

**PROPOSED TERM SHEET**  
**IIPRC DEBT RESTRUCTURING AND REPAYMENT**  
**Updated as of January 7, 2020**

In anticipation of the Interstate Insurance Product Regulation Commission (“Commission”) triggering loan repayment under the Line of Credit Agreement dated January 1, 2010, based on a change in net assets of at least \$250,000 as of December 31, 2019 the National Association of Insurance Commissioners (“NAIC”) and the Commission propose the following restructuring of the Line of Credit Agreement dated January 1, 2010.

**Background**

- In 2010, the NAIC restructured the Line of Credit to roll previous and future borrowings into one note payable subject to interest in the amount of 2.25% per annum (2010 prime of 3.25% - 1.0%) and to defer repayment until the Commission reached one of two triggers with respect to change in net assets or accumulated cash balance from operations.
- Under the 2010 agreement, upon triggering repayment, the Commission would be required to repay the full amount, in quarterly equal payments, over five years.
- The accumulated balance on the Note Payable as of 12/31/2019 is \$3,452,866 (principal of \$2,740,134 / accumulated interest of \$712,732).
- Based on current long-term budget projections which assume reasonable growth in revenues, fees and staffing to support operations, the Commission does not expect to be able to service the full amount of the note payable over five years without causing a negative cash balance before the debt is repaid. Therefore, the length of the repayment period should be extended.

## **Repayment Terms**

In recognition of the tremendous intrinsic value of the Commission in modernizing state-based insurance regulation which is revenue-neutral for Compacting States and where the Commission has collected and remitted more than \$19,000,000 to Compacting States for their filing fees, the parties mutually agree to the following terms:

- The repayment term will be extended from 5 years 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 \$2,740,134.
- Payments of \$274,013.40 will be made no later than March 31<sup>st</sup> of each year.
- There is no accrued interest during the repayment period including any extended periods beyond the initial 10-year repayment period.
- If during the 10-year repayment period the IIPRC'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 of \$274,013.40 which completely repays the principal balance of \$2,740,134, the imputed interest balance of \$712,732 will be treated as a contribution to the Commission.
- As part of the Commission's strategic plan, the Commission will undertake an assessment by an outside vendor to review its current governance structure, the scope of product regulation, potential use of automated review tools and the integration of coordinated state reviews. The NAIC will provide any assistance necessary during this review. Additional assessments of this nature may be requested by the NAIC during the repayment period.

- This Term Sheet will be the basis of the debt restructure and is subject to approval by the NAIC Executive (EX) Committee. Once the Term Sheet has been approved by the NAIC Executive (EX) Committee, the Amended, Restated and Promissory Note dated January 1, 2010 will be replaced and superseded by the new agreement. In addition, a new Security Agreement will be entered into replacing the current 2010 Security Agreement.