



March 18, 2005

**ENGROSSED  
SENATE BILL No. 634**

DIGEST OF SB 634 (Updated March 17, 2005 11:16 am - DI 97)

**Citations Affected:** IC 27-4; IC 27-8; IC 34-30.

**Synopsis:** Insurance product regulation compact and senior consumer recommendations. Prohibits certain recommendations to senior consumers concerning annuities and provides for enforcement. Provides for an interstate insurance product regulation compact.

**Effective:** July 1, 2005.

**Paul**

(HOUSE SPONSORS — HOFFMAN, SAUNDERS)

January 24, 2005, read first time and referred to Committee on Insurance and Financial Institutions.

February 14, 2005, amended, reported favorably — Do Pass.

February 17, 2005, read second time, ordered engrossed.

February 18, 2005, engrossed.

February 28, 2005, read third time, passed. Yeas 47, nays 1.

**HOUSE ACTION**

March 8, 2005, read first time and referred to Committee on Insurance.

March 17, 2005, amended, reported — Do Pass.

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ES 634—LS 7952/DI 47+



March 18, 2005

First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

## ENGROSSED SENATE BILL No. 634

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 27-4-1-4 IS AMENDED TO READ AS FOLLOWS  
2 [EFFECTIVE JULY 1, 2005]: Sec. 4. The following are hereby defined  
3 as unfair methods of competition and unfair and deceptive acts and  
4 practices in the business of insurance:

5 (1) Making, issuing, circulating, or causing to be made, issued, or  
6 circulated, any estimate, illustration, circular, or statement:

7 (A) misrepresenting the terms of any policy issued or to be  
8 issued or the benefits or advantages promised thereby or the  
9 dividends or share of the surplus to be received thereon;

10 (B) making any false or misleading statement as to the  
11 dividends or share of surplus previously paid on similar  
12 policies;

13 (C) making any misleading representation or any  
14 misrepresentation as to the financial condition of any insurer,  
15 or as to the legal reserve system upon which any life insurer  
16 operates;

17 (D) using any name or title of any policy or class of policies

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1           misrepresenting the true nature thereof; or  
2           (E) making any misrepresentation to any policyholder insured  
3           in any company for the purpose of inducing or tending to  
4           induce such policyholder to lapse, forfeit, or surrender the  
5           policyholder's insurance.  
6           (2) Making, publishing, disseminating, circulating, or placing  
7           before the public, or causing, directly or indirectly, to be made,  
8           published, disseminated, circulated, or placed before the public,  
9           in a newspaper, magazine, or other publication, or in the form of  
10          a notice, circular, pamphlet, letter, or poster, or over any radio or  
11          television station, or in any other way, an advertisement,  
12          announcement, or statement containing any assertion,  
13          representation, or statement with respect to any person in the  
14          conduct of the person's insurance business, which is untrue,  
15          deceptive, or misleading.  
16          (3) Making, publishing, disseminating, or circulating, directly or  
17          indirectly, or aiding, abetting, or encouraging the making,  
18          publishing, disseminating, or circulating of any oral or written  
19          statement or any pamphlet, circular, article, or literature which is  
20          false, or maliciously critical of or derogatory to the financial  
21          condition of an insurer, and which is calculated to injure any  
22          person engaged in the business of insurance.  
23          (4) Entering into any agreement to commit, or individually or by  
24          a concerted action committing any act of boycott, coercion, or  
25          intimidation resulting or tending to result in unreasonable  
26          restraint of, or a monopoly in, the business of insurance.  
27          (5) Filing with any supervisory or other public official, or making,  
28          publishing, disseminating, circulating, or delivering to any person,  
29          or placing before the public, or causing directly or indirectly, to  
30          be made, published, disseminated, circulated, delivered to any  
31          person, or placed before the public, any false statement of  
32          financial condition of an insurer with intent to deceive. Making  
33          any false entry in any book, report, or statement of any insurer  
34          with intent to deceive any agent or examiner lawfully appointed  
35          to examine into its condition or into any of its affairs, or any  
36          public official to which such insurer is required by law to report,  
37          or which has authority by law to examine into its condition or into  
38          any of its affairs, or, with like intent, willfully omitting to make a  
39          true entry of any material fact pertaining to the business of such  
40          insurer in any book, report, or statement of such insurer.  
41          (6) Issuing or delivering or permitting agents, officers, or  
42          employees to issue or deliver, agency company stock or other

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1 capital stock, or benefit certificates or shares in any common law  
2 corporation, or securities or any special or advisory board  
3 contracts or other contracts of any kind promising returns and  
4 profits as an inducement to insurance.

5 (7) Making or permitting any of the following:

6 (A) Unfair discrimination between individuals of the same  
7 class and equal expectation of life in the rates or assessments  
8 charged for any contract of life insurance or of life annuity or  
9 in the dividends or other benefits payable thereon, or in any  
10 other of the terms and conditions of such contract; however, in  
11 determining the class, consideration may be given to the  
12 nature of the risk, plan of insurance, the actual or expected  
13 expense of conducting the business, or any other relevant  
14 factor.

15 (B) Unfair discrimination between individuals of the same  
16 class involving essentially the same hazards in the amount of  
17 premium, policy fees, assessments, or rates charged or made  
18 for any policy or contract of accident or health insurance or in  
19 the benefits payable thereunder, or in any of the terms or  
20 conditions of such contract, or in any other manner whatever;  
21 however, in determining the class, consideration may be given  
22 to the nature of the risk, the plan of insurance, the actual or  
23 expected expense of conducting the business, or any other  
24 relevant factor.

25 (C) Excessive or inadequate charges for premiums, policy  
26 fees, assessments, or rates, or making or permitting any unfair  
27 discrimination between persons of the same class involving  
28 essentially the same hazards, in the amount of premiums,  
29 policy fees, assessments, or rates charged or made for:

30 (i) policies or contracts of reinsurance or joint reinsurance,  
31 or abstract and title insurance;

32 (ii) policies or contracts of insurance against loss or damage  
33 to aircraft, or against liability arising out of the ownership,  
34 maintenance, or use of any aircraft, or of vessels or craft,  
35 their cargoes, marine builders' risks, marine protection and  
36 indemnity, or other risks commonly insured under marine,  
37 as distinguished from inland marine, insurance; or

38 (iii) policies or contracts of any other kind or kinds of  
39 insurance whatsoever.

40 However, nothing contained in clause (C) shall be construed to  
41 apply to any of the kinds of insurance referred to in clauses (A)  
42 and (B) nor to reinsurance in relation to such kinds of insurance.

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1 Nothing in clause (A), (B), or (C) shall be construed as making or  
2 permitting any excessive, inadequate, or unfairly discriminatory  
3 charge or rate or any charge or rate determined by the department  
4 or commissioner to meet the requirements of any other insurance  
5 rate regulatory law of this state.

6 (8) Except as otherwise expressly provided by law, knowingly  
7 permitting or offering to make or making any contract or policy  
8 of insurance of any kind or kinds whatsoever, including but not in  
9 limitation, life annuities, or agreement as to such contract or  
10 policy other than as plainly expressed in such contract or policy  
11 issued thereon, or paying or allowing, or giving or offering to pay,  
12 allow, or give, directly or indirectly, as inducement to such  
13 insurance, or annuity, any rebate of premiums payable on the  
14 contract, or any special favor or advantage in the dividends,  
15 savings, or other benefits thereon, or any valuable consideration  
16 or inducement whatever not specified in the contract or policy; or  
17 giving, or selling, or purchasing or offering to give, sell, or  
18 purchase as inducement to such insurance or annuity or in  
19 connection therewith, any stocks, bonds, or other securities of any  
20 insurance company or other corporation, association, limited  
21 liability company, or partnership, or any dividends, savings, or  
22 profits accrued thereon, or anything of value whatsoever not  
23 specified in the contract. Nothing in this subdivision and  
24 subdivision (7) shall be construed as including within the  
25 definition of discrimination or rebates any of the following  
26 practices:

27 (A) Paying bonuses to policyholders or otherwise abating their  
28 premiums in whole or in part out of surplus accumulated from  
29 nonparticipating insurance, so long as any such bonuses or  
30 abatement of premiums are fair and equitable to policyholders  
31 and for the best interests of the company and its policyholders.

32 (B) In the case of life insurance policies issued on the  
33 industrial debit plan, making allowance to policyholders who  
34 have continuously for a specified period made premium  
35 payments directly to an office of the insurer in an amount  
36 which fairly represents the saving in collection expense.

37 (C) Readjustment of the rate of premium for a group insurance  
38 policy based on the loss or expense experience thereunder, at  
39 the end of the first year or of any subsequent year of insurance  
40 thereunder, which may be made retroactive only for such  
41 policy year.

42 (D) Paying by an insurer or insurance producer thereof duly

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1 licensed as such under the laws of this state of money,  
 2 commission, or brokerage, or giving or allowing by an insurer  
 3 or such licensed insurance producer thereof anything of value,  
 4 for or on account of the solicitation or negotiation of policies  
 5 or other contracts of any kind or kinds, to a broker, an  
 6 insurance producer, or a solicitor duly licensed under the laws  
 7 of this state, but such broker, insurance producer, or solicitor  
 8 receiving such consideration shall not pay, give, or allow  
 9 credit for such consideration as received in whole or in part,  
 10 directly or indirectly, to the insured by way of rebate.

11 (9) Requiring, as a condition precedent to loaning money upon the  
 12 security of a mortgage upon real property, that the owner of the  
 13 property to whom the money is to be loaned negotiate any policy  
 14 of insurance covering such real property through a particular  
 15 insurance producer or broker or brokers. However, this  
 16 subdivision shall not prevent the exercise by any lender of the  
 17 lender's right to approve or disapprove of the insurance company  
 18 selected by the borrower to underwrite the insurance.

19 (10) Entering into any contract, combination in the form of a trust  
 20 or otherwise, or conspiracy in restraint of commerce in the  
 21 business of insurance.

22 (11) Monopolizing or attempting to monopolize or combining or  
 23 conspiring with any other person or persons to monopolize any  
 24 part of commerce in the business of insurance. However,  
 25 participation as a member, director, or officer in the activities of  
 26 any nonprofit organization of insurance producers or other  
 27 workers in the insurance business shall not be interpreted, in  
 28 itself, to constitute a combination in restraint of trade or as  
 29 combining to create a monopoly as provided in this subdivision  
 30 and subdivision (10). The enumeration in this chapter of specific  
 31 unfair methods of competition and unfair or deceptive acts and  
 32 practices in the business of insurance is not exclusive or  
 33 restrictive or intended to limit the powers of the commissioner or  
 34 department or of any court of review under section 8 of this  
 35 chapter.

36 (12) Requiring as a condition precedent to the sale of real or  
 37 personal property under any contract of sale, conditional sales  
 38 contract, or other similar instrument or upon the security of a  
 39 chattel mortgage, that the buyer of such property negotiate any  
 40 policy of insurance covering such property through a particular  
 41 insurance company, insurance producer, or broker or brokers.  
 42 However, this subdivision shall not prevent the exercise by any

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seller of such property or the one making a loan thereon of the right to approve or disapprove of the insurance company selected by the buyer to underwrite the insurance.

(13) Issuing, offering, or participating in a plan to issue or offer, any policy or certificate of insurance of any kind or character as an inducement to the purchase of any property, real, personal, or mixed, or services of any kind, where a charge to the insured is not made for and on account of such policy or certificate of insurance. However, this subdivision shall not apply to any of the following:

(A) Insurance issued to credit unions or members of credit unions in connection with the purchase of shares in such credit unions.

(B) Insurance employed as a means of guaranteeing the performance of goods and designed to benefit the purchasers or users of such goods.

(C) Title insurance.

(D) Insurance written in connection with an indebtedness and intended as a means of repaying such indebtedness in the event of the death or disability of the insured.

(E) Insurance provided by or through motorists service clubs or associations.

(F) Insurance that is provided to the purchaser or holder of an air transportation ticket and that:

(i) insures against death or nonfatal injury that occurs during the flight to which the ticket relates;

(ii) insures against personal injury or property damage that occurs during travel to or from the airport in a common carrier immediately before or after the flight;

(iii) insures against baggage loss during the flight to which the ticket relates; or

(iv) insures against a flight cancellation to which the ticket relates.

(14) Refusing, because of the for-profit status of a hospital or medical facility, to make payments otherwise required to be made under a contract or policy of insurance for charges incurred by an insured in such a for-profit hospital or other for-profit medical facility licensed by the state department of health.

(15) Refusing to insure an individual, refusing to continue to issue insurance to an individual, limiting the amount, extent, or kind of coverage available to an individual, or charging an individual a different rate for the same coverage, solely because of that

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- 1 individual's blindness or partial blindness, except where the
- 2 refusal, limitation, or rate differential is based on sound actuarial
- 3 principles or is related to actual or reasonably anticipated
- 4 experience.
- 5 (16) Committing or performing, with such frequency as to
- 6 indicate a general practice, unfair claim settlement practices (as
- 7 defined in section 4.5 of this chapter).
- 8 (17) Between policy renewal dates, unilaterally canceling an
- 9 individual's coverage under an individual or group health
- 10 insurance policy solely because of the individual's medical or
- 11 physical condition.
- 12 (18) Using a policy form or rider that would permit a cancellation
- 13 of coverage as described in subdivision (17).
- 14 (19) Violating IC 27-1-22-25 or IC 27-1-22-26 concerning motor
- 15 vehicle insurance rates.
- 16 (20) Violating IC 27-8-21-2 concerning advertisements referring
- 17 to interest rate guarantees.
- 18 (21) Violating IC 27-8-24.3 concerning insurance and health plan
- 19 coverage for victims of abuse.
- 20 (22) Violating IC 27-8-26 concerning genetic screening or testing.
- 21 (23) Violating IC 27-1-15.6-3(b) concerning licensure of
- 22 insurance producers.
- 23 (24) Violating IC 27-1-38 concerning depository institutions.
- 24 (25) Violating IC 27-8-28-17(c) or IC 27-13-10-8(c) concerning
- 25 the resolution of an appealed grievance decision.
- 26 (26) Violating IC 27-8-5-2.5(e) through IC 27-8-5-2.5(j) or
- 27 IC 27-8-5-19.2.
- 28 (27) Violating IC 27-2-21 concerning use of credit information.
- 29 **(28) Violating IC 27-4-9-3 concerning recommendations to**
- 30 **senior consumers.**

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31 SECTION 2. IC 27-4-9 IS ADDED TO THE INDIANA CODE AS  
32 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY  
33 1, 2005]:

34 **Chapter 9. Recommendations to Senior Consumers**

35 **Sec. 1. As used in this chapter, "securities commissioner" refers**  
36 **to the commissioner appointed by the secretary of state under**  
37 **IC 23-2-1-15.**

38 **Sec. 2. As used in this chapter, "senior consumer" means an**  
39 **individual who is at least sixty-five (65) years of age.**

40 **Sec. 3. (a) An insurance producer, or an insurer in a case in**  
41 **which an insurance producer is not involved, shall not recommend**  
42 **to a senior consumer the:**



1           (1) purchase of an annuity; or  
 2           (2) exchange of an annuity that results in another insurance  
 3           transaction;  
 4           that is unsuitable for the senior consumer.  
 5           (b) A determination regarding whether a purchase or an  
 6           exchange under subsection (a) is unsuitable for a senior consumer  
 7           must be made:  
 8           (1) based on the facts disclosed by the senior consumer  
 9           concerning the senior consumer's:  
 10           (A) investments and other insurance products; and  
 11           (B) financial situation and needs; and  
 12           (2) according to the rule adopted under section 4 of this  
 13           chapter.  
 14           Sec. 4. The department shall adopt a rule under IC 4-22-2 to  
 15           establish a method for making determinations as to whether a  
 16           purchase or an exchange described in section 3 of this chapter is  
 17           unsuitable for a senior consumer.  
 18           Sec. 5. (a) Except as provided in subsection (b), a  
 19           recommendation made in violation of section 3 of this chapter is an  
 20           unfair method of competition or an unfair and deceptive act or  
 21           practice under IC 27-4-1-4.  
 22           (b) A recommendation made in violation of section 3 of this  
 23           chapter is not an unfair method of competition or an unfair and  
 24           deceptive act or practice under IC 27-4-1-4 if the recommendation  
 25           is made in compliance with the National Association of Securities  
 26           Dealers Conduct Rules concerning suitability, as determined by the  
 27           commissioner.  
 28           Sec. 6. (a) The commissioner may conduct an investigation,  
 29           pursue an enforcement action, and take other official action that  
 30           the commissioner considers appropriate to ensure compliance with  
 31           section 3 of this chapter.  
 32           (b) With regard to a variable annuity, the commissioner may:  
 33           (1) consult with the securities commissioner; and  
 34           (2) use the resources of the securities commissioner;  
 35           in making a final determination regarding any issue concerning  
 36           compliance with section 3 of this chapter.  
 37           (c) If the securities commissioner is informed of a violation or  
 38           suspected violation of section 3 of this chapter or other insurance  
 39           laws of the state, the securities commissioner shall timely advise the  
 40           commissioner of the violation or suspected violation.  
 41           SECTION 3. IC 27-8-31 IS ADDED TO THE INDIANA CODE AS  
 42           A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY

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**Chapter 31. Interstate Insurance Product Regulation Compact**

**Sec. 1. The purposes of this compact are, through means of joint and cooperative action among the compacting states, to:**

- (1) promote and protect the interest of consumers of individual and group annuity, life insurance, disability income, and long term care insurance products;**
- (2) develop uniform standards for insurance products covered under the compact;**
- (3) establish a central clearinghouse to receive and provide prompt review of insurance products covered under the compact and, in certain cases, advertisements related thereto, submitted by insurers authorized to do business in one (1) or more compacting states;**
- (4) give appropriate regulatory approval to product filings and advertisements satisfying the applicable uniform standard;**
- (5) improve coordination of regulatory resources and expertise between state insurance departments regarding the setting of uniform standards and review of insurance products covered under the compact;**
- (6) create the interstate insurance product regulation commission; and**
- (7) perform these and any other related functions as may be consistent with the state regulation of the business of insurance.**

**Sec. 2. (a) The definitions in this section apply throughout this chapter.**

**(b) "Advertisement" means material designed to create public interest in a product or induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace, or retain a policy, as more specifically defined in the rules and operating procedures of the commission.**

**(c) "Bylaws" means bylaws established by the commission for the governance, direction, or control of the commission.**

**(d) "Commission" refers to the interstate insurance product regulation commission established by section 3 of this chapter.**

**(e) "Commissioner" means the chief insurance regulatory official of a state, including a commissioner, a superintendent, a director, or an administrator.**

**(f) "Compacting state" means a state that:**

- (1) has enacted this compact; and**

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- 1           **(2) has not:**
- 2               **(A) withdrawn as provided in section 15 of this chapter; or**
- 3               **(B) been terminated as provided in section 16 of this**
- 4               **chapter.**
- 5           **(g) "Domiciliary state" means the state in which an insurer is**
- 6           **incorporated or organized, or the state of entry of an alien insurer.**
- 7           **(h) "Insurer" means an entity licensed by a state to issue**
- 8           **contracts of insurance for the lines of insurance covered by this**
- 9           **chapter.**
- 10           **(i) "Member" means the commissioner or the commissioner's**
- 11           **designee.**
- 12           **(j) "NAIC" refers to the National Association of Insurance**
- 13           **Commissioners.**
- 14           **(k) "Noncompacting state" means a state that is not a**
- 15           **compacting state.**
- 16           **(l) "Operating procedures" mean procedures adopted by the**
- 17           **commission to implement a rule, a uniform standard, or a**
- 18           **provision of this compact.**
- 19           **(m) "Opt out" means any action by a compacting state to**
- 20           **decline to adopt or participate in a promulgated uniform standard.**
- 21           **(n) "Product" means the form of a policy or contract, including**
- 22           **an application, an endorsement, or a related form that is attached**
- 23           **to and made a part of the policy or contract, and any evidence of**
- 24           **coverage or certificate, for an individual or a group annuity, life**
- 25           **insurance, disability income, or long term care insurance product**
- 26           **that an insurer is authorized to issue in Indiana or another**
- 27           **compacting state.**
- 28           **(o) "Rule" means a statement of general or particular**
- 29           **applicability and future effect adopted by the commission,**
- 30           **including a uniform standard developed under section 8 of this**
- 31           **chapter, that has the full force and effect of law in the compacting**
- 32           **states and:**
- 33               **(1) is designed to implement or interpret law or prescribe**
- 34               **policy; or**
- 35               **(2) describes the organization, procedure, or practice**
- 36               **requirements of the commission.**
- 37           **(p) "State" means a state, district, or territory of the United**
- 38           **States.**
- 39           **(q) "Third party filer" means an entity that submits a product**
- 40           **filing to the commission on behalf of an insurer.**
- 41           **(r) "Uniform standard" means a standard adopted by the**
- 42           **commission for a product line under section 8 of this chapter. The**

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**term includes all the product requirements. However:**

- (1) each uniform standard shall be construed, whether express or implied, to prohibit the use of any inconsistent, misleading, or ambiguous provisions in a product; and**
- (2) the form of the product made available to the public shall not be unfair, inequitable, or against public policy as determined by the commission.**

**Sec. 3. (a) The compacting states hereby establish a joint public agency known as the interstate insurance product regulation commission. Under section 4 of this chapter, the commission may:**

- (1) develop uniform standards for product lines;**
- (2) receive and provide prompt review of products filed with the commission; and**
- (3) give approval to product filings satisfying applicable uniform standards.**

**However, it is not intended for the commission to be the exclusive entity for receipt and review of insurance product filings. This chapter does not prohibit an insurer from filing the insurer's product in a state where the insurer is licensed to conduct the business of insurance and any such filing is subject to the laws of the state where filed.**

**(b) The commission is a body corporate and politic, and an instrumentality of the compacting states.**

**(c) The commission is solely responsible for the commission's liabilities except as otherwise specifically provided in this compact.**

**(d) Venue is proper, and judicial proceedings by or against the commission shall be brought solely and exclusively, in a court with jurisdiction where the principal office of the commission is located.**

**Sec. 4. The commission has the following powers:**

- (1) To adopt rules under section 8 of this chapter, which shall have the force and effect of law and are binding in the compacting states to the extent and in the manner provided in this compact.**
- (2) To exercise the commission's rulemaking authority and establish reasonable uniform standards for products covered under the compact and advertisement related to the products, which shall have the force and effect of law and are binding in the compacting states, but only for those products filed with the commission. However, a compacting state has the right to opt out of the uniform standard under section 8(d) of this chapter, to the extent and in the manner provided in this compact, and any uniform standard established by the**

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commission for long term care insurance products may provide the same or greater protections for consumers as, but shall not provide less than, those protections set forth in the NAIC's long term care insurance model act and long term care insurance model regulation, respectively, adopted as of 2001. The commission shall consider whether any subsequent amendments to the NAIC long term care insurance model act or long term care insurance model regulation adopted by the NAIC require amending the uniform standards established by the commission for long term care insurance products.

(3) To receive and review in an expeditious manner products filed with the commission and rate filings for disability income and long term care insurance products, and give approval of those products and rate filings that satisfy the applicable uniform standard, where the approval shall have the force and effect of law and is binding on the compacting states to the extent and in the manner provided in the compact.

(4) To receive and review in an expeditious manner advertisement relating to long term care insurance products for which uniform standards have been adopted by the commission, and give approval to all advertisement that satisfies the applicable uniform standard. For any product covered under this compact, other than long term care insurance products, the commission has authority to require an insurer to submit all or any part of the insurer's advertisement with respect to that product for review or approval before use, if the commission determines that the nature of the product is such that an advertisement of the product could have the capacity or tendency to mislead the public. The actions of the commission as provided in this section shall have the force and effect of law and are binding in the compacting states to the extent and in the manner provided in the compact.

(5) To exercise the commission's rulemaking authority and designate products and advertisement that may be subject to a self-certification process without the need for prior approval by the commission.

(6) To adopt operating procedures under section 8 of this chapter, which shall have the force and effect of law and are binding in the compacting states to the extent and in the manner provided in this compact.

(7) To bring and prosecute legal proceedings or actions in the

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- 1           **commission's name as the commission, provided that the**
- 2           **standing of any state insurance department to sue or be sued**
- 3           **under applicable law shall not be affected.**
- 4           **(8) To issue subpoenas requiring the attendance and**
- 5           **testimony of witnesses and the production of evidence.**
- 6           **(9) To establish and maintain offices.**
- 7           **(10) To purchase and maintain insurance and bonds.**
- 8           **(11) To borrow, accept, or contract for services of personnel,**
- 9           **including employees of a compacting state.**
- 10          **(12) To hire employees, professionals, or specialists, elect or**
- 11          **appoint officers, and fix their compensation, define their**
- 12          **duties, give them appropriate authority to carry out the**
- 13          **purposes of the compact, determine their qualifications, and**
- 14          **establish the commission's personnel policies and programs**
- 15          **relating to, among other things, conflicts of interest, rates of**
- 16          **compensation, and qualifications of personnel.**
- 17          **(13) To accept any and all appropriate donations and grants**
- 18          **of money, equipment, supplies, materials, and services, and to**
- 19          **receive, use, and dispose of the same. At all times the**
- 20          **commission shall strive to avoid any appearance of**
- 21          **impropriety.**
- 22          **(14) To lease, purchase, accept appropriate gifts or donations**
- 23          **of, or otherwise to own, hold, improve, or use any property,**
- 24          **real, personal, or mixed. At all times the commission shall**
- 25          **strive to avoid any appearance of impropriety.**
- 26          **(15) To sell, convey, mortgage, pledge, lease, exchange,**
- 27          **abandon, or otherwise dispose of any property, real, personal,**
- 28          **or mixed.**
- 29          **(16) To remit filing fees to compacting states as may be set**
- 30          **forth in the bylaws, rules, or operating procedures.**
- 31          **(17) To enforce compliance by compacting states with rules,**
- 32          **uniform standards, operating procedures, and bylaws.**
- 33          **(18) To provide for dispute resolution among compacting**
- 34          **states.**
- 35          **(19) To advise compacting states on issues relating to insurers**
- 36          **domiciled or doing business in noncompacting jurisdictions,**
- 37          **consistent with the purposes of this compact.**
- 38          **(20) To provide advice and training to those personnel in state**
- 39          **insurance departments responsible for product review, and to**
- 40          **be a resource for state insurance departments.**
- 41          **(21) To establish a budget and make expenditures.**
- 42          **(22) To borrow money.**

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1 (23) To appoint committees, including advisory committees,  
2 comprising members, state insurance regulators, state  
3 legislators or their representatives, insurance industry and  
4 consumer representatives, and any other interested persons  
5 as may be designated in the bylaws.

6 (24) To provide and receive information from and to  
7 cooperate with law enforcement agencies.

8 (25) To adopt and use a corporate seal.

9 (26) To perform any other functions as may be necessary or  
10 appropriate to achieve the purposes of this compact consistent  
11 with the state regulation of the business of insurance.

12 Sec. 5. (a) Each compacting state shall have and be limited to  
13 one (1) member. Each member shall be qualified to serve in that  
14 capacity under applicable law of the compacting state. Any  
15 member may be removed or suspended from office as provided by  
16 the law of the state from which the member is appointed. Any  
17 vacancy occurring in the commission shall be filled in accordance  
18 with the laws of the compacting state where the vacancy exists.  
19 Nothing in this section shall be construed to affect the manner in  
20 which a compacting state determines the election or appointment  
21 and qualification of the compacting state's commissioner.

22 (b) Each member is entitled to one (1) vote and is entitled to an  
23 opportunity to participate in the governance of the commission in  
24 accordance with the bylaws. Notwithstanding any provision in this  
25 chapter to the contrary, no action of the commission with respect  
26 to the promulgation of a uniform standard is effective unless  
27 two-thirds (2/3) of the members vote in favor of adoption.

28 (c) The commission shall, by a majority of the members,  
29 prescribe bylaws to govern the commission's conduct as may be  
30 necessary or appropriate to carry out the purposes and exercise the  
31 powers of the compact, including the following:

32 (1) Establishing the fiscal year of the commission.

33 (2) Providing reasonable procedures for appointing and  
34 electing members and holding meetings of the management  
35 committee.

36 (3) Providing reasonable standards and procedures:

37 (A) for the establishment and meetings of other  
38 committees; and

39 (B) governing any general or specific delegation of any  
40 authority or function of the commission.

41 (4) Providing reasonable procedures for calling and  
42 conducting meetings of the commission and ensuring

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reasonable advance notice of each meeting, including:

- (A) requiring a majority of commission members to attend a meeting;
- (B) providing for the right of citizens to attend the meetings with enumerated exceptions designed to:
  - (i) protect the public interest;
  - (ii) protect the privacy of individuals; and
  - (iii) insure proprietary information, including trade secrets;
- (C) allowing a meeting in camera only after a majority of the members of the commission votes to close a meeting en toto or in part, with no proxy voting; and
- (D) providing for the commission, as soon as practicable after a vote to close a meeting as described in clause (C), to make public:
  - (i) a copy of the vote to close the meeting revealing the vote of each member; and
  - (ii) votes taken during the meeting.

(5) Establishing the titles, duties, authority, and reasonable procedures for the election of the officers of the commission.

(6) Providing reasonable standards and procedures for the establishment of the personnel policies and programs of the commission. Notwithstanding any civil service or other similar laws of any compacting state, the bylaws shall exclusively govern the personnel policies and programs of the commission.

(7) Promulgating a code of ethics to address permissible and prohibited activities of commission members and employees.

(8) Providing a mechanism for winding up the operations of the commission and the equitable disposition of any surplus funds that may exist after the termination of the compact after the payment and reserving of all the commission's debts and obligations.

(d) The commission shall publish bylaws in a convenient form and file a copy of the bylaws and amendments to the bylaws with the appropriate agency or officer in each compacting state.

Sec. 6. (a) A management committee comprising not more than fourteen (14) members shall be established as follows:

- (1) One (1) member from each of the six (6) compacting states with the largest premium volume for individual and group annuities, life, disability income, and long term care insurance products, determined from the records of the NAIC for the

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prior year.

(2) Four (4) members from those compacting states with at least two percent (2%) of the market based on the premium volume described in subdivision (1), other than the six (6) compacting states with the largest premium volume, selected on a rotating basis as provided in the bylaws.

(3) Four (4) members from those compacting states with less than two percent (2%) of the market, based on the premium volume described in subdivision (1), with one (1) selected from each of the four (4) zone regions of the NAIC as provided in the bylaws.

(b) The management committee has the authority and duties as may be set forth in the bylaws, including the following:

(1) Managing the affairs of the commission in a manner consistent with the bylaws and purposes of the commission.

(2) Establishing and overseeing an organizational structure within, and appropriate procedures for, the commission to provide for the creation of uniform standards and other rules, receipt and review of product filings, administrative and technical support functions, review of decisions regarding the disapproval of a product filing, and the review of elections made by a compacting state to opt out of a uniform standard. However, a uniform standard shall not be submitted to the compacting states for adoption unless approved by two-thirds (2/3) of the members of the management committee.

(3) Overseeing the offices of the commission.

(4) Planning, implementing, and coordinating communications and activities with other state, federal, and local government organizations to advance the goals of the commission.

(c) The commission shall annually elect officers from the management committee, with each having the authority and duties as may be specified in the bylaws.

(d) The management committee may, subject to the approval of the commission, appoint or retain an executive director for the period, upon the terms and conditions and for the compensation as the commission considers appropriate. The executive director shall serve as secretary to the commission but may not be a member of the commission. The executive director shall hire and supervise any other staff as may be authorized by the commission.

(e) A legislative committee comprised of state legislators or state legislators' designees shall be established to monitor the operations

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1 of and make recommendations to the commission, including the  
 2 management committee. However, the manner of selection and  
 3 term of any legislative committee member shall be as set forth in  
 4 the bylaws. Before the commission adopts any uniform standard,  
 5 revision to the bylaws, annual budget, or other significant matter  
 6 as may be provided in the bylaws, the management committee shall  
 7 consult with and report to the legislative committee. The  
 8 commission shall establish two (2) advisory committees, one (1) of  
 9 which shall comprise consumer representatives independent of the  
 10 insurance industry and the other of which shall comprise insurance  
 11 industry representatives. The commission may establish additional  
 12 advisory committees as the commission's bylaws may provide for  
 13 the carrying out of the commission's functions.

14 (f) The commission shall maintain its corporate books and  
 15 records in accordance with the bylaws.

16 (g) The members, officers, executive director, employees, and  
 17 representatives of the commission are immune from suit and  
 18 liability, either personally or in their official capacity, for any  
 19 claim for damage to or loss of property or personal injury or other  
 20 civil liability caused by or arising out of any actual or alleged act,  
 21 error, or omission that occurred, or that the person against whom  
 22 the claim is made had a reasonable basis for believing occurred,  
 23 within the scope of commission employment, duties, or  
 24 responsibilities. However, nothing in this subsection shall be  
 25 construed to protect any person from suit or liability for any  
 26 damage, loss, injury, or liability caused by the intentional or willful  
 27 and wanton misconduct of the person.

28 (h) The commission shall defend any member, officer, executive  
 29 director, employee, or representative of the commission in any civil  
 30 action seeking to impose liability arising out of any actual or  
 31 alleged act, error, or omission that occurred within the scope of  
 32 commission employment, duties, or responsibilities, or that the  
 33 person against whom the claim is made had a reasonable basis for  
 34 believing occurred within the scope of commission employment,  
 35 duties, or responsibilities. However:

36 (1) nothing in this subsection shall be construed to prohibit  
 37 that person from retaining the person's own counsel; and

38 (2) this subsection applies only if the actual or alleged act,  
 39 error, or omission did not result from the person's intentional  
 40 or willful and wanton misconduct.

41 (i) The commission shall indemnify and hold harmless any  
 42 member, officer, executive director, employee, or representative of

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1 the commission for the amount of any settlement or judgment  
 2 obtained against the person arising out of any actual or alleged act,  
 3 error, or omission that occurred within the scope of commission  
 4 employment, duties, or responsibilities, or that the person had a  
 5 reasonable basis for believing occurred within the scope of  
 6 commission employment, duties, or responsibilities. However, this  
 7 subsection applies only if the actual or alleged act, error, or  
 8 omission did not result from the intentional or willful and wanton  
 9 misconduct of that person.

10 Sec. 7. (a) The commission shall meet and take any actions that  
 11 are consistent with this compact and the bylaws.

12 (b) Each member of the commission is entitled to cast a vote to  
 13 which that compacting state is entitled and to participate in the  
 14 business and affairs of the commission. A member shall vote in  
 15 person or by other means as provided in the bylaws. The bylaws  
 16 may provide for members' participation in meetings by telephone  
 17 or other means of communication.

18 (c) The commission shall meet at least one (1) time during each  
 19 calendar year. Additional meetings shall be held as set forth in the  
 20 bylaws.

21 Sec. 8. (a) The commission shall adopt reasonable rules,  
 22 including uniform standards, and operating procedures in order to  
 23 effectively and efficiently achieve the purposes of this compact.  
 24 However, if the commission exercises the commission's rulemaking  
 25 authority in a manner that is beyond the scope of the purposes of  
 26 this chapter or the powers granted in this chapter, the action by the  
 27 commission is invalid and has no force and effect.

28 (b) Rules and operating procedures shall be made according to  
 29 a rulemaking process that substantially conforms to the principles  
 30 of the model state administrative procedure act of 1981, as  
 31 amended, as may be appropriate to the operations of the  
 32 commission. Before the commission adopts a uniform standard, the  
 33 commission shall give written notice to the relevant state legislative  
 34 committees in each compacting state responsible for insurance  
 35 issues of the commission's intention to adopt the uniform standard.  
 36 The commission, in adopting a uniform standard, shall fully  
 37 consider all submitted materials and issue a concise explanation of  
 38 the commission's decision.

39 (c) A uniform standard becomes effective ninety (90) days after  
 40 the uniform standard's adoption by the commission or on a later  
 41 date as the commission may determine. However, a compacting  
 42 state may opt out of a uniform standard as provided in subsection

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1 (d). All other rules and operating procedures and amendments to  
 2 the other rules and operating procedures become effective as of the  
 3 date specified in each rule, operating procedure, or amendment.  
 4 (d) A compacting state may opt out of a uniform standard,  
 5 either by legislation or by rule adopted by the insurance  
 6 department under the compacting state's administrative procedure  
 7 act. If a compacting state elects to opt out of a uniform standard by  
 8 rule, the compacting state must:  
 9 (1) give written notice to the commission not later than ten  
 10 (10) business days after the uniform standard is adopted or at  
 11 the time the state becomes a compacting state; and  
 12 (2) find that the uniform standard does not provide  
 13 reasonable protections to the citizens of the state, given the  
 14 conditions in the state. The commissioner shall make specific  
 15 findings of fact and conclusions of law, based on a  
 16 preponderance of the evidence, detailing the conditions in the  
 17 state that warrant a departure from the uniform standard  
 18 and determining that the uniform standard would not  
 19 reasonably protect the citizens of the state. The commissioner  
 20 must balance, consider, and find that the conditions in the  
 21 state and needs of the citizens of the state outweigh the  
 22 following factors:  
 23 (A) The intent of the legislature to participate in, and the  
 24 benefits of, an interstate agreement to establish national  
 25 uniform consumer protections for the products subject to  
 26 this chapter.  
 27 (B) The presumption that a uniform standard adopted by  
 28 the commission provides reasonable protections to  
 29 consumers of the relevant product.  
 30 However, a compacting state may, at the time of the compacting  
 31 state's enactment of this compact, prospectively opt out of all  
 32 uniform standards involving long term care insurance products by  
 33 expressly providing for an opt out in the enacted compact, and the  
 34 opt out shall not be treated as a material variance in the offer or  
 35 acceptance of any state to participate in this compact. The opt out  
 36 is effective at the time of enactment of this compact by the  
 37 compacting state and shall apply to all existing uniform standards  
 38 involving long term care insurance products and those  
 39 subsequently adopted.  
 40 (e) If a compacting state elects to opt out of a uniform standard,  
 41 the uniform standard remains applicable in the compacting state  
 42 electing to opt out until the time the opt out legislation is enacted

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1 or the regulation opting out becomes effective. Once the opt out of  
 2 a uniform standard by a compacting state becomes effective as  
 3 provided under the laws of the state, the uniform standard shall  
 4 have no further force and effect in the state unless and until the  
 5 legislation or regulation implementing the opt out is repealed or  
 6 otherwise becomes ineffective under the laws of the state. If a  
 7 compacting state opts out of a uniform standard after the uniform  
 8 standard has been made effective in the state, the opt out shall have  
 9 the same prospective effect as provided under section 15 of this  
 10 chapter for withdrawals.

11 (f) If a compacting state has formally initiated the process of  
 12 opting out of a uniform standard by rule while the regulatory opt  
 13 out is pending, the compacting state may petition the commission,  
 14 not less than fifteen (15) days before the effective date of the  
 15 uniform standard, to stay the effectiveness of the uniform standard  
 16 in the compacting state. The commission may grant a stay if the  
 17 commission determines the regulatory opt out is being pursued in  
 18 a reasonable manner and there is a likelihood of success. If a stay  
 19 is granted or extended by the commission, the stay or extension  
 20 may postpone the effective date by not more than ninety (90) days,  
 21 unless the stay is extended by the commission. However, a stay may  
 22 not be permitted to remain in effect for more than one (1) year  
 23 unless the compacting state can show extraordinary circumstances  
 24 that warrant a continuance of the stay, including the existence of  
 25 a legal challenge that prevents the compacting state from opting  
 26 out. A stay may be terminated by the commission on notice that the  
 27 rulemaking process has been terminated.

28 (g) Not later than thirty (30) days after a rule or operating  
 29 procedure is adopted, any person may file a petition for judicial  
 30 review of the rule or operating procedure. However, the filing of a  
 31 petition shall not stay or otherwise prevent the rule or operating  
 32 procedure from becoming effective unless the court finds that the  
 33 petitioner has a substantial likelihood of success. The court shall  
 34 give deference to the actions of the commission consistent with  
 35 applicable law and shall not find the rule or operating procedure  
 36 to be unlawful if the rule or operating procedure represents a  
 37 reasonable exercise of the commission's authority.

38 Sec. 9. (a) The commission shall adopt rules establishing  
 39 conditions and procedures for public inspection and copying of the  
 40 commission's information and official records, except information  
 41 and records involving the privacy of individuals and trade secrets  
 42 of insurers. The commission may adopt additional rules under

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1 which the commission may make available to federal and state  
2 agencies, including law enforcement agencies, records and  
3 information otherwise exempt from disclosure, and may enter into  
4 agreements with these agencies to receive or exchange information  
5 or records subject to nondisclosure and confidentiality provisions.

6 (b) Except as to privileged records, data, and information, the  
7 laws of any compacting state pertaining to confidentiality or  
8 nondisclosure shall not relieve any compacting state commissioner  
9 of the duty to disclose any relevant records, data, or information  
10 to the commission. However, disclosure to the commission shall not  
11 be considered to waive or otherwise affect any confidentiality  
12 requirement, and, except as otherwise expressly provided in this  
13 chapter, the commission shall not be subject to the compacting  
14 state's laws pertaining to confidentiality and nondisclosure with  
15 respect to records, data, and information in the commission's  
16 possession. Confidential information of the commission remains  
17 confidential after the information is provided to any commissioner.

18 (c) The commission shall monitor compacting states for  
19 compliance with duly adopted bylaws, rules, including uniform  
20 standards, and operating procedures. The commission shall notify  
21 any noncomplying compacting state in writing of the noncomplying  
22 compacting state's noncompliance with commission bylaws, rules,  
23 or operating procedures. If a noncomplying compacting state fails  
24 to remedy the noncomplying compacting state's noncompliance  
25 within the time specified in the notice of noncompliance, the  
26 compacting state is considered to be in default as set forth in  
27 section 16 of this chapter.

28 (d) The commissioner of any state in which an insurer is  
29 authorized to do business or is conducting the business of insurance  
30 shall continue to exercise the commissioner's authority to oversee  
31 the market regulation of the activities of the insurer in accordance  
32 with the provisions of the state's law. The commissioner's  
33 enforcement of compliance with the compact is governed by the  
34 following:

35 (1) With respect to the commissioner's market regulation of  
36 a product or an advertisement that is approved or certified to  
37 the commission, the content of the product or advertisement  
38 does not constitute a violation of the provisions, standards, or  
39 requirements of the compact except upon a final order of the  
40 commission, issued at the request of a commissioner after  
41 prior notice to the insurer and an opportunity for hearing  
42 before the commission.

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**(2) Before a commissioner may bring an action for violation of a provision, standard, or requirement of the compact related to the content of an advertisement not approved or certified to the commission, the commission or an authorized commission officer or employee must authorize the action. However, authorization under this subdivision does not require:**

- (A) notice to the insurer;**
- (B) opportunity for hearing; or**
- (C) disclosure of:**
  - (i) requests for authorization; or**
  - (ii) records of the commission's action on a request described in item (i).**

**Sec. 10. The commission shall attempt, upon the request of a member, to resolve any disputes or other issues that are subject to this compact and that may arise between two (2) or more compacting states, or between compacting states and noncompacting states, and the commission shall adopt an operating procedure providing for resolution of any disputes.**

**Sec. 11. (a) Insurers and third party filers seeking to have a product approved by the commission shall file the product with and pay applicable filing fees to the commission. Nothing in this chapter restricts or otherwise prevents an insurer from filing the insurer's product with the insurance department in any state where the insurer is licensed to conduct the business of insurance, and the filing is subject to the laws of the states where filed.**

**(b) The commission shall establish appropriate filing and review processes and procedures under commission rules and operating procedures. Notwithstanding any provision in this chapter to the contrary, the commission shall adopt rules to establish conditions and procedures under which the commission will provide public access to product filing information. In establishing any rules, the commission shall consider the interests of the public in having access to the information as well as protection of personal medical and financial information and trade secrets that may be contained in a product filing or supporting information.**

**(c) Any product approved by the commission may be sold or otherwise issued in the compacting states in which the insurer is legally authorized to do business.**

**Sec. 12. (a) Not later than thirty (30) days after the commission has given notice of a disapproved product or advertisement filed with the commission, the insurer or third party filer whose filing**

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1 was disapproved may appeal the determination to a review panel  
2 appointed by the commission. The commission shall adopt rules to  
3 establish procedures for appointing the review panels and provide  
4 for notice and hearing. An allegation that the commission, in  
5 disapproving a product or an advertisement filed with the  
6 commission, acted arbitrarily, capriciously, or in a manner that is  
7 an abuse of discretion or otherwise not in accordance with the law,  
8 is subject to judicial review in accordance with section 3(e) of this  
9 chapter.

10 (b) The commission shall monitor, review, and reconsider  
11 products and advertisement subsequent to their filing or approval  
12 upon a finding that the product does not meet the relevant uniform  
13 standard. If appropriate, the commission may withdraw or modify  
14 the commission's approval after proper notice and hearing, subject  
15 to the appeal process in subsection (a).

16 Sec. 13. (a) The commission shall pay or provide for the  
17 payment of the reasonable expenses of the commission's  
18 establishment and organization. To fund the cost of the  
19 commission's initial operations, the commission may accept  
20 contributions and other forms of funding from the NAIC,  
21 compacting states, and other sources. Contributions and other  
22 forms of funding from other sources shall be of such a nature that  
23 the independence of the commission concerning the performance  
24 of the commission's duties is not compromised.

25 (b) The commission shall collect a filing fee from each insurer  
26 and third party filer filing a product with the commission to cover  
27 the cost of the operations and activities of the commission and the  
28 commission's staff in an amount sufficient to cover the  
29 commission's annual budget.

30 (c) The commission's budget for a fiscal year may not be  
31 approved until the commission's budget has been subject to notice  
32 and comment as set forth in section 8(b) of this chapter.

33 (d) The commission is exempt from all taxation in and by the  
34 compacting states.

35 (e) The commission shall not pledge the credit of any  
36 compacting state, except by and with the appropriate legal  
37 authority of that compacting state.

38 (f) The commission shall keep complete and accurate accounts  
39 of all the commission's internal receipts, including grants and  
40 donations, and disbursements of all funds under the commission's  
41 control. The internal financial accounts of the commission are  
42 subject to the accounting procedures established under the

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1 commission's bylaws. The financial accounts and reports, including  
 2 the system of internal controls and procedures of the commission,  
 3 shall be audited annually by an independent certified public  
 4 accountant. Upon the determination of the commission, but not less  
 5 frequently than every three (3) years, the review of the independent  
 6 auditor shall include a management and performance audit of the  
 7 commission. The commission shall make an annual report, to the  
 8 governor and legislature of the compacting states, including a  
 9 report of the independent audit. The commission's internal  
 10 accounts are not confidential and such internal account materials  
 11 may be shared with the commissioner of any compacting state  
 12 upon request. However, work papers related to internal or  
 13 independent audit and information regarding the privacy of  
 14 individuals and proprietary information of insurers, including  
 15 trade secrets, is confidential.

16 (g) No compacting state shall have any claim to or ownership of  
 17 any property held by or vested in the commission or to any  
 18 commission funds held under the provisions of this compact.

19 Sec. 14. (a) Any state is eligible to become a compacting state.  
 20 The compact becomes effective and binding upon legislative  
 21 enactment of the compact into law by two (2) compacting states.  
 22 However, the commission shall become effective for purposes of  
 23 adopting uniform standards for, reviewing, and giving approval or  
 24 disapproval of products filed with the commission that satisfy  
 25 applicable uniform standards only after twenty-six (26) states are  
 26 compacting states or, alternatively, by states representing greater  
 27 than forty percent (40%) of the premium volume for life insurance,  
 28 annuity, disability income, and long term care insurance products,  
 29 based on records of the NAIC for the prior year. Thereafter, it  
 30 becomes effective and binding as to any other compacting state  
 31 upon enactment of the compact into law by that state.

32 (b) Amendments to the compact may be proposed by the  
 33 commission for enactment by the compacting states. An  
 34 amendment does not become effective and binding upon the  
 35 commission and the compacting states unless and until all  
 36 compacting states enact the amendment into law.

37 Sec. 15. (a) Once effective, the compact continues in force and  
 38 remains binding upon each compacting state. However, a  
 39 compacting state may withdraw from the compact by enacting a  
 40 statute specifically repealing the statute that enacted the compact  
 41 into law.

42 (b) The effective date of withdrawal is the effective date of the

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1       repealing statute. However, the withdrawal does not apply to any  
2       product filings approved or self-certified, or any advertisement of  
3       products, on the date the repealing statute becomes effective,  
4       except by mutual agreement of the commission and the  
5       withdrawing state, unless the approval is rescinded by the  
6       withdrawing state as provided in subsection (e).

7       (c) The commissioner of the withdrawing state shall  
8       immediately notify the management committee in writing upon the  
9       introduction of legislation repealing this compact in the  
10      withdrawing state.

11      (d) The commission shall notify the other compacting states of  
12      the introduction of the legislation within ten (10) days after the  
13      commission's receipt of notice of the introduction of the legislation.

14      (e) The withdrawing state is responsible for all obligations,  
15      duties, and liabilities incurred through the effective date of  
16      withdrawal, including any obligations, the performance of which  
17      extend beyond the effective date of withdrawal, except to the extent  
18      those obligations may have been released or relinquished by  
19      mutual agreement of the commission and the withdrawing state.  
20      The commission's approval of products and advertisement before  
21      the effective date of withdrawal shall continue to be effective and  
22      be given full force and effect in the withdrawing state, unless  
23      formally rescinded by the withdrawing state in the same manner  
24      as provided by the laws of the withdrawing state for the  
25      prospective disapproval of products or advertisement previously  
26      approved under state law.

27      (f) Reinstatement following withdrawal of any compacting state  
28      occurs on the effective date of the withdrawing state reenacting the  
29      compact.

30      Sec. 16. (a) If the commission determines that any compacting  
31      state has at any time defaulted in the performance of any of the  
32      compacting state's obligations or responsibilities under this  
33      compact, the bylaws, or adopted rules or operating procedures,  
34      after notice and hearing as set forth in the bylaws, all rights,  
35      privileges, and benefits conferred by this compact on the defaulting  
36      state shall be suspended from the effective date of default as fixed  
37      by the commission. The grounds for default include:

- 38           (1) failure of a compacting state to perform its obligations or  
39           responsibilities; or
- 40           (2) any other grounds designated in commission rules.

41      The commission shall immediately notify the defaulting state in  
42      writing of the defaulting state's suspension pending a cure of the

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1 default. The commission shall stipulate the conditions and the  
2 period within which the defaulting state must cure the defaulting  
3 state's default. If the defaulting state fails to cure the default within  
4 the period specified by the commission, the defaulting state shall be  
5 terminated and the compact and all rights, privileges, and benefits  
6 conferred by this compact shall be terminated on the effective date  
7 of termination.

8 (b) Product approvals by the commission, product  
9 self-certifications, or any advertisement in connection with the  
10 product that is in force on the effective date of termination shall  
11 remain in force in the defaulting state in the same manner as if the  
12 defaulting state had withdrawn voluntarily under section 15 of this  
13 chapter.

14 (c) Reinstatement following termination of any compacting state  
15 requires a reenactment of the compact.

16 Sec. 17. The compact dissolves effective on the date of the  
17 withdrawal or default of the compacting state that reduces  
18 membership in the compact to one (1) compacting state. Upon the  
19 dissolution of this compact, the compact is null and void and is of  
20 no further force or effect, and the business and affairs of the  
21 commission shall be wound up and any surplus funds shall be  
22 distributed in accordance with the bylaws.

23 Sec. 18. The provisions of this compact are severable and if any  
24 phrase, clause, sentence, or provision is considered unenforceable,  
25 the remaining provisions of the compact are enforceable. The  
26 provisions of this compact shall be liberally construed to effectuate  
27 the compact's purposes.

28 Sec. 19. (a) Nothing in this chapter prevents the enforcement of  
29 any other law of a compacting state, except as provided in  
30 subsection (b).

31 (b) For a product approved or certified to the commission, the  
32 rules, uniform standards, and any other requirements of the  
33 commission constitute the exclusive provisions applicable to the  
34 content, approval, and certification of the products. For an  
35 advertisement that is subject to the commission's authority, any  
36 rule, uniform standard, or other requirement of the commission  
37 that governs the content of the advertisement constitutes the  
38 exclusive provision that a commissioner may apply to the content  
39 of the advertisement. However, no action taken by the commission  
40 shall abrogate or restrict:

- 41 (1) the access of any person to state courts;
- 42 (2) remedies available under state law related to breach of

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1 contract, tort, or other laws not specifically directed to the  
 2 content of the product;  
 3 (3) state law relating to the construction of insurance  
 4 contracts; or  
 5 (4) the authority of the attorney general of the state, including  
 6 maintaining actions or proceedings, as authorized by law.  
 7 (c) All insurance products filed with individual states are  
 8 subject to the laws of those states.  
 9 Sec. 20. (a) All lawful actions of the commission, including all  
 10 rules and operating procedures adopted by the commission, are  
 11 binding upon the compacting states.  
 12 (b) All agreements between the commission and the compacting  
 13 states are binding in accordance with the terms of the agreements.  
 14 (c) Upon the request of a party to a conflict over the meaning or  
 15 interpretation of commission actions and upon a majority vote of  
 16 the compacting states, the commission may issue advisory opinions  
 17 regarding the meaning or interpretation in dispute.  
 18 (d) Any provision of this compact that violates the Constitution  
 19 of the State of Indiana is ineffective in Indiana.  
 20 SECTION 4. IC 34-30-2-116.9 IS ADDED TO THE INDIANA  
 21 CODE AS A NEW SECTION TO READ AS FOLLOWS  
 22 [EFFECTIVE JULY 1, 2005]: Sec. 116.9. IC 27-8-31-6(g)  
 23 (Concerning the interstate insurance product regulation  
 24 commission).

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## COMMITTEE REPORT

Madam President: The Senate Committee on Insurance and Financial Institutions, to which was referred Senate Bill No. 634, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 2, line 23, delete "refers to the insurance commissioner" and insert "**means the chief insurance regulatory official of a state, including a commissioner, a superintendent, a director, or an administrator.**".

Page 2, delete line 24.

Page 2, delete lines 31 through 32.

Page 2, line 33, delete "(h)" and insert "**(g)**".

Page 2, line 35, delete "(i)" and insert "**(h)**".

Page 2, line 38, delete "(j)" and insert "**(i)**".

Page 2, line 39, delete "A commissioner's designee must be an employee of the".

Page 2, delete line 40.

Page 2, line 41, delete "(k)" and insert "**(j)**".

Page 3, line 1, delete "(l)" and insert "**(k)**".

Page 3, line 3, delete "(m)" and insert "**(l)**".

Page 3, line 6, delete "(n)" and insert "**(m)**".

Page 3, line 8, delete "(o)" and insert "**(n)**".

Page 3, line 15, delete "(p)" and insert "**(o)**".

Page 3, line 18, delete "is designed to implement or interpret law or prescribe".

Page 3, line 19, delete "policy or that" and insert "**has the full force and effect of law in the compacting states and:**

**(1) is designed to implement or interpret law or prescribe policy; or**

**(2)".**

Page 3, line 21, delete "(q)" and insert "**(p)**".

Page 3, line 23, delete "(r)" and insert "**(q)**".

Page 3, line 25, delete "(s)" and insert "**(r)**".

Page 3, delete lines 34 through 35.

Page 4, delete lines 10 through 11.

Page 4, line 12, delete "(d)" and insert "**(c)**".

Page 4, line 14, delete "(e)" and insert "**(d)**".

Page 4, line 18, after "which" insert "**shall have the force and effect of law and**".

Page 4, line 24, after "which" insert "**shall have the force and**

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**effect of law and".**

Page 5, line 2, after "approval" insert **"shall have the force and effect of law and"**.

Page 5, line 18, after "section" insert **"shall have the force and effect of law and"**.

Page 5, line 25, after "which" insert **"shall have the force and effect of law and"**.

Page 9, line 34, after "committee." insert **"The commission shall establish two (2) advisory committees, one (1) of which shall comprise consumer representatives independent of the insurance industry and the other of which shall comprise insurance industry representatives."**

Page 11, line 9, delete "invalid." and insert **"invalid and has no force and effect."**

Page 12, line 27, delete "is not".

Page 12, line 28, delete "binding" and insert **"shall have no further force and effect"**.

Page 15, line 34, delete "may" and insert **"shall"**.

Page 19, line 1, after "compact is" insert **"null and"**.

Page 19, delete line 42.

Page 20, delete lines 1 through 8, begin a new paragraph and insert:  
**"(d) Any provision of this compact that violates the Constitution of the State of Indiana is ineffective in Indiana."**

and when so amended that said bill do pass.

(Reference is to SB 634 as introduced.)

PAUL, Chairperson

Committee Vote: Yeas 8, Nays 0.

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## COMMITTEE REPORT

Mr. Speaker: Your Committee on Insurance, to which was referred Senate Bill 634, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 27-4-1-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 4. The following are hereby defined as unfair methods of competition and unfair and deceptive acts and practices in the business of insurance:

(1) Making, issuing, circulating, or causing to be made, issued, or circulated, any estimate, illustration, circular, or statement:

(A) misrepresenting the terms of any policy issued or to be issued or the benefits or advantages promised thereby or the dividends or share of the surplus to be received thereon;

(B) making any false or misleading statement as to the dividends or share of surplus previously paid on similar policies;

(C) making any misleading representation or any misrepresentation as to the financial condition of any insurer, or as to the legal reserve system upon which any life insurer operates;

(D) using any name or title of any policy or class of policies misrepresenting the true nature thereof; or

(E) making any misrepresentation to any policyholder insured in any company for the purpose of inducing or tending to induce such policyholder to lapse, forfeit, or surrender the policyholder's insurance.

(2) Making, publishing, disseminating, circulating, or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine, or other publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over any radio or television station, or in any other way, an advertisement, announcement, or statement containing any assertion, representation, or statement with respect to any person in the conduct of the person's insurance business, which is untrue, deceptive, or misleading.

(3) Making, publishing, disseminating, or circulating, directly or indirectly, or aiding, abetting, or encouraging the making, publishing, disseminating, or circulating of any oral or written

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statement or any pamphlet, circular, article, or literature which is false, or maliciously critical of or derogatory to the financial condition of an insurer, and which is calculated to injure any person engaged in the business of insurance.

(4) Entering into any agreement to commit, or individually or by a concerted action committing any act of boycott, coercion, or intimidation resulting or tending to result in unreasonable restraint of, or a monopoly in, the business of insurance.

(5) Filing with any supervisory or other public official, or making, publishing, disseminating, circulating, or delivering to any person, or placing before the public, or causing directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or placed before the public, any false statement of financial condition of an insurer with intent to deceive. Making any false entry in any book, report, or statement of any insurer with intent to deceive any agent or examiner lawfully appointed to examine into its condition or into any of its affairs, or any public official to which such insurer is required by law to report, or which has authority by law to examine into its condition or into any of its affairs, or, with like intent, willfully omitting to make a true entry of any material fact pertaining to the business of such insurer in any book, report, or statement of such insurer.

(6) Issuing or delivering or permitting agents, officers, or employees to issue or deliver, agency company stock or other capital stock, or benefit certificates or shares in any common law corporation, or securities or any special or advisory board contracts or other contracts of any kind promising returns and profits as an inducement to insurance.

(7) Making or permitting any of the following:

(A) Unfair discrimination between individuals of the same class and equal expectation of life in the rates or assessments charged for any contract of life insurance or of life annuity or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of such contract; however, in determining the class, consideration may be given to the nature of the risk, plan of insurance, the actual or expected expense of conducting the business, or any other relevant factor.

(B) Unfair discrimination between individuals of the same class involving essentially the same hazards in the amount of premium, policy fees, assessments, or rates charged or made for any policy or contract of accident or health insurance or in

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the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever; however, in determining the class, consideration may be given to the nature of the risk, the plan of insurance, the actual or expected expense of conducting the business, or any other relevant factor.

(C) Excessive or inadequate charges for premiums, policy fees, assessments, or rates, or making or permitting any unfair discrimination between persons of the same class involving essentially the same hazards, in the amount of premiums, policy fees, assessments, or rates charged or made for:

- (i) policies or contracts of reinsurance or joint reinsurance, or abstract and title insurance;
- (ii) policies or contracts of insurance against loss or damage to aircraft, or against liability arising out of the ownership, maintenance, or use of any aircraft, or of vessels or craft, their cargoes, marine builders' risks, marine protection and indemnity, or other risks commonly insured under marine, as distinguished from inland marine, insurance; or
- (iii) policies or contracts of any other kind or kinds of insurance whatsoever.

However, nothing contained in clause (C) shall be construed to apply to any of the kinds of insurance referred to in clauses (A) and (B) nor to reinsurance in relation to such kinds of insurance. Nothing in clause (A), (B), or (C) shall be construed as making or permitting any excessive, inadequate, or unfairly discriminatory charge or rate or any charge or rate determined by the department or commissioner to meet the requirements of any other insurance rate regulatory law of this state.

(8) Except as otherwise expressly provided by law, knowingly permitting or offering to make or making any contract or policy of insurance of any kind or kinds whatsoever, including but not in limitation, life annuities, or agreement as to such contract or policy other than as plainly expressed in such contract or policy issued thereon, or paying or allowing, or giving or offering to pay, allow, or give, directly or indirectly, as inducement to such insurance, or annuity, any rebate of premiums payable on the contract, or any special favor or advantage in the dividends, savings, or other benefits thereon, or any valuable consideration or inducement whatever not specified in the contract or policy; or giving, or selling, or purchasing or offering to give, sell, or purchase as inducement to such insurance or annuity or in

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connection therewith, any stocks, bonds, or other securities of any insurance company or other corporation, association, limited liability company, or partnership, or any dividends, savings, or profits accrued thereon, or anything of value whatsoever not specified in the contract. Nothing in this subdivision and subdivision (7) shall be construed as including within the definition of discrimination or rebates any of the following practices:

- (A) Paying bonuses to policyholders or otherwise abating their premiums in whole or in part out of surplus accumulated from nonparticipating insurance, so long as any such bonuses or abatement of premiums are fair and equitable to policyholders and for the best interests of the company and its policyholders.
  - (B) In the case of life insurance policies issued on the industrial debit plan, making allowance to policyholders who have continuously for a specified period made premium payments directly to an office of the insurer in an amount which fairly represents the saving in collection expense.
  - (C) Readjustment of the rate of premium for a group insurance policy based on the loss or expense experience thereunder, at the end of the first year or of any subsequent year of insurance thereunder, which may be made retroactive only for such policy year.
  - (D) Paying by an insurer or insurance producer thereof duly licensed as such under the laws of this state of money, commission, or brokerage, or giving or allowing by an insurer or such licensed insurance producer thereof anything of value, for or on account of the solicitation or negotiation of policies or other contracts of any kind or kinds, to a broker, an insurance producer, or a solicitor duly licensed under the laws of this state, but such broker, insurance producer, or solicitor receiving such consideration shall not pay, give, or allow credit for such consideration as received in whole or in part, directly or indirectly, to the insured by way of rebate.
- (9) Requiring, as a condition precedent to loaning money upon the security of a mortgage upon real property, that the owner of the property to whom the money is to be loaned negotiate any policy of insurance covering such real property through a particular insurance producer or broker or brokers. However, this subdivision shall not prevent the exercise by any lender of the lender's right to approve or disapprove of the insurance company selected by the borrower to underwrite the insurance.

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(10) Entering into any contract, combination in the form of a trust or otherwise, or conspiracy in restraint of commerce in the business of insurance.

(11) Monopolizing or attempting to monopolize or combining or conspiring with any other person or persons to monopolize any part of commerce in the business of insurance. However, participation as a member, director, or officer in the activities of any nonprofit organization of insurance producers or other workers in the insurance business shall not be interpreted, in itself, to constitute a combination in restraint of trade or as combining to create a monopoly as provided in this subdivision and subdivision (10). The enumeration in this chapter of specific unfair methods of competition and unfair or deceptive acts and practices in the business of insurance is not exclusive or restrictive or intended to limit the powers of the commissioner or department or of any court of review under section 8 of this chapter.

(12) Requiring as a condition precedent to the sale of real or personal property under any contract of sale, conditional sales contract, or other similar instrument or upon the security of a chattel mortgage, that the buyer of such property negotiate any policy of insurance covering such property through a particular insurance company, insurance producer, or broker or brokers. However, this subdivision shall not prevent the exercise by any seller of such property or the one making a loan thereon of the right to approve or disapprove of the insurance company selected by the buyer to underwrite the insurance.

(13) Issuing, offering, or participating in a plan to issue or offer, any policy or certificate of insurance of any kind or character as an inducement to the purchase of any property, real, personal, or mixed, or services of any kind, where a charge to the insured is not made for and on account of such policy or certificate of insurance. However, this subdivision shall not apply to any of the following:

- (A) Insurance issued to credit unions or members of credit unions in connection with the purchase of shares in such credit unions.
- (B) Insurance employed as a means of guaranteeing the performance of goods and designed to benefit the purchasers or users of such goods.
- (C) Title insurance.
- (D) Insurance written in connection with an indebtedness and

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intended as a means of repaying such indebtedness in the event of the death or disability of the insured.

(E) Insurance provided by or through motorists service clubs or associations.

(F) Insurance that is provided to the purchaser or holder of an air transportation ticket and that:

- (i) insures against death or nonfatal injury that occurs during the flight to which the ticket relates;
- (ii) insures against personal injury or property damage that occurs during travel to or from the airport in a common carrier immediately before or after the flight;
- (iii) insures against baggage loss during the flight to which the ticket relates; or
- (iv) insures against a flight cancellation to which the ticket relates.

(14) Refusing, because of the for-profit status of a hospital or medical facility, to make payments otherwise required to be made under a contract or policy of insurance for charges incurred by an insured in such a for-profit hospital or other for-profit medical facility licensed by the state department of health.

(15) Refusing to insure an individual, refusing to continue to issue insurance to an individual, limiting the amount, extent, or kind of coverage available to an individual, or charging an individual a different rate for the same coverage, solely because of that individual's blindness or partial blindness, except where the refusal, limitation, or rate differential is based on sound actuarial principles or is related to actual or reasonably anticipated experience.

(16) Committing or performing, with such frequency as to indicate a general practice, unfair claim settlement practices (as defined in section 4.5 of this chapter).

(17) Between policy renewal dates, unilaterally canceling an individual's coverage under an individual or group health insurance policy solely because of the individual's medical or physical condition.

(18) Using a policy form or rider that would permit a cancellation of coverage as described in subdivision (17).

(19) Violating IC 27-1-22-25 or IC 27-1-22-26 concerning motor vehicle insurance rates.

(20) Violating IC 27-8-21-2 concerning advertisements referring to interest rate guarantees.

(21) Violating IC 27-8-24.3 concerning insurance and health plan

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coverage for victims of abuse.

(22) Violating IC 27-8-26 concerning genetic screening or testing.

(23) Violating IC 27-1-15.6-3(b) concerning licensure of insurance producers.

(24) Violating IC 27-1-38 concerning depository institutions.

(25) Violating IC 27-8-28-17(c) or IC 27-13-10-8(c) concerning the resolution of an appealed grievance decision.

(26) Violating IC 27-8-5-2.5(e) through IC 27-8-5-2.5(j) or IC 27-8-5-19.2.

(27) Violating IC 27-2-21 concerning use of credit information.

**(28) Violating IC 27-4-9-3 concerning recommendations to senior consumers.**

SECTION 2. IC 27-4-9 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]:

**Chapter 9. Recommendations to Senior Consumers**

**Sec. 1. As used in this chapter, "securities commissioner" refers to the commissioner appointed by the secretary of state under IC 23-2-1-15.**

**Sec. 2. As used in this chapter, "senior consumer" means an individual who is at least sixty-five (65) years of age.**

**Sec. 3. (a) An insurance producer, or an insurer in a case in which an insurance producer is not involved, shall not recommend to a senior consumer the:**

- (1) purchase of an annuity; or
- (2) exchange of an annuity that results in another insurance transaction;

**that is unsuitable for the senior consumer.**

**(b) A determination regarding whether a purchase or an exchange under subsection (a) is unsuitable for a senior consumer must be made:**

- (1) based on the facts disclosed by the senior consumer concerning the senior consumer's:
  - (A) investments and other insurance products; and
  - (B) financial situation and needs; and
- (2) according to the rule adopted under section 4 of this chapter.

**Sec. 4. The department shall adopt a rule under IC 4-22-2 to establish a method for making determinations as to whether a purchase or an exchange described in section 3 of this chapter is unsuitable for a senior consumer.**

**Sec. 5. (a) Except as provided in subsection (b), a**

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recommendation made in violation of section 3 of this chapter is an unfair method of competition or an unfair and deceptive act or practice under IC 27-4-1-4.

(b) A recommendation made in violation of section 3 of this chapter is not an unfair method of competition or an unfair and deceptive act or practice under IC 27-4-1-4 if the recommendation is made in compliance with the National Association of Securities Dealers Conduct Rules concerning suitability, as determined by the commissioner.

Sec. 6. (a) The commissioner may conduct an investigation, pursue an enforcement action, and take other official action that the commissioner considers appropriate to ensure compliance with section 3 of this chapter.

(b) With regard to a variable annuity, the commissioner may:

- (1) consult with the securities commissioner; and
- (2) use the resources of the securities commissioner;

in making a final determination regarding any issue concerning compliance with section 3 of this chapter.

(c) If the securities commissioner is informed of a violation or suspected violation of section 3 of this chapter or other insurance laws of the state, the securities commissioner shall timely advise the commissioner of the violation or suspected violation."

Page 2, line 19, delete "mean" and insert "means".

Page 4, line 12, after "exclusively" insert ",".

Page 4, line 39, delete "," and insert "and".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 634 as printed February 15, 2005.)

RIPLEY, Chair

Committee Vote: yeas 11, nays 0.

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