

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
BUDGET COMMITTEE
2024 NCOIL SUMMER MEETING – COSTA MESA, CA
JULY 17, 2024
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Budget Committee met at the Westin South Coast Plaza in Costa Mesa, CA on Wednesday July 17, 2024 at 4:00 PM.

NCOIL Treasurer, Senator Paul Utke (MN), presided.

Other members of the Committee present were:

Rep. Deborah Ferguson, DDS (AR)
Rep. Rachel Roberts (KY)
Rep. Brenda Carter (MI)

Sen. Jerry Klein (ND)
Asw. Pam Hunter (NY)
Rep. Ellyn Hefner (OK)

Other legislators present were:

Rep. Matt Lehman (IN)
Sen. Bob Hackett (OH)
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. Brenda Carter (MI), and seconded by Sen. Jerry Klein (ND), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's November 17, 2023 meeting in Columbus, OH.

2025 BUDGET PLANNING DISCUSSION

Sen. Paul Utke (MN), NCOIL Treasurer and Chair of the Committee, stated that the Committee is here today to discuss and plan for NCOIL's 2025 budget. Before going through the proposed budget, Sen. Utke 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 San Antonio in November to formally adopt the 2025 budget and send it to the Executive Committee for final consideration at the conclusion of the Annual Meeting.

Sen. Utke noted that in addition to a copy of the proposed budget, a document showing the organization's 2024 financials as of June 30, and a document showing the organization's year-end financials for 2023 and 2022 have been distributed. Sen. Utke stated that NCOIL is in the midst of having another strong year and the numbers in the proposed 2025 budget represent an expectation that things will remain positive for the organization. Sen. Utke 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 - 29 states paid in 2022 and 32 states paid dues in 2023. Based on current commitments we have received this year, 34 states are projected to pay dues in 2025. The reason why the total amount anticipated does not read \$680,000 (\$20,000 times 34) 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, 11 states have paid their 2024 dues, and most states operate on a July 1 fiscal year, so the majority of dues payments typically arrive after this meeting.

Cmsr. Considine then moved to Corporate & Institutional Partners (CIP) revenue: the proposed amount is \$500,000. That is an increase in last year's budgeted amount which we think is justified given the reality of a thriving CIP program. As of June 30, we have received approximately \$380,000 in CIP dues, but that doesn't include some dues that were reclassified as Spring Meeting revenue. As a reminder, that is a practice that we started a couple of years ago – reclassifying revenue allotted for conference registration discounts to realize it where it occurred. Also, in an effort to build up the Insurance Legislators Foundation (ILF) scholarship fund, we have asked certain CIP members to make their CIP dues payment to the ILF scholarship fund with those members still retaining all CIP benefits. So, the \$380,000 number before you doesn't include that either. 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 I think we're in a great place to see the CIP program continue to grow, subject to periodic closures like the one we had in 2022 to achieve the necessary financial balance.

Cmsr. Considine then moved to meeting support & revenue. The 2025 numbers are similar to those from 2024 but with some adjustments based on things such as the location of the conferences and anticipated conference sponsorship levels.

Moving to interim calls, the number of \$5,000 mirrors what we budgeted for last year and is almost exactly what we are tracking to receive for 2024. We will be having a couple of interim calls following the Summer Meeting which should get us to the \$5,000 mark for this year.

Rep. Carter asked why there is a budgeted decrease in Spring Meeting revenue in 2025 from 2024. Cmsr. Considine stated that when we budgeted for 2024, we knew Nashville would be a popular meeting location and therefore we budgeted for an anticipated boost in attendance and thus revenue.

Cmsr. Considine stated that overall, the total support & revenue number comes in at \$1,830,000 which reflects consistency as well as continued growth.

Moving to the expense side – CIP expenses are expected to be similar to this year. As a reminder, we have seen an increase in CIP expenses over the past few years since we began holding the CIP Planning Meeting in locations outside the typical NCOIL conference cycle locations. We just held the Planning Meeting in Jekyll Island, GA last month and are already contracted to hold next year's in Newport, RI and expect a similar cost.

Moving to the stipend program – as note 2 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 3 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%. 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 travel, we retitled that line “Travel/Legislator Recruitment” to also account for expenses incurred during travel that are for the purpose of legislator recruitment such as our annual legislator recruitment dinner at the National Association of Insurance Commissioners (NAIC) Fall Meeting as well as trips taken to state legislatures and state departments of insurance.

Moving to Professional Fees. As a reminder, prior budgets had two lines, one labeled "Audit Fees" and the other labeled "Accounting Fees." In 2022, 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 a researcher position focusing on Model Law passage.

Moving to Miscellaneous – that number remains the same. Lastly, the D&O insurance amount remains the same, with NCOIL Support Services, LLC paying half of the total.

Overall, the proposed budget has support and revenue at \$1,830,000 and expenses at \$1,721,679.08 for an excess of \$108,320.92 which reflects consistency and continued growth as well as the pattern of budgeting conservatively as agreed upon my arrival here as CEO in 2016. Cmsr. Considine then asked if there were any questions before turning it back to the Chair.

Sen. Utke reminded the Committee that there would be no vote on this budget today, but this meeting serves to discuss any changes that should be made prior to the Annual Meeting in November where the Committee will vote to adopt the final version of the budget.

Rep. Carter stated that she has a lot of experience with organizational budgeting and she thinks this is a very good budget.

Cmsr. Considine stated that given NCOIL’s growing financial strength, it may be time to think of novel ideas for growing legislator attendance and the overall advancement of the organization, for example, removing the National Meeting registration fee for legislators.

Rep. Tom Oliverson, M.D. (TX), NCOIL President, asked what the true fiscal impact would be of removing the legislator registration fee and stated he would be open to discussing it, but it would be important to know what the financial outlay of having a legislator attend a Meeting is. Cmsr. Considine responded saying that that the true fiscal impact of removing the legislator registration fee is about \$50,000 per year once you take into account early bird versus normal registration and the outlay per legislator is about \$300.

Rep. Rachel Roberts (KY) stated that if you remove the legislator registration fee completely, it could encourage a large number of legislators from the Meeting’s host state to register and attend but not fully participate which could increase conference expenses. Accordingly, having a fee, even a reduced fee such as \$100 may help prevent that.

Cmsr. Considine mentioned that as legislator participation increases, industry attendance increases as well which accordingly increases revenue.

Rep. Deborah Ferguson, DDS (AR), NCOIL Immediate Past President, stated that it's important to look at whether it's the registration fee that's a big barrier to attending or if it's other costs associated with attending Meetings such as airfare and hotel stays. She asked how many stipends were offered per state per year and if it was a cumulative number of stipends or a certain allotment per Meeting.

Cmsr. Considine responded that there are two stipends offered to fully Contributing States for each Meeting and they are not cumulative. It could be worth discussing making them cumulative, but there would be a concern that six legislators from one state attend the Spring Meeting and utilize all the stipends and then there would be a drop off in participation from that state throughout the rest of the year since all stipends were utilized during the Spring Meeting.

Rep. Matt Lehman (IN) stated that he is open to having discussions to lower the registration fee, but would like some more information before making any decisions. He acknowledged that the travel costs associated with attending National Meetings has increased over recent years and having the stipend program has been a great way to help legislators cover travel expenses. It is important to see if the original goal of the program which was increasing the number of states involved at NCOIL Meetings has been met and he would like to see the data over the past four or five years to see how many new states are coming and how many stipends are utilized per state.

Sen. Bob Hackett (OH) stated he believes the stipend program has been effective and Ohio stipends have been fully utilized over the past few years.

Rep. Ellyn Hefner (OK) stated that if the goal is to increase legislator participation, then lowering the registration fee makes sense. A lower registration fee would make it more affordable for new legislators and would also help attract legislators from states that do not currently have strong participation in NCOIL. It would be beneficial to see how states have utilized their stipends as well as the states that are NCOIL Contributing States but do not send many legislators.

Sen. Utko stated these will be good points for discussion at the upcoming Annual Meeting in November and he appreciates everyone sharing the goal of increasing legislator participation.

ADJOURNMENT

Hearing no further business, upon a motion made by Rep. Roberts and seconded by Sen. Hackett, the Committee adjourned at 4:30 PM

