



# Insurance Compact Commission

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# What is the Insurance Compact?

- Creature of state law
- An agreement among states
- Must be enacted by its legislature and approved by the Governor
- Each state firmly controls its participation in the Compact and its activities

# What is the Insurance Compact?

- Developed jointly by NAIC, NCSL and NCOIL
- Active involvement by state legislators
- Created in March 2004 when Colorado and Utah enacted the Compact statute
- Became operational in May 2006 when 27 Compacting States enacted the Compact
- Started accepting and approving product filings in Summer 2007

# What is the Insurance Compact?

- Innovative vehicle formalizing joint and cooperative action among states
- Covers individual and group annuities, life, long-term care and disability income insurance products
- Leverages regulatory expertise to establish detailed and strong Uniform Standards
- State-based organization for centralized, prompt review and regulatory approval on behalf of Compacting States

# Why the Insurance Compact?

- Compacts are legal frameworks for cooperative solutions to issues that transcend state borders
- Binding contract between two or more states -- offer and acceptance
- The terms of the compact control over conflicting state laws including subsequent conflicting laws
- Compacts commonly create multi-state regulatory bodies

# Why the Insurance Compact?

- Removal of barriers to competition between banking, insurance and securities products – increased competition for retirement dollars
- Need for meaningful uniformity and efficiencies in the state-by-state product approval process for insurance products
- Very real threat of federal preemption from 1995 – 2010

# Why the Insurance Compact?

- These are mobile-borne products conducive to uniform product regulation
- Non-local nature of the risks – mortality and morbidity
- Regulators could not voluntarily agree to Uniform Standards – they needed a legal mechanism
- Only legislatures can join interstate compacts

# What is the Insurance Compact Commission?

- Each State appoints their Commissioner as the official voting member to the Insurance Compact
- Member-driven joint public agency of state officials
- Today, 47 Compacting States – 45 states, District of Columbia and Puerto Rico



INTERSTATE INSURANCE  
PRODUCT REGULATION COMMISSION



# How does it work?

- By enacting the Compact, States agree to develop Uniform Standards that apply to products approved by the Commission
- Uniform Standards are based on NAIC Model laws and regulations and standards across states
- Once approved, the Compact product can be issued in participating Compacting States

## How does it work?

- Legislative Committee – 8 state legislators in Compacting States from NCSL and NCOIL
- Consumer Advisory Committee – 8 consumer representatives (AARP, Autism Speaks, NAMI, former regulators)
- Industry Advisory Committee – 8 industry and company representatives (ACLI, AHIP, New York Life, Allianz, etc.)

# What is Role of State Legislators?

## Legislative Committee

- Indiana Representative Matt Lehman, Chair
- Rhode Island Representative Brian Patrick Kennedy, Vice Chair
- Georgia Representative Matt Dollar
- Illinois Senator Laura Fine
- Kentucky Representative Joseph Fisher
- Nevada Assemblywoman Maggie Carlton
- Utah Representative Jim Dunnigan
- NCOIL NE zone open seat

# What is Role of State Legislators?

- Compact is state legislative / regulatory initiative to modernize state-based product regulation of mobile-borne products
- Legislatures always retain power to enact and withdraw
- Unfettered right to opt out of a Uniform Standard by legislation at any time
- Compact reports annually to legislatures and Governors and quarterly to NCSL and NCOIL

# What is the Role of State Legislators?

- Compact Office sends electronic notice of intent to adopt Uniform Standard(s) to Compacting State legislatures
  - Presiding officer of each chamber
  - Majority and minority leaders of each chamber
  - Chair and ranking member of each committee of jurisdiction over insurance
- Compact Office copies members on these e-mails
- Contact Commissioner / Department to help with any questions from legislature re: Compact



## What is the Right to Opt Out?

- Compact provides a safeguard for participation in Uniform Standards
- Compacting State can opt out of Uniform Standard(s)
- By legislation at any time before or after Uniform Standard has been implemented
- By regulation at the time a Uniform Standard is adopted and promulgated by the Commission

# What are the Benefits of the Compact?

- States receive thoroughly-reviewed products allowing state resources to focus on other regulatory aspects of marketplace
- Consumers have access to products reviewed under detailed standards with strong consumer protections
- Companies preparing one filing, submit to one place, receive review and approval in less than 60 days

# What is the Impact of the Compact?

- 400+ insurance companies have used the Compact since 2007
- Compact has approved over 11,000 products and 34,000 forms
- Speed-to-market with approval in under 60 days
- Companies have shared they have experienced meaningful efficiencies and savings in product preparation, filing, review, systems testing and deployment

## Good Time to Mention *Amica v. Wertz*

- In April 2020, Colorado Supreme Court made first ruling on the law of the Insurance Compact in 3<sup>rd</sup>-party litigation *Amica Life Insurance Company v. Wertz*, 462 P.2d 51 (2020)
- Conflict was length of suicide exclusion period
- *Ruling* -- without congressional consent, state legislature cannot on its own delegate to a compact agency power to adopt standard that conflicts with state statute

# Good Time to Mention *Amica v. Wertz*

- Commission has completed independent governance review and business assessment as well as litigation risk assessment
- Squire Patton Boggs performed in-depth analysis of issues raised by the Colorado Supreme Court during its governance review
- SPB found compelling case Insurance Compact has implied congressional consent as a result of 2006 federal law consenting to District of Columbia joining Compact
- Governance Committee reviewing next steps and will engage with state legislators in coming weeks

# A Few More Things

- Commission is joint public agency of the Compacting States and is separate from the NAIC
- Commission uses SERFF
- NAIC provides facilities, services and technology under Agreement
- NAIC provided line of credit in early years that is in repayment phase

# A Few More Things

- Compact is revenue neutral to the Compacting States
- State filing fees are collected and remitted on all Compact filings
- Over \$27.5 million has been collected and remitted to Compacting States since 2007

# Let's Talk Long-Term Care

- Compact Statute requires LTC Uniform Standards must provide same or greater protections based on NAIC LTC Model Law and Regulation
- Compact Statute provides authority to develop Uniform Standards and approve LTC rate and advertising filings
- LTC Uniform Standards adopted in 2010, amended 2017
- Must file whole iLTC package including rates and advertising
- Only States can approve a Compact-approved iLTC policy for Partnership

# Let's Talk Long-Term Care

- For in-force rate increase requests on Compact products, Compact has approval authority if increase does not exceed 15%
- Over 15%, the increase is subject to advisory review by Compact and formal state review/action
- Credentialed actuaries review filing and engage with state actuaries for peer review and questions
- South Carolina is requesting to not participate in increases 15% or less approved by the Compact

# Let's Talk Long-Term Care

- Commission members have been considering several options to respond to SC request and receiving input from interested parties
- Commission has narrowed down the options which will have a final vote at its Annual Meeting in December:
  - Keep the status quo and not amend current Uniform Standards
  - Amend and separate in-force rate increase requirements into separate Uniform Standard (this would allow a state to opt out of the in-force rate increases while still participating in all other iLTC Uniform Standards)

# QUESTIONS?

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