# BYLAWS OF THE

# INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION

## Article I. Commission Purpose, Function and Bylaws.

Section 1. Purpose.

Pursuant to the terms of the Interstate Insurance Product Regulation Compact (the "Compact"), the Interstate Insurance Product Regulation Commission (the "Commission") is established to fulfill the Compact's objectives, through a means of joint cooperative action among the compacting states: To promote and protect the interest of consumers of individual and group annuity, life insurance, disability income and long term care insurance products; to develop uniform standards for insurance products covered under the Compact; to establish a central clearinghouse to receive and provide prompt review of insurance products covered under the Compact and, in certain cases, rate filings and advertisements related thereto, submitted by insurers authorized to do business in one or more compacting states; to give appropriate regulatory approval to those product filings and advertisements satisfying the applicable uniform standard; and 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.

Section 2. Functions.

The Commission shall perform those functions that are consistent with the purposes of, and the powers set forth in, the Compact, including, but not limited to, those powers specified in Article III, Section 1 and Article IV of the Compact.

Section 3. Bylaws.

Pursuant to the Compact, these bylaws govern the Commission's management and operations. As adopted and subsequently amended, these bylaws shall remain at all times subject to, and limited by, the Compact's terms. The Commission shall publish these bylaws in a convenient form and file a copy thereof and a copy of any amendments thereto, with the appropriate agency or officer in each of the compacting states. The Commission shall also provide a copy of these bylaws, and any amendments thereto, to the state insurance department and state legislature of each Compacting State and post them to the Commission's website. Notwithstanding any other provision of these bylaws, a rulemaking process may be adopted upon: 1) recommendation to the Commission by a majority vote of the Management Committee, provided that at least thirty days prior to such recommendation, each member and the public was afforded the opportunity to comment on the proposed rulemaking process; and 2) approval by majority vote of all Commission members, following consideration of any comments received.

Section 4. Definitions.

The definitions contained in Article II of the Compact are incorporated by reference in these bylaws. The term "trade secret" shall have the meaning provided in a rule adopted by the Commission regarding public access to information and documentation, as such rule may be amended from time to time.

## Article II. Membership.

Pursuant to the Compact, each compacting state shall have and be limited to one Commission member. A member shall be a person qualified and selected to serve in that capacity according to the compacting state's laws. Each compacting state shall forward the name of its member to the Commission chair. A member may designate a person or persons to serve in place of the member as the member's designee with respect to Commission business, including attending Commission meetings, voting, and serving on one or more Commission committees, provided that the member's designee shall not have an affiliation, through employment or independent contract, with any other member of the Commission or member of the legislative committee or advisory committees. A member must deliver a written notice identifying his or her designee to the secretary of the Commission or the Chair of any committee on or before the time of a meeting or Commission action for which the member's designee shall be authorized to act in the capacity of the member. A member may cast only one vote on any matter, and only on behalf of the compacting state he or she represents.

**Article III. Management Committee.**

Section 1. Composition of Management Committee.

The Commission shall establish a Management Committee, consisting of Commission members, which shall be empowered to act on the Commission's behalf. The Management Committee shall serve without compensation or remuneration, except as these bylaws otherwise provide. The Management Committee's power to act on the Commission's behalf is at all times subject to any limitations imposed by the Commission, the Compact or these bylaws.

A. The Management Committee shall consist of no more than fourteen (14) members, selected as follows:

(1) One member shall come from each of the six (6) compacting states with the largest premium volume for individual and group annuities, life, disability income and long term care insurance products, as determined from the records of the National Association of Insurance Commissioners ("NAIC") as of December 31 of the preceding year;

(2) Four (4) members from those compacting states with at least two percent (2%) of the market share based on the premium volume described above, other than the six (6) states described in Paragraph (1), selected on a rotating basis according to the following method: 1) at the annual meeting of the Commission in September of each year, all members in this category shall be ranked in ascending order by the date of enactment of Compact legislation providing membership in the Commission and alphabetically if members share the same date of enactment; and 2) identify the member in this category on the current Management Committee with the highest rank. The four members to serve on the Management Committee for the following year shall be the four members with next highest ranks, cycling back to rank one when necessary; provided that each compacting state in this category shall have an opportunity to be represented for the same number of terms on the Management Committee before any other compacting state in this same category is represented for an additional term; and

(3) Four (4) members from those compacting states with less than two percent (2%) of the market share based on the premium volume described above, other than the states described in Paragraphs (1) and (2), with each of the four (4) NAIC zones selecting one member in this category by majority vote of all the compacting states in the zone that are also in this category.

B. For purposes of determining the composition of the members of the Management Committee, premium volume shall be defined as the total dollar amount of direct written premiums and annuity considerations attributable to all life/health insurance products specified in the Interstate Compact (that is individual and group annuities, life, disability income, and long-term care insurance products), reflected in the records maintained by the NAIC for insurers authorized to do business in the compacting state, for the 12-month interval ending December 31 of the previous year.

Section 2. Selection, Removal and Vacancy.

A. Selection of the members delineated in Section 1A of this Article, other than Paragraph 1A(1), shall take place at the annual meeting of the Commission in September of each year. Nominations for candidates for the election of members of the Management Committee in Paragraph 1A(3) of this Article must be submitted in writing to the secretary of the Commission no less than thirty (30) days before the annual meeting of the Commission. Nominations for members of the Management Committee in Paragraph 1A(3) of this Article shall be submitted only by compacting states eligible to vote in the respective categories. The secretary of the Commission shall review all nominations for eligibility and place all eligible candidates on the ballot.

B. A member may be removed from the Management Committee based on the following grounds: 1) failure to attend, either by person or designee, five (5) consecutive regular meetings of the Management Committee; 2) the person serving as member is convicted of a felony, or its equivalent, under state or federal law; or 3) the person serving as member becomes physically or mentally incapacitated in a manner which prevents the full performance of duties as a member of the Management Committee. If a Management Committee member misses three (3) consecutive regular meetings of the Management Committee, the secretary shall send a written notice to the member, with a copy to the governor of the compacting state and the compacting state's state insurance department, notifying the member that missing five (5) meetings could subject the member to a vote of removal from the Management Committee. The participation of a member who is subsequently removed does not affect the validity of any

Management Committee action before the effective date of removal. Removal of a Management Committee member is effective upon recommendation of the Management Committee for removal and a majority vote of the Commission, after the member has been given at least thirty (30) days notice of the proposed grounds for removal and been given an opportunity to address the Commission before the vote.

C. If a vacancy occurs on the Management Committee by death, resignation or removal of a member of the Management Committee serving pursuant to Paragraph 1A(1) of this Article, the position shall remain open until the compacting state with the vacant member position selects another person to serve on the Commission. A vacancy on the Management Committee by death, resignation or removal of a member of the Management Committee serving pursuant to Paragraphs 1A(2) or 1A(3) of this Article shall be filled through appointment by a majority vote of the Management Committee members that are in the same category of Section 1A as the vacant member position. The term of the member appointed to fill a vacancy on the Management Committee shall be until the next annual meeting of the Commission in which elections are held.

Section 3. Duties of Management Committee.

The Management Committee shall have authority to take the following actions:

A. Manage the affairs of the Commission in a manner consistent with these bylaws and the purposes of the Commission;

B. Establish and oversee an organizational structure and appropriate procedures for the Commission to create uniform standards, receive and review product filings, provide for administrative and technical support functions, review decisions regarding disapproval of product filings, and review elections of compacting states to opt out of uniform standards;

C. Submit uniform standards to the Commission for adoption after approval by two-thirds (2/3) of the Management Committee;

D. Oversee the offices of the Commission;

E. Provide for the planning, implementation, and coordination of communications and activities with other state, federal, and local government organizations in order to advance the goals of the Commission;

F. Establish procedures for the nomination and election of officers of the Commission from the Management Committee, with duties as set forth in these bylaws;

G. Subject to the approval of the Commission, appoint or retain an executive director for a period of time and amount of compensation as the Commission may deem appropriate;

H. Authorize the executive director to enter into contracts for goods and services;

I. Such other actions delegated to it by a majority vote of the members of the Commission; and

J. Any action necessary and appropriate to carry out the foregoing and to effect the purposes of the Commission.

Section 4. Meetings of the Management Committee.

A. A meeting of the Management Committee means a prearranged gathering of the majority of the members of the Management Committee for the purpose of discussing or taking action upon Management Committee business. A meeting of the Management Committee shall not include any of the following, provided that formal action of the Management Committee is not taken and any discussion of Management Committee business is incidental to them: (1) gatherings of members for social purposes; (2) meetings of a regional, state or national body other than the Management Committee; or, (3) other public forums not convened solely by Management Committee members. For purposes of this paragraph, a gathering may take place in-person or via telephone or electronic communication.

B. Meetings of the Management Committee may be scheduled at the discretion of the officers or by vote of one-third (1/3) of Management Committee members. Written notice of Management Committee meetings shall be sent by electronic means, by mail or facsimile, to all Management Committee members at least fifteen (15) days prior to the

scheduled meetings. Upon a vote of two-thirds (2/3) of the members of the Management Committee, the Management Committee may call an emergency meeting if an unforeseen event or unexpected matter has arisen and there is a need for expedited action of the Management Committee. The request for an emergency meeting may be sent electronically to all members of the Management Committee, and the member may vote electronically, and such action shall not, of itself and without more, constitute a meeting of the Management Committee. The Management Committee shall provide a minimum of forty-eight (48) hours notice of an emergency meeting, wherever practicable, provided the notice is sent by electronic means or facsimile and a minimum of four (4) days notice if sent by mail**.** Attendance at a meeting by a Management Committee member shall constitute the member's waiver of any defective notice of the meeting, unless the member is in attendance at the meeting for the specific purpose of objecting to the notice. A majority of the members of the Management Committee shall constitute a quorum for a meeting of the Management Committee. Meetings of the Management Committee shall be open to the public, except that by majority vote of the members attending a meeting at which a quorum is present, the Management Committee may close all or part of any meeting of the Management Committee to the public but only for the reasons provided in Article VII, Section 1C of these Bylaws. Members may participate in meetings by telephone or other means of telecommunication reasonably audible by all persons attending the meeting. If one or more members attend a meeting by telephone or other means of telecommunication, any vote put to the Management Committee shall be taken by roll call of all members attending the meeting. The Management Committee may take action in lieu of a meeting provided such action is taken pursuant to unanimous written consent, via regular or electronic mail, facsimile or other electronic means, of all members of the Management Committee and if such action is taken, it shall be announced as soon as practicable to persons given notice of a Management Committee meeting and posted to the Commission's website.

**Article IV. Officers.**

Section 1. Election, Succession and Removal.

The Commission's officers shall consist of a chair, vice chair, and treasurer. The officers shall be selected by the Commission members from membership of the Management Committee. Officers shall serve for one year, until the next annual meeting of the Commission, or until the Commission elects their successors, whichever is earliest to occur. They shall serve without compensation or remuneration, except as these bylaws otherwise provide. The Commission may, by a majority vote of the entire membership, remove an officer prior to the expiration of the officer's tenure. An officer may resign by giving written notice to the secretary or Chair of the Management Committee. In the event of a vacancy in an office, the chair shall appoint a member to fill the vacant office, and that person shall hold the vacated office for the unexpired term of his or her predecessor. In the event of a concurrent vacancy of at least two officers, the Commission shall hold an emergency meeting no later than ten days after the second vacant officer position occurs, if practicable, in order to elect officers to fill the vacant offices. The remaining officer shall perform the duties of the vacant officer positions until an election and shall call the emergency meeting, in accordance with Article VII 1D of these Bylaws, except a 2/3 vote of the Commission members to hold an emergency meeting shall not be required. In the event all officer positions are vacant, the compacting state with the largest share of premium volume for the products covered by the Compact shall perform these duties, including calling the emergency meeting, as provided herein. The newly elected officers shall hold the vacated office for the unexpired term of his or her predecessor.

Section 2. Duties.

The officers shall perform all duties of their respective offices as the Compact and these bylaws provide. Their duties shall include, but are not limited to, the following:

A. *Chair*. The chair shall call and preside at all Commission and Management Committee meetings, prepare agendas for the meetings, make appointments to all Commission committees subject to the approval of the Management Committee, and, at the Commission's direction, act on the Commission's behalf during the interim between Commission meetings.

B. *Vice Chair*. The vice chair shall perform the chair's duties in the chair's absence or at the chair's direction. In the event of a vacancy in the chair's office, the vice chair shall serve as acting chair until the Commission elects a new chair.

C. *Treasurer*. The treasurer, with the assistance of the Commission's executive director, shall act as custodian of all Commission funds and shall be responsible for the collection and expenditure of funds, and for monitoring the administration of the Commission's fiscal policies and procedures. When the Commission does not have an

executive director, the treasurer shall also serve as secretary and perform the duties of secretary described in Article V, Section 2.

Section 3. Officers' Costs and Expense Reimbursement.

Subject to the availability of budgeted funds, the officers shall be reimbursed for any reasonable and necessary expenses they incur in performing their duties and responsibilities as Commission officers directly related to Commission business and in accordance with the travel and expense reimbursement policies approved by the Commission.

Section 4. Members' Travel Reimbursement.

Subject to the availability of budgeted funds, and unless the Commission provides otherwise, Commission members shall be reimbursed for any reasonable and necessary expenses they incur attending all duly convened Commission and committee meetings in accordance with the travel and expense reimbursement policies approved by the Commission**.**

**Article V. Commission Personnel.**

Section 1. Commission Staff and Offices.

Subject to the approval of a majority of the members of the Commission, the Management Committee may appoint or retain an executive director who shall act as secretary to the Commission, but shall not be a Commission member. The Commission shall establish its principal place of business. The executive director shall manage the Commission's principal office, including the hiring and supervising of the employees of the Commission.

Section 2. Executive Director's Duties.

As the Commission's principal administrator, the executive director shall also perform such duties as the Commission may determine, the Compact may require, or these bylaws may designate, including, but not limited to, the following:

A. Serve as the secretary of the Commission. The secretary shall keep minutes of all Commission and committee meetings, act as the custodian of all documents and records pertaining to the Compact's status and the Commission business, and cause notice of Commission meetings to be given in accordance with these bylaws and the Commission rules. All Commission documents and records shall be maintained in the state where the Commission's principal office is located;

B. Recommend to the Commission general policies and program initiatives, including a code of ethics;

C. Recommend to the Commission administrative and personnel policies governing the recruitment, hiring, management, compensation and dismissal of Commission staff and consultants;

D. Implement and monitor the administration of the Commission's policies and program initiatives;

E. Prepare draft annual budgets;

F. Monitor all Commission expenditures for compliance with approved budgets, and maintain accurate records of all accounts;

G. Maintain an accurate record of the filing fees due to each state and remit the fees to each state no less often than monthly;

H. Execute contracts on the Commission's behalf as directed;

I. Receive service of process on the Commission's behalf;

J. Prepare the annual report to governors and state legislatures and, with the approval by the Commission, submit the annual report, which shall include a report of the independent audit, to the governor and legislature of each of the compacting states; for the purposes of this section; "legislature" will include the presiding officer of each legislative chamber and the chair and ranking member of each committee of jurisdiction;

K. Provide written, electronic notice on behalf of the Commission and the Management Committee to the presiding officer of each legislative chamber, the majority and minority leaders of each chamber, and the chair and ranking member of each committee of jurisdiction in the compacting states of its intention to adopt a Uniform Standard;

L. Prepare and disseminate the Commission's other required reports and notices as directed; and

M. Otherwise assist the Commission's Management Committee and officers in performing their duties under these bylaws.

Section 3. Reimbursement of Expenses of Commission Employees.

Employees of the Commission shall be reimbursed for any reasonable and necessary expenses they incur in connection with their Commission duties and responsibilities in accordance with the travel and expense reimbursement policies approved by the Commission.

**Article VI. Indemnification and Insurance.**

Section 1. Definitions.

A. "Party" means an individual who was or is a named plaintiff in a proceeding, or who was, is or is threatened to be made a named defendant or respondent in a proceeding.

B. "Applicant" means a member, officer, executive director, employee or representative of the Commission against whom a claim for damages or other civil liability is threatened or made or who was, is, or is threatened to be made a named defendant or respondent in a proceeding, and who is seeking indemnification pursuant to this Article.

C. "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, administrative, or investigative in nature, and whether formal or informal, or a successful criminal defense.

Section 2. Applicability.

The provisions of this Article shall be applicable to claims threatened or made and all proceedings commenced after its adoption by the Commission, arising from any act 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, whether occurring before or after adoption of this Article. No amendment or repeal of this Article shall have any effect on the rights provided under this Article with respect to any act or omission occurring prior to such amendment or repeal. The Commission shall promptly take all actions and make all determinations necessary or appropriate to comply with the provisions for indemnification under this Article. The provisions of this Article VI shall not be construed to limit or otherwise modify any rights a person may have to qualified immunity or a defense as provided in Article V, Section 5 of the Compact.

Section 3. Standard of Conduct.

To be considered for indemnification from the Commission, a Member must have acted in good faith and in a manner which the person reasonably believed to be in, or not opposed to, the best interests of the Commission, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that the conduct was unlawful.

Section 4. Determination of Standard of Conduct.

A. The termination of any proceeding by judgment, order, settlement, conviction, or upon plea of *nolo contendere* or its equivalent, is not, of itself, determinative that the applicant did not meet the standard of conduct in Section 3 of this Article.

B. Unless ordered by a court to provide indemnification, any indemnification made by the Commission pursuant to Article V, Section 5c of the Compact shall be made by the Commission only as authorized in the specific case upon a determination that indemnification of the applicant is proper because the applicant acted in a manner consistent with the standard of conduct in Section 3 of this Article.

C. The determination shall be made by a majority vote of the Management Committee consisting of members not at the time parties to the proceeding. If a quorum cannot be obtained, the determination shall be made by either:

(1) majority vote of a committee duly designated by the Management Committee, consisting of two or more members of the Compact who are not at the time parties to the proceeding, provided that members who are parties may participate in the designation of the committee; or

(2) special legal counsel selected by a majority vote of the Management Committee, including members of the Management Committee that may be parties to the proceeding.

Section 5. Expenses.

To the extent that an applicant has been successful on the merits or otherwise in defense of a proceeding and qualifies for indemnification under this Article, the applicant shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by that person in connection with the proceeding. The Commission is authorized to pay for or reimburse the reasonable expenses, including attorneys' fees, incurred by any applicant who is a party to a proceeding in advance of final disposition of the proceeding or the making of any determination under Section 4 of this Article if the applicant furnishes the Commission a written undertaking to repay the advance if it is ultimately determined that he or she did not meet such standard of conduct. The undertaking shall be an unlimited obligation of the applicant but need not be secured and may be accepted without reference to financial ability to make repayment.

Section 6. Insurance.

The Commission may purchase and maintain insurance on behalf of any person who is or was a Member, officer, executive director, employee or representative of the Commission, or is or was serving at the request of the Commission as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against that person and incurred by that person in any such capacity, or arising out of that person's status as such, whether or not the Commission would have the authority to indemnify that person against such liability under the provisions of this Article.

Section 7. Exclusivity.

Every reference in this Article to members, officers, executive directors, employees, or representatives of the Commission shall include former members, officers, executive directors, employees, or representatives of the Commission and their respective heirs, executors and administrators. The indemnification provided by this Article shall not be exclusive of any other rights to which any applicant may be entitled, including any right under policies of insurance that may be purchased and maintained by the Commission or others, with respect to claims, issues or matters in relation to which the Commission would not have the power to indemnify such person under the provisions of this Article. Such rights shall not prevent or restrict the power of the Commission to make or provide for other indemnity, or provisions for determining entitlement to indemnity; provided, however, that any provision of such other arrangements shall not be effective if and to the extent it is contrary to Article V, Section 5c of the Compact.

**Article VII. Commission Meetings.**

Section 1. Meetings of the Commission.

A. A meeting of the Commission means a prearranged gathering of the majority of the members of the Commission for the purpose of discussing or taking action upon Commission business. A meeting of the Commission shall not include any of the following, provided that formal action of the Commission is not taken and any discussion of Commission business is incidental to them: 1) gatherings of members for social purposes; 2) meetings of a regional, state or national body other than the Commission; or, 3) other public forum not convened solely by Commission members. For purposes of this paragraph, a gathering may take place in-person or via telephone or electronic communication.

B. The Commission shall hold an annual meeting in September of each year or as early as possible thereafter, at such time and place as it determines, to elect members of the Management Committee and Commission officers. Additional meetings of the Commission may be scheduled at the discretion of the chair, the Management Committee or by vote of one-third of the members of the Commission. To the extent practicable, Commission meetings should

be conducted in conjunction with regularly-scheduled meetings of the National Association of Insurance Commissioners.

C. All Commission meetings, whether or not a quorum is present, shall be open to the public, except as provided in this Section. Any meeting of the Commission, or a portion thereof, may be closed to the public where the Commission determines by a majority vote of its entire membership, prior to closing the meeting, that a closed meeting is necessary for any of the following reasons: 1) to protect the privacy of individuals; 2) to protect insurers' proprietary information, including trade secrets; 3) to discuss personnel matters; 4) to discuss pending or potential litigation or investigations involving the Commission or a member; or 5) to discuss confidential or privileged matters with the Commission attorneys. If the Commission adds agenda items to the final agenda, the Commission by a majority vote of its entire membership may close the meeting with regard to the additional agenda items. As soon as practicable, the Commission must make public: (i) a copy of the vote to close the meeting, in whole or in part, revealing the vote of each member, and (ii) notice of any votes taken during the closed session. Documents relating to a topic proposed for discussion in closed session may be distributed to members for their review on a confidential basis in advance of the vote on whether to close the meeting. If the Commission does not vote to close the meeting, the documents shall become public unless the Commission makes an affirmative determination that the documents are confidential pursuant to Article VIII of the Compact or rules adopted pursuant thereto.

D. At the request of the Chair or upon a vote of two-thirds (2/3) of the members of the Commission, the Commission may call an emergency meeting if an unforeseen event or unexpected matter has arisen and there is a need for expedited action of the Commission. The request for an emergency meeting may be sent electronically to all members of the Commission and such action shall not, of itself and without more, constitute a meeting of the Commission. Wherever practicable, the Commission shall provide a minimum of forty-eight (48) hours notice of an emergency meeting to Commission members and members of the Legislative, Consumer Advisory and Industry Advisory Committees, wherever practicable, provided the notice is sent by electronic means or facsimile and a minimum of four (4) days notice if sent by mail.

Section 2. Notice to the Members.

Except for emergency meetings, written notice of Commission meetings, along with a draft meeting agenda and instructions for making additions to, or other comments on, the agenda, shall be sent by electronic means or by mail or facsimile, to all Commission members at least thirty (30) days prior to the scheduled meetings. Final agendas shall be sent by electronic means or by mail or facsimile, to all Commission members at least fifteen (15) days prior to any meeting. Thereafter, additional agenda items requiring Commission action may not be added to the final agenda, except by an affirmative majority vote of the entire membership of the Commission. Attendance at a meeting by a Commission member shall constitute the member's waiver of any defect in notice of the meeting, unless the member is in attendance at the meeting for the specific purpose of objecting to the notice.

Section 3. Notice to the Public.

Pursuant to Commission rules, prior public notice of Commission and Management Committee meetings shall be provided as follows: (i) the Commission shall distribute the notice at least fifteen (15) days prior to the meeting, by electronic means, mail or facsimile, to parties who have requested in writing, including by electronic mail or facsimile, to receive such notices ("interested parties"); (ii) the notice must contain a description of the items to be addressed at the scheduled meeting, and the name and address of at least one individual serving as a contact person for information relating to the scheduled meeting; (iii) the public announcement shall be made unless the Commission determines, by a vote of two-thirds (2/3) of its entire membership, that Commission business requires that an emergency meeting be called at an earlier date, in which case, the Commission shall make the public announcement at the earliest practicable time, but with no less than forty-eight (48) hours notice, of the time, place and subject matter of the meeting, and whether the meeting is open to the public, or whether a request to close the meeting in whole or part is pending or anticipated; and (iv) the time and place of the meeting may be changed following the public announcement only if the Commission publicly announces the change at the earliest practicable time, but no less than forty-eight (48) hours notice. The Commission shall encourage each of its members to provide public announcements in their respective states of Commission meetings. The Commission shall also post notice of and agenda on its public website. Attendance at a meeting by a member of the public or a member of the Legislative, Consumer Advisory or Industry Advisory Committees shall constitute the person's waiver of any defect in notice of the meeting, unless the person is in attendance at the meeting for the specific purpose of objecting to the notice.

Section 4. Quorum.

A majority of the Commission members shall constitute a quorum for the transaction of business, except as these bylaws may otherwise require. A member's participation in a meeting is sufficient to constitute his or her compacting state's presence for purposes of establishing a quorum. The presence of a quorum must be established before any Commission vote is taken.

Section 5. Voting.

Each member representing his or her compacting state at any Commission meeting is entitled to cast only one vote and only on behalf of the compacting state he or she represents. Only members of the Commission, or their designees, are entitled to vote. A member shall not give its proxy to another member. Members may participate in meetings by telephone or other means of telecommunication reasonably audible by all persons attending the meeting. If one or more members attend a meeting by telephone or other means of telecommunications, any vote put to the Commission shall be taken by roll call of all members attending the meeting. The Commission may also vote and take action by electronic means, in lieu of a meeting, after notice of the issue raised for a vote and if such action is taken, it shall be announced as soon as practicable to persons given notice of a Management Committee meeting and posted to the Commission's website. The notice shall specify a time for responses of not less than twenty-four (24) hours. Except as these bylaws may otherwise require, any question submitted to a Commission vote shall be determined by a majority of Commission members present and voting at any Commission meeting.

Section 6. Public Participation in Meetings.

The chair shall afford an opportunity to be heard by any person who desires to present an oral or written statement to the Commission on any matter that is on the agenda at any open meeting. The chair may reasonably limit such statements' duration and manner of presentation.

**Article VIII. Committees.**

Section 1. Legislative Committee.

A. A legislative committee consisting of eight (8) state legislators or their designees shall be established to monitor the operations of, and make recommendations to, the Commission. The representatives of this committee shall be legislators from compacting states and shall consist of four legislators appointed by the National Conference of State Legislatures (NCSL) and four legislators appointed by the National Conference of Insurance Legislators (NCOIL). Each legislative association shall appoint one member from each of four NAIC zones, and NCSL and NCOIL should consult to achieve reasonable political and geographic balance.

B. NCSL and NCOIL shall appoint members to serve two-year terms. In the event of a vacancy, the legislative association that appointed the vacating member will appoint another legislator from the same NAIC zone to serve for the remainder of the term.

C. The legislative committee will elect two officers, a chair and a vice chair, including one Democrat and one Republican, to serve one-year terms. Officers must be elected by a majority of the committee and may be reelected for successive terms.

D. The legislative committee and the Management Committee shall meet jointly and in person no less than once each year. The joint meeting shall occur each year prior to the Commission's annual meeting and shall be coordinated by the committees' respective officers.

Section 2. Advisory Committees.

A. The Commission shall establish two (2) advisory committees.

(1) *Consumer advisory committee*. The Commission shall establish a consumer advisory committee consisting of eight (8) consumer representatives independent of the insurance industry. The Commission shall develop a procedure for consumer organizations to nominate individuals for membership on the consumer advisory committee and such procedure shall include submission of information to demonstrate the expertise and interest of the consumer organization and its nominee and the independence from the insurance industry of the consumer organization and its nominee. The Management Committee shall appoint Committee

members to serve staggered two-year terms with four terms expiring each year, except that four of the initial appointments shall serve one-year terms and four shall serve two-year terms.

(2) *Insurance industry advisory committee*. The Commission shall establish an insurance industry advisory committee consisting of eight (8) representatives of the insurance industry including companies, producers and organizations whose membership is primarily composed of members of the insurance industry. The Commission shall develop a procedure for insurers, producers and organizations to nominate individuals for membership on the industry advisory committee and such procedure shall include submission of information to demonstrate the expertise and interest of the company, producer or organization and its nominee. The Management Committee shall appoint committee members to include representation from large, medium and small insurers and producers. Producers shall have at least two members of the industry advisory committee. The Commission shall appoint Committee members to serve staggered two-year terms with four terms expiring each year, except that four of the initial appointments shall serve one-year terms and four shall serve two-year terms.

B. The advisory committees shall provide the Commission with input, counsel and advice on matters pertaining to the Commission's operations. The Commission shall provide to the advisory committees information of a public, non-confidential nature regarding Commission business including but not limited to: (i) information regarding budget; (ii) filing fees; (iii) adoption and amendment of product standards, (iv) rules and operating procedures; and (v) Bylaw amendments. The Commission shall use reasonable efforts to provide this information at the earliest practicable time prior to a meeting where action is expected to be taken on a Commission matter or upon request of an advisory committee member. The Commission shall provide an opportunity for the advisory committees to comment to the Commission on Commission matters prior to action being taken.

Section 3. Reimbursement of Meeting Expenses.

Subject to the availability of budgeted funds, and unless the Commission provides otherwise, members of the legislative committee and of the consumer advisory committee shall be reimbursed for any reasonable and necessary expenses they incur attending all duly convened Commission and committee meetings in accordance with the travel and expense reimbursement policies approved by the Commission.

Section 4. Other Committees.

A. The Commission or the Management Committee may establish such other committees or subcommittees as it deems necessary to carry out the Compact's objectives, including but not limited to drafting initial proposals for recommendation to the Management Committee or Commission. The Commission shall establish the committees' or subcommittees' composition, procedures, duties and tenure. As used in this Section, "committee or subcommittee" means a committee or subcommittee established under this section but not the Audit Committee.

B. Prior to a committee or subcommittee taking a vote on a recommendation to be forwarded to the Commission or Management Committee, including but not limited to a recommendation related to a rule or operating procedure, a committee or subcommittee shall hold one, or may hold more than one, open meeting that provides the public with an opportunity to comment on the proposed recommendation.

C. Written notice of a committee or subcommittee meeting that is open to the public shall be provided at least fifteen (15) days prior to the meeting to committee or subcommittee members, members of the Commission's legislative and advisory committees, and to parties who have requested in writing to receive such notices. Notice of the meeting shall also be posted on the Commission website. The notice must contain a description of the items to be addressed at the scheduled meeting, and the name and address of at least one individual serving as a contact person for information related to the scheduled meeting. An open meeting of a committee or subcommittee may be held via teleconference, in which case the notice of a meeting shall indicate the manner in which members and the public may participate.

D. Committees and subcommittees are not authorized to act on behalf of the Management Committee or Commission unless specifically authorized to do so.

E. The independent Audit Committee established under these bylaws shall not be subject to this Section and shall conduct its activities and affairs consistent with Article IX, Section 5 of these bylaws.

**Article IX. Finance.**

Section 1. Fiscal Year.

The Commission's fiscal year shall begin on January 1 and end on December 31.

Section 2. Budget.

Each year, the Commission shall adopt a budget for the following fiscal year only after notice and comment in accordance with Commission rules.

Section 3. Financial Assistance.

Subject to the availability of budgeted funds, the Commission may provide, in accordance with applicable operating procedures, financial assistance to members of the consumer advisory committee to enable effective participation by that committee.

Section 4. Accounting and Audit.

The Commission, with the assistance of the executive director, if one has been appointed, shall keep accurate and timely accounts of its internal receipts, including grants and donations, and disbursements of Commission funds. The treasurer, with the assistance of the executive director, shall provide assistance and information to the Audit Committee and to the independent certified public accountant in its annual audit of the Commission's financial accounts and reports including the Commission's system of internal controls and procedures in accordance with Article XII, Section 6 of the Compact. The independent auditor's report shall be made available to the public and included in the annual report to the compacting states' governors and legislatures.

Section 5. Audit Committee.

The Management Committee shall create an independent Audit Committee of no fewer than three members of the Commission. Members of the Audit Committee shall not be members of the Management Committee. The Audit Committee shall be directly responsible for the appointment, compensation, and oversight of the independent certified public accountant employed to conduct the audit required by Article XII Section 6 of the Compact. The Management Committee shall provide for appropriate funding, as determined by the Audit Committee, for the payment of compensation to the independent certified public accountant appointed by the Audit Committee. The Audit Committee shall also have the power, to the extent permitted by law, to: (i) initiate or review the results of an audit or investigation into the business affairs of the Commission; (ii) review the Commission's financial accounts and reports; (iii) conduct pre-audit and post-audit reviews with Commission staff, members and independent auditors; and (iv) exercise such other powers and authority as delegated to it by a majority vote of the members of the Commission. The Audit Committee shall select an auditor at a meeting that is open to the public. At the next meeting of the Commission following issuance of the annual independent audit report, the Commission shall include the annual audit report as an item on its agenda for the meeting, and shall allow public comment on the report prior to its acceptance by the Commission. Except for the annual independent audit report required by Article XII, Section 6 of the Compact, audit and investigation reports and reviews of the Audit Committee, including work papers, shall be confidential information of the Commission and may not be disclosed unless ordered otherwise by a majority vote of the Commission or by a court that has jurisdiction over the Commission.

Section 6. Internal Accounts and Workpapers.

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 or investigation and any information regarding the privacy of individuals and insurers' proprietary information, including trade secrets, shall remain confidential**.**

**Article X. Withdrawal, Default and Termination.**

Section 1. Withdrawal.

A compacting state may withdraw from the Compact only in accordance with the procedures provided in the Compact.

Section 2. Default and Termination.

A. A compacting state may be considered in default of the performance of its obligations and responsibilities under the Compact in accordance with the provisions of the Compact. If the Commission determines that any compacting state is in default, the defaulting state shall be entitled to notice and hearing on the issue, pursuant to rules and procedures for the conduct of such hearings adopted by the Commission and as amended from time to time. The procedures for the hearing shall be in conformance with the Model State Administrative Procedure Act of 1981, as amended. The Commission may order, after a hearing, that the rights, privileges and benefits conferred by the Compact shall be suspended from the effective date of default as fixed by the Commission.

B. If the Commission finds a compacting state in default, it shall provide the compacting state with a specified period of time within which to cure such default. If the compacting state fails to cure its default within the time specified by the Commission, the rights, privileges and benefits conferred by the Compact on the compacting state in default shall automatically terminate upon expiration of the cure period specified by the Commission.

**Article XI. Adoption and Amendment of Bylaws.**

Any bylaws may be adopted, amended or repealed by a majority vote of the members of the Commission, provided that written notice and the full text of the proposed action is provided to all Commission members and posted on the Commission's web site at least thirty (30) days prior to the meeting at which the action is to be considered. Failing the required notice, a two-thirds majority vote of the members of the Commission is required for such action. As adopted and subsequently amended, these Bylaws shall remain at all times subject to, and limited by, the terms of the Compact. The Rules, Operating Procedures and Uniform Products Standards, as adopted and subsequently amended, shall remain at all times subject to, and limited by, the terms of the Bylaws and the Compact, respectively.

**Article XII. Dissolution of the Compact.**

The Compact shall dissolve effective upon the date of the compacting states' withdrawal or termination by default that reduces membership in the Compact to one compacting state.

Upon the Compact's dissolution, the Compact becomes null and void and is of no further force and effect, and the Commission's business and affairs shall be wound up. Any surplus funds remaining after payment of all obligations of the Commission shall be used for repayment of any identifiable start-up funds contributed; provided that if the funds are not sufficient, distribution shall be made on a pro rata basis. Any surplus funds remaining after the repayment of start-up funds shall be distributed equally to the compacting states that are members of the Commission upon dissolution. Dissolution of the Commission shall not effect the validity of any actions taken by the Commission prior to its dissolution.