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Many of us will look back on 2016 and reflect on it as a transformative year, especially for the asset-based insurance industry. The principles-based reserving system reached its operational trigger, carriers navigated new federal rules governing the sale of certain life and annuities products, and a renewed effort converged around issues and ideas to innovate the long-term care insurance product and marketplace. It is fitting that in 2016, the Interstate Insurance Product Regulation Commission or “Insurance Compact” celebrated its 10th anniversary of reaching its own operational trigger. The Insurance Compact is now part of the regulatory fabric for asset-based insurance products for 45 Compacting States with more than 300 insurance carriers that have utilized the Insurance Compact over the past 10 years for more than 5,250 product approvals which would have equated to more than 160,000 separate filings through the state-by-state filing process.

In 2016, the Insurance Compact marked 10 years since its inaugural meeting at the National Press Club in Washington, D.C. where 27 Compacting States gathered to lay the groundwork for the organization’s operations. Today, this number has grown to 45 Compacting States, representing 75 percent of the premium volume written nationwide. Connecticut was the most recent state to enact the Compact legislation in 2016 and will be fully effective on July 1, 2017. We saw the legislative process in action when Connecticut legislators had questions regarding a Uniform Standard provision and the Insurance Compact members voted last summer to clarify that the provision unequivocally prohibited a war exclusion for members of the U.S. armed services.

The Insurance Compact has journeyed a long way since it first adopted Uniform Standards in 2006 building a robust, detailed set of consumer-oriented uniform product content requirements to cover an extensive variety of product lines and benefit features for life insurance, disability income insurance, annuities, and long-term care insurance. The Insurance Compact reached a milestone in 2016 implementing its 100th Uniform Standard when it brought on Uniform Standards for the employer group disability income product line. The Insurance Compact was not only committed to new Uniform Standards last year but spent considerable time ensuring previously-adopted Uniform Standards were up to date in light of any changes in the market or regulatory environment through the Insurance Compact’s five-year review process.

The Insurance Compact’s development was most evident in the growing utilization by carriers for regulatory product approval. In 2016, the Compact received a record 226 company registrations and its highest annual volume of product filing submissions of 1,059. The Insurance Compact’s team of highly-qualified professionals provided thorough review and guidance to companies to achieve compliance with the Uniform Standards in an average 30 review days or less. When these efficiency-minded companies need to update or develop new products to respond to the market or regulatory changes, they repeatedly come to the Insurance Compact for the speed-to-implementation that comes with the Insurance Compact’s responsive review and approval, resulting in the ability to program, test, and deploy uniform product content across the participating Compacting States.

Through the support and determination of Commissioners and regulators in Compacting States, the Insurance Compact has become the transformative state-based regulatory framework for asset-based product regulation across the nation. We appreciate the efforts of our Members and their staff to dedicating countless hours to reasonable, balanced Uniform Standards development and encouraging companies to make eligible filings through the Insurance Compact. We also recognize the Insurance Compact would not be thriving today without the commitment and input of members of the Legislative Committee, our consumer and industry advisory committees, and company filers, among several others who have participated in this regulatory transformation. We look forward to this continued support in 2017.
OFFICERS

Commissioner
Jacqueline K. Cunningham
Chair

Superintendent
Eric A. Cioppa
Vice Chair

Director
Jillian Froment
Treasurer

PAST OFFICER IN 2016

Commissioner
Angela Weyne
Vice Chair
LETTER FROM THE EXECUTIVE DIRECTOR

If you turn to the last page of this Annual Report, you will find the iconic picture of the inaugural meeting of the Interstate Insurance Product Regulation Commission or “Insurance Compact” in June 2006. Ten years later, the Insurance Compact has grown in innumerable and positive ways, effectively revolutionizing the asset-based insurance product review and approval process. Commissioners, regulators, state legislators, and consumer and industry representatives who have participated in fulfilling the Insurance Compact’s enumerated purposes should have tremendous pride in the Insurance Compact’s extensive accomplishments these past ten years, and 2016 was no exception.

In 2016, we worked with another state, Connecticut, to address its questions enabling it to enact the Compact legislation and become a full member on July 1, 2017. Over ten years, the Insurance Compact has grown from its operational threshold of 27 states with 40% of the nationwide asset-based insurance premium volume to 45 states with 75% premium volume share today. There is something special about attending an Insurance Compact meeting with so many States around the table collaborating and cooperating to adopt and embrace Uniform Standards. We continue to work with the remaining states and jurisdictions, including providing substantial technical assistance in 2016 to support a California law requiring a comparative study of California’s statutory requirements and the Uniform Standards.

One of the Insurance Compact’s most impressive accomplishments has been the development of 100 Uniform Standards. With the implementation of the full set of group disability income Uniform Standards in 2016, the Insurance Compact experienced a noteworthy increase in group filings, as term life insurance and disability income insurance has become a common product combination for employer groups, and having uniform forms across the Compacting States delivers efficiencies for carriers, employers, and their employees.

In 2016, the Insurance Compact broke records by growing more than 10% in terms of registered companies, and had more repeat filers register in 2016 than total number of registrations in 2015. The Insurance Compact’s filing volume also soared from 863 product filings in 2015 to 1,059 product filings in 2016 enabling the Insurance Compact to reach its revenue budget so that it did not need to utilize a line of credit for the fourth consecutive year. In 2016, we heard from company filers participating in our Focus Groups that the Insurance Compact filing process provides significant value-added service in terms of the speed and uniformity in the life cycle of the product, from development to deployment.

In 2016, we continued outreach beyond regulator and industry focus groups, and the Insurance Compact Office held its first annual State of the Compact calls with individual Compacting State Insurance Commissioners to keep them informed on the Insurance Compact’s activities and also presented at almost 20 industry conferences. Our product operations were also fully staffed in 2016 providing even more capacity to work with company filers to answer questions during the development of their product filing and provide responsive review once the submission was made.

In 2016, we updated our logo and informally shortened the name to the Insurance Compact or just “Compact” as it has become an easily-recognizable component of the national state system of asset-based insurance product regulation. I want to extend my gratitude to all those who have given their time, expertise, and commitment to the Insurance Compact’s achievements over the past ten years and in 2016. On behalf of the Insurance Compact team, we look forward to working with you in the coming year.

Karen Z. Schutter
Executive Director
COMMITTEE ACTIVITIES

The Insurance Compact relies upon the regulatory expertise in the members’ states to develop, adopt, and oversee implementation of Uniform Standards, Rules, and Operating Procedures as well as the budget, technology platform, and the Insurance Compact’s outreach efforts. The Management Committee is charged with managing the affairs of the Commission and looks to the following Insurance Compact committees to formulate recommendations and solicit public comments on a variety of rulemaking and operational matters.

The **Communications Committee** handles the outreach agenda for the Insurance Compact and oversees the informational webinars offered to member regulators and industry filers; as well as promotes dialogue between regulators, companies, legislators, and others. In 2016, the Communications Committee unveiled an updated Compact logo and redesigned website.

2016: Ted Nickel (WI), Chair; Julie Mix McPeak (TN), Vice Chair

The **Finance Committee** monitors the finances of the Insurance Compact. In 2016, the Finance Committee prepared the annual budget, including monitoring the actual and projected revenues and expenses, as well as resource levels.

2016: Eric A. Cioppa (ME), Chair; Raymond G. Farmer (SC), Vice Chair

The **Product Standards Committee** reviews and recommends uniform standards to the Management Committee. In 2016, the Product Standards Committee helped to implement the Uniform Standards for Group Disability Income insurance products and performed the five-year review of several individual life insurance, annuities, and long-term insurance care Uniform Standards.

2016: John M. Huff (MO), Chair; Mike Rothman (MN), Vice Chair

The **Rulemaking Committee** develops and recommends to the Management Committee the rules and operating procedures, and any amendments thereto. In 2016, the Rulemaking Committee continued discussions on mix and match.

2016: Jacqueline K. Cunningham (VA), Chair; Elizabeth Kelleher Dwyer (RI), Vice Chair

The **Technology Committee** reviews and recommends any enhancements to the Insurance Compact filing platform within the NAIC’s System for Electronic Rate and Form Filing (SERFF) as well as monitors the technology needs for the Insurance Compact.

2016: Wayne Goodwin (NC), Chair; Brian Maynard (KY), Vice Chair

The **Audit Committee** regularly reviews the Insurance Compact’s financial accounts and reports and oversees the independent audit process including retaining and working with the independent auditors.

2016: Bruce R. Ramge (NE), Chair; Michael S. Pieciak (VT), Vice Chair
## MEMBERSHIP (AS OF DECEMBER 31, 2016)

<table>
<thead>
<tr>
<th>Commissioner/Acting Director</th>
<th>State/Office</th>
</tr>
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<tbody>
<tr>
<td>Jim L. Ridling</td>
<td>Commissioner, Alabama</td>
</tr>
<tr>
<td>Lori K. Wing-Heier</td>
<td>Director, Alaska</td>
</tr>
<tr>
<td>Leslie R. Hess</td>
<td>Interim Director, Arizona</td>
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<tr>
<td>Allen W. Kerr</td>
<td>Commissioner, Arkansas</td>
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<tr>
<td>Marguerite Salazar</td>
<td>Commissioner, Colorado</td>
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<tr>
<td>Katharine L. Wade</td>
<td>Commissioner, Connecticut</td>
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<tr>
<td>Ralph T. Hudgens</td>
<td>Commissioner, Georgia</td>
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<tr>
<td>Gordon I. Ito</td>
<td>Commissioner, Hawaii</td>
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<tr>
<td>Dean L. Cameron</td>
<td>Commissioner, Idaho</td>
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<tr>
<td>Anne Melissa Dowling</td>
<td>Acting Director, Illinois</td>
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<tr>
<td>Stephen W. Robertson</td>
<td>Commissioner, Indiana</td>
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<tr>
<td>Doug Ommen</td>
<td>Interim Commissioner, Iowa</td>
</tr>
<tr>
<td>Ken Selzer</td>
<td>Commissioner, Kansas</td>
</tr>
<tr>
<td>Brian Maynard</td>
<td>Commissioner, Kentucky</td>
</tr>
<tr>
<td>James J. Donelon</td>
<td>Commissioner, Louisiana</td>
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<tr>
<td>Eric A. Cioppa</td>
<td>Superintendent, Maine</td>
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<tr>
<td>Al Redmer, Jr.</td>
<td>Commissioner, Maryland</td>
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<tr>
<td>Daniel R. Judson</td>
<td>Commissioner, Massachusetts</td>
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<tr>
<td>Patrick M. McPharlin</td>
<td>Director, Michigan</td>
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<tr>
<td>Mike Rothman</td>
<td>Commissioner, Minnesota</td>
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<td>Mike Chaney</td>
<td>Commissioner, Mississippi</td>
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<tr>
<td>John M. Huff</td>
<td>Director, Missouri</td>
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<tr>
<td>Monica J. Lindeeen</td>
<td>Commissioner, Montana</td>
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<td>John D. Doak</td>
<td>Commissioner, Oklahoma</td>
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<tr>
<td>Laura N. Cali Robison</td>
<td>Commissioner, Oregon</td>
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<tr>
<td>Teresa D. Miller</td>
<td>Commissioner, Pennsylvania</td>
</tr>
<tr>
<td>Angela Wayne</td>
<td>Commissioner, Puerto Rico</td>
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<tr>
<td>Elizabeth Kelleher Dwyer</td>
<td>Superintendent, Rhode Island</td>
</tr>
<tr>
<td>Raymond G. Farmer</td>
<td>Director, South Carolina</td>
</tr>
</tbody>
</table>

* Enacted in 2016, effective on July 1, 2017
Julie Mix McPeak  
Commissioner, Tennessee  
Department of Commerce and Insurance

David Mattax  
Commissioner, Texas  
Department of Insurance

Todd E. Kiser  
Commissioner, Utah  
Department of Insurance

Michael S. Pieciak  
Commissioner, Vermont  
Division of Insurance

Jacqueline K. Cunningham  
Commissioner, Commonwealth of Virginia State Corporation  
Commission, Bureau of Insurance

Mike Kreidler  
Commissioner, Washington  
Office of the Insurance Commissioner

Michael D. Riley  
Commissioner, West Virginia  
Offices of the Insurance Commissioner

Ted Nickel  
Commissioner, Wisconsin  
Office of the Commissioner of Insurance

Tom Glause  
Commissioner, Wyoming  
Department of Insurance

2016 Past Members who Served
Nick Gerhart, Iowa
Amy Parks, Nevada
Susan Donegan, Vermont
The Management Committee is formed on an annual basis during the Annual Meeting and is comprised of fourteen members representing three tiers of the premium volume. The Compact State’s premium volume, as calculated by the National Association of Insurance Commissioners (NAIC) based on the records of the preceding year, determines which tier a member may represent. The first tier members are from the six Compacting States with the largest premium volume. The second tier is comprised of four members from Compacting States with at least 2% of the market share based on the premium volume. These four members are selected on a rotating basis. The third tier is four members elected from each of the four NAIC Zones and represent Compacting States with less than 2% of the premium volume. The Officers are selected by the Commission from the membership of the Management Committee during the Annual Meeting to serve in the following calendar year.

Management Committee, 2016 - 2017
Jacqueline K. Cunningham, Virginia, Chair
Eric A. Cioppa, Maine, Vice Chair
Jillian Froment, Ohio, Treasurer
Dean L. Cameron, Idaho
Anne Melissa Dowling, Illinois
Daniel R. Judson, Massachusetts
John M. Huff, Missouri
Mike Chaney, Mississippi
Patrick M. McPharlin, Michigan
Richard J. Badolato, New Jersey
John D. Doak, Oklahoma
Teresa D. Miller, Pennsylvania
David Mattax, Texas
Ted Nickel, Wisconsin

Management Committee, 2015 - 2016
Jacqueline K. Cunningham, Virginia, Chair
Angela Weyne, Puerto Rico, Vice Chair
Eric A. Cioppa, Maine, Treasurer
Ralph T. Hudgens, Georgia
Anne Melissa Dowling, Illinois
Al Redmer, Jr. Maryland
Patrick M. McPharlin, Michigan
Richard J. Badolato, New Jersey
Mary Taylor, Ohio
John D. Doak, Oklahoma
Laura N. Cali Robison, Oregon
Teresa D. Miller, Pennsylvania
David Mattax, Texas
Ted Nickel, Wisconsin
LEGISLATIVE COMMITTEE

Senator Delores Kelley, Chair  
State of Maryland

Representative Kurt Olson, Vice Chair  
State of Alaska

Senator Jason Rapert  
State of Arkansas

Senator Rosalyn H. Baker  
State of Hawaii

Senator Travis Holdman  
State of Indiana

Representative Steve Riggs  
Commonwealth of Kentucky

Senator Robert D. Hackett  
State of Ohio

Representative Brian Patrick Kennedy  
State of Rhode Island

ADVISORY COMMITTEES

Consumer Advisory Committee

• American Association of Retired Persons (AARP)  
  James McSpadden, Senior Legislative Representative

• Autism Speaks  
  Angela Lello, Director, Housing and Community Living

• Center for Insurance Research  
  Brendan Bridgeland, Policy Director and Staff Attorney

• NAIC Consumer-Funded Representative  
  Sonja Larkin-Thorne

• Former Regulator  
  Fred Nepple, Retired (formerly with Wisconsin Office of the Commissioner of Insurance)

Industry Advisory Committee

• American Council of Life Insurers (ACLI)  
  Rod Perkins, Vice President, Insurance Regulation

• America’s Health Insurance Plans (AHIP)  
  Amanda Matthiesen, Senior Policy Director

• Great-West Life & Annuity Insurance Company  
  Tanya Gonzales, Manager, Regulatory Affairs/Compliance

• Insured Retirement Institute (IRI)  
  Lee Covington, Vice President, Regulatory Affairs & Compliance

• MassMutual Financial Group  
  Hugh Barrett, Director, Government Relations

• National Association of Insurance and Financial Advisors (NAIFA)  
  Steve Kline, Director, State Government Relations

• New York Life Insurance Company  
  Joe Muratore, Associate General Counsel

• Northwestern Mutual Life Insurance Company  
  Angela Schaaf, Assistant Director, Product Compliance
## INSURANCE COMPACT MILESTONES

### 2016
- Adopted Group Disability Income Uniform Standards; 100 Uniform Standards adopted to date
- 45 Compacting States with Mix and Match percentage = 50%
- 226 companies registered with 1,059 products submitted and 976 products approved with an average review time of 30 days
- 229 filings amended

### 2015
- 44 Compacting States with Mix and Match percentage = 51%
- 205 companies registered with 863 products submitted and 829 products approved with an average review time of 33 days
- 197 filings amended

### 2014
- 44 Compacting States with Mix and Match percentage = 55%
- 198 companies registered with 999 products submitted and 876 products approved with an average review time of 27 days
- 220 filings amended

### 2013
- Adopted Group Term Life Uniform Standards (Employer Group); 93 Uniform Standards adopted to date
- 43 Compacting States with Mix and Match percentage = 57%
- 182 companies registered with 806 products submitted and 769 products approved with an average review time of 28 days
- 251 filings amended

### 2012
- Adopted Group Term Life Uniform Standards; 86 Uniform Standards adopted to date
- 41 Compacting States with Mix and Match percentage = 62%
- 167 companies registered with 744 products submitted and 625 products approved with an average review time of 23 days
- 157 filings amended
INSURANCE COMPACT MILESTONES

2016
- Adopted Individual Disability Income Uniform Standards; 82 Uniform Standards adopted to date
- 41 Compacting States with Mix and Match percentage = 63%
- 133 companies registered with 464 products submitted and 436 products approved with an average review time of 38 days
- 78 filings amended

2016
- Adopted Individual Long-Term Care Uniform Standards; 69 Uniform Standards adopted to date
- 38 Compacting States with Mix and Match percentage = 63%
- 113 companies registered with 368 products submitted and 320 products approved with an average review time of 42 days
- 40 filings amended

2015
- 54 Uniform Standards adopted to date
- 36 Compacting States with Mix and Match percentage = 75%
- 75 companies registered with 244 products submitted and 279 products approved with an average review time of 28 days
- 185 filings amended

2014
- 49 Uniform Standards adopted to date
- 33 Compacting States with Mix and Match percentage = 75%
- 39 companies registered with 106 products submitted and 126 products approved with an average review time of 25 days
- 59 filings amended

2013
- 31 Uniform Standards adopted to date
- 30 Compacting States with Mix and Match percentage = 100%
- 36 products submitted and 29 products approved; first IC filing submitted June 22nd and approved in under 30 days
- 11 filings amended

2016
- Inaugural Meeting
- Adopted Bylaws and 5 Uniform Standards
The tables below provide statistics on the product filings submitted to the Insurance Compact since first accepting product filings in June 2007 through December 31, 2016.

**PRODUCT FILING STATISTICS**

<table>
<thead>
<tr>
<th>Years</th>
<th>Companies Registered</th>
<th>Products Received</th>
<th>Forms Submitted</th>
<th>Amended Filings</th>
<th>Products Approved</th>
<th>Transactions *</th>
<th>Approval Time (avg) **</th>
<th>Average # of states/filing</th>
<th>Mix &amp; Match %</th>
<th>State filing fees collected</th>
<th>IIPRC filing fees</th>
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<tr>
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<td>25</td>
<td>50</td>
<td>$62,965</td>
<td>$18,050</td>
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* “Transactions” refers to the total number of SERFFF transactions that have been made through the IIPRC.
** The time for product approval is calculated utilizing business days and excludes the company response time to objection letters, as defined in §105 of the “Product Filing Rule”.

Historical Filing Data (Year To Date)
There are over 22 Types of Insurance (TOIs) available for filing using the 100 adopted Uniform Standards with 130 various sub-TOIs available.

5,265 products have been approved by the Insurance Compact to date since June 2007; which equates to over 160,000 SERFF transactions.

The TOIs for the Product Filings submitted through SERFF for Compact Filings 2016:
LIFE (58% of all products received):
- 36% have been TOI – Other (generally application filings)
- 24% have been Term Life Products
- 23% have been Whole Life Products
- 11% have been Flexible Premium Adjustable
- 3% have been Variable Life
- 3% have been Group Life Term

ANNUITIES (29% of all products received):
- 44% have been Deferred Non-Variable Annuity
- 24% have been Deferred Variable Annuity
- 22% have been Annuity – Special (generally application filings)
- 10% have been Immediate Non-Variable Annuity

LONG-TERM CARE (10% of all products received)
DISABILITY INCOME (3% of all products received)

Of all of the Registered Companies who have submitted filings since 2007:
- 8% have filed more than 50 times
- 19% have filed 20 or more times
- 19% have filed 10 or more times
- 40% have filed more than twice
- 14% have filed once; of the 2016 Registered Companies 9% are first time filers

There have been over 20,400 forms submitted with product filing submissions. The average number of forms per filing is 4. The largest single submission consisted of 103 forms (filed in 2013); and in 2016, the largest single submission consisted of 99 forms.
MANAGEMENT’S DISCUSSION & ANALYSIS

Please Note: The Interstate Insurance Product Regulation Commission’s management discussion and analysis is separate from and not a part of its basic financial statement nor included in its Independent Auditors’ Report. RSM US LLP has not audited this information and expresses no opinion on the information contained herein.

Introduction
The Interstate Insurance Product Regulation Commission (Insurance Compact) is a public entity and instrumentality of its member states charged with carrying out regulatory insurance product reviews for asset-based insurance products under Uniform Standards adopted by its membership. While the Insurance Compact’s 2016 Annual Report includes the independent auditors report with information on the actual financial results of the organization, this report, which is not a part of the annual external audit examination, is included to provide management’s analysis of the organization’s financial performance in relation to the previous year.

Financial Highlights
The Insurance Compact’s financial statements are prepared using the accrual basis of accounting. Revenues, expenses, assets, and liabilities are recognized during the period in which the activity occurs rather than when it is received or paid.

Balance Sheet
Normal operating activities have resulted in cash and cash equivalents balance of $637,085 as of December 31, 2016. This is an increase of $170,163 compared to the prior year due to increased revenue-generating activity as well as an adjustment in filing fees to account for increased operating expenses in product operations. The Insurance Compact actual-to-budget revenue ratio for 2016 was 99.8%. For the fourth consecutive year, the Insurance Compact did not draw upon the line of credit that was approved by the NAIC during the 2016 Spring National Meeting.

The Insurance Compact ended the year with accounts receivable of $21,277, which is $14,969 lower than 2015. This is a function of revenue received on the last day of December 2016 that was satisfied by electronic payments on the first day of January 2017 and fluctuates each year. Prepaid expenses are $5,413 which is $894 lower than one year ago. Interest income was $546 more than 2015, with $608 earned in 2016.

Total current liabilities are $768,400, an increase of $142,107 compared to 2015 due in large part to the higher total amount in deferred revenue. In 2016, the Insurance Compact received $601,250 in deferred revenues which was $100,250, or 20% higher than in 2015. Deferred revenue represents the annual registration fee paid in 2016 for the 2017 annual registration period and demonstrates a commitment by a record number of filing companies to ensuring uninterrupted access to the Insurance Compact’s filing platform. The amounts for accounts payable and accrued expenses are due to timing of payments to vendors, employees, and consultants.

In 2016, the Insurance Compact remitted $2,436,845 to states in applicable state filing fees, which was an increase of $359,155 compared to 2015 due in large part to the higher total amount in deferred revenue. In 2016, the Insurance Compact received $601,250 in deferred revenues which was $100,250, or 20% higher than in 2015. Deferred revenue represents the annual registration fee paid in 2016 for the 2017 annual registration period and demonstrates a commitment by a record number of filing companies to ensuring uninterrupted access to the Insurance Compact’s filing platform. The amounts for accounts payable and accrued expenses are due to timing of payments to vendors, employees, and consultants.

In 2016, the change in net assets equaled a deficit of $59,462, compared to a deficit of $322,498 in 2015, mainly due to strong performance in terms of companies making full annual registrations and product filing submissions, along with an adjustment in the per-product filing fee to better match the expenses associated with the growth in Insurance Compact reviewer resources. The net asset deficit presents a cumulative loss on operations of $3,332,219 as compared to $3,272,757 in 2015 and is the result of all revenues and expenses since inception.
The Insurance Compact has rebounded from a depressed product development cycle in 2015, including experiencing a record number of company registrations and product filing submissions. Over the past 9 years of operation, the Insurance Compact has found that it must scale its resources to stay responsive to the member states’ speed-to-market goal of a thorough, timely review within 60 days or less. The Insurance Compact has demonstrated it is responsive to the increasing costs associated with additional resources by evaluating and adjusting its fee schedule as necessary. The Insurance Compact experienced one of the smallest operational deficits in its organizational history. Management forecasts that the Commission will generate sufficient revenue to cover its operating expenses in 2017.

**Statement of Revenues, Expenses, and Changes in Net Assets**

The Insurance Compact is a public entity and an instrumentality of its member states, it generates its revenue transactionally and not under any specific taxing authority. Revenue is earned when an insurance company registers with the Insurance Compact and submits product filings to the Insurance Compact through SERFF. The *IIPRC Terms and Procedures for IIPRC Filing Fees* was adopted in September 2007 and provides that the Insurance Compact adopt its Schedule of Fees in conjunction with the adoption of its annual budget. In 2013, the Insurance Compact modified its fee schedule to attract small premium volume companies to register and to more accurately reflect the resources and operating costs associated with product filings requiring an actuarial review. In 2016, the Insurance Compact further adjusted its per-filing fee to account for five additional resources added over the past three years.

The Insurance Compact requires an annual registration fee which provides filer access to the filing platform. The annual registration fee has not changed since it was set in 2008 and is $5,000 per company and pro-rated to $2,500 per company as of July 1. For companies with less than $50,000,000 in asset-based premium volume based on the Schedule T-Part 2 of the Annual Statement filed with the NAIC for the reporting year prior to the current annual registration period, the annual registration fee is $2,500 per company and prorated to $1,250 per company as of July 1. In 2016, the Insurance Compact increased its per-filing fee by an average of 25% with filing fees for product filing submissions ranging from $300 to $1,250, depending on the type of filing and the premium-volume size of the filer. Regional companies licensed to do business in 12 or fewer compacting states pay a reduced registration and per-filing fee.

Product filing fees were $1,086,736 in 2016, compared to $681,045 in 2015, representing a 60% increase in product filing fee revenue received in 2015. With respect to the $405,691 increase in 2016 product filing fees, approximately 40% of this increase is due to growth in the product filing volumes of 1,059 in 2016, compared to 863 in 2015, with the remaining portion of the increase due to the adjustment in the per-filing fee schedule. This increase in product filings was also accompanied by a decrease in the number of Mix and Match filings from 51% in 2015 to 50% in 2016 as more companies file their entire product portfolios with the Insurance Compact.

Annual registration fees of $928,525 for 226 companies were earned in 2016, compared to $817,000 for 207 companies in 2015. Twenty companies registered for the first time in 2016. The Insurance Compact exceeded the number of companies budgeted to register in 2016, including having 197 companies compared to 190 budgeted to register at the full annual registration level. In 2016, companies and fraternals of all sizes, including the top premium writers as well as small regional carriers, realized the uniformity and speed-to-market benefits of having a Compact-approved product.

Expenses ended the year under budget by $49,424, or 2%, for 2016. The Insurance Compact was under budget in all line items except professional services. The Insurance Compact experienced some savings in the budget line for salaries due to the timing of the hiring of its new part-time resource. Actual travel expenses of $97,784 were $21,894 under budgeted travel, but $22,374 higher than $75,409 incurred for travel expenses in 2015.
MANAGEMENT’S DISCUSSION & ANALYSIS

The increase in travel expenses year over year is due to the travel costs of new resources to attend Insurance Compact meetings, team meetings, and conferences; and the savings in budget for 2016 is due to budgeted travel expenses for member Commissioners and regulators as well as members of the Legislative Committee and Consumer Advisory Committee not being fully realized. The Insurance Compact expended only $11,899 of the $23,615 budgeted for office services as it determined certain computer equipment purchases were not necessary.

On June 1, 2007, the Insurance Compact signed a services agreement with the NAIC to provide certain administrative, technical, staffing, and accounting services to the Insurance Compact. The NAIC receives an annual administrative fee of $125,000 for these services. The Insurance Compact also pays an annual license/maintenance fee in the amount of $25,000 for the use of SERFF. Since inception, the Insurance Compact has engaged outside legal counsel, on an as-needed basis, for the establishment of its structural entity, preparation of bylaws, implementation of employee benefit plans, contractual agreements, and litigation-related matters. The professional services line was $12,206 higher than budgeted for 2016 primarily due to consultant services being retained to assist with tax preparation services and use of outside legal counsel being higher than anticipated.

Debt
The note payable to the NAIC totals $3,227,696 as of the end of 2016. This is a $71,746 increase over the prior year due to the capitalization of interest on the outstanding loan amount. For the fourth consecutive year, the Insurance Compact did not draw upon the line of credit available from the NAIC. Since 2007, the NAIC has provided lines of credit to the Insurance Compact to fund operational needs. The resulting note payable carries an interest rate of 2.25% equal to the prime rate of 3.25% at January 1, 2010, the effective date of the debt restructure, less 1%. Principal and interest payments are deferred until the year following the year in which the Insurance Compact achieves a profit of $250,000 or an accumulated cash balance from operations of $500,000 excluding funds from draws. Outstanding interest is capitalized monthly. As a matter of prudent governance, the Insurance Compact will request a line of credit be made available in the amount of $100,000 for 2017 which will be considered by the NAIC at its Spring National Meeting.

Economic Factors
The Insurance Compact accepted its first product filings in June 2007, and completed its ninth full calendar year of product filing review operations in 2016. The Insurance Compact generated $1,498,107 in filing and registration fees during 2015 and $2,015,869 in 2016. The Insurance Compact’s actual revenues in 2016 were only $4,131 less than budgeted revenues compared to a budget deficit of $262,643 in revenues in 2015. In 2015, even though more companies registered to file with the Insurance Compact than in previous years, the per product filing volumes and revenues suffered from a dampened product filing development cycle for asset-based insurance product lines.

The Insurance Compact achieved records in 2016 in terms of the number of registered companies and number of product filing submissions and approvals. Regulatory developments and the improved product development cycle positively affected the product filing volumes in 2016 as companies filed new products and updated previously-approved products to address five-year review changes in certain Uniform Standards, to respond to the changing requirements of the Department of Labor fiduciary rules, and to prepare for the transition to new Commissioners Standards Ordinary (CSO) Mortality Table requirements starting on January 1, 2017. In 2016, the Insurance Compact also adopted Uniform Standards for a new product line, group disability income for employer/employee groups, allowing companies to file through the Insurance Compact group products for two of the most common group products - term life and group disability income.

In 2016, the Insurance Compact received a record 226 company registrations from large, medium, and small
insurance companies and fraternals representing a combined 85% of the nationwide premium volume written for asset-based insurance products. Twenty of these companies registered for the first time joining the returning companies whose total number (206) exceeded the number of companies registered in all of 2015 (205). Further, eighty-eight percent of these 226 companies registered under the full registration schedule with the remainder registering after July 1 when the registration fee is prorated. This trend demonstrates that companies are continuously filing with the Insurance Compact preferring its one-stop review and approval process to the traditional state-by-state filing process.

The Insurance Compact received 1,059 product filings for 2016, substantially more than the 863 product filings received in 2015 and 60 more than the previous record number of product filing submissions in 2014. Even though the Insurance Compact increased its per-filing fee in 2016 by an average of 25% to respond to its growing operational costs, the Insurance Compact exceeded the 1,000 annual product filing mark for the first time in its operational history. With regulatory changes driving many companies to update their product portfolios, the Insurance Compact was well-positioned to accept those filings providing quick turnaround after a thorough review with an average turnaround time of 30 review days improving over 2015 average turnaround time of 33 review days.

As part of the 2016 adopted budget, the Insurance Compact converted two consultant positions to full-time employee positions including a form reviewer and an actuary and hired a new part-time administrative resource. Between 2008 and 2016, the Insurance Compact’s operating expenses have grown by 80%, that is, $1,155,572 in 2008 compared to $2,075,329 in 2016, with the salaries and professional services expenses to support the Insurance Compact’s product operations having increased by 254% over the same time period, that is, $647,000 in 2008 compared to an estimated $1,641,782 in 2016. The primary driver of the Insurance Compact’s significant growth in operational costs is scaled growth in human resources as the Insurance Compact has expanded over time as the number of member states, registered companies, product lines, Uniform Standards, and product filing volume and activity has expanded.

Companies are able to file a wide variety of products and benefit features using 100 adopted Uniform Standards for all individual product lines and for group term life and disability income product lines. The Insurance Compact has approved 5,265 insurance products on behalf of the Compacting States since its first product approval in July 2007.

With careful management of its operating budget, the Insurance Compact has not utilized the available NAIC Line of Credit since 2012. As a matter of prudent governance and in order to respond to unanticipated losses or circumstances, the Insurance Compact is again requesting an available Line of Credit from the NAIC in 2017 and believes if its revenue budget is achieved in 2017, it will not need to draw on the line of credit as the Insurance Compact budgets to meet operational expense in the coming annual period.

**Contacting the Insurance Compact’s Financial Management**

This financial report is designed to provide a general overview of the Insurance Compact’s finances and to show accountability for the funds received in 2016 and 2015. Questions about this report and requests for additional financial information should be directed to Karen Schutter, Insurance Compact Executive Director, at (202) 471-3962.
INDEPENDENT AUDITOR’S REPORT

To the Audit Committee

Interstate Insurance Product Regulation Commission
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the Interstate Insurance Product Regulation Commission (the IIPRC), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statement of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the IIPRC as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RSM US LLP
Kansas City, Missouri
February 16, 2017
### STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

#### Assets

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$637,085</td>
<td>$466,922</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>21,277</td>
<td>36,246</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>102</td>
<td>11</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>5,413</td>
<td>6,307</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$663,877</strong></td>
<td><strong>$509,486</strong></td>
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</tbody>
</table>

#### Liabilities and Net Deficit

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$59,435</td>
<td>$46,369</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>107,715</td>
<td>78,924</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>601,250</td>
<td>501,000</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>768,400</strong></td>
<td><strong>626,293</strong></td>
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<tr>
<td>Note payable to the NAIC (Note 3)</td>
<td>3,227,696</td>
<td>3,155,950</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>3,996,096</strong></td>
<td><strong>3,782,243</strong></td>
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</table>

Net deficit:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>(3,332,219)</td>
</tr>
<tr>
<td><strong>Total liabilities and net deficit</strong></td>
<td><strong>$663,877</strong></td>
</tr>
</tbody>
</table>

See notes to financial statements.
## AUDIT REPORT

### INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION

#### STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual registrations</td>
<td>$928,525</td>
<td>$817,000</td>
</tr>
<tr>
<td>Product filing fees</td>
<td>1,086,736</td>
<td>681,045</td>
</tr>
<tr>
<td>Interest income</td>
<td>608</td>
<td>62</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>2,015,869</td>
<td>1,498,107</td>
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</table>

<table>
<thead>
<tr>
<th><strong>Expenses:</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>1,162,620</td>
<td>710,301</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>264,146</td>
<td>169,524</td>
</tr>
<tr>
<td>Professional services</td>
<td>436,299</td>
<td>745,333</td>
</tr>
<tr>
<td>Travel</td>
<td>97,784</td>
<td>75,409</td>
</tr>
<tr>
<td>Rental and maintenance</td>
<td>7,110</td>
<td>7,078</td>
</tr>
<tr>
<td>Interest expense</td>
<td>71,746</td>
<td>70,152</td>
</tr>
<tr>
<td>Insurance</td>
<td>14,996</td>
<td>13,198</td>
</tr>
<tr>
<td>Office services</td>
<td>11,899</td>
<td>16,812</td>
</tr>
<tr>
<td>Meeting expenses</td>
<td>8,571</td>
<td>9,098</td>
</tr>
<tr>
<td>Recruiting expense</td>
<td>160</td>
<td>3,700</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>2,075,331</td>
<td>1,820,605</td>
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</table>

**Increase in net deficit**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>(59,462)</td>
<td>(322,498)</td>
<td></td>
</tr>
</tbody>
</table>

**Net deficit, beginning of year**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3,272,757)</td>
<td>(2,950,259)</td>
<td></td>
</tr>
</tbody>
</table>

**Net deficit, end of year**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ (3,332,219)</td>
<td>$ (3,272,757)</td>
<td></td>
</tr>
</tbody>
</table>

See notes to financial statements.
## AUDIT REPORT

INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION

STATEMENTS OF CASH FLOWS

December 31, 2016 and 2015

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net deficit</td>
<td>$(59,462)</td>
<td>$(322,498)</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net deficit to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense included in note payable</td>
<td>71,746</td>
<td>70,152</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>14,969</td>
<td>(25,271)</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>(91)</td>
<td>(6)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>894</td>
<td>21,870</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>13,066</td>
<td>762</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>28,791</td>
<td>3,279</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>100,250</td>
<td>24,250</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td><strong>170,163</strong></td>
<td><strong>(227,462)</strong></td>
</tr>
</tbody>
</table>

Net increase (decrease) in cash

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>170,163</td>
<td>(227,462)</td>
</tr>
</tbody>
</table>

Cash:

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning</td>
<td>466,922</td>
</tr>
<tr>
<td>Ending</td>
<td>$637,085</td>
</tr>
</tbody>
</table>

See notes to financial statements.
Note 1. Summary of Significant Accounting Policies

Nature of operations: The Interstate Insurance Product Regulation Commission (the IIPRC), formed in June 2006, is a multistate commission creating a central point of electronic filing for certain insurance products, including life insurance, annuities, disability income and long-term care insurance. The IIPRC provides its member states with the ability to collectively use its expertise to develop uniform national product standards, affording a high level of protection to purchasers of asset protection insurance products. The IIPRC had 44 member states as of both December 31, 2016 and 2015.

Basis of accounting for revenues: The IIPRC earns revenue predominately through annual registration and product filing fees. Product filing fees are earned when insurance companies process filings through the National Association of Insurance Commissioners (the NAIC’s) System for Electronic Rate and Form Filing (SERFF). The SERFF system provides a cost-effective method of handling insurance policy rate and form filings between regulators and insurance companies. The IIPRC earns revenue when a filing received through SERFF is processed using standards established by the IIPRC for its member states. Annual registration fees are recognized as revenue at the beginning of the registration period and are assessed at year-end as deferred revenue.

Basis of accounting and presentation: The financial statements of the IIPRC have been prepared on the accrual basis of accounting.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash: For purposes of the statements of cash flows, cash is considered to be cash on hand, bank checking accounts and money market funds. The IIPRC, at times, maintains deposits with banks in excess of the insured limits, but has not experienced any losses in such accounts.

Accounts receivable: Accounts receivable are stated at the amounts billed. Delinquent and/or uncollectible receivables are written off based on individual evaluation and specific circumstances.

Property and equipment: Property and equipment consists of computer hardware and software and are stated at cost. Routine repairs and maintenance are expensed as incurred. Depreciation is computed by the straight-line method over the following useful lives:

- Computer software: 3 to 5 Years
- Computer hardware: 3 Years

Net deficit: At December 31, 2016 and 2015, net deficit consisted entirely of unrestricted net deficit. Functional expenses: The Not-for-Profit Entities topic of the FASB Accounting Standards Codification (ASC) requires nonprofit organizations to disclose expenses by functional classification. The IIPRC presents expenses only by their natural classification on the December 31, 2016 and 2015, statements of activities. Management believes that disclosing expenses by function is insignificant to the financial statements taken as a whole, and therefore, does not apply the provision of the topic as it relates to the disclosure of expenses by functional classification.
Note 1. Summary of Significant Accounting Policies (Continued)

Income tax provision: The IIPRC has been organized as a joint-cooperative of the compacting states and is therefore generally exempt from federal and state income taxes pursuant to section 115(1) of the Internal Revenue Code. However, the IIPRC is subject to federal income tax on any unrelated business taxable income. The IIPRC filed a Private Letter Ruling (PLR) Request with the IRS, dated January 22, 2015, with respect to exclusion of its income from gross income pursuant to section 115(1) of the Internal Revenue Code. The IRS did not issue a ruling on the PLR Request. Uncertain tax positions, if any, are recorded in accordance with ASC 740, Income Taxes. ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standards that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2016 or 2015.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance is intended to improve comparability of accounting treatment for revenue recognition across geographies and industries, and to provide more useful information to financial statement readers through enhanced disclosure requirements. It replaces industry-specific guidance with a principles-based approach for revenue recognition, and is a step toward convergence of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. In general, it requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU, as deferred one year by ASU No. 2015-14, is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 31, 2019. Therefore, this ASU will be effective for the IIPRC for the fiscal year ending December 31, 2020. The ASU permits the use of either of two methods: a full retrospective or a retrospective with the cumulative effect and additional disclosures. Management has not yet selected a transition method, as the IIPRC is currently evaluating the impact of the new standard on its sources of support and financial statements, and is reviewing its revenue recognition policies and processes for any necessary amendments.

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new standard changes presentation and disclosure requirements with the intention of helping nonprofits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. This pronouncement decreases the number of net assets classes from three to two. The new classes will be “net assets with donor restrictions” and “net assets without donor restrictions.” The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Therefore, this ASU will be effective for the IIPRC’s fiscal year ending December 31, 2019. Management is in the process of evaluating the impact of this new guidance.

Note 2. Property and Equipment

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware</td>
<td></td>
<td>16,397</td>
</tr>
<tr>
<td>Software</td>
<td>126,902</td>
<td>126,902</td>
</tr>
<tr>
<td>Total cost</td>
<td>126,902</td>
<td>143,299</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(126,902)</td>
<td>(143,299)</td>
</tr>
<tr>
<td>Net property and equipment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$ - $
Note 3. Line of Credit From and Notes Payable to the NAIC

On January 1, 2010, an Amended, Restated and Consolidated Promissory Note with the NAIC took effect. The note consolidated all previous outstanding note and line of credit balances and bears interest at 2.25 percent, compounded monthly. Repayment of principal and interest is deferred until the last calendar date of the first quarter following the trigger date. The trigger date is defined as the date of the independent auditor’s report related to the audited financial statements in which one or both of the following has been achieved: increase in net assets of at least $250,000, or accumulated cash balance of at least $500,000 from operations, excluding funds from draws. As of December 31, 2016, the trigger date has not been achieved, and, as a result, the outstanding interest is included in the principal balance of the note. Following the trigger date, the note will mature in 60 months and bear interest at 2.25 percent, compounded monthly. Quarterly principal and interest payments will be due through maturity.

Also on January 1, 2010, a line-of-credit agreement with the NAIC was executed. This agreement made available to the IIPRC an additional line of credit not to exceed $850,000, with an interest rate of 2.25 percent, compounded monthly. Repayment terms are identical to the Amended, Restated and Consolidated Promissory Note described above. The deferral of debt repayment reduced draws on this line of credit to $450,000.

A $400,000 line-of-credit agreement for 2011, effective January 1, 2011, was executed with the NAIC. An advance of $250,000 was drawn in August 2011 and another in the amount of $150,000 occurred in November 2011.

A $400,000 line-of-credit agreement for 2012, effective January 1, 2012, was executed with the NAIC. An advance of $250,000 was drawn in October 2012.

A $250,000 line-of-credit agreement for 2013, effective January 1, 2013, was executed with the NAIC. No advances were drawn during 2013.

A $150,000 line-of-credit agreement for 2014, effective January 1, 2014, was executed with the NAIC. No advances were drawn during 2014.

A $150,000 line-of-credit agreement for 2015, effective January 1, 2015, was executed with the NAIC. No advances were drawn during 2015.

A $250,000 line-of-credit agreement for 2016, effective January 1, 2016, was executed with the NAIC. No advances were drawn during 2016.

The total outstanding principal and interest balance of the note payable and lines of credit as of December 31, 2016 and 2015, is $3,227,696 and $3,155,950, respectively. As is customary, both the note and line of credit described above contain certain events of default that, if triggered, allows the NAIC to call the remaining principal balance and all accrued interest for immediate payment. Management of the IIPRC does not expect the NAIC to demand payment of any portion of the outstanding balance during fiscal year 2017.

An additional line of credit estimated at $100,000, to be made available if necessary, to cover expenses of the IIPRC for 2017, is on the agenda to be considered by the NAIC at the NAIC 2017 Spring National Meeting.
Note 4. Related-Party Transactions
Effective June 2007, the IIPRC entered into a service agreement with the NAIC, whereby the NAIC provides certain administrative services to the IIPRC. The NAIC is also providing a nonexclusive license to the SERFF system. The IIPRC has assumed the cost of upgrades and enhancements to the SERFF system to meet the IIPRC requirements (such as the collection and remission of state filing fees) in excess of the annual 250 hours of SERFF development provided under the service agreement. The NAIC received an administrative fee of $125,000 for the years ended December 31, 2016 and 2015. The IIPRC also pays an annual license and maintenance fee in the amount of $25,000 for the use of SERFF. Additionally, certain expenses are paid on behalf of, and reimbursed by, the IIPRC.

Amounts charged during the year and amounts owed at year-end for the IIPRC are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative services provided by and paid to the NAIC</td>
<td>$ 125,000</td>
<td>$ 125,000</td>
</tr>
<tr>
<td>License fee paid to the NAIC</td>
<td>$ 25,000</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>Amounts payable to the NAIC</td>
<td>$ 40,032</td>
<td>$ 25,808</td>
</tr>
</tbody>
</table>

Note 5. Defined Contribution Plan
The IIPRC has a 401(a) defined contribution plan, which covers substantially all employees who have completed one year or more of service. Each year the Management Committee determines the contribution for the next year. For the years ended December 31, 2016 and 2015, the IIPRC agreed to match up to 3.5 percent of compensation of employees who contribute to the plan and contributed 2.0 percent of all employees’ annual compensation. The IIPRC made contributions of $33,220 and $26,425 for the years ended December 31, 2016 and 2015, respectively.

Note 6. Subsequent Events
Management has performed an evaluation of events that have occurred subsequent to December 31, 2016, through February 16, 2017. There have been no events that occurred during such period that would require disclosure in these financial statements or would be required to be recognized in the financial statements as of or for the year ended December 31, 2016.
HIGHLIGHTS
When you think about 45 states coming together through their insurance departments with the support from state legislators, consumers and industry working on Uniform Standards, the Compact is an important change and saves our state money, time and resources.

--Maryland State Senator Delores Kelley, Chair of Insurance Compact Legislative Committee.

When the products are approved, we know that the consumers benefit, because the products have been reviewed under strong regulatory standards.

-- Pennsylvania Commissioner Teresa D. Miller, Insurance Compact Commission Member

Before the Compact, companies would complain what a variance there was going state-to-state and that some consumers did not have a full slate of options and now, the Compact has streamlined a lot to promote uniformity.”

-- Brendan Bridgeland, Center for Insurance Research, Member of Insurance Compact Consumer Advisory Committee

The Compact has done a great job at providing speed-to-market at a level that is unrivaled and is better for consumers as they are getting the same insurance product no matter what state they are in.

-- New Hampshire Commissioner Roger A. Sevigny, Insurance Compact Commission Member and Past Chair

The Compact has allowed companies to design products for 45 states all at once and while today it is underappreciated, once the product is approved by the Compact, a company can roll out and train agents so much faster.

-- Hugh Barrett, MassMutual Financial Group, Member of the Insurance Compact Industry Advisory Committee
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