

Interstate Compact Update

Interstate Compact Continues to Grow

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The Interstate Insurance Product Regulation Compact (IIPRC or Compact) continued to grow in 2010. Registered year-to-date companies are up 20 percent in 2011 over 2010. Total company 2010 registrations increased by 39 companies or 53 percent over the prior year. Of the 113 registered companies in 2010, 48 registered with the Compact for the first time. Even though the Compact has made it more attractive for regional filer companies (companies that file in 12 states or fewer) to register and file, offering them lower registration and filing fees, only a few regional companies registered with the Compact in 2010 or so far in 2011.

The reasons for more companies choosing to file through the Compact include adoption of new Compact uniform standards such as those for guaranteed benefits, longevity annuity, and individual long-term care (LTC) products. In addition, when key states such as New Jersey and Illinois joined the Compact, more insurers realized they could secure approval in more than three dozen states (38 in total) through a single Compact filing.

By the end of 2010, 364 Compact submissions were filed compared to 244 filings in 2009, a 51% percent increase. This upward trend is expected to continue in 2011, especially as Illinois starts to accept Compact-approved products for the majority of standards, including individual LTC.

As filing volume increased, turnaround times increased from 28 days in 2009 to 42 days in 2010. In some ways, the Compact became victim of its own success. However, the reasons for longer filing turnaround times were not based on higher filing volume alone. The Compact's approach of working with filers to achieve compliance caused turnaround times to grow with the growing complexity of the products, the number of forms within each filing, and the growth in the number of first-time filers. Several issues such as implementation of the individual LTC standards, recruiting and training a new reviewer, and having a key team member unexpectedly out of office for an extended period created what one could describe as the "perfect storm." Despite those challenges, the workload was parsed out among Compact team members. Even management chipped in, helping to reduce what could have been an even greater impact on filing turnaround times.

Anticipating continued growth, former New Hampshire state insurance regulator Maureen Hart Perry was hired late

in 2010 as a second Compact forms reviewer. This year, the Compact has already expanded its staff by hiring another full-time product review forms consultant, Karen Givens, formerly of Pacific Life Insurance Company. The Compact is now hoping to hire another full-time actuarial consultant. Compact filing turnaround times should measurably improve as the new reviewers gain Compact experience.

The Compact also worked with states that exercised their rights to opt out because of unique circumstances within their states. Hawaii and New Jersey opted out of the new LTC uniform standards by legislation, and Indiana is pursuing a regulatory opt-out of these standards. All other Compact states are participating in LTC uniform standards though the following states are not permitting LTC modified rate schedule filings through the Compact: Colorado, Maryland, Oklahoma, and Washington. Illinois started accepting all Compact filing submissions as of May 31st with the exception of variable life and annuity product filings and annuity filing with market value adjustment ("MVA") product features.

The perennial question is when will the remaining large premium-volume states—New York, California, and Florida—join the Compact? Although it is not certain, progress is being made in other states such as Alabama, Nevada, and Oregon. This increases the likelihood that more states may yet join the Compact in 2011. However, even today, the 38 Compact states represent almost 70 percent of the nationwide premium volume.

As a filer, and especially during the past six months, I have appreciated working with IIPRC management, forms review, and actuarial consultants to answer pre-submission questions as well as to resolve objections. In each instance I found the IIPRC staff to be approachable to discuss product design issues, cooperative and forthright in their responses and willing to help resolve objections and other more complex filing issues. It's been my experience that the Compact staff is willing to "go the extra mile" to provide the best possible service in a straightforward, professional manner.

As new standards are adopted, more states join the Compact, and new staff becomes seasoned reviewers, the Compact will only improve and become an ever more attractive insurance industry filing option.

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