

040750428

## HOUSE BILL NO. 1155

House Amendments in [ ] — January 27, 2004

A *BILL* to amend the Code of Virginia by adding in Title 38.2 a chapter numbered 61, consisting of sections numbered 38.2-6100 and 38.2-6101, relating to the Interstate Insurance Product Regulation Compact.

Patron Prior to Engrossment—Delegate Morgan

Referred to Committee on Commerce and Labor

**Be it enacted by the General Assembly of Virginia:**

**1. That the Code of Virginia is amended by adding in Title 38.2 a chapter numbered 61, consisting of sections numbered 38.2-6100 and 38.2-6101, as follows:**

**CHAPTER 61.****INTERSTATE INSURANCE PRODUCT REGULATION COMPACT.****§ 38.2-6100. Form of Compact.**

*The General Assembly hereby enacts, and the Commonwealth of Virginia hereby enters into, the Interstate Insurance Product Regulation Compact with any and all states legally joining therein according to its terms, in the form substantially as follows:*

*Article I.**Purposes.*

*The purposes of this Compact are, through means of joint and cooperative action among the Compacting States:*

- 1. To promote and protect the interest of consumers of individual and group annuity, life insurance, disability income and long-term care insurance products;*
- 2. To develop uniform standards for insurance products covered under the Compact;*
- 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;*
- 4. To give appropriate regulatory approval to those product filings and advertisements satisfying the applicable uniform standard;*
- 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;*
- 6. To create the Interstate Insurance Product Regulation Commission; and*
- 7. To perform these and such other related functions as may be consistent with the state regulation of the business of insurance.*

*Article II.**Definitions.*

*For purposes of this Compact:*

- 1. "Advertisement" means any material designed to create public interest in a Product, or induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace, or retain a policy, as more specifically defined in the Rules and Operating Procedures of the Commission.*
- 2. "Bylaws" mean those bylaws established by the Commission for its governance, or for directing or controlling the Commission's actions or conduct.*
- 3. "Compacting State" means any State which has enacted this Compact legislation and which has not withdrawn pursuant to Article XIV, Section 1, or been terminated pursuant to Article XIV, Section 2.*
- 4. "Commission" means the "Interstate Insurance Product Regulation Commission" established by this Compact.*
- 5. "Commissioner" means the chief insurance regulatory official of a State including, but not limited to, commissioner, superintendent, director, or administrator.*
- 6. "Domiciliary State" means the state in which an Insurer is incorporated or organized; or, in the case of an alien Insurer, its state of entry.*
- 7. "Insurer" means any entity licensed by a State to issue contracts of insurance for any of the lines of insurance covered by this Act.*
- 8. "Member" means the person chosen by a Compacting State as its representative to the Commission, or his or her designee.*
- 9. "Non-compacting State" means any State which is not at the time a Compacting State.*
- 10. "Operating Procedures" mean procedures promulgated by the Commission implementing a Rule,*

ENGROSSED

HB1155E

59 *Uniform Standard or a provision of this Compact.*

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

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

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

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

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

### 78 *Article III.*

#### 79 *Establishment of the Commission and Venue.*

80 1. The Compacting States hereby create and establish a joint public agency known as the "Interstate  
81 Insurance Product Regulation Commission." Pursuant to Article IV, the Commission will have the power  
82 to develop Uniform Standards for Product lines, receive and provide prompt review of Products filed  
83 therewith, and give approval to those Product filings satisfying applicable Uniform Standards; provided,  
84 it is not intended for the Commission to be the exclusive entity for receipt and review of insurance  
85 product filings. Nothing herein shall prohibit any Insurer from filing its product in any State wherein  
86 the Insurer is licensed to conduct the business of insurance; and any such filing shall be subject to the  
87 laws of the State where filed.

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

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

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

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

### 96 *Article IV.*

#### 97 *Powers of the Commission.*

98 *The Commission shall have the following powers:*

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

102 2. To exercise its rule-making authority and establish reasonable Uniform Standards for Products  
103 covered under the Compact, and Advertisement related thereto, which shall have the force and effect of  
104 law and shall be binding in the Compacting States, but only for those Products filed with the  
105 Commission, provided, that a Compacting State shall have the right to opt out of such Uniform  
106 Standard pursuant to Article VII, to the extent and in the manner provided in this Compact, and,  
107 provided further, that any Uniform Standard established by the Commission for long-term care  
108 insurance products may provide the same or greater protections for consumers as, but shall not provide  
109 less than, those protections set forth in the National Association of Insurance Commissioners'  
110 Long-Term Care Insurance Model Act and Long-Term Care Insurance Model Regulation, respectively,  
111 adopted as of 2001. The Commission shall consider whether any subsequent amendments to the NAIC  
112 Long-Term Care Insurance Model Act or Long-Term Care Insurance Model Regulation adopted by the  
113 NAIC require amending of the Uniform Standards established by the Commission for long-term care  
114 insurance products;

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

120 4. To receive and review in an expeditious manner Advertisement relating to long-term care

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

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

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

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

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

9. To establish and maintain offices;

10. To purchase and maintain insurance and bonds;

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

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

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

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

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

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

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

18. To provide for dispute resolution among Compacting States;

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

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

21. To establish a budget and make expenditures;

22. To borrow money;

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

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

25. To adopt and use a corporate seal; and

26. To perform such other functions as may be necessary or appropriate to achieve the purposes of this Compact consistent with the state regulation of the business of insurance.

#### Article V.

#### Organization of the Commission.

1. Membership, Voting and Bylaws.

a. Each Compacting State shall have and be limited to one Member. Each Member shall be qualified to serve in that capacity pursuant to applicable law of the Compacting State. Any Member may be removed or suspended from office as provided by the law of the State from which he or she shall be appointed. Any vacancy occurring in the Commission shall be filled in accordance with the laws of the Compacting State wherein the vacancy exists. Nothing herein shall be construed to affect the manner in which a Compacting State determines the election or appointment and qualification of its own

182 Commissioner.

183 b. Each Member shall be entitled to one vote and shall have an opportunity to participate in the  
184 governance of the Commission in accordance with the Bylaws. Notwithstanding any provision herein to  
185 the contrary, no action of the Commission with respect to the promulgation of a Uniform Standard shall  
186 be effective unless two-thirds of the Members vote in favor thereof.

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

190 i. Establishing the fiscal year of the Commission;

191 ii. Providing reasonable procedures for appointing and electing members, as well as holding  
192 meetings, of the Management Committee;

193 iii. Providing reasonable standards and procedures: (i) for the establishment and meetings of other  
194 committees, and (ii) governing any general or specific delegation of any authority or function of the  
195 Commission;

196 iv. Providing reasonable procedures for calling and conducting meetings of the Commission that  
197 consists of a majority of Commission members, ensuring reasonable advance notice of each such  
198 meeting, and providing for the right of citizens to attend each such meeting with enumerated exceptions  
199 designed to protect the public's interest, the privacy of individuals, and insurers' proprietary  
200 information, including trade secrets. The Commission may meet in camera only after a majority of the  
201 entire membership votes to close a meeting en toto or in part. As soon as practicable, the Commission  
202 must make public (i) a copy of the vote to close the meeting revealing the vote of each Member with no  
203 proxy votes allowed, and (ii) votes taken during such meeting;

204 v. Establishing the titles, duties and authority and reasonable procedures for the election of the  
205 officers of the Commission;

206 vi. Providing reasonable standards and procedures for the establishment of the personnel policies  
207 and programs of the Commission. Notwithstanding any civil service or other similar laws of any  
208 Compacting State, the Bylaws shall exclusively govern the personnel policies and programs of the  
209 Commission;

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

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

215 d. The Commission shall publish its bylaws in a convenient form and file a copy thereof and a copy  
216 of any amendment thereto, with the appropriate agency or officer in each of the Compacting States.

217 2. Management Committee, Officers and Personnel.

218 a. A Management Committee comprising no more than fourteen members shall be established as  
219 follows:

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

223 (ii) Four members from those Compacting States with at least two percent of the market based on  
224 the premium volume described above, other than the six Compacting States with the largest premium  
225 volume, selected on a rotating basis as provided in the Bylaws; and

226 (iii) Four members from those Compacting States with less than two percent of the market, based on  
227 the premium volume described above, with one selected from each of the four zone regions of the NAIC  
228 as provided in the Bylaws.

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

231 i. Managing the affairs of the Commission in a manner consistent with the Bylaws and purposes of  
232 the Commission;

233 ii. Establishing and overseeing an organizational structure within, and appropriate procedures for,  
234 the Commission to provide for the creation of Uniform Standards and other Rules, receipt and review of  
235 product filings, administrative and technical support functions, review of decisions regarding the  
236 disapproval of a product filing, and the review of elections made by a Compacting State to opt out of a  
237 Uniform Standard; provided that a Uniform Standard shall not be submitted to the Compacting States  
238 for adoption unless approved by two-thirds of the members of the Management Committee;

239 iii. Overseeing the offices of the Commission; and

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

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

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

### 3. Legislative and Advisory Committees.

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

b. The Commission shall establish two advisory committees, one of which shall comprise consumer representatives independent of the insurance industry, and the other comprising insurance industry representatives.

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

### 4. Corporate Records of the Commission.

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

### 5. Qualified Immunity, Defense and Indemnification.

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 the intentional or willful and wanton misconduct of that person.

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 willful and wanton misconduct.

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 within 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.

## Article VI.

### Meetings and Acts of the Commission.

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

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.

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

## Article VII.

### Rules & Operating Procedures: Rulemaking Functions of the Commission and Opting Out of Uniform Standards.

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

305 2. *Rulemaking Procedure.* Rules and Operating Procedures shall be made pursuant to a rulemaking  
306 process that conforms to the Model State Administrative Procedure Act of 1981, as amended, as may be  
307 appropriate to the operations of the Commission. Before the Commission adopts a Uniform Standard,  
308 the Commission shall give written notice to the relevant state legislative committee(s) in each  
309 Compacting State responsible for insurance issues of its intention to adopt the Uniform Standard. The  
310 Commission in adopting a Uniform Standard shall consider fully all submitted materials and issue a  
311 concise explanation of its decision.

312 3. *Effective Date and Opt Out of a Uniform Standard.* A Uniform Standard shall become effective  
313 ninety days after its promulgation by the Commission or such later date as the Commission may  
314 determine; provided, however, that a Compacting State may opt out of a Uniform Standard as provided  
315 in this Article. "Opt out" shall be defined as any action by a Compacting State to decline to adopt or  
316 participate in a promulgated Uniform Standard. All other Rules and Operating Procedures, and  
317 amendments thereto, shall become effective as of the date specified in each Rule, Operating Procedure  
318 or amendment.

319 4. *Opt Out Procedure.* A Compacting State may opt out of a Uniform Standard, either by legislation  
320 or regulation duly promulgated by the Insurance Department under the Compacting State's  
321 Administrative Procedure Act or duly promulgated pursuant to the Compacting State's law. If a  
322 Compacting State elects to opt out of a Uniform Standard by regulation, it must (a) give written notice  
323 to the Commission no later than ten business days after the Uniform Standard is promulgated, or at the  
324 time the State becomes a Compacting State and (b) find that the Uniform Standard does not provide  
325 reasonable protections to the citizens of the State, given the conditions in the State. The Commissioner  
326 or tribunal shall make specific findings of fact and conclusions of law, based on a preponderance of the  
327 evidence, detailing the conditions in the State which warrant a departure from the Uniform Standard  
328 and determining that the Uniform Standard would not reasonably protect the citizens of the State. The  
329 Commissioner or tribunal must consider and balance the following factors and find that the conditions  
330 in the State and needs of the citizens of the State outweigh: (i) the intent of the legislature to participate  
331 in, and the benefits of, an interstate agreement to establish national uniform consumer protections for  
332 the Products subject to this Act; and (ii) the presumption that a Uniform Standard adopted by the  
333 Commission provides reasonable protections to consumers of the relevant Product.

334 Notwithstanding the foregoing, a Compacting State may, at the time of its enactment of this  
335 Compact, prospectively opt out of all Uniform Standards involving long-term care insurance products by  
336 expressly providing for such opt out in the enacted Compact, and such an opt out shall not be treated  
337 as a material variance in the offer or acceptance of any State to participate in this Compact. Such an  
338 opt out shall be effective at the time of enactment of this Compact by the Compacting State and shall  
339 apply to all existing Uniform Standards involving long-term care insurance products and those  
340 subsequently promulgated.

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

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

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

361 7. Not later than thirty days after a Rule or Operating Procedure is promulgated, any person may  
362 file a petition for judicial review of the Rule or Operating Procedure; provided, that the filing of such a  
363 petition shall not stay or otherwise prevent the Rule or Operating Procedure from becoming effective  
364 unless the court finds that the petitioner has a substantial likelihood of success. The court shall give  
365 deference to the actions of the Commission consistent with applicable law and shall not find the Rule or  
366 Operating Procedure to be unlawful if the Rule or Operating Procedure represents a reasonable

exercise of the Commission's authority.

#### Article VIII.

##### Commission Records and Enforcement.

1. The Commission shall promulgate Rules establishing conditions and procedures for public inspection and copying of its information and official records, except such information and records involving the privacy of individuals and insurers' trade secrets. 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 noncomplying 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, the content of the Product or Advertisement shall not 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 content 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.

#### Article IX.

##### Dispute Resolution.

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

#### Article X.

##### Product Filing and Approval.

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

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

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

## Article XI.

*Review of Commission Decisions Regarding Filings.*

1. Not later than thirty days after the Commission has given notice of a disapproved Product or Advertisement filed with the Commission, the Insurer or Third Party Filer whose filing was disapproved may appeal the determination to a review panel appointed by the Commission. The Commission shall promulgate Rules to establish procedures for appointing such review panels and provide for notice and hearing. An allegation that the Commission, in disapproving a Product or Advertisement filed with the Commission, acted arbitrarily, capriciously, or in a manner that is an abuse of discretion or otherwise not in accordance with the law, is subject to judicial review in accordance with Article III, section 5.

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

## Article XII.

*Finance.*

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

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

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.

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

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

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 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 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.

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.

## Article XIII.

*Compacting States, Effective Date and Amendment.*

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

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

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

## Article XIV.

*Withdrawal, Default and Termination.*1. *Withdrawal.*

a. Once effective, the Compact shall continue in force and remain binding upon each and every



Compacting State; provided, that a Compacting State may withdraw from the Compact (Withdrawing State) by enacting a statute specifically repealing the statute which enacted the Compact into law.

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

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

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

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

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

## 2. Default.

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

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

c. Reinstatement following termination of any Compacting State requires a reenactment of the compact.

## 3. Dissolution of Compact.

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

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

## Article XV.

### Severability and Construction.

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

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

## Article XVI.

### Binding Effect of Compact and Other Laws.

#### 1. Other Laws.

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

b. For any Product approved or certified to the Commission, the Rules, Uniform Standards, and any other requirements of the Commission shall constitute the exclusive provisions applicable to the content, approval and certification of such Products. For Advertisement that is subject to the Commission's authority, any Rule, Uniform Standard or other requirement of the Commission which governs the

551 content of the Advertisement shall constitute the exclusive provision that a Commissioner may apply to  
552 the content of the Advertisement. Notwithstanding the foregoing, no action taken by the Commission  
553 shall abrogate or restrict: (i) the access of any person [ , including the attorney general, ] to state  
554 courts; (ii) remedies available under state law related to breach of contract, tort, or other laws not  
555 specifically directed to the content of the Product; (iii) state law relating to the construction of  
556 insurance contracts; or (iv) the authority of the attorney general of the state, including but not limited  
557 to maintaining any actions or proceedings, as authorized by law.

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

559 2. Binding Effect of this Compact.

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

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

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

567 d. In the event any provision of this Compact exceeds the constitutional limits imposed on the  
568 legislature of any Compacting State, the obligations, duties, powers or jurisdiction sought to be  
569 conferred by that provision upon the Commission shall be ineffective as to that Compacting State, and  
570 those obligations, duties, powers or jurisdiction shall remain in the Compacting State and shall be  
571 exercised by the agency thereof to which those obligations, duties, powers or jurisdiction are delegated  
572 by law in effect at the time this Compact becomes effective.

573 § 38.2-6101. Appointment of representative.

574 The Commissioner of Insurance is hereby appointed as the Commonwealth's representative to the  
575 Interstate Insurance Product Regulation Commission.