

**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
2021 ADOPTED BUDGET
DETAIL REVENUE AND EXPENSES**

Description	2020					2021				
	2019 Actual	2020 Budget	7/31/2020		2020 Projected Variance	2021 Budget	Increase (Decrease) from 2020 Budget	%	Increase (Decrease) from 2020 Projected	%
			Actual	Projected						
Filing Fees	\$ 1,741,911	\$ 1,528,300	\$ 777,955	\$ 1,429,130	\$ (99,170)	\$ 1,574,425	\$ 46,125	3.02%	\$ 145,295	10.17%
Annual Registration Fees	1,385,188	1,350,625	1,310,125	1,364,500	13,875	1,421,875	71,250	5.28%	57,375	4.20%
Interest Income	28,397	11,900	6,529	11,487	(413)	11,652	(248)	-	165	1.44%
Total Revenues	3,155,495	2,890,825	2,094,608	2,805,116	(85,709)	3,007,952	117,127	4.05%	202,836	7.23%
Salaries, Taxes, and Benefits (1)	1,808,885	2,081,912	1,150,754	1,939,349	(142,562)	2,152,242	70,330	3.38%	212,892	10.98%
Professional Services (2)	468,442	891,735	344,231	836,291	(55,445)	514,401	(377,335)	(42.31%)	(321,890)	(38.49%)
Travel (3)	108,442	149,300	12,988	34,488	(114,812)	148,530	(770)	(0.52%)	114,042	330.68%
Rental and Maintenance (4)	7,215	8,181	3,558	5,774	(2,407)	7,692	(489)	(5.97%)	1,918	33.22%
Depreciation	-	-	-	-	-	-	-	-	-	-
Interest Expense (5)	76,751	78,440	-	-	(78,440)	-	(78,440)	(100.00%)	-	#DIV/0!
Insurance Expense (6)	15,499	14,369	9,778	16,570	2,201	18,148	3,779	26.30%	1,578	9.52%
Administrative Expenses (7)	16,493	19,135	5,366	10,086	(9,049)	13,165	(5,970)	(31.20%)	3,079	30.53%
Meetings and General Training (8)	7,564	8,500	1,705	3,830	(4,670)	8,400	(100)	(1.18%)	4,570	119.34%
Total Operating Expenses	2,509,291	3,251,572	1,528,378	2,846,387	(405,184)	2,862,577	(388,994)	(11.96%)	16,190	0.57%
Revenues Over (Under) Expenses	\$ 646,204	\$ (360,747)	\$ 566,230	\$ (41,271)	\$ 319,476	\$ 145,375	\$ 506,121	(140.30%)	\$ 186,645	(452.25%)

(1) The expenses included in this line are found on pages: E1: Salaries, E2: Payroll Taxes, E3: Employee Benefits, and E4: Employee Development.

(2) The expenses included in this line are found on page E5: Professional Services.

(3) The expenses included in this line are found on E6: Travel.

(4) The expenses included in this line are found on page E7: Occupancy .

(5) The expenses included in this line are found on page E9: Interest Expense.

(6) The expenses included in this line are found on page E10: Insurance.

(7) The expenses included in this line are found on page E11: Office Services and E12: Other Expenses.

(8) The expenses included in this line are found on page E8: Meetings.

2021 BUDGET ANALYSIS

BUDGET ITEM: Revenues

ITEM DESCRIPTION: Includes the revenues derived from (1) compact filings, (2) Annual Registration Fees, and (3) interest income.

<u>Description</u>	<u>2019</u> <u>Actual</u>	<u>2020</u> <u>Budget</u>	<u>7/31/20</u> <u>Actual</u>	<u>12/31/20</u> <u>Projected</u>	<u>2021</u> <u>Budget</u>	Increase (Decrease) from	<u>Percentage</u>
						<u>2020 Budget</u>	
Filing Fees (1)	\$ 1,741,911	\$ 1,528,300	\$ 777,955	\$ 1,429,130	\$ 1,574,425	\$ 46,125	3.02%
Annual Registration Fees (2)	1,385,188	1,350,625	1,310,125	1,364,500	1,421,875	71,250	5.28%
Interest Income (3)	28,397	11,900	6,529	11,487	11,652	(248)	0.00%
Total	\$ 3,155,495	\$ 2,890,825	\$ 2,094,608	\$ 2,805,116	\$ 3,007,952	\$ 117,127	4.05%

(1) The Insurance Compact charges a filing fee for all product filing submissions submitted across all product lines. The fee that is collected for each product filing submission is based on several factors. The first is whether or not the filing requires an actuarial review as determined by the submission requirements for the applicable Uniform Standards. The second factor is whether or not the filing company's premium volume is greater than \$50 million based on the Schedule T-Part 2 of the Annual Statement filed with the NAIC for the reporting year prior to the current annual registration period. The last factor is whether or not the filing company is registered with the Insurance Compact as a Regional Filer per the definition of Regional Filer in the IIPRC Terms and Procedures for Product Filings. There is a separate Filing Fee amount for product filings requiring an actuarial review of rate schedules (LTC and DI specifically). Also in this line are the filing fees for the Expedited Review Program which are double the applicable filing fees for the product to enter the queue to receive service level review times faster than regular review queue of 30 to 60 days. Included in this line are fees for the optional advanced fee calculation service.

(2)The Insurance Compact charges an annual registration fee for accessing the Insurance Compact's filing platform as a means of self-generating revenue to fund its product operations. The amount of the annual registration fee is based on filing company's premium volume as recorded on Schedule T Part 2 of the Annual Statement. There are four (4) categories: companies with premium volume greater than \$1 billion, companies with premium volume greater than \$50 million, companies with premium volume less than \$50 million and greater than \$10 million, and companies with premium volume less than \$10 million. All Registration fees are prorated in half for the remainder of the year for registrations submitted on October 1 or after. Regional companies will pay half of the required registration fee for each category.

(3) Interest income is earned on Insurance Compact's account and is dependent upon cash flow from revenues. Significant declines in the overall financial markets have affected interest earned.

2021 BUDGET ANALYSIS

BUDGET ITEM: Salaries

ITEM DESCRIPTION: Includes salary and overtime for all Insurance Compact employees.

<u>Description</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>7/31/20 Actual</u>	<u>12/31/20 Projected</u>	<u>2021 Budget</u>	<u>Increase (Decrease) from 2020 Budget</u>	<u>Percentage</u>
Salaries-Existing Employees (1)	\$ 1,445,871	\$ 1,647,866	\$ 907,836	\$ 1,547,126	\$ 1,680,823	\$ 32,957	2.00%
Overtime (2)	1,126	-	667	667	-	-	0.00%
Total	\$ 1,446,997	\$ 1,647,866	\$ 908,503	\$ 1,547,793	\$ 1,680,823	\$ 32,957	2.00%

(1) The Insurance Compact is budgeting for fourteen full-time employees. Existing positions as of December 31, 2020 include: Executive Director, Director of Product Operations, Assistant Director of Administrative Operations, Member Service Coordinator, Senior Product Reviewer and Manager, four Product Reviewers, three Actuaries, and two Administrative Assistants. Due to attrition and COVID-19 circumstances, some of these positions were opened during 2020 which caused a variance. The 2021 budget also includes an assumption of a combined 2% salary adjustment for cost-of-living and merit-based increases as well as possible promotions.

(2) The Insurance Compact has two non-exempt employees and does not anticipate scheduled overtime will be needed in 2021.

2021 BUDGET ANALYSIS

BUDGET ITEM: Payroll Taxes

ITEM DESCRIPTION: FICA, unemployment compensation, and FUTA costs incurred for all Insurance Compact employees and interns.

<u>Description</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>7/31/20 Actual</u>	<u>12/31/20 Projected</u>	<u>2021 Budget</u>	<u>Increase (Decrease) from 2020 Budget</u>	<u>Percentage</u>
FICA (1)	\$ 93,417	\$ 112,681	\$ 70,536	\$ 106,963	\$ 117,044	\$ 4,363	3.87%
Unemployment Compensation (2)	4,045	4,025	3,911	4,263	3,494	(531)	(13.19%)
Total	<u>\$ 97,462</u>	<u>\$ 116,706</u>	<u>\$ 74,447</u>	<u>\$ 111,226</u>	<u>\$ 120,538</u>	<u>\$ 3,832</u>	3.28%

(1) FICA is related to the projected FICA wage base and total salaries projected for the Insurance Compact employees.

(2) Unemployment compensation has been budgeted on the first \$7,000 of each individual salary.

2021 BUDGET ANALYSIS

BUDGET ITEM: Employee Benefits

ITEM DESCRIPTION: Includes all pension, life and health insurance costs paid by Insurance Compact for its employees.

<u>Description</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>7/31/20 Actual</u>	<u>12/31/20 Projected</u>	<u>2021 Budget</u>	<u>Increase (Decrease) from 2020 Budget</u>	<u>Percentage</u>
Pension (1)	\$ 67,755	\$ 79,724	\$ 41,184	\$ 73,943	\$ 82,826	\$ 3,102	3.89%
Health Benefits (2)	166,150	206,962	112,469	187,693	206,962	0	0.00%
Group Life and Disability (3)	6,406	7,860	4,030	7,223	8,018	157	2.00%
Employee Relations (4)	12,160	5,058	4,226	5,576	9,900	4,842	95.72%
Total	\$ 252,472	\$ 299,605	\$ 161,909	\$ 274,435	\$ 307,706	\$ 8,101	2.70%

(1) A 457 plan and 401(a) plan is in effect for Insurance Compact employees. In 2021, the 2020 new hires will be eligible for Insurance Compact matching contribution under these plans which contributes to an increase in the budget line.

(2) In order to leverage the cost-savings and broader coverage options offered through larger groups, the Insurance Compact utilizes the NAIC employee benefit plan types pursuant to the Services Agreement. The Insurance Compact covers a portion of its employees premiums as an employee benefit. The increase is associated with new employees as well as the employer share of premium expected to increase.

(3) In order to leverage the cost-savings and broader coverage options offered through larger groups, the Insurance Compact utilizes the NAIC employee benefit plan types pursuant to the Services Agreement. The Insurance Compact covers a portion of its employees premiums as an employee benefit.

(4) The Insurance Compact budget includes funding for employee recognition as well as related expenses associated with in-person team meetings. Employee Recognition line has increased due to budgeting for a director-level benefit associated with promotions.

2021 BUDGET ANALYSIS

BUDGET ITEM: Employee Development

ITEM DESCRIPTION: Includes fees for seminars, training courses and professional association memberships paid by Insurance Compact.

<u>Description</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>7/31/20 Actual</u>	<u>Projected 12/31/20</u>	<u>2021 Budget</u>	<u>Increase (Decrease) from 2020 Budget</u>	<u>Percentage</u>
Professional Association Dues (1)	\$ 3,555	\$ 5,235	\$ 5,070	\$ 5,070	\$ 5,425	\$ 190	3.63%
Professional Training (2)	8,399	12,500	825	825	12,750	250	2.00%
Total	\$ 11,954	\$ 17,735	\$ 5,895	\$ 5,895	\$ 18,175	\$ 440	2.48%

(1) Professional association dues represent employees' membership in various professional associations, such as bar and actuary association dues and the Association of Insurance Compliance Professionals (AICP) membership for Insurance Compact employees. The increase in this line reflects increases to association dues.

(2) Training to the extent budgeted did not occur in 2020 due to pandemic-related circumstances. Leadership training has been planned for Insurance Compact employees in 2021.

2021 BUDGET ANALYSIS

BUDGET ITEM: Professional Services

ITEM DESCRIPTION: Fees paid to outside resources for information systems, consulting service to process product filings, legal services consultants, and cash management and payroll services.

<u>Description</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>7/31/20 Actual</u>	<u>12/31/20 Projected</u>	<u>2021 Budget</u>	<u>Increase (Decrease) from 2020 Budget</u>	<u>Percentage</u>
Other Professional Services (1)	427,586	830,366	332,050	727,761	422,781	(407,585)	(49.08%)
Legal (2)	32,337	50,000	6,692	98,914	75,000	25,000	50.00%
Computer Services (3)	8,519	11,370	5,488	9,615	10,995	(375)	(3.30%)
Total	\$ 468,442	\$ 891,735	\$ 344,231	\$ 836,291	\$ 508,776	\$ (382,960)	(42.95%)

(1) The Insurance Compact pays an annual license fees to SERFF in the amount of \$25,000 and is allotted 250 hours of SERFF development under the Services Agreement. An additional \$25,000 is in the budget for consulting services associated with Compact-specific enhancements to SERFF that exceed the development hours as well as enhancements to the insurancecompact.org website. This line item includes the NAIC Services Agreement (\$125,000); Cash Management (\$6,600); Annual Audit fees (\$9,188); AON Monthly Service Fees for insurance policies (\$1,885); and Consultant fees (\$230,108). The Insurance Compact has budgeted for two full-time consultants including a Product Review Consultant and a Regulatory Consultant. Also included in this line is the adjustable administrative service fee owed to the NAIC of 7.5% on each \$25,000 of revenue over expense. For 2020, funding was allocated and expenses were incurred for two consultant engagements for a governance review and business assessment pursuant to the strategic plan with no additional monies currently allocated in 2021.

(2) The Insurance Compact retains outside counsel to advise on legal matters for the Commission. With respect to third-party litigation involving legal issue relating to the Insurance Compact, outside counsel is expected to provide representation to the Compact to facilitate informing the parties and court of the legal principles and application of the principles to the Insurance Compact. Included in this line is the Hyatt Legal Plan benefit available to Compact employees. In 2020, outside counsel was retained to provide legal guidance related to the Colorado Supreme Court opinion in *Amica v. Wertz*.

(3) This line item reflects the monthly costs for processing Insurance Compact payroll. Also included in this line item are the expenses related to the remote employees and consultant's monthly internet services to connect to the SERFF filing platform and the Insurance Compact office. Also included are the expenses related to the cellular devices to include electronic mobile devices for the Executive Director, Director of Product Operations, and Assistant Director of Administrative Operations.

2021 BUDGET ANALYSIS

BUDGET ITEM: Travel

ITEM DESCRIPTION: Includes airfares, hotels, meals, etc., incurred by Insurance Compact staff, consultants, members and regulators.

<u>Description</u>	<u>2019</u> <u>Actual</u>	<u>2020</u> <u>Budget</u>	<u>7/31/20</u> <u>Actual</u>	<u>12/31/20</u> <u>Projected</u>	<u>2021</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u> <u>from</u> <u>2020 Budget</u>	<u>Percentage</u>
Staff Travel (1)	\$ 44,418	\$ 65,000	\$ 6,975	\$ 16,325	\$ 58,430	\$ (6,570)	(10.11%)
Marketing Travel (2)	24,908	40,250	\$ 50	50	44,850	4,600	11.43%
Non-Staff/Commissioner Travel (3)	39,116	44,050	5,962	18,112	45,250	1,200	2.72%
Total	\$ 108,442	\$ 149,300	\$ 12,988	\$ 34,488	\$ 148,530	\$ (770)	(0.52%)

(1) This line item includes the costs associated with travel for the Insurance Compact employees. It is anticipated that 14 Insurance Compact employees will travel over the course of the year for a total of 42 trips. Anticipated trips include the three (3) National Meetings which at least four (4) employees will attend as well as any other necessary meetings in support of the Insurance Compact. The average cost for each trip is estimated at approximately \$1,400. All travel was subject to pandemic-related restriction in 2020 which caused the significant variance. The decrease in the 2021 budget is due to less trips anticipated over 2020.

(2) This line item includes the costs associated with travel for marketing/outreach by the Insurance Compact Team and/or members. It is anticipated that there will be 29 trips made over the course of the year for marketing and outreach at a variety of industry and regulatory conferences. It is also anticipated that the Insurance Compact will sponsor or exhibit at marketing events throughout the year. Included in this line item are the costs associated with marketing materials including "branding give-always". The increase in this budget line is associated with more Insurance Compact Team member attending conferences and participating in marketing/outreach on behalf of the Insurance Compact.

(3) This line item includes the costs associated with both Commissioner and non-staff travel. The Insurance Compact reimburses members of the Legislative Committee (8) and members of the Consumer Advisory Committee (8) for their costs associated with attending the Insurance Compact meetings. The Insurance Compact reimburses the consultants for travel associated with attending the Insurance Compact Meetings. This line item also includes costs associated with Commissioner travel for Insurance Compact outreach and other business.

2021 BUDGET ANALYSIS

BUDGET ITEM: Occupancy

ITEM DESCRIPTION: Includes commuting and parking costs incurred for Insurance Compact staff.

<u>Description</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>7/31/20 Actual</u>	<u>12/31/20 Projected</u>	<u>2021 Budget</u>	<u>Increase (Decrease) from 2020 Budget</u>	<u>Percentage</u>
Occupancy (1)	\$ 7,215	\$ 8,181	\$ 3,558	\$ 5,774	\$ 7,692	\$ (489)	(5.97%)

(1) This line item includes monthly commuting benefits for the DC based employees. Also, included in this line is costs associated with parking for the Kansas City based employees.

2021 BUDGET ANALYSIS

BUDGET ITEM: Meetings

ITEM DESCRIPTION: Includes hotel services, audio visual, and other costs incurred by Insurance Compact staff and Members for Insurance Compact meetings.

<u>Description</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>7/31/20 Actual</u>	<u>12/31/20 Projected</u>	<u>2021 Budget</u>	<u>Increase (Decrease) from 2020 Budget</u>	<u>Percentage</u>
Meetings (1)	\$ 7,564	\$ 8,500	\$ 1,705	\$ 3,830	\$ 8,400	\$ (100)	(1.18%)

(1) Costs associated with the three (3) Insurance Compact in-person meetings including costs for the audio visual, telecommunications equipment, technicians, food, and beverage for meeting attendees.

2021 BUDGET ANALYSIS

BUDGET ITEM: Interest Expense

ITEM DESCRIPTION: Interest expense represents accrued interest payments on amounts owed to the NAIC.

<u>Description</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>7/31/20 Actual</u>	<u>Projected 12/31/20</u>	<u>2021 Budget</u>	<u>Increase (Decrease) from 2020 Budget</u>	<u>Percentage</u>
Interest Expense (1)	\$ 76,751	\$ 78,440	\$ -	\$ -	\$ -	\$ (78,440)	(100.00%)

(1) No further interest expense is due to the NAIC under the restructured debt repayment agreement. In 2020, the NAIC and Commission restructured its agreement with respect to the long-term debt which had been deferred since 2010 and not used since 2012. The Commission triggered repayment as of the end of 2019 when its net positive change in net assets exceeded \$250,000. The parties negotiated a restructured arrangement to address the Commission's sustainability and capacity to grow. Under this agreement, the Commission will make ten annual equal payments by March 31st of each year to fully repay the amount of the principal owed as of December 31, 2019. Interest will not accrue on the outstanding amount during the repayment period and any accrued interest under the previous Note Payable will be converted to a contribution upon full repayment of the principal. The parties agree if the Commission has a cash balance of \$250,000 or less as shown on the audited financial statement that it will defer payment in the subsequent year until such time as its audited financial statement shows a cash balance in excess of \$250,000. The first annual payment under this restructured Note Payable was made in May 2020.

2021 BUDGET ANALYSIS

BUDGET ITEM: Insurance

ITEM DESCRIPTION: Includes expenses for all general business and liability insurance policies for Insurance Compact.

<u>Description</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>7/31/20 Actual</u>	<u>12/31/20 Projected</u>	<u>2021 Budget</u>	<u>Increase (Decrease) from 2020 Budget</u>	<u>Percentage</u>
General Business Insurance (1)	\$ 15,499	\$ 14,369	\$ 9,778	\$ 16,570	\$ 18,148	\$ 3,779	26.30%

(1) General business insurance coverage and related premiums. Comprehensive errors and omissions and director/officer coverage premiums are included in this line as well.

2021 BUDGET ANALYSIS

BUDGET ITEM: Office Services

ITEM DESCRIPTION: Includes conference calls, office supplies, non-capital equipment, and mail.

<u>Description</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>7/31/20 Actual</u>	<u>12/31/20 Projected</u>	<u>2021 Budget</u>	<u>Increase (Decrease) from 2020 Budget</u>	<u>Percentage</u>
Telephone (1)	\$ 8,228	\$ 9,000	\$ 1,758	\$ 3,108	\$ 4,500	\$ (4,500)	(50.00%)
Other Supplies (2)	113	250	112	212	240	(10)	(4.00%)
Non-Capital Equipment (3)	5,315	8,000	2,769	5,769	5,500	(2,500)	(31.25%)
Mail Services (4)	984	700	271	541	700	-	0.00%
Total	\$ 14,639	\$ 17,950	\$ 4,910	\$ 9,630	\$ 10,940	\$ (7,010)	(39.05%)

(1) Telephone expenses for conference calls utilizing a combination of WebEx and Chorus Call. The reduction in costs is associated with a change in conference call practices.

(2) This line item reflects the cost of supplies for the Insurance Compact office.

(3) The Insurance Compact has budgeted for a \$500 annual allotment per Insurance Compact remote team employee/consultant to be reimbursed for expenses associated with the parameters of the technology platform for the Insurance Compact Office.

(4) This line item includes expenses to mail Insurance Compact correspondence via US Postal Service or FedEx/UPS services; the costs to mail the Annual Report to all Compact Governors. In 2020, this transmission was done via electronic mail due to pandemic-related circumstances.

2021 BUDGET ANALYSIS

BUDGET ITEM: Other Expenses

ITEM DESCRIPTION: Includes expenses incurred for reference materials, general training materials, and recruiting expenses.

<u>Description</u>	<u>2019</u> <u>Actual</u>	<u>2020</u> <u>Budget</u>	<u>7/31/20</u> <u>Actual</u>	<u>12/31/20</u> <u>Projected</u>	<u>2021</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u> <u>from</u> <u>2020 Budget</u>	<u>Percentage</u>
Reference Materials (1)	\$ 795	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	#DIV/0!
Bad Debt Expense (2)	50	-	-	-	-	-	100.00%
Taxes (3)	487	1,185	456	456	475	(710)	100.00%
Recruiting Expense (4)	522	-	-	-	750	750	#DIV/0!
Total	\$ 1,854	\$ 1,185	\$ 456	\$ 456	\$ 2,225	\$ 1,040	87.76%

(1) It is expected the Insurance Compact Office will purchase various reference materials for the Team in 2021.

(4) The Insurance Comapct Office may incur expenses related to the recruiting of professional employees.