

**OPERATING PROCEDURE REGARDING DISSOLUTION OF THE COMPACT,
TERMINATION OF PARTICIPATION IN THE COMPACT, AND THE
WINDING UP OF THE COMMISSION'S OPERATIONS**

§101. Purpose.

Pursuant to the Interstate Insurance Product Regulation Compact (IIPRC) and the Bylaws of the IIPRC Commission, this Operating Procedure addresses the following: (1) The winding up of operations of the Commission, including the cessation of operations prior to dissolution of the Compact, and the equitable disposition of any surplus funds that may exist upon the termination of the Compact, in accordance with Article XIV §3 of the Uniform Law and Article XII of the Bylaws; (2) the termination of a compacting state's participation in the Compact through withdrawal or default, in accordance with Article XIV §§ 1 and 2 of the Uniform Law and Article X of the Bylaws; and (3) dissolution of the Compact, in accordance with Article XIV of the Uniform Law and Article XII of the Bylaws.

§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 herein.
- (b) "Dissolution of the Compact" means the state of affairs existing when the Compact is reduced to a single member upon the termination of every other state's participation in the Compact through either voluntary withdrawal or termination on the basis of default.
- (c) "Hearing rule" means the IIPRC Operating Procedure for Notice and Hearings.
- (d) "Uniform Law" means the model act entitled the 'Interstate Insurance Product Regulation Compact' adopted by the NAIC in 2002 and amended in 2003 and which serves as the basis for the state legislation adopted by each of the compacting states as the basis for joining the Compact.
- (e) "Withdrawing state" means a former compacting state that has either voluntarily withdrawn from the Compact in accordance with Article XIV §1 of the Uniform Law or been terminated from the Compact in accordance with Article XIV §2 of the Uniform Law and § 105 of this Operating Procedure.

§103. Voluntary Withdrawal from the Compact.

- (a) A compacting state may voluntarily withdraw from participation in the Compact by repealing the Uniform Law by which such state joined the Compact.

- (1) The member of the withdrawing state shall notify the Management Committee in writing of the intent to introduce or the introduction of legislation to repeal the Uniform Law no later than five days after the introduction of such legislation.
 - (2) Upon receipt of the notice required by subdivision (1), the Executive Director shall immediately forward such notice to the other compacting states and shall also provide for notice to the public of such legislation on the official website of the Commission and in any other publication that may be designated by the Commission.
 - (3) A state's legislative action repealing the Uniform Law may include provisions to prospectively disapprove products previously approved by the Compact, to the extent permitted under that state's law with respect to products approved by that state or by agreement with the Commission.
 - (4) The effective date of the legislative enactment repealing the Uniform Law shall be deemed the date of that state's withdrawal.
- (b) Upon receipt of a notice received in accordance with subdivision (1) of subsection (a), the Executive Director shall initiate negotiations with the Withdrawing State's member to determine the respective rights and liabilities of the Commission and the withdrawing state. The Executive Director shall attempt to reach a proposed agreement for presentation to the Management Committee for approval, which agreement should, at a minimum, provide for the Withdrawing State to receive, after deduction for any liabilities of that state to the Commission, payment from any current surplus. Payment to a Withdrawing State should be calculated on the basis of that state's pro rata share of identifiable contributions of start up funds from all current and former Compacting states. Such payments may be made over a period determined by the Management Committee.
- (c) In the event an agreement cannot be reached, the matter shall be determined through the IIPRC Operating Procedure for Resolution of Disputes Between States: provided, that throughout any such proceeding, the Withdrawing State shall be considered a "disputing compacting state" within the meaning of §102 of such operating procedure.

§104. Cessation and Winding Up of Commission Operations

- (a) Cessation of Operations before Dissolution of Compact.
- (1) The executive director shall develop and revise as necessary a plan for ceasing operations prior to dissolution. Such plan and all revisions thereto must be submitted to and approved by the Management Committee. The plan shall, at a minimum, provide for notification to known and unknown creditors and claimants against the Commission; payment of all obligations of the Commission; payment on a pro rata basis of any surplus to current

and former compacting states according to identifiable contributions of start up funds; and compliance with all relevant federal, state and local laws.

- (2) Upon motion of a member, the Commission may adopt a resolution to cease operations prior to dissolution if it finds that one or more of the core purposes of the Compact are not being met and that further operation of the Commission would not be practicable. At least 30 days prior to voting, the Commission shall notify the Legislative Advisory Committee and each state legislative committee of the pendency of such motion. If the Commission adopts the resolution, the Executive Director shall proceed in accordance with the plan approved pursuant to subdivision (1) of this subsection. No new product filings may be accepted after the adoption of such resolution.
- (b) Ceasing operations upon dissolution of the Compact. If the Commission is dissolved before a resolution to cease operations has been adopted or if a resolution has been adopted but actions to cease operations have not been completed, the remaining compacting state, shall, to the greatest extent possible, wind up the affairs of the Commission in accordance with the plan developed in accordance with subsection (a) of this section.

§105. Effect of Dissolution on Commission Actions.

- (a) Dissolution of the Compact shall not affect the validity of any actions taken by the Commission prior to such dissolution.
- (b) Upon dissolution, each former compacting state shall continue to be responsible for all obligations, duties and liabilities incurred through the effective date of its withdrawal, except to the extent those obligations may have been released or relinquished by mutual agreement of the Commission and the state; for the purposes of this rule, the date of dissolution shall be considered the date of withdrawal for the last remaining state.
- (c) Product approvals by the Commission or product self-certifications, or any advertisement in connection with such product, that are in force on the effective date of dissolution shall continue to be effective and be given full force and effect in each former member state, unless formally rescinded by a withdrawing state in the same manner as provided by the laws of the withdrawing state for the prospective disapproval of products or advertisement previously approved under state law.
- (d) All rules and operating procedures in force as of the date of dissolution shall, to the extent necessary to effectuate those products that remain in force subsequent to the date of dissolution.

§106. Default.

- (a) Any allegation that a compacting state (“alleged defaulter”) has defaulted in the performance of any of its obligations or responsibilities under the Uniform Law or any rule, Operating Procedure or Bylaws of the Compact, may be filed in writing to the management committee, which shall in turn forward it to the executive director with a request that he or she make whatever investigation is deemed necessary and submit a recommendation with regard to whether the allegation warrants further action by the Commission.
- (b) If the management committee determines, after consideration of a recommendation submitted pursuant to subsection (a), that there is reason to believe that a default has occurred as alleged, it shall direct the executive director to initiate a disputed case proceeding in accordance with the Hearing rule.
- (c) If the presiding officer finds that a default has occurred, the recommended decision issued in accordance with §114 of Hearing Rule shall include recommendations regarding conditions for a cure and the time period in which the alleged defaulter may cure the default.
- (d) Unless a stay is granted pursuant to §117 of the Hearing Rule, all rights, privileges, and benefits conferred by the Compact to the alleged defaulter shall be suspended during the cure period set forth in the final order.
- (e) At any time prior to the expiration of the cure period specified in the final order, the alleged defaulter may file a petition alleging that the conditions in the final order setting forth the conditions of the cure have been met and requesting that the alleged defaulter be restored to full participation in the Compact; any such petition shall be deemed a “petition for reconsideration” under §116 of the Hearing Rule, except that the 20-day time limit in §117(a) of the Hearing Rule is not applicable to a petition filed under this subsection.
- (f) If a petition is not filed in accordance with subsection (e) of this section or if petition is filed and a final order is entered denying the petition, the alleged defaulter shall be terminated from further participation in the Compact and all rights, privileges and benefits conferred by the Compact shall be terminated: provided, that all product approvals, self-certifications or advertisements in connection with such products will remain in force consistent with Article XIV §1 of the Uniform Law.

§ 107. Adoption and Effective Date.

This Operating Procedure was adopted by the Commission on March 28, 2008, 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 May 12, 2008.