

**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
2012 RESTATED BUDGET
DETAIL REVENUE AND EXPENSES**

| Description | 2011 | | | | | 2012 | | | Increase (Decrease) from 2011 Budget | % | Increase (Decrease) from 2011 Projected | % |
|---------------------------------|------------------|------------------|----------------|------------------|-----------------------|------------------|------------------------------|-------------------------|--|-----------------|---|---------------|
| | 2010 | 2011 | 6/30/2011 | 12/31/2011 | 2011 | 2012 Budget | 2012 Staffing Requests | Total 2012 Budget | | | | |
| | Actual | Budget | Actual | Projected | Projected Variance | | | | | | | |
| Filing Fees | \$ 225,442 | \$ 432,500 | \$ 72,216 | \$ 242,966 | \$ (189,534) | \$ 341,750 | | \$ 341,750 | \$ (90,750) | (20.98%) | \$ 98,784 | 40.66% |
| Annual Registration Fees | 466,000 | 931,250 | 520,000 | 651,250 | (280,000) | 758,750 | | 758,750 | (172,500) | (18.52%) | 107,500 | 16.51% |
| Interest Income | 20 | 180 | 12 | 16 | (164) | - | | - | (180) | (100.00%) | (16) | (100.00%) |
| Total Revenues | 691,462 | 1,363,930 | 592,228 | 894,232 | (469,698) | 1,100,500 | - | 1,100,500 | (263,430) | (19.31%) | 206,268 | 23.07% |
| Salaries, Taxes, and Benefits | 365,568 | 420,793 | 119,816 | 373,596 | (47,197) | 420,121 | - | 420,121 | (672) | (0.16%) | 46,525 | 12.45% |
| Professional Services | 560,312 | 956,777 | 213,284 | 835,680 | (121,097) | 879,469 | - | 879,469 | (77,308) | (8.08%) | 43,789 | 5.24% |
| Travel | 69,873 | 171,010 | 31,452 | 88,920 | (82,090) | 84,309 | - | 84,309 | (86,701) | (50.70%) | (4,611) | (5.19%) |
| Rental and Maintenance | 1,900 | 4,162 | 1,177 | 4,520 | 358 | 4,616 | - | 4,616 | 454 | 10.91% | 96 | 2.13% |
| Depreciation | 21,133 | 3,220 | 156 | 1,499 | (1,721) | 2,796 | - | 2,796 | (424) | (13.17%) | 1,297 | 86.50% |
| Interest Expense | 42,416 | 47,407 | 16,445 | 51,868 | 4,461 | 59,978 | - | 59,978 | 12,571 | 26.52% | 8,110 | 15.64% |
| Insurance Expense | 18,540 | 19,924 | 6,738 | 15,830 | (4,094) | 14,565 | - | 14,565 | (5,359) | (26.90%) | (1,265) | (7.99%) |
| Administrative Expenses | 38,338 | 46,081 | 8,972 | 22,238 | (23,843) | 30,590 | - | 30,590 | (15,491) | (33.62%) | 8,352 | 37.56% |
| Meetings and General Training | 13,908 | 22,000 | 775 | 6,869 | (15,131) | 12,000 | - | 12,000 | (10,000) | (45.45%) | 5,131 | 74.70% |
| Total Operating Expenses | 1,131,988 | 1,691,374 | 398,815 | 1,401,019 | (290,355) | 1,508,444 | - | 1,508,444 | (182,930) | (10.82%) | 107,424 | 7.67% |
| Revenues Over (Under) Expenses | \$ (440,526) | \$ (327,444) | \$ 193,413 | \$ (506,787) | \$ (179,343) | \$ (407,944) | \$ - | \$ (407,944) | \$ (80,500) | 24.58% | \$ 98,844 | (19.50%) |
| | | | | | | 2,608,944 | | 2,608,944 | | | | |

2012 BUDGET ANALYSIS

BUDGET ITEM: Revenues

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

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|------------------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| Filing Fees (1) | \$ 225,442 | \$ 432,500 | \$ 72,216 | \$ 242,966 | \$ 407,500 | \$ (25,000) | (5.78%) |
| Annual Registration Fees (2) | 466,000 | 931,250 | 520,000 | 651,250 | 758,750 | (172,500) | (18.52%) |
| Interest Income (3) | 20 | 180 | 12 | 16 | - | (180) | (100.00%) |
| Total | \$ 691,462 | \$ 1,363,930 | \$ 592,228 | \$ 894,232 | \$ 1,166,250 | \$ (197,680) | (14.49%) |

(1) The IIPRC charges a filing fee of \$500 per product with a lower fee of \$250 per product for regional companies that file in 12 or less states. For individual long-term care filings and disability income filings, a filing fee of \$1,000 is charged as these filings included rate filings and additional components. The filing fee for individual long-term care advertising is \$250. The IIPRC estimates it will receive a combined 720 life and annuity filings from non-regional filers and 40 filings from regional filings. The IIPRC estimates it will receive a combined 30 individual long-term care or disability income filings in 2012 and 30 advertising filings.

(2) The IIPRC charges an annual registration fee for using the IIPRC as a means of self-generating revenue to fund its product operations. The amount of the annual registration fee is \$5,000 or \$2,500 in the case of a regional insurer (filing in five or less states). The registration fee is prorated by 50% each July 1. The IIPRC also proposes a new type of registration fee, and Update-Only Registration, in the amount of \$1,500 for filers that only want to update their previously-approved filings for mix and match, add a state and Spanish-translations. The IIPRC estimates it will receive 150 registrations at the \$5,000 level and 10 Regional Registrations at the \$2,500 level. The IIPRC estimates it will receive 30 pro-rated registrations at \$2,500 and 5 Regional prorated registrations at \$1,250. The IIPRC estimates it will receive 15 Update-Only Registrations.

(3) Interest income is earned on IIPRC's account and is dependent upon cash flow from revenues and lines of credit. Significant declines in the overall financial markets have affected interest earned.

2012 BUDGET ANALYSIS

BUDGET ITEM: Salaries

ITEM Description: Includes salary and overtime for all IIPRC employees.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|---------------------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| Salaries-Existing Employees (1) | \$ 285,566 | \$ 326,508 | \$ 96,499 | \$ 295,003 | \$ 338,185 | \$ 11,677 | 3.58% |
| Salaries-New Employees | - | - | - | - | - | - | - |
| Turnover Factor (2) | - | (3,955) | - | (2,089) | (4,097) | (142) | (100.00%) |
| Overtime (3) | 212 | - | 342 | 423 | - | - | |
| Total | \$285,778 | \$ 322,553 | \$ 96,841 | \$ 293,338 | \$ 334,088 | \$ 11,535 | 3.58% |

(1) During 2012, the IIPRC will have three full-time employees and one part-time employee: Executive Director, Operations Manager, Administrative Coordinator and Administrative Assistant. The 2012 budget includes an assumption of a combined 3.75% salary adjustment per employee for cost-of-living and merit-based increases.

(2) While the IIPRC does not anticipate turnover, the budget includes a turnover factor annually and for 2012, it is using a turnover percentage of 9% of salaries with an average vacancy duration of seven (7) weeks.

(3) The IIPRC has two non-exempt employees and does not anticipate overtime will be needed in 2012.

2012 BUDGET ANALYSIS

BUDGET ITEM: Temporary Personnel

ITEM Description: Fees paid to outside agencies and wages paid to interns for additional personnel during peak work periods.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|-------------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| Temporary Personnel (1) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Interns (1) | - | - | - | - | - | - | - |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | - |

(1) It is not anticipated the IIPRC will utilize the services of temporary personnel or interns.

2012 BUDGET ANALYSIS

BUDGET ITEM: Payroll Taxes

ITEM Description: FICA, unemployment compensation, and FUTA costs incurred for all IIPRC employees and interns.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|-------------------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| FICA (1) | \$ 17,794 | \$ 20,977 | \$ 8,247 | \$ 19,050 | \$ 21,161 | \$ 184 | 0.88% |
| FICA Turnover (2) | - | (251) | - | (84) | (258) | (7) | (100.00%) |
| Unemployment Compensation (3) | 1,154 | 953 | 958 | 958 | 1,520 | 567 | 59.50% |
| Total | \$ 18,948 | \$ 21,679 | \$ 9,205 | \$ 19,924 | \$ 22,423 | \$ 744 | 3.43% |

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

(2) The turnover factor that is applied to salaries is also applied to the taxes related to those salaries.

(3) Unemployment compensation has been budgeted on the first \$11,000 of each individual salary.

2012 BUDGET ANALYSIS

BUDGET ITEM: Employee Benefits

ITEM Description: Includes all pension, life and health insurance costs paid by IIPRC for its employees.

| <u>Description</u> | 2010 | | 2011 | | 6/30/11 | 12/31/11 | 2012 | Increase (Decrease) from | <u>Percentage</u> |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|---------------|--------------------------------|-------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Actual</u> | <u>Projected</u> | <u>Actual</u> | <u>Projected</u> | <u>Budget</u> | <u>2011 Budget</u> | |
| Pension (1) | \$ 35,312 | \$ 35,136 | \$ 4,614 | \$ 33,849 | \$ 37,328 | \$ 2,192 | | 6.24% | |
| Health Benefits (2) | 21,963 | 35,405 | 7,522 | 22,642 | 21,387 | (14,018) | | (39.59%) | |
| Group Life and Disability (3) | 1,710 | 1,770 | 561 | 1,681 | 1,995 | 225 | | 12.73% | |
| Employee Relations (4) | 1,622 | 1,500 | 923 | 1,902 | 1,500 | - | | 0.00% | |
| Total | \$ 60,607 | \$ 73,811 | \$ 13,620 | \$ 60,075 | \$ 62,210 | \$ (11,601) | | (15.72%) | |

(1) A 457 plan and 401(a) plan is in effect for IIPRC employees along with a supplemental retirement plan for the Executive Director. All three full-time employees are expected to be eligible for IIPRC matching contribution in 2012. The third-party plan management fee is estimated at \$250 for 2012.

(2) In order to leverage the cost-savings and broader coverage options offered through larger groups, the IIPRC utilizes the NAIC employee benefit plan types pursuant to the Services Agreement. The IIPRC covers a portion of its employees premiums as an employee benefit.

(3) In order to leverage the cost-savings and broader coverage options offered through larger groups, the IIPRC utilizes the NAIC employee benefit plan types pursuant to the Services Agreement. The IIPRC covers a portion of its employees premiums as an employee benefit.

(4) The IIPRC budget includes minimal funding for employee and team recognition as well as expenses associated with an annual strategic planning retreat for the IIPRC Team.

2012 BUDGET ANALYSIS

BUDGET ITEM: Employee Development

ITEM Description: Includes fees for seminars, training courses and professional association memberships paid by IIPRC.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>Projected 12/31/11</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|-----------------------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| Professional Association Dues (1) | \$ 235 | \$ 250 | \$ 100 | \$ 260 | \$ 1,400 | \$ 1,150 | 460.00% |
| Education Reimbursements | | | 50 | - | | - | |
| Professional Training (2) | - | 2,500 | - | - | - | (2,500) | (100.00%) |
| Total | \$ 235 | \$ 2,750 | \$ 150 | \$ 260 | \$ 1,400 | \$ (1,350) | (49.09%) |

(1) Professional association dues represent dues associated with membership in various professional associations, such as bar association dues and the Association of Insurance Compliance Professionals (AICP) membership for IIPRC team members.

(2) Professional training represents the registration fees for professional seminars, trade workshops and education programs for IIPRC employees. IIPRC will take advantage of the training offered through the NAIC Education and Training and does not expect to incur fees for outside training in 2012

2012 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.

| Description | 2010 Actual | 2011 Budget | 6/30/11 Actual | 12/31/11 Projected | 2012 Budget | Increase (Decrease) from | Percentage |
|------------------------------------|-------------------|-------------------|-------------------|-----------------------|-------------------|--------------------------------|----------------|
| | | | | | | 2011 Budget | |
| Professional Services-Computer (1) | \$ 25,000 | \$ 50,000 | \$ 8,333 | \$ 24,998 | \$ 25,000 | \$ (25,000) | (50.00%) |
| Other Professional Services (2) | 511,613 | 827,825 | 201,470 | 730,773 | 815,000 | (12,825) | (1.55%) |
| Prof Services-Marketing/Sales (3) | - | - | - | - | - | - | - |
| Legal (4) | 20,332 | 75,000 | 2,060 | 75,169 | 35,000 | (40,000) | (53.33%) |
| Computer Services (5) | 3,367 | 3,952 | 1,421 | 4,740 | 4,469 | 517 | 13.08% |
| Total | \$ 560,312 | \$ 956,777 | \$ 213,284 | \$ 835,680 | \$ 879,469 | \$ (77,308) | (8.08%) |

(1) The IIPRC 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. In 2008, the IIPRC utilized the allotted hours to make enhancements to SERFF to better track "mix and match" filings. The IIPRC has budgeted an additional \$12,500 for enhancements that may arise during 2012 that exceed the allotted SERFF hours.

(2) This line item includes the NAIC Services Agreement (\$125,000); Cash Management (\$5,000); Annual Audit fees (\$10,000); and Consultant fees (\$675,000). The IIPRC Team consists of five full-time consultants: three (3) product reviewers, a marketing and development coordinator, a full-time actuarial consultant, and a part-time actuarial consultant.

(4) The IIPRC retains the outside counsel to advise on structural and related legal matters for the Commission. It is anticipated that the outside counsel retainer will continue in 2012 to advise on continuous start-up issues, potential tax-related and organizational matters for the IIPRC.

(5) This line item reflects the monthly costs for processing IIPRC payroll. Also included in this line item are the expense related to the Consultants monthly internet services to connect to the SERFF filing platform and the IIPRC office.

2012 BUDGET ANALYSIS

BUDGET ITEM: Travel

ITEM Description: Includes airfares, hotels, meals, etc., incurred by IIPRC staff, consultants, members and regulators.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|-----------------------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| Staff Travel (1) | \$ 29,109 | \$ 26,850 | \$ 4,833 | \$ 22,847 | \$ 17,109 | \$ (9,741) | (36.28%) |
| Marketing Travel (2) | 9,686 | 26,500 | 9,778 | 21,640 | 19,800 | (6,700) | 100.00% |
| Non-Staff/Commissioner Travel (3) | 31,078 | 117,660 | 16,841 | 44,433 | 47,400 | (70,260) | (59.71%) |
| Total | \$ 69,873 | \$ 171,010 | \$ 31,452 | \$ 88,920 | \$ 84,309 | \$ (86,701) | (50.70%) |

(1) This line item includes the costs associated with travel for the IIPRC employees. It is anticipated that three (3) IIPRC employees will travel over the course of the year for a total of 26 trips. Anticipated trips include the three (3) National Meetings as well as any other necessary meetings in support of the IIPRC.

(2) This line item includes the costs associated with travel for marketing/outreach by IIPRC staff, consultants and/or members. It is anticipated that there will be 16 trips made over the course of the year for marketing and outreach. It is also anticipated that the IIPRC will have the opportunity to have exhibit booth space at several venues throughout 2012. Included in this line item are the costs associated with marketing materials including "branding give-always".

(3) This line item includes the costs associated with both Commissioner and non-staff travel. The IIPRC reimburses members of the Legislative Committee (8) and members of the Consumer Advisory Committee (8) for their costs associated with attending the IIPRC meetings. The IIPRC reimburses the consultants for travel associated with attending the IIPRC Meetings and trips they make on behalf of the IIPRC (estimated at four (4) per consultant). This line item also includes costs associated with Commissioner travel for IIPRC outreach and other business as well as hotel expenses, if needed, for an additional meeting outside of the three (3) in-person meetings already scheduled.

2012 BUDGET ANALYSIS

BUDGET ITEM: Occupancy

ITEM Description: Includes parking fees incurred for IIPRC staff.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|--------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| Occupancy (1) | \$ 1,900 | \$ 3,060 | \$ 1,177 | \$ 3,526 | \$ 3,900 | \$ 840 | 27.45% |

(1) This line item includes monthly commuting benefits for three (3) IIPRC employees at a cost of \$325 per month for the full year.

2012 BUDGET ANALYSIS

BUDGET ITEM: Meetings

ITEM Description: Includes hotel services, audio visual, and other costs incurred by IIPRC staff and Members for IIPRC meetings.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|--------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| Meetings (1) | \$ 13,908 | \$ 12,000 | \$ 775 | \$ 6,869 | \$ 12,000 | \$ - | 0.00% |

(1) Costs associated with the three (3) IIPRC in-person meetings including costs for the audio visual, telecommunications equipment, technicians, food, and beverage for meeting attendees.

2012 BUDGET ANALYSIS

BUDGET ITEM: Equipment Rental and Maintenance

ITEM Description: Rental and maintenance fees for hardware and software.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|---|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| Equipment, Hardware and Software Maintenance (1) | \$ - | \$ 1,102 | \$ - | \$ 994 | \$ 716 | \$ (386) | (35.02%) |
| Total | \$ - | \$ 1,102 | \$ - | \$ 994 | \$ 716 | \$ (386) | (35.02%) |

(1) The IIPRC has budgeted for monthly maintenance costs associated with the two (2) IIPRC laptops, two (2) PCs and the printer in the DC Office.

2012 BUDGET ANALYSIS

BUDGET ITEM: Depreciation

ITEM Description: Includes depreciation for all computer software owned as of June 30, 2011.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|--------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| Depreciation (1) | \$ 21,133 | \$ 3,220 | \$ 156 | \$ 1,499 | \$ 2,796 | \$ (424) | (13.17%) |

- (1) Depreciation is calculated on a straight-line basis over the useful life of the capital assets owned by IIPRC, which is five years for computer software licenses and four (4) years for computer hardware. There are no capital requests for 2009.

IIPRC Capital Assets Owned as of June 30, 2009:

| <u>Asset Classification</u> | <u>Cost</u> | <u>Life-To-Date Depreciation</u> | <u>Net Book Value</u> |
|-----------------------------|-------------------|--------------------------------------|---------------------------|
| Computer Hardware: | | | |
| Desktop PC's | \$ 6,678 | \$ 3,102 | \$ 3,576 |
| Laptop PC's | 1,439 | 600 | 839 |
| Printers/Peripherals | 2,981 | 1,883 | 1,098 |
| Computer Software: | | | |
| SERFF Software License | 126,902 | 88,127 | 38,775 |
| Total | <u>\$ 138,000</u> | <u>\$ 93,712</u> | <u>\$ 44,288</u> |

2012 BUDGET ANALYSIS

BUDGET ITEM: Interest Expense

ITEM Description: Interest expense represents accrued interest payments on amounts owed to the NAIC.

| <u>Description</u> | 2010 | | 2011 | | YTD | | 2012 | Increase (Decrease) from 2011 Budget | Percentage | |
|----------------------|---------------|----|---------------|----|--------------------------|------------------------------|------|---|------------|---------------|
| | <u>Actual</u> | | <u>Budget</u> | | 6/30/11 <u>Actual</u> | Projected <u>12/31/11</u> | | | | <u>Budget</u> |
| Interest Expense (1) | \$ 42,416 | \$ | 47,407 | \$ | 16,445 | \$ 51,868 | \$ | 59,978 | \$ 12,571 | 26.52% |

(1)The NAIC Executive (EX) Committee and Internal Administration (EX1) Subcommittee approved the restructure of the 2007, 2008, and 2009 notes payable into one note payable at the NAIC 2010 Spring National Meeting. The Management Committee of the IIPRC approved this restructure on April 26, 2010. The restructure terms include (1) rolling all debt into one note payable effective January 1, 2010, at the then current prime rate of 3.25% minus 1%; (2) accrual of interest on current debt and future borrowings from the NAIC at 2.25%; and (3) the deferral of principal and interest payments from the IIPRC until the year following the year in which the IIPRC achieves a profit of \$250,000 or an accumulated cash balance from operations of \$500,000 excluding funds from draws. The deferral of debt repayment reduced IIPRC draws on the \$850,000 line of credit approved for 2010 to \$450,000. Outstanding interest since the January 1, 2010 payment has been capitalized and the current portion of the three notes payable has been reclassified to long-term debt. Additionally, a \$400,000 line of credit was approved for 2011 by the NAIC at the Spring National Meeting. The first draw on the 2011 Line of Credit was taken on August 10th in the amount of \$250,000.

2012 BUDGET ANALYSIS

BUDGET ITEM: Insurance

ITEM Description: Includes expenses for all general business and liability insurance policies for IIPRC.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|--------------------------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| General Business Insurance (1) | \$ 5,067 | \$ 8,548 | \$ 3,124 | \$ 5,868 | \$ 4,257 | \$ (4,291) | (50.20%) |
| Professional Liability Insurance (2) | 9,829 | 10,196 | 3,250 | 8,806 | 9,080 | (1,116) | (10.95%) |
| Errors and Omissions (3) | 3,644 | 1,180 | 364 | 1,156 | 1,228 | 48 | 100.00% |
| Total | \$ 18,540 | \$ 19,924 | \$ 6,738 | \$ 15,830 | \$ 14,565 | \$ (5,359) | (26.90%) |

(1) General business insurance coverage and related premiums budgeting for a 5% increase at renewal in 2012.

(2) Comprehensive errors and omissions and director/officer coverage premiums budgeting for a 5% increase at renewal in 2012.

2012 BUDGET ANALYSIS

BUDGET ITEM: Office Services

ITEM Description: Includes conference calls, office supplies, non-capital equipment and mail and printing services.

| Description | 2010 | 2011 | 6/30/11 | 12/31/11 | 2012 | Increase (Decrease) from | Percentage |
|---------------------------|------------------|------------------|-----------------|------------------|------------------|--------------------------------|-----------------|
| | Actual | Budget | Actual | Projected | Budget | 2011 Budget | |
| Telephone (1) | \$ 30,148 | \$ 32,428 | \$ 5,196 | \$ 14,840 | \$ 20,000 | \$ (12,428) | (38.32%) |
| Other Supplies (2) | 3,457 | 6,100 | 917 | 2,060 | 3,358 | (2,742) | (44.95%) |
| Non-Capital Equipment (3) | 1,315 | 1,953 | 1,219 | 1,830 | 5,732 | 3,779 | 193.50% |
| Mail Services (4) | 1,240 | 1,900 | 83 | 1,403 | 1,500 | (400) | (21.05%) |
| Printing | - | 1,200 | - | - | - | (1,200) | (100.00%) |
| Total | \$ 36,160 | \$ 43,581 | \$ 7,415 | \$ 20,133 | \$ 30,590 | \$ (12,991) | (29.81%) |

(1) Telephone expenses for conference calls for: the Commission; Management Committee; sub-committees; advisory committees for the IIPRC; and webinars for industry education; long distance expenses for the DC office; as well as cell phone use for two (2) employees and six (6) consultants. The monthly costs for two (2) wireless cards are included in this line.

(2) This line item reflects the cost of supplies for the IIPRC office including paper, toner and miscellaneous supplies.

(3) The IIPRC has budgeted for potential software upgrades during 2012.

(4) This line item includes expenses to mail IIPRC correspondence via US Postal Mail or FedEx/UPS services; the costs to mail the Annual Report to all Commissioners and Governors, as well as the members of the Legislative Committee and the two advisory committees.

2012 BUDGET ANALYSIS

BUDGET ITEM: Other Expenses

ITEM Description: Includes expenses incurred for reference materials, personal property taxes, and recruiting expenses.

| <u>Description</u> | <u>2010 Actual</u> | <u>2011 Budget</u> | <u>6/30/11 Actual</u> | <u>12/31/11 Projected</u> | <u>2012 Budget</u> | <u>Increase (Decrease) from 2011 Budget</u> | <u>Percentage</u> |
|-------------------------|------------------------|------------------------|---------------------------|-------------------------------|------------------------|---|-------------------|
| Reference Materials (1) | \$ 2,178 | \$ 2,500 | \$ - | \$ 458 | \$ - | \$ (2,500) | - |
| Training Expenses (2) | - | 10,000 | - | - | - | (10,000) | (100.00%) |
| Recruiting Expense (3) | - | - | 1,557 | 1,646 | - | - | - |
| Total | \$ 2,178 | \$ 12,500 | \$ 1,557 | \$ 2,104 | \$ - | \$ (12,500) | (100.00%) |

(1) In 2010 and 2011, the IIPRC Office purchased for the Members, as well as IIPRC Team Members, various reference materials. Purchases in 2012 are not expected.

(2) The IIPRC does not expect to incur training expenses in 2012.

(3) Recruiting expenses in 2011 were related to the retention of the full-time actuarial consultant.