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2 INTERSTATE INSURANCE PRODUCT REGULATION COMPACT
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6 ARTICLE I. PURPOSES
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8 The purposes of this Compact are, through means of joint and cooperative action among the
9 Compacting States:

- 10 1. To promote and protect the interest of consumers of individual and group annuity, life
11 insurance, disability income and long-term care insurance products;
- 12 2. To develop uniform standards for insurance products covered under the Compact;
- 13 3. To establish a central clearinghouse to receive and provide prompt review of insurance
14 products covered under the Compact and, in certain cases, advertisements related thereto, submitted
15 by insurers authorized to do business in one or more Compacting States;
- 16 4. To give appropriate regulatory approval to those product filings and advertisements
17 satisfying the applicable uniform standard;
- 18 5. To improve coordination of regulatory resources and expertise between state insurance
19 departments regarding the setting of uniform standards and review of insurance products covered
20 under the Compact;
- 21 6. To create the Interstate Insurance Product Regulation Commission; and
- 22 7. To perform these and such other related functions as may be consistent with the state
23 regulation of the business of insurance.
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26 ARTICLE II. DEFINITIONS
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28 For purposes of this Compact:
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- 30 1. "Advertisement" means any material designed to create public interest in a Product, or
31 induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain a
32 policy, as more specifically defined in the Rules and Operating Procedures of the Commission.
- 33 2. "Bylaws" mean those bylaws established by the Commission for its governance, or for
34 directing or controlling the Commission's actions or conduct.
- 35 3. "Compacting State" means any State which has enacted this Compact legislation and which
36 has not withdrawn pursuant to Article XIV, Section 1, or been terminated pursuant to Article XIV,
37 Section 2.
- 38 4. "Commission" means the "Interstate Insurance Product Regulation Commission"
39 established by this Compact.
- 40 5. "Commissioner" means the chief insurance regulatory official of a State including, but not
41 limited to commissioner, superintendent, director or administrator.

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

3 7. "Insurer" means any entity licensed by a State to issue contracts of insurance for any of the
4 lines of insurance covered by this Act.

5 8. "Member" means the person chosen by a Compacting State as its representative to the
6 Commission, or his or her designee.

7 (Drafting Note moved to Article V Section 1.a.)

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

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

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

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

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

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

23 15. "Uniform Standard" means a standard adopted by the Commission for a Product line,
24 pursuant to Article VII of this Compact, and shall include all of the Product requirements in
25 aggregate; *provided*, that each Uniform Standard shall be construed, whether express or implied, to
26 prohibit the use of any inconsistent, misleading or ambiguous provisions in a Product and the form
27 of the Product made available to the public shall not be unfair, inequitable or against public policy
28 as determined by the Commission.

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31 **ARTICLE III. ESTABLISHMENT OF THE COMMISSION AND VENUE**
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33 1. The Compacting States hereby create and establish an entity known as the "Interstate
34 Insurance Product Regulation Commission." Pursuant to Article IV, the Commission will have the
35 power to develop Uniform Standards for Product lines, receive and provide prompt review of
36 Products filed therewith, and give approval to those Product filings satisfying applicable Uniform
37 Standards; *provided*, it is not intended for the Commission to be the exclusive entity for receipt and
38 review of insurance product filings. Nothing herein shall prohibit any Insurer from filing its product
39 in any State wherein the Insurer is licensed to conduct the business of insurance; and any such filing
40 shall be subject to the laws of the State where filed.

41 2. The Commission is a body corporate comprising each Compacting State.

1 3. The Commission is a not-for-profit entity, separate and distinct from the individual
2 Compacting States.

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

5 5. Venue is proper and judicial proceedings by or against the Commission shall be brought
6 solely and exclusively in a Court of competent jurisdiction where the principal office of the
7 Commission is located.

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10 ARTICLE IV. POWERS OF THE COMMISSION

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12 The Commission shall have the following powers:

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

17 2. To exercise its rule-making authority and establish reasonable Uniform Standards for
18 Products covered under the Compact, and Advertisement related thereto, which shall have the force
19 and effect of law and shall be binding in the Compacting States, but only for those Products filed
20 with the Commission, *provided*, that a Compacting State shall have the right to opt out of such
21 Uniform Standard pursuant to Article VII, to the extent and in the manner provided in this Compact,
22 and, *provided further*, that any Uniform Standard established by the Commission for long-term care
23 insurance products may provide the same or greater protections for consumers as, but shall not
24 provide less than, those protections set forth in the National Association of Insurance
25 Commissioners' Long-Term Care Insurance Model Act and Long-Term Care Insurance Model
26 Regulation, respectively, adopted as of 2001. The Commission shall consider whether any
27 subsequent amendments to the NAIC Long-Term Care Insurance Model Act or Long-Term Care
28 Insurance Model Regulation adopted by the NAIC require amending of the Uniform Standards
29 established by the Commission for long-term care insurance products;

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

35 4. To receive and review in an expeditious manner Advertisement relating to long-term care
36 insurance products for which Uniform Standards have been adopted by the Commission, and give
37 approval to all Advertisement that satisfies the applicable Uniform Standard. For any product
38 covered under this Compact, other than long-term care insurance products, the Commission shall
39 have the authority to require an insurer to submit all or any part of its Advertisement with respect to
40 that product for review or approval prior to use, if the Commission determines that the nature of the
41 product is such that an Advertisement of the product could have the capacity or tendency to mislead
42 the public. The actions of Commission as provided in this section shall have the force and effect of
43 law and shall be binding in the Compacting States to the extent and in the manner provided in the
44 Compact;

**Adopted by the National Association of Insurance Commissioners
December 8, 2002**

1 **Drafting Note:** With respect to Advertisement, it is recommended that the Commission develop and adopt
2 Uniform Standards for Advertisement regarding Products covered under the Compact. With the exception of long-term
3 care insurance products, the Commission would generally not receive and approve any Advertisement.

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

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

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

11 8. To issue subpoenas requiring the attendance and testimony of witnesses and the production
12 of evidence;

13 9. To establish and maintain offices;

14 10. To purchase and maintain insurance and bonds;

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

17 12. To hire employees, professionals or specialists, and elect or appoint officers, and to fix their
18 compensation, define their duties and give them appropriate authority to carry out the purposes of
19 the Compact, and determine their qualifications; and to establish the Commission's personnel
20 policies and programs relating to, among other things, conflicts of interest, rates of compensation
21 and qualifications of personnel;

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

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

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

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

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

34 **Drafting Note:** It is recognized that the Commission must have authority to enforce compliance by Compacting
35 States with the Bylaws, Rules or Operating Procedures of the Commission.

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

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

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

3 21. To establish a budget and make expenditures;

4 22. To borrow money;

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

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

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

11 26. To perform such other functions as may be necessary or appropriate to achieve the
12 purposes of this Compact consistent with the state regulation of the business of insurance.
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15 **ARTICLE V. ORGANIZATION OF THE COMMISSION**

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17 **1. Membership, Voting and Bylaws**
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19 a. Each Compacting State shall have and be limited to one Member. Each Member shall be
20 qualified to serve in that capacity pursuant to applicable law of the Compacting State. Any Member
21 may be removed or suspended from office as provided by the law of the State from which he or she
22 shall be appointed. Any vacancy occurring in the Commission shall be filled in accordance with the
23 laws of the Compacting State wherein the vacancy exists. Nothing herein shall be construed to
24 affect the manner in which a Compacting State determines the election or appointment and
25 qualification of its own Commissioner.

26 **Drafting Note:** The Compact allows each Compacting State to select the person who will represent the State in
27 making policy and administrative decisions of the Compact. Ordinarily, it is presumed the member will be the insurance
28 commissioner who is otherwise responsible for such decisions within the State and is supported by the professional staff
29 of the insurance department. The Compact allows for exceptions if the State electing to join the Compact feels a
30 different selection is merited.

31 b. Each Member shall be entitled to one vote and shall have an opportunity to participate in
32 the governance of the Commission in accordance with the Bylaws. Notwithstanding any provision
33 herein to the contrary, no action of the Commission with respect to the promulgation of a Uniform
34 Standard shall be effective unless two-thirds (2/3) of the Members vote in favor thereof.

35 c. The Commission shall, by a majority of the Members, prescribe Bylaws to govern its
36 conduct as may be necessary or appropriate to carry out the purposes, and exercise the powers, of
37 the Compact, including, but not limited to:

38 i. establishing the fiscal year of the Commission;

39 ii. providing reasonable procedures for appointing and electing members, as well as holding
40 meetings, of the Management Committee;

1 iii. providing reasonable standards and procedures: (i) for the establishment of other
2 committees, and (ii) governing any general or specific delegation of any authority or function of the
3 Commission;

4 iv. providing reasonable procedures for calling and conducting meetings of the
5 Commission, and ensuring reasonable notice of each such meeting;

6 v. establishing the titles, duties and authority and reasonable procedures for the election of
7 the officers of the Commission;

8 vi. providing reasonable standards and procedures for the establishment of the personnel
9 policies and programs of the Commission. Notwithstanding any civil service or other similar laws
10 of any Compacting State, the Bylaws shall exclusively govern the personnel policies and programs
11 of the Commission; and

12 vii. providing a mechanism for winding up the operations of the Commission and the
13 equitable disposition of any surplus funds that may exist after the termination of the Compact after
14 the payment and/or reserving of all of its debts and obligations.

15 16 2. Management Committee, Officers and Personnel

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18 a. A Management Committee comprising no more than fourteen (14) members shall be
19 established as follows:

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21 (i) One (1) member from each of the six (6) Compacting States with the largest premium volume
22 for individual and group annuities, life, disability income and long-term care insurance products,
23 determined from the records of the NAIC for the prior year;

24 (ii) Four (4) members from those Compacting States with at least two percent (2%) of the market
25 based on the premium volume described above, other than the six (6) Compacting States with the
26 largest premium volume, selected on a rotating basis as provided in the Bylaws, and;

27 (iii) Four (4) members from those Compacting States with less than two percent (2%) of the
28 market, based on the premium volume described above, with one (1) selected from each of the four
29 (4) zone regions of the NAIC as provided in the Bylaws.

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31 **Drafting Note:** In developing the composition of the Management Committee, consideration was given to the role of
32 Compacting States in governance and operational issues. It is desirable to achieve a proper balance on the Management
33 Committee between the Compacting States based on premium volume and geographical diversity. Accordingly, factors
34 such as a Compacting State's premium volume for annuity, individual and group life insurance, disability income, and
35 long-term care insurance products, as well as geographical representation using the zone regions of the NAIC were
36 utilized. There are certain advantages to having Compacting States with large premium markets play a significant role
37 on the Management Committee. It is also recognized that Compacting States with smaller premium volume may raise
38 issues with respect to the overall balancing of interests of members on the Management Committee.

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40 **Additional Note:** The concept of serving on a "rotating basis" involves giving each Compacting State in the group the
41 opportunity to serve the same number of terms on the Management Committee before any other Compacting State in
42 the group serves an additional term. For example, those members representing Compacting States in the group shall
43 each serve one term on the Management Committee before any such State serves a second term.

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

1 i. managing the affairs of the Commission in a manner consistent with the Bylaws and
2 purposes of the Commission;

3 ii. establishing and overseeing an organizational structure within, and appropriate
4 procedures for, the Commission to provide for the creation of Uniform Standards and other Rules,
5 receipt and review of product filings, administrative and technical support functions, review of
6 decisions regarding the disapproval of a product filing, and the review of elections made by a
7 Compacting State to opt out of a Uniform Standard; *provided* that a Uniform Standard shall not be
8 submitted to the Compacting States for adoption unless approved by two-thirds (2/3) of the
9 members of the Management Committee;

10 iii. overseeing the offices of the Commission; and

11 iv. planning, implementing, and coordinating communications and activities with other
12 state, federal and local government organizations in order to advance the goals of the Commission.

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

15 d. The Management Committee may, subject to the approval of the Commission, appoint or
16 retain an executive director for such period, upon such terms and conditions and for such
17 compensation as the Commission may deem appropriate. The executive director shall serve as
18 secretary to the Commission, but shall not be a Member of the Commission. The executive director
19 shall hire and supervise such other staff as may be authorized by the Commission.
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21 3. Legislative and Advisory Committees 22

23 a. A legislative committee comprising state legislators or their designees shall be established
24 to monitor the operations of, and make recommendations to, the Commission, including the
25 Management Committee; *provided* that the manner of selection and term of any legislative
26 committee member shall be as set forth in the Bylaws. Prior to the adoption by the Commission of
27 any Uniform Standard, revision to the Bylaws, annual budget or other significant matter as may be
28 provided in the Bylaws, the Management Committee shall consult with and report to the legislative
29 committee.

30 b. The Commission shall establish two (2) advisory committees, one of which shall comprise
31 consumer representatives independent of the insurance industry, and the other comprising insurance
32 industry representatives.

33 c. The Commission may establish additional advisory committees as its Bylaws may provide
34 for the carrying out of its functions.
35

36 **Drafting Note:** It is anticipated that the number and manner of selecting members of these committees will be
37 addressed in the Bylaws. Additionally, consideration will be given to the creation of other advisory committees
38 depending on the needs of the Commission
39

40 4. Corporate Records of the Commission 41

42 The Commission shall maintain its corporate books and records in accordance with the
43 Bylaws.
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1 5. Qualified Immunity, Defense and Indemnification
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3 a. The Members, officers, executive director, employees and representatives of the
4 Commission shall be immune from suit and liability, either personally or in their official capacity,
5 for any claim for damage to or loss of property or personal injury or other civil liability caused by or
6 arising out of any actual or alleged act, error or omission that occurred, or that the person against
7 whom the claim is made had a reasonable basis for believing occurred within the scope of
8 Commission employment, duties or responsibilities; *provided*, that nothing in this paragraph shall
9 be construed to protect any such person from suit and/or liability for any damage, loss, injury or
10 liability caused by the intentional or willful and wanton misconduct of that person.

11 b. The Commission shall defend any Member, officer, executive director, employee or
12 representative of the Commission in any civil action seeking to impose liability arising out of any
13 actual or alleged act, error or omission that occurred within the scope of Commission employment,
14 duties or responsibilities, or that the person against whom the claim is made had a reasonable basis
15 for believing occurred within the scope of Commission employment, duties or responsibilities;
16 *provided*, that nothing herein shall be construed to prohibit that person from retaining his or her own
17 counsel; and *provided further*, that the actual or alleged act, error or omission did not result from
18 that person's intentional or willful and wanton misconduct.

19 c. The Commission shall indemnify and hold harmless any Member, officer, executive
20 director, employee or representative of the Commission for the amount of any settlement or
21 judgment obtained against that person arising out of any actual or alleged act, error or omission that
22 occurred within the scope of Commission employment, duties or responsibilities, or that such
23 person had a reasonable basis for believing occurred within the scope of Commission employment,
24 duties or responsibilities, *provided*, that the actual or alleged act, error or omission did not result
25 from the intentional or willful and wanton misconduct of that person.
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28 ARTICLE VI. MEETINGS AND ACTS OF THE COMMISSION
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30 1. The Commission shall meet and take such actions as are consistent with the provisions of
31 this Compact and the Bylaws.

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

36 3. The Commission shall meet at least once during each calendar year. Additional meetings
37 shall be held as set forth in the Bylaws.
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1 ARTICLE VII. RULES & OPERATING PROCEDURES: RULEMAKING FUNCTIONS OF
2 THE COMMISSION AND OPTING OUT OF UNIFORM STANDARDS
3

4 1. Rulemaking Authority. The Commission shall promulgate reasonable Rules, including
5 Uniform Standards, and Operating Procedures in order to effectively and efficiently achieve the
6 purposes of this Compact. Notwithstanding the foregoing, in the event the Commission exercises its
7 rulemaking authority in a manner that is beyond the scope of the purposes of this Act, or the powers
8 granted hereunder, then such an action by the Commission shall be invalid and have no force and
9 effect.

10 2. Rulemaking Procedure. Rules and Operating Procedures shall be made pursuant to a
11 rulemaking process that conforms to the Model State Administrative Procedure Act, as may be
12 appropriate to the operations of the Commission. Before the Commission adopts a Uniform
13 Standard, the Commission shall give written notice to the relevant state legislative committee(s) in
14 each Compacting State responsible for insurance issues of its intention to adopt the Uniform
15 Standard.

16 3. *Effective Date and Opt Out of a Uniform Standard.* A Uniform Standard shall become
17 effective ninety (90) days after its promulgation by the Commission or such later date as the
18 Commission may determine; *provided, however,* that a Compacting State may opt out of a Uniform
19 Standard as provided in this Article. “Opt out” shall be defined as any action by a Compacting State
20 to decline to adopt or participate in a promulgated Uniform Standard. All other Rules and Operating
21 Procedures, and amendments thereto, shall become effective as of the date specified in each Rule,
22 Operating Procedure or amendment.
23

24 4. *Opt Out Procedure.* A Compacting State may opt out of a Uniform Standard, either by
25 legislation or regulation duly promulgated by the Insurance Department under the Compacting
26 State’s Administrative Procedure Act. If a Compacting State elects to opt out of a Uniform Standard
27 by regulation, it must (a) give written notice to the Commission no later than ten (10) business days
28 after the Uniform Standard is promulgated, or at the time the State becomes a Compacting State and
29 (b) find that the Uniform Standard does not provide reasonable protections to the citizens of the
30 State, given the conditions in the State. The Commissioner shall make specific findings of fact and
31 conclusions of law, based on a preponderance of the evidence, detailing the conditions in the State
32 which warrant a departure from the Uniform Standard and determining that the Uniform Standard
33 would not reasonably protect the citizens of the State. The Commissioner must consider and balance
34 the following factors and find that the conditions in the State and needs of the citizens of the State
35 outweigh: (i) the intent of the legislature to participate in, and the benefits of, an interstate
36 agreement to establish national uniform consumer protections for the Products subject to this Act;
37 and (ii) the presumption that a Uniform Standard adopted by the Commission provides reasonable
38 protections to consumers of the relevant Product.
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1 Notwithstanding the foregoing, a Compacting State may, at the time of its enactment of this
2 Compact, prospectively opt out of all Uniform Standard involving long-term care insurance
3 products by expressly providing for such opt out in the enacted Compact, and such an opt out shall
4 not be treated as a material variance in the offer or acceptance of any State to participate in this
5 Compact. Such an opt out shall be effective at the time of enactment of this Compact by the
6 Compacting State and shall apply to all existing Uniform Standards involving long-term care
7 insurance products and those subsequently promulgated.

8 **Drafting Note:** States joining the Compact are encouraged to refrain from using this so-called “front end” opt out for
9 long-term care insurance products. It is recognized that there are many important factors which support the development
10 of Uniform Standards for long-term care insurance products, including: the mobile nature of the population in this
11 country and the need for greater uniformity among the States regarding product standards for long-term care insurance
12 products; the assertion that long-term care insurance products serve as a retirement security product that competes with
13 other products offered by financial institutions; and long-term care insurance products are used in connection with life
14 insurance and annuity products and therefore should also be eligible for consideration of appropriate Uniform
15 Standards.

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17 5. *Effect of Opt Out.* If a Compacting State elects to opt out of a Uniform Standard, the
18 Uniform Standard shall remain applicable in the Compacting State electing to opt out until such
19 time the opt out legislation is enacted into law or the regulation opting out becomes effective.

20 Once the opt out of a Uniform Standard by a Compacting State becomes effective as provided
21 under the laws of that State, the Uniform Standard shall have no further force and effect in that State
22 unless and until the legislation or regulation implementing the opt out is repealed or otherwise
23 becomes ineffective under the laws of the State. If a Compacting State opts out of a Uniform
24 Standard after the Uniform Standard has been made effective in that State, the opt out shall have the
25 same prospective effect as provided under Article XIV for withdrawals.

26 6. *Stay of Uniform Standard.* If a Compacting State has formally initiated the process of
27 opting out of a Uniform Standard by regulation, and while the regulatory opt out is pending, the
28 Compacting State may petition the Commission, at least fifteen (15) days before the effective date
29 of the Uniform Standard, to stay the effectiveness of the Uniform Standard in that State. The
30 Commission may grant a stay if it determines the regulatory opt out is being pursued in a reasonable
31 manner and there is a likelihood of success. If a stay is granted or extended by the Commission, the
32 stay or extension thereof may postpone the effective date by up to ninety (90) days, unless
33 affirmatively extended by the Commission; *provided*, a stay may not be permitted to remain in
34 effect for more than one (1) year unless the Compacting State can show extraordinary
35 circumstances which warrant a continuance of the stay, including, but not limited to, the existence
36 of a legal challenge which prevents the Compacting State from opting out. A stay may be
37 terminated by the Commission upon notice that the rulemaking process has been terminated.

38 7. Not later than thirty (30) days after a Rule or Operating Procedure is promulgated, any
39 person may file a petition for judicial review of the Rule or Operating Procedure; *provided*, that the
40 filing of such a petition shall not stay or otherwise prevent the Rule or Operating Procedure from
41 becoming effective unless the court finds that the petitioner has a substantial likelihood of success.
42 The court shall give deference to the actions of the Commission consistent with applicable law and
43 shall not find the Rule or Operating Procedure to be unlawful if the Rule or Operating Procedure
44 represents a reasonable exercise of the Commission’s authority.

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ARTICLE VIII. COMMISSION RECORDS AND ENFORCEMENT

1. The Commission shall promulgate Rules to establish conditions and procedures under which the Commission shall make its information and official records available to the public for inspection or copying. The Commission may promulgate additional Rules under which it may make available to federal and state agencies, including law enforcement agencies, records and information otherwise exempt from disclosure, and may enter into agreements with such agencies to receive or exchange information or records subject to nondisclosure and confidentiality provisions.

2. Except as to privileged records, data and information, the laws of any Compacting State pertaining to confidentiality or nondisclosure shall not relieve any Compacting State Commissioner of the duty to disclose any relevant records, data or information to the Commission; *provided*, that disclosure to the Commission shall not be deemed to waive or otherwise affect any confidentiality requirement; *and further provided*, that, except as otherwise expressly provided in this Act, the Commission shall not be subject to the Compacting State's laws pertaining to confidentiality and nondisclosure with respect to records, data and information in its possession. Confidential information of the Commission shall remain confidential after such information is provided to any Commissioner.

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

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

a. With respect to the Commissioner's market regulation of a Product or Advertisement that is approved or certified to the Commission, no activity of an Insurer shall constitute a violation of the provisions, standards or requirements of the Compact except upon a final order of the Commission, issued at the request of a Commissioner after prior notice to the Insurer and an opportunity for hearing before the Commission.

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

1 **Drafting Note:** It is not intended for the Compact to preempt a Compacting State's regulatory authority to enforce State
2 law pertaining to the manner in which the Products approved by the Commission are marketed, sold and administered in
3 a Compacting State.

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6 **ARTICLE IX. DISPUTE RESOLUTION**
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8 The Commission shall attempt, upon the request of a Member, to resolve any disputes or
9 other issues that are subject to this Compact and which may arise between two or more Compacting
10 States, or between Compacting States and Non-compacting States, and the Commission shall
11 promulgate an Operating Procedure providing for resolution of such disputes.

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13 **ARTICLE X. PRODUCT FILING AND APPROVAL**
14

15 1. Insurers and Third-Party Filers seeking to have a Product approved by the Commission
16 shall file the Product with, and pay applicable filing fees to, the Commission. Nothing in this Act
17 shall be construed to restrict or otherwise prevent an insurer from filing its Product with the
18 insurance department in any State wherein the insurer is licensed to conduct the business of
19 insurance, and such filing shall be subject to the laws of the States where filed.

20 2. The Commission shall establish appropriate filing and review processes and procedures
21 pursuant to Commission Rules and Operating Procedures. Notwithstanding any provision herein to
22 the contrary, the Commission shall promulgate Rules to establish conditions and procedures under
23 which the Commission will provide public access to Product filing information. In establishing such
24 Rules, the Commission shall consider the interests of the public in having access to such
25 information, as well as protection of personal medical and financial information and trade secrets,
26 that may be contained in a Product filing or supporting information.

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

29
30 **ARTICLE XI. REVIEW OF COMMISSION DECISIONS REGARDING FILINGS**
31

32 1. Not later than thirty (30) days after the Commission has given notice of a disapproved
33 Product or Advertisement filed with the Commission, the Insurer or Third Party Filer whose filing
34 was disapproved may appeal the determination to a review panel appointed by the Commission. The
35 Commission shall promulgate Rules to establish procedures for appointing such review panels and
36 provide for notice and hearing. The decision of the review panel shall be the final action of the
37 Commission and not subject to review by any court. Notwithstanding the foregoing, an allegation
38 that the Commission, in disapproving a Product or Advertisement filed with the Commission, acted
39 arbitrarily, capriciously, or in a manner that is an abuse of discretion or otherwise not in accordance
40 with the law, is subject to judicial review in accordance with Article III, section 5.

41
42 2. The Commission shall have authority to monitor, review and reconsider Products and
43 Advertisement subsequent to their filing or approval upon a finding that the product does not meet

1 the relevant Uniform Standard. Where appropriate, the Commission may withdraw or modify its
2 approval after proper notice and hearing, subject to the appeal process in section 1 above.

3
4 ARTICLE XII. FINANCE
5

6 1. The Commission shall pay or provide for the payment of the reasonable expenses of its
7 establishment and organization. To fund the cost of its initial operations, the Commission may
8 accept contributions and other forms of funding from the National Association of Insurance
9 Commissioners, Compacting States and other sources. Contributions and other forms of funding
10 from other sources shall be of such a nature that the independence of the Commission concerning
11 the performance of its duties shall not be compromised.

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

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

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

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

20 6. The Commission shall keep complete and accurate accounts of all its internal receipts,
21 including grants and donations, and disbursements of all funds under its control. The internal
22 financial accounts of the Commission shall be subject to the accounting procedures established
23 under its Bylaws. The financial accounts and reports including the system of internal controls and
24 procedures of the Commission shall be audited annually by an independent certified public
25 accountant. Upon the determination of the Commission, but no less frequently than every three (3)
26 years, the review of the independent auditor shall include a management and performance audit of
27 the Commission. The Commission shall make an Annual Report to the Governor and legislature of
28 the Compacting States, which shall include a report of the independent audit. The Commission's
29 internal accounts, any work papers related to any internal audit and any work papers related to the
30 independent audit, shall be confidential; *provided*, that such materials may be shared with the
31 Commissioner of any Compacting State and shall remain confidential pursuant to Article VII
32 herein.

33 7. No Compacting State shall have any claim to or ownership of any property held by or
34 vested in the Commission or to any Commission funds held pursuant to the provisions of this
35 Compact.
36

37 ARTICLE XIII. COMPACTING STATES, EFFECTIVE DATE AND AMENDMENT
38

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

40 2. The Compact shall become effective and binding upon legislative enactment of the
41 Compact into law by two Compacting States; *provided*, the Commission shall become effective for

1 purposes of adopting Uniform Standards for, reviewing, and giving approval or disapproval of,
2 Products filed with the Commission that satisfy applicable Uniform Standards only after twenty-six
3 (26) States are Compacting States or, alternatively, by States representing greater than forty percent
4 (40%) of the premium volume for life insurance, annuity, disability income and long-term care
5 insurance products, based on records of the NAIC for the prior year. Thereafter, it shall become
6 effective and binding as to any other Compacting State upon enactment of the Compact into law by
7 that State.

8 3. Amendments to the Compact may be proposed by the Commission for enactment by the
9 Compacting States. No amendment shall become effective and binding upon the Commission and
10 the Compacting States unless and until all Compacting States enact the amendment into law.

11
12
13 ARTICLE XIV. WITHDRAWAL, DEFAULT AND TERMINATION

14
15 1. Withdrawal

16
17 a. Once effective, the Compact shall continue in force and remain binding upon each and
18 every Compacting State; *provided*, that a Compacting State may withdraw from the Compact
19 ("Withdrawing State") by enacting a statute specifically repealing the statute which enacted the
20 Compact into law.

21 b. The effective date of withdrawal is the effective date of the repealing statute. However, the
22 withdrawal shall not apply to any product filings approved or self-certified, or any Advertisement of
23 such products, on the date the repealing statute becomes effective, except by mutual agreement of
24 the Commission and the Withdrawing State unless the approval is rescinded by the Withdrawing
25 State as provided in subsection e. of this section.

26 c. The Commissioner of the Withdrawing State shall immediately notify the Management
27 Committee in writing upon the introduction of legislation repealing this Compact in the
28 Withdrawing State.

29 d. The Commission shall notify the other Compacting States of the introduction of such
30 legislation within ten (10) days after its receipt of notice thereof.

31 e. The Withdrawing State is responsible for all obligations, duties and liabilities incurred
32 through the effective date of withdrawal, including any obligations, the performance of which
33 extend beyond the effective date of withdrawal, except to the extent those obligations may have
34 been released or relinquished by mutual agreement of the Commission and the Withdrawing State.
35 The Commission's approval of Products and Advertisement prior to the effective date of withdrawal
36 shall continue to be effective and be given full force and effect in the Withdrawing State, unless
37 formally rescinded by the Withdrawing State in the same manner as provided by the laws of the
38 Withdrawing State for the prospective disapproval of products or advertisement previously
39 approved under state law.

40 f. Reinstatement following withdrawal of any Compacting State shall occur upon the effective
41 date of the Withdrawing State reenacting the Compact.

1 2. Default
2

3 a. If the Commission determines that any Compacting State has at any time defaulted
4 ("Defaulting State") in the performance of any of its obligations or responsibilities under this
5 Compact, the Bylaws or duly promulgated Rules or Operating Procedures, then, after notice and
6 hearing as set forth in the Bylaws, all rights, privileges and benefits conferred by this Compact on
7 the Defaulting State shall be suspended from the effective date of default as fixed by the
8 Commission. The grounds for default include, but are not limited to, failure of a Compacting State
9 to perform its obligations or responsibilities, and any other grounds designated in Commission
10 Rules. The Commission shall immediately notify the Defaulting State in writing of the Defaulting
11 State's suspension pending a cure of the default. The Commission shall stipulate the conditions and
12 the time period within which the Defaulting State must cure its default. If the Defaulting State fails
13 to cure the default within the time period specified by the Commission, the Defaulting State shall be
14 terminated from the Compact and all rights, privileges and benefits conferred by this Compact shall
15 be terminated from the effective date of termination.

16 b. Product approvals by the Commission or product self-certifications, or any Advertisement
17 in connection with such product, that are in force on the effective date of termination shall remain in
18 force in the Defaulting State in the same manner as if the Defaulting State had withdrawn
19 voluntarily pursuant to paragraph 1 of this Article.

20 c. Reinstatement following termination of any Compacting State requires a reenactment of
21 the Compact.
22

23 3. Dissolution of Compact
24

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

27 b. Upon the dissolution of this Compact, the Compact becomes null and void and shall be of
28 no further force or effect, and the business and affairs of the Commission shall be wound up and
29 any surplus funds shall be distributed in accordance with the Bylaws.
30
31

32 ARTICLE XV. SEVERABILITY AND CONSTRUCTION
33

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

36 2. The provisions of this Compact shall be liberally construed to effectuate its purposes.
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1 ARTICLE XVI. BINDING EFFECT OF COMPACT AND OTHER LAWS

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3 1. Other Laws
4

5 a. Nothing herein prevents the enforcement of any other law of a Compacting State, except as
6 provided in paragraph b. of this Article.

7 b. For any Product approved or certified to the Commission, the Rules, Uniform Standards
8 and any other requirements of the Commission shall constitute the exclusive provisions applicable
9 to the content, approval and certification of such Products. For Advertisement that is subject to the
10 Commission's authority, any Rule, Uniform Standard or other requirement of the Commission
11 which governs the content of the Advertisement shall constitute the exclusive provision that a
12 Commissioner may apply to the content of the Advertisement. Notwithstanding the foregoing, no
13 action taken by the Commission shall abrogate or restrict: (i) the access of any person, including the
14 attorney general, to state courts; (ii) remedies available under state law related to breach of contract,
15 tort, or other laws not specifically directed to the content of the Product; or (iii) state law relating to
16 the construction of insurance contracts.
17

18 **Drafting Note:** It is not intended for the Compact to empower the Commission with authority beyond what has been
19 traditionally given to state insurance regulators. For example, the Compact is not intended to affect the application, if
20 any, of a state's general consumer fraud statutes, deceptive or unfair trade practices act or claims handling laws.
21 Additionally, nothing in the interstate compact legislation is designed to alter the current rules of construction, such as
22 the rule that any ambiguity will be construed against the drafter of the policy.

23 c. All insurance products filed with individual States shall be subject to the laws of those
24 States.

25
26 2. Binding Effect of this Compact
27

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

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

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

35 d. In the event any provision of this Compact exceeds the constitutional limits imposed on the
36 legislature of any Compacting State, the obligations, duties, powers or jurisdiction sought to be
37 conferred by that provision upon the Commission shall be ineffective as to that Compacting State,
38 and those obligations, duties, powers or jurisdiction shall remain in the Compacting State and shall
39 be exercised by the agency thereof to which those obligations, duties, powers or jurisdiction are
40 delegated by law in effect at the time this Compact becomes effective.
41