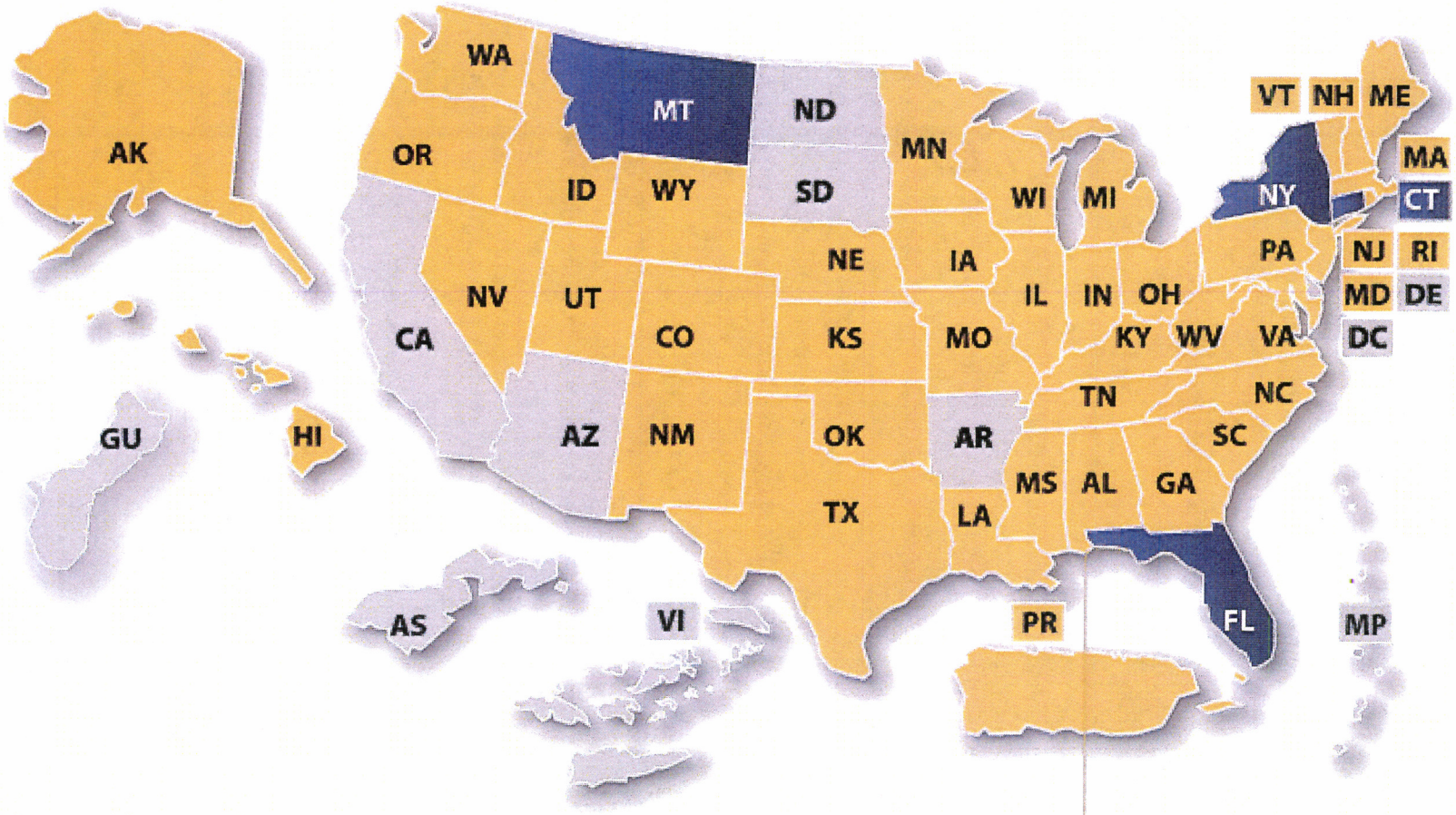
Interstate Insurance Product Regulation Compact

As of January 18, 2013



Enacted Into Law (41)

AK, AL, CO, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, NC, NE
NH, NJ, NM, NV, OH, OK, OR, PA, PR, RI, SC, TN, TX, UT, VA, VT, WA, WI, WV, WY

Pending or Introduced Legislation in 2013 (4)

CT, FL, MT, NY

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EXHIBIT 1
DATE 2/6/13
SB 28

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION

States, Strength & Speed Aligned

Interstate Insurance Product Regulation Commission

Overview for Montana

The Interstate Insurance Product Regulation Compact ("Compact") is an innovative vehicle formalizing the joint and cooperative action among the compacting states, while leveraging regulatory resources and expertise, in pursuit of uniform standards, that strongly protect the interest of consumers and form the foundation of a central clearinghouse for prompt review of asset-based insurance products. Today, the Compact has been adopted by 41 Member jurisdictions – 40 States and Puerto Rico -- representing over two-thirds of the premium volume for the authorized product lines in the Montana SB28 nationwide (life & annuity). The Compact is intended to address concerns expressed by the insurance industry and others regarding the efficiency in getting new products reviewed and approved by state regulators; while at the same time, expressly preserving the market conduct and law enforcement authority of state insurance regulators and state attorney generals as well as consumers' access to state courts and state remedies.

The Compact legislation under consideration by this Committee is based on the model law developed by the National Association of Insurance Commissioners (NAIC) through an open, deliberative process and in close consultation and collaboration with the National Conference of State Legislatures (NCSL) and the National Conference of Insurance Legislators (NCOIL). One important provision strongly endorsed by all three organizations is Article XVI of the Compact model which provides that other than the limited jurisdiction of the Interstate Insurance Product Regulation Commission over the content, approval and certification of Products and Advertisements filed with the Commission, *"no action taken by the Commission shall abrogate or restrict: (i) the access of any person to state courts; (ii) remedies available under state law related to breach of contract, tort, or other laws not specifically directed to the content of the Product; (iii) state law relating to the construction of insurance contracts; or (iv) the authority of the attorney general of the state, including but not limited to maintaining any actions or proceedings, as authorized by law."* States and state attorney generals retain their full authority to regulate the marketing of Compact-approved products in their respective jurisdictions.

As a contract between states, an interstate compact allows for cooperation on multi-state or national issues while maintaining state sovereignty. Although interstate compacts historically have been used to address border disputes and water rights, their use has expanded significantly in recent decades to cover such areas as tax issues, drivers' licensing and vehicle registration, environmental issues, emergency management, juveniles, adult offenders and other issues. According to the Council of State Governments (CSG), there are approximately 200 interstate compacts in existence today,

and every state belongs to at least one or more compacts. In fact, according to the CSG, Montana currently is a member of 25 interstate compacts. *See,* *http://www.csg.org/programs/ncic/database/search.aspx*. The Compact was modeled on other widely-adopted compacts including the Interstate Compact for Adult Supervision which has been adopted by Montana.

Under the Compact legislation, each state, through its member, Governor and state legislature, has a significant role and authority in terms of its participation in the Compact. Each state retains ultimately authority to enter into and withdraw from the Compact as well as to opt-out of Compact Uniform Standards at any time. The member actively participates in the Compact Commission decision-making process including development and adoption of uniform standards, operating procedures and rules and may opt-out of a Uniform Standard by regulation pursuant to the terms of the Compact and the state's own administrative procedures. Further, the Compact has several protections to ensure reasonable notice is provided to states, including their legislature, before Uniform Standards are adopted with the further requirement that a Uniform Standard can only be adopted by a two-thirds vote of the entire Commission and its Management Committee.

In this period of state budget shortfalls, the Compact provides a solid resource for compacting states to handle the review and approval of product filings and allowing states to focus limited staffing resources on market regulatory functions. Importantly, State Filing Revenue remains in force, as the terms of the Compact expressly preserves the states' rights to collect filing fees. In 2011, the Compact Commission collected from companies and remitted to compacting states nearly $1,000,000 in state filing fees.

The Compact has an operational track record of adopting Uniform Standards with high consumer protection thresholds. The Compact has also conducted its policy- and decision-making process in an open and transparent process providing multiple opportunities for public notice and comment on proposed uniform standards and operating procedures while soliciting input from its Legislative Committee, both the Industry and Consumer Advisory Committees and other interested parties; as well as publishing all information related to both proposed and adopted rulemaking actions on its website at www.insurancecompact.org.

State legislators are actively represented in the Compact process with the proactive Legislative Committee, comprised of 8 legislators who are very supportive of this state-based modernization initiative, selected by the National Conference of Insurance Legislators (NCOIL) and the National Conference of State Legislatures (NCSL) (both have endorsed the Compact), and who provide extremely useful input into policy matters before the Interstate Insurance Product Regulation Commission. The Compact encourages consumer participation through its Consumer Advisory Committee and funds the travel expenses for consumer representatives to participate in Commission meetings and conference calls.

Compact Product Filings are submitted through the System for Electronic Rate and Form Filing (SERFF), which is utilized by all compacting states, and over 3,000 companies. This allows the state insurance departments to have ready access to Compact Product Filings during the review process and after final disposition in order to carry out their market conduct duties. It also allows the timely collection and remittance of state filing fees through the Compact to your state.

Moreover, the Compact Review Team is comprised of experienced regulatory staff who have previously worked for state insurance departments with a combined 70 years of state product review experience. The Compact Review Team has reviewed and approved more than 1,300 product filings since June 2007 when the first filings were received with an average turnaround time of 30 days -- considerably less than the 60-days turnaround time required by the Commission's Operating Procedure for the Filing and Approval of Product Filings.

In summary, the Compact benefits consumers, states, and the insurance industry. Consumers will benefit from having timely access to asset-based insurance products while continuing to have their issues and problems addressed locally. The Insurance Department will be able to leverage regulatory resources and expertise to help create high national standards which include strong consumer protections. Additionally, by creating a central clearinghouse to receive, review and approve asset-based insurance products, the Compact will improve speed-to-market for insurers by creating a single point of contact for the filing of life and annuity products, which will ultimately result in reduced expenses for states, companies and consumers.