**LETTER FROM THE OFFICERS**

What words could be used to best describe 2021? With the continuance of the COVID-19 pandemic, it would be easy to cast the previous year in a discouraging way. However, we would choose “resilience”, “responsiveness”, and “collaboration” to describe how the Commission rallied together and faced the challenges presented. This collective approach is reflected in the Commission’s 2021 accomplishments.

The Compact reached record milestones in 2021: numbers of registrations and filings were the highest yet with 286 companies submitting 2,337 forms, accounting for 1,547 filed products, and operating revenues were $3,426,324.

The Commission also welcomed its 47th member, Delaware, which joined the Compact in July 2021.

The Commission adopted a series of emergency rules for the first time in its history in 2021. The standard nonforfeiture rate would have changed automatically in several individual non-variable annuity Uniform Standards with the update made to Section 4(B)(3) of Model 805, Standard Nonforfeiture Law for Individual Deferred Annuities. The Commission responded quickly by implementing emergency rules throughout the year to stay the updates until the Commission could find a permanent solution. The affected Uniform Standards now refer to state law when determining the standard nonforfeiture rate insurers must use when they issue new annuity contracts, allowing time for each member state’s legislature to consider the change to Model 805.

The Commission also collaborated to find solutions for South Carolina’s request to reduce or eliminate the new annuity contracts, allowing time for each member state’s legislature to consider the change to Model 805.

Several good governance recommendations were implemented in 2021 as well. Of the recommendations made by Squire Patton Boggs in its Governance Assessment Report, each committee has adopted an annual housekeeping actions item in a singular vote. Finally, the Commission exposed amendments to the Compact’s charter outlining its roles and responsibilities. The Commission used a consent agenda to address routine housekeeping actions items in a singular vote. Finally, the Commission exposed amendments to the Compact’s bylaws as proposed by the Governance Committee, this work will be finalized in 2022.

We want to recognize the stakeholders who helped make 2021 so successful: state insurance commissioners and their staff, members of the Legislative Committee, Consumer and Industry Advisory Committees, and company filers. There is much work to be done in 2022; with your continued commitment and engagement, we will surely have another resilient, responsive and collaborative year.
In 2021, the Compact recognized the 15th anniversary of the inaugural meeting of the Compacting States. The focus at that first meeting was creating a member-driven organization to promote regulatory efficiency of asset-based insurance products. This dedication to our mission has not wavered. Last year, the ingenuity and cooperative spirit of the Compacting States was in action.

The Compact utilized several processes for the first time to address pressing issues including emergency rulemaking, advisory opinion drafting and reevaluating the long-standing threshold for in-force long-term care rate increase approvals. The Compact also successfully deployed a new process for the identification of proposed Uniform Standards with the members driving the prioritization for their development. These actions were implemented amid the heaviest annual filing volume ever received and processed by the Compact.

The Compact kept its eye on completing several of its strategic goals in 2021 including enhancing member communications. Opportunities to attend webinar sessions were offered in the spring and fall, and each session was recorded to offer on-demand access to those who could not attend the live training session. The Compact launched a regulator-only Collaboration Space, to provide member regulators access to information about regulatory hot topics, committee activities and product filing information. The Compact also introduced its new monthly member newsletter, the Compact Chronicles, in June 2021. The Compact Chronicles provides pertinent information members need to stay apprised of Compact activities and is posted on our website.

Another strategic focus for 2021 was strengthening the legal foundation of the Compact by exploring the implications of implied congressional consent. The Governance Committee performed significant due diligence in carrying out the recommendation from the 2020 independent governance review to utilize the Compact’s advisory opinion authority to formally acknowledge its position on this matter. Through this work, the Compact and its member states are positioned to thoughtfully consider this advisory opinion in 2022.

Several operational changes were made in 2021 as well. Notably, 2021 was the first year the Expedited Review Process (“ERP”) was permanently implemented and was well utilized by frequent company filers, with 161 filings submitted through the queue. The percentage of mix and match filings submitted to the Compact decreased to 15% last year, which is a 7% reduction from 2020. Even with a record number of filing submissions, the average review turnaround time was 27 review days. The Compact welcomed two new staff members to its organization: Sarah Neil, Communications and Outreach Coordinator, was hired in June, and Joseph Bonfitto, Product Reviewer, joined in September. We also said goodbye to long-time reviewer, Maureen Hart Perry, who retired in December.

The achievements of the Insurance Compact belong to our members who dedicate their time and energy to its success, engaging and working alongside their fellow member states, legislative leaders, consumer and industry representatives, and other interested parties. Thank you for your participation in 2021, and we look forward to continuing this important work through 2022 and beyond. We are proud to be a trusted arm of our Compacting States.

Karen Z. Schutter
Executive Director
In December 2019, the Insurance Compact adopted its three-year strategic plan— the Compass. The Compass was developed with input from all constituents – Commissioners and state regulators, state legislators, consumer advocates, company representatives, and filers. The Compass has three overarching priorities, each with three objectives followed by several action items identified under each one for a total of 28 action items.

Throughout 2021, the Insurance Compact completed several projects associated with the Strategic Plan. Examples of these projects included the development of regular communications about Compact activities and on-demand training sessions for Compacting states and company filers, hiring a member services coordinator, and implementing the Uniform Standards Development process. Several other action items were started in 2021 that are on pace for completion in 2022.

**Priority I: Uniform Standards States Support and Companies Willingly Use**
- **Objective 1**: Robust – Reflect strong consumer protections
- **Objective 2**: Relevant – Reflect product offerings available in Compacting States
- **Objective 3**: Reasonable – Reflect product requirements that are not unduly prescriptive

**Priority I Action Items Completed in 2021:**
- #2: Provide wider and easy-to-follow public notice and detailed information with respect to Uniform Standards development for members, interested parties and constituents/stakeholders.
- #6: Develop a system for identifying and prioritizing the development of new Uniform Standards including for new product lines and new products and benefit features for existing product lines to reflect product offerings accepted by the majority or more of Compacting States.

**Priority II: Nationally Recognized Regulatory Review Process**
- **Objective 1**: Responsive – Provide prompt review and turnaround times
- **Objective 2**: Reliable – Provide consistent, thorough quality reviews
- **Objective 3**: Regulatory Collaboration – Provide information and processes working with Compacting States to facilitate their state market and financial regulatory functions with respect to Compact-approved products

**Priority II Action Items Completed in 2021:**
- #1: Create a new position for a member services coordinator to work closely with regulators in Compacting States to provide regular and consistent communications on a variety of Compact matters including updates and issues in the regulatory review process.

**Priority III: Resource for Compacting States, Regulated Entities and Consumers**
- **Objective 1**: Responsible – Provide excellent and accountable information and services
- **Objective 2**: Respected – Retain qualified and experienced staff
- **Objective 3**: Ready – Provide proactive information on Compact activities and be an accessible source of information

**Priority III Action Items Completed in 2021:**
- #1: Provide regular and ongoing information to Compacting States through weekly, monthly, and quarterly communications and reports about its committee and product operations activities.
- #2: Provide live and on-demand training programs and tutorials for Compacting States, company filers, and consumer representatives about various aspects of the Compact and offer ongoing training on Uniform Standards and current product development.
- #9: Working with the NAIC, provide regular updates to Committees, Task Forces and Working Groups with jurisdiction over product lines authorized by the Insurance Compact regarding its activities. Working with other state-based organizations including NCOIL, NCSL and CSG, provide regular updates on the Insurance Compact at its meetings or through other forms of targeted communication.
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 47 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 needs 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.

CURRENT PRODUCT LINES:
- Individual Life
- Individual Annuity
- Individual Long-Term Care
- Individual Disability Income
- Employer Group Term Life
- Employer Group Disability Income
- Employer Group Annuity

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.

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 2021, the Audit Committee adopted a new Committee Charter.

2021: Kathleen A. Birrane (MD), Chair; Chlora Lindley-Myers (MO), 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. The Governance Committee recommended amendments to the Compact’s bylaws in concert with the recommendations made in the independent governance report authored by Squire Patton Boggs. To address the issues raised by the Colorado Supreme Court in the opinion it issued in April 2020, the Governance Committee has also prepared a draft Advisory Opinion along with a briefing sheet and suggested responses to frequently asked questions.

2021: Mark Afable (WI), Chair; Doug Slape (TX), Vice Chair

The Finance Committee monitors the finances of the Insurance Compact. In 2021, the Finance Committee prepared the annual budget, including monitoring the actual and projected revenues and expenses, as well as resource levels.

2021: Eric Dunning (NE), Chair; Vicki Schmidt (KS), Vice Chair

The Product Standards Committee reviews and recommends uniform standards to the Management Committee. In 2021, the Product Standards Committee finalized its amendments to three waiver uniform standards and five uniform standards that references NAIC Model 805 at the request of the Management Committee and the development of guidance pertaining to the development of Uniform Standards. Both of these were included in the Compact’s Strategic Plan as Action Items for the Product Standards Committee.

2021: Michael Conway (CO), Chair; Doug Ommen (IA), Vice Chair

The Rulemaking Committee develops and recommends to the Management Committee the rules and operating procedures, and any amendments thereto. In 2021, the Rulemaking Committee continued its work regarding the expansion of group products into other groups beside employer/employee groups. This was one of the projects identified in the Compact’s Strategic Plan for the Committee.

2021: Andrew Stolfi (OR), Chair; Scott A. White (VA), Vice Chair

2021 ANNUAL REPORT
MEMBERSHIP (AS OF DECEMBER 31, 2021)

Jim L. Ridling
Commissioner, Alabama Department of Insurance

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

Evan Daniels
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, Department of Insurance, Securities, and Banking

Trinidad Navarro
Commissioner, Delaware Department of Insurance

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

Colin M. Hayashida
Commissioner, Hawaii Insurance Division

Dean L. Cameron
Director, Idaho Department of Insurance

Dana Popish Severinghaus
Acting Director, Illinois Department of Insurance

Amy Beard
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

James J. Donelon
Commissioner, Louisiana Department of Insurance

Eric A. Cloppa
Superintendent, Maine Bureau of Insurance

Kathleen Birrane
Commissioner, Maryland Insurance Administration

Gary D. Anderson
Commissioner, Massachusetts Division of Insurance

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

Grace Arnold
Commissioner, Minnesota Department of Commerce

Mike Chanev
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

Barbara D. Richardson
Commissioner, Nevada Division of Insurance

Chris Nicoloopoulos
Commissioner, New Hampshire Insurance Department

Marlene Caride
Commissioner, New Jersey Department of Banking & Insurance

Russel Toal
Superintendent, New Mexico Office of Superintendent of Insurance

Mike Causey
Commissioner, North Carolina Department of Insurance

Judith French
Director, Ohio Department of Insurance

Glen Mulready
Commissioner, Oklahoma Insurance Department

Andrew R. Stolfi
Commissioner, Oregon Insurance Department

Carter Lawrence
Commissioner, Tennessee Department of Commerce and Insurance

Jessica K. Altman
Commissioner, Pennsylvania Insurance Department

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

Elizabeth Kelleher Dwyer
Superintendent, Rhode Island Department of Insurance

Raymond G. Farmer
Director, South Carolina Department of Insurance

Cassie Brown
Commissioner, Texas Department of Insurance

Jon Pike
Commissioner, Utah Insurance Department

Michael S. Pieciak
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 McVey
Commissioner, West Virginia Office of the Commissioner of Insurance

Mark Afable
Commissioner, Wisconsin Office of the Commissioner of Insurance

Jeff Rude
Commissioner, Wyoming Insurance Department

2020 Past Members Who Served
Steven Robertson, Indiana
Bruce Ramge, Nebraska
Mariano A. Mier Romeu, Puerto Rico
James Dodrill, West Virginia
MANAGEMENT COMMITTEE

The Management Committee is formed on an annual basis 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, 2021 – 2022

Kathleen Birrane, Maryland, Chair
Eric Dunning, Nebraska, Vice Chair
Allan McVey, West Virginia, Treasurer
Dana Popish Severinghaus, Illinois
Gary D. Anderson, Massachusetts
Anita G. Fox, Michigan
Grace Arnold, Minnesota
Marlene Carde, New Jersey
Judith French, Ohio
Jessica K. Altman, Pennsylvania
Elizabeth Kelleher Dwyer, Rhode Island
Cassie Brown, Texas
Scott A. White, Virginia
Jeff Rude, Wyoming

Management Committee, 2020 - 2021

Elizabeth Kelleher Dwyer, Rhode Island, Chair
Mark Afable, Wisconsin, Vice Chair
Jim Dodrill, West Virginia, Treasurer
John F. King, Georgia
Vickie Schmidt, Kansas
Dana Popish Severinghaus, Illinois
Anita G. Fox, Michigan
Marlene Carde, New Jersey
Mike Causey, North Carolina
Judith French, Ohio
Jessica K. Altman, Pennsylvania
Scott A. White, Virginia
Doug Slape, Texas
Jeff Rude, Wyoming

ADVISORY COMMITTEES

Consumer Advisory Committee
- Autism Speaks
  Angela Lello, Director, Housing and Community Living
- Center for Insurance Research
  Brendan Bridgeland, Policy Director and Staff Attorney
- Consumer Liaison Representative
  Yvonne Hunter
- Consumer Liaison Representative
  Fred Nepple

Industry Advisory Committee
- American Council of Life Insurers (ACLI)
  Wayne Mehlman, Senior Counsel, Insurance Regulation
- America’s Health Insurance Plans (AHIP)
  Amanda Herrington, Executive Director, Product Policy
- Insured Retirement Institute (IRI)
  Sarah Wood, Director, State Policy and Regulatory Affairs
- National Association of Insurance and Financial Advisors (NAIFA)
  Maeghan Gale, Policy Director, Government Relations
- Allianz Life Insurance Company of North America
  Anne Correa, Principal Product Contract Associate, Actuarial Product Development
- Athene Annuity and Life Company
  Andrea Davey, Senior Manager, Compliance
- Northwestern Mutual Life Insurance Company
  David Morris, Product Compliance Consultant
- New York Life Insurance Company
  Joseph Muratore, Associate General Counsel, Office of the General Counsel

Legislative Committee
- Representative Matt Lehman, Chair
  State of Indiana
- Representative Brian Patrick Kennedy, Speaker Pro Tempore
  Vice Chair
  State of Rhode Island
- Representative Matt Dollar
  State of Georgia
- Representative James Dunnigan
  State of Utah
- Representative Deborah Ferguson
  State of Arkansas
- Senator Laura Fine
  State of Illinois
- Assemblyman Ron Freiman
  State of New Jersey
- Representative Tom Oliverson
  State of Texas

Former Members Who Served:
- Representative Joseph Fischer
  Commonwealth of Kentucky
- Assemblywoman Maggie Carlton
  State of Nevada

ORGANIZATIONAL CHART
INSURANCE COMPACT MILESTONES

2021
- Delaware became the 47th Compacting State
- 286 companies registered; 1,673 products submitted and 1,290 products approved with an average review time of 27 days with Mix and Match percentage = 15%
- Adopted two new Uniform Standards and amended 9 Uniform Standards
- 157 filings amended
- Reviewed 178 products in Expedited Review Program

2020
- Completed independent business assessment and governance review
- 46 Compacting States with Mix and Match percentage = 22%
- 249 companies registered; 1,373 products submitted and 1,290 products approved with an average review time of 21 days
- 72 filings amended
- Reviewed 190 products in Expedited Review Program

2019
- Adopted first Group Annuity Standards, adopted ROP Standards for IDI products, and amended 2 Uniform Standards
- 46 Compacting States with Mix and Match percentage = 27%
- 266 companies registered; 1,639 products submitted and 1,617 products approved with an average review time of 33 days, 80 filings amended
- Adopted Insurance Compact Compass: Strategic Plan 2020 - 2022
- Employed the Expedited Review Pilot Program

2018
- Completed the Five-Year Review on the Individual Disability Income Uniform Standards and began the review of Group Annuity Uniform Standards with Mix and Match percentage = 34%
- Washington, DC enacted the Compact legislation making it the 46th Compacting State
- 233 companies registered; 1,349 products submitted and 1,226 products approved with an average review time of 25 days
- 109 filings amended
- Completed the Five-Year Review of the Individual LTC Uniform Standards and began the Five-Year Review process on the adopted Individual Disability Income Uniform Standards with Mix and Match percentage = 42%
- Connecticut became the 45th Compacting State effective for filing
- 228 companies registered; 1,132 products submitted and 1,159 products approved with an average review time of 20 days
- 137 filings amended

2017
- Adopted Group Disability Income Uniform Standards; 100 Uniform Standards adopted
- 45 Compacting States with Mix and Match percentage = 50%
- 226 companies registered; 1,059 products submitted and 981 products approved with an average review time of 30 days
- 229 filings amended

2016
- 44 Compacting States with Mix and Match percentage = 50%
- 205 companies registered; 863 products submitted and 829 products approved with an average review time of 33 days
- 197 filings amended

2015
- 50%
- Mix & Match Percentage
- 50%
- 42%
- 34%
- 27%
- 22%
- 15%
- Registered Companies
- 266
- 226
- 228
- 233
- 249
- 266
- State Filing Fees Collected and Remitted
- $2,077,363
- $2,439,645
- $3,342,679
- $3,441,481
- $3,022,993
- $3,668,133

PRODUCT FILING STATISTICS

January 1, 2015 through December 31, 2021

Submissions Received

Mix & Match Percentage

Registered Companies

State Filing Fees Collected and Remitted

Overview
- There are 47 Compacting States including Puerto Rico and the District of Columbia
- There are 22 + Types of Insurance (TOI) available for filing with 102 adopted Uniform Standards and 130 various sub-TOIs available.

From June 2007 - December 2021:
- Over 11,815 products have been approved by the Insurance Compact, which equates to over 403,605 SERFF transactions.
- 35,085 forms have been submitted for review.
- $28,749,682 filing fees have been collected and remitted to the fee collecting member states.
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. RSM US LLP 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 fourteenth full year of revenue-generating operations in 2021. The Insurance Compact’s 2021 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 2021 and 2020.

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 $2,325,937 as of December 31, 2021. This is an increase of $513,703 compared to 2020.

Accounts receivables were $9,787 in 2021 and $30,678 in 2020; a difference of $20,891. Prepaid expenses were $9,569 in 2021 and $9,957 in 2020 and were largely unchanged.

Total current liabilities are $1,476,411 or $23,579 under 2020; accrued expenses were slightly higher in 2021 than 2020, due to the timing of payments to vendors, employees, and consultants and fluctuates each year.

The Insurance Compact collected and remitted $3,668,133 to states in applicable state filing fees, which was an increase of $645,140 over the amount of state filing fees remitted in 2020. This increase follows a similar trend with an increase of $645,140 over the amount of state filing fees remitted in 2020. Due to the state regulatory requirement deadlines, more companies in a higher fee-paying category, submitted their 2021 annual registrations by December 31, 2021.

Deferred revenue represents the annual registration fee which was $114,425 less than in 2020. Deferred revenue represents the annual registration fee paid in 2021 for the 2022 annual registration period. The savings in several lines was a direct result of the COVID-19 pandemic as travel and in-person meetings were cancelled.

The operating expenses of $2,636,308 for 2021 were under budget by $226,270, or 8%, and $48,151 under 2020’s budget. In 2021, the Insurance Compact received $18,500 in Advance Filing Calculation which was $1,400, or 8%, more than the $17,100 in 2020.

The third of the new filing fees put in place in 2019 was the EFT Return fee. This fee was assessed to companies who had an electronic funds transfer (EFT) that failed. When a filing is submitted to the Compact, the indicated state fees on the filing are automatically pushed to the states included in the filing submission. If there is a transmitted, the fees are still paid from the Compact’s banking accounts. The EFT Return fee is equal to 5% of the total EFT failure and is assessed to the company for any EFT return after their first failure. In 2021, $3,170 was collected in EFT Return fees which indicated companies are performing additional due diligence to minimize EFT returns.

In 2021, the Insurance Compact saw a 6% reduction in the number of expedited review submissions in 2021 with 178 compared to 190 expedited filings submitted in 2020. The difference in revenue was 3%, or $5,635, less than the $186,960 received in 2020. In 2021, there was an 18% increase in the number of expedited requests for submission requiring an actuarial review. In 2020, the Insurance Compact received a record number of 71 for expedited review requests for filings not requiring an actuarial review. This volume was not received in 2021; there were 40 requests received in 2021.

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 the company is currently licensed in. 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.

The Insurance Compact receives or paid.

At the end of 2020, the expedited review service was adopted as a permanent service for individual life and annuity submissions. Companies entering the expedited review process pay double the applicable Insurance Compact product filing fee to receive review of their filing submission within service level time frames. The Insurance Compact saw 6% reduction in the number of expedited review submissions in 2021 with 178 compared to 190 expedited filings submitted in 2020. The difference in revenue was 3%, or $5,635, less than the $186,960 received in 2020. In 2021, there was an 18% increase in the number of expedited requests for submission requiring an actuarial review. In 2020, the Insurance Compact received a record number of 71 for expedited review requests for filings not requiring an actuarial review. This volume was not received in 2021; there were 40 requests received in 2021.

The Advance Filing Calculation fee was another optional service put in place in 2019. This service is to calculate and provide written guidance as to the proper state and Compact filing fees to be paid in the submission upon receipt of the $100 service fee. In 2021, the Insurance Compact received $18,500 in Advance Filing Calculation which was $1,400, or 8%, more than the $17,100 in 2020.

In 2021, the Insurance Compact saw a 6% reduction in the number of expedited review submissions in 2021 with 178 compared to 190 expedited filings submitted in 2020. The difference in revenue was 3%, or $5,635, less than the $186,960 received in 2020. In 2021, there was an 18% increase in the number of expedited requests for submission requiring an actuarial review. In 2020, the Insurance Compact received a record number of 71 for expedited review requests for filings not requiring an actuarial review. This volume was not received in 2021; there were 40 requests received in 2021.

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

Operating revenues were $3,426,324 which was 124% of 2020 operating revenues with an actual-to-budget revenue ratio for 2021 of 114%.

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 adopt its Schedule of Fees in conjunction with the adoption of its annual budget. In 2021, there were no changes to the Schedule of Fees which were last amended and effective in January 2019. The Insurance Compact is revenue neutral to Compacting States in that filings continue to pay the applicable state filing fees for Compact submissions in addition to the Insurance Compact fees.

In 2021, the Insurance Compact saw an increase in the number of submissions requiring an actuarial review. In fact, volume was 32% above budget for these submissions which equates to $273,655 above budgeted revenue. The Savings in several lines was a direct result of the COVID-19 pandemic as travel and in-person meetings were cancelled.

The operating expenses of $2,636,308 for 2021 were under budget by $226,270, or 8%, and $48,151 under 2020’s operating expenses. The savings in several lines was a direct result of the COVID-19 pandemic as travel and in-person meeting costs were not incurred as expected and staff and consultant positions were open longer than anticipated. The Insurance Compact ended 2021 with a positive change in net assets of $790,016.
MANAGEMENT’S DISCUSSION & ANALYSIS

Debt
On June 1, 2007, the Insurance Compact signed a services agreement with the NAIC to provide certain administrative, technical, and actuarial services to the Insurance Compact. The NAIC provides 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. The Services Agreement includes an additional adjustable administrative fee equal to 1% of every $25,000 of net revenue in excess of expenses earned by the Commission. The Commission paid $63,750 for the adjustable administrative fee based on the net revenue of $853,766 and reflected under the professional services for 2021.

The note payable to the NAIC totals $2,630,828 as of the end of 2021. This is a $274,013 decrease over the prior year due to the loan payment in March 2021. 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 equal to the prime rate of 3.25% on January 1, 2010. The prime rate 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 $464,204, 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 $2,746,134. Payments of $274,013 will be made no later than March 31 of each year unless extended by mutual agreement between the Compact and the NAIC. If during the 10-year repayment period the Commissioner’s cash balance is less than $250,000 as reflected in the annual audited financial statements, the required payment for the year will be reduced and the repayment plan 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 extension of the repayment term.

Economic Factors
2021 ANNUAL REPORT
INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION

INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION

The number of companies registered in 2021 exceeded the next highest volume year of registered companies in 2019 by 8% or 20 more registered companies.

The Insurance Compact received 1,673 products for 2021 which was a 22% increase compared to the 1,373 product filings received in 2020. In terms of budget, the actual number of product filings was 108% of the budgeted volume with product filing fees $367,306 over budget. The variance in revenue is due to the difference in the filing fee category utilization. Due to the state regulatory required updates, product filing submissions requiring actuarial review were above budgeted volumes while the product filing submissions requiring actuarial review were well below budget. Filings requiring actuarial review fall in higher fee categories.

In 2021, the Insurance Compact continued to deliver on speed-to-market with an average turnaround time of 27 review days. Even with the heavy workload and the record number of product filings, each one received a thorough review for compliance with the detailed Uniform Standards. In 2019, the Insurance Compact created an expedited review service on a pilot basis which was adopted on a permanent basis in 2020. The purpose of the filing option is to address the demand from some, not all, companies requesting approval well within the 60-day turnaround time required under the Compact’s Product Filing Rule and even more aggressive than the Compact’s average turnaround time. Companies that focus on quicker-than-average turnaround times have shown their willingness to pay more to support such a process, which involves dedication of form reviewers and actuaries to continue to ensure thorough compliance review within tight service level time frame.

Since its inception, the Insurance Compact has earned a total of $528,910 in additional fees associated with the expedited review process. Ninety-nine companies of all sizes have taken advantage of the expedited review process. The revenue received from expedited review filings is fairly comparable in 2021 and 2020 with 12 less filings submitted to expedited review in 2021 than 2020. The filings going through expedited review in 2021 likely required more actuarial resources and review time which would explain the lower volume in this queue. For 2021, the average turnaround time for the expedited review queue was nine days.

The operating expenses of the Insurance Compact in 2021 were under 2020 operating expenses by 2%. In 2020, the Insurance Compact conducted a Governance Review and a Business Assessment. This was a significant one-time expense. Comparing the initial budget adopted in 2020 without these two strategic projects, the 2021 budgeted is comparable with $11,016 more included in expenses. The primary driver of the Insurance Compact’s significant growth over the past 10 years of product operations is scaled growth in human resources as the Insurance Compact has expanded over time as the number of member states, registered companies, product lines, Uniform Standards, and product filing volume and activity has expanded. Salaries were $1,618,959 in 2021 compared to $1,511,743 in 2020. The increase was due to filling two vacant positions along with the promotions of long-tenured staff.

Professional services were $509,754 in 2021 compared to $714,656 in 2020. The Insurance Compact amended its annual budget in June 2020 to add $400,000 in professional services for independent consultant services to provide a governance review, business assessment and a litigation risk assessment. At the end of 2021, one consultant retired. This position was converted to a full-time employee by the Management Committee in September and was not filled by the end of the year.

The Insurance Compact incurred $42,624 of its $148,530 travel budget. Travel restrictions due to COVID-19 eased allowing the Compact to conduct two budgeted in-person meetings in conjunction with the NAIC Summer and Fall Meetings. Salaries and professional services were also significantly under the budgeted amount for 2021 due in part to the timing of open positions and attrition.

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 2021 and 2020. 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.
In performing an audit in accordance with GAAS, 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.
**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2021 and 2020**

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$2,325,937</td>
<td>$1,812,234</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>9,787</td>
<td>30,678</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>5,569</td>
<td>9,957</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$2,345,293</td>
<td>$1,852,869</td>
</tr>
<tr>
<td><strong>Liabilities and Net Deficit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$120,613</td>
<td>$48,508</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>286,260</td>
<td>247,519</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>815,625</td>
<td>929,960</td>
</tr>
<tr>
<td>Current portion of note payable to the NAIC</td>
<td>274,013</td>
<td>274,013</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>1,476,411</td>
<td>1,499,990</td>
</tr>
<tr>
<td>Long-term liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note payable to the NAIC</td>
<td>2,630,829</td>
<td>2,904,841</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>4,107,239</td>
<td>4,404,831</td>
</tr>
<tr>
<td>Net deficit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions</td>
<td>(1,761,946)</td>
<td>(2,551,962)</td>
</tr>
<tr>
<td><strong>Total liabilities and net deficit</strong></td>
<td>$2,345,293</td>
<td>$1,852,869</td>
</tr>
</tbody>
</table>

See notes to financial statements.
Note 1. Nature of Operations and 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 47 member states as of December 31, 2021 and 46 member states as of December 31, 2020.

Basis of accounting for revenues: The Insurance Compact recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer.
- Identify performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

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. As of December 31, 2021 and 2020, annual registration revenue was $1,484,388 and $1,343,300, 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 Rate and Form 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. As of December 31, 2021 and 2020, product filing fees revenue was $1,484,388 and $1,343,300, respectively.

The Insurance Compact did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.
Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Basis of accounting and presentation: The Insurance Compact presents its financial statements based on ASC Topic 985, Presentation of Financial Statements. Net assets, revenues and gain and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Insurance Compact and changes therein are classified and reported as follows:

Net assets (deficit) without donor restrictions: Net assets are not subject to donor-imposed restrictions, but may be subject to board designations. At December 31, 2021 and 2020, net deficit consisted entirely of net deficit without donor restrictions.

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 or the passage of time. Also included within this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Insurance Compact. Generally, the donors of these assets permit the Insurance Compact to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2021 and 2020, the Insurance Compact does not have any net assets with donor restrictions.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash: For purposes of the statements of cash flows, cash is considered to be cash on hand, bank checking accounts and money market funds. The Insurance Compact, at times, maintains deposits with banks in excess of the insured limits, but has not experienced any losses in such accounts.

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, 2021 and 2020, there was no recorded allowance for uncollectible accounts.

Functional expenses: The Not-for-Profit Entities topic of the ASC requires nonprofit organizations to disclose expenses by functional classification. The Insurance Compact presents expenses only by their natural classification on the statements of activities for the years ended December 31, 2021 and 2020, as there is only one program (member services) with multiple service offerings. Therefore, management does not allocate expenses between multiple programs and supporting expenses. Management believes that disclosing expenses by function is insignificant to the financial statements taken as a whole and, therefore, does not apply the provision of the topic as it relates to the disclosure of expenses by functional classification.

Financial assets at year-end:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$2,325,937</td>
<td>$1,812,234</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>9,787</td>
<td>30,678</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>$2,335,724</td>
<td>$1,842,912</td>
</tr>
</tbody>
</table>

The Insurance Compact has various sources of liquidity at its disposal, including cash and accounts receivable.
Note 3. 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. 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 principal balance 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. As of December 31, 2021 and 2020, the outstanding principal and interest balance on the note payable is $2,904,841 and $3,178,854, respectively.

Aggregate maturities of long-term debt as of December 31, 2021, are as follows:

<table>
<thead>
<tr>
<th>Years ending December 31</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$274,013</td>
<td>$274,013</td>
<td>$274,013</td>
<td>$274,013</td>
<td>$1,534,776</td>
<td>$2,904,841</td>
</tr>
</tbody>
</table>

Note 4. 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. This fee was 7.5% for the years ended December 31, 2021 and 2020. 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:

<table>
<thead>
<tr>
<th>Note</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative services provided by and paid to the NAIC</td>
<td>$125,000</td>
<td>$125,000</td>
</tr>
<tr>
<td>License fee paid to the NAIC</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Adjustable administrative fee</td>
<td>$63,750</td>
<td>$5,625</td>
</tr>
<tr>
<td>Amounts payable to the NAIC</td>
<td>$111,884</td>
<td>$37,774</td>
</tr>
</tbody>
</table>

Note 5. Defined Contribution Plan
The Insurance Compact has a 401(a) defined contribution plan, which covers substantially all employees who have completed one year or more of service. Each year the Management Committee determines the contribution for the next year. For the years ended December 31, 2021 and 2020, 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 $79,638 and $73,885 for the years ended December 31, 2021 and 2020, respectively.

Note 6. Subsequent Events
Management has performed an evaluation of events that have occurred subsequent to December 31, 2021, through February 18, 2022. There have been no events that occurred during such period that would require disclosure in these financial statements or would be required to be recognized in the financial statements as of or for the year ended December 31, 2021. Aggregate maturities of long-term debt as of December 31, 2020 are as follows:
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comments@insurancecompact.org
Twitter: @InsCompact

COMPACT TEAM
Karen Z. Schutter
Executive Director
Becky McElduff
Director of Product Operations & Counsel
Sara Dubsky
Assistant Director of Administrative Operations
Joseph Bonfitto
Product Reviewer
Mindy Bradford
Product Reviewer
Katie Campbell
Actuary
Ed Charbonnier
Product Reviewer
Jeanne Daharsh
Actuary
Susan Ezalarab
Regulatory Coordinator Consultant
Karen Givens
Senior Product Reviewer & Manager
Maureen Hart Perry
Product Reviewer
Naomi Kloepersmith
Actuary
Aimee Lawson
Product Filing Specialist
Sarah Neil
Communications and Outreach Coordinator
Hanna Steen
Operations Coordinator

HIGHLIGHTS