

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
BUDGET COMMITTEE
SCOTTSDALE, ARIZONA
NOVEMBER 17, 2021
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Budget Committee met at The Westin Kierland Hotel on Wednesday, November 17, 2021 at 5:30 p.m.

New York Assemblyman Kevin Cahill, NCOIL Treasurer, presided.

Other members of the Committee present were:

Rep. Deborah Ferguson (AR)
Sen. Jason Rapert (AR)
Asm. Ken Cooley (CA)

Rep. Matt Lehman (IN)
Rep. Tom Oliverson, M.D. (TX)

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO
Will Melofchik, NCOIL General Counsel

MINUTES

Upon a Motion made by Asm. Ken Cooley, NCOIL Vice President, and seconded by Rep. Deborah Ferguson (AR), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's July 14, 2021 meeting.

CONSIDERATION OF ADOPTION OF 2022 BUDGET

Asm. Cahill stated that the Committee is here today to consider the adoption of NCOIL's 2022 budget and noted that at the Committee's last meeting in July, it discussed the proposed budget in detail and all questions and/or comments were resolved. A copy of the proposed budget is in the legislative binders on page 15. Also, a separate handout has been distributed which shows the 2021 actual financial numbers as of October 31. Those numbers are updated from the June 30 numbers which were the last numbers shown to the Committee at its July meeting.

Asm. Cahill stated that NCOIL is having a very strong year and as mentioned in July, conservative planning was used for the 2021 budget mostly in an effort to be prudent because of the largely unknown effects of COVID. Accordingly, a nearly balanced budget was adopted in 2021 but, the good news is that there was strong attendance throughout the year at our hybrid meetings, and the attendance for this meeting is tremendous, which means that the organization will exceed the conservative projections that were made. Therefore, the numbers in the proposed 2022 budget are indeed higher than those in 2021, but when compared to 2020 and 2019 they are essentially normalized numbers.

Asm. Cahill then noted the dues numbers in the proposed budget – 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.

The dues amount of \$625,000 listed in the 2021 actual financial numbers document reflects that NCOIL utilizes a modified accrual basis, with revenue from conferences and the Annual Meeting recognized in the year when the event is held, but with dues revenue recognized when the dues are received. This use of cash basis for dues is a result of the uncertainty with the actual collection of dues. Of the \$625,000 reflected in the document, \$555,000 has been collected for 2021 dues. The remaining \$70,000 consists of 2020 dues payments that were submitted/collected in calendar year 2021. Accordingly, the \$600,000 in the 2022 proposed budget represents an aspirational but reasonable number for 2022.

Asm. Cahill further stated that 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 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.

Asm. Cahill then noted the conference revenue numbers which for this year are very positive, and that should continue for this conference as there is great attendance. The proposed numbers for 2022 are in line with the experience of this year and they somewhat follow the pre-COVID numbers of 2020 and 2019 as travel restrictions continue to be lifted and the country is re-opening.

Next, Asm. Cahill asked Commissioner Tom Considine, NCOIL CEO, to provide an explanation of the “miscellaneous” item in the budget and financial documents. Cmsr. Considine stated that miscellaneous support and revenue includes a contribution to the NCOIL amicus program of \$20,000. Miscellaneous expense includes the following: \$20,210.16 to Skarzynski Marick for an amicus brief, \$35.00 for a canceled check, \$56.00 for a bank fee, and \$201.45 for checks ordered.

Asm. Cahill then moved on to the expense side and noted the retainer and incentive payment. Asm. Cahill stated that for the retainer, as note 4 in the 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 our overall NCOIL performance increases, so does the incentive payment to staff.

Asm. Cahill then moved to the legislator 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.

The Committee then discussed different ways to utilize the surplus of funds left over in the stipend program, including the possible hiring of additional NCOIL support staff, when there is not the assumed complete consumption of \$6,000 per contributing dues-paying state.

Asm. Cahill then asked if anyone had any questions or comments on anything discussed or any budget items he did not mention. Hearing no questions or comments, upon a motion made

by Asm. Cooley and seconded by Rep. Lehman, the Committee voted without objection to adopt the 2022 proposed budget via voice vote.

ADJOURNMENT

Hearing no further business, upon a motion made by Asm. Cooley and seconded by Rep. Tom Oliverson, M.D. (TX), the Committee adjourned at 6:00 p.m.