

NATIONAL COUNCIL OF INSURANCE LEGISLATORS  
BUDGET COMMITTEE  
BOSTON, MASSACHUSETTS  
JULY 14, 2021  
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Budget Committee met at the Westin Boston Waterfront Hotel in Boston, Massachusetts on Wednesday, July 14, 2021 at 5:00 P.M. (EST)

Assemblyman Kevin Cahill of New York, NCOIL Treasurer and Chair of the Committee, presided.

Other members of the Committee present were (\* indicates virtual attendance via Zoom):

Rep. Deborah Ferguson (AR)  
Asm. Ken Cooley (CA)\*  
Rep. Matt Lehman (IN)

Sen. Jerry Klein (ND)  
Sen. Neil Breslin (NY)

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO  
Will Melofchik, NCOIL General Counsel  
Tess Badenhausen, Assistant Director of Administration, NCOIL Support Services, LLC

## 2022 BUDGET PLANNING

Asm. Cahill thanked everyone for joining and noted that we're here today to discuss and plan for NCOIL's 2022 budget. Everyone present should have a copy of the proposed budget. Before going through the budget and opening it up for questions and comments, Asm. Cahill noted some procedural matters: today's meeting is only for the Committee to discuss the document distributed and determine if any changes should be made – no votes will be taken. The Committee will then meet at the NCOIL Annual Meeting in Scottsdale in November to formally adopt the 2022 Budget and send it to the Executive Committee for final consideration at the conclusion of the Annual Meeting.

Asm. Cahill first noted that with the 2021 budget, we were fairly conservative with numbers mostly in an effort to be prudent because of the largely unknown effects of COVID – we weren't sure if there was going to be a terrible third wave and/or if travel would continue to be curtailed. Accordingly, as the document distributed shows, a nearly balanced budget was adopted for 2021. The good news is that NCOIL is in the midst of having a very strong year and the organization is probably going to exceed those projections. Therefore, the numbers in the proposed 2022 budget may seem to be much higher than 2021 but when compared to 2020 and 2019, they are essentially normalized numbers.

Starting with dues - 30 states paid last year for a total of \$508,000 which represented an all-time high for NCOIL in terms of the amount of dues collected. The reason why the total amount collected does not read \$600,000 (\$20,000 times 30) is because some states did not pay the full amount of \$20,000 due to COVID-budget issues, and some

states noted that they had already previously planned for NCOIL dues in the prior amount of \$10,000 so that couldn't be changed – but those states noted that they will make changes to their future budgets to reflect the new amount of \$20,000.

As of now, 30 states are on track to pay dues again this year and there may end up being more as New Jersey has paid its dues for the first time in several years. Accordingly, the \$600,000 represents an aspirational but reasonable number for 2022. As of July 8, 13 states have paid their 2021 dues, but most states operate on a July 1 fiscal year, so the majority of dues payments typically arrive after this meeting. Also, an added benefit of the \$600,000 number is that it allows the organization to budget for \$300,000 in Corporate & Institutional Partners (CIP) revenue, which is on track for what is expected this year and represents a traditional 2:1 ratio of state dues to CIP dues which is a nice ratio to have to show that NCOIL is still largely a state supported organization. Hearing no questions or comments, Asm. Cahill proceeded.

Next, for meeting support & revenue, as stated earlier, we were conservative with our 2021 numbers so in light of how things are consistently improving in terms of travel restrictions being lifted and the country re-opening, the 2022 numbers in the distributed document more-so mirror the numbers of 2020 and 2019. Hearing no questions or comments, Asm. Cahill proceeded.

Next, the Industry Education Council (IEC) NCOIL grant. As note 2 in the distributed document states, that projected number is based on IEC negative growth. The IEC has a formula based on as their membership shrinks, their grant to NCOIL shrinks – this has been the case for several years. Hearing no questions or comments, Asm. Cahill proceeded.

Next: interim calls. There were more interim calls in the second half of 2020 and in 2021 because of COVID and that is expected to continue in 2022 as Zoom has become such a popular mode of meeting. The number of \$4,000 in the distributed document is on track for what is expected this year in interim call revenue. Hearing no questions or comments, Asm. Cahill stated that, overall, the total support & revenue number comes in at \$1,477,000 which reflects a return to normal as well as continued growth.

Moving to the expense side – CIP expenses are up essentially because more members are expected which increases the cost of the CIP meetings and receptions. Asm. Ken Cooley (CA), NCOIL Vice President, stated that he had a question regarding interim calls. Regarding the estimate in revenue going from \$1,000 in 2018, to \$2,000 in the current year and \$4,000 for next year, Asm. Cooley asked what was behind that estimated growth. Asm. Cahill stated that the reasoning is that Zoom has become a very popular means of communication for the various NCOIL committees and thus it is anticipated that there will be an increase in the use of interim committee meetings held via Zoom. Asm. Cooley asked if he would be correct in categorizing that as a “new normal” budget amount. Asm. Cahill replied yes. Hearing no other questions or comments, Asm. Cahill proceeded.

Moving to the stipend program – the increased amount from last year is because the amount is based on a formula which assumes a complete consumption of \$6,000 for all fully contributing dues-paying states. So, an increased collection of dues corresponds with an increased/assumed consumption of stipends. Asm. Cooley asked if some stipends have been provided to cover legislator's registration costs if they virtually

attended NCOIL conferences. Cmsr. Tom Considine, NCOIL CEO, stated that stipends have been provided of both sorts – some physical travel stipends were provided because a number of legislators did attend NCOIL conferences in-person; and some other stipends were provided that covered the registration cost for legislators participating virtually.

Asm. Cahill stated that the idea behind the stipend program is to encourage states that have not really fully participated or only have had one or two legislators participating to expand their participation hopefully bringing new legislators into the fold and making states less resistant to participating, or when they do, for those states that don't reimburse expenses for these conferences, removing the disincentive for those members to participate. Asm. Cahill stated that he believes the program has proven to be successful so far and there doesn't appear to be any form of abuse and it can be expected that the program will help NCOIL grow with new legislators participating.

Rep. Matt Lehman (IN), NCOIL President, stated that he just wanted to note that there are 27 legislators attending their first NCOIL conference here in Boston and that's a signal of how that program is working and if you look at the states where those first-time legislators are from, such as Maine, Connecticut, Delaware and Maryland, those are not traditional NCOIL participating states so that is a really good sign of NCOIL reaching out beyond its own borders so to speak and that the program is working well. Asm. Cooley stated that he thinks the program is working well and there are four legislators from western states that are attending this conference who are first-time attendees. Hearing no further questions or comments, Asm. Cahill proceeded.

Moving to the retainer and incentive payment. For the retainer, as note 4 in the distributed document shows, the increased number reflects 100% of the retainer being paid from NCOIL, not the Insurance Legislators Foundation (ILF). Additionally, the annual contractual increase of 3%, which NCOIL Support Services waived in 2021, resumes in 2022. For the incentive payment, that number is based on a contractual formula involving a change in NCOIL net assets over a contractual base amount. As overall NCOIL performance increases, so does the incentive payment to staff. Hearing no questions or comments, Asm. Cahill proceeded.

Moving to conference expenses, the numbers in the distributed document are very similar to last year and years past. While increased attendance is expected at meetings in 2022 which corresponds with increased expenses, there also won't be certain expenses that we had this year such as those for Zoom and other COVID-related expenses. Accordingly, that's why the numbers don't change too much. Hearing no questions or comments, Asm. Cahill proceeded.

Moving to future location deposits – that number is based on how future contracts read and they all largely mirror past contracts. Hearing no questions or comments, Asm. Cahill proceeded.

Moving to IEC Discount Givebacks – that involves discounts IEC members receive on NCOIL conference registrations, so that lost revenue is tracked as an expense. As IEC membership is expected to decrease, the number in the distributed document accordingly is less than last year. Hearing no questions or comments, Asm. Cahill proceeded.

Moving to travel – Asm. Cahill noted that staff informed him that the number of \$20,000 often used in budgets has never been exceeded. The 2019 number of \$35,000 was high because it was NCOIL’s 50th anniversary and it was anticipated that the NCOIL President and other Officers would travel a lot but that didn’t happen. Hearing no questions or comments, Asm. Cahill proceeded.

Moving to Audit Fees and Accounting Fees – as note 6 in the distributed document states, the increased audit fee amount reflects NCOIL bearing a greater portion of the audit expense and the ILF a lesser share – that better reflects the auditing involved of each organization. The accounting fees are stable. Hearing no questions or comments, Asm. Cahill proceeded.

Moving to Miscellaneous – that number remains the same. As you can see, there was a big bump in 2019 and that was because prior budgets didn’t have an incentive payment line so that was moved around. Hearing no questions or comments, Asm. Cahill proceeded.

Lastly, the D&O insurance amount remains the same. Asm. Cahill noted that, overall, the proposed budget has support and revenue at \$1,477,000 and expenses at \$1,343,610 for an excess of \$133,390 which is a solid increase from last year and aligns with prior years.

Asm. Cahill asked if there were any final comments or questions.

Cmsr. Considine asked Asm. Cahill if he agreed that the lack of discussion, which is encouraging, means that no one is suggesting any changes to the proposed budget that was prepared by him and staff. Asm. Cahill agreed with Cmsr. Considine and there were no further questions or comments.

## ADJOURNMENT

Upon a Motion made by Sen. Jerry Klein (ND) and seconded by Rep. Lehman, the Committee adjourned at 5:30 p.m.