

INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION
2020 ADOPTED BUDGET
DETAIL REVENUE AND EXPENSES

Description	2019					2020		%	Increase (Decrease) from 2019 Projected	%
	2018	2019	5/31/2019	12/31/2019	2019	2020	Increase (Decrease) from 2019 Budget			
	Actual	Budget	Actual	Projected	Projected Variance					
Filing Fees	\$ 1,390,577	\$ 1,332,213	\$ 777,568	\$ 1,650,730	\$ 318,517	\$ 1,528,300	\$ 196,087	14.72%	\$ (122,430)	(7.42%)
Annual Registration Fees	992,775	1,418,000	1,263,850	1,343,975	(74,025)	1,350,625	(67,375)	(4.75%)	6,650	0.49%
Interest Income	9,056	7,560	13,149	31,318	23,758	11,900	4,340	-	(19,418)	(62.00%)
Total Revenues	2,392,408	2,757,773	2,054,567	3,026,023	268,250	2,890,825	133,052	4.82%	(135,198)	(4.47%)
Salaries, Taxes, and Benefits (1)	1,607,889	1,798,629	731,320	1,778,425	(20,204)	2,081,911	283,282	15.75%	303,486	17.06%
Professional Services (2)	432,969	440,011	187,822	464,712	24,701	491,736	51,725	11.76%	27,024	5.82%
Travel (3)	93,920	147,121	46,477	136,027	(11,094)	149,300	2,179	1.48%	13,273	9.76%
Rental and Maintenance (4)	7,601	8,172	3,002	7,691	(481)	8,181	9	0.11%	490	6.37%
Depreciation	-	-	-	-	-	-	-	-	-	-
Interest Expense (5)	75,045	76,751	31,770	76,751	(0)	78,440	1,689	2.20%	1,689	2.20%
Insurance Expense (6)	14,667	14,181	6,541	15,334	1,153	14,369	188	1.33%	(965)	(6.29%)
Administrative Expenses (7)	13,133	21,368	4,928	23,250	1,882	19,135	(2,233)	(10.45%)	(4,115)	(17.70%)
Meetings and General Training (8)	5,915	8,700	3,568	8,568	(132)	8,500	(200)	(2.30%)	(68)	(0.79%)
Total Operating Expenses	2,251,139	2,514,933	1,015,427	2,510,758	(4,175)	2,851,571	336,638	13.39%	340,813	13.57%
Revenues Over (Under) Expenses	\$ 141,269	\$ 242,840	\$ 1,039,140	\$ 515,265	\$ 272,425	\$ 39,254	\$ (203,586)	(83.84%)	\$ (476,011)	(92.38%)

- (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 .
- (5) The expenses included in this line are found on page E9: Interest Expense.
- (6) The expenses included in this line are found on page E10: Insurance.
- (7) The expenses included in this line are found on page E11: Office Services and E12: Other Expenses.
- (8) The expenses included in this line are found on page E8: Meetings.

2020 BUDGET ANALYSIS

BUDGET ITEM: Revenues

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

Description	2018	2019	5/31/19	12/31/19	2020	Increase (Decrease) from	Percentage
	Actual	Budget	Actual	Projected	Budget	2019 Budget	
Filing Fees (1)	\$ 1,390,577	\$ 1,332,213	\$ 777,568	\$ 1,650,730	\$ 1,528,300	\$ 196,087	14.72%
Annual Registration Fees (2)	992,775	1,418,000	1,263,850	1,343,975	1,350,625	(67,375)	(4.75%)
Interest Income (3)	9,056	7,560	13,149	31,318	11,900	4,340	0.00%
Total	\$ 2,392,408	\$ 2,757,773	\$ 2,054,567	\$ 3,026,023	\$ 2,890,825	\$ 133,052	4.82%

(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. There is a separate Filing Fee amount for product filings requiring an actuarial review of rate schedules (LTC and DI specifically).

(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. There are 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.

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

2020 BUDGET ANALYSIS

BUDGET ITEM: Salaries

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

<u>Description</u>	<u>2018 Actual</u>	<u>2019 Budget</u>	<u>5/31/19 Actual</u>	<u>12/31/19 Projected</u>	<u>2020 Budget</u>	<u>Increase (Decrease) from</u>		<u>Percentage</u>
						<u>2019 Budget</u>	<u>2020 Budget</u>	
Salaries-Existing Employees (1)	\$ 1,275,219	\$ 1,414,564	\$ 570,284	\$ 1,423,635	\$ 1,647,866	\$ 233,302		16.49%
Overtime (2)	798	-	407	489	-	-		0.00%
Total	\$ 1,276,017	\$ 1,414,564	\$ 570,691	\$ 1,424,124	\$ 1,647,866	\$ 233,302		16.49%

(1) The Insurance Compact is budgeting for fourteen full-time employees including one new position of Member Services Coordinator to start on January 1, 2020. Existing positions as of December 31, 2019 include: Executive Director, Director of Product Operations, Assistant Director of Administrative Operations, Communications Coordinator, Product Filing Specialist, Senior Product Reviewer and Manager; four Product Reviewers, three Actuaries, and an Administrative Assistant. The Insurance Compact had two new hires in 2019 with an actuary starting in July and a product reviewer starting in August. The 2020 Budget amount reflects the total salaries of all current employees including the proposed Member Services Coordinator position for the full twelve month period. The 2020 budget also includes an assumption of a combined 3.2% salary adjustment for cost-of-living and merit-based increases as well as possible promotions.

(2) The Insurance Compact has two non-exempt employees and does not anticipate scheduled overtime will be needed in 2020.

2020 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>	2018		2019		5/31/19	12/31/19	2020	Increase (Decrease) from	<u>Percentage</u>
	<u>Actual</u>		<u>Budget</u>		<u>Actual</u>	<u>Projected</u>	<u>Budget</u>	<u>2019 Budget</u>	
FICA (1)	\$ 82,868	\$	\$ 95,565	\$	\$ 46,605	\$ 94,159	\$ 112,681	\$ 17,116	17.91%
Unemployment Compensation (2)	3,158		3,497		2,497	2,801	4,025	528	15.10%
Total	<u>\$ 86,026</u>	<u>\$</u>	<u>\$ 99,062</u>	<u>\$</u>	<u>\$ 49,103</u>	<u>\$ 96,961</u>	<u>\$ 116,706</u>	<u>\$ 17,644</u>	17.81%

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

(2) Unemployment compensation has been budgeted on the first \$7,000 of each individual salary.

2020 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>	2018		2019		5/31/19		12/31/19		2020		Increase (Decrease) from 2019 Budget	Percentage
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>	<u>2019 Budget</u>				
Pension (1)	\$ 63,937	\$ 70,626	\$ 28,497	\$ 68,587	\$ 79,724	\$ 9,098					12.88%	
Health Benefits (2)	153,311	184,497	66,319	165,638	206,962	22,465					12.18%	
Group Life and Disability (3)	5,923	6,752	2,504	6,151	7,860	1,108					16.41%	
Employee Relations (4)	3,861	5,058	2,302	5,011	5,058	0					0.01%	
Total	\$ 227,032	\$ 266,933	\$ 99,622	\$ 245,386	\$ 299,604	\$ 32,671					12.24%	

(1) A 457 plan and 401(a) plan is in effect for Insurance Compact employees. In 2020, the 2019 new hires 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 is associated with new employees as well as the employer share of premium expected to increase.

(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. The Insurance Compact covers a portion of its employees premiums as an employee benefit.

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

2020 BUDGET ANALYSIS

BUDGET ITEM: Employee Development

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

<u>Description</u>	<u>2018 Actual</u>	<u>2019 Budget</u>	<u>5/31/19 Actual</u>	<u>Projected 12/31/19</u>	<u>2020 Budget</u>	<u>Increase (Decrease) from 2019 Budget</u>	<u>Percentage</u>
Professional Association Dues (1)	\$ 3,465	\$ 3,420	\$ 3,555	\$ 3,555	\$ 5,235	\$ 1,815	53.07%
Professional Training (2)	15,349	14,650	8,399	8,399	12,500	(2,150)	(14.68%)
Total	\$ 18,814	\$ 18,070	\$ 11,954	\$ 11,954	\$ 17,735	\$ (335)	(1.85%)

(1) Professional association dues represent employees' membership in various professional associations, such as bar and actuary association dues and the Association of Insurance Compliance Professionals (AICP) membership for Insurance Compact employees. The increase in this line reflects the dues associated with new employees participation in professional associations.

(2) Leadership training has been planned for Insurance Compact employees in 2020.

2020 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.

<u>Description</u>	<u>2018</u> <u>Actual</u>	<u>2019</u> <u>Budget</u>	<u>5/31/19</u> <u>Actual</u>	<u>12/31/19</u> <u>Projected</u>	<u>2020</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u> <u>from</u>		<u>Percentage</u>
						<u>2019</u>	<u>Budget</u>	
Professional Services-Computer (1)	\$ 24,999	\$ 25,000	\$ 10,417	\$ 25,000	\$ 50,000	\$ 25,000		100.00%
Other Professional Services (2)	359,394	356,957	151,479	384,216	380,046	23,089		6.47%
Legal (3)	39,425	50,000	23,035	47,064	50,320	320		0.64%
Computer Services (4)	9,151	8,054	2,891	8,432	11,370	3,316		41.17%
Total	\$ 432,969	\$ 440,011	\$ 187,822	\$ 464,712	\$ 491,736	\$ 51,725		11.76%

(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. The increase for 2020 is for work related to artificial intelligence enhancements proof of concept.

(2) This line item includes the NAIC Services Agreement (\$125,000); Cash Management (\$6,424); Annual Audit fees (\$9,188); and Consultant fees (\$148,750). The Insurance Compact has budgeted for two full-time consultants including a Product Review Consultant and a Regulatory Consultant. The insurance Compact Office will be recruiting for a new Regulatory Consultant to begin on or after 1/1/2020 as the current Regulatory Consultant will be only available for special projects and a transition period.

(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 expenses related to the remote employees and consultant's 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, Director of Product Operations, and Assistant Director of Administrative Operations.

2020 BUDGET ANALYSIS

BUDGET ITEM: Travel

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

<u>Description</u>	2018		2019		2020		Increase (Decrease) from 2019 Budget	Percentage
	<u>Actual</u>	<u>Budget</u>	<u>5/31/19 Actual</u>	<u>12/31/19 Projected</u>	<u>Budget</u>	<u>2019 Budget</u>		
Staff Travel (1)	\$ 36,604	\$ 53,161	\$ 22,787	\$ 57,716	\$ 65,000	\$ 11,839	22.27%	
Marketing Travel (2)	23,435	40,500	\$ 6,837	31,458	40,250	(250)	(0.62%)	
Non-Staff/Commissioner Travel (3)	33,881	53,460	16,854	46,854	44,050	(9,410)	(17.60%)	
Total	\$ 93,920	\$ 147,121	\$ 46,477	\$ 136,027	\$ 149,300	\$ 2,179	1.48%	

(1) This line item includes the costs associated with travel for the Insurance Compact employees. It is anticipated that 14 Insurance Compact employees will travel over the course of the year for a total of 57 trips. Anticipated trips include the three (3) National Meetings which at least five (5) 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 \$1,360. The increase in the 2020 budget is due to the anticipated travel of additional employees through the course of the year.

(2) This line item includes the costs associated with travel for marketing/outreach by the Insurance Compact Team 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". The increase in this budget line is also associated with more Insurance Compact Team member attending conferences and participating in marketing/outreach on behalf of the Insurance Compact.

(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 the Insurance Compact meetings. The Insurance Compact reimburses the consultants for travel associated with attending the Insurance Compact Meetings. This line item also includes costs associated with Commissioner travel for Insurance Compact outreach and other business. The reduction in anticipated expenses is due to fewer anticipated trips in 2020.

2020 BUDGET ANALYSIS

BUDGET ITEM: Occupancy

ITEM DESCRIPTION: Includes commuting and parking costs incurred for Insurance Compact staff.

<u>Description</u>	2018 <u>Actual</u>	2019 <u>Budget</u>	5/31/19 <u>Actual</u>	12/31/19 <u>Projected</u>	2020 <u>Budget</u>	Increase (Decrease) from		<u>Percentage</u>
						<u>2019 Budget</u>		
Occupancy (1)	\$ 7,601	\$ 8,172	\$ 3,002	\$ 7,691	\$ 8,181	\$ 9		0.11%

(1) This line item includes monthly commuting benefits for the DC based employees at a cost of \$287 per month for the full year. Also, included in this line is costs associated with parking for the Kansas City based employees.

2020 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>	2018 <u>Actual</u>	2019 <u>Budget</u>	5/31/19 <u>Actual</u>	12/31/19 <u>Projected</u>	2020 <u>Budget</u>	Increase (Decrease) from	
						<u>2019 Budget</u>	<u>Percentage</u>
Meetings (1)	\$ 5,915	\$ 8,700	\$ 3,568	\$ 8,568	\$ 8,500	\$ (200)	(2.30%)

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

2020 BUDGET ANALYSIS

BUDGET ITEM: Interest Expense

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

<u>Description</u>	2018 <u>Actual</u>	2019 <u>Budget</u>	5/31/19 <u>Actual</u>	Projected <u>12/31/19</u>	2020 <u>Budget</u>	Increase (Decrease)		Percentage
						2019 <u>Budget</u>	2020 <u>Budget</u>	
Interest Expense (1)	\$ 75,045	\$ 76,751	\$ 31,770	\$ 76,751	\$ 78,440	\$ 1,689		2.20%

(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 request a Line of Credit in 2020.

2020 BUDGET ANALYSIS

BUDGET ITEM: Insurance

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

<u>Description</u>		<u>2018</u> <u>Actual</u>		<u>2019</u> <u>Budget</u>		<u>5/31/19</u> <u>Actual</u>		<u>12/31/19</u> <u>Projected</u>		<u>2020</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u> <u>from</u>		<u>Percentage</u>
											<u>2019 Budget</u>		
General Business Insurance (1)	\$	14,667	\$	14,181	\$	6,541	\$	15,334	\$	14,369	\$	188	1.33%

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

2020 BUDGET ANALYSIS

BUDGET ITEM: Office Services

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

<u>Description</u>	2018		2019		5/31/19		12/31/19		2020		Increase (Decrease) from 2019 Budget	Percentage
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>	<u>Budget</u>				
Telephone (1)	\$ 9,125	\$ 9,600	\$ 3,672	\$ 9,599	\$ 9,000	\$ (600)	(6.25%)					
Other Supplies (2)	1,078	300	76	217	250	(50)	(16.67%)					
Non-Capital Equipment (3)	2,176	7,200	914	8,886	8,000	800	11.11%					
Mail Services (4)	754	1,081	266	706	700	(381)	(35.25%)					
Total	\$ 13,133	\$ 18,181	\$ 4,928	\$ 19,407	\$ 17,950	\$ (231)	(1.27%)					

(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. The reduction in costs is associated with disbanding two committees in 2019.

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

(3) The Insurance Compact has budgeted for a \$500 annual allotment per Insurance Compact remote team employee and consultants 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 Compact Governors.

2020 BUDGET ANALYSIS

BUDGET ITEM: Other Expenses

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

<u>Description</u>	<u>2018</u> <u>Actual</u>	<u>2019</u> <u>Budget</u>	<u>5/31/19</u> <u>Actual</u>	<u>12/31/19</u> <u>Projected</u>	<u>2020</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u> <u>from</u>		<u>Percentage</u>
						<u>2019</u>	<u>Budget</u>	
Reference Materials (1)	\$ -	\$ 2,847	\$ -	\$ 2,847	\$ -	\$ (2,847)		(100.00%)
Taxes	-	-	-	487	1,185	1,185		100.00%
Recruiting Expense (3)	-	340	-	509	-	(340)		(100.00%)
Total	\$ -	\$ 3,187	\$ -	\$ 3,844	\$ 1,185	\$ (2,002)		(62.82%)

(1) It is expected that the Insurance Compact Office will not purchase various reference materials for the Members or the Team in 2020.

(3) It is not anticipated that the Insurance Compact Office will incur any expenses related to the recruiting of professional employees.