

INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
2023 PROPOSED BUDGET
DETAIL REVENUE AND EXPENSES

Description	2022					2023		%	Increase (Decrease) from 2022		%
	2021 Actual	2022 Budget	7/31/2022 Actual	12/31/2022 Projected	2022 Projected Variance	2023 Budget	Increase (Decrease) from 2022 Budget		Increase (Decrease) from 2022 Projected		
Filing Fees	\$ 1,941,731	\$ 1,727,113	\$ 663,706	\$ 1,152,914	\$ (574,199)	\$ 2,002,938	\$ 275,826	15.97%	\$ 850,024	73.73%	
Annual Registration Fees	1,484,388	1,468,375	1,334,625	1,379,000	(89,375)	1,469,375	1,000	0.07%	90,375	6.55%	
Interest Income	205	6,504	4,417	4,642	(1,862)	6,600	96	-	1,958	42.17%	
Total Revenues	3,426,324	3,201,992	2,002,749	2,536,556	(665,435)	3,478,913	276,922	8.65%	942,357	37.15%	
Salaries, Taxes, and Benefits (1)	2,042,935	2,378,835	1,290,617	2,253,834	(125,001)	2,518,414	139,579	5.87%	264,581	11.74%	
Professional Services (2)	509,754	592,057	220,267	427,853	(164,203)	426,740	(165,317)	(27.92%)	(1,114)	(0.26%)	
Travel (3)	42,624	145,179	43,989	138,529	(6,650)	279,174	133,995	92.30%	140,645	101.53%	
Rental and Maintenance (4)	4,739	6,672	2,621	5,215	(1,457)	9,072	2,400	35.97%	3,857	73.97%	
Depreciation	-	-	-	-	-	-	-	-	-	-	
Insurance Expense (6)	17,274	20,721	11,550	20,603	(118)	22,637	1,916	9.25%	2,034	9.87%	
Administrative Expenses (7)	10,584	17,415	6,847	13,872	(3,543)	14,020	(3,395)	(19.49%)	148	1.07%	
Meetings and General Training (8)	8,398	8,400	17,327	30,427	22,027	59,000	50,600	602.38%	28,573	93.91%	
Total Operating Expenses	2,636,308	3,169,279	1,593,217	2,890,332	(278,946)	3,329,058	159,779	5.04%	438,725	15.18%	
Revenues Over (Under) Expenses	\$ 790,016	\$ 32,713	\$ 409,531	\$ (353,776)	\$ (386,489)	\$ 149,855	\$ 117,142	358.09%	\$ 503,631	(142.36%)	

(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.

2023 BUDGET ANALYSIS

BUDGET ITEM: Revenues

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

Description	2021	2022	7/31/22	12/31/22	2023	Increase (Decrease) from	Percentage
	Actual	Budget	Actual	Projected	Budget	2021 Budget	
Filing Fees (1)	\$ 1,941,731	\$ 1,727,113	\$ 663,706	\$ 1,152,914	\$ 2,002,938	\$ 275,826	15.97%
Annual Registration Fees (2)	1,484,388	1,468,375	1,334,625	1,379,000	1,469,375	1,000	0.07%
Interest Income (3)	205	6,504	4,417	4,642	6,600	96	0.00%
Total	\$ 3,426,324	\$ 3,201,992	\$ 2,002,749	\$ 2,536,556	\$ 3,478,913	\$ 276,922	8.65%

(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 IIPRC Filing Fees. 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. In the 2023 budget, a filing fee increase is included for the Product Filing Fees.

*Filings Requiring an Actuarial Review for Companies w/PV Greater Than \$50 M: 673

*Filings Requiring an Actuarial Review for Companies w/PV Less Than \$50 M: 78

*Filings Requiring an Actuarial Review for Regional Companies w/PV Greater Than \$50 M: 13

*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: 548

*Filings Not Requiring an Actuarial Review for Companies w/PV Less Than \$50 M: 70

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

*Filings Not Requiring an Actuarial Review for Regional Companies w/PV Less Than \$50 M: 7

*Rate Filings Requiring an Actuarial Review for Companies w/PV Greater Than \$50 M: 28

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

*Expedited Review Submissions: 194

*Advanced Filing Fee Calculations: 145

(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.

*Companies Greater than \$1B: 71

*Companies Greater than \$50M: 115 + 7 pro-rated registrations

*Companies \$50 - 10M: 32 + 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 + 0 pro-rated registrations

(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.

2023 BUDGET ANALYSIS

BUDGET ITEM: Salaries

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

<u>Description</u>	2021	2022	7/31/22	12/31/22	2023	Increase (Decrease) from	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>	<u>2021 Budget</u>	
Salaries-Existing Employees (1)	\$ 1,618,271	\$ 1,895,966	\$ 1,002,299	\$ 1,773,103	\$ 1,969,096	\$ 73,130	3.86%
Overtime (2)	688	-	1,259	1,259	-	-	0.00%
Total	\$ 1,618,959	\$ 1,895,966	\$ 1,003,558	\$ 1,774,363	\$ 1,969,096	\$ 73,130	3.86%

(1) The Insurance Compact is budgeting for fifteen full-time employees. Existing positions as of December 31, 2022 include: Executive Director, Director of Product Operations, Assistant Director of Administrative Operations, Assistant Director of Product Review Operations, Communications & Outreach Coordinator, four Product Reviewers, three Actuaries, and three Administrative positions. The 2023 budget also includes an assumption of a combined 3.5% 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 2023.

2023 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>	2021		2022		2023		Increase (Decrease) from 2021 Budget	<u>Percentage</u>				
	<u>Actual</u>		<u>Budget</u>		<u>Budget</u>							
FICA (1)	\$ 109,790	\$	\$ 130,218	\$	\$ 83,168	\$	\$ 129,621	\$	\$ 141,237	\$	\$ 11,019	8.46%
Unemployment Compensation (2)	4,851		3,566		4,747		4,747		3,566		-	0.00%
Total	\$ 114,641	\$	\$ 133,784	\$	\$ 87,915	\$	\$ 134,368	\$	\$ 144,803	\$	\$ 11,019	8.24%

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

(2) Unemployment compensation is budgeted based on rates and wage limits assigned to the Insurance Compact as of June 2022 in the states where employees work.

2023 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>2021</u> <u>Actual</u>	<u>2022</u> <u>Budget</u>	<u>7/31/22</u> <u>Actual</u>	<u>12/31/22</u> <u>Projected</u>	<u>2023</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u> <u>from</u>		<u>Percentage</u>
						<u>2021</u>	<u>Budget</u>	
Pension (1)	\$ 79,638	\$ 91,766	\$ 47,052	\$ 89,254	\$ 107,576	\$ 15,809		17.23%
Health Benefits (2)	185,980	209,072	121,249	200,330	235,585	26,513		12.68%
Group Life and Disability (3)	9,900	8,772	4,962	8,617	9,065	293		3.34%
Employee Relations (4)	15,600	18,350	17,995	23,766	30,625	12,275		66.89%
Total	\$ 291,118	\$ 327,960	\$ 191,258	\$ 321,967	\$ 382,850	\$ 54,890		16.74%

(1) A 457 plan and 401(a) plan is in effect for Insurance Compact employees. In 2023, all Compact employees 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) Employee Relations has increased as the Insurance Compact has adopted a formal recognition program where both employees and managers have quarterly budgets for recognition of their direct reports and colleagues. The Insurance Compact has budgeted for two in-person team meetings in 2023 as no teams occurred in 2020 and 2021.

2023 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>2021 Actual</u>	<u>2022 Budget</u>	<u>7/31/22 Actual</u>	<u>Projected 12/31/22</u>	<u>2023 Budget</u>	<u>Increase (Decrease) from 2021 Budget</u>	<u>Percentage</u>
Professional Association Dues (1)	\$ 5,522	\$ 5,875	\$ 7,076	\$ 7,076	\$ 6,415	\$ 540	9.19%
Professional Training (2)	12,695	15,250	810	16,060	15,250	-	0.00%
Total	\$ 18,217	\$ 21,125	\$ 7,886	\$ 23,136	\$ 21,665	\$ 540	2.56%

(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) The Insurance Compact has implemented a Comprehensive Professional Development Program for Insurance Compact employees that includes professional, technical and new employee training. The Insurance Compact sponsors executive training and coaching for its senior team.

2023 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>	2021	2022	7/31/22	12/31/22	2023	Increase (Decrease) from	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>	<u>2021 Budget</u>	
Other Professional Services (1)	487,424	406,321	194,572	367,158	340,562	(65,759)	(16.18%)
Legal (2)	12,600	175,000	25,695	60,695	75,000	(100,000)	(57.14%)
Computer Services (3)	9,730	10,736	5,404	9,877	11,178	442	4.12%
Total	\$ 509,754	\$ 592,057	\$ 225,671	\$ 437,731	\$ 426,740	\$ (165,317)	(27.92%)

(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 (\$6,750); Annual Audit fees (\$37,500); service fees for insurance policies (\$1,964); and Consultant fees. Included in this line for this year is \$25,000 for an outside vendor to maintain the Insurance Compact's website. The Insurance Compact has budgeted for a full-time consultant - a Regulatory Coordinator Consultant - to support uniform standards development. 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.

(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. In 2022, 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.

2023 BUDGET ANALYSIS

BUDGET ITEM: Travel

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

<u>Description</u>	2021	2022	7/31/22	12/31/22	2023	Increase (Decrease) from	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>	<u>2021 Budget</u>	
Staff Travel (1)	\$ 13,371	\$ 58,477	\$ 16,786	\$ 53,350	\$ 100,124	\$ 41,647	71.22%
Marketing Travel (2)	12,780	47,050	2,485	33,035	69,150	22,100	46.97%
Non-Staff/Commissioner Travel (3)	16,473	39,652	24,717	52,143	109,900	70,248	177.16%
Total	\$ 42,624	\$ 145,179	\$ 43,989	\$ 138,529	\$ 279,174	\$ 133,995	92.30%

(1) This line item includes the costs associated with travel for the Insurance Compact employees. In 2023, it is anticipated 59 trips will be incurred which will include the three (3) NAIC/Compact in-person meetings, Compact Roundtables, regulator meetings/conferences as well as any other necessary meetings in support of the Insurance Compact. Additionally, there are two meetings planned with the full Compact Team. The increase in travel is due to an increase in the number of trips and meetings planned for 2023 compared to previous years.

(2) This line item includes the costs associated with travel for marketing/outreach by the Insurance Compact Team and/or Compact members. It is anticipated that there will be 37 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 4 marketing events throughout the year. New to this line are 4 opportunities for receptions to take place during industry and regulatory conferences. 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 marketing/outreach events planned for 2023 compared to previous years.

(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. The increase in this line is attributed to an increase in the number of events and meetings being planned for the Compact Officers and Members to participate in over the course of 2023.

2023 BUDGET ANALYSIS

BUDGET ITEM: Occupancy

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

<u>Description</u>	<u>2021</u> <u>Actual</u>	<u>2022</u> <u>Budget</u>	<u>7/31/22</u> <u>Actual</u>	<u>12/31/22</u> <u>Projected</u>	<u>2023</u> <u>Budget</u>	Increase (Decrease) from <u>2021 Budget</u>	<u>Percentage</u>
Occupancy (1)	\$ 4,739	\$ 6,672	\$ 2,621	\$ 5,215	\$ 9,072	\$ 2,400	35.97%

(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. The increase is due to Compact employees returning to the office post pandemic and commuting benefits being incurred more routinely.

2023 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>2021</u> <u>Actual</u>	<u>2022</u> <u>Budget</u>	<u>7/31/22</u> <u>Actual</u>	<u>12/31/22</u> <u>Projected</u>	<u>2023</u> <u>Budget</u>	Increase (Decrease) from		<u>Percentage</u>
						<u>2021</u>	<u>Budget</u>	
Meetings (1)	\$ 8,398	\$ 8,400	\$ 17,327	\$ 30,427	\$ 59,000	\$ 50,600		602.38%

(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. The increase is attributed to additional marketing/outreach events being held separate from NAIC/Insurance Compact sponsored events. The Insurance Compact Office is planning for an in-person meeting of the Management Committee separate from the NAIC in-person meetings as well as two Compact Roundtables. The increase in meeting expenses is in conjunction with the increase in travel as more Compact sponsored events are being planned in 2023.

2023 BUDGET ANALYSIS

BUDGET ITEM: Insurance

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

<u>Description</u>	2021		2022		2023		Increase (Decrease) from 2021 Budget	<u>Percentage</u>				
	<u>Actual</u>		<u>Budget</u>		<u>Budget</u>	<u>2021 Budget</u>						
General Business Insurance (1)	\$ 17,274	\$	20,721	\$	11,550	\$	20,603	\$	22,637	\$	1,916	9.25%

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

2023 BUDGET ANALYSIS

BUDGET ITEM: Office Services

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

<u>Description</u>	2021	2022	7/31/22	12/31/22	2023	Increase (Decrease) from	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>	<u>2021 Budget</u>	
Telephone (1)	\$ 207	\$ 4,500	\$ 32	\$ 107	\$ 4,510	\$ 10	0.22%
Other Supplies (2)	995	240	1,347	1,472	300	60	25.00%
Non-Capital Equipment (3)	7,984	10,000	4,368	9,368	8,000	(2,000)	(20.00%)
Mail Services (4)	929	700	632	957	735	35	5.00%
Total	<u>\$ 10,116</u>	<u>\$ 15,440</u>	<u>\$ 6,380</u>	<u>\$ 11,905</u>	<u>\$ 13,545</u>	<u>\$ (1,895)</u>	(12.27%)

(1) Telephone expenses for conference calls utilizing a combination of WebEx and Chorus Call.

(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. In 2022, non-capital equipment was purchased for select Compact employees. The decrease in this line is attributed to not requiring additional non-capital equipment in 2023.

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

2023 BUDGET ANALYSIS

BUDGET ITEM: Other Expenses

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

<u>Description</u>	2021	2022	7/31/22	12/31/22	2023	Increase (Decrease) from	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>	<u>2021 Budget</u>	
Reference Materials (1)	\$ -	\$ 1,500	\$ -	\$ 1,500	\$ 1,500	\$ -	0.00%
Bad Debt Expense	-	-	-	-	-	-	100.00%
Taxes	468	475	467	-	475	-	100.00%
Recruiting Expense	-	-	-	-	-	-	#DIV/0!
Total	\$ 468	\$ 1,975	\$ 467	\$ 1,500	\$ 1,975	\$ -	0.00%

(1) It is expected the Insurance Compact Office will purchase various reference materials for the Team as well as the Compact members in 2023.