

INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
2022 PROPOSED BUDGET
DETAIL REVENUE AND EXPENSES

Description	2021					2022		%	Increase (Decrease) from 2021 Projected	%
	2020 Actual	2021 Budget	7/31/2021 Actual	12/31/2021 Projected	2021 Projected Variance	2022 Budget	Increase (Decrease) from 2021 Budget			
Filing Fees	\$ 1,411,953	\$ 1,574,425	\$ 1,086,281	\$ 1,757,781	\$ 183,356	\$ 1,727,113	\$ 152,688	9.70%	\$ (30,668)	(1.74%)
Annual Registration Fees	1,343,300	1,421,875	1,393,575	1,459,825	37,950	1,468,375	46,500	3.27%	8,550	0.59%
Interest Income	6,584	11,652	101	175	(11,477)	6,504	(5,148)	-	6,329	3616.15%
Total Revenues	2,761,837	3,007,952	2,479,957	3,217,781	209,829	3,201,992	194,040	6.45%	(15,789)	(0.49%)
Salaries, Taxes, and Benefits (1)	1,921,109	2,152,242	1,137,011	2,025,426	(126,815)	2,378,836	226,595	10.53%	353,410	17.45%
Professional Services (2)	714,656	514,401	274,306	491,907	(22,494)	592,057	77,656	15.10%	100,150	20.36%
Travel (3)	14,987	148,530	1,185	74,040	(74,490)	145,179	(3,351)	(2.26%)	71,139	96.08%
Rental and Maintenance (4)	5,532	7,692	2,765	5,724	(1,968)	6,672	(1,020)	(13.26%)	948	16.57%
Insurance Expense (5)	15,914	18,148	10,213	18,007	(140)	20,721	2,573	14.18%	2,714	15.07%
Administrative Expenses (6)	10,556	13,165	2,634	6,179	(6,986)	17,415	4,250	32.28%	11,236	181.82%
Meetings and General Training (7)	1,705	8,400	-	8,400	-	8,400	-	0.00%	-	0.00%
Total Operating Expenses	2,684,459	2,862,577	1,428,114	2,629,684	(232,893)	3,169,280	306,702	10.71%	539,596	20.52%
Revenues Over (Under) Expenses	\$ 77,378	\$ 145,375	\$ 1,051,843	\$ 588,096	\$ 442,722	\$ 32,712	\$ (112,663)	(77.50%)	\$ (555,385)	(94.44%)

(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: Insurance.

(6) The expenses included in this line are found on page E10: Office Services and E11: Other Expenses.

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

2022 BUDGET ANALYSIS

BUDGET ITEM: Revenues

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

Description	2020	2021	7/31/21	12/31/21	2022	Increase (Decrease) from	Percentage
	Actual	Budget	Actual	Projected	Budget	2021 Budget	
Filing Fees (1)	\$ 1,411,953	\$ 1,574,425	\$ 1,086,281	\$ 1,757,781	\$ 1,727,113	\$ 152,688	9.70%
Annual Registration Fees (2)	1,343,300	1,421,875	1,393,575	1,459,825	1,468,375	46,500	3.27%
Interest Income (3)	6,584	11,652	101	175	6,504	(5,148)	0.00%
Total	\$ 2,761,837	\$ 3,007,952	\$ 2,479,957	\$ 3,217,781	\$ 3,201,992	\$ 194,040	6.45%

(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.

*Filings Requiring an Actuarial Review for Companies w/PV Greater Than \$50 M: 734

*Filings Requiring an Actuarial Review for Companies w/PV Less Than \$50 M: 90

*Filings Requiring an Actuarial Review for Regional Companies w/PV Greater Than \$50 M: 14

*Filings Requiring an Actuarial Review for Regional Companies w/PV Less Than \$50 M: 17

*Filings Not Requiring an Actuarial Review for Companies w/PV Greater Than \$50 M: 572

*Filings Not Requiring an Actuarial Review for Companies w/PV Less Than \$50 M: 17

*Filings Not Requiring an Actuarial Review for Regional Companies w/PV Greater Than \$50 M: 72

*Filings Not Requiring an Actuarial Review for Regional Companies w/PV Less Than \$50 M: 14

*Rate Filings Requiring an Actuarial Review for Companies w/PV Greater Than \$50 M: 32

*Rate Filings Requiring an Actuarial Review for Companies w/PV Less Than \$50 M: 8

*Expedited Review Submissions: 147

*Advanced Filing Fee Calculations: 138

(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 paid on October 1st or after are prorated in half for the remainder of the year. Regional companies will pay half of the required registration fee for each category.

*Companies Greater than \$1B: 72

*Companies Greater than \$50M: 113 + 7 pro-rated registrations

*Companies \$50 - 10M: 31 + 3 pro-rated registrations

*Companies Less than \$10M: 27 + 2 pro-rated registrations

*Regional Companies Greater than \$1B: 0

*Regional Companies Greater than \$50M: 13 + 2 pro-rated registrations

*Regional Companies \$50 - 10M: 8 + 1 pro-rated registrations

*Regional Companies Less than \$10M: 4

(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.

2022 BUDGET ANALYSIS

BUDGET ITEM: Salaries

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

<u>Description</u>	<u>2020 Actual</u>	<u>2021 Budget</u>	<u>7/31/21 Actual</u>	<u>12/31/21 Projected</u>	<u>2022 Budget</u>	Increase (Decrease)	<u>Percentage</u>
						<u>from 2021 Budget</u>	
Salaries-Existing Employees (1)	\$ 1,521,743	\$ 1,705,823	\$ 884,846	\$ 1,610,368	\$ 1,895,967	\$ 190,144	11.15%
Overtime (2)	1,000	-	544	544	-	-	0.00%
Total	\$ 1,522,743	\$ 1,705,823	\$ 885,390	\$ 1,610,912	\$ 1,895,967	\$ 190,144	11.15%

(1) The Insurance Compact will have fifteen full-time employee positions for the full year in 2022. The positions include: Executive Director, Director of Product Operations, Assistant Director of Administrative Operations, Communications & Outreach Coordinator, Senior Product Reviewer and Manager, five Product Reviewers, three Actuaries, one Operations Coordinator, and an Administrative Assistant. The Management Committee approved the change of one of the Product Review positions from a consultant to full-time employee in June 2021 to account for the retirement of one consultant who has served as a Product Reviewer. One position open due to attrition was filled in the third quarter of 2021. The 2022 budget includes salary adjustment for cost-of-living and merit-based increases of an average 3.2% and funding for possible promotions.

(2) The Insurance Compact has one non-exempt employee and does not anticipate scheduled overtime will be needed in 2022.

2022 BUDGET ANALYSIS

BUDGET ITEM: Payroll Taxes

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

<u>Description</u>	2020		2021		2022		Increase (Decrease) from 2021 Budget	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>7/31/21 Actual</u>	<u>12/31/21 Projected</u>	<u>Budget</u>	<u>2022 Budget</u>		
FICA (1)	\$ 101,014	\$ 117,044	\$ 70,419	\$ 114,580	\$ 130,218	\$ 13,174	11.26%	
Unemployment Compensation (2)	4,444	3,494	3,597	3,597	\$ 3,566	72	2.06%	
Total	\$ 105,458	\$ 120,538	\$ 74,016	\$ 118,177	\$ 133,784	\$ 13,246	10.99%	

(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.

2022 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>2020</u> <u>Actual</u>	<u>2021</u> <u>Budget</u>	<u>7/31/21</u> <u>Actual</u>	<u>12/31/21</u> <u>Projected</u>	<u>2022</u> <u>Budget</u>	Increase (Decrease) from		<u>Percentage</u>
						<u>2021</u>	<u>Budget</u>	
Pension (1)	\$ 73,885	\$ 82,826	\$ 46,506	\$ 82,649	\$ 91,766	\$ 8,940		10.79%
Health Benefits (2)	181,814	206,962	106,211	179,373	209,072	2,110		1.02%
Group Life and Disability (3)	7,188	8,018	5,542	8,882	8,772	754		9.41%
Employee Relations (4)	18,406	9,900	6,463	12,550	18,350	8,450		85.35%
Total	\$ 281,293	\$ 307,706	\$ 164,721	\$ 283,454	\$ 327,960	\$ 20,255		6.58%

(1) A 457 plan and 401(a) plan is in effect for Insurance Compact employees. In 2022, the 2021 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 recognition being allocated for new hires as well as change in the recognition program.

2022 BUDGET ANALYSIS

BUDGET ITEM: Employee Development

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

Description	2020 Actual	2021 Budget	7/31/21 Actual	Projected 12/31/21	2022 Budget	Increase (Decrease) from 2021 Budget	Percentage
Professional Association Dues (1)	\$ 6,795	\$ 5,425	\$ 5,522	\$ 5,522	\$ 5,875	\$ 450	8.29%
Professional Training (2)	4,820	12,750	7,362	7,362	15,250	2,500	19.61%
Total	\$ 11,615	\$ 18,175	\$ 12,884	\$ 12,884	\$ 21,125	\$ 2,950	16.23%

(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) Leadership training has been planned for Insurance Compact employees in 2022.

2022 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>2020</u> <u>Actual</u>	<u>2021</u> <u>Budget</u>	<u>7/31/21</u> <u>Actual</u>	<u>12/31/21</u> <u>Projected</u>	<u>2022</u> <u>Budget</u>	Increase (Decrease)	<u>Percentage</u>
						from 2021 Budget	
Other Professional Services (1)	615,153	428,406	268,835	432,380	581,321	152,915	35.69%
Computer Services (2)	9,545	10,995	5,471	10,052	10,736	(259)	(2.36%)
Total	<u>\$ 624,698</u>	<u>\$ 439,401</u>	<u>\$ 274,306</u>	<u>\$ 442,432</u>	<u>\$ 592,057</u>	<u>\$ 152,656</u>	34.74%

(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. This line item includes the NAIC Services Agreement (\$125,000); Cash Management (\$6,600); Annual Audit fees (\$10,000); AON Monthly Service Fees for insurance policies (\$1,953); and Consultant fees. The Insurance Compact has budgeted for a full-time consultant, 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. In 2021, updates to the Compact's website were initiated to address a stability issue on the hosting server. In 2022, funding has been added to conduct a website redesign.

Included in this line is the outside counsel retained by the Insurance Compact to advise on legal matters for the Commission. Included in this line is the Hyatt Legal Plan benefit available to Compact employees. In 2022, outside counsel may be retained to provide legal guidance related to recommendations from the Governance Review and in response to the Colorado Supreme Court opinion in Amica v. Wertz.

(2) 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.

2022 BUDGET ANALYSIS

BUDGET ITEM: Travel

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

Description	2020 Actual	2021 Budget	7/31/21 Actual	12/31/21 Projected	2022 Budget	Increase (Decrease)	Percentage
						from 2021 Budget	
Staff Travel (1)	\$ 6,975	\$ 58,430	\$ 185	\$ 23,890	\$ 58,477	\$ 47	0.08%
Marketing Travel (2)	3,400	44,850	\$ 1,000	27,100	47,050	2,200	4.91%
Non-Staff/Commissioner Travel (3)	4,612	45,250	-	23,050	39,652	(5,598)	(12.37%)
Total	\$ 14,987	\$ 148,530	\$ 1,185	\$ 74,040	\$ 145,179	\$ (3,351)	(2.26%)

(1) This line item includes the costs associated with travel for the Insurance Compact employees. It is anticipated that 13 Insurance Compact employees will travel over the course of the year. Anticipated trips include the two (2) 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 and 2021 which has caused significant variance.

(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 consultant 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. The decrease in this line is allocated to a reduction in the number of in-person meetings as well as the number of those traveling to the in-person meetings for the calendar year.

2022 BUDGET ANALYSIS

BUDGET ITEM: Occupancy

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

<u>Description</u>	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Budget</u>	<u>7/31/21</u> <u>Actual</u>	<u>12/31/21</u> <u>Projected</u>	<u>2022</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u> <u>from</u>		<u>Percentage</u>
						<u>2021</u>	<u>Budget</u>	
Occupancy (1)	\$ 5,532	\$ 7,692	\$ 2,765	\$ 5,724	\$ 6,672	\$ (1,020)		(13.26%)

(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. The reduction in this line is due to reduction of employees in the DC Office.

2022 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>2020 Actual</u>	<u>2021 Budget</u>	<u>7/31/21 Actual</u>	<u>12/31/21 Projected</u>	<u>2022 Budget</u>	<u>Increase (Decrease) from 2021 Budget</u>	<u>Percentage</u>
Meetings (1)	\$ 1,705	\$ 8,400	\$ -	\$ 8,400	\$ 8,400	\$ -	0.00%

(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.

2022 BUDGET ANALYSIS

BUDGET ITEM: Insurance

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

<u>Description</u>	<u>2020 Actual</u>	<u>2021 Budget</u>	<u>7/31/21 Actual</u>	<u>12/31/21 Projected</u>	<u>2022 Budget</u>	<u>Increase (Decrease) from 2021 Budget</u>	<u>Percentage</u>
General Business Insurance (1)	\$ 15,914	\$ 18,148	\$ 10,213	\$ 18,007	\$ 20,721	\$ 2,573	14.18%

(1) General business insurance coverage and related premiums. Comprehensive errors and omissions and director/officer coverage premiums are included in this line as well. The increase is due to an anticipated increase in 2022-2023 in premiums.

2022 BUDGET ANALYSIS

BUDGET ITEM: Office Services

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

<u>Description</u>	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Budget</u>	<u>7/31/21</u> <u>Actual</u>	<u>12/31/21</u> <u>Projected</u>	<u>2022</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u> <u>from</u>		<u>Percentage</u>
						<u>2021 Budget</u>		
Telephone (1)	\$ 1,893	\$ 4,500	\$ 135	\$ 235	\$ 4,500	\$ -		0.00%
Other Supplies (2)	731	240	60	180	240	-		0.00%
Non-Capital Equipment (3)	6,963	5,500	1,913	4,913	10,000	4,500		81.82%
Mail Services (4)	513	700	71	396	700	-		0.00%
Total	\$ 10,100	\$ 10,940	\$ 2,178	\$ 5,723	\$ 15,440	\$ 4,500		41.13%

(1) Telephone expenses for conference calls utilizing a combination of WebEx and Chorus Call. The variance in 2021 actuals is attributed to the increase in use of WebEx for Compact Committee conference calls.

(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. Also included in this line are possible technical enhancements for employees based in physical office locations.

(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 and 2021, this transmission was done via electronic mail due to pandemic-related circumstances.

2022 BUDGET ANALYSIS

BUDGET ITEM: Other Expenses

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

<u>Description</u>	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Budget</u>	<u>7/31/21</u> <u>Actual</u>	<u>12/31/21</u> <u>Projected</u>	<u>2022</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u> <u>from</u>		<u>Percentage</u>
						<u>2021 Budget</u>		
Reference Materials (1)	\$ -	\$ 1,000	\$ -	\$ -	\$ 1,500	\$ 500		50.00%
Bad Debt Expense (2)	-	-	-	-	-	-		100.00%
Taxes (3)	456	475	456	456	475	-		100.00%
Recruiting Expense (4)	-	750	-	-	-	(750)		(100.00%)
Total	\$ 456	\$ 2,225	\$ 456	\$ 456	\$ 1,975	\$ (250)		(11.24%)

(1) It is expected the Insurance Compact Office will purchase various reference materials for the Team as well as Compact Members in 2022.

(4) The Insurance Compact Office is not anticipating the need to incur expenses related to the recruiting of professional employees.