

**Explanatory Statement Regarding Approval of Proposed Operating Procedure for Resolution of Disputes
Between States by the Management Committee**

On February 26, 2007, following a public hearing to receive comments from interested parties and the opportunity for discussion, the Management Committee of the Interstate Insurance Product Regulation Commission (“IIPRC”) approved a proposed operating procedure for the Resolution of Disputes Between States. This explanatory statement is being issued in accordance with the procedure established by Section 109 of the IIPRC’s Rule for Adoption, Amendment and Repeal of Rules for the Interstate Product Regulation Commission (“Rule on Rulemaking”).

The Management Committee has approved this proposed operating procedure because the IIPRC has the power to provide for the resolution of disputes between states pursuant to Article IV, § 18 and Article IX of the Interstate Insurance Product Regulation Compact (the “Compact”), as enacted into law by each Compacting State, and the Management Committee believes that this proposed operating procedure establishes the appropriate procedures in accordance with the requirements of the Compact.

There are no changes between the text of the operating procedure as approved by the Management Committee and the text of the proposed operating procedure contained in the notice of proposed operating procedure issued on November 22, 2006. No comments were received on the proposed operating procedure.

**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
OPERATING PROCEDURE
FOR RESOLUTION OF DISPUTES BETWEEN STATES**

§ 101. Purpose.

Pursuant to Article IV, Section 18 and Article IX of the Model Interstate Insurance Product Regulation Compact (“Compact”), as enacted into law by each Compacting State, and pursuant to Article III of the Bylaws of the Interstate Insurance Product Regulation Commission, this Operating Procedure for Resolution of Disputes Between States has been adopted as an operating procedure as defined in the Compact. All terms used herein have the same meaning ascribed to them in the Bylaws and the Compact.

§ 102. Definitions.

(a) Except as specifically defined herein, the terms as defined in Article II of the Compact shall have the same meaning in this Operating Procedure as if such definitions were set forth fully herein.

(b) "Disputing Compacting State" means a Compacting State that is involved in a dispute described in Section 103.

(c) "Disputing Non-compacting State" means a Non-compacting State that is involved in a dispute described in Section 103.

§ 103. Scope.

This Operating Procedure shall apply to any dispute or contested issue that is subject to the Compact, which may arise between one or more Compacting States, or one or more Compacting States and a Non-compacting State. This Operating Procedure shall not be construed to limit any other remedy or process available to a Disputing Compacting State under applicable law ("Other Remedies"); provided, a Compacting State shall comply with the provisions of this Operating Procedure as a prerequisite to pursuing any Other Remedies.

§ 104. Resolution by Meeting of Disputing States.

(a) A Member who represents a Disputing Compacting State that intends to pursue Other Remedies with respect to a dispute shall report the dispute to the Management Committee in writing, which report shall include a description of the dispute and the identity of all Disputing Compacting States and any Non-compacting State involved. The Member representing the Disputing Compacting State shall also promptly provide a copy of the report to those Compacting and Non-compacting states identified in the report.

(b) If a dispute does not involve a Non-compacting State, representatives of each of the Disputing Compacting States shall meet within sixty (60) days of the date of the notice described in subsection (a), and shall attempt in good faith to resolve the dispute. If a dispute involves a Non-compacting State, the Disputing Compacting States involved shall make good-faith efforts to have representatives of each Disputing Compacting State meet with representatives of each such Non-compacting State to attempt to resolve the dispute. The Disputing Compacting States shall report the results of any such meetings to the Management Committee. A meeting described in this subsection (b) may be held in person, by teleconference, or by any other medium that allows all persons participating to be heard and to hear each other.

§ 105. Mediation.

(a) If a dispute involving only Disputing Compacting States is not resolved pursuant to Section 104, the dispute shall be submitted to mediation conducted pursuant to this Section 105. Each Disputing Compacting State shall participate in mediation in good faith pursuant to this Section 105.

(b) Unless otherwise agreed by the Disputing Compacting States, the mediation shall be conducted by one mediator, who shall be selected as follows:

(1) by agreement of the Disputing Compacting States, within one-hundred twenty (120) days of the date of the notice described in Section 104(a); or

(2) if a mediator is not selected as provided in clause (1), by the Management Committee within thirty (30) days of the end of the period described in clause (1); provided, that any member of the Management Committee who is a Member representing a Disputing Compacting State shall not participate in the selection of the mediator.

(c) The mediator shall act as a neutral, impartial, facilitator of the mediation process and shall not have any authority to determine issues, make decisions, or otherwise resolve the matter.

(d) Following the selection of a mediator, the mediator, the Disputing Compacting States and their representatives will meet in person or by conference call for all mediation sessions, as determined by mutual agreement of the parties, or absent such agreement as determined by the mediator. The mediator shall determine the procedure for the conduct of the mediation. The Disputing Compacting States and their representatives agree to cooperate with the mediator in ensuring that the mediation is conducted expeditiously, to make all reasonable efforts to be available for mediation sessions, and to be represented at all scheduled mediation sessions either in person or through a person with authority to settle the matter.

(e) The Disputing Compacting States shall attempt in good faith to negotiate a settlement of the matter submitted to mediation. Notwithstanding that a matter is being mediated,

the parties may engage in direct settlement discussions and negotiations separate from the mediation process. In no event shall the Disputing Compacting States be required to continue mediation more than ninety (90) days after the date the mediator is selected.

(f) If a settlement agreement is reached, a copy of the agreement shall be sent to the Management Committee, and such agreement shall be deemed an Official Record for purposes of a rule regarding public inspection and copying of information and official records of the Commission.

(g) The Disputing Compacting States shall share equally the costs and expenses of the mediator, and each Disputing Compacting State shall bear its own costs and expenses (including but not limited to attorneys fees).

§ 106. Other Remedies.

A Disputing Compacting State shall not pursue any Other Remedies with respect to a dispute until the procedures described in Sections 104 and 105, if applicable, have been completed.

§ 107. Adoption and Effective Date.

This Operating Procedure was adopted by the Commission on _____, pursuant to the procedures set forth in the Rule for Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission. This Operating Procedure is effective on _____.