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LETTER FROM THE OFFICERS

2024 was a year of transition for the Insurance Compact in many ways, from changes in leadership to exploring ways to grow our organization. We have an even greater appreciation for the importance of keeping the Compact focused on its mission of regulatory collaboration, uniformity, efficiency and speed to market. We reflect on this past year as we prepare to usher in Compact 2.0.

The Commission expanded its membership in 2024 by welcoming South Dakota as its 48th member. South Dakota officially joined the Insurance Compact on July 1, 2024, and we were delighted to officially welcome Director Larry Deiter to the table during our Summer National Meeting in Chicago.

The Product Standards Committee was incredibly productive in developing or amending a wide range of Uniform Standards. As a result of their hard work, the Commission adopted an impressive 35 new or amended Uniform Standards in 2024: eight new or amended Annuity Uniform Standards, including *Standards for Individual Deferred Index Linked Variable Annuity Contracts*, and 27 amended Uniform Standards to accommodate non-employer groups, including Group Whole and Term Life Insurance and Group Disability Income Insurance product lines. The Commission also amended the Compact Bylaws to allow former Compact Officers to serve as the ex-officio Past Chair, ensuring continuity of leadership.

The Commission also adopted its strategic plan, *Insurance Compact Compass 2.0 (Compass 2.0)*. The Commission has fulfilled the objectives and goals set forth within its first strategic plan, which was focused on strengthening the organization's governance, communications, processes, and financial and operational health. *Compass 2.0* continues with the three overarching priorities identified in the first strategic plan to plot its action items for the next voyage of its strategic journey:

- Uniform standards states support and companies willingly use;
- Nationally recognized regulatory review process; and,
- Resource for Compacting States, regulated entities and consumers.

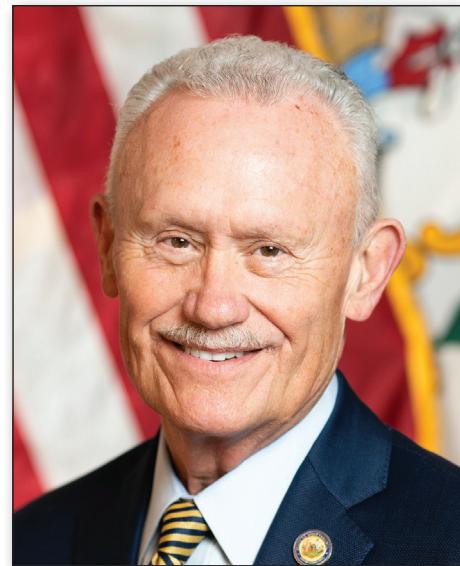
We held two more Compact Roundtables in 2024. Since 2022, the Roundtables have brought together Compacting State Commissioners, regulators, legislators, and industry representatives to exchange perspectives and ideas for how the Compact can continue to excel in its mission and purpose. Last year, there was a greater focus on the work of the Adjunct Services Committee; discussions revolved around developing a pilot program and working through a framework document and accompanying questionnaire. The feedback from these sessions will help inform not only the work of the Adjunct Services Committee but how to expand our services to better assist our members.

We want to thank and congratulate all our members, regulators, state legislators, consumer representatives, industry representatives, and company filers who contributed to the tremendous amount of work accomplished last year. It would have been impossible without your valuable input. The amount and pace of work continues in 2025; with your continued commitment and engagement, we will surely have another productive, and collaborative year.

2024 OFFICERS



Director Eric Dunning
Chair, Nebraska



Commissioner Allan L. McVey
Vice Chair, West Virginia



Director Barbara D. Richardson
Treasurer, Arizona



Director
Elizabeth Kelleher Dwyer
Past Chair, Rhode Island



LETTER FROM THE EXECUTIVE DIRECTOR

2024 was a banner year for uniform standard development, with 35 new or amended Uniform Standards adopted last year, as well as for the development and adoption of *Compass 2.0*, the Compact's strategic plan. The Compact Office was privileged to support the engagement, hard work, and accomplishments of our membership.

The Compact Office continued to improve communications with its member state regulators. With the launch of the NAIC Connect, we have established a place where Compacting state regulators can stay apprised of the latest information from the Insurance Compact; additionally, pages were created for two of our committees, the Product Standards and Adjunct Services Committees. These pages allow users to access regulator-only materials with ease, as well as an opportunity to interact with both the Compact Office and each other. We look forward to expanding access to more materials in the coming year.

The Compact Office rolled out a governance training program for its members and designated representatives. The outside governance review performed in 2020 indicated that members and their designated representatives should receive governance training specifically for their participation on the Commission. Each member may designate a person(s) to serve in the member's place with respect to Commission business, including attending Commission meetings and voting. Designated representatives serve similar governance duties as their Commissioner/Director when acting on their behalf.

The Compact Office engaged in several outreach activities efforts in 2024. Namely, we presented at numerous events, including the spring and fall meetings of the Life and Health Compliance Association, Association of Insurance Compliance Professionals (AICP) chapter and annual meetings, SOA Supplemental Health, DI, and LTC conference, and ALI-CLE conference. The Compact attended conference and events to keep members and state legislators apprised of its activities. Additionally, we offered spring and fall sessions of our popular webinar series, informing regulator and industry participants of the important work the Compact performs.

The Compact Office was excited to work with South Dakota to support their enactment and implementation of the Compact. We also supported company filers adding South Dakota to existing filings by issuing a filing announcement and several Weekly Tips, ensuring a smooth filing process.

On behalf of the Compact Office team, thank you to the Compact Officers, 48 Members, and their staff for their commitment to the mission and purposes of their collective organization. We recognize state legislators, consumer representatives, industry representatives, and company filers who provided their support, perspectives, and expertise to continuously improve the Insurance Compact. We are excited to support the Commission's continued work and even more accomplishments in 2025 and beyond.

Karen Z. Schutter
Executive Director

THE INSURANCE COMPACT TODAY

<https://www.insurancecompact.org>

UNIFORM PRODUCT STANDARDS AND APPROVAL

The Interstate Insurance Product Regulation Compact (Insurance Compact) is an innovative, **state-based** agreement to modernize the regulatory approval of asset-based insurance products. Through the collective efforts of 48 Compacting States, the Insurance Compact develops detailed and comprehensive uniform product standards containing balanced and **strong consumer protections**. Companies submit one product for thorough review by an experienced regulatory team of reviewers and actuaries.

The Insurance Compact serves the need for **uniformity, speed-to-market, and regulatory compliance** in a national state-regulated insurance marketplace.

MULTI-STATE PUBLIC BODY

The Insurance Compact established a **multi-state public body**, the Commission, which serves as an instrumentality of the Compacting States. Each Compacting State is an official member - usually the Insurance Commissioner - of the Commission.

Over **116 uniform product standards** have been implemented so far through an open, transparent rulemaking process that requires adoption by a minimum two-thirds or "supermajority" of the entire membership.

CURRENT PRODUCT LINES:

- ★ Individual **Life**
- ★ Individual **Annuity**
- ★ Individual **Long-Term Care**
- ★ Individual **Disability Income**
- ★ Group **Life**
- ★ Group **Disability Income**
- ★ Employer Group **Annuity**

Once a Uniform Standard is adopted, the Insurance Compact serves as the central point of electronic **filing, review, and approval** for these insurance products. The Insurance Compact is **revenue-neutral** for state budgets. State filing fees are collected and remitted electronically for all Compact filings. The Insurance Compact is funded by separate fees from filing companies.

COMPACT BENEFITS

The Insurance Compact has defined **speed-to-market** by providing product approval in less than 60 days, with a thorough and transparent upfront review process.

Compact States retain sovereign authority over their insurance marketplace and actively participate in ensuring uniform standards provide insurance consumers with strong and established protections.

Consumers benefit from ensuring these mobile-borne products are subject to thorough prior review using consistent, detailed standards.

Companies benefit from getting a form/product to market in a competitive, efficient, cost-effective, and streamlined manner across the Compacting States.

COMPACT STATES

46 States, plus the District of Columbia and Puerto Rico have adopted the Insurance Compact legislation to date, representing 75% of the premium volume nationwide.

MEMBERSHIP (AS OF DECEMBER 31, 2024)

Mark Fowler
Commissioner, Alabama
Department of Insurance

Lori K. Wing-Heier
Director, Alaska
Division of Insurance

Barbara D. Richardson
Director, Arizona
Department of Insurance

Alan McClain
Commissioner, Arkansas
Insurance Department

Michael Conway
Commissioner, Colorado
Division of Insurance

Andrew N. Mais
Commissioner,
Connecticut Insurance
Department

Karima M. Woods
Commissioner, District
of Columbia Insurance,
Department of Securities
and Banking

Trinidad Navarro
Commissioner, Delaware
Department of Insurance

John F. King
Commissioner, Georgia
Office of Insurance &
Safety Fire Commissioner

Gordon I. Ito
Commissioner, Hawaii
Insurance Division

Dean L. Cameron
Director, Idaho
Department of Insurance

Ann Gillespie
Acting Director, Illinois
Department of Insurance

Holly W. Lambert
Commissioner, Indiana
Department of Insurance

Doug Ommen
Commissioner, Iowa
Insurance Division

Vicki Schmidt
Commissioner, Kansas
Insurance Department

Sharon P. Clark
Commissioner, Kentucky
Department of Insurance

Timothy Temple
Commissioner, Louisiana
Department of Insurance

Robert Carey
Superintendent, Maine
Bureau of Insurance

Marie Grant
Acting Commissioner, Maryland
Insurance Administration

Michael T. Caljouw
Commissioner, Massachusetts
Division of Insurance

Anita G. Fox
Director, Michigan
Department of Insurance &
Financial Services

Grace Arnold
Commissioner, Minnesota
Department of Commerce

Mike Chaney
Commissioner, Mississippi
Insurance Department

Chlora Lindley-Myers
Director, Missouri
Department of Commerce &
Insurance

Troy Downing
Commissioner,
Montana Office of the
Commissioner of
Securities & Insurance

Eric Dunning
Director, Nebraska
Department of Insurance

Scott Kipper
Commissioner, Nevada
Division of Insurance

D.J. Bettencourt
Commissioner,
New Hampshire
Insurance Department

Justin Zimmerman
Commissioner, New Jersey
Department of Banking &
Insurance

Alice Kane
Superintendent, New Mexico
Office of Superintendent of
Insurance

Mike Causey
Commissioner, North Carolina
Department of Insurance

Jon Godfread
Commissioner, North Dakota
Department of Insurance

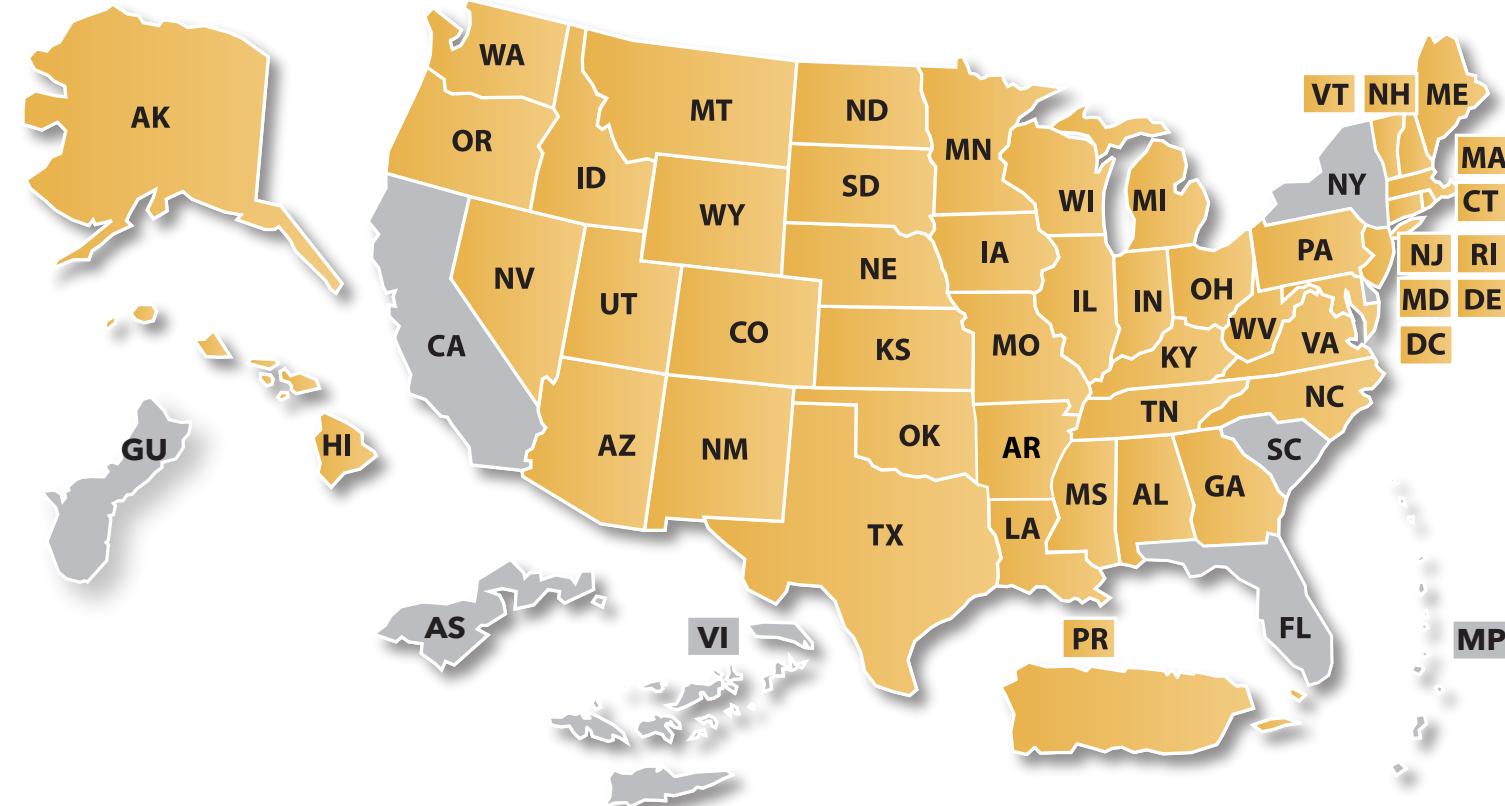
Judith French
Director, Ohio
Department of Insurance

Glen Mulready
Commissioner, Oklahoma
Insurance Department

Andrew R. Stolfi
Commissioner, Oregon
Division of Financial Regulation

Michael Humphreys
Commissioner, Pennsylvania
Insurance Department

Alexander S. Adams Vega,
Commissioner, Puerto Rico
Office of the Commissioner
of Insurance



Elizabeth Kelleher Dwyer
Director, Rhode Island
Department of Business
Regulation

Larry D. Deiter
Director, South Dakota
Division of Insurance

Carter Lawrence
Commissioner, Tennessee
Department of Commerce
and Insurance

Cassie Brown
Commissioner, Texas
Department of Insurance

Jon Pike
Commissioner, Utah
Insurance Department

Kevin Gaffney
Commissioner, Vermont
Department of Financial
Regulation

Scott A. White
Commissioner, Virginia State
Corporation Commission,
Bureau of Insurance

Mike Kreidler
Commissioner, Washington
Office of the Insurance
Commissioner

Allan L. McVey
Commissioner, West Virginia
Offices of the Insurance
Commissioner

Nathan Houdek
Commissioner, Wisconsin
Office of the Commissioner
of Insurance

**2024 Past Members
Who Served**

Dana Popish Severinghaus, IL
Amy Beard, IN
James J. Donelon, LA
Kathleen Birrane, MD
Gary D. Anderson, MA

ROUNDTABLE SUMMARY

The Compact Officers hosted two well-attended Roundtable events in 2024. The first one took place in Washington, D.C. in May, and the second was held in Omaha during the fall. Both sessions gave members, state legislators, industry filers, and consumer representatives alike the opportunity to discuss key strategic questions and issues facing the Insurance Compact.

One common theme from both sessions was efficiency and collaboration. The D.C. Roundtable emphasized the importance of efficient processes and collaboration among states, companies, and regulators. The creation of the Adjunct Services Committee and the adoption of Index-Linked Variable Annuity Standards were highlighted as key actions. The Omaha Roundtable also stressed efficiency and collaboration, particularly through the collaboration and advisory services through the Compact for quicker approval of innovative products and the need for a structured review process.

Another common theme from both events was innovation and flexibility. The D.C. Roundtable focused on the need for more flexibility in product filings and standards development. The breakout sessions discussed the desire for quicker turnaround on developing standards and the potential use of AI in reviewing filings. The Omaha Roundtable highlighted how the Compact platform and expertise could help states in their review of innovative products that do not fit the existing Uniform Standards. Participants also discussed the need for a gatekeeper mechanism to manage the influx of concepts and the role of AI in future regulatory processes.

Confidentiality and consumer impact were common themes of both sessions. Discussions around the importance of maintaining confidentiality and considering consumer impact in the review process were held. The breakout sessions emphasized the need for extensive pre-filing communications and forming committees with diverse participation. Similarly, the Omaha Roundtable emphasized confidentiality, particularly around trade secrets, and the need for deeper consideration of consumer impact in the questionnaire and review process.

Education and training were also discussed. Participants at the D.C. Roundtable highlighted the need for better communication and education about the Compact's processes and standards and suggested providing training to member states to keep pace with changes in the insurance marketplace. The Omaha Roundtable also stressed the importance of education and training, particularly for states to keep up with changes and ensure effective regulation.

Lastly, participants of both Roundtables discussed coordination and communication. The D.C. Roundtable emphasized improving coordination between different review processes and enhancing communication to make filings smoother and more efficient. The Omaha Roundtable focused on better coordination between form and actuarial reviews and improving pre-filing communication to streamline the filing process.



MANAGEMENT COMMITTEE

The Management Committee is formed annually 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, 2024 - 2025

Eric Dunning, Nebraska, Chair
 Allan L. McVey, West Virginia, Vice Chair
 Barbara D. Richardson, Arizona, Treasurer
 Elizabeth Kelleher Dwyer, Rhode Island*
 Ann Gillespie, Illinois
 Michael Caljouw, Massachusetts
 Anita Fox, Michigan
 Justin Zimmerman, New Jersey
 Mike Causey, North Carolina
 Judith French, Ohio
 Michael Humphreys, Pennsylvania
 Cassie Brown, Texas
 Sandy Bigglestone, Vermont
 Scott White, Virginia
 Jeff Rude, Wyoming

* Ex Officio

Management Committee, 2023 - 2024

Kathleen Birrane, Maryland, Chair+
 Eric Dunning, Nebraska, Chair++
 Allan L. McVey, West Virginia, Vice Chair
 Barbara D. Richardson, Arizona, Treasurer
 Elizabeth Kelleher Dwyer, Rhode Island*
 John F. King, Georgia
 Ann Gillespie, Illinois
 Grace Arnold, Minnesota
 Justin Zimmerman, New Jersey
 Mike Causey, North Carolina
 Judith French, Ohio
 Michael Humphreys, Pennsylvania
 Cassie Brown, Texas
 Kevin Gaffney, Vermont
 Scott White, Virginia
 Jeff Rude, Wyoming

+ Served until June 30, 2024 ++ Effective July 1, 2024 * Ex Officio

COMMITTEE ACTIVITIES

The Insurance Compact relies upon the regulatory expertise in the member 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 **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. In 2024, the Audit Committee continued to review the Compact's financials, worked with the independent auditors to complete the annual audit, and adopted its Committee Charter.

2024: Sharon Clark (KY), Chair; Scott Kipper (NV), Vice Chair

The **Governance Committee** promotes best practices for overall good governance and encourages effective leadership through the integration of planning, management, and quality improvement. In 2024, the Governance Committee sponsored in-person governance training for members and their designated representatives.

2024: Eric Dunning (NE), Chair; Nathan Houdek (WI), Vice Chair

The **Finance Committee** monitors the finances of the Insurance Compact. In 2024, the Finance Committee prepared the annual budget, including updating the per-filing fee methodology to better align the value of review with the cost to review. The Finance Committee also proposed a resource request as part of the 2025 budget.

2024: Allan McVey (WV), Chair; Andrew Mais (CT), Vice Chair

The **Product Standards Committee** reviews and recommends uniform standards to the Management Committee. In 2024, the Product Standards Committee finalized amendments to group whole life, group term life, and group disability income standards to include non-employer groups. The Product Standards committee also finalized its work developing Index-Linked Variable Annuity (ILVA) Uniform Standards.

2024: Doug Ommen (IA), Chair; Kevin Gaffney (VT), Vice Chair

The **Rulemaking Committee** develops and recommends to the Management Committee the rules and operating procedures, and any amendments thereto. In 2024, the Rulemaking Committee reviewed feedback from its annual governance survey and approved its 2024 Committee Charter.

2024: Jon Pike (UT), Chair; Robert Carey (ME), Vice Chair

The **Adjunct Services Committee** considers ideas and proposals for expanded programs and services the Compact could provide member states within its statutory framework, including adjunct services leveraging the Compact's platform, expertise, and efficiency for filings outside the Uniform Standards. In 2024, the Adjunct Services Committee implemented monthly calls open to regulators in Compacting States to discuss questions and regulatory issues around Compact product filings and explored a pilot process where states come together through the Compact's multi-state platform to engage with companies that wish to get state approval of new or innovative products or product feature.

2024: Barbara D. Richardson (AZ), Chair; Mike Humphreys (PA), Vice Chair

ADVISORY COMMITTEES

Consumer Advisory Committee

- **Anna Schwamlein Howard**
American Cancer Society Cancer Action Network
- **Brendan Bridgeland**
Center for Insurance Research
- **Deborah Darcy**
American Kidney Fund
- **Fred Nepple**
Consumer Liaison Representative
- **Jane Cline**
Retired Insurance Commissioner
- **Eric Cioppa**
Former Insurance Superintendent, Retired
- **Chris Kite**
Consumer Advocate
- **Dick Weber**
Life Insurance Consumer Advocacy Center (LICAC)

Industry Advisory Committee

- **Wayne Mehlman**
American Council of Life Insurers (ACLI)
- **Amanda Herrington**
America's Health Insurance Plans (AHIP)
- **Sarah Wood**
Insured Retirement Institute (IRI)
- **Roger Moore**
National Association of Insurance and Financial Advisors (NAIFA)
- **Mike Drislane**
Brighthouse Financial
- **Eric Weinstein**
Massachusetts Mutual Life Insurance Company
- **Andrea Davey**
Protective Life Insurance Company
- **Joseph Muratore**
New York Life Insurance Company

Legislative Committee

- Representative Matt Lehman, Chair**
State of Indiana
- Speaker Pro Tempore Brian Patrick Kennedy, Vice Chair**
State of Rhode Island
- Senator Laura Fine**
State of Illinois
- Representative Rachel Roberts**
State of Kentucky
- Representative David LeBoeuf**
State of Massachusetts
- Representative Forrest Bennett**
State of Oklahoma
- Representative James Dunnigan**
State of Utah
- Representative Dean Jeffries**
State of West Virginia

Former Members Who Served:

- Assemblyman Roy Freiman**
State of New Jersey

ORGANIZATIONAL CHART



INSURANCE COMPACT OFFICE

www.insurancecompact.org

Phone: 202-471-3962

Email: comments@insurancecompact.org

X: @InsCompact

LinkedIn: @Insurance-Compact

INSURANCE COMPACT TEAM

Karen Z. Schutter

Executive Director

Becky McElduff

Director of Product Operations & Counsel

Sara Dubsky

Assistant Director of Administrative Operations

Karen Givens

Assistant Director of Product Review Operations

Joseph Bonfitto

Product Reviewer

Mindy Bradford

Senior Product Reviewer and Trainer

Katie Campbell

Senior Actuary

Ed Charbonnier

Senior Product Reviewer and Manager

Susan Ezalarab

Regulatory Coordinator Consultant

Kent Holbrook

Actuary

Mari Jackson

Administrative Assistant

Naomi Kloeppersmith

Actuary

Aimee Lawson

Product Filing Specialist

Rachael Morisseau

Project Coordinator

Sarah Neil

Communications and Outreach Coordinator

Cara Shackelford

Regulatory Research Specialist

Jenny Sieben

Product Reviewer II

Alisha Williams

Intake Coordinator

2024 HIGHLIGHTS

SUPPORTING STATES

- ★ South Dakota enacted and joined the Compact
- ★ Supported Oregon in opt out of Index Linked Variable Annuity standards

Uniform Standards

- ★ Finalized and adopted amendments to group whole life, group term life, and group disability income standards to include non-employer groups
- ★ Adopted new Uniform Standard for Index Linked Variable Annuities
- ★ Conducted Annual Identification and Prioritization Process for Uniform Standards Development

Outreach

- ★ Held Compact Roundtable in Washington, D.C. with 55 participants, including 12 Commissioners and 2 state legislators
- ★ Presented at Spring and Fall Meetings of the Life and Health Compliance Association
- ★ Published 12 monthly issues of Compact Chronicles to members
- ★ Published Filing Information Notice (FIN) 2024-1: Requesting Trade Secret Treatment of Information Submitted in a Product Filing to the Compact
- ★ Governance training sessions were held for members and their designated representatives
- ★ Issued 24 Weekly Tips to company filers
- ★ Held Compact Roundtable in Omaha, NE with 62 participants, including 7 Commissioners and one state legislator
- ★ Presented at ALI-CLE Conference on Life Insurance Company Products
- ★ Presented and exhibited at AICP Annual Meeting
- ★ Conducted Fall Webinar Series with 6 sessions and over 300 total attendees
- ★ Participated in local Association of Insurance Compliance Professionals (AICP) Chapter Meetings
- ★ Conducted Spring Webinar Series with 8 sessions and over 200 total attendees

COMMITTEE ACTIVITIES

- ★ Welcomed two new members to the Legislative Committee
- ★ Implemented monthly regulator-only Product Filing Operations calls
- ★ Amended Compact Bylaws to allow for more flexibility in filling and sustaining the service of former Compact Officers to serve as the ex-officio Past Chair
- ★ Adopted Uniform Standards Development Guidelines
- ★ Adopted 2025 Annual Budget Package
- ★ Adopted revenue realignment proposal
- ★ Appointed two new members to the Consumer Advisory Committee

REPORTING ACTIVITIES

- ★ Prepared and published *Annual Report on Long-Term Care Insurance Rate Schedule Certifications for Reporting Year 2023*
- ★ Delivered Value of Compact Services Report for each member state
- ★ Published *2024 Annual Report*

OPERATIONS

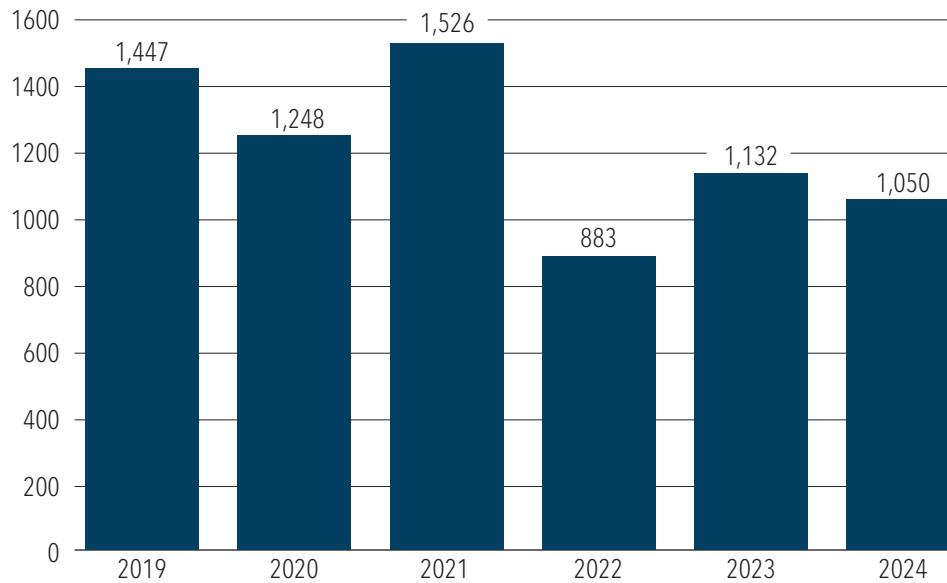
- ★ Launched three NAIC Connect pages
- ★ Worked with the NAIC SERFF team to modernize the system
- ★ Supported transition of Officer leadership
- ★ Presented inaugural Compact Champion Award to former Commission Chair, Kathleen Birrane
- ★ Hired two new employees: Product Reviewer and Regulatory Research Specialist
- ★ Adopted *Compact Compass 2.0*, the Compact's Strategic Plan, for the next three years

PRODUCT FILING STATISTICS

January 1, 2019 through December 31, 2024

Please note for the current year calculations are based on submissions year to date

Submissions Received



Overview

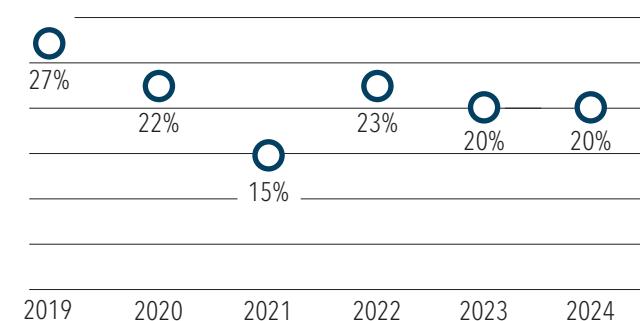
- ★ There are 48 Compacting States including Puerto Rico and the District of Columbia.
- ★ There are 20+ Types of Insurance (TOI) available for filing with over 116 adopted Uniform Standards and 140+ various sub-TOIs available

From June 2007 - December 2024:

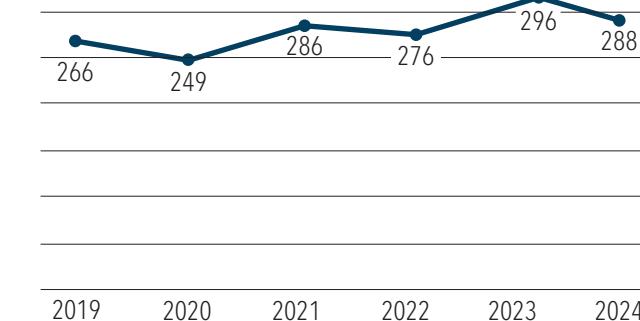
- ★ Over 14,683 products have been approved by the Insurance Compact; which equates to over 516,550 SERFF transactions.
- ★ 44,317 forms have been submitted for review.
- ★ \$37,688,134 in filing fees have been collected and remitted to the fee collecting member states.



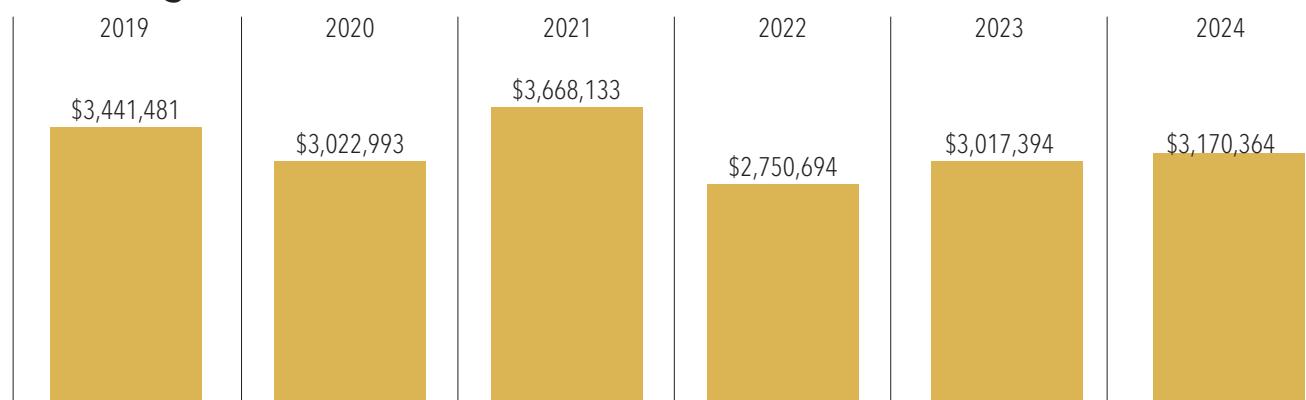
Mix & Match Percentage



Registered Companies



State Filing Fees Collected and Remitted



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. Rubin Brown 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. The Insurance Compact marked its seventeenth full year of revenue-generating operations in 2024. The Insurance Compact's 2024 Annual Report includes the independent auditors' report with information on the actual financial results of the organization. This Management Discussion & Analysis report is not a part of the annual external audit examination and is included to provide management's analysis of the organization's financial performance in 2024 and 2023.

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 \$1,466,826 as of December 31, 2024. This is a decrease of \$290,016 compared to 2023 due in part to servicing the NAIC line of credit and performing below budget specifically in filing fee transactions.

Accounts receivables were \$34,981 in 2024 and \$6,817 in 2023; a difference of \$28,164. Prepaid expenses \$10,245 in 2024 and \$13,314 in 2023; a difference of \$3,069.

Total current liabilities are \$1,612,233, or \$95,511, over 2023; accrued expenses and deferred revenue were higher in 2024 than 2023. Accrued expenses were \$335,692 in 2024 compared to \$276,052 in 2023. In 2024, the Insurance Compact received \$958,675 in deferred revenue, which was \$62,050 more than in 2023. Deferred revenue represents the annual registration fee paid in the previous year for the upcoming annual period in the subsequent year. This increase means more companies submitted their 2025 annual registrations by December 31, 2024, versus year-end 2023. In 2024, the Insurance Compact made the fifth consecutive annual payment on the note payable to the NAIC in the amount of \$274,013. The amounts for accounts payable and accrued expenses were due to the timing of payments to vendors, employees, and consultants, which fluctuates each year.

The Insurance Compact collected and remitted \$3,170,364 to states in applicable state filing fees, which was an increase of 5% or \$152,970 compared to the amount of state filing fees remitted in 2023. This increase was due, in part, to companies adding states that have recently joined the Insurance Compact and have state filing fees applied to Compact-approved products.

Statement of Revenues, Expenses, and Changes in Net Assets

The Insurance Compact is a public entity and an instrumentality of its member states, and it generates its revenue on a per transaction basis, not under any specific taxing authority. The Insurance Compact does not receive revenue from its member states but rather derives revenue from value-added services performed on behalf of the member states.

Operating revenues were \$3,156,197 which was \$14,971 under 2023 operating revenues with an actual-to-budget revenue ratio for 2024 of 84%.

Revenue is earned when an insurance company registers with the Insurance Compact and submits product filings to the Insurance Compact through the NAIC's System for Electronic Rate and Form Filing (SERFF). The *IIPRC Terms and Procedures for IIPRC Filing Fees* provides that the Insurance Compact adopts its Schedule of Fees in conjunction with the adoption of its annual budget. The Insurance Compact is revenue neutral to Compacting States. The filers continue to pay the applicable state filing fees for Insurance Compact submissions in addition to the Insurance Compact fees.

The Insurance Compact requires an annual registration fee, which provides access to the filing platform. There are eight main categories of filing fees for companies based on the reported premium volume and the number of states in which the company is currently licensed. A company's asset-based premium volume is 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. As of October 1, all companies are eligible to register at the pro-rated rate of 50% of their applicable registration fee for the remainder of the annual period.

There are two main categories of product filing fees based on whether an actuarial review is required and within those two categories, there are additional sub-categories based on the reported premium volume. Companies making submissions without an actuarial review pay less per submission than those requiring an actuarial review. Submissions inclusive of a rate review have a higher product filing fee due to the time and resources required to review the submissions. Regional companies licensed to do business in 12 or fewer Compacting States pay a reduced registration and per-filing fee.

Product filing fees were \$1,605,978 in 2024, compared to \$1,580,031 in 2023, an increase of \$25,947. A total of 1,601 products were received in 2024 compared to 1,709 products in 2023. The 2024 products received were 94% of 2023 products received. However, the number of forms submitted per submission increased. In 2024, there was a total of 2,868 forms submitted compared to the 2,616 forms submitted in 2023. This demonstrates a 10% increase in the number of forms. A revenue realignment proposal was approved as part of the 2025 Annual Budget to address this trend of decreased filings with increased forms. Companies reported some of the products they are creating and filing were filed directly with the states, as the Insurance Compact did not have Uniform Standards in place for variable index-linked annuities until 3rd quarter and continued to work on updating Uniform Standard for group products to include non-employer groups. Mix and match filings continue to remain low, which demonstrates the companies' commitment to filing under the available Uniform Standards. At the end of 2024, mix and match percentage remained at 20% as was demonstrated in 2023.

Annual registration fees were 98% of budget for 2024 at \$1,483,331 for 288 companies. The registrations received in 2024 were 3% under the 296 companies registered to use the Compact in 2023. The use of the Compact is voluntary for the filing companies. The Compact's Product Standards Committee worked throughout 2024 to expand the number of available products companies can file for review and approval through the Compact. It is anticipated in 2025 to see an increase in the number of registrations due to the availability of more products.

The operating expenses of \$3,242,616 for 2024 were under budget by \$380,436, or 11%, and \$267,715 over 2023's operating expenses. This variance is a result of the timing of resources and savings from travel, meetings and professional services. In 2024, the Compact Office hired two new resources.. The Insurance Compact ended 2024 with net assets of (\$86,419) compared to net assets of \$196,267 in 2023.

MANAGEMENT'S DISCUSSION & ANALYSIS

Debt

On June 1, 2007, the Insurance Compact signed a services agreement with the National Association of Insurance Commissioners (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 and 250 hours of maintenance support. The Services Agreement includes an additional adjustable administrative fee equal to 7.5% of every \$25,000 of net revenue in excess of expenses earned by the Commission. In 2024, the Commission did not trigger the adjustable administrative fee due to the negative net revenue of \$86,419.

The note payable to the NAIC totals \$1,808,789 as of the end of 2024. This is a \$274,013 decrease over the prior year due to the loan payment in March 2024. From 2007 through 2012, the Insurance Compact borrowed against lines of credit provided by the NAIC to fund operational needs.

In 2010, the NAIC and Insurance Compact entered a note payable for all outstanding and future borrowing with an interest rate of 2.25% equal to the prime rate of 3.25% on January 1, 2010, less 1%. Principal and interest payments were deferred until the year following the year in which the Insurance Compact achieved a profit of \$250,000 or an accumulated cash balance from operations of \$500,000 excluding funds from draws. Outstanding interest was capitalized monthly.

As of December 31, 2019, the Insurance Compact triggered the repayment of principal and interest by achieving a net positive revenue of \$646,204, which exceeded the \$250,000 threshold.

In 2020, the Insurance Compact and the NAIC restructured the repayment terms, as the parties recognized the Insurance Compact would not be able to service the full amount of the note payable over five years without causing a negative cash balance. The updated repayment agreement extends the repayment term from five to 10 years with the first payment due in 2020 and the final payment due in 2029. Repayment will be made only on the principal balance of \$2,740,134. Payments of \$274,013 will be made no later than March 31 of each year unless extended by mutual agreement between the Insurance Compact and the NAIC. If during the 10-year repayment period the Commission's cash balance is less than \$250,000 as reflected in the annual audited financial statements, the required payment for the year following the financial statement date will be deferred and the repayment period extended accordingly. Upon the final payment that completely repays the principal balance, the imputed interest balance of \$712,733 will be treated as a contribution to the Commission. There is no accrued interest during the repayment period including any extended periods beyond the initial 10-year repayment period. The first annual payment was made in May 2020 and the fifth annual payment was made in March 2024 totaling \$1,370,065 to date. With a cash balance of \$1,466,826 as of December 31, 2023, the Insurance Compact will make the sixth annual payment in March 2025.

Economic Factors

The Insurance Compact accepted its first product filings in June 2007. Since then, the Insurance Compact has approved over 14,680 products which would have translated into more than 516,550 individual state filing transactions. There are 48 Compacting Members, including 46 states, the District of Columbia, and Puerto Rico.

In 2024, the state of South Dakota enacted the Insurance Compact legislation and became the newest member of the Insurance Compact. Companies added South Dakota to more than 1,200 approved products generating more than \$79,700 in filing fee revenue for the state.

The Insurance Compact received 288 company registrations from large, medium, and small insurance companies and fraternals, representing over \$575 billion, or 93%, of the nationwide premium volume written for asset-based insurance products. Companies demonstrated their continued commitment to the Insurance Compact with 98% of filers registering as repeat filers in 2024. Further, 94% of the 2024 registered companies did so before the prorated date of October 1, 2024. The Insurance Compact's annual registration actual-to-budget revenue ratio for 2024 was 97%.

The Insurance Compact received 1,601 product filings for 2024, which was 94% of the 1,709 product filings received in 2023. In terms of 2024 budget, the actual number of product filings were 75% of the budgeted volume, with product filing fees \$560,772 under budget. Some of the variance in revenue is due to the difference in the filing fee category utilization, as the Insurance Compact met budget expectations in certain categories while substantially underperforming in others.

One of the reasons the product filings may be lower than in 2023 is because there is no regulatory requirement to update products such as the October 2023 deadline to update the suicide exclusion provision in Compact-approved products. In the 2025 annual budget package, the Insurance Compact adopted a per-filing fee realignment. A trend was identified that filers included more product components in fewer filings. Filings with one component such as an application or policy were assessed the same fee as filings that had added multiple riders, data pages and other forms. Starting in 2025, there will be an additional fee for filings that contain more than one product component. This additional fee will better align the value of the review with the cost to review and will treat filers and their respective submissions more equitably.

Towards the end of 2024, the Insurance Compact started receiving product filings for index-linked variable annuities which it had budgeted to receive earlier in the year. The 2024 budget also assumed the non-employer group framework adopted by the Commission would be fully operational which would result in additional filings. This framework was not implemented until 2025.

In 2024, the Insurance Compact continued to prioritize speed-to-market with an average turnaround time of 33 review days. In 2019, the Insurance Compact created an expedited review service on a pilot basis, which was adopted permanently in 2020. Companies that focus on quicker-than-average turnaround times have shown their willingness to pay more to support such a process, which involves form reviewers and actuaries' dedication to ensure thorough compliance review continues within tight service level time frames. The Insurance Compact earned \$196,037 in expedited fees for 2024.

The operating expenses of the Insurance Compact in 2024 were over 2023 operating expenses by 9%. The salaries and related expenses grew year-over-year. The Insurance Compact was able to manage expenses to end the year \$380,436 under budget. This savings was realized through timing of onboarding new resources, not convening as many in-person meetings as planned, and savings in certain professional services lines. The Insurance Compact retained two additional staff members - a Product Reviewer and a Regulatory Research Specialist. Of the Insurance Compact's 2024 operating expenses, 93% were salaries, benefits, and professional services associated with the Compact team.

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 2023 and 2024. Questions about this report and requests for additional financial information should be directed to Karen Schutter, Insurance Compact Executive Director, at kschutter@insurancecompact.com or (816) 783-8024.

HIGHLIGHTS





AUDIT REPORT



INDEPENDENT AUDITOR'S REPORT

Audit Committee

**Interstate Insurance Product Regulation Commission
Washington, DC**

Opinion

We have audited the financial statements of Interstate Insurance Product Regulation Commission (the Insurance Compact), which comprise the statement of financial position as of December 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Insurance Compact as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of the Insurance Compact and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Insurance Compact's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Insurance Compact's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Insurance Compact's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

RubinBrown LLP

March 6, 2025

AUDIT REPORT
**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
STATEMENTS OF FINANCIAL POSITION**

Assets	December 31,	
	2024	2023
Cash and cash equivalents	\$ 1,466,826	\$ 1,756,842
Accounts receivable	34,981	6,817
Prepaid expenses	10,245	13,314
Total Assets	\$ 1,512,052	\$ 1,776,973
 Liabilities And Net Deficit		
Current Liabilities		
Accounts payable	\$ 43,853	\$ 70,032
Accrued expenses	335,692	276,052
Deferred	958,675	896,625
Current portion of note payable to the NAIC	274,013	274,013
Total Current Liabilities	1,612,233	1,516,722
Long-Term Liabilities		
Note payable to the NAIC	1,808,789	2,082,802
Total Liabilities	3,421,022	3,599,524
Net Deficit		
Without donor restrictions	(1,908,970)	(1,822,551)
Total Liabilities And Net Deficit	\$ 1,512,052	\$ 1,776,973

AUDIT REPORT
**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
STATEMENTS OF ACTIVITIES**

Revenues	December 31,	
	2024	2023
Annual registrations	\$ 1,483,331	\$ 1,516,625
Product filing fees	1,605,978	1,580,031
Interest income	66,888	74,512
Total Revenues	3,156,197	3,171,168
Expenses		
Salaries	2,103,455	1,923,327
Employee benefits	538,231	481,034
Professional services	375,351	365,414
Travel	146,318	118,572
Rental and maintenance	4,452	5,203
Insurance	19,287	18,769
Office services Meeting expenses	27,649	22,149
	27,873	40,433
Total Expenses	3,242,616	2,974,901
Change In Net Deficit Without Donor Restrictions Net	(86,419)	196,267
Deficit - Beginning Of Year	(1,822,551)	(2,018,818)
Net Deficit - End Of Year	\$ (1,908,970)	\$ (1,822,551)

AUDIT REPORT
**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
STATEMENTS OF CASH FLOWS**
Cash Flows From Operating Activities

Change in net deficit without donor restrictions
Adjustments to reconcile change in net deficit without donor restrictions to net cash from operating activities:

	For The Years Ended December 31,	
	2024	2023
Change in net deficit without donor restrictions	\$ (86,419)	\$ 196,267
Adjustments to reconcile change in net deficit without donor restrictions to net cash from operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(28,164)	14,533
Prepaid expenses	3,069	(4,228)
Accounts payable	(26,179)	10,150
Accrued expenses	59,640	(36,708)
Deferred revenue	62,050	23,750
Net Cash Provided By (Used In) Operating Activities	(16,003)	203,764
Cash Flows Used In Financing Activity		
Principal payment to NAIC	(274,013)	(274,013)
Net Decrease In Cash And Cash Equivalents Cash	(290,016)	(70,249)
And Cash Equivalents - Beginning Of Year	1,756,842	1,827,091
Cash And Cash Equivalents - End Of Year	\$ 1,466,826	\$ 1,756,842

AUDIT REPORT
**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 And 2022

1. Summary Of Significant Accounting Policies
Nature of operations

The Interstate Insurance Product Regulation Commission (the Insurance Compact) 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 Insurance Compact 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 Insurance Compact had 48 member states as of December 31, 2024 and 47 member states as of December 31, 2023.

Basis of accounting

The accompanying financial statements of the Insurance Compact have been prepared on the accrual basis of accounting.

Basis Of Presentation

The financial statement presentation follows the requirements of accounting principles generally accepted in the United States of America by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity, and financial flexibility. As a result, the Insurance Compact is required to report information regarding its financial position and activities according to the following classes of net assets:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions but may be subject to board designations. At December 31, 2024 and 2023, there was no board designated net assets.

Net Assets With Donor Restrictions - Net assets are subject to donor-imposed restrictions that may or will be met either by actions of the Insurance Compact and/or the passage of time. Also included within this category are net assets subject to donor-imposed restrictions to be maintained in perpetuity by the Insurance Compact. At December 31, 2024 and 2023, the Insurance Compact does not have any net assets with donor restrictions.

Estimates And Assumptions

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 amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash And Cash Equivalents

The Insurance Compact considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2024 and 2023, cash and cash equivalents consisted of a checking account and a money market account. The Insurance Compact, at times, maintains deposits with banks in excess of the insured limits, but has not experienced any losses in such accounts.

AUDIT REPORT
**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**
1. Summary Of Significant Accounting Policies (Continued)
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. As of December 31, 2024 and 2023, there was no allowance for current expected credit losses.

Revenues

Revenue from contracts with customers is derived primarily from annual registration fees and product filing fees.

The Insurance Compact's annual registration revenue arrangements are recognized over time and consist of performance obligations that are satisfied ratably over a period of no more than one year. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. For the years ended December 31, 2024 and 2023, annual registration revenue was \$1,483,331 and \$1,516,625, respectively.

The Insurance Compact's product filing fees revenue is recognized at a point in time and consists of performance obligations that are satisfied when insurance companies process filings through the National Association of Insurance Commissioners' (the NAIC) System for Electronic Rates and Forms Filing (SERFF) and in accordance with the standards established by the Insurance Compact for its member states. The SERFF system provides a cost-effective method of handling insurance policy rate and form filings between regulators and insurance companies. Prices are distinct to a performance obligation. For the years ended December 31, 2024 and 2023, product filing fees revenue was \$1,605,978 and \$1,580,031, respectively.

The Insurance Compact records deferred revenue when amounts are invoiced but the revenue recognition criteria has not been met. Such revenue is recognized when all criteria are subsequently met. Deferred revenues for revenue from contracts are included as current liabilities on the statement of financial position and as of December 31, 2024 and 2023, were \$958,675 and \$896,625, respectively. As of January 1, 2023, deferred revenues were \$872,875. Associated accounts receivable for revenue from contracts as of December 31, 2024 and 2023, was \$31,000 and \$5,282, respectively. As of January 1, 2023, accounts receivable for revenue from contracts was \$20,850. There were no changes in annual registrations and product filing fees that would affect economic seasonality of the statement of financial position.

The Insurance Compact did not have any impairment or credit losses on any receivables arising from contracts with customers. There are no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in judgments affecting the determination of the amount and timing of revenue from contracts with customers..

AUDIT REPORT
**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**
Income Tax Provision

The Insurance Compact 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 Insurance Compact is subject to federal income tax on any unrelated business taxable income. The Insurance Compact 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 Topic 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, 2024 or 2023.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available for issue, which is the date of the Independent Auditors' Report.

2. Line Of Credit From And Notes Payable To The NAIC

The Insurance Compact used lines of credit from the NAIC to fund operational needs from 2007 to 2012. Interest accrued throughout this period at a rate of 2.25%. Interest does not accrue during the repayment period. Payment on these borrowings was triggered on December 31, 2019. Terms from the 2020 renegotiation of this agreement include a 10-year repayment period with the first payment due in 2020 and the final payment due in 2029. Repayment will be on the outstanding principal balance at the time of the negotiation in 2020 of \$2,740,134, with payments of \$274,013 made no later than March 31 of each year unless extended by mutual agreement between the Insurance Compact and the NAIC. If during the 10-year repayment period the Insurance Compact's cash balance is less than \$250,000 as reflected in the annual audited financial statements, the required payment for the year following the financial statement date will be deferred and the repayment period extended accordingly. Upon the final payment that completely repays the principal balance, the imputed interest balance of \$712,733 will be treated as a contribution to the Insurance Compact. The imputed interest of \$712,733 is included in the long-term portion of the note payable due to the NAIC as of December 31, 2024 and 2023. As of December 31, 2024 and 2023, the outstanding principal and interest balance on the note payable is \$2,082,802 and \$2,356,815, respectively.

Aggregate maturities of long-term debt as of December 31, 2024, are as follows:

Year	Amount
2025	\$ 274,013
2026	274,013
2027	274,013
2028	274,013
2029	274,013
Thereafter	712,737
	<hr/>
	\$ 2,082,802

AUDIT REPORT
**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**
3. Related-Party Transactions

Effective June 2007, the Insurance Compact entered into a service agreement with the NAIC, whereby the NAIC provides certain administrative services to the Insurance Compact. The NAIC is also providing a nonexclusive license to the SERFF system. The Insurance Compact has assumed the cost of upgrades and enhancements to the SERFF system to meet the Insurance Compact 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 and an annual license and maintenance fee in the amount of \$25,000 for the use of SERFF. The Insurance Compact also pays an adjustable administrative fee of every \$25,000 of net revenue in excess of expenses. No adjustable administrative fee was due in 2024. The fee was 7.5% of net revenue for the year ended 2023. The administrative fees, license fees and adjustable administrative fees are included in professional services in the statement of activities. Additionally, certain expenses are paid on behalf of, and reimbursed by, the Insurance Compact.

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

	2024	2023
Administrative services provided by and paid to the NAIC	\$ 125,000	\$ 125,000
License fee paid to the NAIC	\$ 25,000	\$ 25,000
Adjustable administrative fee	\$ -	\$ 15,000
Amounts owed to the NAIC included in accounts payable	\$ 42,878	\$ 60,682

4. Defined Contribution Plan

The Insurance Compact has a 401(a) defined contribution plan, which covers substantially all employees. Each year the Management Committee determines the contribution for the next year. For the years ended December 31, 2024 and 2023, the Insurance Compact agreed to match up to 3.5% of compensation of employees who contribute to the plan and contributed 2.0% of all employees' annual compensation. The Insurance Compact made contributions of \$111,736 and \$106,074 for the years ended December 31, 2024 and 2023, respectively.

5. Liquidity And Availability Of Resources

The Insurance Compact regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2024 and 2023, the following financial assets are available to meet general operating expenditures of the subsequent fiscal year:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 1,466,826	\$ 1,756,842
Accounts receivable	34,981	6,817
	\$ 1,501,807	\$ 1,763,659

AUDIT REPORT
**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**
6. Statement Of Functional Expenses

Expenses for the years ending December 31, 2024 and 2023 are presented in the following tables according to both functional and natural classifications. Certain expenses including salaries, benefits, and payroll taxes are allocated on the basis of time and effort. Expenses including professional services and travel are split based upon the review of the underlying nature of the expense.

The following table provides both functional and natural classifications for the year ending December 31, 2024:

	Program Services	Management And General	Total Expenses
Salaries, benefits and payroll taxes	\$ 2,350,009	\$ 291,677	\$ 2,641,686
Professional services	159,297	216,054	375,351
Travel	139,915	6,403	146,318
Rental and maintenance	2,603	1,849	4,452
Insurance			
Office services	19,287	-	19,287
Meeting expenses	-	27,649	27,649
	27,873	-	27,873
	\$ 2,698,984	\$ 543,632	\$ 3,242,616

The following table provides both functional and natural classifications for the year ending December 31, 2023:

	Program Services	Management And General	Total Expenses
Salaries, benefits and payroll taxes	\$ 2,066,603	\$ 337,758	\$ 2,404,361
Professional services	197,599	167,815	365,414
Travel	112,881	5,691	118,572
Rental and maintenance	4,424	779	5,203
Insurance			
Office services	18,769	-	18,769
Meeting expenses	-	22,149	22,149
	40,433	-	40,433
	\$ 2,440,709	\$ 534,192	\$ 2,974,901



Interstate Insurance Product Regulation Commission

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