

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
BUDGET COMMITTEE
2023 NCOIL SUMMER MEETING – MINNEAPOLIS, MN
JULY 19, 2023
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Budget Committee met at the Minneapolis Marriott City Center Hotel in Minneapolis, MN on Wednesday July 19, 2023 at 9:30 AM.

NCOIL Treasurer, Assemblywoman Pam Hunter (NY), presided.

Other members of the Committee present were:

Rep. Deborah Ferguson, DDS (AR)
Rep. Rachel Roberts (KY)
Sen. Paul Utke (MN)

Sen. Jerry Klein (ND)
Rep. Forrest Bennett (OK)
Rep. Tom Oliverson, M.D. (TX)

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO
Will Melofchik, NCOIL General Counsel
Pat Gilbert, Director, Administration & Member Services, NCOIL Support Services, LLC

MINUTES

Upon a Motion made by Rep. Rachel Roberts (KY), and seconded by Rep. Forrest Bennett (OK), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's November 18, 2022 meeting in New Orleans, LA.

2024 BUDGET PLANNING DISCUSSION

Asw. Pam Hunter (NY), NCOIL Treasurer and Chair of the Committee, stated that the Committee is here today to discuss and plan for NCOIL's 2024 budget. Before going through the proposed budget, Asw. Hunter 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 Columbus in November to formally adopt the 2024 budget and send it to the Executive Committee for final consideration at the conclusion of the Annual Meeting.

Asw. Hunter noted that in addition to a copy of the proposed budget, a document showing the organization's 2023 financials as of June 30, and a document showing the organization's year-end financials for 2022 and 2021 have been distributed. Asw. Hunter stated that NCOIL is in the midst of having another strong year and the numbers in the proposed 2024 budget represent an expectation that things will remain positive for the organization. Asw. Hunter then turned things over to Cmsr. Tom Considine, NCOIL CEO, to go through the proposed budget and entertain any questions.

Cmsr. Considine stated that starting with dues - 30 states paid in 2021 and 29 states paid last year. Based on current commitments we have received this year, 32 states are projected to pay dues in 2024. The reason why the total amount anticipated does not read \$640,000 (\$20,000

times 32) is because some states split dues payments between Chambers and there are a few states that, for the past several years, have only had one Chamber pay. As of today, 15 states have paid their 2023 dues, and most states operate on a July 1 fiscal year, so the majority of dues payments typically arrive after this meeting. And since the June 30th financials document was distributed, more dues payments have been received putting us at \$270,000 year to date, which is \$50,000 ahead of where we were last year at this time.

Rep. Roberts asked which states are expected to pay dues this year that did not pay last year. Will Melofchik, NCOIL General Counsel, stated that Georgia and Rhode Island did not pay last year but have paid this year, and Illinois is expected to pay as well.

Rep. Deborah Ferguson, DDS (AR), NCOIL President, then noted how the dues structure changed in 2020, going from \$10,000 to \$20,000 and introducing the legislator stipend program. Rep. Ferguson then asked Cmsr. Considine to explain the relationship between NCOIL and NCOIL Support Services, LLC for those who may not be aware. Cmsr. Considine stated that when he came on as NCOIL CEO in 2016, leadership agreed that it would be best for an LLC to be formed which would handle everything related to NCOIL. Accordingly, Cmsr. Considine formed an LLC and then once a month, money from NCOIL is transferred to the LLC to pay for things like rent, utilities, office supplies, and payroll. In terms of payroll, Cmsr. Considine and all other staff are technically employees of the LLC, not NCOIL. Everyone has agreed that this process is more efficient than the prior process where purchases for small things like paper and staples needed to be sent to the NCOIL President for approval. Rep. Ferguson stated that during her time as NCOIL President she has experienced firsthand the connection between NCOIL and the LLC and stated that everything is a very good and transparent process and that it has been a part of NCOIL doing very well financially the past several years. NCOIL is now in a position to take money from reserves and put that in certificates of deposit (CDs).

Cmsr. Considine then moved to Corporate & Institutional Partners (CIP) revenue: the proposed amount is \$450,000 which simultaneously represents: a significant increase in last year's budgeted amount; the reality of a thriving CIP program; but an amount significantly lower than what we actually received in CIP revenue last year: \$554,000. The reason for that decrease is explained in note 2 of the proposed budget: at the recommendation of the auditor, a reclassification of revenue allotted for conference registration discounts to realize it where it occurred. So, \$100,000 that would have been previously been CIP revenue is distributed in the aggregate among the conferences. As of June 30, we have received approximately \$400,000 in CIP dues, but again, that doesn't include some dues that were reclassified as Spring Meeting revenue.

Rep. Ferguson stated that the CIP program has been and is very successful and she urged the Committee members to encourage new members to join and also to thank current members for their support. The program has actually been so successful that last year it was decided that it would be best to put a pause on accepting new members until this year. Cmsr. Considine stated that the reason for that was to try and not have CIP revenue exceed state dues revenue. Cmsr. Considine stated that as the CIP continues to grow, he is very comfortable with the scenario of as long as nothing changes in terms of the way the CIP program has been operating, and it 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 had last year to achieve good financial balance.

Asw. Hunter asked if there are other ways for companies and associations to be involved at NCOIL besides joining the CIP program. Cmsr. Considine replied yes and noted that the

Insurance Legislators Foundation (ILF) Scholarship Fund was struggling for a while and Rep. Tom Oliverson, M.D. (TX), NCOIL Vice President, had a good idea to have a golf outing for legislators, companies, and associations to participate in and the proceeds of that go towards the Scholarship Fund. Also, in an effort to further build up the Scholarship Fund, we have asked certain CIP members to make a payment to the Scholarship Fund in an amount equal to and in lieu of their CIP dues, with those members still retaining all CIP benefits. We expect to continue that practice going forward but only on an as-needed basis.

Asw. Hunter then noted the upward difference in CIP revenue from the 2023 proposed budget to what the actual number is today. Cmsr. Considine stated that proposed budgets for CIP dues and other revenue items are typically used as a conservative, flexible tool that the Committee generally understands will be exceeded. Asw. Hunter then asked how much more CIP revenue may come in for this year. Cmsr. Considine stated that we typically don't get many new members joining past July, but some members will pay this year to cover their 2024 membership.

Cmsr. Considine then moved to meeting support & revenue. The 2024 numbers are similar to those from last year but with some adjustments based on things such as the location of the conferences and anticipated conference sponsorship levels.

Moving to the Industry Education Council (IEC) NCOL grant, this amount reflects what the IEC has been contributing this year, and there is no reason to believe it will increase or decrease. Rep. Oliverson asked if there were any plans for the IEC to disband or reorganize going forward. Cmsr. Considine stated that there were some discussions of that nature the past couple of years but those discussions have subsided. Cmsr. Considine stated that the new \$2,000 level of the CIP was developed to serve as somewhat of a bridge for any IEC members in case the IEC did disband since IEC dues are \$1,500. Asw. Hunter asked for more details about that \$2,000 CIP level. Cmsr. Considine stated that it is limited to entities with less than 20 employees or annual revenues of less than \$4,500,000. Rep. Ferguson stated it's important for all supporters of NCOIL to be treated the same and noted that the IEC has been loyal to NCOIL. Cmsr. Considine agreed but stated that it's an unfortunate reality that the IEC has been struggling with membership since the CIP program was formed.

Cmsr. Considine then moved to discuss interim calls. The number of \$5,000 mirrors what we budgeted for last year and is almost exactly what we did end up receiving in interim call revenue. We will be having a couple of interim calls following the Minneapolis meeting which should get us near the \$5,000 mark for this year.

Lastly, for interest income, the amount is increased from years past to reflect the positive activity of our CD's which are new this year.

Overall, the total support & revenue number comes in at \$1,705,000 which reflects consistency as well as continued growth.

Moving to the expense side – CIP expenses are expected to be similar to this year. Additionally, as some of you know, last month we had the annual CIP Planning Meeting in Park City, Utah, and last year we had it in Napa, California. It seems that the consensus going forward is to have that meeting in locations that are outside the typical NCOIL conference cycle, which is nice, but it does result in an increase in CIP expenses.

Moving to the stipend program – as note 3 in the proposed budget states, the budgeted amount for the legislator stipend program assumes a complete consumption of \$9,000 for all fully contributing states. We have noted a steady upward trend in stipend usage year to year.

Moving to the retainer and incentive payment. For the retainer, as note 4 in your document shows, the number continues to reflect 100% of the retainer being paid from NCOIL, not the ILF. Additionally, it contains the annual contractual increase of 3%, which NCOIL Support Services waived in 2021. 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 the overall NCOIL performance results increase, so does the incentive payment to staff.

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.

Moving to future location deposits – that number is based on how future contracts read, and they all largely mirror past contracts.

Moving to IEC Discount Givebacks – that involves discounts IEC members receive on NCOIL conference registrations so we track that lost revenue as an expense. We expect that number to track last year.

Moving to travel – we generally budget for something close to \$20,000. The number of \$22,000 is the same as the amount for last year and it looks like we're on track this year to have similar travel expenses.

Moving to Professional Fees. Prior budgets had two lines, one labeled "Audit Fees" and the other labeled "Accounting Fees." Last year, it was agreed that the lines should be merged and titled as "Professional Fees." The amount of \$37,000 reflects: NCOIL bearing a greater portion of the audit expenses and the ILF a lesser share; standard accounting fees; and the anticipated fees for a new researcher 1099 position focusing on Model Law passage.

Moving to Miscellaneous – that number remains the same.

Lastly, the D&O insurance amount has decreased.

Overall, the proposed budget has support and revenue at \$1,705,000 and expenses at \$1,614,270.95 for an excess of \$90,729.05 which reflects conservatism, consistency and continued growth.

Rep. Ferguson asked whether Wi-Fi was purchased for this conference for attendees to access. Cmsr. Considine replied yes and it was approximately \$20,000. To help with that expense, we slightly raised the industry registration fee for the conference.

Rep. Forrest Bennett (OK) asked for more information on the new 1099 position. Cmsr. Considine stated that someone will research and compile a list showing which states have adopted certain NCOIL Model Laws.

Rep. Ferguson then brought up the issue of future NCOIL conferences and CIP meetings being in states that aren't dues paying NCOIL Contributing States. Rep. Ferguson stated that she

feels strongly that the organization shouldn't meet in states that aren't Contributing States. Asw. Hunter and Rep. Oliverson agreed.

The Committee then held a brief discussion on the National Conference of State Legislatures (NCSL) having a committee that deals with insurance and how NCOIL should, if at all, be engaged there¹.

ADJOURNMENT

Hearing no further business, upon a motion made by Rep. Roberts and seconded by Rep. Bennett, the Committee adjourned at 10:00 AM

¹ In a post-adjournment discussion, the group decided to make this item an agenda item for the Officers' Meeting to be scheduled in Washington in October.