

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

MEMORANDUM

DATE: May 30, 2007

TO: IIPRC Management Committee

FROM: Frances Arricale, Executive Director

RE: **Proposal for IIPRC Filing Fees Structure**

Member State Fees Collection Authorization: In accordance with the *Compact Statute* and *Bylaws*, the Interstate Insurance Product Regulation Commission (IIPRC) is authorized to collect the respective state filing fees due to our Member States. As such, at the initiation of the IIPRC product filing operations, the IIPRC will collect all appropriate state filing fees. The IIPRC Section of the System for Electronic Rate and Form Filing (SERFF) is currently set up to collect and remit all appropriate state filing fees via Electronic Funds Transfer (EFT). *No additional action is required from the Management Committee to initiate the collection of state filing fees, and these fees will be collected as of the first product filing with the IIPRC.*

Filing Fee Structure Proposal: For the initiation of IIPRC filing fees (which will be separate from state filing fees), I propose that the Interstate Insurance Product Regulation Commission (IIPRC) consider adopting a **Transitional Filing Fees Structure** which in addition to collecting all appropriate state filing fees for our Members would be implemented as follows:

- (1) upon the adoption of this proposal, an IIPRC fee of \$500 per filing per company would be due and payable through EFT;
- (2) then targeting January 1, 2008, the IIPRC also would require an Annual Registration Fee of \$5,000 per company in addition to the per filing fee; and lastly,
- (3) the IIPRC will undertake a one-year study to determine the feasibility of initiating a Flat Filing Fee, inclusive all respective state filing fees and IIPRC filing fees. This would provide for an eventual filing fee structure of an Annual Registration Fee plus one Flat Filing Fee per filing per company per filing.

I propose that the Management Committee receive this Proposal at our June 1, 2007 Meeting in San Francisco, and then expose this Proposal for public notice and comment.

MANAGEMENT COMMITTEE CHARGE

As directed by the Management Committee during the March 9, 2007 NYC Meeting, I have undertaken a review and analysis of the IIPRC obligations with respect to filing fees and an assessment of our operational capabilities to date, including the current capacities of SERFF for IIPRC filings. As charged by the Management Committee, I have drafted this Proposal based upon the aforementioned evaluation and consulted with the Finance and Technology Committees for review and comment before submitting this Proposal.

BACKGROUND

The *Compact Statute* provides the authority for the IIPRC to collect filing fees to cover its operating expenses and its annual budget (Article XII. Section 2). Additionally, the *Compact Statute* requires that the IIPRC collect all appropriate filing fees due to its Member States (Article IV. Section 16). As the IIPRC has already approved the use of SERFF as its filing platform, SERFF transaction fees also will be required to be paid by insurers via EFT for all IIPRC filings.

To date, SERFF has been updated to provide a platform for multi-state IIPRC filings. Under the current SERFF V5.1.1 version, insurers will be required to indicate each of the Compact Members States for which their filing is intended to apply and correctly remit each respective state filing fee with their filing submission. Additionally, insurers will be charged the appropriate SERFF transaction fee per submission.

COMMENCEMENT OF IIPRC FILING OPERATIONS IN 2007

Since the IIPRC is already authorized to collect the respective state filing fees and remit such to our Members, this obligation will be initiated at the start of IIPRC product filing operations.

Insurers will be required to submit the appropriate filing fees due to Member States through SERFF. This will involve (1) insurers calculating the proper fees per state, including retaliatory fees where applicable, (2) indicating the proper fee amounts per Member State on the SERFF screen, and (3) remitting the full fees due via EFT. Should the state filing fees submitted by insurers be insufficient, the IIPRC will notify the insurer and seek the proper amount before reviewing the filing.

Given that the IIPRC will not have full filing volume at the initial start-up of its filing operations and that insurers may initially “test” file to become accustomed to IIPRC procedures, the IIPRC will not charge IIPRC fees for the first filings until its final fees structure is adopted. It is expected that the IIPRC will adopt its final filing fees structure before September 1, 2007 after appropriate public notice and comment. Therefore, in effect, insurers that will be the first to file with the IIPRC will be able to do so without an IIPRC fee during this short, interim time period.

TRANSITIONAL IIPRC FILING FEES PROPOSAL

With the goal of creating a filing fees structure that will generate IIPRC fees revenue sufficient to cover IIPRC operating expenses/annual budget while taking into account the current capabilities of SERFF for IIPRC filings, I propose that the IIPRC consider implementing a Transitional Filing Fees Structure which also will allow the IIPRC to implement possible new filing efficiencies over time.

- ***IIPRC Per Filing Fee:*** Upon adoption of this Proposal, the IIPRC would charge a \$500 per company, per filing fee for each product filing submission. The SERFF system already has the capability to collect an IIPRC fee. Filing insurers would need to insert the \$500 fee amount in the IIPRC Fee “field” and submit this fee through EFT. A per company, per filing fee would allow the IIPRC to generate filing revenue sufficient to cover its expenses as authorized by the *Compact Statute*.
- ***Annual Registration Fee:*** During January 2008, I propose that the IIPRC also initiate an Annual Registration Fee. Anticipating that filing volume from insurers will increase from a “test” phase to a practical operations level by the beginning of 2008, it would be the appropriate time to implement a yearly fee due to the IIPRC. This targeted time frame also is proposed to provide adequate lead time to make necessary changes to SERFF to accommodate an Annual Registration Fee.

For 2008, I would propose that an Annual Registration Fee of \$5,000 per company be charged for insurers wishing to utilize the IIPRC for product filings. The intent of the Annual Registration Fee is to provide for additional necessary operating revenue of the IIPRC. By implementing an Annual Registration Fee, the IIPRC will be able to effectively cover its outstanding start-up and operating expenses over time, and be afforded the ability to efficiently plan in advance on operating revenue during its budgeting process. In later years, this fee may be increased and/or adjusted to be based upon insurers’ filing premium volume.

- ***On Year Study on Flat Filing Fee Feasibility***

With the goal of creating a streamlined and effective product filing system, inclusive of an efficient filing fee structure, I propose the IIPRC initiate a one-year study to determine the feasibility of a Flat Filing Fee for IIPRC filings. This Flat Filing Fee would include all respective state filing fees due to our Members as well as an IIPRC fee, and would be in addition to the proposed Annual Registration Fee. IIPRC has been working with NAIC Research Department to model a possible Flat Filing Fee structure. Based upon initial research on filing fees due in all state jurisdictions, it may be expected that the Flat Fee could fall within the approximate range of \$1,800-2,500 per filing submission per company to cover all state fees and with a portion attributable to an IIPRC filing fee. This Fee could be adjusted each year upon analysis of potential changing state filing fee costs and IIPRC operating expenses. It would be beneficial to conduct a one-year study on the feasibility for a Flat Filing Fee in order assess actual IIPRC filing volume over the course of a one-year time frame to properly model a Flat Filing Fee structure.