

**INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION  
2019 ADOPTED BUDGET  
DETAIL REVENUE AND EXPENSES**

Description	2018						2019								
	2017 Actual	2018 Budget	7/31/2018 Actual	12/31/2018 Projected	2018 Projected Variance	%	2019 Base Budget	Increase (Decrease) from 2018 Budget	%	2019 Proposed Fee & Resource Requests	Total 2019 Budget	Increase (Decrease) from 2018 Budget	%	Increase (Decrease) from 2018 Projected	%
Filing Fees	\$ 1,059,121	\$ 1,265,825	\$ 731,688	\$ 1,265,939	\$ 114	0.01%	\$ 1,291,338	\$ 25,513	2.02%	\$ 40,875	\$ 1,332,213	\$ 66,388	5.24%	\$ 66,274	5.24%
Annual Registration Fees	941,350	1,026,000	940,400	995,150	(30,850)	(3.01%)	1,053,000	27,000	2.63%	365,000	1,418,000	392,000	38.21%	422,850	42.49%
Interest Income	3,085	1,500	5,105	8,704	7,204	480.27%	7,560	6,060	404.00%	-	7,560	6,060	-	(1,144)	(13.14%)
<b>Total Revenues</b>	<b>2,003,556</b>	<b>2,293,325</b>	<b>1,677,193</b>	<b>2,269,793</b>	<b>(23,532)</b>	<b>(1.03%)</b>	<b>2,351,898</b>	<b>58,573</b>	<b>2.55%</b>	<b>405,875</b>	<b>2,757,773</b>	<b>464,448</b>	<b>20.25%</b>	<b>487,980</b>	<b>21.50%</b>
Salaries, Taxes, and Benefits (1)	1,510,008	1,588,523	803,078	1,595,174	6,651	0.42%	1,658,822	70,299	4.43%	140,274	1,799,096	210,573	13.26%	203,922	12.78%
Professional Services (2)	386,911	430,003	209,369	424,963	(5,040)	(1.17%)	439,335	9,332	2.17%	196	439,531	9,528	2.22%	14,568	3.43%
Travel (3)	82,701	146,898	44,841	122,230	(24,668)	(16.79%)	143,700	(3,198)	(2.18%)	3,421	147,121	223	0.15%	24,891	20.36%
Rental and Maintenance (4)	7,885	7,920	3,984	7,956	36	0.45%	8,172	252	3.18%	-	8,172	252	3.18%	216	2.71%
Depreciation (5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense (6)	73,377	75,045	37,312	75,045	(0)	0.00%	76,751	1,706	2.27%	-	76,751	1,706	2.27%	1,706	2.27%
Insurance Expense (7)	15,348	17,056	7,583	14,557	(2,499)	(14.65%)	14,181	(2,875)	(16.86%)	-	14,181	(2,875)	(16.86%)	(376)	(2.59%)
Administrative Expenses (8)	9,887	18,761	7,208	16,129	(2,632)	(14.03%)	19,980	1,219	6.50%	1,400	21,380	2,619	13.96%	5,251	32.56%
Meetings and General Training (9)	2,033	8,700	780	5,130	(3,570)	(41.03%)	8,700	-	0.00%	-	8,700	-	0.00%	3,570	69.59%
<b>Total Operating Expenses</b>	<b>2,088,150</b>	<b>2,292,906</b>	<b>1,114,155</b>	<b>2,261,184</b>	<b>(31,721)</b>	<b>(1.38%)</b>	<b>2,369,641</b>	<b>76,735</b>	<b>3.35%</b>	<b>145,291</b>	<b>2,514,932</b>	<b>222,026</b>	<b>9.68%</b>	<b>253,747</b>	<b>11.22%</b>
Revenues Over (Under) Expenses	\$ (84,594)	\$ 419	\$ 563,038	\$ 8,609	\$ 8,189		\$ (17,743)	\$ (18,162)		\$ 260,584	\$ 242,841	\$ 242,422		\$ 234,233	

Estimated IIPRC Funding Analysis:	2018	2019
Funds Remaining as of July 31, 2018 and January 1, 2019	\$ 469,270	\$ (40,452)
Draws on NAIC Line of Credit		
Total Funding Available	469,270	(40,452)
Balance sheet liabilities to satisfy from cash		-
Revenue Over/(Under) Expense	(554,429)	242,841
Adjustments for Non-Cash items:		
Insurance expense	6,974	14,181
Depreciation expense	-	-
Interest expense recorded monthly	37,733	76,751
IIPRC Funding Available at Year-End	\$ (40,452)	\$ 293,321

- (1) The expenses included in this line are found on pages: E1: Salaries, E2: Payroll Taxes, E3: Employee Benefits, and E4: Employee Development.
- (2) The expenses included in this line are found on page E5: Professional Services.
- (3) The expenses included in this line are found on E6: Travel.
- (4) The expenses included in this line are found on page E7: Occupancy.
- (6) The expenses included in this line are found on page E9: Interest Expense.
- (7) The expenses included in this line are found on page E10: Insurance.
- (8) The expenses included in this line are found on page E11: Office Services and E12: Other Expenses.
- (9) The expenses included in this line are found on page E:8 Meetings.

2018 BUDGET ANALYSIS

BUDGET ITEM: Revenues

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

Description	2017	2018	7/31/18	12/31/18	2019	2019	2019	Increase (Decrease) from 2018 Budget	Percentage
	Actual	Budget	Actual	Projected	Base Budget	Proposed Fee & Resource Request	Total Budget		
Filing Fees (1)	\$ 1,059,121	\$ 1,265,825	\$ 636,000	\$ 1,265,939	\$ 1,291,338	\$ 40,875	\$ 1,332,213	\$ 66,388	5.24%
Annual Registration Fees (2)	941,350	1,026,000	929,400	995,150	1,053,000	365,000	1,418,000	\$ 392,000	38.21%
Interest Income (3)	3,085	1,500	4,337	8,704	7,560	-	7,560	\$ 6,060	404.00%
<b>Total</b>	<b>\$ 2,003,556</b>	<b>\$ 2,293,325</b>	<b>\$ 1,569,737</b>	<b>\$ 2,269,793</b>	<b>\$ 2,351,898</b>	<b>\$ 405,875</b>	<b>\$ 2,757,773</b>	<b>\$ 464,448</b>	<b>20.25%</b>

(1) The Insurance Compact charges a filing fee for all product filing submissions submitted across all product lines. The fee that is collected for each product filing submission is based on several factors. The first is whether or not the filing requires an actuarial review as determined by the submission requirements for the applicable Uniform Standards. The second factor is whether or not the filing company's premium volume is greater than \$50 million 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. The last factor is whether or not the filing company is registered with the Insurance Compact as a Regional Filer per the definition of Regional Filer in the IIPRC Terms and Procedures for Product Filings. The charts below detail volume expected for each of the filing fee categories (fees for amended and other miscellaneous filing fees are not specifically listed). The Finance Committee has recommended an increase in the per Filing Fee amount for product filings requiring an actuarial review of rate schedules (LTC and DI specifically).

	<u>Companies w/ More than \$50M Premium Volume</u>		<u>Companies w/ Less than \$50M Premium Volume</u>	
	Fee	Budget Volume	Fee	Budget Volume
<u>Submissions w/ Actuarial Review</u>	\$ 1,250	625	\$ 625	86
<u>Submissions w/o Actuarial Review</u>	\$ 625	569	\$ 313	63
<b>Regional Filer</b>				
<u>Submissions w/ Actuarial Review</u>	\$ 600	20	\$ 300	7
<u>Submissions w/o Actuarial Review</u>	\$ 300	18	\$ 150	8

(2) The Insurance Compact charges an annual registration fee for accessing the Insurance Compact's filing platform as a means of self-generating revenue to fund its product operations. The amount of the annual registration fee is based on filing company's premium volume as recorded on Schedule T Part 2 of the Annual Statement. The Finance Committee has recommended a change to the categories for annual registrations. There will be four (4) categories: companies with premium volume greater than \$1 billion, companies with premium volume greater than \$50 million, companies with premium volume less than \$50 million and greater than \$10 million, and companies with premium volume less than \$10 million. All Registration fees are prorated in half for the remainder of the year for registrations submitted on October 1 or after. Regional companies will pay half of the required registration fee for each category.

	<u>Companies w/ More than \$50M Premium Volume</u>		<u>Companies w/ Less Than \$50M Premium Volume</u>	
	Fee	Budget Volume	Fee	Budget Volume
<u>Annual Registration Fee Jan 1 or before</u>	\$ 5,000	178	\$ 2,500	47
<u>Annual Registration Fee October 1 or after</u>	\$ 2,500	5	\$ 1,250	1
<u>Regional Filer Fee Jan 1 or before</u>	\$ 2,500	6	\$ 1,250	4
<u>Regional Filer Fee October 1 or after</u>	\$ 1,250	1	\$ 625	0
<u>Update-Only Registration</u>	\$ 1,500	5	\$ 750	4

(3) Interest income is earned on Insurance Compact'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.

2018 BUDGET ANALYSIS

BUDGET ITEM: Salaries

ITEM DESCRIPTION: Includes salary and overtime for all Insurance Compact employees.

<u>Description</u>	2017	2018	7/31/18	12/31/18	2019	2019	2019	<u>Increase (Decrease) from 2018 Budget</u>	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Base Budget</u>	<u>Proposed Fee &amp; Resource Request</u>	<u>Total Budget</u>		
Salaries-Existing Employees (1)	\$ 1,213,603	\$ 1,255,184	\$ 628,967	\$ 1,256,930	\$ 1,301,000	\$ -	\$ -	\$ -	0.00%
Salaries-New Employees (1)	-	-	-	-	-	113,564	1,414,564	159,380	0.00%
Turnover Factor	-	-	-	-	-	-	-	-	0.00%
Overtime (2)	104	-	288	386	-	-	-	-	0.00%
<b>Total</b>	<b>\$ 1,213,707</b>	<b>\$ 1,255,184</b>	<b>\$ 629,255</b>	<b>\$ 1,257,316</b>	<b>\$ 1,301,000</b>	<b>\$ 113,564</b>	<b>\$ 1,414,564</b>	<b>\$ 159,380</b>	<b>12.70%</b>

(1) The Insurance Compact currently has 11 full-time employees: Executive Director, Assistant Director of Product Operations, Senior Operations Manager, Product Filing Intake Coordinator, Communications Coordinator, Senior Product Reviewer, two Product Reviewers, two Actuaries, and one Administrative Assistant. The 2019 budget also includes an assumption of a combined 2.9% salary adjustment for cost-of-living / merit-based increases as well as possible promotions. The fiscal proposal for 2019 is to create two new positions beginning mid-year which, if approved, will increase the amount of the Salary. The positions would be a Product Reviewer and an Actuary.

(2) The Insurance Compact has two non-exempt employees and does not anticipate scheduled overtime will be needed in 2019.

E1: Salaries

2018 BUDGET ANALYSIS

BUDGET ITEM: Payroll Taxes

ITEM DESCRIPTION: FICA, unemployment compensation, and FUTA costs incurred for all Insurance Compact employees and interns.

<u>Description</u>	2017	2018	7/31/18	12/31/18	2019	2019	2019	<u>Increase (Decrease) from 2018 Budget</u>	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Base Budget</u>	<u>Proposed Fee &amp; Resource Request</u>	<u>Total Budget</u>		
FICA (1)	\$ 80,256	\$ 84,594	\$ 48,889	\$ 86,031	\$ 86,876	\$ 8,688	\$ 95,564	\$ 10,970	12.97%
FICA Turnover (2)	-	-	-	-	-	-	-	-	0.00%
Unemployment Compensation (3)	1,829	2,656	2,977	3,030	3,124	84	3,484	828	31.17%
<b>Total</b>	<b>\$ 82,085</b>	<b>\$ 87,250</b>	<b>\$ 51,866</b>	<b>\$ 89,061</b>	<b>\$ 90,000</b>	<b>\$ 8,772</b>	<b>\$ 99,048</b>	<b>\$ 11,798</b>	<b>13.52%</b>

(1) FICA is related to the projected FICA wage base and total salaries projected for the Insurance Compact employees. The increase in 2019 is primarily attributed to the three new positions retained mid-year 2019 which will be fully incurred in 2020.

(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 \$7,000 of each employee wages.

E2: Payroll Taxes

2018 BUDGET ANALYSIS

BUDGET ITEM: Employee Benefits

ITEM DESCRIPTION: Includes all pension, life and health insurance costs paid by Insurance Compact for its employees.

<u>Description</u>	2017	2018	7/31/18	12/31/18	2019	2019	2019	<u>Increase (Decrease) from 2018 Budget</u>	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Base Budget</u>	<u>Proposed Fee &amp; Resource Request</u>	<u>Total Budget</u>		
Pension (1)	\$ 60,240	\$ 69,035	\$ 33,314	\$ 67,883	\$ 70,626	\$ -	\$ 70,626	\$ 1,591	2.31%
Health Benefits (2)	138,410	146,457	76,710	152,246	167,919	17,116	185,035	38,578	26.34%
Group Life and Disability (3)	6,949	7,406	2,954	6,540	6,206	546	6,752	(654)	(8.83%)
Employee Relations (4)	5,233	5,250	1,159	3,558	5,000	-	5,000	(250)	(4.76%)
<b>Total</b>	<b>\$ 210,832</b>	<b>\$ 228,149</b>	<b>\$ 114,137</b>	<b>\$ 230,227</b>	<b>\$ 249,752</b>	<b>\$ 17,662</b>	<b>\$ 267,414</b>	<b>\$ 39,265</b>	<b>17.21%</b>

(1) A 457 plan and 401(a) plan is in effect for Insurance Compact employees. In 2019, the 2018 new hire will be eligible for Insurance Compact matching contribution under these plans which contributes to an increase in the budget line.

(2) In order to leverage the cost-savings and broader coverage options offered through larger groups, the Insurance Compact utilizes the NAIC employee benefit plan types pursuant to the Services Agreement. The Insurance Compact covers a portion of its employees premiums as an employee benefit. The increase to the base budget is due to higher projected costs. With respect to expenses due to the increase of employees for 2019, these costs are separately listed.

(3) In order to leverage the cost-savings and broader coverage options offered through larger groups, the Insurance Compact utilizes the NAIC employee benefit plan types pursuant to the Services Agreement.

(4) The Insurance Compact budget includes funding for employee and team recognition as well as related expenses associated with in-person team meetings.

E3: Employee Benefits

2018 BUDGET ANALYSIS

BUDGET ITEM: Employee Development

ITEM DESCRIPTION: Includes fees for seminars, training courses and professional association memberships paid by the Insurance Compact Office.

<u>Description</u>	2017	2018	7/31/18	Projected	2019	2019	2019	<u>Increase (Decrease) from 2018 Budget</u>	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>12/31/18</u>	Base Budget	<u>Proposed Fee &amp; Resource Request</u>	<u>Total Budget</u>		
Professional Association Dues (1)	\$ 3,384	\$ 3,290	\$ 3,420	\$ 3,420	\$ 3,420	\$ -	\$ 3,420	\$ 130	3.95%
Education Reimbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Professional Training (2)	-	14,650	4,400	15,150	14,650	-	14,650	-	0.00%
<b>Total</b>	<b>\$ 3,384</b>	<b>\$ 17,940</b>	<b>\$ 7,820</b>	<b>\$ 18,570</b>	<b>\$ 18,070</b>	<b>\$ -</b>	<b>\$ 18,070</b>	<b>\$ 130</b>	<b>0.72%</b>

(1) Professional association dues represent employees membership in various professional associations, such as bar association dues and the Association of Insurance Compliance Professionals (AICP) membership for Insurance Compact employees.

(2) Leadership training has been planned for two Insurance Compact employees in 2019.

E4: Employee Development

2018 BUDGET ANALYSIS

BUDGET ITEM: Professional Services

ITEM DESCRIPTION: Fees paid to outside resources for information systems, consulting services to process product filings, legal services, and cash management and payroll services.

Description	2017	2018	7/31/18	12/31/18	2019	2019	2019	Increase	Percentage
	Actual	Budget	Actual	Projected	Base Budget	Proposed Fee & Resource Request	Total Budget	(Decrease) from 2018 Budget	
Professional Services-Computer (1)	\$ 24,999	\$ 25,000	\$ 12,499	\$ 24,999	\$ 25,000	\$ -	\$ 25,000	\$ -	0.00%
Other Professional Services (2)	341,891	367,512	185,624	355,767	356,477	-	356,477	(11,035)	(3.00%)
Legal (3)	11,281	30,000	7,114	36,169	50,000	-	50,000	20,000	66.67%
Computer Services (4)	8,740	7,491	4,132	8,029	7,858	196	8,054	563	7.51%
<b>Total</b>	<b>\$ 386,911</b>	<b>\$ 430,003</b>	<b>\$ 209,369</b>	<b>\$ 424,963</b>	<b>\$ 439,335</b>	<b>\$ 196</b>	<b>\$ 439,531</b>	<b>\$ 9,528</b>	<b>2.22%</b>

(1) The Insurance Compact 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.

(2) This line item includes the NAIC Services Agreement (\$125,000); Cash Management (\$6,180); Annual Audit fees (\$8,884); and Consultant fees (\$216,059). The Insurance Compact currently has two (2) consultants: one Product Reviewer Consultant and one part-time Regulatory Consultant.

(3) The Insurance Compact retains the outside counsel to advise on legal matters for the Commission. With respect to third-party litigation involving legal issue relating to the Insurance Compact, outside counsel is expected to provide representation to the Compact to facilitate informing the parties and court of the legal principles and application of the principles to the Insurance Compact. Included in this line is the Hyatt Legal Plan benefit available to Compact employees.

(4) This line item reflects the monthly costs for processing Insurance Compact payroll. Also included in this line item are the expense related to the Consultants and remote employees monthly internet services to connect to the SERFF filing platform and the Insurance Compact office. Also included are the expenses related to the cellular devices to include electronic mobile devices for the Executive Director, Assistant Director, and Senior Operations Manager.

E5: Professional Services

2018 BUDGET ANALYSIS

BUDGET ITEM: Travel

ITEM DESCRIPTION: Includes airfares, hotels, meals, etc., incurred by Insurance Compact staff, consultants, members and regulators.

<u>Description</u>	2017	2018	7/31/18	12/31/18	2019	2019	2019	<u>Increase (Decrease) from 2018 Budget</u>	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Base Budget</u>	<u>Proposed Fee &amp; Resource Request</u>	<u>Total Budget</u>		
Staff Travel (1)	\$ 30,108	\$ 60,188	\$ 17,578	\$ 44,039	\$ 50,840	\$ 2,321	\$ 53,161	\$ (7,027)	(11.68%)
Marketing Travel (2)	30,239	39,900	14,679	40,340	39,400	1,100	40,500	600	1.50%
Non-Staff/Commissioner Travel (3)	22,354	46,810	12,584	37,851	53,460	-	53,460	6,650	14.21%
<b>Total</b>	<b>\$ 82,701</b>	<b>\$ 146,898</b>	<b>\$ 44,841</b>	<b>\$ 122,230</b>	<b>\$ 143,700</b>	<b>\$ 3,421</b>	<b>\$ 147,121</b>	<b>\$ 223</b>	<b>0.15%</b>

(1) This line item includes the costs associated with travel for the Insurance Compact employees. It is anticipated that 11 Insurance Compact employees will travel over the course of the year for a total of 30 trips. Anticipated trips include the three (3) National Meetings which four employees will attend as well as any other necessary meetings in support of the Insurance Compact. The average cost for each trip is estimated at approximately \$1,367.

(2) This line item includes the costs associated with travel for marketing/outreach by Insurance Compact staff, consultants and/or members. It is anticipated that there will be 17 trips made over the course of the year for marketing and outreach at a variety of industry and regulatory conferences. It is also anticipated that the Insurance Compact will sponsor or exhibit at marketing events throughout the year. 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 Insurance Compact reimburses members of the Legislative Committee (8) and members of the Consumer Advisory Committee (8) for their costs associated with attending each Insurance Compact in-person meeting (for up to two nights per meeting). The Insurance Compact reimburses the consultants for travel associated with attending each Insurance Compact meeting (estimated at three (3) for one consultant). This line item also includes costs associated with Commissioner travel for Insurance Compact outreach and other business. The increase is due to an the addition of three new members of the Consumer Advisory Committee in 2018.



E6: Travel

2018 BUDGET ANALYSIS

BUDGET ITEM: Occupancy

ITEM DESCRIPTION: Includes parking fees incurred for Insurance Compact staff.

<u>Description</u>	2017 <u>Actual</u>	2018 <u>Budget</u>	7/31/18 <u>Actual</u>	12/31/18 <u>Projected</u>	2019 <u>Base Budget</u>	2019 <u>Proposed Fee &amp; Resource Request</u>	2019 <u>Total Budget</u>	<u>Increase (Decrease) from 2018 Budget</u>	<u>Percentage</u>
Occupancy (1)	\$ 7,885	\$ 7,920	\$ 3,984	\$ 7,956	\$ 8,172	\$ -	\$ 8,172	\$ 252	3.18%

(1) This line item includes monthly commuting benefits for the DC-based employees at a cost of \$300 per month for the full year. Also, included in this line is costs associated with parking for the three (3) Kansas City-based employees.

E7: Occupancy

2018 BUDGET ANALYSIS

BUDGET ITEM: Meetings

ITEM DESCRIPTION: Includes hotel services, audio visual, and other costs incurred by Insurance Compact staff and Members for Insurance Compact meetings.

<u>Description</u>	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Budget</u>	<u>7/31/18</u> <u>Actual</u>	<u>12/31/18</u> <u>Projected</u>	<u>2019</u> <u>Base Budget</u>	<u>2019</u> <u>Proposed</u> <u>Fee &amp;</u> <u>Resource</u> <u>Request</u>	<u>2019</u> <u>Total Budget</u>	<u>Increase</u> <u>(Decrease)</u> <u>from 2018</u> <u>Budget</u>	<u>Percentage</u>
Meetings (1)	\$ 2,033	\$ 8,700	\$ 780	\$ 5,130	\$ 8,700	\$ -	\$ 8,700	\$ -	0.00%

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

E8: Meetings

2018 BUDGET ANALYSIS

BUDGET ITEM: Interest Expense

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

<u>Description</u>	2017	2018	7/31/18	Projected	2019	2019	2019	<u>Increase (Decrease) from 2018 Budget</u>	Percentage
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>12/31/18</u>	<u>Base Budget</u>	<u>Proposed Fee &amp; Resource Request</u>	<u>Total Budget</u>		
Interest Expense (1)	\$ 73,377	\$ 75,045	\$ 37,312	\$ 75,045	\$ 76,751	\$ -	\$ 76,751	\$ 1,706	2.27%

(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 Insurance Compact 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 Insurance Compact until the year following the year in which the Insurance Compact achieves a profit of \$250,000 or an accumulated cash balance from operations of \$500,000 excluding funds from draws. Outstanding interest since the January 1, 2010 payment has been capitalized. Since 2012, the Insurance Compact has not utilized the line of credit. The Insurance Compact does not expect to draw on the 2018 line of credit. The Insurance Compact will seek a minimal line of credit in 2019.

E9: Interest Expense

2018 BUDGET ANALYSIS

BUDGET ITEM: Insurance

ITEM DESCRIPTION: Includes expenses for all general business and liability insurance policies for the Insurance Compact.

<u>Description</u>	2017 <u>Actual</u>	2018 <u>Budget</u>	7/31/18 <u>Actual</u>	12/31/18 <u>Projected</u>	2019 <u>Base Budget</u>	2019 <u>Proposed Fee &amp; Resource Request</u>	2019 <u>Total Budget</u>	<u>Increase (Decrease) from 2018 Budget</u>	<u>Percentage</u>
General Business Insurance (1)	\$ 15,348	\$ 17,056	\$ 7,583	\$ 14,557	\$ 14,181	\$ -	\$ 14,181	\$ (2,875)	(16.86%)

(1) General business insurance coverage and related premiums. Comprehensive errors and omissions and director/officer coverage premiums are included in this line as well.

E10: Insurance

2018 BUDGET ANALYSIS

BUDGET ITEM: Office Services

ITEM DESCRIPTION: Includes conference calls, office supplies, non-capital equipment, and mail.

<u>Description</u>	2017	2018	7/31/18	12/31/18	2019	2019	2019	<u>Increase (Decrease) from 2018 Budget</u>	<u>Percentage</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Base Budget</u>	<u>Proposed Fee &amp; Resource Request</u>	<u>Total Budget</u>		
Telephone (1)	\$ 7,640	\$ 11,700	\$ 5,004	\$ 9,844	\$ 9,600	\$ -	\$ 9,600	\$ (2,100)	(17.95%)
Other Supplies (2)	298	250	941	1,098	250	50	300	50	20.00%
Non-Capital Equipment (3)	970	5,611	883	4,383	6,200	1,000	7,200	1,589	28.32%
Mail Services (4)	979	1,200	380	804	1,080	-	1,080	(120)	(10.00%)
<b>Total</b>	<b>\$ 9,887</b>	<b>\$ 18,761</b>	<b>\$ 7,208</b>	<b>\$ 16,129</b>	<b>\$ 17,130</b>	<b>\$ 1,050</b>	<b>\$ 18,180</b>	<b>\$ (581)</b>	<b>(3.10%)</b>

(1) Telephone expenses for conference calls, utilizing Chorus Call, for: the Commission; Management Committee; sub-committees; advisory committees for the Insurance Compact and webinars for industry education.

(2) This line item reflects the cost of supplies for the Insurance Compact office.

(3) The Insurance Compact has budgeted for potential software and device upgrades during 2019. Also included in this line is a \$500 annual allotment per Insurance Compact Consultant and remote employee to be reimbursed for expenses associated with the parameters of the technology platform for the Insurance Compact Office.

(4) This line item includes expenses to mail Insurance Compact correspondence via US Postal Service 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.

E11: Office Services

2018 BUDGET ANALYSIS

BUDGET ITEM: Other Expenses

ITEM DESCRIPTION: Includes expenses incurred for reference materials, general training materials, and recruiting expenses.

<u>Description</u>	2017 <u>Actual</u>	2018 <u>Budget</u>	7/31/18 <u>Actual</u>	12/31/18 <u>Projected</u>	2019 <u>Base Budget</u>	2019 <u>Proposed Fee &amp; Resource Request</u>	2019 <u>Total Budget</u>	<u>Increase (Decrease) from 2018 Budget</u>	<u>Percentage</u>
Reference Materials (1)	\$ -	\$ -	\$ -	\$ -	\$ 2,850	\$ -	\$ 2,850	\$ 2,850	0.00%
Training Expenses (2)	-	-	-	-	-	-	-	-	0.00%
Recruiting Expense (3)	-	-	-	-	-	350	350	350	0.00%
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,850</b>	<b>\$ 350</b>	<b>\$ 3,200</b>	<b>\$ 3,200</b>	<b>0.00%</b>

- (1) It is expected that the Insurance Compact Office will purchase various reference materials for the Members as well as Insurance Compact Office staff.
- (2) The Insurance Compact Office does not expect to incur expenses other than conference call expenses to provide training to Members, staff, or consultants.
- (3) It is anticipated that the Insurance Compact Office will incur minimal expenses associated with recruiting in 2019.

E12: Other Expenses