

**As Reported by the House Insurance Committee**

**126th General Assembly**

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**S. B. No. 268**

**Senators Stivers, Schuler, Mumper, Amstutz, Armbruster, Austria, Clancy,**

**Goodman, Hottinger, Prentiss, Spada, Kearney, Harris**

**Representatives Smith, G., Daniels, Evans, D., Faber, Hughes, Koziura,**

**Patton, T., Perry, Setzer, Wolpert**

—

**A B I L L**

To amend section 3901.48 and to enact section 3915.16 1  
of the Revised Code to adopt the Interstate 2  
Insurance Product Regulation Compact. 3

**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That section 3901.48 be amended and section 4  
3915.16 of the Revised Code be enacted to read as follows: 5

**Sec. 3901.48.** (A) The original work papers of a certified 6  
public accountant performing an audit of an insurance company or 7  
health insuring corporation doing business in this state that is 8  
required by rule or by any section of the Revised Code to file an 9  
audited financial report with the superintendent of insurance 10  
shall remain the property of the certified public accountant. Any 11  
copies of these work papers voluntarily given to the 12  
superintendent shall be the property of the superintendent. The 13  
original work papers or any copies of them, whether in possession 14  
of the certified public accountant or the department of insurance, 15  
are confidential and privileged and are not a public record as 16  
defined in section 149.43 of the Revised Code. The original work 17

papers and any copies of them are not subject to subpoena and 18  
shall not be made public by the superintendent or any other 19  
person. 20

(B) The work papers of the superintendent or of the person 21  
appointed by the superintendent, resulting from the conduct of an 22  
examination made pursuant to section 3901.07 of the Revised Code 23  
or from the conduct of a financial analysis of any entity subject 24  
to examination by the superintendent, including but not limited to 25  
any insurance company, health insuring corporation, fraternal 26  
benefit society, or multiple employer welfare arrangement, are 27  
confidential and privileged and are not a public record as defined 28  
in section 149.43 of the Revised Code. The original work papers 29  
and any copies of them are not subject to subpoena and shall not 30  
be made public by the superintendent or any other person. 31

(C) The work papers of the superintendent or of any person 32  
appointed by the superintendent, resulting from the conduct of a 33  
performance regulation examination made pursuant to authority 34  
granted under section 3901.011 of the Revised Code or from the 35  
conduct of a market analysis or investigation of any entity 36  
subject to examination by the superintendent, including, but not 37  
limited to, any insurance company, health insuring corporation, 38  
fraternal benefit society, or multiple employer welfare 39  
arrangement, are confidential and privileged and are not a public 40  
record as defined in section 149.43 of the Revised Code. The 41  
original work papers and any copies of them are not subject to 42  
subpoena and shall not be made public by the superintendent or any 43  
other person. 44

(D) Notwithstanding divisions (A), (B), and (C) of this 45  
section, the superintendent may do either of the following: 46

(1) Share work papers that are the subject of this section 47  
with the chief deputy rehabilitator, the chief deputy liquidator, 48  
other deputy rehabilitators and liquidators, and any other person 49

employed by, or acting on behalf of, the superintendent pursuant  
to Chapter 3901. or 3903. of the Revised Code, with other local,  
state, federal, and international regulatory and law enforcement  
agencies, with local, state, and federal prosecutors, ~~and~~ with the  
national association of insurance commissioners and its affiliates  
and subsidiaries, and with the interstate insurance product  
regulation commission described in section 3915.16 of the Revised  
Code, provided that the recipient agrees to maintain the  
confidential or privileged status of the confidential or  
privileged work paper and has authority to do so;

(2) Disclose work papers that are the subject of this section  
in the furtherance of any regulatory or legal action brought by or  
on behalf of the superintendent or the state, resulting from the  
exercise of the superintendent's official duties.

(E) Notwithstanding divisions (A), (B), (C), and (D) of this  
section, the superintendent may authorize the national association  
of insurance commissioners and its affiliates and subsidiaries or  
the interstate insurance product regulation commission described  
in section 3915.16 of the Revised Code by agreement to share  
confidential or privileged work papers received pursuant to  
division (D)(1) of this section with local, state, federal, and  
international regulatory and law enforcement agencies and with  
local, state, and federal prosecutors, provided that the recipient  
agrees to maintain the confidential or privileged status of the  
confidential or privileged work paper and has authority to do so.

(F) Notwithstanding divisions (A), (B), (C), and (D) of this  
section, the chief deputy rehabilitator, the chief deputy  
liquidator, and other deputy rehabilitators and liquidators may  
disclose work papers that are the subject of this section in the  
furtherance of any regulatory or legal action brought by or on  
behalf of the superintendent, the rehabilitator, the liquidator,  
or the state resulting from the exercise of the superintendent's

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official duties in any capacity.

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(G) Nothing in this section shall prohibit the superintendent from receiving work papers in accordance with section 3901.045 of the Revised Code.

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(H) The superintendent may enter into agreements governing the sharing and use of work papers consistent with the requirements of this section.

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(I)(1) No waiver of any applicable privilege or claim of confidentiality in the work papers, or copies thereof, that are the subject of this section shall occur as a result of sharing or receiving work papers as authorized in divisions (D)(1), (E), and (G) of this section.

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(2) The disclosure of work papers in connection with a regulatory or legal action pursuant to divisions (D)(2) and (F) of this section does not prohibit an insurer or any other person from taking steps to limit the dissemination of the work papers to persons not involved in or the subject of the regulatory or legal action on the basis of any recognized privilege arising under any other section of the Revised Code or the common law.

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Sec. 3915.16. The "Interstate Insurance Product Regulation Compact" is intended to help states join together to establish an interstate compact to regulate designated insurance products. Pursuant to terms and conditions of this section, the state of Ohio seeks to join with other states and establish the interstate insurance product regulation commission, and thus become a member of the interstate insurance product regulation commission.

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The "Interstate Insurance Product Regulation Compact" is hereby enacted into law and entered into with all other states which have legally joined in the compact:

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"Interstate Insurance Product Regulation Compact"

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<u>Article I. Purposes</u>	112
<u>The purposes of this Compact are, through means of joint and cooperative action among the Compacting States:</u>	113
<u>1. To promote and protect the interest of consumers of individual and group annuity, life insurance, disability income and long-term care insurance products;</u>	114
<u>1. To promote and protect the interest of consumers of</u>	115
<u>individual and group annuity, life insurance, disability income</u>	116
<u>and long-term care insurance products;</u>	117
<u>2. To develop uniform standards for insurance products covered under the Compact;</u>	118
<u>2. To develop uniform standards for insurance products</u>	118
<u>covered under the Compact;</u>	119
<u>3. To establish a central clearinghouse to receive and provide prompt review of insurance products covered under the Compact and, in certain cases, advertisements related thereto, submitted by insurers authorized to do business in one or more Compacting States;</u>	120
<u>3. To establish a central clearinghouse to receive and</u>	120
<u>provide prompt review of insurance products covered under the</u>	121
<u>Compact and, in certain cases, advertisements related thereto,</u>	122
<u>submitted by insurers authorized to do business in one or more</u>	123
<u>Compacting States;</u>	124
<u>4. To give appropriate regulatory approval to those product filings and advertisements satisfying the applicable uniform standard;</u>	125
<u>4. To give appropriate regulatory approval to those product</u>	125
<u>filings and advertisements satisfying the applicable uniform</u>	126
<u>standard;</u>	127
<u>5. To improve coordination of regulatory resources and expertise between state insurance departments regarding the setting of uniform standards and review of insurance products covered under the Compact;</u>	128
<u>5. To improve coordination of regulatory resources and</u>	128
<u>expertise between state insurance departments regarding the</u>	129
<u>setting of uniform standards and review of insurance products</u>	130
<u>covered under the Compact;</u>	131
<u>6. To create the Interstate Insurance Product Regulation Commission; and</u>	132
<u>6. To create the Interstate Insurance Product Regulation</u>	132
<u>Commission; and</u>	133
<u>7. To perform these and such other related functions as may be consistent with the state regulation of the business of insurance.</u>	134
<u>7. To perform these and such other related functions as may</u>	134
<u>be consistent with the state regulation of the business of</u>	135
<u>insurance.</u>	136
<u>Article II. Definitions</u>	137
<u>For purposes of this Compact:</u>	138
<u>1. "Advertisement" means any material designed to create public interest in a Product, or induce the public to purchase,</u>	139
<u>1. "Advertisement" means any material designed to create</u>	139
<u>public interest in a Product, or induce the public to purchase,</u>	140

<u>increase, modify, reinstate, borrow on, surrender, replace or</u>	141
<u>retain a policy, as more specifically defined in the Rules and</u>	142
<u>Operating Procedures of the Commission.</u>	143
<u>2. "Bylaws" means those bylaws established by the Commission</u>	144
<u>for its governance, or for directing or controlling the</u>	145
<u>Commission's actions or conduct.</u>	146
<u>3. "Compacting State" means any State which has enacted this</u>	147
<u>Compact legislation and which has not withdrawn pursuant to</u>	148
<u>Article XIV, Section 1, or been terminated pursuant to Article</u>	149
<u>XIV, Section 2.</u>	150
<u>4. "Commission" means the "Interstate Insurance Product</u>	151
<u>Regulation Commission" established by this Compact.</u>	152
<u>5. "Commissioner" means the chief insurance regulatory</u>	153
<u>official of a State including, but not limited to commissioner,</u>	154
<u>superintendent, director or administrator.</u>	155
<u>6. "Domiciliary State" means the state in which an Insurer is</u>	156
<u>incorporated or organized; or, in the case of an alien Insurer,</u>	157
<u>its state of entry.</u>	158
<u>7. "Insurer" means any entity licensed by a State to issue</u>	159
<u>contracts of insurance for any of the lines of insurance covered</u>	160
<u>by this Act.</u>	161
<u>8. "Member" means the person chosen by a Compacting State as</u>	162
<u>its representative to the Commission, or his or her designee. The</u>	163
<u>superintendent of insurance or the superintendent's designee shall</u>	164
<u>serve as the member to the Commission for the state of Ohio.</u>	165
<u>9. "Non-compacting State" means any State which is not at the</u>	166
<u>time a Compacting State.</u>	167
<u>10. "Operating Procedures" means procedures promulgated by</u>	168
<u>the Commission implementing a Rule, Uniform Standard or a</u>	169
<u>provision of this Compact.</u>	170

11. "Product" means the form of a policy or contract, 171  
including any application, endorsement, or related form which is 172  
attached to and made a part of the policy or contract, and any 173  
evidence of coverage or certificate, for an individual or group 174  
annuity, life insurance, disability income or long-term care 175  
insurance product that an Insurer is authorized to issue. 176

12. "Rule" means a statement of general or particular 177  
applicability and future effect promulgated by the Commission, 178  
including a Uniform Standard developed pursuant to Article VII of 179  
this Compact, designed to implement, interpret, or prescribe law 180  
or policy or describing the organization, procedure, or practice 181  
requirements of the Commission, which shall have the force and 182  
effect of law in the Compacting States. 183

13. "State" means any state, district or territory of the 184  
United States of America. 185

14. "Third-Party Filer" means an entity that submits a 186  
Product filing to the Commission on behalf of an Insurer. 187

15. "Uniform Standard" means a standard adopted by the 188  
Commission for a Product line, pursuant to Article VII of the 189  
Compact, and shall include all of the Product requirements in 190  
aggregate; provided, that each Uniform Standard shall be 191  
construed, whether express or implied, to prohibit the use of any 192  
inconsistent, misleading or ambiguous provisions in a Product and 193  
the form of the Product made available to the public shall not be 194  
unfair, inequitable, or against public policy as determined by the 195  
Commission. 196

Article III. Establishment of the Commission and Venue 197

1. The Compacting States hereby create and establish a joint 198  
public agency known as the "Interstate Insurance Product 199  
Regulation Commission." Pursuant to Article IV, the Commission 200  
will have the power to develop Uniform Standards for Product 201

lines, receive and provide prompt review of Products filed 202  
therewith, and give approval to those Product filings satisfying 203  
applicable Uniform Standards; provided, it is not intended for the 204  
Commission to be the exclusive entity for receipt and review of 205  
insurance product filings. Nothing herein shall prohibit any 206  
Insurer from filing its product in any State wherein the Insurer 207  
is licensed to conduct the business of insurance; and any such 208  
filing shall be subject to the laws of the State where filed. 209

2. The Commission is a body corporate and politic, and an 210  
instrumentality of the Compacting States. 211

3. The Commission is solely responsible for its liabilities 212  
except as otherwise specifically provided in this Compact. 213

4. Venue is proper and judicial proceedings by or against the 214  
Commission shall be brought solely and exclusively in a Court of 215  
competent jurisdiction where the principal office of the 216  
Commission is located. 217

Article IV. Powers of the Commission 218

The Commission shall have the following powers: 219

1. To promulgate Rules, pursuant to Article VII of this 220  
Compact, which shall have the force and effect of law and shall be 221  
binding in the Compacting States to the extent and in the manner 222  
provided in this Compact; 223

2. To exercise its rule-making authority and establish 224  
reasonable Uniform Standards for Products covered under the 225  
Compact, and Advertisement related thereto, which shall have the 226  
force and effect of law and shall be binding in the Compacting 227  
States, but only for those Products filed with the Commission, 228  
provided, that a Compacting State shall have the right to opt out 229  
of such Uniform Standard pursuant to Article VII, to the extent 230  
and in the manner provided in this Compact, and, provided further, 231



that any Uniform Standard established by the Commission for 232  
long-term care insurance products may provide the same or greater 233  
protections for consumers as, but shall not provide less than, 234  
those protections set forth in the National Association of 235  
Insurance Commissioners' Long-term Care Insurance Model Act and 236  
Long-Term Care Insurance Model Regulation, respectively, adopted 237  
as of 2001. The Commission shall consider whether any subsequent 238  
amendments to the NAIC Long-Term Care Insurance Model Act or 239  
Long-Term Care Insurance Model Regulation adopted by the NAIC 240  
require amending of the Uniform Standards established by the 241  
Commission for long-term care insurance products; 242

3. To receive and review in an expeditious manner Products 243  
filed with the Commission, and rate filings for disability income 244  
and long-term care insurance Products, and give approval of those 245  
Products and rate filings that satisfy the applicable Uniform 246  
Standard, where such approval shall have the force and effect of 247  
law and be binding on the Compacting States to the extent and in 248  
the manner provided in the Compact; 249

4. To receive and review in an expeditious manner 250  
Advertisement relating to long-term care insurance products for 251  
which Uniform Standards have been adopted by the Commission and 252  
give approval to all Advertisement that satisfies the applicable 253  
Uniform Standard. For any product covered under this Compact, 254  
other than long-term care insurance products, the Commission shall 255  
have the authority to require an insurer to submit all or any part 256  
of its Advertisement with respect to that product for review or 257  
approval prior to use, if the Commission determines that the 258  
nature of the product is such that an Advertisement of the product 259  
could have the capacity or tendency to mislead the public. The 260  
actions of the Commission as provided in this section shall have 261  
the force and effect of law and shall be binding in the Compacting 262  
States to the extent and in the manner provided in the Compact; 263

<u>5. To exercise its rule-making authority and designate</u>	264
<u>Products and Advertisement that may be subject to a</u>	265
<u>self-certification process without the need for prior approval by</u>	266
<u>the Commission;</u>	267
<u>6. To promulgate Operating Procedures, pursuant to Article</u>	268
<u>VII of this Compact, which shall be binding in the Compacting</u>	269
<u>States to the extent and in the manner provided in this Compact;</u>	270
<u>7. To bring and prosecute legal proceedings or actions in its</u>	271
<u>name as the Commission; provided, that the standing of any state</u>	272
<u>insurance department to sue or be sued under applicable law shall</u>	273
<u>not be affected;</u>	274
<u>8. To issue subpoenas requiring the attendance and testimony</u>	275
<u>of witnesses and the production of evidence;</u>	276
<u>9. To establish and maintain offices;</u>	277
<u>10. To purchase and maintain insurance and bonds;</u>	278
<u>11. To borrow, accept or contract for services of personnel,</u>	279
<u>including, but not limited to, employees of a Compacting State;</u>	280
<u>12. To hire employees, professionals or specialists, and</u>	281
<u>elect or appoint officers, and to fix their compensation, define</u>	282
<u>their duties and give them appropriate authority to carry out the</u>	283
<u>purposes of the Compact, and determine their qualifications; and</u>	284
<u>to establish the Commission's personnel policies and programs</u>	285
<u>relating to, among other things, conflicts of interest, rates of</u>	286
<u>compensation and qualifications of personnel;</u>	287
<u>13. To accept any and all appropriate donations and grants of</u>	288
<u>money, equipment, supplies, materials and services, and to</u>	289
<u>receive, utilize and dispose of the same; provided that at all</u>	290
<u>times the Commission shall strive to avoid any appearance of</u>	291
<u>impropriety;</u>	292
<u>14. To lease, purchase, accept appropriate gifts or donations</u>	293

<u>of, or otherwise to own, hold, improve or use, any property, real,</u>	294
<u>personal or mixed; provided that at all times the Commission shall</u>	295
<u>strive to avoid any appearance of impropriety;</u>	296
<u>15. To sell, convey, mortgage, pledge, lease, exchange,</u>	297
<u>abandon or otherwise dispose of any property, real, personal or</u>	298
<u>mixed;</u>	299
<u>16. To remit filing fees to Compacting States as may be set</u>	300
<u>forth in the Bylaws, Rules or Operating Procedures;</u>	301
<u>17. To enforce compliance by Compacting States with Rules,</u>	302
<u>Uniform Standards, Operating Procedures and Bylaws;</u>	303
<u>18. To provide for dispute resolution among Compacting</u>	304
<u>States;</u>	305
<u>19. To advise Compacting States on issues relating to</u>	306
<u>Insurers domiciled or doing business in Non-compacting</u>	307
<u>jurisdictions, consistent with the purposes of this Compact;</u>	308
<u>20. To provide advice and training to those personnel in</u>	309
<u>state insurance departments responsible for product review, and to</u>	310
<u>be a resource for state insurance departments;</u>	311
<u>21. To establish a budget and make expenditures;</u>	312
<u>22. To borrow money;</u>	313
<u>23. To appoint committees, including advisory committees</u>	314
<u>comprising members, state insurance regulators, state legislators</u>	315
<u>or their representatives, insurance industry and consumer</u>	316
<u>representatives, and such other interested persons as may be</u>	317
<u>designated in the Bylaws;</u>	318
<u>24. To provide and receive information from, and to cooperate</u>	319
<u>with law enforcement agencies;</u>	320
<u>25. To adopt and use a corporate seal; and</u>	321
<u>26. To perform such other functions as may be necessary or</u>	322

<u>appropriate to achieve the purposes of this Compact consistent</u>	323
<u>with the state regulation of the business of insurance.</u>	324
<u>Article V. Organization of the Commission</u>	325
<u>1. Membership, Voting and Bylaws</u>	326
<u>a. Each Compacting State shall have and be limited to one</u>	327
<u>member. Each member shall be qualified to serve in that capacity</u>	328
<u>pursuant to applicable law of the Compacting State. Any member may</u>	329
<u>be removed or suspended from office as provided by the law of the</u>	330
<u>State from which he or she shall be appointed. Any vacancy</u>	331
<u>occurring in the Commission shall be filled in accordance with the</u>	332
<u>laws of the Compacting State wherein the vacancy exists. Nothing</u>	333
<u>herein shall be construed to affect the manner in which a</u>	334
<u>Compacting State determines the election or appointment and</u>	335
<u>qualification of its own Commissioner.</u>	336
<u>b. Each member shall be entitled to one vote and shall have</u>	337
<u>an opportunity to participate in the governance of the Commission</u>	338
<u>in accordance with the Bylaws. Notwithstanding any provision</u>	339
<u>herein to the contrary, no action of the Commission with respect</u>	340
<u>to the promulgation of a Uniform Standard shall be effective</u>	341
<u>unless two-thirds (2/3) of the members vote in favor thereof.</u>	342
<u>c. The Commission shall, by a majority of the members,</u>	343
<u>prescribe Bylaws to govern its conduct as may be necessary or</u>	344
<u>appropriate to carry out the purposes, and exercise the powers, of</u>	345
<u>the Compact, including, but not limited to:</u>	346
<u>i. Establishing the fiscal year of the Commission;</u>	347
<u>ii. Providing reasonable procedures for appointing and</u>	348
<u>electing members, as well as holding meetings, of the Management</u>	349
<u>Committee;</u>	350
<u>iii. Providing reasonable standards and procedures: (i) for</u>	351
<u>the establishment and meetings of other committees, and (ii)</u>	352

governing any general or specific delegation of any authority or 353  
function of the Commission; 354

iv. Providing reasonable procedures for calling and 355  
conducting meetings of the Commission that consists of a majority 356  
of Commission members, ensuring reasonable advance notice of each 357  
such meeting and providing for the right of citizens to attend 358  
each such meeting with enumerated exceptions designed to protect 359  
the public's interest, the privacy of individuals, and insurers' 360  
proprietary information, including trade secrets. The Commission 361  
may meet in camera only after a majority of the entire membership 362  
votes to close a meeting en toto or in part. As soon as 363  
practicable, the Commission must make public (i) a copy of the 364  
vote to close the meeting revealing the vote of each member with 365  
no proxy votes allowed, and (ii) votes taken during such meeting; 366

v. Establishing the titles, duties and authority and 367  
reasonable procedures for the election of the officers of the 368  
Commission; 369

vi. Providing reasonable standards and procedures for the 370  
establishment of the personnel policies and programs of the 371  
Commission. Notwithstanding any civil service or other similar 372  
laws of any Compacting State the Bylaws shall exclusively govern 373  
the personnel policies and programs of the Commission; 374

vii. Promulgating a code of ethics to address permissible and 375  
prohibited activities of commission members and employees; and 376

viii. Providing a mechanism for winding up the operations of 377  
the Commission and the equitable disposition of any surplus funds 378  
that may exist after the termination of the Compact after the 379  
payment and/or reserving of all of its debts and obligations. 380

d. The Commission shall publish its bylaws in a convenient 381  
form and file a copy thereof and a copy of any amendments thereto, 382  
with the appropriate agency or officer in each of the Compacting 383

<u>States.</u>	384
<u>2. Management Committee, Officers and Personnel</u>	385
<u>a. A Management Committee comprising no more than fourteen</u>	386
<u>(14) members shall be established as follows:</u>	387
<u>i. One (1) member from each of the six (6) Compacting States</u>	388
<u>with the largest premium volume for individual and group</u>	389
<u>annuities, life, disability income and long-term care insurance</u>	390
<u>products, determined from the records of the NAIC for the prior</u>	391
<u>year;</u>	392
<u>ii. Four (4) members from those Compacting States with at</u>	393
<u>least two percent (2%) of the market based on the premium volume</u>	394
<u>described above, other than the six (6) Compacting States with the</u>	395
<u>largest premium volume, selected on a rotating basis as provided</u>	396
<u>in the Bylaws; and</u>	397
<u>iii. Four (4) members from those Compacting States with less</u>	398
<u>than two percent (2%) of the market, based on the premium volume</u>	399
<u>described above, with one (1) selected from each of the four (4)</u>	400
<u>zone regions of the NAIC as provided in the Bylaws.</u>	401
<u>b. The Management Committee shall have such authority and</u>	402
<u>duties as may be set forth in the Bylaws, including but not</u>	403
<u>limited to:</u>	404
<u>i. Managing the affairs of the Commission in a manner</u>	405
<u>consistent with the Bylaws and purposes of the Commission;</u>	406
<u>ii. Establishing and overseeing an organizational structure</u>	407
<u>within, and appropriate procedures for, the Commission to provide</u>	408
<u>for the creation of Uniform Standards and other Rules, receipt and</u>	409
<u>review of product filings, administrative and technical support</u>	410
<u>functions, review of decisions regarding the disapproval of a</u>	411
<u>product filing, and the review of elections made by a Compacting</u>	412
<u>State to opt out of a Uniform Standard; provided that a Uniform</u>	413

Standard shall not be submitted to the Compacting States for 414  
adoption unless approved by two-thirds (2/3) of the members of the 415  
Management Committee; 416

iii. Overseeing the offices of the Commission; and 417

iv. Planning, implementing, and coordinating communications 418  
and activities with other state, federal and local government 419  
organizations in order to advance the goals of the Commission. 420

c. The Commission shall elect annually officers from the 421  
Management Committee, with each having such authority and duties, 422  
as may be specified in the Bylaws. 423

d. The Management Committee may, subject to the approval of 424  
the Commission, appoint or retain an executive director for such 425  
period, upon such terms and conditions and for such compensation 426  
as the Commission may deem appropriate. The executive director 427  
shall serve as secretary to the Commission, but shall not be a 428  
member of the Commission. The executive director shall hire and 429  
supervise such other staff as may be authorized by the Commission. 430

3. Legislative and Advisory Committees 431

a. A legislative committee comprising state legislators or 432  
their designees shall be established to monitor the operations of, 433  
and make recommendations to, the Commission, including the 434  
Management Committee; provided that the manner of selection and 435  
term of any legislative committee member shall be as set forth in 436  
the Bylaws. Prior to the adoption by the Commission of any Uniform 437  
Standard revision to the Bylaws, annual budget or other 438  
significant matter as may be provided in the Bylaws, the 439  
Management Committee shall consult with and report to the 440  
legislative committee. 441

b. The Commission shall establish two (2) advisory 442  
committees, one of which shall comprise consumer representatives 443  
independent of the insurance industry, and the other comprising 444

insurance industry representatives.

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

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4. Corporate Records of the Commission

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The Commission shall maintain its corporate books and records in accordance with the Bylaws.

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5. Qualified Immunity, Defense and Indemnification

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a. The members, officers, executive director, employees and representatives of the Commission shall be immune from suit and liability, either personally or in their official capacity, for any claim for damage to or loss of property or personal injury or other civil liability caused by or arising out of any actual or alleged act, error or omission that occurred, or that the person against whom the claim is made had a reasonable basis for believing occurred within the scope of Commission employment, duties or responsibilities; provided, that nothing in this paragraph shall be construed to protect any such person from suit and/or liability for any damage, loss, injury or liability caused by intentional or willful and wanton misconduct of that person.

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

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willful and wanton misconduct.

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c. The Commission shall indemnify and hold harmless any member, officer, executive director, employee or representative of the Commission for the amount of any settlement or judgment obtained against that person arising out of any actual or alleged act, error or omission that occurred within the scope of Commission employment, duties or responsibilities, or that such person had a reasonable basis for believing occurred with the scope of Commission employment, duties or responsibilities, provided, that the actual or alleged act, error or omission did not result from the intentional or willful and wanton misconduct of that person.

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Article VI. Meetings and Acts of the Commission

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1. The Commission shall meet and take such actions as are consistent with the provisions of this Compact and Bylaws.

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

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3. The Commission shall meet at least once during each calendar year. Additional meetings shall be held as set forth in the Bylaws.

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Article VII. Rules and Operating Procedures: Rulemaking Functions of the Commission and Opting Out of Uniform Standards

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1. Rulemaking Authority. The Commission shall promulgate reasonable Rules, including Uniform Standards, and Operating Procedures in order to effectively and efficiently achieve the purposes of this Compact. Notwithstanding the foregoing, in the

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event the Commission exercises its rulemaking authority in a 506  
manner that is beyond the scope of the purposes of this Act, or 507  
the powers granted hereunder, then such an action by the 508  
Commission shall be invalid and have no force and effect. 509

2. Rulemaking Procedure. Rules and Operating Procedures shall 510  
be made pursuant to a rulemaking process that conforms to the 511  
Model State Administrative Procedure Act of 1981 as amended, as 512  
may be appropriate to the operations of the Commission. Before the 513  
Commission adopts a Uniform Standard, the Commission shall give 514  
written notice to the relevant state legislative committee(s) in 515  
each Compacting State responsible for insurance issues of its 516  
intention to adopt the Uniform Standard. The Commission in 517  
adopting a Uniform Standard shall consider fully all submitted 518  
materials and issue a concise explanation of its decision. 519

3. Effective Date and Opt Out of a Uniform Standard. A 520  
Uniform Standard shall become effective ninety (90) days after its 521  
promulgation by the Commission or such later date as the 522  
Commission may determine; provided, however, that a Compacting 523  
State may opt out of a Uniform Standard as provided in this 524  
Article. "Opt out" shall be defined as any action by a Compacting 525  
State to decline to adopt or participate in a promulgated Uniform 526  
Standard. All other Rules and Operating Procedures, and amendments 527  
thereto, shall become effective as of the date specified in each 528  
Rule, Operating Procedure or amendment. 529

4. Opt Out Procedure. A Compacting State may opt out of a 530  
Uniform Standard, either by legislation or regulation duly 531  
promulgated by the Insurance Department under the Compacting 532  
State's Administrative Procedure Act. If a Compacting State elects 533  
to opt out of a Uniform Standard by regulation, it must (a) give 534  
written notice to the Commission no later than ten (10) business 535  
days after the Uniform Standard is promulgated, or at the time the 536  
State becomes a Compacting State and (b) find that the Uniform 537

Standard does not provide reasonable protections to the citizens 538  
of the State, given the conditions in the State. The Commissioner 539  
shall make specific findings of fact and conclusions of law, based 540  
on a preponderance of the evidence, detailing the conditions in 541  
the State which warrant a departure from the Uniform Standard and 542  
determining that the Uniform Standard would not reasonably protect 543  
the citizens of the State. The Commissioner must consider and 544  
balance the following factors and find that the conditions in the 545  
State and needs of the citizens of the State outweigh: (i) the 546  
intent of the legislature to participate in, and the benefits of, 547  
an interstate agreement to establish national uniform consumer 548  
protections for the Products subject to this Act; and (ii) the 549  
presumption that a Uniform Standard adopted by the Commission 550  
provides reasonable protections to consumers of the relevant 551  
Product. 552

Notwithstanding the foregoing, a Compacting State may, at the 553  
time of its enactment of this Compact, prospectively opt out of 554  
all Uniform Standards involving long-term care insurance products 555  
by expressly providing for such opt out in the enacted Compact, 556  
and such an opt out shall not be treated as a material variance in 557  
the offer or acceptance of any State to participate in this 558  
Compact. Such an opt out shall be effective at the time of 559  
enactment of this Compact by the Compacting State and shall apply 560  
to all existing Uniform Standards involving long-term care 561  
insurance products and those subsequently promulgated. 562

5. Effect of Opt Out. If a Compacting State elects to opt out 563  
of a Uniform Standard, the Uniform Standard shall remain 564  
applicable in the Compacting State electing to opt out until such 565  
time the opt out legislation is enacted into law or the regulation 566  
opting out becomes effective. 567

Once the opt out of a Uniform Standard by a Compacting State 568  
becomes effective as provided under the laws of that State, the 569

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

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

7. Not later than thirty (30) days after a Rule or Operating Procedure is promulgated, any person may file a petition for judicial review of the Rule or Operating Procedure; provided, that the filing of such a petition shall not stay or otherwise prevent the Rule or Operating Procedure from becoming effective unless the court finds that the petitioner has a substantial likelihood of success. The court shall give deference to the actions of the

Commission consistent with applicable law and shall not find the 602  
Rule or Operating Procedure to be unlawful if the Rule or 603  
Operating Procedure represents a reasonable exercise of the 604  
Commission's authority. 605

Article VIII. Commission Records and Enforcement 606

1. The Commission shall promulgate Rules establishing 607  
conditions and procedures for public inspection and copying of its 608  
information and official records, except such information and 609  
records involving the privacy of individuals and insurers' trade 610  
secrets. The Commission may promulgate additional Rules under 611  
which it may make available to federal and state agencies, 612  
including law enforcement agencies, records and information 613  
otherwise exempt from disclosure, and may enter into agreements 614  
with such agencies to receive or exchange information or records 615  
subject to nondisclosure and confidentiality provisions. 616

2. Except as to privileged records, data and information, the 617  
laws of any Compacting State pertaining to confidentiality or 618  
nondisclosure shall not relieve any Compacting State Commissioner 619  
of the duty to disclose any relevant records, data or information 620  
to the Commission; provided, that disclosure to the Commission 621  
shall not be deemed to waive or otherwise affect any 622  
confidentiality requirement; and further provided, that, except as 623  
otherwise expressly provided in this Act, the Commission shall not 624  
be subject to the Compacting State's laws pertaining to 625  
confidentiality and nondisclosure with respect to records, data 626  
and information in its possession. Confidential information of the 627  
Commission shall remain confidential after such information is 628  
provided to any Commissioner. 629

3. The Commission shall monitor Compacting States for 630  
compliance with duly adopted Bylaws, Rules, including Uniform 631  
Standards, and Operating Procedures. The Commission shall notify 632

any non-complying Compacting State in writing of its 633  
non-compliance with Commission Bylaws, Rules or Operating 634  
Procedures. If a non-complying Compacting State fails to remedy 635  
its noncompliance within the time specified in the notice of 636  
noncompliance, the Compacting State shall be deemed to be in 637  
default as set forth in Article XIV. 638

4. The Commissioner of any State in which an Insurer is 639  
authorized to do business, or is conducting the business of 640  
insurance, shall continue to exercise his or her authority to 641  
oversee the market regulation of the activities of the Insurer in 642  
accordance with the provisions of the State's law. The 643  
Commissioner's enforcement of compliance with the Compact is 644  
governed by the following provisions: 645

a. With respect to the Commissioner's market regulation of a 646  
Product or Advertisement that is approved or certified to the 647  
Commission, the content of the Product or Advertisement shall not 648  
constitute a violation of the provisions, standards or 649  
requirements of the Compact except upon a final order of the 650  
Commission, issued at the request of a Commissioner after prior 651  
notice to the Insurer and an opportunity for hearing before the 652  
Commission. 653

b. Before a Commissioner may bring an action for violation of 654  
any provision, standard or requirement of the Compact relating to 655  
the content of an Advertisement not approved or certified to the 656  
Commission, the Commission, or an authorized Commission officer or 657  
employee, must authorize the action. However, authorization 658  
pursuant to this paragraph does not require notice to the Insurer, 659  
opportunity for hearing or disclosure of requests for 660  
authorization or records of the Commission's action on such 661  
requests. 662

Article IX. Dispute Resolution 663

The Commission shall attempt, upon the request of a member, to 664  
resolve any disputes or other issues that are subject to this 665  
Compact and which may arise between two or more Compacting States, 666  
or between Compacting States and Non-compacting States, and the 667  
Commission shall promulgate an Operating Procedure providing for 668  
resolution of such disputes. 669

Article X. Product Filing and Approval 670

1. Insurers and Third-Party Filers seeking to have a Product 671  
approved by the Commission shall file the Product with, and pay 672  
applicable filing fees to, the Commission. Nothing in this Act 673  
shall be construed to restrict or otherwise prevent an insurer 674  
from filing its Product with the insurance department in any State 675  
wherein the insurer is licensed to conduct the business of 676  
insurance, and such filing shall be subject to the laws of the 677  
States where filed. 678

2. The Commission shall establish appropriate filing and 679  
review processes and procedures pursuant to Commission Rules and 680  
Operating Procedures. Notwithstanding any provision herein to the 681  
contrary, the Commission shall promulgate Rules to establish 682  
conditions and procedures under which the Commission will provide 683  
public access to Product filing information. In establishing such 684  
Rules, the Commission shall consider the interests of the public 685  
in having access to such information, as well as protection of 686  
personal medical and financial information and trade secrets, that 687  
may be contained in a Product filing or supporting information. 688

3. Any Product approved by the Commission may be sold or 689  
otherwise issued in those Compacting States for which the Insurer 690  
is legally authorized to do business. 691

Article XI. Review of Commission Decisions Regarding Filings 692

1. Not later than thirty (30) days after the Commission has 693  
given notice of a disapproved Product or Advertisement filed with 694

the Commission, the Insurer or Third Party Filer whose filing was 695  
disapproved may appeal the determination to a review panel 696  
appointed by the Commission. The Commission shall promulgate Rules 697  
to establish procedures for appointing such review panels and 698  
provide for notice and hearing. An allegation that the Commission, 699  
in disapproving a Product or Advertisement filed with the 700  
Commission, acted arbitrarily, capriciously, or in a manner that 701  
is an abuse of discretion or otherwise not in accordance with the 702  
law, is subject to judicial review in accordance with Article III, 703  
Section 4. 704

2. The Commission shall have authority to monitor, review and 705  
reconsider Products and Advertisement subsequent to their filing 706  
or approval upon a finding that the product does not meet the 707  
relevant Uniform Standard. Where appropriate, the Commission may 708  
withdraw or modify its approval after proper notice and hearing, 709  
subject to the appeal process in Section 1 above. 710

Article XII. Finance 711

1. The Commission shall pay or provide for the payment of the 712  
reasonable expenses of its establishment and organization. To fund 713  
the cost of its initial operations, the Commission may accept 714  
contributions and other forms of funding from the National 715  
Association of Insurance Commissioners, Compacting States and 716  
other sources. Contributions and other forms of funding from other 717  
sources shall be of such a nature that the independence of the 718  
Commission concerning the performance of its duties shall not be 719  
compromised. 720

2. The Commission shall collect a filing fee from each 721  
Insurer and Third Party Filer filing a product with the Commission 722  
to cover the cost of the operations and activities of the 723  
Commission and its staff in a total amount sufficient to cover the 724  
Commission's annual budget. 725



3. The Commission's budget for a fiscal year shall not be approved until it has been subject to notice and comment as set forth in Article VII of this Compact. 726  
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4. The Commission shall be exempt from all taxation in and by the Compacting States. 729  
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5. The Commission shall not pledge the credit of any Compacting State, except by and with the appropriate legal authority of that Compacting State. 731  
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6. The Commission shall keep complete and accurate accounts of all its internal receipts, including grants and donations, and disbursements of all funds under its control. The internal financial accounts of the Commission shall be subject to the accounting procedures established under its Bylaws. The financial accounts and reports including the system of internal controls and procedures of the Commission shall be audited annually by an independent certified public accountant. Upon the determination of the Commission, but no less frequently than every three (3) years, the review of the independent auditor shall include a management and performance audit of the Commission. The Commission shall make an Annual Report to the Governor and the legislature of the Compacting States, which shall include a report of the independent audit. The Commission's internal accounts shall not be confidential and such materials may be shared with the Commissioner of any Compacting State upon request provided, however, that any work papers related to any internal or independent audit and any information regarding the privacy of individuals and insurers' proprietary information, including trade secrets, shall remain confidential. 734  
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7. No Compacting State shall have any claim to or ownership of any property held by or vested in the Commission or to any Commission funds held pursuant to the provisions of this Compact. 754  
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<u>Article XIII. Compacting States, Effective Date and Amendment</u>	757
<u>1. Any state is eligible to become a Compacting State.</u>	758
<u>2. The Compact shall become effective and binding upon</u>	759
<u>legislative enactment of the Compact into law by two Compacting</u>	760
<u>States; provided, the Commission shall become effective for</u>	761
<u>purposes of adopting Uniform Standards for, reviewing, and giving</u>	762
<u>approval or disapproval of, Products filed with the Commission</u>	763
<u>that satisfy applicable Uniform Standards only after twenty-six</u>	764
<u>(26) States are Compacting States or, alternatively, by States</u>	765
<u>representing greater than forty percent (40%) of the premium</u>	766
<u>volume for life insurance, annuity, disability income and</u>	767
<u>long-term care insurance products, based on records of the NAIC</u>	768
<u>for the prior year. Therefore, it shall become effective and</u>	769
<u>binding as to any other Compacting State upon enactment of the</u>	770
<u>Compact into law by that State.</u>	771
<u>3. Amendments to the Compact may be proposed by the</u>	772
<u>Commission for enactment by the Compacting States. No amendment</u>	773
<u>shall become effective and binding upon the Commission and the</u>	774
<u>Compacting States unless and until all Compacting States enact the</u>	775
<u>amendment into law.</u>	776
<u>Article XIV. Withdrawal, Default and Termination</u>	777
<u>1. Withdrawal</u>	778
<u>a. Once effective, the Compact shall continue in force and</u>	779
<u>remain binding upon each and every Compacting State; provided,</u>	780
<u>that a Compacting State may withdraw from the Compact</u>	781
<u>("Withdrawing State") by enacting a statute specifically repealing</u>	782
<u>the statute which enacted the Compact into law.</u>	783
<u>b. The effective date of withdrawal is the effective date of</u>	784
<u>the repealing statute. However, the withdrawal shall not apply to</u>	785
<u>any product filings approved or self-certified, or any</u>	786

Advertisement of such products, on the date the repealing statute 787  
becomes effective, except by mutual agreement of the Commission 788  
and the Withdrawing State unless the approval is rescinded by the 789  
Withdrawing State as provided in Paragraph e of this section. 790

c. The Commissioner of the Withdrawing State shall 791  
immediately notify the Management Committee in writing upon the 792  
introduction of legislation repealing this Compact in the 793  
Withdrawing State. 794

d. The Commission shall notify the other Compacting States of 795  
the introduction of such legislation within ten (10) days after 796  
its receipt of notice thereof. 797

e. The Withdrawing State is responsible for all obligations, 798  
duties and liabilities incurred through the effective date of 799  
withdrawal, including any obligations, the performance of which 800  
extend beyond the effective date of withdrawal, except to the 801  
extent those obligations may have been released or relinquished by 802  
mutual agreement of the Commission and the Withdrawing State. The 803  
Commission's approval of Products and Advertisement prior to the 804  
effective date of withdrawal shall continue to be effective and be 805  
given full force and effect in the Withdrawing State, unless 806  
formally rescinded by the Withdrawing State in the same manner as 807  
provided by the laws of the Withdrawing State for the prospective 808  
disapproval of products or advertisement previously approved under 809  
state law. 810

f. Reinstatement following withdrawal of any Compacting State 811  
shall occur upon the effective date of the Withdrawing State 812  
reenacting the Compact. 813

2. Default 814

a. If the Commission determines that any Compacting State has 815  
at any time defaulted ("Defaulting State") in the performance of 816  
any of its obligations or responsibilities under this Compact, the 817

Bylaws or duly promulgated Rules or Operating Procedures, then, 818  
after notice and hearing as set forth in the Bylaws, all rights, 819  
privileges and benefits conferred by this Compact on the 820  
Defaulting State shall be suspended from the effective date of 821  
default as fixed by the Commission. The grounds for default 822  
include, but are not limited to, failure of a Compacting State to 823  
perform its obligations or responsibilities, and any other grounds 824  
designated in Commission Rules. The Commission shall immediately 825  
notify the Defaulting State in writing of the Defaulting State's 826  
suspension pending a cure of the default. The Commission shall 827  
stipulate the conditions and the time period within which the 828  
Defaulting State must cure its default. If the Defaulting State 829  
fails to cure the default within the time period specified by the 830  
Commission, the Defaulting State shall be terminated from the 831  
Compact and all rights, privileges and benefits conferred by this 832  
Compact shall be terminated from the effective date of 833  
termination. 834

b. Product approvals by the Commission or product 835  
self-certifications, or any Advertisement in connection with such 836  
product, that are in force on the effective date of termination 837  
shall remain in force in the Defaulting State in the same manner 838  
as if the Defaulting State had withdrawn voluntarily pursuant to 839  
Section 1 of this article. 840

c. Reinstatement following termination of any Compacting 841  
State requires a reenactment of the Compact. 842

3. Dissolution of Compact 843

a. The Compact dissolves effective upon the date of the 844  
withdrawal or default of the Compacting State which reduces 845  
membership in the Compact to one Compacting State. 846

b. Upon the dissolution of this Compact, the Compact becomes 847  
null and void and shall be of no further force or effect, and the 848

business and affairs of the Commission shall be wound up and any 849  
surplus funds shall be distributed in accordance with the Bylaws. 850

Article XV. Severability and Construction 851

1. The provisions of this Compact shall be severable; and if 852  
any phrase, clause, sentence or provision is deemed unenforceable, 853  
the remaining provisions of the Compact shall be enforceable. 854

2. The provisions of this Compact shall be liberally 855  
construed to effectuate its purposes. 856

Article XVI. Binding Effect of Compact and Other Laws 857

1. Other Laws 858

a. Nothing herein prevents the enforcement of any other law 859  
of a Compacting State, except as provided in Paragraph b of this 860  
section. 861

b. For any Product approved or certified to the Commission, 862  
the Rules, Uniform Standards and any other requirements of the 863  
Commission shall constitute the exclusive provisions applicable to 864  
the content, approval and certification of such Products. For 865  
Advertisement that is subject to the Commission's authority, any 866  
Rule, Uniform Standard or other requirement of the Commission 867  
which governs the content of the Advertisement shall constitute 868  
the exclusive provision that a Commissioner may apply to the 869  
content of the Advertisement. Notwithstanding the foregoing, no 870  
action taken by the Commission shall abrogate or restrict: (i) the 871  
access of any person to state courts; (ii) remedies available 872  
under state law related to breach of contract, tort, or other laws 873  
not specifically directed to the content of the Product; (iii) 874  
state law relating to the construction of insurance contracts; or 875  
(iv) the authority of the attorney general of the state, including 876  
but not limited to maintaining any actions or proceedings, as 877  
authorized by law. 878

<u>c. All insurance products filed with individual States shall</u>	879
<u>be subject to the laws of those States.</u>	880
<u>2. Binding Effect of this Compact</u>	881
<u>a. All lawful actions of the Commission, including all Rules</u>	882
<u>and Operating Procedures promulgated by the Commission, are</u>	883
<u>binding upon the Compacting States.</u>	884
<u>b. All agreements between the Commission and the Compacting</u>	885
<u>States are binding in accordance with their terms.</u>	886
<u>c. Upon the request of a party to a conflict over the meaning</u>	887
<u>or interpretation of Commission actions, and upon a majority vote</u>	888
<u>of the Compacting States, the Commission may issue advisory</u>	889
<u>opinions regarding the meaning or interpretation in dispute.</u>	890
<u>d. In the event any provision of this Compact exceeds the</u>	891
<u>constitutional limits imposed on the legislature of any Compacting</u>	892
<u>State, the obligations, duties, powers or jurisdiction sought to</u>	893
<u>be conferred by that provision upon the Commission shall be</u>	894
<u>ineffective as to that Compacting State, and those obligations,</u>	895
<u>duties, powers or jurisdiction shall remain in the Compacting</u>	896
<u>State and shall be exercised by the agency thereof to which those</u>	897
<u>obligations, duties, powers or jurisdiction are delegated by law</u>	898
<u>in effect at the time this Compact becomes effective.</u>	899
<b>Section 2.</b> That existing section 3901.48 of the Revised Code	900
is hereby repealed.	901