TO:	**Compact Officers and Members of the Finance Committee**
FROM:	**Compact Management Committee**
DATE:	**September 29, 2026**
SUBJECT:	**Draft 2027 Annual Budget Request**

The Finance Committee presents the proposed 2027 Annual Budget and Schedule of Fees for Management Committee review.

The Insurance Compact provides centralized rate and form review on behalf of Compacting States through a voluntary filing platform for company filers seeking one-stop review and approval under Uniform Standards. The Compact remains revenue neutral to Compacting States, and companies continue to pay all applicable state filing fees in addition to Compact filing fees.

This memo summarizes 2026 budget performance, key 2027 revenue and expense assumptions, and the request for one additional product reviewer.

2026 Performance

The Insurance Compact ended 2025 with positive net revenue of $375,522 and expects to end 2026 with positive net revenue of approximately $475,000. Revenue came in below budget in both years, but disciplined expense management more than offset the variance, with actual-to-budget expense ratios of 90% in 2025 and an expected 85% in 2026.

Registration activity remains strong and stable. In 2025, 291 companies registered with the Insurance Compact, representing approximately 85% of nationwide asset-based insurance premium volume. Repeat filers accounted for 96% of registrations, and 2026 registration activity remains on pace with the prior year.

The 2025 filing fee realignment is working as intended by better aligning filing revenue with review workload. Although companies continue to submit fewer filings, those filings include more product components, and the additional component-based fees have helped offset lower filing volumes.

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2027 Revenue

The proposed 2027 budget does not change the Schedule of Fees. Total revenue is budgeted at $4,519,135, a 1.41% increase over the 2026 budget and 7.58% above projected 2026 revenue. Filing fee revenue is budgeted at $2,918,200, including $105,000 in anticipated revenue tied to added review capacity, while annual registration fee revenue is budgeted at $1,544,375.

The Compact Office continues to budget conservatively because filing fee revenue depends on company product cycles, regulatory deadlines, available Uniform Standards, and company decisions to use the Compact rather than file state-by-state. The voluntary filing model supports annual operations but does not reliably generate excess revenue beyond operating needs.

2027 Expenses

Proposed 2027 operating expenses total $4,517,687, a 3.06% increase over the 2026 budget. The increase reflects the return to full-year staffing costs for positions that were vacant during part of 2026, as well as operating levels needed to support full product review, member services, outreach, travel, meetings, and professional services.

Salaries and related employee costs remain the largest expense category representing 84% of the organization's operating expenses. The 2027 budget includes $3,024,951 for salaries, $242,030 for payroll taxes, and $520,041 for benefits, reflecting existing staffing, anticipated salary adjustments, and one requested additional product reviewer. The budget also reduces several non-salary categories where actual spending trends and planned activities support lower appropriations.

Review Capacity

The Compact Office requests one additional full-time product reviewer to increase review capacity, support service-level expectations, and improve responsiveness to member states and company filers. The position adds $106,875 in expense and is expected to generate $105,000 in additional filing fee revenue, resulting in a net fiscal impact of approximately $1,875.

The request is consistent with prior budget practice: new staffing is tied to measurable workload needs and expected revenue offsets. While the Compact Office has managed revenue volatility through delayed or phased hiring, continued deferral could affect review timelines, Uniform Standards work, and timely technical support for regulators and filers.

Recommendation

The Compact Finance Committee recommends the proposed 2027 Annual Budget and Schedule of Fees to the Management Committee, including the request for one additional full-time product reviewer. The budget is disciplined, nearly balanced, and consistent with the Compact's revenue-neutral model. It maintains the current fee schedule, supports timely and effective product review, preserves service to Compacting States and company filers, and positions the Compact to manage revenue volatility. Thank you for your consideration.