RESPONSES TO QUESTIONS SUBMITTED
FOR RFP #12 – BUSINESS ASSESSMENT

Prepared by the Insurance Compact Office
Reviewed by the Governance Review Committee

For purposes of this response, Compact will be used in reference to the Interstate Insurance Product Regulation Commission and the Office of the Interstate Insurance Product Regulation Commission (“Commission”). States and jurisdictions of the Compact will be referenced as Compacting States or members of the Compact. The term “Stakeholder Committees” refers to the Legislative Committee, Consumer Advisory Committee, and Industry Advisory Committee – each committee has 8 members, respectively. Further, reference to Priority and Action Items are found in the Insurance Compact Compass: Strategic Plan 2020 -2022.

Certain similar questions have been combined. Please note Questions 14 through 36 and Responses thereto are identical to Questions and Responses 14 through 36 for RFP #11 – Governance Review.

Please note responses to RFP #12 are now due by 5 pm EST on Wednesday, June 3, 2020.

1. Market growth: What is the runway for growth for Insurance Compact? What new insurance carrier segments would you like to serve in the future? / Are there any plans or capacity to extend services beyond filing? How much of ICC’s capability is limited by regulation? / What work has been completed to consider the purpose of the Compact in the future and identify new services and/or revenue streams for the organization?

RESPONSE: The Compact legislation limits the insurance segment to “individual and group annuity, life insurance, disability income and long-term care insurance products.” The model Compact statute can be found on the Compact website.

Compact growth within the statutory limits is partially driven by adoption and amendment of Uniform Standards and regulatory changes. For instance, when the Compact recently adopted Uniform Standards for an additional product line – certain types of group annuities, the Compact is projecting new growth from group annuity filings. Changes in regulatory requirements as well as market conditions may drive cyclical growth. For instance, a regulatory requirement that life insurance companies update their products to new mortality tables for 1/1/2020 drove significant growth in product filings in 2018 and 2019. The Compact continues to develop new Uniform Standards and amend existing ones to cover products available in the marketplace and within the statutory scope. For instance, Uniform Standards for group whole life insurance products have not yet been developed but are in the marketplace.
areas of potential growth (1) assistance in review of coordinated state review of filings outside the current uniform standards (Priority II, Action Item 8) and (2) identify other areas where uniform review may be of assistance to the state and determine whether those areas are within existing authority. (Priority I, Action Item 8.) With respect to the second item, the Compact is working with its members and the NAIC Long-Term Care Insurance Task Force on leveraging the Compact filing platform to assist in the multi-state review of in force-rate increase request filings on state approved individual long-term care insurance products.

The business assessment will likely include the implications of changes which may be proposed or implemented by the Compact in response to the areas identified by the Colorado Supreme Court in Amica Life Insurance Company v. Wertz (No. 19SA143) (April 27, 2020). The Compact members are undertaking workstreams to consider the effect of this legal decision and it will be relevant to the business assessment.

2. Distribution of business: Are the bulk of filers concentrated in certain lines of insurance or geographies? Are there certain lines/geographies that ICC wants to expand to? / How is revenue currently split across the value-added services, including individual and group annuities, life, long-term care, and disability income insurance?

RESPONSE: The Compact generally sees 60% of its filing volume in the area of individual life insurance product filings. Approximately 30% of its filing volume in the area of individual annuity product filings. The remaining volume is distributed among product filings for individual long-term care insurance, individual disability income insurance and group term life and disability income.

Due to its nature, the revenue from Per Filing Fees can be broken down across product lines. For 2019 which saw more individual life filings than usual, the revenue breakdown for product filing fees is as follows: 69% for individual life; 19% for individual annuities; 9% for individual long-term care, 1% each for individual disability income, group term life and group disability income, respectively. The revenue from Annual Registration is not easily associated with distinct product lines or services as registered companies generally file products in more than one product line. The revenue from other services including Expedited Review Program, Advanced Filing Fee Calculation and EFT Return can be distinguished along product lines and follows the pattern of the Per Filing Fees.

The Compact sees expansion and growth in product filings from group carriers and the extent of growth will depend on the policy decisions by the members of the Compact to expand to group types other than employer groups (e.g., associations, labor unions, etc.).

3. Insurance Compact competitors. Are there alternative options (competitors) for insurance carriers besides Insurance Compact?
RESPONSE: The only other current option for insurance carriers is to seek regulatory approval by making individual filings with each of the member states instead of a single filing with the Compact. There are no other competitors.

4. **Financial Condition:** Is the Compact Commission adequately funded to carry out its current operations? Will the Compact share its current annual and quarterly financial statements with the selected consultant?

RESPONSE: One of the goals of this RFP is to assess the sustainability of the Compact. Since 2013, the Compact has generated sufficient operating revenue to cover its operating expenses through careful management of its cash flow. The Compact prepares and adopts an annual budget which is intended to be able to adequately fund current operations. In some years, the Compact has increased the amount of fees in order to be able to adequately fund its operations. The Compact will share annual and monthly financial statements for the years requested by the selected consultant.

5. **Fee Policies:** Are all fees strictly enforced, or is it possible for negotiation / discounting to occur? / Are all insurance carriers charged the same way?

RESPONSE: The Compact applies its fee schedule to all Compact filers. Both the Annual Registration Fee and Per Filing Fee are scaled to the premium-volume size of the company and whether it is doing business on a regional basis defined as 12 or less Compacting States.

The Compact strictly enforces fees and does not negotiate or discount applicable fees. Both Compact filing fees and state filing fees must be paid before disposition (i.e., approval) of a filing. As general policy, the Compact fees are not refundable. The Compact, in exceptional circumstances and only on a case-by-case basis, will provide a credit or return. For instance, if a company entered an incorrect amount such as $12,500 instead of $1,250, the Compact would likely credit or return the incorrect amount.

6. **Background for Priority III, Action Item 8:** What has triggered a re-examination of the Commission's ability to balance repaying with sustainability over the next ten years? What does the commission believe to be the primary challenges? / What areas of your organization are experiencing the greatest operational challenges? / What are the concerns or points of view of management and the board of the current model and financial results?

RESPONSE: In discussions between the NAIC and Compact Officers with respect to restructuring repayment of the outstanding balance on the line of credit, the Officers agreed it was prudent to assess the Compact’s current business model for sustainability. The assessment would not only consider the ability to repay the NAIC but also the Compact’s ability to self-support its operations. The Compact revenue and expenses have dynamic drivers, some of which fluctuate year-to-year, including but not limited to the voluntary nature of its revenue, the fixed cost nature of its product operations, the number of participating Compacting States, the scope of
Uniform Standards, the industry’s product development cycle, industry-wide regulatory changes, and resourcing / review turnaround times in its product operations. One of the Compact’s operational challenges is balancing a voluntary, fluctuating revenue stream with expenses associated with sufficiently resourced product operations and member services while servicing repayment of the outstanding line of credit.

7. **Budget forecast for Strategic Plan:** Does the Compact have a forecast beyond the 2020 budget that takes into account the strategic plan? Will the consultant be expected to develop a forecast?

**RESPONSE:** The Compact has identified the general steps and estimated timeline and costs in the Navigator on the Strategic Planning web page. The Compact has prepared internal budget projections for the next three years and beyond (with the caveat that these two proposals were not budgeted). Depending on the consultant’s recommendations, it may need to provide input on forecasting associated costs and revenues, if applicable.

8. **Data capabilities and uses:** What are internal data capabilities and what are some examples of datasets that would be available for analysis as part of the engagement? / Has the Compact considered leveraging the SERFF data as a new revenue source?

**RESPONSE:** The Compact utilizes Microsoft Access and Excel and in the early stages of using Tableau to track and analyze filing and financial information. The Compact prepares budget projections, pro forma statements, financial statements, cash flow analysis and other financial analysis. The NAIC Finance Division monitors the Compact’s financial condition and provides technical support as needed.

The Compact provides no-cost access to approved filings through SERFF Filing Access. The Compact is open to the possibility of providing value-added services with respect to the information in approved Compact filings which could generate revenue to support its mission and purposes. For instance, Priority II, Action Item 6 proposes one such example: *[p]rove samples of simplified forms or provisions deemed consistent with the Uniform Standards for use by company filers when submitting a Compact filing.*

9. **Compact processes:** Are you able to provide documentation for your current processes? / How many internal operating / businesses processes would you anticipate to be evaluated? Can you list your business processes down to a Level 2? / What additional process or technology changes are planned or underway, related to this initiative? Is there a roadmap that you can share?

**RESPONSE:** The Compact can provide the selected consultant with documentation of its procedures and internal controls. Staff from the Compact and applicable NAIC staff will be available to respond to consultant’s questions. If requested during the engagement, the Compact would be able to document its end-to-end processes across its operations.
Several of the action items in the strategic plan could result in new or improved processes or technology changes. The Compact utilizes the NAIC’s System for Electronic Rate and Form Filing. SERFF is currently conducting an assessment, independent of the Compact’s business assessment, which could result in changes to its technology and functionality.

10. **Product Filing Information**: Will the IIPRC provide the selected firm with documentation of product filing decisions, performance metric reports and communications with the filing company and any applicable regulators?

**RESPONSE**: The Compact can provide the selected consultant with requested information to conduct its work including product filing decisions and correspondence as well as metrics associated with product filings and operations. The Compact will be responsive to questions and provide information for the consultant to outreach to regulators.

11. **Determination of Fees**: What is the current process in fee setting? What has been the industry’s response to the reasonableness of the fees? / What are the general perceptions of the fee structure relative to value received?

**RESPONSE**: The current process for setting Compact fees are set forth in the Filing Fee Rule. The Finance Committee recommends proposed changes to the Schedule of Fees along with the proposed Annual Budget to the Management Committee. The Management Committee accepts written comment and holds a public hearing before considering it for approval. Once approved by the Management Committee, it is adopted by the Commission. The Filing Fee Rule limits the increase in any fee to no more than 25% annually unless a greater percentage is approved by a two-thirds vote of the entire Commission.

In the early years of the Compact, fees were identified as a factor in deciding whether to file. In response, the Insurance Compact expanded its fee schedule to account for premium volume size, regional v. national filer and the type of filing. For the past five years or more, the increase in Compact fees has generally not impacted the number of registered companies and product filings year-to-year. The consultant may wish to outreach to company filers to understand how they determine the cost/benefit of filing with the Compact, as the Compact has not conducted such feedback.

12. **Scope Clarification**: On page 4, #2, the RFP lists that you would like an assessment of the Commission’s operating model including relationships, filers, fee structure, committee structure, organizational structure, expense structure, and debt obligation structure. Are there other aspects of the operating model that you would like included such as assessment of staffing, role, and responsibilities, use of technology, and use of internal vs. external resources? / What does success look at the completion of the project? Said another way — what questions do you hope are answered as a result of this project?
**RESPONSE:** The Compact agrees assessment of staffing levels, roles, and responsibilities, use of technology and automation, and use of internal vs. external resources are appropriate when conducting the business assessment.

The Compact expects a result where the consultant, with the understanding of the nature of the Compact and dynamics of the business model, can identify what is working, what is a risk, and what are suggested changes to the operations of the Compact to further strengthen its viability and sustainability through regulatory cycles in order to deliver on its purposes and mission to the members, insurers and the policyholders they both protect.

13. **Financial Analysis:** Can you give us a general idea at this time of the revenue, expense, and margin trends of the business over the last five years? Trying to understand if revenue is flat, margins being compressed, expenses increasing. / Does the organization use cost accounting to understand the fix and variable costs associated with your service offering, and will that intelligence be made available?

**RESPONSE:** The Compact publishes quarterly product filing statistics which shows growth in several key areas over the past five years. The Compact generally sees modest growth in its revenues and expenses except in years where it either raises the amount of a fee or where it adds one or more professional resources (i.e., employee or consultant). The chart below shows the overall revenues and expenses over the last five years. The Compact will provide consultant with a detailed history of revenue and expense growth since inception.

<table>
<thead>
<tr>
<th>Year</th>
<th>TOTAL OPERATING REVENUES</th>
<th>TOTAL OPERATING EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$3,155,495</td>
<td>$2,509,291</td>
</tr>
<tr>
<td>2018</td>
<td>$2,392,408</td>
<td>$2,251,139</td>
</tr>
<tr>
<td>2017</td>
<td>$2,003,557</td>
<td>$2,088,151</td>
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<tr>
<td>2016</td>
<td>$2,015,869</td>
<td>$2,075,331</td>
</tr>
<tr>
<td>2015</td>
<td>$1,498,107</td>
<td>$1,820,605</td>
</tr>
</tbody>
</table>

The Compact does not currently utilize cost accounting though can identify fixed and variable expenses within its cost structure. The 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. The Compact is open to a consultant identifying opportunities in these areas.

14. **Comparable Organization:** The Compact Commission is a unique statutory public organization. What are examples of other organizations that the Commission has looked to as “comparable organizations” or “models” in governing itself to this point? / When you seek benchmarks, who do you compare yourself against? / The RFPs request that the Vendor perform comparisons with the best practices of comparable organizations. Does the Insurance Compact have its own expectations or perspective on what qualifies as a comparable
organization? / How does the IIPRC define a ‘comparable organization’ as referenced throughout the RFP?

**RESPONSE:** The Compact can be compared to virtually any other organization with a board of directors, particularly an unpaid board of directors. Examples could include other interstate compacts widely adopted by the states; other regulatory or quasi-regulatory bodies performing essential government functions on behalf of a state(s); standard-setting bodies; member organizations of government officials; organizations with a voluntary revenue stream derived from value-added services to the private sector; and, other fee-for-service providers. Specifically, there are aspects of the National Association of Insurance Commissioners (NAIC), the National Insurance Producer Registry (NIPR), Financial Industry Regulatory Authority (FINRA) and the Conference of State Bank Supervisors (CSBS) especially in their operation of the National Multistate Licensing Service (NMLS); National Conference of State Legislatures (NCSL); and North American Securities Administrators Association (NASAA) that are comparable.

15. **Organizational Structure:** How would you describe your current organizational and leadership structure as well as the current size of the organization? Can you share your current org structure? / Can you please provide your current organizational chart?

**RESPONSE:** The forty-six (46) members of the Compact (i.e., the Commission) are the Chief Insurance Regulatory authority for their state or their designated proxy. The members of the 14-member Management Committee manage the affairs of the organization and generally approve action items before the items are presented to the Commission. Action is taken by majority vote with a two-thirds vote requirement to adopt Uniform Standards.

Three members of the Management Committee are elected by the full Commission to serve as Officers – Chair, Vice Chair and Treasurer. The Commission also includes a legislative committee that “. . . monitors the operation of and makes recommendations to. . .” the Commission and two advisory committees for consumer and industry input.

The Compact also has staff, headed by the Executive Director, who serve as the Commission’s principal administrators under the Bylaws and regularly brief and receive guidance from the Officers as well as update the Commission and Management Committee on a monthly basis and during meetings. The Compact currently has 12 full-time employees, two full-time consultants and one part-time consultant. The Compact’s organizational chart and its committee chart are attached as appendices. The NAIC also provides overhead services including office space and administrative and technical services.

16. **Revenue Structure:** What are the current services provided by the Insurance Compact? What services generate revenue? / How is the Compact Commission funded? If funded by assessment of the Compacting States how are assessments determined and who is the determining body for assessment of one or more Compacting States? Are there consequences if a Compacting State does not make a capital contribution?
RESPONSE: The Compact provides services to its members by accepting and processing policy forms and rates from insurance companies. The Compact charges fees to insurance companies who submit product filings to the Compact for review and approval.

The Compact generates its revenue solely from fees paid by insurance companies in the following categories: Annual Registration Fee, Per Filing Fee, Expedited Review Fee, Advanced Fee Calculation Fee, and the EFT Return Fee. The Annual Registration Fee is not transactional but is required to be paid to access the Compact for filing purposes. The Per Filing Fee is due at the time of product filing submission. The other fees are transactional as well.

The Compact does not receive dues or assessments from members of the Compact and is intended to be revenue neutral to the members. In addition to the Per Filing Fee, the Compact collects from filers and remits to Compacting States applicable state filing fees associated with a product filing submission. The Compact maintains a chart of the state filing fees for members of the Compact.

17. Fee Structure: How are fees currently charged? In addition to registration fees, are there other recurring fees? How are fees calculated?

RESPONSE: The Finance Committee monitors financial matters and recommends the fee schedules to the Management Committee and Commission for their consideration and adoption.

Here is a link to the 2020 Compact Filing Fee Schedule.

The Annual Registration Fee must be paid by a company to have access to the Compact filing platform. Companies must register by January 1 each year to receive uninterrupted access. Historically, a majority of the companies register by January 1 for the upcoming annual registration period. Some companies submit their annual registration later in the year when they need to make new filing submissions or update a previously approved filing. The Annual Registration Fee is prorated by 50% on October 1 for the remainder of the year.

Both the Annual Registration Fee and Per Filing Fee are based in part on the size of the company (based on premium volume) and further reduced if a company is doing business in 12 or less Compacting States (i.e., a regional filer). Premium volume size is determined by the information the company reports on its Annual Statement – specifically Schedule T, Part 2 – filed with the NAIC.

For the Per Filing Fee, the amount is based on the type of filing with more complex filings (i.e., those requiring actuarial review) having a higher associated fee.

For the Expedited Review Fee, the amount is double the applicable Per Filing Fee. The Advanced Fee Calculation fee is $100 per filing notwithstanding the size of company or type of filing. The EFT Return Fee is 5% of the amount returned.
18. **Strategic Planning**: What factors spurred the 2019 Insurance Compact Compass strategy conference? Any insights here or supporting background info on operational goals? / Are you able to share the outcome of the year-long strategic planning process and the details of your Strategic Plan 2020 – 2022? Was the yearlong strategic planning process completed internally or done with the assistance of an outside company? / The Compact’s Strategic plan contains 3 overarching priorities, 9 objectives and 28 measurable action items. Has the Compact undertaken a risk assessment that considers the estimated costs, benefits, and risks relating to the achievement of these goals as these may affect the governance, operational, and financial model?

**RESPONSE**: The members of the Compact wanted to go through a formal strategic planning process similar to the process undertaken by the NAIC in 2017-2018 and NIPR in 2017. Information regarding the Compact’s strategic planning efforts can be found on its Insurance Compact Compass web page. The development history is found at the bottom of the web page.

The process was member-driven, with multiple opportunities for input by state regulators, the Legislative Committee, advisory committees, company filers and other interested parties.

The members of the Compact adopted its Strategic Plan in December 2019 at its in-person meeting in Austin, Texas. The Compact will also make copies of the Insurance Compact Compass available to the consultant. The Compact did not utilize any outside vendor in the strategic planning process.

The Compact has identified the general steps and estimated costs associated with each action item. This information can be found in the Navigator on the Strategic Planning web page.

Parts of both the business assessment and the governance review include risk assessment component(s) and may identify recommendations that could impact the priorities, objectives, and action items. The Compact Compass is a living document which the members will review and update as needed.

19. **Document Review**: Is there a specific period of time desired for which documents will be included in the review? i.e. specified fiscal years or current year documents, or current and previous year? / Will the consultant have access to the Insurance Compact’s staff as well detailed documents relating to the Insurance Compact? / What level of review is desired for the organizational documents? / Will the consultant have access to all prior iterations of organizational documents (bylaws, ethics, audit charter, etc.) to track and understand document evolution?

**RESPONSE**: The Compact expects each consultant to be familiar with its organizational structure and requirements. This will require review and understanding of the model legislation, Bylaws, certain rules and operating procedures, minutes, and reports. The Compact will make available documents since inception in 2006, the majority of this information is accessible on the
website including the Compact legislation, original and amended Bylaws, Annual Reports (including independent audited financial statements), Annual Budgets, meeting minutes, Rules and rulemaking history. The Compact staff will be available to answer questions and provide documents relevant to the consultant’s requests. The consultant should denote in its proposal if the scope of engagement would be or should be limited to a specific time period and whether it affects its cost proposal.

20. **Survey:** Has the IIPRC conducted a member survey related to this project or does the IIPRC anticipate that as part of this request? / Will specific survey be developed by consultant in conjunction with Senior Management of Compact or independent thereof? Will survey results disclosed be required to identify each member state? Will consultant recommendations be provided independent of state survey results or should consultant consider recommendations in light of survey, or both? / What intelligence do you have about what your constituents (filers, states, etc.) value most about the services provided?

**RESPONSE:** The Compact has not conducted a member survey related to the subject matter of these RFPs. A survey of members, stakeholder committees and company filers were conducted during the strategic planning process and this information will be made available to the consultant. The purpose of each RFP is to retain an outside consultant to perform an independent review or assessment. A survey was not specifically identified in the RFP Scope of Work though we will consider proposals where a survey is suggested to accomplish the work. If a survey is performed by the consultant, the Governance Review Committee and senior management will be available to consult in the preparation of survey questions. Any survey results should be presented in summary or in a collective manner without identifying the particular member state, entity, or person. We do not anticipate any problems with obtaining responses to surveys.

21. **Interviews / Outreach:** Does the IIPRC anticipate interviews of members and the IPRC’s officers as a part of the assessment? / Is the scope of the review limited to IIPRC’s documents and leadership, or does it extend to membership outreach? / Will we be able meet with or hold telephone interviews with each member of the Management Committee, Officers, and the Executive Director? How many individuals make up the Management Committee? How many Officers? / Does the Insurance Compact have a general expectation for the number or range of stakeholder interviews to be conducted in order to meet the objectives of each RFP? / We anticipate conducting the current state assessment through review of documentation you will provide and interviews with key stakeholders. How many interviews do you think will be needed to perform this assessment? For the business assessment, will we interview Insurance Compact stakeholders only or also some representatives at insurance companies? / Will we have access to external parties (compacting states, NAIC, etc.) as part of this assessment, and would the Insurance Compact facilitate the connection? / Other than the stakeholders referenced in the RFP and the 2020 – 2022 strategic plan, may the firm contact other stakeholders and representatives, such as industry associations, actuaries, etc. in the analysis and assessment of its findings? / What
cadence of meetings would the Insurance Compact like to see (in person as well as phone/videoconference)? / What role, if any, will the consultant play in “soliciting feedback from the Compacting States” regarding “the effectiveness of the current structure, procedures, communications and opportunities for improvements”?

RESPONSE: In its proposal, the consultant should identify the scope of review and outreach necessary to perform the applicable scope of work. The consultant is expected to receive input from members of the Compact, stakeholder committees and company fliers, as part of the assessment.

By way of background, the Compact has 46 members of which 14 members serve on the Management Committee of which three are the Compact Officers. The Legislative Committee and Consumer and Industry Advisory Committees have eight members on each committee. Currently, 220 insurance companies are registered to file with the Compact in April of 2020 and several use third-party filers. The Compact is open to the consultant reaching out to other stakeholders as it deems appropriate to perform its work. The Compact does not expect the consultant selected for either RFP to interview all members or stakeholders but a representative number to perform the scope of work.

The consultant will report to and receive regular feedback from the Governance Review Committee which includes the Compact Officers – Rhode Island Superintendent Beth Dwyer (Chair), Wisconsin Commissioner Mark Afable (Vice Chair) and Illinois Director Robert Muriel (Treasurer) – and two members of the Management Committee – Texas Commissioner Kent Sullivan and West Virginia Commissioner James Dodrill.

The consultant should plan to attend the two in-person Compact meetings which will be held in conjunction with the NAIC Summer and Fall National Meetings, respectively. The consultant will have an opportunity to meet with Commissioners, regulators, state legislators, as well as consumer and industry representatives. It is anticipated the Compact will convene in person on August 10, 2020 in Minneapolis, Minnesota and November 13, 2020 in Indianapolis, Indiana. The Compact will facilitate travel arrangements and will cover expenses for the days to attend each meeting.

The Compact will facilitate the scheduling of and cost of conference calls using its call providers (Chorus Call or WebEx) with members of the Compact and other stakeholders necessary to perform this engagement. Information about the Commission and Management Committee members can be found on the About the Compact web page.

If the consultant proposal depends on the number of interviews, it should clearly state how many it feels are necessary. The Compact will consider proposals that include options depending on the level of outreach.
22. **Reporting:** Will the consultant be expected to provide periodic updates to staff, any ad hoc governance review committee or the Management Committee, and if so, what frequency and what form of update, such as a written report or conference call? / Who will we report to during the project? / Do you anticipate the recommendations to be reviewed by States’ representatives? If yes, will it be from all members or a sample? / The RFP indicates that a Committee of the Insurance Compact Commissioners will conduct regular progress meetings with the firm selected as the consultant. Would you please let us know what the approximate frequency of these meetings is expected to be during this assessment period? / Who from the Insurance Compact will be involved in the project.

**RESPONSE:** The consultant should expect to provide concise weekly written updates to the Governance Review Committee with more substantial updates made less frequently, possibly monthly. However, updates may need to be more frequent depending on the stage of activities during the engagement. A written update via e-mail would be preferred but the Compact is open to other types of communication. The Committee will be available for conference calls as needed. The Committee will facilitate involvement with Compact staff as needed. In its proposal, the consultant should also provide its recommendation for the frequency and type of communication between the consultant and Committee or staff to effectively perform the engagement.

The Compact Chair and the Committee will keep the members of the Compact briefed on each project. The final report and recommendations will be presented to the members of the Compact at a public meeting. The consultant will receive regular feedback from the members of the Governance Review Committee, including reviewing the draft report and recommendations.

23. **Staff Support:** Does the Compact have a dedicated administrative service staff or are these functions performed by the NAIC? / Will we be able to meet with management? / Will key employees, outside of the core team, be available for interviews? / How much time will the resources from the Insurance Compact be able to dedicate to the process? / Who are the subject matter experts that are available to support the consultant on this project? Specifically, will there be access to a CFO and possibly a financial analyst?

**RESPONSE:** The Compact has six staff who perform some degree of administrative functions including the Executive Director, Director of Product Operations and Counsel, Assistant Director of Administrative Services, Communications Coordinator, Administrative Coordinator and Product Filing Support Specialist. The Compact team performs the bulk of administrative functions for the organization with support from the NAIC under a Services Agreement including the Legal team, Finance team, HR team, IT Team, SERFF team and other technical and administrative teams. The Executive Director, Director of Product Operations and Counsel and Assistant Director of Administrative Operations, and other team members as necessary, will be readily available to meet with the consultant throughout the engagement. Team members from
the NAIC, including the Chief Financial Officer and a financial analyst team, will also be available to meet with the consultant with respect to the business assessment engagement.

24. **Remote or On-site:** Do you anticipate the project team being on site for the duration of the project or are you open to remote work? / Does the Insurance Compact have any particular requirements/objections to having consulting staff onsite? / For our projects, we typically work on-site, closely with project stakeholders. Based on the current situation, will it be possible to perform the work remotely if lockdown restrictions are still in effect at the time currently planned for this project?

**RESPONSE:** The Compact does not anticipate the need for the consultant to perform this work on-site. The Compact operates in a virtual world with four team members including the Executive Director and Director of Product Operations and Counsel working in the Kansas City Offices of the NAIC and two team members including the Assistant Director of Administrative Operations working in the District of Columbia Offices of the NAIC and the remaining team members working remotely from their home offices. The NAIC Finance and Legal team and other administrative and technical areas that support the Compact under a Services Agreement are located in the NAIC Kansas City Offices. Outreach to members of the Compact and other stakeholders would likely be conducted by video conference, telephone, or electronic communication. The Compact is open to an on-site visit upon the consultant’s recommendation though the Compact and NAIC KC and DC Offices are currently operating remotely due to the COVID-19 situation. The consultant should plan to attend the NAIC Summer and Fall National Meetings including the in-person Compact meeting. The Compact will make and cover travel and hotel arrangements and expenses for each meeting. The Compact can facilitate conference call and videoconferencing capabilities.

25. **Timeline:** The timeline for completion from July to November is relatively generous. Is there a particular reason for that?

**RESPONSE:** The Compact is looking for the consultant to provide a practical timeline for the project. The Compact envisions the consultant will provide its report in advance of an in-person meeting, and that it will then present its report and recommendation at an in-person meeting where there would be opportunity for question and discussion. The Compact has three in-person meetings each year in conjunction with the NAIC National Meetings. The current plan would be for the consultant to attend the August 10th in-person meetings in Minneapolis, Minnesota and November 13th in Indianapolis, Indiana. The goal is to provide the consultant’s written report and recommendations in advance of an in-person meeting such that members and others have a chance to review. The August 10th meeting may likely be too soon to conduct the work and issue a report and recommendation. Further, the consultant may benefit from attending an in-person meeting before issuing its recommendation. For this reason, the November 13th meeting is identified as the date of the final deliverable – presentation of the report and recommendations.
26. **Constraints including COVID-19 crisis:** Are there any known availability constraints that could prevent key stakeholders and committee members from participating with the selected firms? / Does the IIPRC anticipate COVID-19 restrictions to negatively impact the deliverable dates and final product presentation? If so, does the IIPRC have contingency plans to ensure the presentative deliverable date of the report is met? / As a result of the current COVID-19 situation, do you expect any changes in the timing of the completion of this RFP? / Do you anticipate any changes to the project timeline due to COVID?

**RESPONSE:** The Compact is not aware of constraints that will prevent the consultant from receiving information from key stakeholder and Compact members. The Compact does not anticipate the current COVID-19 situation will impact the timing from its end with respect to the completion of the proposed scope of work. The Compact generally expects this work to be completed with minimal in-person contact. The bulk of the work will be done remotely.

The current COVID-19 situation may pose some scheduling issues as many organizations, including the Compact and NAIC, are working remotely but it is not expected to impact the overall schedule or performance of the engagement. Another possible impact would be if the in-person Compact meetings are not held in the event the NAIC Summer or Fall National Meetings are cancelled similar to the NAIC Spring Meeting. Such circumstances would cause minimal disruption as the Compact meeting would be held by video conference or conference call and in-person outreach planned by the consultant would be conducted by telephone or video conference.

27. **Budgeted Amount:** Does IIPRC have a specific budget (or budget threshold) in mind for this review? / What is the budget for the Governance Review project? / What is the expected budget and/or budget range for this engagement? / What is the budget for this project? What seems like a reasonable investment to you for a project like this?

**RESPONSE:** The budget for this project depends on the level of effort outlined in the winning proposal. The Compact will consider proposals with more than one cost option depending on the proposed level of work. Both of these projects are currently not included in the adopted 2020 Annual Budget. The members of the Compact are expected to consider an additional 2020 budget allocation for the combined outlay for these projects at its June conference call.

28. **Content of Fee Proposal:** What is your expectation for a fee proposal? Do you have a preference as to how the fee proposal should be structured? You request a detailed and complete cost for the project. Do you want a flat fee proposal, a proposal with hourly rates and estimated hours for the project, a range, or some other combination? Some guidance in this respect would be helpful. / What are some examples of allowable ‘assumptions regarding the selected vendors’ fees? / Item 10 states “…performance of any follow up work as necessary and agreed to by the parties.” – does that assume additional pricing will be negotiated at that time? / Is the Insurance Compact seeking additional support from the consultant in implementing any changes which may be agreed as a result of the analysis?
**RESPONSE**: The Compact has a strong preference for a flat fee proposal and will consider other types of proposals provided the total amount proposed is clearly ascertainable. The Compact has a strong preference for a table or grid showing the cost proposal broken down the steps or deliverables being proposed in response to the RFP scope of work. The purpose of the grid should be to allow for cost comparison among the proposals with the following suggested format:

<table>
<thead>
<tr>
<th>Phase or Deliverable</th>
<th>Associated Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1 or First Deliverable (Example: Reviewing and planning)</td>
<td>$</td>
</tr>
<tr>
<td>Phase 2 or Second Deliverable (Example: outreach and information gathering)</td>
<td>$</td>
</tr>
<tr>
<td>Phase 3 or Third Deliverable (Example: analysis and benchmarking)</td>
<td>$</td>
</tr>
<tr>
<td>Phase 4 or Fourth Deliverable (Example: report and recommendation)</td>
<td>$</td>
</tr>
<tr>
<td>Phase 5 or Fifth Deliverable (etcetera . . . )</td>
<td>$</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>

The Compact will expect a “not-to-exceed unless mutually agreed” clause in the agreement with respect to fees and expenses. The Compact’s goal is to be able to appropriately budget for the cost of this expense once a cost is identified, so it expects a realistic and stable proposal.

The members of the Compact will consider and approve a combined budget allocation based on the costs outlined in the winning proposals for these projects. The Compact will separately make and cover the expenses associated with conference calls, videoconferences, travel, and registration to NAIC meetings. The Compact may also perform other tasks such as printing or coordinating information gathering if more cost effective. Please also identify whether your proposal includes any discounts for the nature of the Compact either as a government, regulatory or nonprofit entity.

The proposal should identify the assumptions the consultant is making with respect to the obligations of the parties. For example, do the fees assume a certain number of Compact members, industry or others would be interviewed? Do the fees assume the consultant will perform the work remotely or on-site? Do the fees assume the consultant will complete its work within a certain time frame or within a certain number of hours? Do the fees assume the Compact will handle the scheduling and costs associated with outreach to members of the Compact?
The implementation phase is not considered part of the scopes of work in the Request for Proposals. The members of the Compact would determine next steps including whether to utilize the support of the consultant selected under this RFP.

Work outside the scope of work in the agreement between the Compact and consultant including work following the final report and recommendation will be subject to additional pricing and negotiations.

29. **Evaluation Factors**: What are the selection criteria and weights for determining the firm to assist the IIPRC with the RFP?

**RESPONSE**: The weighting of selection matrix has not been finalized but will be comprised of the following elements: 1) financial aspects of the proposal including total costs and reasonableness in relation to scope proposed; 2) quality of the staff including completeness of background information on the project team members and demonstration of their ability to complete the work in an objective manner; 3) knowledge of specific requirements including completeness of proposal and explanation of the proposed approach; 4) understanding of state-based insurance regulation and/or interstate compacts as well as comparable organizations; 5) ability to provide deliverables by deadlines including a detailed and reasonable timeline with ability to measure progress; and, 6) reputation of firm.

30. **Response to Both RFPs**: The Scope of Work in RFP #11 Governance Review and RFP #12 Business Assessment are similar in many respects and interdependent (i.e., the review of organizational documents). For the sake of efficiency and cost, would the Compact be interested in combining RFP #11 Governance Review and RFP #12 into a single engagement by a firm with the capabilities to perform the Scope of Work in both RFPs? / The two RFPs (#11 – Governance Review and RFP #12 – Business Assessment) follow the same timeline and include some scope overlap. Can the Vendor submit one consolidated proposal that addresses both RFPs together? / May separate bids for the Governance RFP (#11) and the Business Assessment RFP (#12) reference each other in any manner?

**RESPONSE**: The Compact envisions the governance review and business assessment will be conducted at the same time and will be independent of each other. The Compact will consider, either or both, a proposal that addresses only one of the RFPs and a proposal that addresses both RFPs. A comprehensive proposal addressing both RFPs should clearly identify the team members who will work on the governance review and business assessment, respectively, as well as the costs/pricing listed separately for each RFP scope of work. If a consultant submits a comprehensive proposal for both RFPs, it should clearly state whether it is a requirement to select the consultant for both RFPs or if it would be willing to perform only one RFP if another consultant was selected to perform the other RFP. Consultant responding to an RFP, or a consultant submitting separate bids to each RFP, may reference the other RFP to the extent necessary.
31. **Communication Between Consultants:** Will the IIPRC selected vendor for the IIPRC’s Governance Review communicate its findings with the selected vendor for IIPRC’s Business Assessment? / Does the Insurance Compact Commission contemplate the need for interaction/coordination between or among consultants if multiple consultants are picked for the Governance RFP (#11) and the Business Assessment RFP (#12)?

**RESPONSE:** The Compact envisions the governance review and business assessment will be conducted at the same time and will be independent of each other. The Governance Review Committee will provide guidance and oversight for each project and will facilitate the communication and coordination between the respective projects and consultants, as necessary.

32. **Agreements with NAIC:** The Compact has a loan agreement, service agreement and license agreement with the NAIC. Is the consultant expected to review and comment upon these agreements? / Will the consultant have access to documentation regarding the loan from the NAIC to the Insurance Compact Commission, including terms, amendments, and payment history? / What amount of start-up capital must be repaid to the NAIC?

**RESPONSE:** For both the governance review and business assessment, the selected consultant will need to understand the relationship between the Compact and the NAIC. The Compact staff will provide the consultant with agreements and respond to questions. The consultant may consider the arrangements between the NAIC and Compact when conducting its work and making its recommendations. The consultant will not be expected to specifically review and comment on these agreements as part of either engagement.

As of year-end 2019, the outstanding amount owed by the Compact to the NAIC was $3,452,867 which under the original terms is required to be paid in full over 60 months. Both the NAIC and Compact have agreed to restructured terms of repayment where the Compact would make repayment only on the principal balance of $2,740,134 over ten annual payments.

The term sheet can be found on the Events Calendar for the May 4th call.

33. **Final work product / deliverables:** In terms of the final output, is the Insurance Compact looking for all of the back-up materials as well as the executive summary of conclusions? / Or just the executive summary? / Does the IIPRC anticipate wanting any portion of the review to be a confidential (privileged) review? / How will the selected firm assist the Compact Officers with the presentation of the report at the Annual Meeting?

**RESPONSE:** The consultant’s report will be made available to the members of the Compact and likely will be made publicly available. The reports and recommendations for the governance review and the business assessment will be on the agenda for the in-person Annual Meeting in November. The consultant will make the presentation to the members of the Compact and the Compact Officers will facilitate questions and discussion.
Depending on the scope of the report and recommendation, the Compact would likely want relevant supporting materials though recognizes the consultant may have proprietary interests subject to protection and confidentiality. The Compact does not anticipate the consultant’s report and recommendations will necessarily need to include confidential or privileged information. The work may involve review of privileged information including relevant outside counsel guidance and work product information with respect to the Compact’s participation in third-party litigation.

34. **Insurance Coverage:** Does the Insurance Compact Commission have separate insurance coverage for its Directors, Officers, and/or Management Committee members?

**RESPONSE:** The Compact has D&O insurance coverage which covers members of the Commission and Management Committee including the Officers when acting in Compact capacity.

35. **Other compacts:** We have been involved with work for other compacts outside the insurance industry. Is this experience relevant for the RFP?

**RESPONSE:** Previous work with other interstate compacts not in the insurance industry would be considered relevant.

36. **Previous work for Insurance Compact:** Does the Compact see any advantages to using the audit team as a resource in the consulting engagement? Does the Compact have any reservations about using their audit firm for consulting projects?

**RESPONSE:** The Compact has serious reservations about using any prior engaged consultant for these projects. The Compact would expect proposals to identify any past or current work performed for the Compact, NAIC or the National Insurance Producer Registry or other related entities. The Compact would not object to the audit team or other prior vendors being used as a resource, but any such plan should be identified in the proposal.

Consultants that have performed independent audit or legal services for the Compact, the NAIC or other related entity could appear to lack independence which is generally disfavored for this project. If such a consultant applies, the consultant would need to both identify considerable rationale to overcome this perception of a conflict, and also demonstrate that the team to perform this work would be sufficiently independent of the prior relationships, and have the requisite skill to perform this work independently of the audit team or legal team.
APPENDICES