

**HB**

**439**

# SENATE COMMITTEE REPORT

DATE: 4/21/06

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

Judiciary Committee considered CS FOR HOUSE BILL NO. 439(L&C) am

## HB 439 INSURANCE PRODUCT REGULATION COMPACT

"An Act relating to authorizing the state to join with other states in entering into the Interstate Insurance Product Regulation Compact."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**CS Senate Bill:**  
 Same Title  
 New Title

**SCS House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#.

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#.

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>100512</i>			X	
<i>Gutcher, D. Jones</i>			X	
<i>Conner, J. ...</i>	✓			
<i>[Signature]</i>	✓			
<b>CHAIR:</b> <i>Ralph ...</i>	✓			

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Room 204

## REPRESENTATIVE JOHN COGHILL

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### HB 439 SPONSOR STATEMENT

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### Interstate Insurance Product Regulation Act

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This bill adds Alaska to the other twenty states that have already joined together in the interstate Insurance Product Regulation Act. Life insurance, annuities, disability income, and long-term care products for the most part must be approved by each state before they are marketed. In addition the states have differing requirements for the structure of these products, so products must be revised to meet each individual state's requirements before they are approved for sale. Consequently, it is expensive and time consuming to market new insurance policies or products as compared to competitors in the financial services marketplace who are federally regulated.

House Bill 439 would enhance state regulation of insurance by creating a Commission governed collectively by the states that would serve as a single point of filing for specified insurance products, and that would establish uniform, national standards for those products. Such a system would benefit consumers and state government as well as the insurers. Consumers will benefit from strong, uniform national product standards. The quality of product review will be enhanced as experienced staff will review the filings, thereby enabling regulators to devote more time and resources to monitoring for problems in the marketplace. The public will have more timely access to innovative insurance products. Importantly the state retains the right to opt out of certain adopted standards if a need is determined.

Alaska is among seventeen states with legislation pending.

The House amended the legislation on the floor on page 23, lines 15 through 25. The language makes policy for the state to opt out of a compact that adopts lower levels of consumer protection than are in state law.

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## REPRESENTATIVE JOHN COGHILL

### HB 439 Sectional Analysis

#### **Section 1.** Adopts the Interstate Insurance Product Regulation Compact.

By adopting the compact the state enters into an agreement with other states to develop uniform standards for insurance policies, provide a central clearinghouse for review and approval of insurance policy forms and to coordinate regulatory resources between state insurance departments. Section 1 includes the compact wording.

The compact:

Article I, sets out the purpose of the compact.

- (1) Promoting and protecting the interests of consumers of life insurance, disability income and long term care products.
- (2) Developing uniform standards.
- (3) Establishing a central clearinghouse for insurance product review.
- (4) Giving regulatory approval to insurance products and advertisements.
- (5) Improving coordination and expertise among members.
- (6) To create the Interstate Product Regulation Commission.
- (7) To perform related functions consistent with State regulation of the business of insurance.

Article II, is the definitions section.

Article III, establishes the Interstate Product Regulation Commission and venue.

Article IV, sets out the powers of the Interstate Product Regulation Commission.

Article V, sets out the organization of the Interstate Product Regulation Commission.

Article VI, sets out participation in and scheduling of meetings of the Interstate Product Regulation Commission.

Article VII, sets out the rules and operating procedures: rulemaking functions of the Interstate Product Regulation Commission opting out of uniform standards.

Article VIII, provides for management of Interstate Product Regulation Commission records and enforcement of commission rules.

Article IX, sets out how disputes will be resolved.

Article X, provides for insurers to make filings with the Interstate Product Regulation Commission.

Article XI, provides an appeal procedure for disapproved filings.

Article XII, Sets out how the Interstate Product Regulation Commission will be financed and conduct their financial business.

Article XIII, Defines when the compact and how the compact becomes effective.

Article XIV, covers withdrawal, default and termination by members.

Article XV, is the severability section.

Article XVI, covers the binding effect of the compact and enforcement of other laws.

Section 2. Amends AS 21.53.010 to approve sale and advertising of products in Alaska that have been approved by and comply with the Interstate Compact under AS 21.42.700.

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## REPRESENTATIVE JOHN COGHILL

### HB 439 Comparison of Bill Versions

Changes made to original bill by the Labor & Commerce Committee Substitute:

Page 23, Line 17:

Deleted Sec. 2. Added language to AS 21.45.010 applicability in Chapter 45 "Life Insurance and Annuities" that allowed provisions of Chapter 45 to be "entirely superseded" by provisions adopted under the Interstate Insurance Product Regulation Compact.

Page 23, line 21:

Deleted Sec. 3. Added language to AS 21.51.010 applicability in Chapter 51 "Health Insurance Policies" that allowed provisions of Chapter 51 to be "entirely superseded" by provisions adopted under the Interstate Insurance Product Regulation Compact.

Page 23, line 25:

Section 4 is renumbered as Section 2.

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSHB 439(L&C)  
 (H) Publish Date: 3/3/2006

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCCED - Div of Ins  
 Title: insurance Product Regulation Compact RDU \_\_\_\_\_  
 Component \_\_\_\_\_  
 Sponsor: Rep. Coghill  
 Requester: House Labor & Commerce Component No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

Prepared by: Rep. Tom Anderson, Chair Phone 465-4939  
 Division: House Labor & Commerce Committee Date/Time: 3/1/06 12:00 AM  
 Approved by: Rep. Tom Anderson Date: 3/1/2006  
 Agency: House Labor & Commerce Committee

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSHB 439(L&C)  
 (H) Publish Date: 3/28/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title Insurance Product Regulation Compact RCJ Insurance (116)  
 Component Insurance Operations  
 Sponsor Coghill  
 Requester Labor & Commerce Component No. 354

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
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Other (Specify Type—Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This legislation authorizes the state to join with other states entering into the Interstate Insurance Product Regulation Compact and authorizes the compact to supersede existing statutes by approving standards, rules, or other action under the terms on the compact. It will not have a financial impact on the operations of the division.

Prepared by: Linda S. Hall, Director  
 Division Insurance  
 Approved by: William C. Noll, Commissioner  
 Agency Commerce, Community and Economic Development

Phone 907-269-7900  
 Date/Time 03/02/06 8:47AM  
 Date 3/3/2006