

# HOUSE BILL REPORT

## HB 1032

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**As Passed House:**

March 4, 2005

**Title:** An act relating to adopting the interstate insurance product regulation compact.

**Brief Description:** Adopting the interstate insurance product regulation compact.

**Sponsors:** By Representatives Kirby, Roach, Simpson and Schual-Berke; by request of Insurance Commissioner.

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 1/18/05, 1/20/05 [DP].

**Floor Activity:**

Passed House: 3/4/05, 96-0.

**Brief Summary of Bill**

Washington would join or compact with other states to create a multi-state entity called the Interstate Insurance Product Regulation Commission (Commission).

The Commission will adopt national uniform standards for life insurance, annuity, disability income, and long-term care products and receive, review, and approve product filings and advertisements.

Insurers wishing to sell products in Washington could choose to file them with the Office of the Insurance Commissioner (OIC) under state law and regulations or with the Interstate Insurance Product Regulation Commission under uniform national standards.

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**HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** Do pass. Signed by 9 members: Representatives Kirby, Chair; Roach, Ranking Minority Member; Ericks, Santos, Schual-Berke, Serben, Simpson, Tom and Williams.

**Staff:** Jon Hedegard (786-7127).

**Background:**

Authority of the Insurance Commissioner

The Office of the Insurance Commissioner (OIC) has regulatory authority over insurance issues. Life insurance, annuities, disability income insurance, and long-term care are among the products overseen by the OIC. Rates and forms for these products must be filed with and approved by the OIC before the product can be sold in the state.

#### Interstate compacts

Interstate compacts are voluntary legal agreements between one or more states designed to address common problems. There are more than 200 different types of compacts in the United States and every state belongs to at least 14. Traditionally, most compacts addressed natural resource issues. Recently, the compact has been used to address other matters, including corrections, safety, and tax issues. States must adopt the same language or language with the same legal meaning.

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### **Summary of Bill:**

#### Creation of the Compact

The Compact was created when the first two states joined in 2004. It will not become effective until either 26 states join or states representing over 40 percent of the national premium volume for life insurance, annuity, disability income, and long-term care insurance products join the Compact. Nine states (Colorado, Hawaii, Iowa, Maine, New Hampshire, Rhode Island, Utah, Virginia, and West Virginia) have adopted the Compact to date. These states have a combined 8.06 percent of the national premium.

#### Insurance lines covered by the Compact

The Compact addresses four types of insurance products:

- individual and group annuity;
- life insurance;
- disability income; and
- long-term care insurance products.

#### The Compact and the Commission

The Compact is the legal arrangement. It creates an Interstate Insurance Product Regulation Commission that will:

- develop standards for products;
- receive, review, and approve products; and
- adopt rules.

The standards, rules, and decisions of the Commission have the force of law.

#### Representation on the Commission

Each compacting state receives one representative to the Commission. The Insurance Commissioner is designated as the representative from the state.

#### Management Committee

The Management Committee will run the day-to-day affairs of the Commission. The Committee will consist of 14 or fewer members composed as follows:

- Six members - one member each from the six largest premium volume states.
- Four members - one member each from the four medium premium volume states. The members will be selected on a rotating basis.
- Four members - one member each from four of the small premium volume states. A member will be selected from each of the four zone regions of the National Association of Insurance Commissioners.

#### Development of Product standards

The Management Committee may develop uniform standards for products. Two-thirds of the Management Committee must approve the standards before it can be submitted to the Commission. Two-thirds of the Commission must approve the standard before it can be adopted.

#### Opt-out of product standards

States can opt-out of uniform product standards in either of two ways. First, the Legislature may opt out of any product standard at any time for any reason. Second, the state may also opt-out by rule-making of the OIC. To opt-out by rule, the OIC must make specific findings of fact and conclusions of law in determining that the standard does not provide reasonable protections to the citizens of the state.

#### Product Review

The Commission will establish appropriate filing and review processes. Insurers can file products with the Commission. A product approved by the Commission is approved in all compacting states. An insurer still may file products with the OIC subject to the laws of the state.

#### Disapproved Filings and Withdrawal or Modification of Approval

An insurer whose filing was disapproved has thirty days to appeal the determination to a review panel appointed by the Commission. The Commission may also withdraw or modify its approval of a product after proper notice and hearing, subject to the appeal process. The Commission will adopt procedures for appointing panels and providing for notice and hearing.

#### Financing of the Commission

The Commission will be financed by filing fees paid by insurers. The Compact also authorizes the Commission to accept any and all appropriate donations and grants.

#### Withdrawal from the Compact

The state may withdraw from the Compact by repealing the compacting law. The Commission's approval of products and advertisements continues to be effective unless formally rescinded by the OIC in the same manner as they withdraw approval of products or advertisements previously approved under state law.

#### Public Access to Information

The Commission will adopt rules regarding public access to product filing information.

The Commission will consider the interests of the public and the protection of personal information and trade secrets that may be contained in a filing.

Enforcement of Contracts Under the Compact

The OIC will oversee market regulation in Washington in accordance with current state law, including trade practices. The Commission has exclusive jurisdiction over product standards, rules adopted by the Commission, and any other requirements related to content, approval, and certification of products. If there is a dispute over a product or advertisement approved by the Commission, the insurer must be provided notice and opportunity for a hearing before the Commission.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 13, 2005.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** The Office of the Insurance Commissioner (OIC) has been working on this issue since 2002. The products subject to the compact are held for long periods of time and are uniquely suited to uniform national product standards. We serve on several committees including the committee on draft product standards. We believe the draft standards are as good as, or better than, the corresponding Washington standards. Washington consumers will continue to have their issues and problems addressed by the OIC. The compact will improve speed to market for industry. We fully support the bill. It provides a streamlined approach to product filing and approval. It means that companies can innovate and develop more products. Those products can be sold to companies and individuals more quickly.

**Testimony Against:** None.

**Persons Testifying:** (In support) Mary Clogston and Beth Berendt, Office of the Insurance Commissioner; John Mangan, American Council of Life Insurance; and Jeffrey Laurence, Symetra Life Insurance Company.

**Persons Signed In To Testify But Not Testifying:** None