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*Statement*

*Insurance Association of Connecticut*

Insurance & Real Estate Committee

January 27, 2009

**SB 456, AN ACT ADOPTING THE NATIONAL ASSOCIATION OF  
INSURANCE COMMISSIONERS' INTERSTATE INSURANCE  
PRODUCT REGULATION COMPACT**

The Insurance Association of Connecticut supports SB 456, entitled "An Act Adopting The National Association of Insurance Commissioners' Interstate Insurance Product Regulation Compact."

Life insurance, annuities, disability income, and long-term care insurance must be approved by each state before they can be marketed and sold. There are divergent standards established for the structure of these products among the states, so insurance policies must be revised based on each state's particular standards before they can be approved. The task is often very expensive and, most importantly, time-consuming for insurance companies. Compared with our competitors in the financial services marketplace who are federally regulated, insurers are disadvantaged because of the slower pace of insurance product approval (can take up to 18 months or more to get approvals).

The adoption of the compact would enhance state regulation of insurance by creating a Commission governed collectively by the participating states that would serve as a single point of filing for those products, and that would establish uniform national standards for them.

Such a system would benefit both consumers and state government, as well as insurers. Consumers will benefit from strong, uniform national product standards, which is especially important given our increasingly mobile population. The quality of product review will be maintained or enhanced, as experienced staff will review the filings, thereby enabling state regulators to devote more time and resources to monitoring and correcting problems in the marketplace. The public will have more timely access to innovative insurance products. In addition, the General Assembly will retain oversight over the process through mechanisms for opting out of the standards, review of the standards prior to adoption and the ability to repeal the Compact. Connecticut will retain its authority to regulate market practices and take enforcement actions as necessary. The Insurance Department and Attorney General will retain authority to monitor insurers' activities and punish violators.

We commend the National Association of Insurance Commissioners (NAIC) for their hard work in crafting the model legislation. It should also be pointed out that the Compact has been endorsed by several state legislative groups, including the National Conference of State Legislators (NCSL) and the National Conference of Insurance Legislators (NCOIL). In only three years, 33 jurisdictions have adopted the compact, including the rest of New England. Additional states are currently considering adoption of the Compact, including New Jersey, Oregon and New York.

The Compact is now operational (a minimum of 26 states were needed) and the Commission is in the process of adopting uniform standards (see [www.insurancecompact.org](http://www.insurancecompact.org)). Technical committees have developed product standards, 49 of which will have been approved by the members early this year (a 2/3 vote is required). The Commission began accepting filings for review in September of '07 and

has approved over 4,000 filings to date. Connecticut is regrettably playing no role in the development of those standards.

Until the state adopts the Compact, Connecticut consumers will not get the benefit of speed to market (heightened competition, availability of innovative products). Insurers will continue to be at a competitive disadvantage in the state's financial services market.

There is a real need for a streamlined and efficient regulatory process for life insurance company product filings. The products covered by the Compact (life insurance, annuities, disability insurance and LTC insurance) are purchased as "lifetime" coverages that policyholders often retain for decades while they move from state to state. These products are sold by insurers that do business across the country. Thus these products are particularly suited to being regulated by cooperative action among the states. National product standards and a single point of filing for life insurance products would benefit all interested parties – consumers, insurers, and government alike.

IAC urges passage of SB 456.