



States, Strength & Speed Aligned

Michael T. McRaith, Director
Federal Insurance Office
Department of the Treasury
MT 1001
1500 Pennsylvania Avenue, NW
Washington, DC 20220

RE: Request for Public Input on the Report to Congress on How To Modernize and Improve the System of Insurance Regulation in the United States

Dear Director McRaith,

The Interstate Insurance Product Regulation Compact (“Insurance Compact”) and its Commission are significant examples of the ongoing state-based modernization efforts to continually improve the system of insurance regulation for insurance companies doing business in more than one state. Today, 41 member states have enacted the Insurance Compact and more than 130 insurance companies are using it to make one product filing under one set of uniform standards for one approval. The Interstate Insurance Product Regulation Commission (“Commission”) continues its development towards full implementation as it adds more states, adopts uniform standards for more product lines, and becomes the preferred method of product filing for efficiency-minded insurance companies.

The Insurance Compact is an agreement, which is enacted by law, amongst member states to participate in a multi-state regulatory system for filing, review and approval of asset-based insurance products, including individual and group life insurance, annuities, long-term care insurance and disability insurance. The Insurance Compact is transforming the product review process within the existing system of insurance regulation by delivering speed-to-market through uniformity, reducing duplicative paperwork, processes and systems implementation for companies and removing state-by-state content variations thereby allowing insurance products to be rolled out in a manner and timeframe commensurate and competitive with other financial products while not sacrificing thoroughness in the review and compliance with strong state-based consumer protections.

Speed-to-Market and Uniformity for Asset-Based Insurance Products

More than 130 insurance companies registered to file with the Commission in 2011. These companies range in size from regional carriers to fraternal to nationally significant companies. These companies represent a combined 55% of the nationwide market for asset-based insurance products based on premium volume. Today, these companies are submitting product filings and receiving approval in 60 review days or less with a current average review time of 40 days. Companies can file a wide and complete array of asset protection products with robust benefit

features including individual term, whole, universal life products; individual variable and fixed, deferred and immediate annuities; and individual long-term care products.

The Commission has built a strong regulatory review team with highly qualified and experienced form reviewers and actuaries focused on thoroughly reviewing all product filings for full compliance with the Uniform Standards. More than 1,000 products have been approved since the commencement of the Commission's product operations in June 2007 with approximately 350 product filing submissions in 2011. The Commission has also developed unique features to accommodate companies' product filing needs including the ability to mix and match Compact-approved product components (such as an application, policy contract, benefit rider) with state-approved product components. Further, as additional states join the Compact, companies have the benefit of easily adding these states to previously-approved or pending Compact filings.

Adoption of the Insurance Compact

The Insurance Compact was created in March 2004, when the first two states, Colorado and Utah, enacted the legislation. The Insurance Compact provided that the Compact Commission became operational for purposes of adopting uniform product standards when it met one of its two threshold goals: 1) 26 member states or 2) member states representing greater than 40% of the premium volume. The Compact Commission reached both of these threshold goals with 27 member states and held its inaugural meeting in June 2006. Today, the Compact has been adopted by 40 states and Puerto Rico — representing approximately 70% of the nationwide premium volume for the authorized product lines nationwide.

While interstate compacts, like the Insurance Compact, are highly effective tools for interstate collaboration and dynamic action, they often require several legislative cycles to reach full implementation. The following jurisdictions have not yet enacted the Insurance Compact: Arkansas, Arizona, California, Connecticut, Delaware, Florida, Montana, New York, North Dakota, South Dakota and the District of Columbia. The Commission's long-term goal is for all states to adopt the Insurance Compact and/or accept filings through the Commission as the best way to address the speed-to-market inefficiencies of state-by-state product filing, review and approval while at the same time, expressly preserving the market conduct and law enforcement authority of state insurance regulators and state attorney generals as well as consumers' access to state courts and state remedies.

Another important component of the Insurance Compact is that it is revenue neutral to its member states in that there are no assessments or state dues associated with membership in the Insurance Compact. The users of the Insurance Compact, i.e. filing companies, pay registration and per-filing fees for the value-added service of preparing one product filing under uniform standards for one review and approval. With each filing, the Commission collects and remits applicable state fees preserving an important source of state revenue while delivering filing efficiencies for both states and companies.

Structure of the Commission

The Commission includes one member from each of the compacting states, who is generally the state's chief insurance regulator. The Commission has a 14-member Management Committee

structured to include representation from small, medium and large states based on premium volume.

The Commission operates in a very open and transparent manner holding public hearings and soliciting public comments as a fundamental part of its decision-making process. The Compact legislation provides for a Legislative Committee, an Industry Advisory Committee and a Consumer Advisory Committee. The Commission and its Management Committee and other committees regularly request input from these Committees as well as the public.

Development of Uniform Standards

Through enactment of the Insurance Compact, Compacting States agree that the Uniform Standards apply as their state law to the content of products filed and approved through the Commission. The Commission's standards development and rulemaking process has continually demonstrated Compacting States work collaboratively with their fellow member states to address concerns about the Uniform Standards, which generally results in further strengthening the standards. One of the safeguards to ensuring a balanced representation of all states – no matter size or geographic location – is the requirement that a Uniform Standard must be adopted by a minimum two-thirds vote in favor of the entire Management Committee and the entire Commission.

The Commission has an operational track record of adopting Uniform Standards that have generally raised the bar for product content requirements, specificity and consumer disclosures. The result is comprehensive content requirements that every product filed through the Commission must comply with (no desk drawer rules or exceptions) and that contain very strong protections for consumers. These protections range from a Flesch readability score requirement of 50 to only allowing voluntary (not mandatory) post-dispute arbitration to generally prohibiting no-assignment provisions.

To date, the Commission has adopted more than 80 Uniform Standards for the individual asset-based product lines including life, annuities, long-term care and disability income. None of the Compacting States have formally opted out of the approximately 70 Uniform Standards for individual life, annuities or disability income Uniform Standards. Long-term care is a challenging product line for states and companies, and many safeguards were included in the Uniform Standards including rate stabilization requirements, annual rate reporting, a rate increase threshold for Commission review, and separate certification for a state's Long-Term Care Partnership program. Four Compacting States have exercised their sovereign right to opt out, not based on the strength of the long-term care Uniform Standards, but because of circumstances unique in their respective states -- three by legislation including Hawaii, New Jersey, Nevada and one by regulation, Indiana. The Commission has commenced its development of Uniform Standards for group asset-based products hoping to achieve full implementation of standards for all product lines within the next two to three years.

Continued Progress and Implementation

The full implementation of the Insurance Compact is a work in progress and today, the Commission and its 41 members are delivering speed-to-market benefits for product approval of individual insurance products for companies representing more than a substantial majority of the

asset-based insurance market. The Commission and its members are committed to continuing this forward progress by continuing to address questions and issues to allow all states to enact the Insurance Compact legislation, developing and adopting Uniform Standards for group products with an ever-vigilant eye on strong consumer protections, and increasing industry utilization as companies make the necessary changes in their processes to use the Commission's speed-to-market mechanism as their chosen filing method for asset-based insurance product approval.

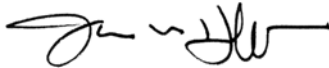
Thank you for the opportunity to comment and demonstrate how states are proactively, collaboratively and effectively modernizing and improving this important regulatory process within the state-based system of insurance regulation.

Sincerely,

Roger A. Sevigny
IIPRC Chair
New Hampshire Insurance Commissioner



John M. Huff
IIPRC Vice Chair
Missouri Insurance Director



Michael F. Consedine
IIPRC Treasurer
Pennsylvania Insurance Commissioner

