

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
BUDGET COMMITTEE
JERSEY CITY, NEW JERSEY
JULY 13, 2022
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Budget Committee met at The Hyatt Regency in Jersey City, New Jersey on Wednesday, July 13, 2022 at 5:00 p.m.

California Assemblyman Ken Cooley, NCOIL President, presided.

Other members of the Committee present were:

Rep. Deborah Ferguson, DDS (AR)
Rep. Matt Lehman (IN)
Sen. Jerry Klein (ND)

Also in attendance were:

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

QUORUM

Upon a Motion made by Rep. Deborah Ferguson, DDS (AR), NCOIL Secretary, and seconded by Sen. Jerry Klein (ND), the Committee voted without objection by way of a voice vote to waive the quorum requirement.

MINUTES

Upon a Motion made by Rep. Ferguson, and seconded by Sen. Klein, the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's November 17, 2021 meeting.

2023 BUDGET PLANNING DISCUSSION

Asm. Cooley stated that the Committee is here today to discuss and plan for NCOIL's 2023 budget. Before going through the budget and opening it up for questions and comments, Asm. Cooley 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 New Orleans in November to formally adopt the 2023 Budget and send it to the Executive Committee for final consideration at the conclusion of the Annual Meeting.

Asm. Cooley noted that NCOIL is in the midst of having another strong year and the numbers in the proposed 2023 budget represent an expectation that things will remain positive for the organization. Starting with Dues - 30 states paid last year for a total of \$645,000 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 state dues payments for 2020 were received during the 2021 calendar year. This reflects NCOIL's modified accrual accounting method for dues payments. As of now, NCOIL is on track

to have 30 states pay again this year and we're optimistic that we'll get at least one new state to join. Accordingly, \$620,000 represents a reasonable number for 2023. As of July 11, 12 states have paid their 2022 dues, but most states operate on a July 1 fiscal year, so the majority of dues payments typically arrive after this meeting. Sen. Klein noted that for the past two years his home state of North Dakota has paid the prior amount of dues (\$10,000) as that amount was earmarked into future budgets but he has raised the issue with the ND Insurance Commissioner to get it resolved.

Next, for Corporate & Institutional Partners (CIP) revenue, the proposed amount is \$475,000 which does represent a significant increase in last year's budgeted amount, but also represents the reality of a thriving CIP program. As of June 30, we have received \$459,000 in CIP dues and while we have closed CIP membership for the remainder of this year, there are still some outstanding membership dues. Also, we have already secured a few new CIP members for next year. Thus, the \$475,000 proposed amount for next year seems in line with the growth of the CIP program. Asm. Cooley stated that the Committee has in the past strove for a 2:1 ratio of state dues to CIP dues, but he is comfortable with adjusting that ratio to meet economic and organizational realities. As long as nothing changes in terms of the way the CIP program has been operating, and does not become the primary source of revenue for NCOIL, then we're in a great place to see the CIP program continue to grow, subject to periodic closures like the one we have now to balance the necessary financial balance. Rep. Ferguson asked why the CIP has been closed for this year. Cmsr. Considine explained that it was closed in an abundance of caution to ensure that the CIP's revenue didn't surpass state dues revenue. Rep. Lehman stated that nothing like the 2:1 ratio should be carved in stone as it should be able to be adjusted on an as-needed basis, but of course the goal is always to get more states involved in NCOIL as it's a state driven organization.

Asm. Cooley then noted that for meeting support & revenue, the 2023 numbers are similar to those from last year but with some adjustments based on the location of the conferences. While the cities of Minneapolis and Columbus are wonderful American cities, we may take a slight hit in attendance for those meetings. Contrast that with the Spring Meeting in San Diego where we'll likely see an increase in attendance. Rep. Ferguson suggested sending out photos promoting the site of the conference because she and others had a perception of Jersey City that was completely wrong and that may have hurt participation for this conference. Rep. Lehman agreed.

Asm. Cooley then discussed the Industry Education Council (IEC) NCOIL grant. As note 2 in the 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. Cooley proceeded.

Next: interim calls. We expect the trend of more interim Zoom meetings to continue. The number of \$5,000 in the document is near what we already have received this year in interim call revenue. Rep. Ferguson asked for the interest portion of the budget to be explained in terms of how it is calculated. Cmsr. Considine stated that it's just simple interest. If the Committee desires, we could look into depositing a certain amount of money in a Certificate of Deposit for interest purposes.

Asm. Cooley stated that overall, the total support & revenue number comes in at \$1,660,450 which reflects consistency as well as continued growth.

Asm. Cooley then moved to the expense side and stated that CIP expenses are up essentially because we expect more members which increases the cost of the CIP meetings and receptions. Additionally, as some of you know, last month we had the annual CIP Planning Meeting in Napa, CA and it was unanimously agreed by everyone there that the Planning Meeting going forward should be in locations that are outside the typical NCOIL conference cycle. We're looking into next year's meeting being in Coeur d'Alene, Idaho. That will also result in an increase in CIP expenses. Hearing no questions or comments, Asm. Cooley proceeded.

Moving to the stipend program – the legislator stipend program assumes a complete consumption of \$9,000 for all fully contributing states. This number represents an increase of \$3,000 over the prior amount of \$6,000. Asm. Cooley asked Cmsr. Considine to explain the proposed increase. Cmsr. Considine stated that this is for the twofold purpose of equalizing the stipend amount with the scholarship amount, and accounting for these inflationary times. Rep. Ferguson said there should be attendance required at conference meetings/session in order to receive a stipend or scholarship. Cmsr. Considine agreed. Rep. Lehman stated that issue will need to be addressed for purposes of any legislators that will be playing in the NCOIL Open Golf Outing in November. Cmsr. Considine suggested that a letter should be sent to any legislator who receives a stipend or scholarship explaining the guidelines and requirements. Rep. Lehman agreed and stated that a legislator receiving that wouldn't want legislative leadership to then hear from NCOIL that she or he didn't meet the guidelines and requirements.

Moving to the retainer and incentive payment. 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, continues on in 2023. 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 results increase, so does the incentive payment to staff. Asm. Cooley noted that if there are any questions on that, please direct them to Cmsr. Considine as he is very transparent with everything related to the retainer and incentive payment. Asm. Cooley noted that he believes the incentive payment structure is proper and serves a good purpose. Hearing no questions or comments, Asm. Cooley proceeded.

Moving to conference expenses, the numbers are similar to years past and generally correspond with which locations we expect to have more attendance which means more expenses. Hearing no questions or comments, Asm. Cooley 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. Cooley proceeded.

Moving to IEC Discount Givebacks – that involves discounts IEC members receive on NCOIL conference registrations so we track that lost revenue 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. Cooley proceeded.

Moving to travel – we generally budget for \$20,000 and that has never been exceeded but this year we have experienced a slight bump in travel expenses so out of an abundance of caution we have budgeted for a slightly increased amount for next year. Hearing no questions or comments, Asm. Cooley proceeded.

Moving to Professional Fees. Prior budgets had two lines, one labeled "Audit Fees" and the other labeled "Accounting Fees." In consultation with staff, we agree that the lines should be merged and titled as "Professional Fees." The amount of \$22,000 reflects: NCOIL bearing a greater portion of the audit expenses and the ILF a lesser share; standard accounting fees; and the anticipated fees for the new research/writer 1099 position. Hearing no questions or comments, Asm. Cooley proceeded.

Moving to Miscellaneous – that number remains the same. Hearing no questions or comments, Asm. Cooley proceeded.

Lastly, the D&O insurance amount has increased, mainly due to inflation. Hearing no questions or comments, Asm. Cooley proceeded.

Asm. Cooley stated that overall, the proposed budget has support and revenue at \$1,660,450 and expenses at \$1,526,588.30 for an excess of \$133,861.70 which reflects consistency and continued growth.

ADJOURNMENT

Hearing no further business, upon a motion made by Sen. Klein and seconded by Rep. Ferguson, the Committee adjourned at 5:30 p.m.