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Details:

(FORM UPDATED: 08/11/2010)

**WISCONSIN STATE LEGISLATURE ...  
PUBLIC HEARING - COMMITTEE RECORDS**

**2007-08**

(session year)

**Assembly**

(Assembly, Senate or Joint)

**Committee on ... Insurance  
(AC-In)**

**COMMITTEE NOTICES ...**

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**
- Record of Comm. Proceedings ... **RCP**

**INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL**

- Appointments ... **Appt**
- Clearinghouse Rules ... **CRule**
- Hearing Records ... bills and resolutions  
(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
(**sb** = Senate Bill)                              (**sr** = Senate Resolution)                      (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**



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Allianz Life Insurance Company of North America  
 American Family Life Insurance Company  
 Aviva USA  
 Catholic Knights  
 CUNA Mutual Insurance  
 Equitable Reserve  
 Guardian Life Insurance Company of America  
 National Guardian Life Insurance Company  
 Northwestern Mutual  
 Prudential Life Insurance  
 State Farm  
 Thrivent Financial for Lutherans

*AB542*

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**MEMORANDUM**

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**TO:** HONORABLE MEMBERS OF THE SENATE TRANSPORTATION,  
 TOURISM AND INSURANCE COMMITTEE

**FROM:** *Connie L. O'Connell*  
 CONNIE L. O'CONNELL,  
 WISCONSIN COUNCIL OF LIFE INSURERS

**SUBJECT:** SENATE BILL 294 RELATING TO THE INTERSTATE INSURANCE  
 PRODUCT REGULATION COMPACT

**DATE:** NOVEMBER 7, 2007

The Wisconsin Council of Life Insurers, an organization representing both domestic and nondomestic life insurance companies licensed in Wisconsin, strongly supports Senate Bill 294 relating to the Interstate Insurance Product Regulation Compact (Interstate Compact). This legislation is based on a model act developed by the National Association of Insurance Commissioners (NAIC). Twenty-nine states and Puerto Rico have adopted the model legislation.

The Interstate Compact was developed by state insurance commissioners because of their recognition that life insurance companies are placed at a competitive disadvantage as compared to financial institutions because of the applicable regulatory structures. Life insurers are required to obtain approval by fifty individual states in order to offer a product nationwide. In contrast, financial institutions offering similar products need only obtain approval from one federal regulator to offer a product nationwide.

The Interstate Compact created a Commission charged with adopting uniform standards for certain insurance products (life insurance, annuities, disability income insurance and long term care insurance) and reviewing products to determine if these standards have been met. The Commission was operational in May of 2006 and adopted its first standards by the end of 2006. After these standards were developed, insurers began filing

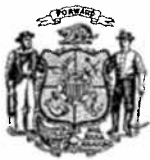
products with the Commission based on the standards. Professional staff review the products filed with the Commission in order to determine if the uniform standards have been met. If a product meets the standards, the filing company can market the product in the states participating in the Commission. The first products were approved by the Commission this summer.

The Interstate Compact offers obvious benefits to insurance companies. Regulatory compliance is greatly simplified through the creation of uniform standards. Insurers can move products to market more quickly and are in an improved competitive position relative to financial institutions. However, the Interstate Compact offers benefits to consumers as well. Consumers are best served if they can choose from as many quality products offered by as many companies as possible. Product standardization and increased competition allow consumers to comparison shop more effectively. In addition, decreased compliance costs provide for better priced products.

The Interstate Compact does not affect the Wisconsin Insurance Commissioner's authority related to the sales and servicing of any insurance products. Wisconsin's insurance consumers will still turn to the Office of the Commissioner of Insurance (OCI) for information and assistance related to their insurance products. And OCI will retain all existing responsibility and authority related to these matters. Similarly, responsibility for regulating and monitoring the financial stability of life insurers will remain with the states. And, OCI will retain complete authority related to licensing and regulating insurance agents.

The Wisconsin Council of Life Insurers respectfully requests your support of Senate Bill 294. Please do not hesitate to contact us if you have any questions or concerns with this proposal.





State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor  
Sean Dilweg, Commissioner

Wisconsin.gov

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**Testimony of Commissioner Sean Dilweg  
To the Assembly Insurance Committee  
On Assembly Bill 501 and Assembly Bill 542  
November 29, 2007**

Thank you Chairman Lasee and Committee members for the opportunity to testify on AB 501 and AB 542.

We are pursuing these bills in an effort to achieve greater national uniformity in state insurance regulation. These bills represent regulatory changes that add efficiency to the agency and maintain competitiveness for Wisconsin agents and companies.

I have worked with all interested parties to ensure these bills are well received, do not result in an unfair advantage for any interested party and do not create a regulatory burden.

**Assembly Bill 501**

AB 501 reflects national uniformity standards for insurance agent licensing developed by the National Association of Insurance Commissioners.

**Fingerprinting**

- AB 501 grants the Commissioner of Insurance rule making authority to require new agent license applicants to provide fingerprints before having their application approved.
- Insurance agents selling variable annuities and Financial Advisors are currently required to submit finger prints as a condition of licensure.
- This legislation will enable the Commissioner to more thoroughly conduct criminal background checks by utilizing national databases.

**Elimination of Certain Fees**

AB 501 eliminates select fees currently charged by OCI.

- Technology has made the processing of requests for duplicate licenses (\$5), letters of certification (\$10), and letters of clearance (\$10) much

more efficient than in the past and therefore collection of these fees is unnecessary.

- We do expect a minimal impact to OCI's revenue from this provision.

### **Revocation**

AB 501 makes a variety of technical changes to the agent licensing process, allowing greater flexibility for agents who face difficulties with license renewals.

- Specifically, the bill eliminates the 60 day suspension period and instead implements an automatic revocation for failure to pay any fees, complete any continuing education, failure to pay child support or for tax delinquencies.
- At least 60 days before the revocation occurs, the Commissioner must notify an agent that their license will be revoked if he or she does not pay outstanding fees or provide proof of continuing education by a specific date.
- Agents will now have 12 months from the date of the revocation to rectify any deficiencies and have their license reinstated without having to complete costly and time consuming pre-licensing education and testing.
- If the agent's license is not reinstated within 12 months, the agent may be relicensed only by satisfying those requirements that apply to initial licensure.

The changes proposed in AB 501 will make insurance agent regulation in Wisconsin more uniform with regulations in other states while still maintaining our high standard of consumer protections and service to the agent community.

### **Assembly Bill 542**

#### **Interstate Insurance Product Regulation Compact.**

Assembly Bill 542 makes significant changes to OCI's processes for product approvals. The bill enables Wisconsin's participation in the Interstate Insurance Product Regulation Compact and changes the policy form approval process in Wisconsin from a "prior approval" process to a "file and use" process. A change is also made to the Annuity Suitability law.

I encourage the committee to support Representative Lasee's amendment to correct a technical error in the original draft. The amendment deletes

language inadvertently included under the “definitions” section of the bill and adds the definition of “rule” that was omitted from the original draft.

Adopting the Interstate Insurance Product Regulation Compact will allow Wisconsin to join 30 states that are now members of the Compact.

The Compact is an agreement among member states to create a streamlined system of product regulation for Life Insurance, Annuities, Disability Income and Long Term Care insurance.

The compact results in:

- A central point of filing, review and approval for insurance products based on national uniform standards with strong consumer protections;
  - Enhanced efficiency and effectiveness of state insurance regulation in an ever changing marketplace; and
  - Insurers getting their products to the marketplace faster thereby allowing consumers to get access to more competitive insurance products.
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- It is important to note that the state Insurance Commissioner continues to oversee market regulation activities. The compact in no way reduces the agency’s regulatory enforcement authority in holding companies responsible for inappropriate marketing tactics.
  - The Compact has created the Interstate Insurance Product Regulation Commission which has been delegated the responsibility for developing uniform standards.
  - Once a standard is developed, insurers can file policy forms for approval using that standard. Once approved by the Compact, the policy form can be marketed and sold in all the compacting states, allowing insurers to roll out new products more efficiently.
  - The compact was developed, in part, to address a life insurance industry concern about the cost of form filings and inconsistent reviews in multiple jurisdictions.
  - As I mentioned, there are 30 states that have enacted the Compact. A management Committee of 14 members will oversee the day to day activities of the Compact. Members from the 6 largest compacting states include Pennsylvania, Texas, Ohio, North Carolina, Massachusetts and Michigan.

### **Policy Form Review**

As indicated earlier, AB 542 changes the policy form approval process in Wisconsin from a “prior approval” process to a “file and use” process.

- This means a company must file forms with OCI and may begin to use the policy form thirty days after it is filed.
- A company files an attestation, signed by an officer, indicating compliance with all applicable state laws and regulations.
- This will allow insurers to implement policy form changes more quickly.
- OCI retains its regulatory authority to order forms into compliance if they are in violation.
- Changes to the policy form review process will lead to greater agency flexibility in responding to changing market conditions by focusing its limited resources on companies that require regulatory attention.

### **Suitability of Annuity Sales**

- The Suitability of Annuity sales statute in Wisconsin requires insurers and agents to take steps to ensure that annuity product recommendations made to a senior consumer are suitable for that consumer.
- The changes proposed in AB 542 will require insurers and agents to ensure annuity product recommendations are suitable for all consumers, not just sales to seniors.

Thank you for the opportunity to speak to the committee and I would be happy to answer any questions that you have.