

**INTERSTATE INSURANCE PRODUCT  
REGULATION  
INDEPENDENT BUSINESS ASSESSMENT**

**SYNOPSIS OF REPORT  
OF FINDINGS AND RECOMMENDATIONS**

**NOVEMBER 18, 2020**

Rector & Associates, Inc. (R&A) was engaged to perform an independent Business Assessment that was described in the following manner:

*To perform a review and analysis of [the Interstate Insurance Product Regulation Commission's (the IIPRC's)] financial, budget, fee, and operational structure, processes and practices to recommend revisions or improvements to enhance [the IIPRC's] financial effectiveness and sustainability over the next five to ten years and to comply with financial and business best practices for comparable organizations.*

**SUMMARY FINDINGS**

**IIPRC Financial Model and Sustainability**

Following our review and analysis of the IIPRC's financial and budget structure, processes and practices, **we concluded that, on balance, the IIPRC financial model allows for positive financial results, and that appropriate financial systems, controls, and procedures are in place.** Although the IIPRC has only generated positive net revenue in its last two years of operations, **we believe the IIPRC's current financial model will allow it to remain financially sustainable over the next five to ten years.**

**We believe that the single biggest risk to the IIPRC's financial sustainability is the potential effect of the recent Colorado Supreme Court decision in *Amica Life Insurance Company v. Wertz*.** If the uncertainty surrounding the effects of the *Amica v. Wertz* decision is allowed to persist so that insurance industry members begin to discontinue using the IIPRC Platform, the IIPRC's future viability will be threatened. If, however, the IIPRC is able to successfully resolve the issues raised by *Amica v. Wertz*, we believe the IIPRC is positioned to be financially self-sufficient and sustainable for the next five to ten years.

## IIPRC Operational and Business Model

Following our review and analysis of the IIPRC's operational structure, processes and practices, **we concluded that, on balance, the IIPRC successfully performs its operations and employs a business model that allows it to accomplish its key goal:** serving as a speed to market vehicle for uniform product reviews within a state-based regulatory system.

The insurance industry product filers that utilize the IIPRC filing platform uniformly have high praise for IIPRC staff's knowledge, expertise, and service to industry filers. IIPRC staff generally have successful working relationships with all other IIPRC stakeholders as well, including IIPRC Officers and Committee members, Insurance Commissioners, other state insurance department regulators, and insurance industry and consumer advocates.

## **KEY FINDINGS AND RECOMMENDATIONS**

### IIPRC Operational and Business Model

**Strategic Planning Focus** – We recommend that the IIPRC increase its focus on a strategic planning process that proactively identifies financial and operational threats to its future and creates solution to those threats before they can affect IIPRC operations.

**Demarcation Between NAIC and IIPRC** – Although we recognize that many overlaps necessarily and appropriately exist between the NAIC and the IIPRC, we recommend that there be clearer lines of demarcation between the two entities.

**Revision to Five-Year Uniform Standards Review Process** – We recommend that rather than continue the IIPRC's current five year uniform standards review process, the IIPRC pursue development of an identification and prioritization process that allows stakeholders to request consideration of amendments to existing uniform standards at any time.

**Use of Designees as Compacting State Representatives** – We recommend that Compacting States continue the use of designees for all IIPRC matters, including having such designees serve on IIPRC committees and vote on IIPRC matters on behalf of Compacting States.

**Development of Uniform Standards for Additional Products and Features** – We recommend that the IIPRC consider the development of uniform product standards for additional products, including nonemployer group products, group life products, accelerated death benefit features for additional product lines, Medicare Supplement products, and certain property/casualty lines of business.

**Development of Process for Allowing Innovative Product Features** – We recommend that the IIPRC consider the development of a process that would allow industry members to include innovative product features that are of benefit to consumers but are not specifically allowed by current uniform product standards.

**Adoption of Permanent Expedited Review Program** – We recommend that the IIPRC consider the adoption of the Expedited Review Program as a permanent service offered to companies that use the IIPRC Platform.

**Improved Communication Between Insurance Commissioners and IIPRC Staff** – We recommend that IIPRC staff strive for more appropriate and effective communications with Insurance Commissioners to better understand and listen to Commissioners’ consumer and policy issues confronting the Commissioners.

**Effective Collaboration On Uniform Standards Development Between IIPRC Staff and Insurance Department Staff** – We recommend that IIPRC staff increase collaboration with Insurance Commissioners and their staff to identify appropriate uniform standards for development.

**Coordination of IIPRC Meetings and Distribution of Materials** – We recommend that the IIPRC consider improved coordination of schedules for IIPRC and NAIC Committee meetings and similar methods for the preparation and distribution of materials.

**Development of Cross Training Program for Product Reviewers** – We recommend that the IIPRC consider the development of a formal cross training program for its product reviewers so that all reviewers receive training on the review of all types of product lines.

**Consideration of Appropriate Use of Independent Contractors** – We recommend that the IIPRC consider whether the two independent contractors who are members of the IIPRC’s personnel meet the indicia for independent contractor designation, as set forth in appropriate federal and state taxation and workers compensation guidelines.

### **IIPRC Financial Model**

**Assessment of NAIC License and Services Agreement** – We recommend that the IIPRC and NAIC revisit the NAIC License and Services Agreement to have it more accurately reflect the services currently being provided and, once those services are agreed upon, to determine whether the fee structure relative to those services should be revised accordingly.

**Consideration of Revisions to Annual Registration and Product Filing Fee Structure** – We recommend that the IIPRC consider increases to its current annual registration and product filing fee charges, including fees for its advance filing fee calculation. In addition, we recommend the IIPRC consider charging a lower annual registration fee for the first year that a company registers with the IIPRC in order to attract more new users.

**Development of Improved Budget Process For Future Expenditures** – We recommend that IIPRC Officers and senior management consider and agree on a uniform approach to expense budgeting so that the IIPRC budget is presented to Members and other stakeholders in a consistent and coordinated manner.