

# 2023

ANNUAL  
REPORT



COMPACT 

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**LETTER FROM THE OFFICERS**

We showed what is possible when we continue to improve upon the Compact’s foundation while at the same time, laying the groundwork for Compact 2.0. In 2023, the members and their dedicated staff, working with state legislators and consumer and industry representatives, came together to welcome another Compacting State, develop new Uniform Standards, and engage in meaningful dialogue on the possibilities for our collective state-based organization.

The Commission expanded its membership in 2023 by welcoming North Dakota as its 47th member. North Dakota officially joined the Insurance Compact on August 1, 2023, and we were thrilled to welcome Commissioner Jon Godfread to the table during our Summer National Meeting in Seattle.

The participants of the Product Standards Committee kept busy developing a wide range of new Uniform Standards. As a result of their dedication, the Commission adopted Individual Disability Income Key Person Replacement Insurance Policy Standards, Individual Disability Income Buy Sell Insurance Policy Standards, and ten Uniform Standards for Group Whole Life Insurance products for employer/employee groups. The Commission also adopted amendments to the Single Premium Group Fixed Annuity Contract Standards for Employer Groups and awaited the recommendation for Individual Deferred Index Linked Variable Annuity Standards, which is expected in early 2024.

A banner accomplishment from 2023 was the launch of the Compact’s redesigned website. This project was a key deliverable from the Insurance Compact Compass Strategic Plan. We leveraged feedback from focus groups and our members and added new features to enhance the user experience, including dedicated Committee pages, easier access to upcoming meetings and events from the homepage, and streamlined mobile access.

We continued to engage with stakeholders by holding input sessions, as well as two more Compact Roundtables. Introduced in 2022, the Roundtables have brought together Compacting State Commissioners, regulators, and legislators to exchange perspectives and ideas for how the Compact can continue to excel in its mission and purpose. They have been a great communication vehicle for improving current processes and reimagining future services and processes.

The Commission created the Adjunct Services Committee in 2023. In the coming year, the Adjunct Services Committee will evaluate these ideas and bring forth recommendations for new and enhanced services and programs that could be offered to states and others through the Compact platform.

We want to thank and congratulate all our members, regulators, state legislators, consumer representatives, industry representatives, and company filers who contributed to the tremendous amount of work accomplished last year. It would have been impossible without your valuable input. The amount and pace of work continues in 2024; with your continued commitment and engagement, we will surely have another productive and collaborative year.

**2023 OFFICERS**



*Kathleen A. Birrane*  
**Commissioner**  
**Kathleen A. Birrane**  
 Chair, Maryland



*Eric Dunning*  
**Director Eric Dunning**  
 Vice Chair, Nebraska



*Allan L. McVey*  
**Commissioner Allan L. McVey**  
 Treasurer, West Virginia



*Elizabeth Kelleher Dwyer*  
**Director**  
**Elizabeth Kelleher Dwyer**  
 Past Chair, Rhode Island

## LETTER FROM THE EXECUTIVE DIRECTOR

The Compact Office was pleased to support the engagement, hard work, and accomplishments of our membership. The Commission was busy in 2023 as states continue to join, and member committees adopted several key work products. A record number of companies also registered to file with the Compact, many of them updating their products for a substantive change in life Uniform Standards.

In 2023, the Commission adopted the Uniform Standards Development Guidelines to provide a reference guide for new proposals or changes to Uniform Standards. This initiative brings to the finish line a key deliverable from the Insurance Compact Compass Strategic Plan.

Another important action from 2023 was the amendment to the “Rulemaking Rule” to address when materials incorporated by reference are changed. These will now be subject to the rulemaking process.

The Compact Office facilitated the process for product filings to demonstrate compliance with suicide exclusion provision amendments adopted by the Commission in 2022. Two effective dates were set: the first was April 3, 2023, for new product filing submissions, and the second was October 3, 2023, for new issues of previously approved Compact products. The Compact Office ensured a smooth transition for members and companies alike by issuing Filing Information Notice 2023-1 and several Weekly Tips, which led to the successful implementation of this impactful amendment.

The Compact Office engaged in several outreach activities efforts in 2023. Namely, we presented at numerous events, including the spring and fall meetings of the Life and Health Compliance Association, Association of Insurance Compliance Professionals chapter and annual meetings, SOA Supplemental Health, DI, and LTC conference, and ALI-CLE conference. The Compact sponsored several networking opportunities at the NAIC, NCSL, and NCOIL events. Additionally, we offered spring and fall sessions of our popular webinar series, informing over 1,000 regulator and industry participants of the important work the Compact performs.

The Compact Office was excited to work with North Dakota to support their enactment and implementation of the Compact. We also supported company filers adding North Dakota to existing filings by issuing a filing announcement and several Weekly Tips, ensuring a smooth filing process.

On behalf of the Compact Office team, thank you to the Compact Officers, 47 Members, and their staff for their commitment to the mission and purposes of their collective organization. We recognize state legislators, consumer representatives, industry representatives, and company filers who provided their support, perspectives, and expertise to continuously improve the Insurance Compact. We are excited to support the Commission’s continued work and even more accomplishments in 2024 and beyond.

Karen Z. Schutter  
Executive Director

## THE INSURANCE COMPACT TODAY

<https://www.insurancecompact.org>

### UNIFORM PRODUCT STANDARDS AND APPROVAL

The Interstate Insurance Product Regulation Compact (Insurance Compact) is an innovative, **state-based** agreement to modernize the regulatory approval of asset-based insurance products. Through the collective efforts of 47 Compacting States, the Insurance Compact develops detailed and comprehensive uniform product standards containing balanced and **strong consumer protections**. Companies submit one product for thorough review by an experienced regulatory team of reviewers and actuaries.

The Insurance Compact serves the need for **uniformity, speed-to-market, and regulatory compliance** in a national state-regulated insurance marketplace.

### MULTI-STATE PUBLIC BODY

The Insurance Compact established a **multi-state public body**, the Commission, which serves as an instrumentality of the Compacting States. Each Compacting State is an official member – usually the Insurance Commissioner – of the Commission.

Over **115 uniform product standards** have been implemented so far through an open, transparent rulemaking process that requires adoption by a minimum two-thirds or “supermajority” of the entire membership.

**COMPACT STATES**  
45 States, plus the District of Columbia and Puerto Rico have adopted the Insurance Compact legislation to date, representing 75% of the premium volume nationwide.

### CURRENT PRODUCT LINES:

- ★ Individual **Life**
- ★ Individual **Annuity**
- ★ Individual **Long-Term Care**
- ★ Individual **Disability Income**
- ★ Employer Group **Term Life**
- ★ Employer Group **Disability Income**
- ★ Employer Group **Annuity**

Once a Uniform Standard is adopted, the Insurance Compact serves as the central point of electronic **filing, review, and approval** for these insurance products. The Insurance Compact is **revenue-neutral** for state budgets. State filing fees are collected and remitted electronically for all Compact filings. The Insurance Compact is funded by separate fees from filing companies.

### COMPACT BENEFITS

The Insurance Compact has defined **speed-to-market** by providing product approval in less than 60 days, with a thorough and transparent upfront review process.

**Compact States** retain sovereign authority over their insurance marketplace and actively participate in ensuring uniform standards provide insurance consumers with strong and established protections.

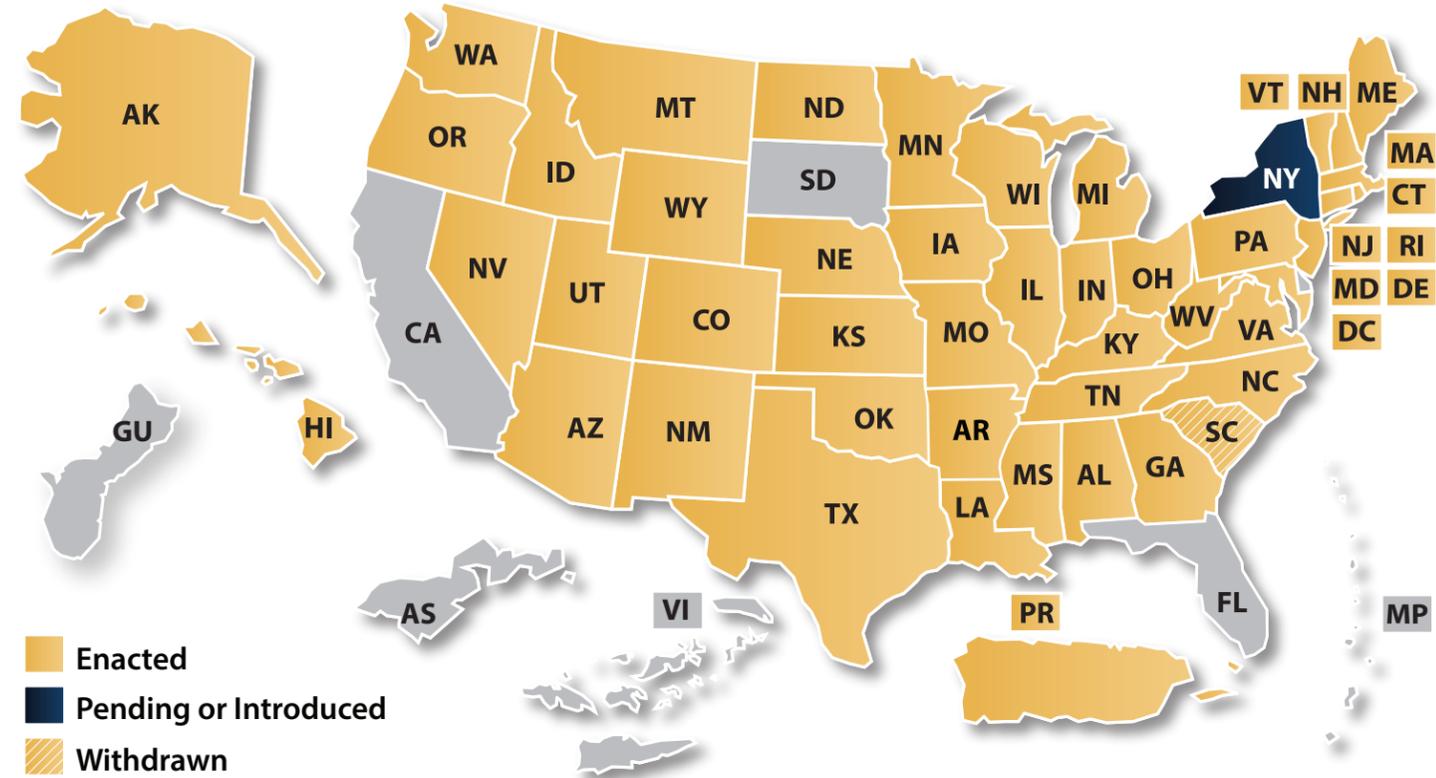
**Consumers** benefit from ensuring these mobile-borne products are subject to thorough prior review using consistent, detailed standards.

**Companies** benefit from getting a form/product to market in a competitive, efficient, cost-effective, and streamlined manner across the Compacting States.

**MEMBERSHIP** (AS OF DECEMBER 31, 2023)

-  **Mark Fowler**  
Commissioner, Alabama Department of Insurance
-  **Lori K. Wing-Heier**  
Director, Alaska Division of Insurance
-  **Barbara Richardson**  
Cabinet Executive Officer, Arizona Department of Insurance
-  **Alan McClain**  
Commissioner, Arkansas Insurance Department
-  **Michael Conway**  
Commissioner, Colorado Division of Insurance
-  **Andrew N. Mais**  
Commissioner, Connecticut Insurance Department
-  **Karima M. Woods**  
Commissioner, District of Columbia Insurance, Department of Securities and Banking
-  **Trinidad Navarro**  
Commissioner, Delaware Department of Insurance
-  **John F. King**  
Commissioner, Georgia Office of Insurance & Safety Fire Commissioner
-  **Gordon I. Ito**  
Commissioner, Hawaii Insurance Division
-  **Dean L. Cameron**  
Director, Idaho Department of Insurance
-  **Dana Popish Severinghaus**  
Director, Illinois Department of Insurance
-  **Amy Beard**  
Commissioner, Indiana Department of Insurance
-  **Doug Ommen**  
Commissioner, Iowa Insurance Division
-  **Vicki Schmidt**  
Commissioner, Kansas Insurance Department
-  **Sharon P. Clark**  
Commissioner, Kentucky Department of Insurance
-  **James J. Donelon**  
Commissioner, Louisiana Department of Insurance
-  **Timothy N. Schott**  
Acting Superintendent, Maine Bureau of Insurance
-  **Kathleen A. Birrane**  
Commissioner, Maryland Insurance Administration
-  **Gary D. Anderson**  
Commissioner, Massachusetts Division of Insurance
-  **Anita G. Fox**  
Director, Michigan Department of Insurance & Financial Services
-  **Grace Arnold**  
Commissioner, Minnesota Department of Commerce
-  **Mike Chaney**  
Commissioner, Mississippi Insurance Department
-  **Chlora Lindley-Myers**  
Director, Missouri Department of Commerce & Insurance
-  **Troy Downing**  
Commissioner, Montana Office of the Commissioner of Securities & Insurance

-  **Eric Dunning**  
Director, Nebraska Department of Insurance
-  **Scott Kipper**  
Commissioner, Nevada Division of Insurance
-  **D.J. Bettencourt**  
Commissioner, New Hampshire Insurance Department
-  **Justin Zimmerman**  
Acting Commissioner, New Jersey Department of Banking & Insurance
-  **Alice Kane**  
Superintendent, New Mexico Office of Superintendent of Insurance
-  **Mike Causey**  
Commissioner, North Carolina Department of Insurance
-  **Jon Godfread**  
Commissioner, North Dakota Department of Insurance
-  **Judith French**  
Director, Ohio Department of Insurance
-  **Glen Mulready**  
Commissioner, Oklahoma Insurance Department
-  **Andrew R. Stolfi**  
Commissioner, Oregon Division of Financial Regulation
-  **Michael Humphreys**  
Commissioner, Pennsylvania Insurance Department
-  **Alexander S. Adams Vega**  
Commissioner, Puerto Rico Office of the Commissioner of Insurance



-  **Elizabeth Kelleher Dwyer**  
Director, Rhode Island Department of Business Regulation
-  **Carter Lawrence**  
Commissioner, Tennessee Department of Commerce and Insurance
-  **Cassie Brown**  
Commissioner, Texas Department of Insurance
-  **Jon Pike**  
Commissioner, Utah Insurance Department
-  **Kevin Gaffney**  
Commissioner, Vermont Department of Financial Regulation
-  **Scott A. White**  
Commissioner, Virginia State Corporation Commission, Bureau of Insurance
-  **Mike Kreidler**  
Commissioner, Washington Office of the Insurance Commissioner
-  **Allan L. McVey**  
Commissioner, West Virginia Offices of the Insurance Commissioner
-  **Nathan Houdek**  
Commissioner, Wisconsin Office of the Commissioner of Insurance
-  **Jeff Rude**  
Commissioner, Wyoming Insurance Department

**2023 Past Members Who Served**  
Chris Nicolopoulos, NH  
Marlene Caride, NJ  
Jennifer Catechis, NM

## ROUNDTABLE SUMMARY

The Compact Officers hosted two well-attended Roundtable events in 2023. The first one took place in Washington, D.C. in May, and the second was held in Omaha during the fall. Both sessions gave members, state legislators, industry filers, and consumer representatives alike the opportunity to discuss key strategic questions and issues facing the Insurance Compact.

One of the discussion topics from both sessions pertained to enhancements to the current Compact process. The most agreement was around speeding up the Uniform Standards development process and developing more Uniform Standards. Most agreed that finding ways to increase the Uniform Standards development process would minimize gaps that would prevent the Compact from reviewing all aspects of a product. Suggestions included having more dialogue with the industry earlier in the development process, developing clear timetables for development, elevating controversial issues sooner, and accelerating the process for more straightforward items.

Innovation was a key point of discussion for both sessions. The consensus was the Compact could serve as an innovation forum to incentivize both traditional incumbents and start-ups to work with the states on a product innovation or invention. It was mentioned that states with regulatory innovation laws, including the NCOIL sandbox model, could work through the Compact to gain critical mass and avoid duplication of time and expenses. The topic of a Uniform Standard for an approval track for items outside the scope of an existing Uniform Standard was also raised during the Omaha session, and it met with support and skepticism as to how it would work in practice.

The conversations around the Compact providing advisory services to member state regulators carried over from 2022. Agreement existed to explore an advisory review process, a forum for innovation, and piloting artificial intelligence. Wide support was expressed for the Compact to perform advisory services on behalf of states to streamline 50 state filings, in lieu of assorted reviews for the same product. The advisory process would also reduce same or similar questions asked by state reviewers and leverage product expertise at the Compact. There was agreement that a high-level of state support would be necessary for success. This process could include products outside those that the Compact supports and/or Uniform Standards, as well as innovative products within the authorized product lines that go beyond the Uniform Standards. A suggestion was made to pilot a small number of states and companies to see how it would work in practice before scaling up.

Finally, attendees discussed product features that could turn into new Uniform Standards. These included Uniform Standards for value-added services, wellness benefits, ancillary, or incidental benefits. Strong support was expressed for the development of a value-added services Uniform Standard in particular, as such benefits could encourage loss mitigation and lowering mortality and morbidity risks. States were mixed on whether insurers are filing value added benefit features with them and asked for state filing metrics. There would need to be parameters to ensure the benefits are not discriminatory or a form of rebating.



## MANAGEMENT COMMITTEE

The Management Committee is formed annually during the Annual Meeting and is comprised of fourteen members representing three tiers of the premium volume. The Compact State's premium volume, as calculated by the National Association of Insurance Commissioners (NAIC) based on the records of the preceding year, determines which tier a member may represent. The first-tier members are from the six Compacting States with the largest premium volume. The second tier is comprised of four members from Compacting States with at least 2% of the market share based on the premium volume. These four members are selected on a rotating basis. The third tier is four members elected from each of the four NAIC Zones and represent Compacting States with less than 2% of the premium volume. The Officers are selected by the Commission from the membership of the Management Committee during the Annual Meeting to serve in the following calendar year. The Commission amended its Bylaws in 2022 to create a Past Chair which is filled by the immediate chair previous to the current chair.

### Management Committee, 2023 - 2024

Kathleen A. Birrane, Maryland, Chair  
 Eric Dunning, Nebraska, Vice Chair  
 Allan L. McVey, West Virginia, Treasurer  
 Elizabeth Kelleher Dwyer, Rhode Island, Past Chair\*  
 Barbara Richardson, Arizona  
 John F. King, Georgia  
 Dana Popish Severinghaus, Illinois  
 Grace Arnold, Minnesota  
 Justin Zimmerman, New Jersey  
 Mike Causey, North Carolina  
 Judith French, Ohio  
 Michael Humphreys, Pennsylvania  
 Cassie Brown, Texas  
 Scott A. White, Virginia  
 Jeff Rude, Wyoming

\* Ex Officio

### Management Committee, 2022 - 2023

Kathleen A. Birrane, Maryland, Chair  
 Eric Dunning, Nebraska, Vice Chair  
 Allan L. McVey, West Virginia, Treasurer  
 Elizabeth Kelleher Dwyer, Rhode Island, Past Chair\*  
 Barbara Richardson, Arizona  
 John F. King, Georgia  
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 Anita G. Fox, Michigan  
 Grace Arnold, Minnesota  
 Justin Zimmerman, New Jersey  
 Mike Causey, North Carolina  
 Judith French, Ohio  
 Michael Humphreys, Pennsylvania  
 Cassie Brown, Texas  
 Jeff Rude, Wyoming

\* Ex Officio

## COMMITTEE ACTIVITIES

The Insurance Compact relies upon the regulatory expertise in the member states to develop, adopt, and oversee implementation of Uniform Standards, Rules, and Operating Procedures, as well as the budget, technology platform, and the Insurance Compact's outreach efforts. The Management Committee is charged with managing the affairs of the Commission and looks to the following Insurance Compact committees to formulate recommendations and solicit public comments on a variety of rulemaking and operational matters.

The **Audit Committee** regularly reviews the Insurance Compact's financial accounts and reports and oversees the independent audit process, including retaining and working with the independent auditors. In 2023, the Audit Committee worked with the audit firm to conduct the organization's independent audit.

2023: Sharon Clark (KY), Chair; Justin Zimmerman (NJ), Vice Chair

The **Governance Committee** promotes best practices for overall good governance and encourages effective leadership through the integration of planning, management, and quality improvement. In 2023, the Governance Committee initiated work to provide an outline of roles and responsibilities for five key components of the Commission under the Compact statute and Bylaws: Commission members, designated representatives of Commission members, members of the Management Committee, Commission Officers, and the Commission Executive Director.

2023: Eric Dunning (NE), Chair; Nathan Houdek (WI), Vice Chair

The **Finance Committee** monitors the finances of the Insurance Compact. In 2023, the Finance Committee prepared the annual budget, including monitoring the actual and projected revenues and expenses. The Finance Committee also proposed a resource request as part of the 2024 budget.

2023: Allan McVey (WV), Chair; Alice Kane (NM), Vice Chair

The **Product Standards Committee** reviews and recommends Uniform Standards to the Management Committee. In 2023, the Product Standards Committee finalized group whole life standards for employer groups and amendments to the group annuity standards, which broadens its scope to permit additional products to be filed with the Compact. The Product Standards Committee also continued its work developing Index-Linked Variable Annuity Uniform Standards.

2023: Michael Conway (CO), Chair; Doug Ommen (IA), Vice Chair

The **Rulemaking Committee** develops and recommends to the Management Committee the Rules and Operating Procedures, and any amendments thereto. In 2023, the Rulemaking Committee finalized its work regarding the incorporation by reference amendment to the Compact's Rulemaking Rule, which was adopted by the Commission.

2023: Jon Pike (UT), Chair; Scott A. White (VA), Vice Chair

The **Adjunct Services Committee** considers ideas and proposals for expanded programs and services the Compact could provide member states within its statutory framework, including adjunct services leveraging the Compact's platform, expertise, and efficiency for filings outside the Uniform Standards. This committee was created and borne from the Ad Hoc Committee discussions in 2023.

2023: Barbara Richardson (AZ), Chair; Mike Humphreys (PA), Vice Chair

## ADVISORY COMMITTEES

### Consumer Advisory Committee

- **Anna Schwamlein Howard**  
American Cancer Society Cancer Action Network
- **Deborah Darcy**  
American Kidney Fund
- **Brendan Bridgeland**  
Center for Insurance Research
- **Fred Nepple**  
Consumer Liaison Representative
- **Dick Weber**  
Life Insurance Consumer Advocacy Center (LICAC)
- **Jane Cline**  
Retired Insurance Commissioner
- **Bruce Ramge**  
Retired Insurance Commissioner

### Industry Advisory Committee

- **Amanda Herrington**  
America's Health Insurance Plans (AHIP)
- **Wayne Mehlman**  
American Council of Life Insurers (ACLI)
- **Mike Drislane**  
Brighthouse Financial
- **Sarah Wood**  
Insured Retirement Institute (IRI)
- **Eric Weinstein**  
Massachusetts Mutual Life Insurance Company
- **Roger Moore**  
National Association of Insurance and Financial Advisors (NAIFA)
- **Joseph Muratore**  
New York Life Insurance Company
- **Angela Schaaf**  
Northwestern Mutual Life Insurance Company

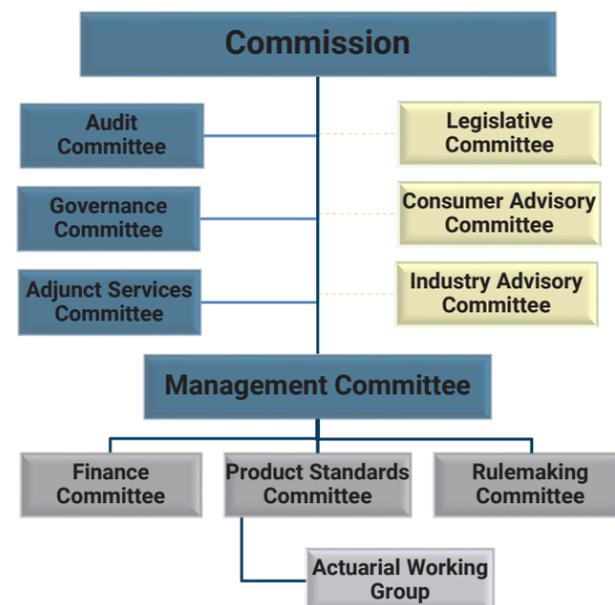
### Legislative Committee

- **Representative Matt Lehman, Chair**  
State of Indiana
- **Speaker Pro Tempore Brian Patrick Kennedy, Vice Chair**  
State of Rhode Island
- **Senator Laura Fine**  
State of Illinois
- **Representative Rachel Roberts**  
Commonwealth of Kentucky
- **Assemblyman Roy Freiman**  
State of New Jersey
- **Representative Forrest Bennett**  
State of Oklahoma
- **Representative James Dunnigan**  
State of Utah

### Former Members Who Served:

- **Representative Deborah Ferguson**  
State of Arkansas
- **Representative Adam Koenig**  
Commonwealth of Kentucky
- **Representative Tom Oliverson**  
State of Texas

## ORGANIZATIONAL CHART



## INSURANCE COMPACT OFFICE

[www.insurancecompact.org](http://www.insurancecompact.org)

Phone: 202-471-3962

Email: [comments@insurancecompact.org](mailto:comments@insurancecompact.org)

X: @InsCompact

LinkedIn: @Insurance-Compact

## INSURANCE COMPACT TEAM

**Karen Z. Schutter**  
Executive Director

**Becky McElduff**  
Director of Product  
Operations & Chief Counsel

**Sara Dubsky**  
Assistant Director of  
Administrative Operations

**Karen Givens**  
Assistant Director of  
Product Review Operations

**Joseph Bonfitto**  
Product Reviewer

**Mindy Bradford**  
Product Reviewer

**Katie Campbell**  
Actuary

**Ed Charbonnier**  
Product Reviewer

**Susan Ezalarab**  
Regulatory Coordinator Consultant

**Kent Holbrook**  
Actuary

**Mari Jackson**  
Administrative Assistant

**Naomi Kloeppersmith**  
Actuary

**Aimee Lawson**  
Product Reviewer

**Rachael Morisseau**  
Project Coordinator

**Sarah Neil**  
Communications & Outreach Coordinator

**Alisha Williams**  
Intake Coordinator

## 2023 HIGHLIGHTS

### SUPPORTING STATES

- ★ North Dakota enacted and joined the Compact
- ★ Supported Wyoming in opt out by regulation of Disability Income standards

### Uniform Standards

- ★ Adopted new Disability Income Buy-Sell and Key-Person Standards
- ★ Drafted new Uniform Standard for Index Linked Variable Annuities
- ★ Drafted and adopted 10 new Uniform Standards for Group Whole Life Insurance products for employer/employee groups
- ★ Conducted Annual Identification and Prioritization Process for Uniform Standards Development

### Outreach

- ★ Held Compact Roundtable in Washington, D.C. with 46 participants, including 12 Commissioners
- ★ Held Compact Roundtable in Omaha, NE with 45 participants, including 8 Commissioners
- ★ Presented at Spring and Fall Meetings of the Life and Health Compliance Association
- ★ Presented at ALI-CLE Conference on Life Insurance Company Products
- ★ Published 12 monthly issues of Compact Chronicles to members
- ★ Presented and exhibited at AICP Annual Meeting
- ★ Presented at the SOA Supplemental Health, DI and LTC Conference
- ★ Conducted Fall Webinar Series with 12 sessions and nearly 500 total attendees
- ★ Conducted Spring Webinar Series with 19 sessions and 511 total attendees
- ★ Participated in local Association of Insurance Compliance Professionals (AICP) Chapter Meetings
- ★ Issued 35 Weekly Tips to company filers

### COMMITTEE ACTIVITIES

- ★ Welcomed two new members to the Legislative Committee
- ★ Adopted Uniform Standards Development Guidelines
- ★ Adopted amendment to the "Rulemaking Rule" to add a provision for incorporation by reference
- ★ Adopted 2024 Annual Budget Package
- ★ Developed written roles and responsibilities for Commissioner members, designated representatives, Officers, Management Committee members, and Executive Director
- ★ Drafted proposals to address feedback on mix and match surveys
- ★ Appointed two new members to the Consumer Advisory Committee
- ★ Created Adjunct Services Committee

### REPORTING ACTIVITIES

- ★ Prepared and published *Annual Report on Long-Term Care Insurance Rate Schedule Certifications for Reporting Year 2022*
- ★ Delivered Value of Compact Services Report for each member state
- ★ Published *2022 Annual Report*

### OPERATIONS

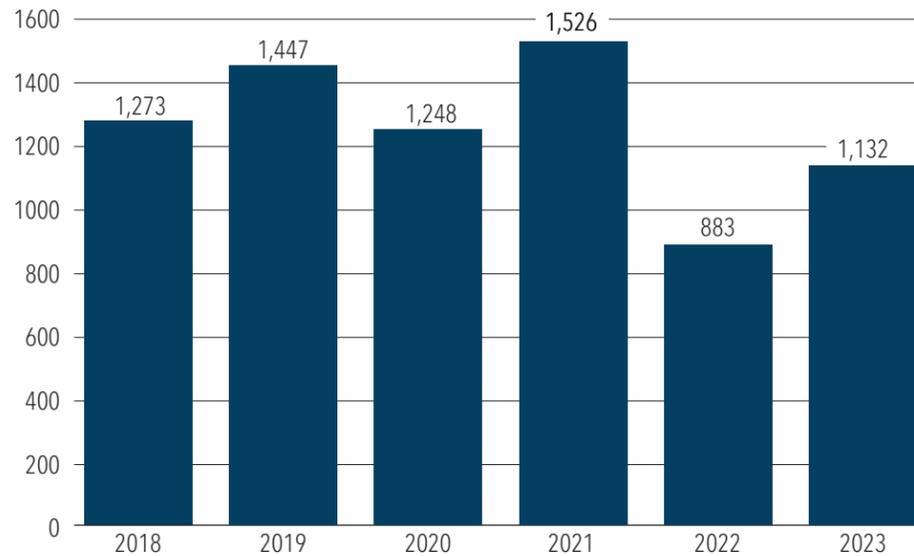
- ★ Launched a redesigned Compact website
- ★ Retirement of long-time actuary and on-boarding of new actuary
- ★ Implemented comprehensive professional development program for Compact employees
- ★ Created and hired for new position of Project Coordinator
- ★ Presentation of succession plan to Officers
- ★ Completed strategic planning interview project

## PRODUCT FILING STATISTICS

January 1, 2018 through December 31, 2023

\*Please note for the current year calculations are based on submissions year to date\*

### Submissions Received



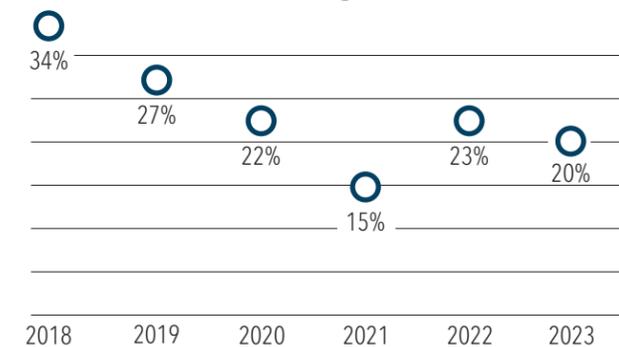
### Overview

- ★ There are 47 Compacting States including Puerto Rico and the District of Columbia.
- ★ There are 20+ Types of Insurance (TOI) available for filing with over 116 adopted Uniform Standards and 140+ various sub-TOIs available.

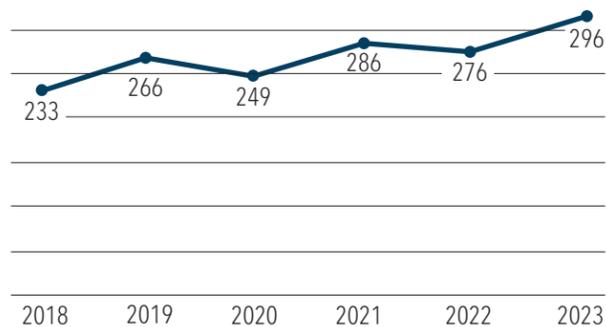
### From June 2007 - December 2023:

- ★ 13,695 products have been approved by the Insurance Compact; which equates to over 476,000 SERFF transactions.
- ★ 41,449 forms have been submitted for review.
- ★ \$ 34,517,770 in filing fees have been collected and remitted to the fee collecting member states.

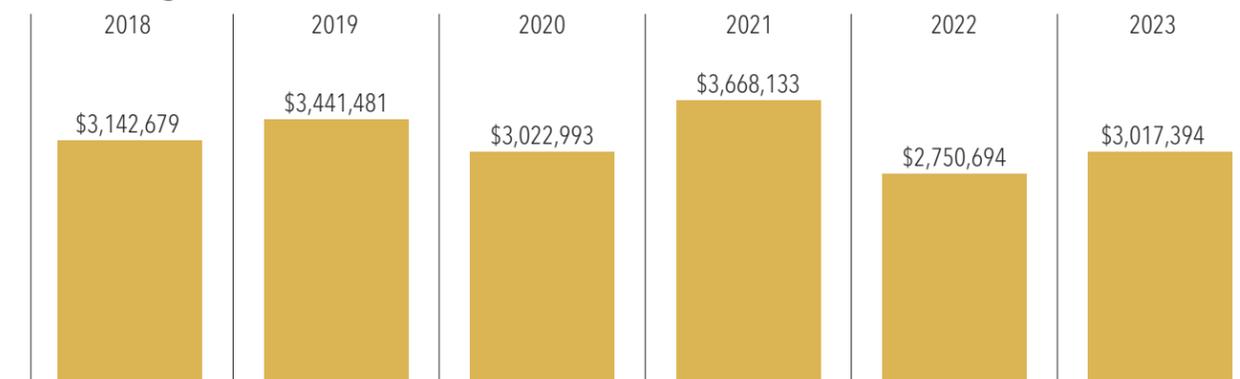
### Mix & Match Percentage



### Registered Companies



### State Filing Fees Collected and Remitted



## MANAGEMENT'S DISCUSSION & ANALYSIS

**Please Note:** *The Interstate Insurance Product Regulation Commission's management discussion and analysis is separate from and not a part of its basic financial statement nor included in its Independent Auditors' Report. Rubin Brown has not audited this information and expresses no opinion on the information contained herein.*

### Introduction

The Interstate Insurance Product Regulation Commission (Insurance Compact) is a public entity and instrumentality of its member states charged with carrying out regulatory insurance product reviews for asset-based insurance products under Uniform Standards adopted by its membership. In 2023, the Insurance Compact marked its sixteenth full year of revenue-generating operations. The Insurance Compact's 2023 Annual Report includes the independent auditors' report with information on the actual financial results of the organization. This Management Discussion & Analysis report is not a part of the annual external audit examination and is included to provide management's analysis of the organization's financial performance in 2023 and 2022.

### Financial Highlights

The Insurance Compact's financial statements are prepared using the accrual basis of accounting. Revenues, expenses, assets, and liabilities are recognized during the period in which the activity occurs rather than when it is received or paid.

### Balance Sheet

Normal operating activities have resulted in cash and cash equivalents balance of \$1,756,842 as of December 31, 2023. This is a decrease of \$70,249 compared to 2022 due in part to servicing the NAIC line of credit and performing below budget specifically in filing fee transactions.

Accounts receivables were \$6,817 in 2023 and \$21,350 in 2022; a difference of \$14,533. Prepaid expenses \$13,314 in 2023 and \$9,086 in 2022; a difference of \$4,228.

Total current liabilities are \$1,516,722, or \$2,808, under 2022; accrued expenses were slightly lower in 2023 than 2022 - \$276,052 in 2023 compared to \$312,760 in 2022. In 2023, the Insurance Compact received \$896,625 in deferred revenue, which was \$23,750 more than in 2022. Deferred revenue represents the annual registration fee paid in the previous year for the upcoming annual period in the subsequent year. This increase means more companies, especially in a higher fee-paying category, submitted their 2024 annual registrations by December 31, 2023, versus year-end 2022. In 2023, the Insurance Compact made the fourth consecutive annual payment on the note payable to the NAIC in the amount of \$274,013. The amounts for accounts payable and accrued expenses were due to the timing of payments to vendors, employees, and consultants, which fluctuates each year.

The Insurance Compact collected and remitted \$3,017,394 to states in applicable state filing fees, which was an increase of \$266,700 compared to the amount of state filing fees remitted in 2022. This increase was due, in part, to companies adding states that have recently joined the Insurance Compact and have state filing fees applied to Compact-approved products. The year-over-year increase also follows a similar trend to the Insurance Compact's filing fee revenues for 2023 as explained below.

### Statement of Revenues, Expenses, and Changes in Net Assets

The Insurance Compact is a public entity and an instrumentality of its member states, and it generates its revenue on a per transaction basis, not under any specific taxing authority. The Insurance Compact does not receive revenue from its members states but rather derives revenue from value-added services performed on behalf of the member states.

Operating revenues were \$3,171,168 which was 125% of 2022 operating revenues with an actual-to-budget revenue ratio for 2023 of 91%.

Revenue is earned when an insurance company registers with the Insurance Compact and submits product filings to the Insurance Compact through the NAIC's System for Electronic Rate and Form Filing (SERFF). The *IIPRC Terms and Procedures for IIPRC Filing Fees* provides that the Insurance Compact adopts its Schedule of Fees in conjunction with the adoption of its annual budget. Effective January 1, 2023, the Commission approved increases to the product filing fees, which were previously amended in 2019. The Insurance Compact is revenue neutral to Compacting States in that filers continue to pay the applicable state filing fees for Insurance Compact submissions in addition to the Insurance Compact fees.

The Insurance Compact requires an annual registration fee, which provides access to the filing platform. There are eight main categories of filing fees for companies based on the reported premium volume and the number of states in which the company is currently licensed. A company's asset-based premium volume is 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. As of October 1, all companies are eligible to register at the pro-rated rate of 50% of their applicable registration fee for the remainder of the annual period.

There are two main categories of product filing fees based on whether an actuarial review is required and within those two categories, there are additional sub-categories based on the reported premium volume. Companies making submissions without an actuarial review pay less per submission than those requiring an actuarial review. Submissions inclusive of a rate review have a higher product filing fee due to the time and resources required to review the submissions. Regional companies licensed to do business in 12 or fewer Compacting States pay a reduced registration and per-filing fee.

Product filing fees were \$1,580,031 in 2023, compared to \$1,101,854 in 2022, an increase of \$478,177. In December 2022, the Commission amended certain life Uniform Standards to address a statutory difference regarding the suicide provisions in the Uniform Standards. The amendments to the Uniform Standards required life insurance companies to update their in-force products to reflect the new suicide provision language. Companies were required to file amendments or endorsements by October 3, 2023. As a result, the Insurance Compact received an increase in filing submissions driven by this regulatory requirement.

In 2023, the Insurance Compact saw a decrease in the number of submissions requiring an actuarial review. In fact, the volume was 38% below budget for these submissions. Companies reported some of the products they are creating and filing are filed directly with the states, as the Insurance Compact does not yet have Uniform Standards in place for such products as variable index-linked annuities and life products and group products that include non-employer groups. The Insurance Compact's Product Standards Committee (PSC) and Rulemaking Committee have been considering these products for the past few years, and the PSC is currently working on developing Uniform Standards for some of these popular product offerings. The percentage of mix and match filings continues to remain low, which demonstrates companies' commitment to filing under the available Uniform Standards. At the end of 2023, mix and match was 20%.

## MANAGEMENT'S DISCUSSION & ANALYSIS

Annual registration fees were 3% over budget for 2023 at \$1,516,625 for 296 companies. This is a new all-time high for the number of registered companies. The required changes for life products may be attributed to the number of companies registered in 2023.

The operating expenses of \$2,974,901 for 2023 were under budget by \$361,293, or 12%, and \$170,829 over 2022's operating expenses. In 2023, the Compact Office hired two new resources and had a part-time actuary retire. Additionally, targeted outreach leading to an increase in travel and in-person meeting costs took place in 2023. The Insurance Compact ended 2023 with net assets of \$196,267 compared to net assets of (\$256,872) in 2022.

### Debt

On June 1, 2007, the Insurance Compact signed a services agreement with the National Association of Insurance Commissioners (NAIC) to provide certain administrative, technical, staffing, and accounting services to the Insurance Compact. The NAIC receives an annual administrative fee of \$125,000 for these services. The Insurance Compact also pays an annual license/maintenance fee in the amount of \$25,000 for the use of SERFF and 250 hours of maintenance support. The Services Agreement includes an additional adjustable administrative fee equal to 7.5% of every \$25,000 of net revenue in excess of expenses earned by the Commission. In 2023, the Commission ended the year with positive net operating revenue which triggered the adjustable administrative fee due to the NAIC in the amount of \$15,000. The Commission did not pay the adjustable administrative fee in 2022 due to negative net operating revenue.

The note payable to the NAIC totals \$2,356,815 as of the end of 2023. This is a \$274,013 decrease over the prior year due to the loan payment in March 2023. From 2007 through 2012, the Insurance Compact borrowed against lines of credit provided by the NAIC to fund operational needs.

In 2010, the NAIC and Insurance Compact entered a note payable for all outstanding and future borrowing with an interest rate of 2.25% equal to the prime rate of 3.25% on January 1, 2010, less 1%. Principal and interest payments were deferred until the year following the year in which the Insurance Compact achieved a profit of \$250,000 or an accumulated cash balance from operations of \$500,000 excluding funds from draws. Outstanding interest was capitalized monthly.

As of December 31, 2019, the Insurance Compact triggered the repayment of principal and interest by achieving a net positive revenue of \$646,204, which exceeded the \$250,000 threshold.

In 2020, the Insurance Compact and the NAIC restructured the repayment terms, as the parties recognized the Insurance Compact would not be able to service the full amount of the note payable over five years without causing a negative cash balance. The updated repayment agreement extends the repayment term from five to 10 years with the first payment due in 2020 and the final payment due in 2029. Repayment will be made only on the principal balance of \$2,740,134. Payments of \$274,013 will be made no later than March 31 of each year unless extended by mutual agreement between the Insurance Compact and the NAIC. If during the 10-year repayment period the Commission's cash balance is less than \$250,000 as reflected in the annual audited financial statements, the required payment for the year following the financial statement date will be deferred and the repayment period extended accordingly. Upon the final payment that completely repays the principal balance, the imputed interest balance of \$712,733 will be treated as a contribution to the Commission. There is no accrued interest during the repayment period including any extended periods beyond the initial 10-year repayment period. The first annual payment was made in May 2020 and the fourth annual payment was made in March 2023 totaling \$1,096,052 to date. With a cash balance of \$1,756,842 as of December 31, 2023, the Insurance Compact will make the fifth annual payment in March 2024.

### Economic Factors

The Insurance Compact accepted its first product filings in June 2007 and completed its sixteenth full calendar year of product filing review operations in 2023. The Insurance Compact has approved over 13,695 products approved which equates to over 476,000 SERFF transactions. There are 47 Compacting Members, including 45 states, the District of Columbia, and Puerto Rico. In 2023, the state of North Dakota enacted the Insurance Compact legislation and became the newest member of the Insurance Compact.

The Insurance Compact received 296 company registrations from large, medium, and small insurance companies and fraternal, representing over \$488 billion, or 88%, of the nationwide premium volume written for asset-based insurance products. Companies demonstrated their continued commitment to the Insurance Compact with 95% of filers registering as repeat filers in 2023. Further, 96% of the 2023 registered companies did so before the prorated date of October 1, 2023. The Insurance Compact's annual registration actual-to-budget revenue ratio for 2023 was 103%. This strong performance in the registration revenue line demonstrates continued strong commitment by insurance companies to use the Insurance Compact.

The Insurance Compact received 1,709 products for 2023, which was a 124% increase compared to the 1,383 product filings received in 2022. In terms of budget, the actual number of product filings were 87% of the budgeted volume with product filing fees \$423,327 under budget. Some of the variance in revenue is due to the difference in the filing fee category utilization, as the Insurance Compact met budget expectations in certain categories while substantially underperforming in others.

In 2022, the Insurance Compact continued to prioritize speed-to-market with an average turnaround time of 29 review days. In 2019, the Insurance Compact created an expedited review service on a pilot basis, which was adopted permanently in 2020. Companies that focus on quicker-than-average turnaround times have shown their willingness to pay more to support such a process, which involves form reviewers and actuaries' dedication to ensure thorough compliance review continues within tight service level time frames. The Insurance Compact earned \$245,850 in expedited fees for 2023.

The operating expenses of the Insurance Compact in 2023 were over 2022 operating expenses by 6%. In 2022, the Insurance Compact conducted two Compact Roundtables, bringing together Commission members and their staff along with state legislators, consumer advocates, and industry representatives, and company filers. These two Roundtables were held in conjunction with other events to minimize expenses, but additional travel and in-person meetings expenses were incurred.

The salaries and related expenses grew year-over-year. A new Project Coordinator position was filled in 2023, along with the retirement of a part-time actuary and hiring of a full-time actuary. Of the Insurance Compact's 2023 operating expenses, 85% were salaries, benefits, and professional services associated with the Compact team.

### Contacting the Insurance Compact's Financial Management

This financial report is designed to provide a general overview of the Insurance Compact's finances and to show accountability for the funds received in 2023 and 2022. Questions about this report and requests for additional financial information should be directed to Karen Schutter, Insurance Compact Executive Director, at [kschutter@insurancecompact.com](mailto:kschutter@insurancecompact.com) or (816) 783-8024.

HIGHLIGHTS



HIGHLIGHTS



**AUDIT REPORT****INDEPENDENT AUDITOR'S REPORT**

Audit Committee

**Interstate Insurance Product Regulation Commission  
Washington, DC****Opinion**

We have audited the financial statements of Interstate Insurance Product Regulation Commission (the Insurance Compact), which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Insurance Compact as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis For Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of the Insurance Compact and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Insurance Compact's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:**

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Insurance Compact's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Insurance Compact's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

March 4, 2024

**AUDIT REPORT****INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION  
STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2023	2022
Assets		
Cash and cash equivalents	\$ 1,756,842	\$ 1,827,091
Accounts receivable	6,817	21,350
Prepaid expenses	13,314	9,086
<b>Total Assets</b>	<b>\$ 1,776,973</b>	<b>\$ 1,857,527</b>
Liabilities And Net Deficit		
<b>Current Liabilities</b>		
Accounts payable	\$ 70,032	\$ 59,882
Accrued expenses	276,052	312,760
Deferred revenue	896,625	872,875
Current portion of note payable to the NAIC	274,013	274,013
<b>Total Current Liabilities</b>	<b>1,516,722</b>	<b>1,519,530</b>
<b>Long-Term Liabilities</b>		
Note payable to the NAIC	2,082,802	2,356,815
<b>Total Liabilities</b>	<b>3,599,524</b>	<b>3,876,345</b>
<b>Net Deficit</b>		
Without donor restrictions	(1,822,551)	(2,018,818)
<b>Total Liabilities And Net Deficit</b>	<b>\$ 1,776,973</b>	<b>\$ 1,857,527</b>

**AUDIT REPORT****INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION  
STATEMENTS OF ACTIVITIES**

	December 31,	
	2023	2022
<b>Revenues</b>		
Annual registrations	\$ 1,516,625	\$ 1,424,038
Product filing fees	1,580,031	1,101,854
Interest income	74,512	21,308
<b>Total Revenues</b>	<b>3,171,168</b>	<b>2,547,200</b>
<b>Expenses</b>		
Salaries	1,923,327	1,725,064
Employee benefits	481,034	487,715
Professional services	365,414	395,703
Travel	118,572	127,723
Rental and maintenance	5,203	5,047
Insurance	18,769	18,890
Office services Meeting expenses	22,149	10,503
	40,433	33,427
<b>Total Expenses</b>	<b>2,974,901</b>	<b>2,804,072</b>
<b>Change In Net Deficit Without Donor Restrictions Net</b>	<b>196,267</b>	<b>(256,872)</b>
<b>Deficit - Beginning Of Year</b>	<b>(2,018,818)</b>	<b>(1,761,946)</b>
<b>Net Deficit - End Of Year</b>	<b>\$ (1,822,551)</b>	<b>\$ (2,018,818)</b>

**AUDIT REPORT****INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION  
STATEMENTS OF CASH FLOWS**

	For The Years Ended December 31,	
	2023	2022
<b>Cash Flows From Operating Activities</b>		
Change in net deficit without donor restrictions Adjustments to reconcile change in net deficit without donor restrictions to net cash from operating activities:	\$ 196,267	\$ (256,872)
Changes in assets and liabilities:		
Accounts receivable	14,533	(11,563)
Prepaid expenses	(4,228)	483
Accounts payable	10,150	(60,731)
Accrued expenses	(36,708)	46,500
Deferred revenue	23,750	57,350
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>203,764</b>	<b>(224,833)</b>
<b>Cash Flows Used In Financing Activity</b>		
Principal payment to NAIC	(274,013)	(274,013)
<b>Net Decrease In Cash And Cash Equivalents Cash</b>	<b>(70,249)</b>	<b>(498,846)</b>
<b>And Cash Equivalents - Beginning Of Year</b>	<b>1,827,091</b>	<b>2,325,937</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 1,756,842</b>	<b>\$ 1,827,091</b>

**AUDIT REPORT****INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 And 2022

**1. Summary Of Significant Accounting Policies****Nature of operations**

The Interstate Insurance Product Regulation Commission (the Insurance Compact) formed in June 2006, is a multistate commission creating a central point of electronic filing for certain insurance products, including life insurance, annuities, disability income and long-term care insurance. The Insurance Compact provides its member states with the ability to collectively use its expertise to develop uniform national product standards, affording a high level of protection to purchasers of asset protection insurance products. The Insurance Compact had 47 member states as of December 31, 2023 and 46 member states as of December 31, 2022.

**Basis of accounting**

The accompanying financial statements of the Insurance Compact have been prepared on the accrual basis of accounting.

**Basis Of Presentation**

principles generally accepted in the United States of America by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity and financial flexibility. As a result, the Insurance Compact is required to report information regarding its financial position and activities according to the following classes of net assets:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions but may be subject to board designations. At December 31, 2023 and 2022, there was no board designated net assets.

*Net Assets With Donor Restrictions* - Net assets are subject to donor-imposed restrictions that may or will be met either by actions of the Insurance Compact and/or the passage of time. Also included within this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Insurance Compact. At December 31, 2023 and 2022, the Insurance Compact does not have any net assets with donor restrictions.

**Estimates And Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash And Cash Equivalents**

The Insurance Compact considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023 and 2022, cash and cash equivalents consisted of a checking account and a money market account. The Insurance Compact, at times, maintains deposits with banks in excess of the insured limits, but has not experienced any losses in such accounts.

**AUDIT REPORT****INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS****1. Summary Of Significant Accounting Policies (Continued)****Accounts Receivable**

As of January 1, 2023, the Company adopted Accounting Standards Codification (ASC) Topic 326, Financial Instruments - Credit Losses, using a modified retrospective approach. The standard replaces the previous incurred loss model and requires entities to record an estimate of expected losses on financial assets for the remaining estimated life of the asset. This estimate includes consideration of historical experience, current conditions, and reasonable and supportable forecasts. The standard applies to the Insurance Compact's accounts receivable. The adoption did not have a material impact on these financial statements.

Accounts receivable are stated at the amounts billed. Delinquent and/or uncollectible receivables are written off based on individual evaluation and specific circumstances. As of December 31, 2023 and 2022, there was no allowance for current expected credit losses.

**Revenues**

Revenue from contracts with customers is derived primarily from annual registration fees and product filing fees.

The Insurance Compact's annual registration revenue arrangements are recognized over time and consist of performance obligations that are satisfied ratably over a period of no more than one year. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. For the years ended December 31, 2023 and 2022, annual registration revenue was \$1,516,625 and \$1,424,038, respectively.

The Insurance Compact's product filing fees revenue is recognized at a point in time and consists of performance obligations that are satisfied when insurance companies process filings through the National Association of Insurance Commissioners' (the NAIC) System for Electronic Rates and Forms Filing (SERFF) and in accordance with the standards established by the Insurance Compact for its member states. The SERFF system provides a cost-effective method of handling insurance policy rate and form filings between regulators and insurance companies. Prices are distinct to a performance obligation. For the years ended December 31, 2023 and 2022, product filing fees revenue was \$1,580,031 and \$1,101,854, respectively.

The Insurance Compact records deferred revenue in situations when amounts are invoiced but the revenue recognition criteria has not been met. Such revenue is recognized when all criteria are subsequently met. Deferred revenues for revenue from contracts are included as current liabilities on the statement of financial position and as of December 31, 2023 and 2022, were \$896,625 and \$872,875, respectively. As of January 1, 2022, deferred revenues were \$815,525. Associated accounts receivable for revenue from contracts as of December 31, 2023 and 2022, was \$5,282 and \$20,850, respectively. As of January 1, 2022, accounts receivable for revenue from contracts was \$9,787. There were no changes in annual registrations and product filing fees that would affect economic seasonality of the statement of financial position.

The Insurance Compact did not have any impairment or credit losses on any receivables arising from contracts with customers. There are no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in judgments affecting the determination of the amount and timing of revenue from contracts with customers.

**AUDIT REPORT****INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS****Income Tax Provision**

The Insurance Compact has been organized as a joint cooperative of the compacting states and is therefore generally exempt from federal and state income taxes pursuant to section 115(1) of the Internal Revenue Code. However, the Insurance Compact is subject to federal income tax on any unrelated business taxable income. The Insurance Compact filed a Private Letter Ruling (PLR) Request with the IRS, dated January 22, 2015, with respect to exclusion of its income from gross income pursuant to section 115(1) of the Internal Revenue Code. The IRS did not issue a ruling on the PLR Request. Uncertain tax positions, if any, are recorded in accordance with ASC Topic 740, Income Taxes. ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standards that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2023 or 2022.

**Reclassifications**

Certain 2022 amounts have been reclassified, where appropriate, to conform to the presentation used in the 2023 financial statements.

**Subsequent Events**

Management has evaluated subsequent events through the date the financial statements were available for issue, which is the date of the Independent Auditors' Report.

**2. Line Of Credit From And Notes Payable To The NAIC**

The Insurance Compact used lines of credit from the NAIC to fund operational needs from 2007 to 2012. Interest accrued throughout this period at a rate of 2.25%. Interest does not accrue during the repayment period. Payment on these borrowings was triggered on December 31, 2019. Terms from the 2020 renegotiation of this agreement include a 10-year repayment period with the first payment due in 2020 and the final payment due in 2029. Repayment will be on the outstanding principal balance at the time of the negotiation in 2020 of \$2,740,134, with payments of \$274,013 made no later than March 31 of each year unless extended by mutual agreement between the Insurance Compact and the NAIC. If during the 10-year repayment period the Insurance Compact's cash balance is less than \$250,000 as reflected in the annual audited financial statements, the required payment for the year following the financial statement date will be deferred and the repayment period extended accordingly. Upon the final payment that completely repays the principal balance, the imputed interest balance of \$712,733 will be treated as a contribution to the Insurance Compact. As of December 31, 2023 and 2022, the outstanding principal and interest balance on the note payable is \$2,356,815 and \$2,630,828, respectively.

Aggregate maturities of long-term debt as of December 31, 2023, are as follows:

Year	Amount
2024	\$ 274,013
2025	274,013
2026	274,013
2027	274,013
2028	274,013
Thereafter	986,750
	<u>\$ 2,356,815</u>

**AUDIT REPORT****INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS****3. Related-Party Transactions**

Effective June 2007, the Insurance Compact entered into a service agreement with the NAIC, whereby the NAIC provides certain administrative services to the Insurance Compact. The NAIC is also providing a nonexclusive license to the SERFF system. The Insurance Compact has assumed the cost of upgrades and enhancements to the SERFF system to meet the Insurance Compact requirements (such as the collection and remission of state filing fees) in excess of the annual 250 hours of SERFF development provided under the service agreement. The NAIC received an administrative fee of \$125,000 and an annual license and maintenance fee in the amount of \$25,000 for the use of SERFF. The Insurance Compact also pays an adjustable administrative fee of every \$25,000 of net revenue in excess of expenses. This fee was 7.5% for the year ended December 31, 2023. No adjustable administrative fee was due in 2022. The administrative fees, license fees and adjustable administrative fees are included in professional services in the statement of activities. Additionally, certain expenses are paid on behalf of, and reimbursed by, the Insurance Compact.

Amounts charged during the year and amounts owed at year-end for the Insurance Compact are as follows:

	2023	2022
Administrative services provided by and paid to the NAIC	\$ 125,000	\$ 125,000
License fee paid to the NAIC	\$ 25,000	\$ 25,000
Adjustable administrative fee	\$ 15,000	\$ -
Amounts owed to the NAIC included in accounts payable	\$ 60,682	\$ 51,312

**4. Defined Contribution Plan**

The Insurance Compact has a 401(a) defined contribution plan, which covers substantially all employees. Each year the Management Committee determines the contribution for the next year. For the years ended December 31, 2023 and 2022, the Insurance Compact agreed to match up to 3.5% of compensation of employees who contribute to the plan and contributed 2.0% of all employees' annual compensation. The Insurance Compact made contributions of \$106,074 and \$84,349 for the years ended December 31, 2023 and 2022, respectively.

**5. Liquidity And Availability Of Resources**

The Insurance Compact regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2023 and 2022, the following financial assets are available to meet general operating expenditures of the subsequent fiscal year:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 1,756,842	\$ 1,827,091
Accounts receivable	6,817	21,350
	\$ 1,763,659	\$ 1,848,441

**AUDIT REPORT****INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS****6. Statement Of Functional Expenses**

Expenses for the years ending December 31, 2023 and 2022 are presented in the following tables according to both functional and natural classifications. Certain expenses including salaries, benefits and payroll taxes are allocated on the basis of time and effort. Expenses including professional services and travel are split based upon the review of the underlying nature of the expense.

The following table provides both functional and natural classifications for the year ending December 31, 2023:

	Program Services	Management And General	Total Expenses
Salaries, benefits and payroll taxes	\$ 2,066,603	\$ 337,758	\$ 2,404,361
Professional services	197,599	167,815	365,414
Travel	112,881	5,691	118,572
Rental and maintenance Insurance	4,424	779	5,203
Office services	18,769	-	18,769
Meeting expenses	-	22,149	22,149
	40,433	-	40,433
	\$ 2,440,709	\$ 534,192	\$ 2,974,901

The following table provides both functional and natural classifications for the year ending December 31, 2022:

	Program Services	Management And General	Total Expenses
Salaries, benefits and payroll taxes	\$ 1,902,770	\$ 310,009	\$ 2,212,779
Professional services	245,226	150,477	395,703
Travel	107,616	20,107	127,723
Rental and maintenance Insurance	-	5,047	5,047
Office services	18,890	-	18,890
Meeting expenses	-	10,503	10,503
	33,427	-	33,427
	\$ 2,307,929	\$ 496,143	\$ 2,804,072



**Interstate Insurance Product Regulation Commission**

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