STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony
Insurance and Real Estate Committee
March 8, 2016

House Bill No. 5051 An Act Adopting the National Association of Insurance Commissioners' Interstate Insurance Product Regulation Compact.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony in support of Governor's Bill **House Bill No. 5051 An Act Adopting the National Association of Insurance Commissioners' Interstate Insurance Product Regulation Compact.**

The Interstate Compact is a joint and collaborative effort of states to come together to develop comprehensive uniform standards for the product content requirements of asset-based insurance products including life, annuity, long term care and disability insurance products. The Compact is a state-centric, member-driven initiative that provides speed-to-market for such insurance products while continuing to uphold each member state's obligation of ensuring strong consumer protections and oversight of their insurance marketplace. These types of asset-based products compete with banking and securities and other financial and retirement products which are regulated at the federal level subject to one set of requirements and one approval. In House Bill 5051, Connecticut is proposing to adopt the Compact for life and annuity products only, and not for long term care and disability products. The life and annuity Compact product standards were the first adopted and have been tested over time.

The Interstate Insurance Product Regulation Commission's (IIPRC) process for developing Uniform Standards is transparent, deliberative and welcomes input from regulators, legislators, consumers, companies and industry organizations. The Compact rises above state-by-state approaches to embrace best content and disclosure practices and protections benefiting consumers and allowing companies to prepare, deploy, market and administer standard product forms across all Compacting States.

Product filings undergo a thorough and timely prior review to ensure compliance with very detailed Uniform Standards promoting uniformity and speed-to-market without sacrificing comprehensive regulatory review. This review is performed in a manner that is transparent to member states, by an experienced product review team. Under the Interstate Compact, **member states maintain their sovereign authority to regulate** the activities of companies engaging in the business of insurance in their respective states.

The Commission makes the filing, review and approval process much more streamlined and uniform saving both states and companies administrative and overhead costs associated with the product filing

process. The Interstate Compact preserves state filing fee revenue as the (IIPRC) collects and remits state filing fees. Since the Commission facilitates state-based regulation, the filing fees are maintained to be used by states to support regulatory functions critical to consumer protection.

Each Compacting State has a right to opt out of an entire adopted Uniform Standard by regulation by providing notice to the Commission within a specified period of time **or by legislation at any time**. In establishing parameters for the exercise of the sovereign right to opt-out of a Uniform Standard, the opt-out process reasonably compels members to work together to develop Uniform Standards with strong consumer protections so that a Member State will use all avenues in the development and adoption process to share its concerns. Member States have access to all Commission filings submitted for their state from the point of filing and can see all aspects of the Commission's filing review.

By joining the Interstate Compact, a Member State's consumers will have more options to a wider variety of asset-based products that have been reviewed under detailed uniform standards with strong consumer protections. Companies doing business in a Member State will have a more **streamlined product approval process that promotes speed-to-market without sacrificing consumer safeguards** which are the hallmark of the state-based insurance regulatory system. By minimizing the resources that must be devoted to product content review for standard life and annuity products, the Connecticut Insurance Department will be able to devote more time to reviewing health, property and casualty, and life products not covered by the Interstate Compact. **Adoption of the Compact will allow the Department to focus on core services and to improve its regulatory efficiency by allowing more effective deployment of key professional resources to ensure consumer protection.** This regulatory efficiency will allow the Department to redeploy one employee from the Life and Health Division to another division within the agency – an annual cost savings of $177,380[1].

The Department acknowledges the Chairs' efforts to enact the Compact and is steadfast in its commitment to continuing to work through the concern raised about the War Exclusion. The Department has been in touch with Karen Schutter, Executive Director of the IIPRC, and has expressed the concerns raised by the Legislature. Commissioner Wade sent the IIPRC Chair, Virginia Commissioner of Insurance Jacqueline Cunningham, a letter on March 1, 2016 requesting that that the IIPRC, *"consider amending their war exclusion provision across its Uniform Standards to clarify that the risk of death as a result of war or act of war is prohibited with respect to any proposed insured that serves in the military on behalf of our country."*

The IIPRC responded to the Department that this item of business would be placed on the IIPRC's agenda for the April 2, 2016 meeting to be voted on. Once voted on, this actual change in their uniform standards would take until the end of the 2016 calendar year to implement. For this reason, the Department requests that the effective date of H.B. 5051 be delayed until January 1, 2017.

The Department thanks the Insurance and Real Estate Committee Chairs and members for the opportunity to submit testimony on H.B. 5051 and looks forward to continuing to work on this important item of public policy for both the State of Connecticut and the nation.

---

[1] This figure includes salary and fringe benefits.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than $4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about $7.45 to the state in revenues. Each year, the Department returns more than $215 million in assessments, fees and penalties to the state's General Fund.