Profile of the Compact

- Service provider to the Compacting States by conducting the rate & form review function on their behalf
- Service provider to the industry on behalf of the Compacting States by providing comprehensive and centralized review of product filings
- Voluntary filing platform for companies and revenue neutral to Compacting States (cos. to pay all applicable state filing fees plus Compact fees Compact receives no money from members)
- Bulk of revenue received in January through voluntary annual registration fees
- Product development cycle, regulatory changes, scope of Uniform Standards, and filing turnaround times drive Compact filing activity and revenue
January 1, 2020

• Insurance Compact Compass: Strategic Plan 2020 – 2022 Adopted
• Positive net revenue of $646,204 as of 12/31/2019
• Record number of life product filings due to regulatory requirement to update to 2017 Commissioners Standard Ordinary (CSO) Mortality Tables
• Cash balance of $1,967,347 as of 12/31/2019
• Restructured NAIC debt repayment over ten years with no accrued interest
Since January 1, 2020

- COVID-19 impact on operations and filings
- COSC opinion that Compact is not proper delegation under CO law when Uniform Standard conflicts with suicide statute
- Made first of ten annual payments to NAIC = $274,000 per year
- Amend expense budget to add $400,000 for governance review and business assessment which are underway after RFP process
- New Regulatory Coordinator and 3 open positions (2 due to attrition)
- Under budget by 5% for revenues and 13% for expenses (EOY 2020 cash balance projected at $1.3M)
- High Utilization of Expedited Review Program
*In June, the Commission voted to add an additional $400,000 to the adopted budgeted expenses for the Governance Review and Business Assessment. In December 2019, the Commission adopted the budget with $2,851,572 in expenses.
2020 vs. 2021 Revenue (budget vs budget)

ACTUARIAL REVIEW:
- 2020: $962,000
- 2021: $983,375

NON-ACTUARIAL REVIEW:
- 2020: $364,500
- 2021: $347,400

SPECIAL SERVICE FEES:
- 2020: $140,850
- 2021: $136,900

MISC FEES & INTEREST:
- 2020: $97,652
- 2021: $93,900

Total Revenue:
- 2020: $1,653,375
- 2021: $1,684,625
2020 vs. 2021 Revenue (budget vs. budget)

PRODUCT FILING REVENUE BUDGET

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>COMPANIES PV $1B&gt;</td>
<td>$677,500</td>
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<td>UPDATE-ONLY REGISTRATION</td>
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2020 Expenses & Liabilities

$3,251,572 + $279,925 Expenses + Liabilities

$2,230,661 = Compact Team*
$508,365 = Payment to the NAIC**
$792,470 = Other Expenses

* This includes the full-time consultant service fees.
**NAIC Service Fees includes the repayment on the LOC as well as service fees paid annually to the NAIC and the Adjustable Administrative Service Fee
2021 Expenses & Liabilities

$2,862,577 + $274,300

Expenses

$2,382,350 = Compact Team*

$454,925 = Payments to the NAIC**

$299,603 = Other Administrative Expenses

* This includes the full-time consultant service fees.

**NAIC Service Fees includes the repayment on the LOC as well as service fees paid annually to the NAIC and the Adjustable Administrative Service Fee
2020 VS. 2021 Annual Revenue
(Actuals and Budget)
2020 VS. 2021 Annual Budget

• Making ERP permanent = $128,550

• Reduction in Expenses attributed to:
  1. Completion of the Governance Review and Business Assessment
  2. During the renegotiation of the terms associated with the repayment of the Line of Credit, Interest Expense will not accrue
Possible Changes to Budget in 2021

• Possible funding needed for website improvements and redesign
• Possible funding needed to implement governance review recommendations
• Possible funding needed to implement business assessment recommendation

Separate funding requests will be made in 2021, if needed, to Finance Committee for recommendation to Management Committee