these and such other related functions as may be
23 consistent with the state regulation of the business of insurance.

24 Article II. Definitions

25 For purposes of this Compact:

26 1. "Advertisement" means any material designed to create public
27 interest in a Product, or induce the public to purchase, increase,
28 modify, reinstate, borrow on, surrender, replace or retain a policy, as
29 more specifically defined in the Rules and Operating Procedures of the
30 Commission.

31 2. "Bylaws" mean those bylaws established by the Commission for
32 its governance, or for directing or controlling the Commission's actions
33 or conduct.

34 3. "Compacting State" means any State which has enacted this
35 Compact legislation and which has not withdrawn pursuant to Article
36 XIV, Section 1, or been terminated pursuant to Article XIV, Section 2.

37 4. "Commission" means the "Interstate Insurance Product
38 Regulation Commission" established by this Compact.

39 5. "Commissioner" means the chief insurance regulatory official of a

40 State including, but not limited to commissioner, superintendent,
41 director or administrator.

42 6. "Domiciliary State" means the state in which an Insurer is
43 incorporated or organized; or, in the case of an alien Insurer, its state of
44 entry.

45 7. "Insurer" means any entity licensed by a State to issue contracts of
46 insurance for any of the lines of insurance covered by this Compact.

47 8. "Member" means the person chosen by a Compacting State as its
48 representative to the Commission, or the member's designee.

49 9. "Non-Compacting State" means any State which is not at the time
50 a Compacting State.

51 10. "Operating Procedures" mean procedures promulgated by the
52 Commission implementing a Rule, Uniform Standard or a provision of
53 this Compact.

54 11. "Product" means the form of a policy or contract, including any
55 application, endorsement, or related form which is attached to and
56 made a part of the policy or contract, and any evidence of coverage or
57 certificate, for an individual or group annuity, life insurance, disability
58 income or long-term care insurance product that an Insurer is
59 authorized to issue.

60 12. "Rule" means a statement of general or particular applicability
61 and future effect promulgated by the Commission, including a
62 Uniform Standard developed pursuant to Article VII of this Compact,
63 designed to implement, interpret, or prescribe law or policy or
64 describing the organization, procedure, or practice requirements of the
65 Commission, which shall have the force and effect of law in the
66 Compacting States.

67 13. "State" means any state, district or territory of the United States
68 of America.

69 14. "Third-Party Filer" means an entity that submits a Product filing
70 to the Commission on behalf of an Insurer.

71 15. "Uniform Standard" means a standard adopted by the
72 Commission for a Product line, pursuant to Article IV of this Compact,
73 and shall include all of the Product requirements in aggregate;
74 provided, that each Uniform Standard shall be construed, whether
75 express or implied, to prohibit the use of any inconsistent, misleading
76 or ambiguous provisions in a Product and the form of the Product
77 made available to the public shall not be unfair, inequitable or against
78 public policy as determined by the Commission.

79 Article III. Establishment of the Commission and Venue

80 1. The Compacting States hereby create and establish a joint public
81 agency known as the "Interstate Insurance Product Regulation
82 Commission." Pursuant to Article IV, the Commission will have the
83 power to develop Uniform Standards for Product lines, receive and
84 provide prompt review of Products filed therewith, and give approval
85 to those Product filings satisfying applicable Uniform Standards;
86 provided, it is not intended for the Commission to be the exclusive
87 entity for receipt and review of insurance product filings. Nothing
88 herein shall prohibit any Insurer from filing its product in any State
89 wherein the Insurer is licensed to conduct the business of insurance;
90 and any such filing shall be subject to the laws of the State where filed.

91 2. The Commission is a body corporate and politic, and an
92 instrumentality of the Compacting States.

93 3. The Commission is solely responsible for its liabilities except as
94 otherwise specifically provided in this Compact.

95 4. Venue is proper and judicial proceedings by or against the
96 Commission shall be brought solely and exclusively in a Court of
97 competent jurisdiction where the principal office of the Commission is
98 located.

99 Article IV. Powers of the Commission

100 The Commission shall have the following powers:

101 1. To promulgate Rules, pursuant to Article VII of this Compact,
102 which shall have the force and effect of law and shall be binding in the
103 Compacting States to the extent and in the manner provided in this
104 Compact;

105 2. To exercise its rule-making authority and establish reasonable
106 Uniform Standards for Products covered under the Compact, and
107 Advertisement related thereto, which shall have the force and effect of
108 law and shall be binding in the Compacting States, but only for those
109 Products filed with the Commission, provided, that a Compacting
110 State shall have the right to opt out of such Uniform Standard
111 pursuant to Article VII, to the extent and in the manner provided in
112 this Compact, and, provided further, that any Uniform Standard
113 established by the Commission for long-term care insurance products
114 may provide the same or greater protections for consumers as, but
115 shall not provide less than, those protections set forth in the National
116 Association of Insurance Commissioners' Long-Term Care Insurance
117 Model Act and Long-Term Care Insurance Model Regulation,
118 respectively, adopted as of 2001. The Commission shall consider
119 whether any subsequent amendments to the National Association of
120 Insurance Commissioners Long-Term Care Insurance Model Act or
121 Long-Term Care Insurance Model Regulation adopted by the National
122 Association of Insurance Commissioners require amending of the
123 Uniform Standards established by the Commission for long-term care
124 insurance products;

125 3. To receive and review in an expeditious manner Products filed
126 with the Commission, and rate filings for disability income and long-
127 term care insurance Products, and give approval of those Products and
128 rate filings that satisfy the applicable Uniform Standard, where such
129 approval shall have the force and effect of law and be binding on the
130 Compacting States to the extent and in the manner provided in the
131 Compact;

132 4. To receive and review in an expeditious manner Advertisement

133 relating to long-term care insurance products for which Uniform
134 Standards have been adopted by the Commission, and give approval
135 to all Advertisement that satisfies the applicable Uniform Standard.
136 For any product covered under this Compact, other than long-term
137 care insurance products, the Commission shall have the authority to
138 require an insurer to submit all or any part of its Advertisement with
139 respect to that product for review or approval prior to use, if the
140 Commission determines that the nature of the product is such that an
141 Advertisement of the product could have the capacity or tendency to
142 mislead the public. The actions of Commission as provided in this
143 section shall have the force and effect of law and shall be binding in
144 the Compacting States to the extent and in the manner provided in the
145 Compact;

146 5. To exercise its rule-making authority and designate Products and
147 Advertisement that may be subject to a self-certification process
148 without the need for prior approval by the Commission;

149 6. To promulgate Operating Procedures, pursuant to Article VII of
150 this Compact, which shall be binding in the Compacting States to the
151 extent and in the manner provided in this Compact;

152 7. To bring and prosecute legal proceedings or actions in its name as
153 the Commission; provided, that the standing of any state insurance
154 department to sue or be sued under applicable law shall not be
155 affected;

156 8. To issue subpoenas requiring the attendance and testimony of
157 witnesses and the production of evidence;

158 9. To establish and maintain offices;

159 10. To purchase and maintain insurance and bonds;

160 11. To borrow, accept or contract for services of personnel,
161 including, but not limited to, employees of a Compacting State;

162 12. To hire employees, professionals or specialists, and elect or

163 appoint officers, and to fix their compensation, define their duties and
164 give them appropriate authority to carry out the purposes of the
165 Compact, and determine their qualifications; and to establish the
166 Commission's personnel policies and programs relating to, among
167 other things, conflicts of interest, rates of compensation and
168 qualifications of personnel;

169 13. To accept any and all appropriate donations and grants of
170 money, equipment, supplies, materials and services, and to receive,
171 utilize and dispose of the same; provided that at all times the
172 Commission shall strive to avoid any appearance of impropriety;

173 14. To lease, purchase, accept appropriate gifts or donations of, or
174 otherwise to own, hold, improve or use, any property, real, personal or
175 mixed; provided that at all times the Commission shall strive to avoid
176 any appearance of impropriety;

177 15. To sell, convey, mortgage, pledge, lease, exchange, abandon or
178 otherwise dispose of any property, real, personal or mixed;

179 16. To remit filing fees to Compacting States as may be set forth in
180 the Bylaws, Rules or Operating Procedures;

181 17. To enforce compliance by Compacting States with Rules,
182 Uniform Standards, Operating Procedures and Bylaws;

183 18. To provide for dispute resolution among Compacting States;

184 19. To advise Compacting States on issues relating to Insurers
185 domiciled or doing business in Non-compacting jurisdictions,
186 consistent with the purposes of this Compact;

187 20. To provide advice and training to those personnel in state
188 insurance departments responsible for product review, and to be a
189 resource for state insurance departments;

190 21. To establish a budget and make expenditures;

191 22. To borrow money;

192 23. To appoint committees, including advisory committees
193 comprising Members, state insurance regulators, state legislators or
194 their representatives, insurance industry and consumer
195 representatives, and such other interested persons as may be
196 designated in the Bylaws;

197 24. To provide and receive information from, and to cooperate with
198 law enforcement agencies;

199 25. To adopt and use a corporate seal; and

200 26. To perform such other functions as may be necessary or
201 appropriate to achieve the purposes of this Compact consistent with
202 the state regulation of the business of insurance.

203 Article V. Organization of the Commission

204 1. Membership, Voting and Bylaws

205 a. Each Compacting State shall have and be limited to one Member.
206 Each Member shall be qualified to serve in that capacity pursuant to
207 applicable law of the Compacting State. Any Member may be removed
208 or suspended from office as provided by the law of the State from
209 which the member is appointed. Any vacancy occurring in the
210 Commission shall be filled in accordance with the laws of the
211 Compacting State wherein the vacancy exists. Nothing herein shall be
212 construed to affect the manner in which a Compacting State
213 determines the election or appointment and qualification of its own
214 Commissioner.

215 b. Each Member shall be entitled to one vote and shall have an
216 opportunity to participate in the governance of the Commission in
217 accordance with the Bylaws. Notwithstanding any provision herein to
218 the contrary, no action of the Commission with respect to the
219 promulgation of a Uniform Standard shall be effective unless two-
220 thirds of the Members vote in favor thereof.

221 c. The Commission shall, by a majority of the Members, prescribe

222 Bylaws to govern its conduct as may be necessary or appropriate to
223 carry out the purposes, and exercise the powers, of the Compact,
224 including, but not limited to:

225 i. Establishing the fiscal year of the Commission;

226 ii. Providing reasonable procedures for appointing and electing
227 members, as well as holding meetings, of the Management Committee;

228 iii. Providing reasonable standards and procedures: (I) for the
229 establishment and meetings of other committees, and (II) governing
230 any general or specific delegation of any authority or function of the
231 Commission;

232 iv. Providing reasonable procedures for calling and conducting
233 meetings of the Commission that consists of a majority of Commission
234 members, ensuring reasonable advance notice of each such meeting
235 and providing for the right of citizens to attend each such meeting
236 with enumerated exceptions designed to protect the public's interest,
237 the privacy of individuals, and insurers' proprietary information,
238 including trade secrets. The Commission may meet in camera only
239 after a majority of the entire membership votes to close a meeting in
240 whole or in part. As soon as practicable, the Commission must make
241 public (I) a copy of the vote to close the meeting revealing the vote of
242 each Member with no proxy votes allowed, and (II) votes taken during
243 such meeting;

244 v. Establishing the titles, duties and authority and reasonable
245 procedures for the election of the officers of the Commission;

246 vi. Providing reasonable standards and procedures for the
247 establishment of the personnel policies and programs of the
248 Commission. Notwithstanding any civil service or other similar laws
249 of any Compacting State, the Bylaws shall exclusively govern the
250 personnel policies and programs of the Commission;

251 vii. Promulgating a code of ethics to address permissible and
252 prohibited activities of commission members and employees; and

253 viii. Providing a mechanism for winding up the operations of the
254 Commission and the equitable disposition of any surplus funds that
255 may exist after the termination of the Compact after the payment or
256 reserving of all of its debts and obligations.

257 d. The Commission shall publish its bylaws in a convenient form
258 and file a copy thereof and a copy of any amendment thereto, with the
259 appropriate agency or officer in each of the Compacting States.

260 2. Management Committee, Officers and Personnel

261 a. A Management Committee comprising no more than fourteen
262 members shall be established as follows:

263 i. One member from each of the six Compacting States with the
264 largest premium volume for individual and group annuities, life,
265 disability income and long-term care insurance products, determined
266 from the records of the National Association of Insurance
267 Commissioners for the prior year;

268 ii. Four members from those Compacting States with at least two
269 per cent of the market based on the premium volume described above,
270 other than the six Compacting States with the largest premium
271 volume, selected on a rotating basis as provided in the Bylaws; and

272 iii. Four members from those Compacting States with less than two
273 per cent of the market, based on the premium volume described above,
274 with one selected from each of the four zone regions of the National
275 Association of Insurance Commissioners as provided in the Bylaws.

276 b. The Management Committee shall have such authority and
277 duties as may be set forth in the Bylaws, including, but not limited to:

278 i. Managing the affairs of the Commission in a manner consistent
279 with the Bylaws and purposes of the Commission;

280 ii. Establishing and overseeing an organizational structure within,
281 and appropriate procedures for, the Commission to provide for the

282 creation of Uniform Standards and other Rules, receipt and review of
283 product filings, administrative and technical support functions, review
284 of decisions regarding the disapproval of a product filing, and the
285 review of elections made by a Compacting State to opt out of a
286 Uniform Standard; provided that a Uniform Standard shall not be
287 submitted to the Compacting States for adoption unless approved by
288 two-thirds of the members of the Management Committee;

289 iii. Overseeing the offices of the Commission; and

290 iv. Planning, implementing, and coordinating communications and
291 activities with other state, federal and local government organizations
292 in order to advance the goals of the Commission.

293 c. The Commission shall elect annually officers from the
294 Management Committee, with each having such authority and duties,
295 as may be specified in the Bylaws.

296 d. The Management Committee may, subject to the approval of the
297 Commission, appoint or retain an executive director for such period,
298 upon such terms and conditions and for such compensation as the
299 Commission may deem appropriate. The executive director shall serve
300 as secretary to the Commission, but shall not be a Member of the
301 Commission. The executive director shall hire and supervise such
302 other staff as may be authorized by the Commission.

303 3. Legislative and Advisory Committees

304 a. A legislative committee comprising state legislators or their
305 designees shall be established to monitor the operations of, and make
306 recommendations to, the Commission, including the Management
307 Committee; provided that the manner of selection and term of any
308 legislative committee member shall be as set forth in the Bylaws. Prior
309 to the adoption by the Commission of any Uniform Standard, revision
310 to the Bylaws, annual budget or other significant matter as may be
311 provided in the Bylaws, the Management Committee shall consult
312 with and report to the legislative committee.

313 b. The Commission shall establish two advisory committees, one of
314 which shall comprise consumer representatives independent of the
315 insurance industry, and the other comprising insurance industry
316 representatives.

317 c. The Commission may establish additional advisory committees as
318 its Bylaws may provide for the carrying out of its functions.

319 4. Corporate Records of the Commission

320 The Commission shall maintain its corporate books and records in
321 accordance with the Bylaws.

322 5. Qualified Immunity, Defense and Indemnification

323 a. The Members, officers, executive director, employees and
324 representatives of the Commission shall be immune from suit and
325 liability, either personally or in their official capacity, for any claim for
326 damage to or loss of property or personal injury or other civil liability
327 caused by or arising out of any actual or alleged act, error or omission
328 that occurred, or that the person against whom the claim is made had a
329 reasonable basis for believing occurred within the scope of
330 Commission employment, duties or responsibilities; provided, that
331 nothing in this paragraph shall be construed to protect any such
332 person from suit or liability for any damage, loss, injury or liability
333 caused by the intentional or wilful and wanton misconduct of that
334 person.

335 b. The Commission shall defend any Member, officer, executive
336 director, employee or representative of the Commission in any civil
337 action seeking to impose liability arising out of any actual or alleged
338 act, error or omission that occurred within the scope of Commission
339 employment, duties or responsibilities, or that the person against
340 whom the claim is made had a reasonable basis for believing occurred
341 within the scope of Commission employment, duties or
342 responsibilities; provided, that nothing herein shall be construed to
343 prohibit that person from retaining counsel; and provided further, that

344 the actual or alleged act, error or omission did not result from that
345 person's intentional or wilful and wanton misconduct.

346 c. The Commission shall indemnify and hold harmless any Member,
347 officer, executive director, employee or representative of the
348 Commission for the amount of any settlement or judgment obtained
349 against that person arising out of any actual or alleged act, error or
350 omission that occurred within the scope of Commission employment,
351 duties or responsibilities, or that such person had a reasonable basis
352 for believing occurred within the scope of Commission employment,
353 duties or responsibilities, provided, that the actual or alleged act, error
354 or omission did not result from the intentional or wilful and wanton
355 misconduct of that person.

356 Article VI. Meetings and Acts of the Commission

357 1. The Commission shall meet and take such actions as are
358 consistent with the provisions of this Compact and the Bylaws.

359 2. Each Member of the Commission shall have the right and power
360 to cast a vote to which that Compacting State is entitled and to
361 participate in the business and affairs of the Commission. A Member
362 shall vote in person or by such other means as provided in the Bylaws.
363 The Bylaws may provide for Members' participation in meetings by
364 telephone or other means of communication.

365 3. The Commission shall meet at least once during each calendar
366 year. Additional meetings shall be held as set forth in the Bylaws.

367 Article VII. Rules and Operating Procedures: Rulemaking Functions
368 of the Commission and Opting Out of Uniform Standards

369 1. Rulemaking Authority. The Commission shall promulgate
370 reasonable Rules, including Uniform Standards, and Operating
371 Procedures in order to effectively and efficiently achieve the purposes
372 of this Compact. Notwithstanding the foregoing, in the event the
373 Commission exercises its rulemaking authority in a manner that is
374 beyond the scope of the purposes of this Compact, or the powers

375 granted hereunder, then such an action by the Commission shall be
376 invalid and have no force and effect.

377 2. Rulemaking Procedure. Rules and Operating Procedures shall be
378 made pursuant to a rulemaking process that conforms to the Model
379 State Administrative Procedure Act of 1981 as amended, as may be
380 appropriate to the operations of the Commission. Before the
381 Commission adopts a Uniform Standard, the Commission shall give
382 written notice to the relevant state legislative committees in each
383 Compacting State responsible for insurance issues of its intention to
384 adopt the Uniform Standard. The Commission in adopting a Uniform
385 Standard shall consider fully all submitted materials and issue a
386 concise explanation of its decision.

387 3. Effective Date and Opt Out of a Uniform Standard. A Uniform
388 Standard shall become effective ninety days after its promulgation by
389 the Commission or such later date as the Commission may determine;
390 provided, however, that a Compacting State may opt out of a Uniform
391 Standard as provided in this Article. "Opt out" shall be defined as any
392 action by a Compacting State to decline to adopt or participate in a
393 promulgated Uniform Standard. All other Rules and Operating
394 Procedures, and amendments thereto, shall become effective as of the
395 date specified in each Rule, Operating Procedure or amendment.

396 4. Opt Out Procedure. A Compacting State may opt out of a
397 Uniform Standard, either by legislation or regulation duly
398 promulgated by the Insurance Department under the Compacting
399 State's Administrative Procedure Act. If a Compacting State elects to
400 opt out of a Uniform Standard by regulation, it must (a) give written
401 notice to the Commission no later than ten business days after the
402 Uniform Standard is promulgated, or at the time the State becomes a
403 Compacting State and (b) find that the Uniform Standard does not
404 provide reasonable protections to the citizens of the State, given the
405 conditions in the State. The Commissioner shall make specific findings
406 of fact and conclusions of law, based on a preponderance of the
407 evidence, detailing the conditions in the State which warrant a

408 departure from the Uniform Standard and determining that the
409 Uniform Standard would not reasonably protect the citizens of the
410 State. The Commissioner must consider and balance the following
411 factors and find that the conditions in the State and needs of the
412 citizens of the State outweigh: (i) the intent of the legislature to
413 participate in, and the benefits of, an interstate agreement to establish
414 national uniform consumer protections for the Products subject to this
415 Compact; and (ii) the presumption that a Uniform Standard adopted
416 by the Commission provides reasonable protections to consumers of
417 the relevant Product. Notwithstanding the foregoing, a Compacting
418 State may, at the time of its enactment of this Compact, prospectively
419 opt out of all Uniform Standards involving long-term care insurance
420 products by expressly providing for such opt out in the enacted
421 Compact, and such an opt out shall not be treated as a material
422 variance in the offer or acceptance of any State to participate in this
423 Compact. Such an opt out shall be effective at the time of enactment of
424 this Compact by the Compacting State and shall apply to all existing
425 Uniform Standards involving long-term care insurance products and
426 those subsequently promulgated.

427 5. Effect of Opt Out. If a Compacting State elects to opt out of a
428 Uniform Standard, the Uniform Standard shall remain applicable in
429 the Compacting State electing to opt out until such time the opt out
430 legislation is enacted into law or the regulation opting out becomes
431 effective. Once the opt out of a Uniform Standard by a Compacting
432 State becomes effective as provided under the laws of that State, the
433 Uniform Standard shall have no further force and effect in that State
434 unless and until the legislation or regulation implementing the opt out
435 is repealed or otherwise becomes ineffective under the laws of the
436 State. If a Compacting State opts out of a Uniform Standard after the
437 Uniform Standard has been made effective in that State, the opt out
438 shall have the same prospective effect as provided under Article XIV
439 for withdrawals.

440 6. Stay of Uniform Standard. If a Compacting State has formally
441 initiated the process of opting out of a Uniform Standard by

442 regulation, and while the regulatory opt out is pending, the
443 Compacting State may petition the Commission, at least fifteen days
444 before the effective date of the Uniform Standard, to stay the
445 effectiveness of the Uniform Standard in that State. The Commission
446 may grant a stay if it determines the regulatory opt out is being
447 pursued in a reasonable manner and there is a likelihood of success. If
448 a stay is granted or extended by the Commission, the stay or extension
449 thereof may postpone the effective date by up to ninety days, unless
450 affirmatively extended by the Commission; provided, a stay may not
451 be permitted to remain in effect for more than one year unless the
452 Compacting State can show extraordinary circumstances which
453 warrant a continuance of the stay, including, but not limited to, the
454 existence of a legal challenge which prevents the Compacting State
455 from opting out. A stay may be terminated by the Commission upon
456 notice that the rulemaking process has been terminated.

457 7. Not later than thirty days after a Rule or Operating Procedure is
458 promulgated, any person may file a petition for judicial review of the
459 Rule or Operating Procedure; provided, that the filing of such a
460 petition shall not stay or otherwise prevent the Rule or Operating
461 Procedure from becoming effective unless the court finds that the
462 petitioner has a substantial likelihood of success. The court shall give
463 deference to the actions of the Commission consistent with applicable
464 law and shall not find the Rule or Operating Procedure to be unlawful
465 if the Rule or Operating Procedure represents a reasonable exercise of
466 the Commission's authority.

467 Article VIII. Commission Records and Enforcement

468 1. The Commission shall promulgate Rules establishing conditions
469 and procedures for public inspection and copying of its information
470 and official records, except such information and records involving the
471 privacy of individuals and insurers' trade secrets. The Commission
472 may promulgate additional Rules under which it may make available
473 to federal and state agencies, including law enforcement agencies,
474 records and information otherwise exempt from disclosure, and may

475 enter into agreements with such agencies to receive or exchange
476 information or records subject to nondisclosure and confidentiality
477 provisions.

478 2. Except as to privileged records, data and information, the laws of
479 any Compacting State pertaining to confidentiality or nondisclosure
480 shall not relieve any Compacting State Commissioner of the duty to
481 disclose any relevant records, data or information to the Commission;
482 provided, that disclosure to the Commission shall not be deemed to
483 waive or otherwise affect any confidentiality requirement; and further
484 provided, that, except as otherwise expressly provided in this
485 Compact, the Commission shall not be subject to the Compacting
486 State's laws pertaining to confidentiality and nondisclosure with
487 respect to records, data and information in its possession. Confidential
488 information of the Commission shall remain confidential after such
489 information is provided to any Commissioner.

490 3. The Commission shall monitor Compacting States for compliance
491 with duly adopted Bylaws, Rules, including Uniform Standards, and
492 Operating Procedures. The Commission shall notify any non-
493 complying Compacting State in writing of its noncompliance with
494 Commission Bylaws, Rules or Operating Procedures. If a non-
495 complying Compacting State fails to remedy its noncompliance within
496 the time specified in the notice of noncompliance, the Compacting
497 State shall be deemed to be in default as set forth in Article XIV.

498 4. The Commissioner of any State in which an Insurer is authorized
499 to do business, or is conducting the business of insurance, shall
500 continue to exercise the commissioner's authority to oversee the
501 market regulation of the activities of the Insurer in accordance with the
502 provisions of the State's law. The Commissioner's enforcement of
503 compliance with the Compact is governed by the following provisions:

504 a. With respect to the Commissioner's market regulation of a
505 Product or Advertisement that is approved or certified to the
506 Commission, the content of the Product or Advertisement shall not
507 constitute a violation of the provisions, standards or requirements of

508 the Compact except upon a final order of the Commission, issued at
509 the request of a Commissioner after prior notice to the Insurer and an
510 opportunity for hearing before the Commission.

511 b. Before a Commissioner may bring an action for violation of any
512 provision, standard or requirement of the Compact relating to the
513 content of an Advertisement not approved or certified to the
514 Commission, the Commission, or an authorized Commission officer or
515 employee, must authorize the action. However, authorization
516 pursuant to this paragraph does not require notice to the Insurer,
517 opportunity for hearing or disclosure of requests for authorization or
518 records of the Commission's action on such requests.

519 Article IX. Dispute Resolution

520 The Commission shall attempt, upon the request of a Member, to
521 resolve any disputes or other issues that are subject to this Compact
522 and which may arise between two or more Compacting States, or
523 between Compacting States and Non-compacting States, and the
524 Commission shall promulgate an Operating Procedure providing for
525 resolution of such disputes.

526 Article X. Product Filing and Approval

527 1. Insurers and Third-Party Filers seeking to have a Product
528 approved by the Commission shall file the Product with, and pay
529 applicable filing fees to, the Commission. Nothing in this Compact
530 shall be construed to restrict or otherwise prevent an insurer from
531 filing its Product with the insurance department in any State wherein
532 the insurer is licensed to conduct the business of insurance, and such
533 filing shall be subject to the laws of the States where filed.

534 2. The Commission shall establish appropriate filing and review
535 processes and procedures pursuant to Commission Rules and
536 Operating Procedures. Notwithstanding any provision herein to the
537 contrary, the Commission shall promulgate Rules to establish
538 conditions and procedures under which the Commission will provide

539 public access to Product filing information. In establishing such Rules,
540 the Commission shall consider the interests of the public in having
541 access to such information, as well as protection of personal medical
542 and financial information and trade secrets, that may be contained in a
543 Product filing or supporting information.

544 3. Any Product approved by the Commission may be sold or
545 otherwise issued in those Compacting States for which the Insurer is
546 legally authorized to do business.

547 Article XI. Review of Commission Decisions Regarding Filings

548 1. Not later than thirty days after the Commission has given notice
549 of a disapproved Product or Advertisement filed with the
550 Commission, the Insurer or Third Party Filer whose filing was
551 disapproved may appeal the determination to a review panel
552 appointed by the Commission. The Commission shall promulgate
553 Rules to establish procedures for appointing such review panels and
554 provide for notice and hearing. An allegation that the Commission, in
555 disapproving a Product or Advertisement filed with the Commission,
556 acted arbitrarily, capriciously, or in a manner that is an abuse of
557 discretion or otherwise not in accordance with the law, is subject to
558 judicial review in accordance with Article III, Section 4.

559 2. The Commission shall have authority to monitor, review and
560 reconsider Products and Advertisement subsequent to their filing or
561 approval upon a finding that the product does not meet the relevant
562 Uniform Standard. Where appropriate, the Commission may
563 withdraw or modify its approval after proper notice and hearing,
564 subject to the appeal process in Section 1 of this article.

565 Article XII. Finance

566 1. The Commission shall pay or provide for the payment of the
567 reasonable expenses of its establishment and organization. To fund the
568 cost of its initial operations, the Commission may accept contributions
569 and other forms of funding from the National Association of Insurance

570 Commissioners, Compacting States and other sources. Contributions
571 and other forms of funding from other sources shall be of such a
572 nature that the independence of the Commission concerning the
573 performance of its duties shall not be compromised.

574 2. The Commission shall collect a filing fee from each Insurer and
575 Third Party Filer filing a product with the Commission to cover the
576 cost of the operations and activities of the Commission and its staff in a
577 total amount sufficient to cover the Commission's annual budget.

578 3. The Commission's budget for a fiscal year shall not be approved
579 until it has been subject to notice and comment as set forth in Article
580 VII of this Compact.

581 4. The Commission shall be exempt from all taxation in and by the
582 Compacting States.

583 5. The Commission shall not pledge the credit of any Compacting
584 State, except by and with the appropriate legal authority of that
585 Compacting State.

586 6. The Commission shall keep complete and accurate accounts of all
587 its internal receipts, including grants and donations, and
588 disbursements of all funds under its control. The internal financial
589 accounts of the Commission shall be subject to the accounting
590 procedures established under its Bylaws. The financial accounts and
591 reports including the system of internal controls and procedures of the
592 Commission shall be audited annually by an independent certified
593 public accountant. Upon the determination of the Commission, but no
594 less frequently than every three years, the review of the independent
595 auditor shall include a management and performance audit of the
596 Commission. The Commission shall make an Annual Report to the
597 Governor and legislature of the Compacting States, which shall
598 include a report of the independent audit. The Commission's internal
599 accounts shall not be confidential and such materials may be shared
600 with the Commissioner of any Compacting State upon request
601 provided, however, that any work papers related to any internal or

602 independent audit and any information regarding the privacy of
603 individuals and insurers' proprietary information, including trade
604 secrets, shall remain confidential.

605 7. No Compacting State shall have any claim to or ownership of any
606 property held by or vested in the Commission or to any Commission
607 funds held pursuant to the provisions of this Compact.

608 Article XIII. Compacting States, Effective Date and Amendment

609 1. Any State is eligible to become a Compacting State.

610 2. The Compact shall become effective and binding upon legislative
611 enactment of the Compact into law by two Compacting States;
612 provided, the Commission shall become effective for purposes of
613 adopting Uniform Standards for, reviewing, and giving approval or
614 disapproval of, Products filed with the Commission that satisfy
615 applicable Uniform Standards only after twenty-six States are
616 Compacting States or, alternatively, by States representing greater than
617 forty per cent of the premium volume for life insurance, annuity,
618 disability income and long-term care insurance products, based on
619 records of the National Association of Insurance Commissioners for
620 the prior year. Thereafter, it shall become effective and binding as to
621 any other Compacting State upon enactment of the Compact into law
622 by that State.

623 3. Amendments to the Compact may be proposed by the
624 Commission for enactment by the Compacting States. No amendment
625 shall become effective and binding upon the Commission and the
626 Compacting States unless and until all Compacting States enact the
627 amendment into law.

628 Article XIV. Withdrawal, Default and Termination

629 1. Withdrawal

630 a. Once effective, the Compact shall continue in force and remain
631 binding upon each and every Compacting State; provided, that a

632 Compacting State may withdraw from the Compact by enacting a
633 statute specifically repealing the statute which enacted the Compact
634 into law.

635 b. The effective date of withdrawal is the effective date of the
636 repealing statute. However, the withdrawal shall not apply to any
637 product filings approved or self-certified, or any Advertisement of
638 such products, on the date the repealing statute becomes effective,
639 except by mutual agreement of the Commission and the Withdrawing
640 State unless the approval is rescinded by the Withdrawing State as
641 provided in Paragraph e of this section.

642 c. The Commissioner of the Withdrawing State shall immediately
643 notify the Management Committee in writing upon the introduction of
644 legislation repealing this Compact in the Withdrawing State.

645 d. The Commission shall notify the other Compacting States of the
646 introduction of such legislation within ten days after its receipt of
647 notice thereof.

648 e. The Withdrawing State is responsible for all obligations, duties
649 and liabilities incurred through the effective date of withdrawal,
650 including any obligations, the performance of which extend beyond
651 the effective date of withdrawal, except to the extent those obligations
652 may have been released or relinquished by mutual agreement of the
653 Commission and the Withdrawing State. The Commission's approval
654 of Products and Advertisement prior to the effective date of
655 withdrawal shall continue to be effective and be given full force and
656 effect in the Withdrawing State, unless formally rescinded by the
657 Withdrawing State in the same manner as provided by the laws of the
658 Withdrawing State for the prospective disapproval of products or
659 advertisement previously approved under state law.

660 f. Reinstatement following withdrawal of any Compacting State
661 shall occur upon the effective date of the Withdrawing State reenacting
662 the Compact.

663 2. Default

664 a. If the Commission determines that any Compacting State has at
665 any time defaulted in the performance of any of its obligations or
666 responsibilities under this Compact, the Bylaws or duly promulgated
667 Rules or Operating Procedures, then, after notice and hearing as set
668 forth in the Bylaws, all rights, privileges and benefits conferred by this
669 Compact on the Defaulting State shall be suspended from the effective
670 date of default as fixed by the Commission. The grounds for default
671 include, but are not limited to, failure of a Compacting State to
672 perform its obligations or responsibilities, and any other grounds
673 designated in Commission Rules. The Commission shall immediately
674 notify the Defaulting State in writing of the Defaulting State's
675 suspension pending a cure of the default. The Commission shall
676 stipulate the conditions and the time period within which the
677 Defaulting State must cure its default. If the Defaulting State fails to
678 cure the default within the time period specified by the Commission,
679 the Defaulting State shall be terminated from the Compact and all
680 rights, privileges and benefits conferred by this Compact shall be
681 terminated from the effective date of termination.

682 b. Product approvals by the Commission or product self-
683 certifications, or any Advertisement in connection with such product,
684 that are in force on the effective date of termination shall remain in
685 force in the Defaulting State in the same manner as if the Defaulting
686 State had withdrawn voluntarily pursuant to Section 1 of this article.

687 c. Reinstatement following termination of any Compacting State
688 requires a reenactment of the Compact.

689 3. Dissolution of Compact

690 a. The Compact dissolves effective upon the date of the withdrawal
691 or default of the Compacting State which reduces membership in the
692 Compact to one Compacting State.

693 b. Upon the dissolution of this Compact, the Compact becomes null

694 and void and shall be of no further force or effect, and the business and
695 affairs of the Commission shall be wound up and any surplus funds
696 shall be distributed in accordance with the Bylaws.

697 Article XV. Severability and Construction

698 1. The provisions of this Compact shall be severable; and if any
699 phrase, clause, sentence or provision is deemed unenforceable, the
700 remaining provisions of the Compact shall be enforceable.

701 2. The provisions of this Compact shall be liberally construed to
702 effectuate its purposes.

703 Article XVI. Binding Effect of Compact and Other Laws

704 1. Other Laws

705 a. Nothing herein prevents the enforcement of any other law of a
706 Compacting State, except as provided in Paragraph b of this section.

707 b. For any Product approved or certified to the Commission, the
708 Rules, Uniform Standards and any other requirements of the
709 Commission shall constitute the exclusive provisions applicable to the
710 content, approval and certification of such Products. For
711 Advertisement that is subject to the Commission's authority, any Rule,
712 Uniform Standard or other requirement of the Commission which
713 governs the content of the Advertisement shall constitute the exclusive
714 provision that a Commissioner may apply to the content of the
715 Advertisement. Notwithstanding the foregoing, no action taken by the
716 Commission shall abrogate or restrict: (i) the access of any person to
717 state courts; (ii) remedies available under state law related to breach of
718 contract, tort, or other laws not specifically directed to the content of
719 the Product; (iii) state law relating to the construction of insurance
720 contracts; or (iv) the authority of the attorney general of the state,
721 including but not limited to maintaining any actions or proceedings, as
722 authorized by law.

723 c. All insurance products filed with individual States shall be subject

724 to the laws of those States.

725 2. Binding Effect of this Compact

726 a. All lawful actions of the Commission, including all Rules and
727 Operating Procedures promulgated by the Commission, are binding
728 upon the Compacting States.

729 b. All agreements between the Commission and the Compacting
730 States are binding in accordance with their terms.

731 c. Upon the request of a party to a conflict over the meaning or
732 interpretation of Commission actions, and upon a majority vote of the
733 Compacting States, the Commission may issue advisory opinions
734 regarding the meaning or interpretation in dispute.

735 d. In the event any provision of this Compact exceeds the
736 constitutional limits imposed on the legislature of any Compacting
737 State, the obligations, duties, powers or jurisdiction sought to be
738 conferred by that provision upon the Commission shall be ineffective
739 as to that Compacting State, and those obligations, duties, powers or
740 jurisdiction shall remain in the Compacting State and shall be
741 exercised by the agency thereof to which those obligations, duties,
742 powers or jurisdiction are delegated by law in effect at the time this
743 Compact becomes effective.

744 Appendix A

745 Pursuant to terms and conditions of this Compact, the State of
746 Connecticut seeks to join with other States and establish the Interstate
747 Insurance Product Regulation Compact, and thus become a member of
748 the Interstate Insurance Product Regulation Commission. The
749 Insurance Commissioner is hereby designated to serve as the
750 representative of this State to the Commission.

<p>This act shall take effect as follows and shall amend the following sections:</p>
--

Section 1	<i>October 1, 2007</i>	New section
-----------	------------------------	-------------

INS *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Insurance Dept.	GF - Revenue Loss	Potential Minimal	Potential Minimal

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill would result in a minimal revenue loss, related to potentially decreased fees from insurance companies filing and registering insurance products with the state. Insurance companies may choose to register either with the state or with the interstate compact. The fee to file and register an insurance product with the state is \$15. To the extent that fewer fees could be collected for product registration, the state could experience a minimal revenue loss.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of insurance companies who opt to file and register insurance products with the interstate insurance compact rather than the state which is unknown at this time.

OLR Bill Analysis**SB 1105*****AN ACT ADOPTING THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS' INTERSTATE INSURANCE PRODUCT REGULATION COMPACT.*****SUMMARY:**

This bill adopts the National Association of Insurance Commissioners' (NAIC) Interstate Insurance Product Regulation Compact, a multi-state agreement that creates a national authority called the Interstate Insurance Product Regulation Commission. The commission, which includes one member from each participating state, has a broad range of powers, including rule-making authority. It (1) adopts national uniform standards for individual and group annuity, life insurance, disability income, and long-term care insurance products and (2) receives, reviews, and provides appropriate regulatory approval for product filings and advertisements from insurers. The commission's decisions have the force and effect of law and are binding on participating states.

Currently, an insurance company must obtain approval from each state in which it wants to market its products. The compact establishes a centralized point of filing and approval instead. Once the commission approves an insurer's product, it is available for sale in each member state of the compact. Member states retain the authority to perform market conduct examinations of the insurance companies, and respond to consumer complaints.

EFFECTIVE DATE: October 1, 2007

INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION

The commission cannot adopt uniform standards or review or approve product filings until 26 jurisdictions or, alternatively,

jurisdictions with more than 40% of covered insurance products' premium volume enact the compact (29 jurisdictions representing 48% of premium have enacted it to date). Two-thirds of the participating states must approve a uniform standard before it takes effect.

Insurers wanting a product approved must send the filing and applicable filing fee to the commission. Any product the commission approves may be sold or issued in any participating state in which the insurer is licensed to do business. The compact does not prohibit an insurer from instead filing the product with the Insurance Department, in which case the filing is subject to Connecticut laws.

A state can opt out of any uniform standard through legislation or regulation if it determines the standard does not provide reasonable protections for its citizens. It can also withdraw from the compact by repealing the statute that adopted it.

BACKGROUND

Streamlined Product Regulation

The NAIC initially adopted the Interstate Insurance Product Regulation Compact in December 2002. After receiving recommendations and comments from the National Conference of State Legislators (NCSL), the National Conference of Insurance Legislators (NCOIL), and attorneys general nationally, NAIC adopted amendments to the compact in July 2003. The amendments provided for open meetings and public inspection of the commission's records and required a code of ethics for the commission and its employees, among other changes. NCSL and NCOIL each endorsed the amended compact in July 2003 and the attorneys general withdrew their opposition.

The multi-state agreement creates a streamlined system of product regulation that (1) allows insurers to market certain insurance products more quickly nationally and (2) reduces the number of product variations that a company needs to meet state-specific requirements. Twenty-nine jurisdictions have adopted the compact: Alaska,

Colorado, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Hampshire, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, Texas, Utah, Vermont, Virginia, Washington, West Virginia, and Wyoming. The commission has adopted an operating budget, nine uniform product standards, and three operating procedures, which are available to the public on its website: www.insurancecompact.org.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 15 Nay 3 (03/01/2007)