



TRANSMITTAL MEMORANDUM

TO: Insurance Compact Management Committee

FROM: Governance Committee

DATE: December 12, 2021

SUBJECT: Proposed Amendments to the Insurance Compact Bylaws

The Governance Committee hereby transmits its recommendation for proposed amendments to the Bylaws of the Interstate Insurance Product Regulation Commission (Insurance Compact).

In 2020, the Insurance Compact, under the jurisdiction of the Governance Committee, conducted an independent governance review performed by Squire Patton Boggs LLC. The purpose of the independent governance review was to provide suggestions and recommendations to improve governance practices and mitigate risks associated with governance matters. As part of its recommendations, Squire Patton Boggs recommended several amendments to the Bylaws. The firm's Report and Recommendation is linked on the web page for the [Insurance Compact Compass Strategic Plan: 2020 - 2022](#).

In addition to the Squire Patton Boggs recommendations, the Governance Committee considered suggestions from the Compact Office for further changes to the Compact Bylaws to address practical issues in the operations of certain provisions of the current Bylaws.

In June, the Governance Committee published proposed amendments to the Bylaws for a minimum 60-day notice and comment period. Written comments were submitted by the Arizona Department of Insurance and Oregon Division of Financial Regulation as well as from a member of the Consumer Advisory Committee. The Governance Committee took these comments under consideration and further refined the proposed amendments to the Compact Bylaws. See Appendix 1. The Governance Committee published the final set of recommended amendments and held a conference call on December 1 to receive public comments.

The Governance Committee is proposing the following substantive or clarifying amendments, in addition to technical amendments:

1. Article I, Section 3: Clarifying that sending Bylaws to the member of the Insurance Compact satisfies the requirement to deliver the Bylaws to each Compacting State.
2. Article II: Clarifying the member's designated representative(s) role including that the member may limit type(s) of action on which the designated representative can vote.

3. Article III, Section A(2): Clarifying the mechanism and its goal for the rotational selection process for Management Committee representative of the Compacting States in Tier 2 by premium volume. Adding a process for when a state in this category wishes to waive its right to serve when its turn in the rotation happens.
4. Article III, Section 4(B) and Article VII, Section 5: Changing the requirements for when a roll call vote must be taken on an action item in a meeting where some or all members are participating telephonically or virtually. This change allows voice votes for most action items with the ability of a member to always request a roll call vote and defines the type of action items where a roll call vote must be taken such as with approval or adoption of Uniform Standards.
5. Article IV, Section 1: Modifying this provision to promote continuity in member leadership of the organization. If a Management Committee member was elected as Officer, such member can continue to serve as an Officer for concurrent terms even if the member is no longer on the Management Committee.
6. Article VII, Section 5: Requiring Commission action taken by electronic means be unanimous and aligning it with the same requirement for the Management Committee in Article III, Section 4(B).
7. Article IX, Section 5: Changing the “independence” requirement of the Audit Committee which currently provides members of the Management Committee cannot be members of the Audit Committee. The change would require a member of the Management Committee to serve on the Audit Committee.
8. Article XII: Clarifying the organization’s tax-exempt status even further to indicate distribution of assets, upon dissolution, would not include non-state members of the organization including the U.S. territories.

The Governance Committee forwards this recommendation to the Management Committee for it to further publish these suggested amendments on its website for a minimum of thirty (30) days as required under Article XI of the Bylaws.