



April 28, 2020

Re: RFP #12 – **Business Assessment**

The Interstate Insurance Product Regulation Commission (Insurance Compact) is soliciting proposals for a firm to provide consulting services by performing an independent review of the operational / business / financial model of the Insurance Compact and recommending revisions or improvements to comply with best practices of comparable organizations and to enhance the Insurance Compact's effectiveness and sustainability over the next five to ten years to support and fulfill its statutory purposes and obligations to its member states (Compacting States). The background and specifications for this request are outlined in the Scope of Work.

To receive consideration, proposals should be sent electronically to IIPRCProposals@insurancecompact.org by 5:00 pm Eastern on **Wednesday, June 3, 2020**. Submission of questions should be sent via email by 5:00 pm Eastern on Friday, April 24, 2020. In addition to ensuring your proposal addresses each item within the scope of work, the proposal should clearly state the price plus any ancillary service charges or fees that could be incurred in the delivery of this service.

Request for Proposal Schedule

<u>Thursday, 04/09/2020</u>	Release of RFP
<u>Friday, 04/24/2020</u>	Submit questions to IIPRCProposals@insurancecompact.org
<u>Monday, 05/18/2020</u>	Responses to questions provided via email or conference call
<u>Wednesday, 06/03/2020</u>	Proposal due to the Insurance Compact via email by 5pm
<u>June 2020</u>	Vendor Selection and Award of RFP
<u>Wednesday, 07/01/2020</u>	Target Date to Commence Work
<u>Friday, 11/13/2020</u>	Presentation of Consultant's report and recommendation

Please submit questions regarding any aspect of this project to IIPRCProposals@insurancecompact.org by close of business on Friday, April 24, 2020. All questions will be consolidated, and answers provided to all potential vendors and posted to the Insurance Compact website by close of business on **Monday, May 18, 2020**. **Details regarding the conference call will be emailed to you only if you have expressed an interest in participating at least three days prior to the call.**

Selection Criteria

A committee of Insurance Compact Commissioners will review the proposals and award the project.

Terms and conditions will be mutually agreed to upon award, before a contract is signed.



The selection of the firm will be based on the following criteria:

- Experience with similar projects and ability to understand the scope of the engagement,
- Ability to meet the project schedule,
- Professional reputation of the firm,
- Proposed project costs, and,
- Completeness of proposal.

The Insurance Compact reserves the right to reject any or all proposals, request new proposals or request additional information. The Insurance Compact also reserves the right to further negotiate with any or all bidders.

Thank you for your consideration of this Request for Proposal.

Sincerely,

A handwritten signature in black ink that reads "Karen Z. Schutter". The signature is written in a cursive style with a large, stylized "S" at the end.

Karen Z. Schutter
Executive Director

Organization

The Interstate Insurance Product Regulation Commission (Insurance Compact) is a multi-state public body which serves as an instrumentality of the Compacting States pursuant to enabling legislation to enact the Interstate Insurance Product Regulation Compact. Each Compacting State is an official member – usually represented by the Insurance Commissioner / Director / Superintendent – of the Insurance Compact. The purpose of the Insurance Compact is to develop uniform standards for covered insurance product lines, promptly review filed products and approve those product filings that satisfy applicable uniform standards on behalf of the members of the Insurance Compact. Today, forty-four states, the District of Columbia, and Puerto Rico have enacted the Insurance Compact and are referred to as the Compacting States.

Financial Overview

The Insurance Compact derives its revenue from providing value-added services to insurers or company filers to streamline and standardize the product filing, review and approval process for the Compacting States for individual and group annuities, life, long-term care and disability income insurance. Starting in 2007, the Insurance Compact is funded through transactional or user fees for use of its filing platform and review of filing submissions. The Insurance Compact has two primary fees. An annual registration fee is due as of January 1 of each year to provide access to the Compact filing platform. A per-filing fee is due at the time of product filing submission. The Insurance Compact has other ancillary fees including fees for expedited review, advanced filing fee calculation and electronic-funds transfer returns. Since inception, the Insurance Compact has earned \$17,285,856 in revenue in fees from company filers.

The Insurance Compact is revenue-neutral to the Compacting States, with no membership fees, as the Insurance Compact collects from the company filers and remits to the respective Compacting States applicable state filing fees. Not all Compacting States have state filing fees and some that do have only retaliatory fees. Since inception, the Insurance Compact has collected and remitted a combined \$22,370,593 in state filing fees to its Compacting States.

Between 2007 and 2012, the Insurance Compact borrowed on an available line of credit provided by the National Association of Insurance Commissioners (NAIC) to cover the difference between its operating revenue and expenses. In 2010, the NAIC and Insurance Compact agreed to defer repayment on all borrowings – past and future – until such time as the Insurance Compact met one of two operational thresholds on the date of the independent auditor's report: 1) an increase in net assets of at least \$250,000, or 2) an accumulated cash balance of at least \$500,000 from operations, excluding funds from draws. As of December 31, 2019, the trigger date was achieved as the Insurance Compact achieved an increase in net assets of at least \$250,000. As of December 31, 2019, the outstanding principal with accrued interest totaled \$3,452,078.

Purpose of Engagement

The Insurance Compact conducted a year-long strategic planning process and in December 2019, adopted the *Insurance Compact Compass: Strategic Plan 2020 - 2022*. One of the strategic action items is for the Insurance Compact to work with the NAIC to restructure the Commission's

repayment of start-up capital to maximize the Commission's ability to balance repayment with sustainability over the next ten years.

As part of the terms of restructuring, the Insurance Compact will conduct an assessment of its operational / financial / business model to understand whether it is structured to be sustainable over the next five to ten years. This scope of work outlines the consulting services expected to assist in completion of this action item.

Additional information concerning the Insurance Compact, its governing documents, fee structure, financial information, rulemaking information, the committee structure and product operations activities can be found at www.insurancecompact.org.

Scope of Work

The Insurance Compact will engage a consultant to perform a review and analysis of its financial, budget, fee, and operational structure, processes and practices to recommend revisions or improvements to enhance the Insurance Compact's financial effectiveness and sustainability over the next five to ten years and to comply with financial and business best practices for comparable organizations.

Specific steps to be performed by the Consultant will include:

1. Review of key organizational documents including:
 - a. Insurance Compact Law (state enactments);
 - b. Insurance Compact Bylaws;
 - c. Insurance Compact Terms and Procedures for IIPRC Filing Fees;
 - d. Committee structure and organizational chart;
 - e. Rules, Operating Procedures, Uniform Standards, as applicable;
 - f. Commission-adopted guidelines;
 - g. Minutes, Annual Reports, Annual Budgets, as applicable;
 - h. Outside counsel legal opinions and tax exemption correspondence, as applicable; and
 - i. Internal financial documentation, as applicable.
2. Assessment of the Insurance Compact's current operational model including its relationships with Compacting States, third-party filers, company filers. Assessment of the Insurance Compact's fee structure, committee structure, organizational structure, expense structure and its debt obligation structure. Compare the Insurance Compact's current operational model with industry standards and organizations and businesses that are comparable.
3. Assessment of the performance, management and financial metrics, controls and practices of the Insurance Compact's program operations including whether the metrics, controls and practices are effective in setting and measuring achievement of performance, management and financial goals of the program operations. Assessment of whether appropriate financial considerations are given prior to Commission action on policy initiatives. Identify where improvements can be made to better align with best practices of comparable organizations.

4. Assessment of the Insurance Compact's revenue-generating model, and its operating expense structure, including performance of actual to projection since inception, and assessment of whether the Insurance Compact is adequately funded and resourced to be financially sustainable to fulfill its statutory purposes to its member states over the next five to ten years. Identify possible risks to financial sustainability under the current model and identify opportunities for alternative or supplemental revenue generation or expense savings.
5. Assessment of the Insurance Compact's current fee structure, including the voluntary nature of filing with the Insurance Compact and the contemporaneous collection and remittance of member state filings fees which are part of the Insurance Compact law enacted by the Compacting States. Provide guidance or alternatives to current pricing methodologies and strategies to achieve the objectives of financial self-sufficiency and sustainability over the next five to ten years in order to meet the Insurance Compact's statutory obligations to the Compacting States.
6. Consultation with the Insurance Compact Officers, members of the Management Committee, chair of the Audit Committee, Insurance Compact senior management, NAIC senior management and up to twenty company filers as well as other stakeholders, as deemed advisable, for the purpose of gathering information and feedback to complete the analysis and assessment described in the scope of work.
7. Development of a report regarding its findings and recommendation of its assessment of the effectiveness and sustainability of the current operational / financial / business structure, process and practices and opportunities for improvements.
8. Presentation of this report and response to questions during the Annual Meeting of the Insurance Compact and performance of any follow up work as necessary and agreed to by the parties.

Consultants wishing to submit proposals for this project should have significant experience and expertise performing work for comparable organizations specifically in the areas of pricing, revenue analysis, cost analysis and business operations and best practices of member organizations, and organizational and business strategy analysis. Familiarity with interstate compacts or intergovernmental organizations preferred.

A committee of Insurance Compact Commissioners, including the Insurance Compact Officers, will review the proposals and select a firm for the assessment. This committee will also conduct regular progress meetings with the selected firm during the assessment.

This engagement is intended to begin in early July. Consultant shall present its initial report and recommendations to the Insurance Compact Commission at its Annual Meeting in November.

Content of Proposal to be Submitted

- A biography of the firm including its history and general expertise related to this type of analysis
- A biography of each person on the team including their role, and their specific experience and expertise
- A list of references for which the bidder has provided similar services
- A brief description of your firm's past work for or interaction with the insurance industry, current and former state insurance regulators, the Insurance Compact, NAIC, or National Insurance Producer Registry (NIPR)
- A general description of how the services would be provided covering all the points in the Scope of Work
- Pricing/fee information should include a detailed and complete cost for the project. If expenses are to be billed separately, please provide a list of expected expenses and their costs
- If you make assumptions regarding your fees for the project, please list those assumptions in the proposal
- Any sample analysis or other data the bidder believes would be beneficial to the Insurance Compact
- Any supplemental information you believe would be helpful
- W-9 Form (Rev. 10/2018)
- Certificate of Insurance for Worker's Compensation
- Certificate of Insurance for Professional Liability
- Signed Conflict of Interest (see attached)

Submission of Proposal

Proposals must be received by 5:00 p.m. Eastern on **Wednesday June 3, 2020**. Submissions must be submitted electronically to IIPRCProposals@insurancecompact.org.

IIPRC CONFLICT OF INTEREST FORM
FOR RETENTION OF CONSULTANTS OR PURCHASES
SUBJECT TO BID

RFP 12

Any *Entity* that desires to contract with the IIPRC must complete this form, including suppliers, consultants and purchasers of goods or services. All potential conflicts must be disclosed and approved before contract execution.

CERTIFICATION

- _____ ("*Entity*") did not provide gifts, favors, membership points or any other benefits to any management committee member, employee or representative of the IIPRC **to affect the bidding and selection process for this contract.**
- *Entity* did not and will not receive gifts, favors, membership points or any other benefits from any management committee member, employee or representative of the IIPRC **in connection with the negotiation or implementation of this contract.**
- *Entity* owners, principals and employees negotiating or implementing this contract on behalf of *Entity* are not former IIPRC employees unless disclosed below.
- *Entity* owners, principals and employees negotiating or implementing this contract on behalf of *Entity* are not immediate family members of IIPRC employees unless disclosed below.

The signatory below is a duly authorized representative of *Entity* and hereby certifies to the authenticity and veracity of this disclosure.

Authorized Entity Signature

Date

Print Name & Company Name

DISCLOSURE

DISCLOSURE OF POTENTIAL CONFLICT

IIPRC Executive Director

Date