



MEMORANDUM

TO: Compact Officers
Members of the Management Committee
Members of the Commission

FROM: Compact Office

DATE: March 1, 2022

SUBJECT: Further Amendment to the Compact Bylaws to (1) Formalize Position of Immediate Past Chair and (2) Place Responsibility for Industry Advisory Committee Appointment with the Management Committee

1. Further Amendment to the Compact Bylaws to Formalize Position of Immediate Past Chair

The Compact Officers have suggested formalizing the role for the past chair to further the goals of good governance. At their direction, the Compact Office is providing suggestions for further amendments to the Compact Bylaws for this purpose.

At the Commission's December meeting, the Governance Committee recommended several amendments to the Bylaws of the Interstate Insurance Product Regulation Commission (Compact Bylaws). These amendments are currently under consideration by the Management Committee and Commission. The public notice and comment period is being held from January 10 to March 1, 2022. The Management Committee expects to hold a public hearing at its next meeting.

The Governance Committee proposed these amendments primarily in response to the independent governance review report and recommendations performed in 2020. While the subject of this memo was not raised or addressed in the independent governance review, the recent election of three officers who had not held officer seats in prior years highlighted the important role of the past chair in promoting continuity and mentorship in terms of key issues and initiatives of the organization.

The Compact Bylaws could be amended to have the past chair serve as an ex-officio officer of the organization without special voting rights apart from the role as a representative of the state in the Commission. The Compact Statute, Article VI, Section 2(a), limits membership on the Management Committee to no more than 14 members and explicitly provides for the Committee's composition. If the past chair is not on the Management Committee in the current annual period, she or he is not eligible, solely because of the role as past chair, to become a voting member of the Management Committee.

The term ex-officio is a Latin term that loosely translates to "by virtue of holding another office." To have the past chair serve as an ex-officio officer would provide significant value to the Commission in terms of the person's organizational knowledge and experience. By adding this

role to the Compact Bylaws, the continued involvement of the past chair in matters involving the officers would be formalized and transparent.

Article IV. Officers

Section 1. Election, Succession and Removal. The Commission's officers shall consist of a chair, vice chair, and treasurer. The officers shall be selected by the Commission members from membership of the Management Committee. Officers shall serve for one year, until the next annual meeting of the Commission, or until the Commission elects their successors, whichever is earliest to occur. **When a new chair is elected, the past chair shall serve a one-year term as an ex-officio officer and shall only be a voting member of the Management Committee if one of the fourteen (14) members selected in accordance with Article III, Section 1A** They shall serve without compensation or remuneration, except as these bylaws otherwise provide. The Commission may, by a majority vote of the entire membership, remove an officer prior to the expiration of the officer's tenure. An officer may resign by giving written notice to the secretary or Chair of the Management Committee. In the event of a vacancy in an office, the chair shall appoint a member to fill the vacant office, and that person shall hold the vacated office for the unexpired term of his or her predecessor. In the event of a concurrent vacancy of at least two officers, the Commission shall hold an emergency meeting no later than ten days after the second vacant officer position occurs, if practicable, in order to elect officers to fill the vacant offices. The remaining officer shall perform the duties of the vacant officer positions until an election and shall call the emergency meeting, in accordance with Article VII 1D of these Bylaws, except a 2/3 vote of the Commission members to hold an emergency meeting shall not be required. In the event all officer positions are vacant, the compacting state with the largest share of premium volume for the products covered by the Compact shall perform these duties, including calling the emergency meeting, as provided herein. The newly elected officers shall hold the vacated office for the unexpired term of his or her predecessor.

Section 2. Duties.

The officers shall perform all duties of their respective offices as the Compact and these bylaws provide. Their duties shall include, but are not limited to, the following:

A. Chair. The chair shall call and preside at all Commission and Management Committee meetings, prepare agendas for the meetings, make appointments to all Commission committees subject to the approval of the Management Committee, and, at the Commission's direction, act on the Commission's behalf during the interim between Commission meetings.

B. Vice Chair. The vice chair shall perform the chair's duties in the chair's absence or at the chair's direction. In the event of a vacancy in the chair's office, the vice chair shall serve as acting chair until the Commission elects a new chair.

C. Treasurer. The treasurer, with the assistance of the Commission's executive director, shall act as custodian of all Commission funds and shall be responsible for the collection and expenditure of funds, and for monitoring the administration of the Commission's fiscal

policies and procedures. When the Commission does not have an executive director, the treasurer shall also serve as secretary and perform the duties of secretary described in Article V, Section 2.

D. Past Chair. The Past Chair is the person who served as Chair for the term immediately prior to the election of his or her successor as Chair. If the Past Chair is no longer the chief insurance regulator, this position shall remain vacant. The Past Chair shall assist the incoming Chair, Vice Chair and Treasurer with strategic planning for the annual period and matters of governance, membership and operations. The Past Chair may have other duties assigned by the Chair including chairing committees, serving as liaison with key stakeholders, and special projects.

2. Further Amendment to the Compact Bylaws to Place Responsibility for Industry Advisory Committee Appointment with the Management Committee

The purpose of this proposed amendment is to make the Compact Bylaws consistent with regard to the body bearing responsibility for appointing the Commission's advisory committees—the Consumer Advisory Committee and the Industry Advisory Committee. The existing Bylaws place responsibility for appointing the Consumer Advisory Committee with the Management Committee, while appointing the Industry Advisory Committee lies with the Commission.

In practice, regular appointments to the advisory committees are made in a Management Committee action item at the Commission's annual meeting. Interim appointments to vacant positions are occasionally made by the respective body. The Compact Office proposes for consistency and ease of administration that the Bylaws appointments to both advisory committees is made by the Management Committee, by amending Article VIII, Section A(2) to specify the Management Committee appoints the Industry Advisory Committee.

No changes are proposed to the criteria for the composition of the advisory committees or their duties. Each advisory committee has criteria for its composition, selection of members and application requirements available on the Commission's website.

Article VIII

Section 2. Advisory Committees.

A. The Commission shall establish two (2) advisory committees.

(1) Consumer advisory committee. The Commission shall establish a consumer advisory committee consisting of eight (8) consumer representatives independent of the insurance industry. The Commission shall develop a procedure for consumer organizations to nominate individuals for membership on the consumer advisory committee and such procedure shall include submission of information to demonstrate the expertise and interest of the consumer organization and its nominee and the independence from the insurance industry of the consumer organization and its nominee. The Management Committee shall appoint Committee 10 members to serve staggered

two-year terms with four terms expiring each year, except that four of the initial appointments shall serve one-year terms and four shall serve two-year terms.

(2) Insurance industry advisory committee. The Commission shall establish an insurance industry advisory committee consisting of eight (8) representatives of the insurance industry including companies, producers and organizations whose membership is primarily composed of members of the insurance industry. The Commission shall develop a procedure for insurers, producers and organizations to nominate individuals for membership on the industry advisory committee and such procedure shall include submission of information to demonstrate the expertise and interest of the company, producer or organization and its nominee. The Management Committee shall appoint committee members to include representation from large, medium and small insurers and producers. The ~~Commission~~ Management Committee shall appoint Committee members to serve staggered two-year terms with four terms expiring each year, except that four of the initial appointments shall serve one-year terms and four shall serve two-year terms.