150 Years of Community

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

2021 Annual Report

April 2022

For 15 decades, the NAIC has been helping state insurance regulators meet the challenges of critical moments and prepare for the future.

150
1871
2021

The National Association of Insurance Commissioners (NAIC) provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. Founded in 1871, the U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia, and five U.S. territories to coordinate regulation of multistate insurers.

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Letter from the CEO and COO

The theme of this report is Community. We have done so within the context of these core traits and values, starting with our commitment to connection, a strong focus on the fundamentals, the strength of our community and our eyes on the road ahead.

As the calendar changed to 2021, the NAIC entered an uncertain year hopeful for a year that would signal some sort of return to normal. While 2021 didn't provide us with the normalcy we had hoped for, nor the 150th anniversary celebration we envisioned, it encapsulated our organization's 15 decades, showcasing the unique traits that built our past and continues to move us forward.

Much like the markets we support, we have adapted, learned, and evolved over the years. We're proud to say we have done so within the context of these core traits and values, starting with our commitment to connection, a strong focus on the fundamentals, the strength of our community and our eyes on the road ahead.

With the same spirit that united delegates throughout a recently rejoined country to form the NAIC in 1871, we reached across party lines and political boundaries to protect consumers and ensure they could count on stable, healthy markets during a lingering pandemic that upended their health and worlds.

Using what our past taught us about the importance of connection, we held hybrid events that not only brought us back together but also enabled more participation than ever before.

We stayed focused on the fundamentals as we equipped regulators with the tools and assistance they needed to navigate a rollercoaster of in-state challenges. We viewed each priority, whether COVID-19 response, Long-Term Care Insurance, Race and Insurance, Climate Risk and Resiliency, Consumer Data Privacy, or Big Data and Artificial Intelligence, through the lens of safe consumers and sound markets.

In a time of greater individual isolation, we drew on 150 years of emphasizing the power of community to keep lifting each other up and succeeding together, including holding our first Diversity, Equity, and Inclusion Conference, implementing Spotlight to better recognize employee contributions, and creating monthly wellness activities to refresh our minds and bodies.

When it would have been easy to wait to see how the year played out, we maintained our focus on the road ahead, completing the first stage of our SERFF modernization project, preparing for State Ahead 2.0, and forming the H Committee, our first letter committee since 2004, among other achievements. The H Committee will keep us at the forefront of the discussion on emerging technologies and their implications for consumers, better positioning us to foresee and prevent problems well in advance.

The following report marks the latest chapter in a 150-year story – and you're helping us write a new page every day. We couldn't be more excited to see what you come up with next.

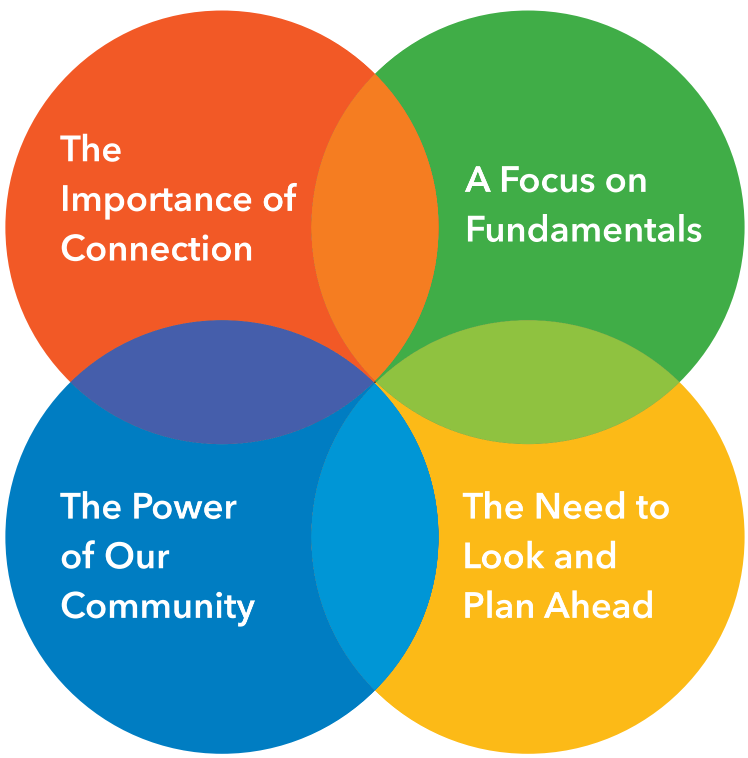
Michael F. Consedine
Chief Executive Officer

Andrew J. Beal
Chief Operating Officer

There was an almost poetic irony that the NAIC's 150th anniversary occurred during our response to a lingering global pandemic. Instead of pomp and circumstance, we spent much of 2021 focusing the organization's resources on supporting our members as they continued to confront not only COVID-19, but a myriad of other challenges to our state-based insurance system and society.

At the same time, we planned for what lies ahead in the rapidly changing landscape we find ourselves in. While we didn't have the 150th celebration we had hoped to have last year, we did learn a great deal from everything that happened. Duty over celebration is in our very DNA, and we have been called to do so, time and time again.

Our well-documented history provided lessons that helped us navigate through this period of historic crisis, but also provided the foundation for a better, stronger, state-based system. We've broken our summary into four key areas that connects to the present:



We're focused both on what's happening now and on preparing our members for what's coming next. The NAIC helps members leverage their internal capabilities with a critical eye to the broader environment to ensure that the state-based system remains able to meet tomorrow's challenges.

The Importance of Connection

If we revisit the minutes of the NAIC's first meeting in May 1871 in New York City, it's easy to understand the importance of connection. It's still so meaningful today. Delegates from across a growing country came together in the boisterous streets of lower Manhattan. Think about it. In terms of communication and technology, our country was just barely connected. The first transcontinental telegraph and railroad uniting the East and West Coasts had just been completed, and we were once again a "United" States following the end of the Civil War six years earlier.

Against this backdrop, 20 delegates from as far away as California arrived in New York City, dusty and weary from long days of travel. None of that weariness showed based on the minutes of that first meeting. There was wonder about the evolving world; the promise of science; the growth of the insurance sector; and ultimately, shared concerns about the ability to regulate and protect in the changing world.

That gathering gave rise to the simplest and perhaps most powerful of visions that still guides the NAIC to this day: the need for connection. The delegates gathered in that room recognized the strength that came with coordination, community, and collaboration. To meet that need, they created the NAIC.

Today, 150 years later, in the midst of a lingering global pandemic (as well as threats of wildfire), our membership came together in July 2021 in California. It was the first time the membership had met physically in more than a year. Much like that first meeting of 1871, the mood was both celebratory and serious.

In 2021, we found ways to remain connected and informed. Using technology, we made decisions rapidly to help consumers.

We had managed to successfully navigate the challenges of COVID-19, as well as engage on a host of pressing regulatory issues, including climate risk and resiliency, long-term care insurance (LTCI), big data and cybersecurity, race and insurance, and more.

In 2021, we found ways to remain connected and informed. Using technology, we made decisions rapidly to help consumers. States expanded the use of virtual platforms to provide health care, offer flexible work arrangements, and enable agents to be licensed online. We were vigilant in our work with federal agencies to ensure access to testing, treatment, and vaccinations, while at the same time combatting misinformation regarding insurance coverage.

The NAIC also continued to transform the employee experience to become a more inclusive workplace. As part of this initiative, our Diversity, Equity, and Inclusion (DE&I) Council formed subcommittees on community outreach, recruiting, awareness, annual conference planning, and employee resource groups. It also piloted a certification program, and we built a SharePoint intranet site that houses diversity resources, a calendar of events, monthly newsletters, and informative stories.

During the last year, we remained true to the vision of our founding members. In a time filled with challenges, we stayed connected and coordinated. Time and time again, our history has shown us that the strength of the organization lies in the connectivity of our membership. As we look ahead to 2022 and our planning for the next phase of our *State Ahead* strategic plan, we will continue to emphasize this important foundation.

For over 150 years, NAIC members have united across political and geographic lines to protect consumers and ensure a healthy insurance sector.


DISTRICT OF
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TENNESSEE


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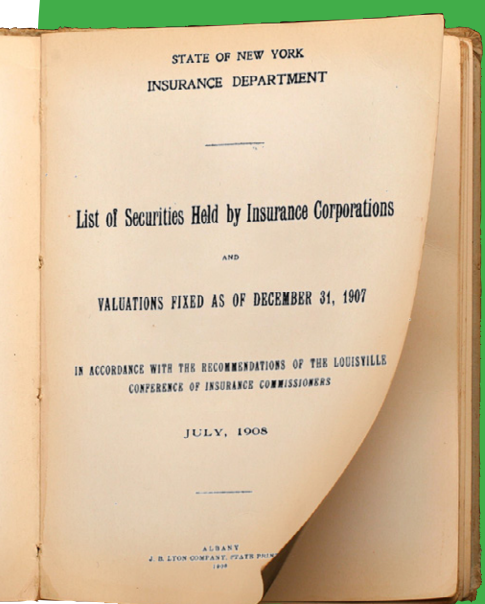
A Focus on Fundamentals

Over the course of 150 years, the NAIC has navigated natural disasters, as well as national and global disputes impacting the economy. Throughout our history we remained focused on our mission of protecting consumers and keeping markets solvent by evolving our regulatory requirements to meet a dynamic insurance sector.

In the early 1990s, the NAIC's Solvency Agenda resulted in several major changes to financial regulation. Risk-based capital requirements were adopted into state insurance laws by all states, extensive automated financial analysis solvency tools (FAST system) were created, statutory accounting principles were codified into a comprehensive guide and the creation of the NAIC Financial Regulation and Accreditation Standards Program.

In June 2008, the NAIC's Solvency Modernization Initiative (SMI) began, which ultimately resulted in an enhanced risk-focused approach in the areas of governance, ERM, reinsurance and group supervision. One of the more significant changes coming from the SMI project took place in November 2011, when the NAIC voted to adopt a significant new addition to U.S. insurance regulation: the U.S. Own Risk and Solvency Assessment (ORSA). An ORSA requires insurance companies and insurance groups to issue their own assessment of their current and future risk through an internal risk self-assessment process, which allows regulators to form an enhanced view of an insurer's ability to withstand financial stress.


STATE OF NEW YORK
INSURANCE DEPARTMENT

List of Securities Held by Insurance Corporations

AND

VALUATIONS FIXED AS OF DECEMBER 31, 1907

IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE LOUISVILLE CONFERENCE OF INSURANCE COMMISSIONERS

JULY, 1908

ALBANY

The U.S. industry demonstrated a strong financial position and overall resilience throughout the pandemic

The U.S. industry demonstrated a strong financial position and overall resilience throughout the pandemic in part due to the stringent solvency and governance requirements which were strengthened following the last financial crisis allowing states to focus efforts on closely coordinating with their federal counterparts to ensure vaccines and treatments were properly covered by insurers.

The NAIC helped facilitate those discussions, as well as conversations between state and federal regulators on the implementation of the federal No Surprises Act (NSA). The enforcement of the NSA Act will require considerable coordination between federal and state authorities, and the NAIC will continue to act as a conduit for its members and with the federal agencies.

The NAIC also provided comments on proposed regulations on behalf of state insurance regulators and assistance to congressional offices as they considered legislative proposals that would affect health insurance, LTC, and Medicare supplemental insurance.

NAIC members are united in their shared commitment to ensure fair and healthy insurance markets to protect consumers. The NAIC remains committed to support our members in these noble causes.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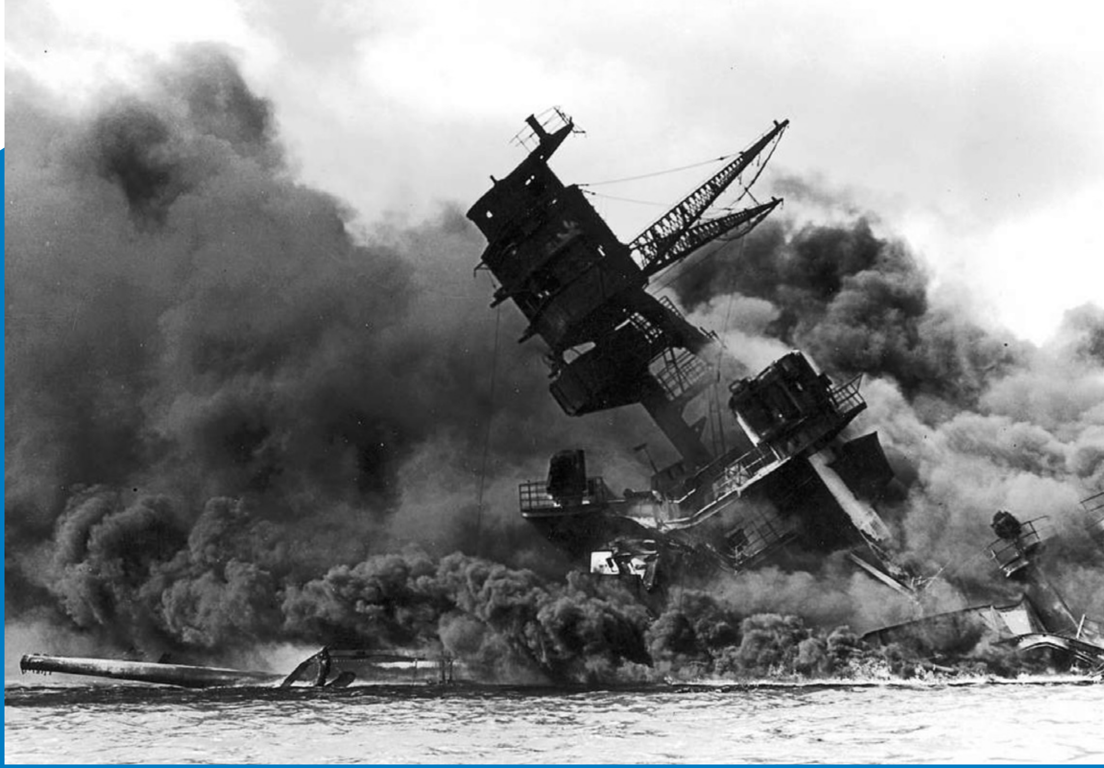

The Power of Community

On Dec. 7, 1941, the NAIC membership was in the midst of a fairly typical national meeting. There was a debate over a number of contentious issues. That all changed as news of the attack on Pearl Harbor circulated across the world. The meeting minutes from Dec. 8, 1941, show that the membership was united, all committed to doing whatever needed to be done to protect consumers in the midst of another world war. We've seen that unity time and time again, following horrific disasters like the Sept. 11, 2001, attacks, Hurricane Katrina, and the COVID-19 pandemic. Despite divergent backgrounds, geographies, and politics, our members are united in their commitment to consumers and markets.

In 2021, NAIC members were bound together by our collective struggles and commitments. The NAIC membership is often at its best when things are at their worst. The unique culture of the NAIC served us well as we were able to make progress on issues of both global and regulatory significance. We have come to understand that the NAIC way—collaboration, collegiality, and communication—allows us to make progress even in a world defined by divisiveness and discord. That sense of community extends to the NAIC itself. In 2021, we continued to make progress in our own transformation. We held our first DE&I Conference for employees. We gathered in monthly employee town halls. We encouraged employee wellness by offering employees virtual yoga and workout classes, as well as monthly health challenges. We formulated a thoughtful return-to-office plan that gives employees flexibility moving forward.

Our shared commitment to supporting one another fuels our progress, growth, and effectiveness.

Throughout our history respect and collaboration have been hallmarks for the NAIC culture.


KENTUCKY
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Focusing on the Road Ahead

If our 150-year history has taught us anything, it's that we must keep our eyes on today's risks and the emerging trends of tomorrow. This is a lesson we can clearly take forward. It's a testimony to the agility and focus of our state-based system and how we're able to absorb change, shift priorities, and ultimately strengthen our insurance system and support for members.

We testified before Congress on disaster resilience, and we outlined the extensive work of state regulators on climate risk in responding to the Federal Insurance Office (FIO) request for information on the topic. The NAIC brought state insurance regulators together virtually with top policymakers and federal agency leads to discuss key topics of mutual concern. These leaders included Sen. Sherrod Brown (D-OH), chair of the U.S. Senate Committee on Banking, Housing, and Urban Affairs; Rep. Emanuel Cleaver (D-MO), chair of the U.S. House Financial Services Subcommittee on Housing, Community Development and Insurance; Chiquita Brooks-LaSure, administrator of the federal Centers for Medicare & Medicaid Services (CMS); and Deanne Criswell, administrator of the Federal Emergency Management Agency (FEMA). The highly successful virtual DC Fly-In resulted in nearly 200 meetings with members of Congress and the introduction of legislation to empower state insurance regulators on the Financial Stability Oversight Council (FSOC).

As we look forward, we know we're better prepared, but we also must continue strengthening our existing systems.

We continued to prioritize our efforts on emerging issues, such as cybersecurity and big data, by announcing the formation of a new letter committee—the Innovation, Cybersecurity, and Technology (H) Committee—which was officially constituted at the 2021 Fall National Meeting.

Internally, we advanced our migration to cloud-based services and data analytics and continued our efforts to modernize platforms like the System for Electronic Rates & Forms Filing (SERFF) and State Based Systems (SBS). We know our members count on the NAIC to step up and provide the data, technology, and talent they need to keep pace with the advancing sector around them.

Our world is clearly changing, and that includes the ways we work, collaborate, and meet. State insurance regulators across the U.S. have been able to expand participation at our national meetings via hybrid events. We also understand flexible work environments are becoming an important factor in employee recruiting and retention, and we're making plans to ensure excellence in these areas.

As we look forward, we know we're better prepared, but we also must continue strengthening our existing systems. NAIC members are committed to ensuring that consumers remain protected as we transition to whatever comes in 2022 and the years to follow. We're part of a 150-year-old legacy, and we made vibrant contributions in 2021 to the historical tapestry that forms the NAIC's extensive commitment to protecting consumers and ensuring robust markets.

The NAIC has adapted for 150 year and will continue to evolve to meet the changing world dynamics and associated risks.


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EXECUTIVE COMMITTEE
MEMBER

Readiness and resilience in a rapidly changing world

COVID-19

We've learned critical lessons from the pandemic concerning the benefits to consumers and potential unintended consequences. There are still significant unknowns related to both near- and long-term consequences of the pandemic on operations, insurance company solvency, product design, and consumer protection, among other areas.

Together with our members, we are continuing to evaluate the pandemic's impact and working to determine any modifications to practices and existing laws that should be considered as we continue this journey.

Throughout the pandemic, our focus has been on ensuring the insurance sector provided the critical services consumers needed. We are pleased to see that many reforms, such as increased emphasis on enterprise risk management (ERM) and analysis of Own Risk and Solvency Assessment (ORSA), helped tremendously in instilling increased discipline and focus on risk management, stress testing, and product/operational risk mitigation.

As a global community, we cannot discount the significant benefits of intentional relationship-building. As we shift our focus from managing the pandemic to evolving to the next phase, we're committed to renewing relationships with our counterparts to learn from them and share our own insight.

Race and Insurance

Unfair discrimination in insurance has been a topic of discussion among state insurance regulators throughout the NAIC's 150-year history. In 1912, regulators conducted a study of fraternal benefit societies that targeted Black people with high-premium, low-value policies. In the 1940s, the NAIC first adopted the *Unfair Trade Practices Act* (#880). In the 1960s and 1970s, NAIC members took on redlining. The NAIC is currently studying the impact artificial intelligence (AI) may have on underwriting practices.

Our Special (EX) Committee on Race and Insurance continued to make progress on its work in 2021. There was significant engagement with industry stakeholders to better understand a number of industry diversity initiatives designed to create more career opportunities in the insurance sector, as well as explore opportunities to create greater access to insurance products in historically underserved communities. Our members established a new program where insurance departments designated a diversity champion to help coordinate the sharing of information among insurance departments. The life insurance, P/C insurance, and health insurance areas, continued to engage on identifying the existence and scope of potential bias as well as developing regulatory strategies to address the issues.

Internally, this year, the NAIC made a commitment to recognize Juneteenth as a national holiday and facilitated the State Diversity Leaders Forum.

The NAIC's DE&I Council moved forward with several initiatives, including hosting a DE&I Conference, a DE&I keynote address and panel discussion at the NAIC Insurance Summit, and holding monthly programs designed to raise awareness about DE&I. The DE&I Council's intranet site houses diversity resources, a calendar of events, monthly newsletters, and informative stories.

In the area of recruiting talent for the NAIC, the DE&I Council worked with the Talent Management department to expand our search for needed skills and experience by increasing our recruiting efforts in diverse communities. In addition to helping the organization get the best talent available, this also gets us closer to having a staff team that more closely reflects the broad and diverse network of jurisdictions we serve.

The figures below show the current makeup of the NAIC staff team in all offices.

NAIC Demographics as of 12/31/21

Gender	Company	
Male	240	50.21%
Female	238	49.79%

Race/Ethnicity	Company	
Asian	38	7.95%
Black	35	7.32%
Hispanic	24	5.02%
Native Hawaiian/Pacific Islander	1	0.21%
Two or More Races	11	2.30%
White	369	77.20%

As we continue to transform our culture and employee experience to become a more inclusive workplace for all team members, we anticipate those numbers will become more diverse.

Climate Risk and Resiliency

Climate-related risk has gained considerable momentum, driven in part by the increasing financial and societal impact of natural disasters around the globe. The NAIC and state insurance regulators have a large and complex climate-related risk, mitigation, and resiliency agenda, and they are working with counterparts both domestically and internationally on the wide variety of issues facing consumers.

The NAIC's Climate and Resiliency (EX) Task Force represents every geographic region across the U.S. The Task Force is focused on five different workstreams: 1) solvency; 2) climate risk disclosures; 3) technology; 4) innovation; and 5) pre-disaster mitigation.

There are two main climate-related concerns when it comes to insurance regulation:

- Solvency risk from catastrophic losses.
- Market issues regarding the availability and affordability of coverage.

For a more detailed look at these topics, read *Adaptable to Emerging Risks: The State-Based Insurance Regulatory System Is Focused on Climate-Related Risk and Resiliency.*

Building off earlier work to strengthen financial solvency regulation, the Solvency Workstream is considering the need for additional climate-related content within regulatory tools, including the ORSA, the *Financial Condition Examiners Handbook*, and the risk-based capital (RBC) framework. In 2021, the Solvency Workstream recommended considerations to include wildfires, floods, and convective storms in the RBC framework. In addition to solvency tools, publicly available climate risk disclosures can enhance transparency about how insurers manage climate risks and opportunities, as well as facilitate collaboration and engagement on climate-related issues.

It's critical that insurers understand their risks in order to appropriately manage them. Mitigating damage before losses occur has benefits for the insurance industry, as well as the broader economy. Similarly, policyholders need to understand their risks to be incentivized to mitigate future damage. State insurance regulators have a keen interest in reducing property losses and saving lives. In 2021, the Pre-Disaster Mitigation Workstream hosted a workshop to gain information regarding building codes, state mitigation programs, emergency management, and grant programs for resilience. The Workstream also compiled a list of actions policyholders can take to reduce their risk of loss from natural hazards, and it is working with stakeholders to incentivize mitigation.

Long-Term Care Insurance

LTCI

Stand-alone LTCI is an important risk management product, but with an aging population, higher-than-expected health care costs, and low attrition rates, insurers are asking for substantial rate increases from policyholders. In some cases, these higher costs to policyholders are necessary to help insurers meet future policyholders' claims by maintaining stable balance sheets and meeting solvency requirements.

In early 2019, following many years of active discussion on LTCI issues, NAIC leadership prioritized it with the creation of an executive-level task force to address solvency concerns and rate increase requests. The Long-Term Care Insurance (EX) Task Force has focused on developing a new paradigm designed to generate a high level of consistency and equitable treatment of policyholders, while working to ensure policyholders have reasonable choices when higher premiums are no longer affordable, such as reduced benefits options (RBOs).

Significant work to design the Long-Term Care Insurance Multistate Rate Review Framework (MSA Framework) to address rate increase requests from insurers occurred during 2021. A detailed, state-based framework documenting the operating functions and actuarial considerations of the MSA review process was presented to the Long-Term Care Insurance (EX) Task Force during the 2021 Fall National Meeting for further consideration and adoption. This new paradigm is based on voluntary participation by insurers and insurance departments.

Additional deliverables in the last year include: producing regulatory guidelines and tools on the topic of RBOs, examining insurers' policy reserve levels and financial condition, facilitating innovative LTCI ideas, corresponding with the U.S. Department of the Treasury's (Treasury Department's) inter-agency committee on LTCI matters, and monitoring the effects of COVID-19 on LTCI writers.

Our work on this challenging insurance product is not complete. In 2022, we look forward to advancing the MSA Framework and fully operationalizing its capabilities.

Consumer Data and Privacy

Our Privacy Protections (D) Working Group worked hard all year with a special focus on understanding the full scope of consumer data and privacy protections contained in our model laws and regulations. This effort culminated in the Working Group adopting a final exposure draft of its Report on Consumer Data Protections, which included summaries of the following NAIC models: *Health Information on Privacy Model Act* (#55), *NAIC Insurance Information and Privacy Protections Model Act* (#670), and *Privacy of Consumer Financial and Health Information Model Regulation* (#672). The draft report also contains a summary of the Working Group's discussion on data transparency, consumer control of data, consumer access to data, data accuracy, and data ownership and portability. This document will help inform future work of state insurance regulators.

Technology, Innovation, and Cybersecurity

The Innovation and Technology (EX) Task Force continued its work monitoring emerging technologies and new developments in the insurance sector, as well as continuing to look at areas where existing laws or regulations unnecessarily restrict or impede innovation. The Task Force also helped lay the groundwork for its successor, our new standing committee that will focus on technology, innovation, and cybersecurity.

The Big Data and Artificial Intelligence (EX) Working Group continued its work, building on the adoption of our AI Principles. A survey of private passenger auto (PPA) insurers was conducted, which covered the use of AI/machine learning (ML) by auto insurers. Although analysis of the survey results remains ongoing, it's possible the results will be used to determine whether additional guidance is needed. The E-Commerce (EX) Working Group continued its work on the use of e-signatures and the cancellation notice process.

The NAIC continued to be active on the cybersecurity front, closely monitoring cyber-related issues involving financial/solvency, market regulation, and consumer protection. This included reporting on the cybersecurity insurance market, as well as coordinating information sharing with state insurance departments and federal entities regarding cyber events. Speaking of the market for cyber insurance, the NAIC's Cybersecurity Insurance Market Report found this market increased to $4.1 billion in direct written premiums for the prior year (2020), a 29% increase from 2019. The *Insurance Data Security Model Law* (#668) has been adopted by 18 states, with several other states adopting similar laws.

We also coordinated a virtual cybersecurity tabletop exercise hosted by the Connecticut Insurance Department. The exercise was designed to explore stakeholder responses to a simulated ransomware attack. A key lesson learned has been the importance of communication between regulated entities, state insurance regulators, and law enforcement agencies.

The Innovation, Cybersecurity, and Technology (H) Committee

Building on the NAIC's long-standing efforts regarding studying emerging technologies and their implications, members formed a new standing committee during the 2021 Fall National Meeting. The Innovation, Cybersecurity, and Technology (H) Committee will be focused on innovation, technologies such as AI/ML, digitalization, and cybersecurity. This is the first new letter committee formed since 2004.

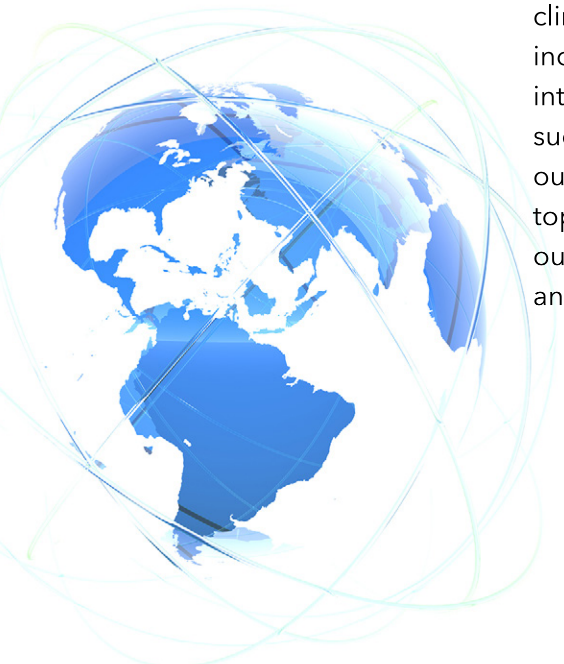
The new Committee will focus on:

- Providing a forum for state insurance regulators to learn about and discuss cybersecurity, innovation, data security and privacy protections, and emerging technology issues.
- Developments in these areas that affect the state insurance regulatory framework.
- Understanding evolving practices and the use of innovative technologies by insurers and producers.
- Coordinating NAIC efforts regarding innovation, cybersecurity, privacy, and technology across other committees.
- Making recommendations and developing regulatory, statutory, or guidance updates.

International

Over the course of 2021, efforts continued at the international level to implement post-financial crisis reforms (e.g., those focused on enhancing group supervision and addressing potential systemic risk in the insurance sector). The NAIC, group-wide supervisors across a number of states, and a variety of volunteer insurers actively contribute to this work by providing data and input. This is particularly important as work progresses to assess the comparability of the aggregation method (AM) to the International Association of Insurance Supervisors (IAIS) insurance capital standard (ICS).

There is also growing attention to and efforts on emerging issues, including climate and resiliency, technology and innovation, cybersecurity, and financial inclusion. Many of the NAIC's domestic priorities are increasingly the focus of international work, and much of that work can be advanced at organizations such as the IAIS and the Sustainable Insurance Forum (SIF), as well as through our bilateral activities with other jurisdictions and regions. As with all emerging topics, there is so much we can learn by exchanging views and expertise with our international counterparts, and there is both the opportunity to learn from and share insights with our international colleagues.



Our Evolving Brand

Our 150th anniversary provided an opportunity for the NAIC to explore new ways to convey our future direction. In consultation with our membership, the NAIC developed a new brand identity and logo which drew on the strengths and unique attributes of the NAIC and our community of commissioners. Our new logo features an intertwined "C", which is embedded with the attributes that have driven the Commissioners of the NAIC since its founding in 1871: Collaboration, Commitment, and Consumer Protection. Beyond this, our new brand identity clarifies our role with the insurance sector and demonstrates the value of the NAIC's expertise, analysis and data collection efforts in support of state-based insurance and state insurance regulators duties keeping consumers safe and insurance markets healthy.

After listening to our membership, consumers and the industry, we explored how the NAIC showed up in various digital platforms, in our messaging and our website at naic.org. As a result, we implemented significant changes, including a new technology platform for the website, leading to better responsiveness, improved staff efficiency and a revised site navigation.

In addition to upgrading the technology platform for naic.org, the site underwent a significant redesign to improve the user experience and navigation. The revised navigation organizes information based on audience. It also features a resource center which enables users to quickly find model laws, publications, news releases, a glossary of insurance terms as well as information from the Capital Markets Bureau, Government Affairs division and the Center for Policy Research (CIPR).

Operational Readiness

We are constantly evolving our organization to maintain and enhance our systems and processes in support of our members.

Member Services

Since 1871, the NAIC has supported state insurance regulators in their mission to protect consumers and ensure fair and healthy insurance markets. One way we're recognizing our sesquicentennial is through a timeline highlighting 150 years of collaboration. It's an excellent time to celebrate how far we have come, where we are now, and where we are headed.

Our internal team remains committed to supporting engagement for state insurance regulators and exceeding expectations to deliver platforms by which members carry out their charges, circulate input, build consensus, and empower their regulator staff.

The NAIC welcomed 12 new members in 2021. The New Member Orientation Program and other offerings assisted new members in onboarding and acclimating to their roles as an NAIC member. In addition, our Mentorship Program continues to be a valuable resource for newer members to connect with their colleagues for peer support.

One of the exciting developments was our ability to execute hybrid events. In the last year, our staff team helped support more than 30 virtual or hybrid member events. While nothing matches holding in-person events to build relationships, our ability to continue our important work virtually has enabled us to engage with more interested stakeholders and enhanced the opportunity for insurance department staff to participate in a wide variety of meetings.

Education and training programs remain an essential and highly valuable benefit to our members. We are continuing to enhance the portfolio of NAIC educational programs and training services to increase enrollment in the NAIC's Regulator Professional Designation Program. As of November 2021, the NAIC recorded 306 new enrollees this year and a total of 2,994 active enrollees.

We released two new Practical Manager Program courses: 1) "Preparing for Leadership Transitions"; and 2) "Leading in Hybrid Work Environments." The 2021 Regulatory Leadership Forum featured some of this new content, as well as an interactive workshop on managing stakeholder interests amidst the external challenges in our ever-changing industry.

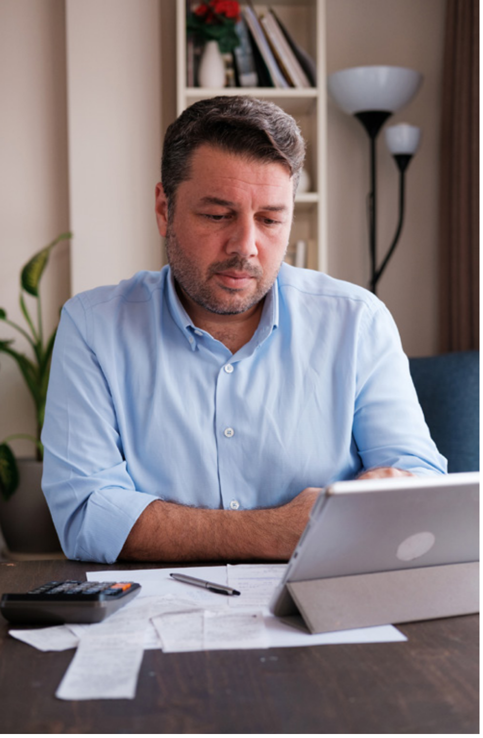
In 2021, we welcomed our new Director of Member Services and Engagement, Christian Carter, who has reached out to members to introduce herself and gain a better understanding of their needs. Our goal is to fully meet the evolving needs of our members.

As a member-driven association, the NAIC relies on its members' guidance to shape the future of our services. We made special efforts to better understand member needs and interests, including the use of surveys and meetings with individual commissioners. Our team strives to excel at providing high quality staff support for all NAIC committees, task forces, and working groups.

As a member-driven association, the NAIC relies on its members' guidance to shape the future of our services.

NAIC's Center for Insurance Policy and Research (CIPR) continues to produce meaningful research, as well as educational events made available to all members. The CIPR's work includes releasing research reports, such as *Extreme Weather and Property Insurance: Consumer Views*, *The State of Long-Term Care Insurance*, and *An Overview of Telehealth and Its Implications for Health Disparities*, and publishing numerous research papers in the Journal of Insurance Regulation (JIR). Additionally, the CIPR issued a special call for research papers on consumer protection and hosted more than 20 educational sessions focused on climate and natural catastrophe risk assessment and resilience attended by more than 4,000 virtually and in person. The CIPR also brings research to regulatory operations through various NAIC and FEMA joint resilience workshops and mitigation funding opportunities.

We will continue to seek member input as we enhance our services, communication methods, and information offerings. It is an exciting time to celebrate successes and engage in countless opportunities to enhance the member experience with member feedback, member-focused innovation, and strategic planning.



New Expense Reporting System

The NAIC implemented a new electronic expense reporting tool called Chrome River. Our new expense reporting tool allows internal and external users to create, submit, and approve expenses anytime, anywhere, and on any device. It reflects the NAIC's commitment to continuing to improve our systems and member support. In addition to the software implementation, the team has been providing training and user support to help with the transition to the new platform.

Chrome River provides the following benefits:

- Allows electronic scanning of receipts.
- Enables mobile device and desktop access.
- Streamlines the reporting process.
- Streamlines the approval process and reimbursement tracking.
- Reduces the time spent on submitting expense reports.

New Recognition Program for Employees

Being able to retain top talent is a priority for the NAIC. In October, we successfully implemented Spotlight, a new internal employee recognition program for NAIC and Interstate Insurance Product Regulation Commission (Compact) staff. Spotlight allows employees and managers to send financial awards as well as nonfinancial e-cards to each other to recognize actions that represent the NAIC's core values. The platform includes a social recognition wall where recognition can be viewed and commented on by other employees.

STATE AHEAD

Update on *State Ahead* Projects in 2021

Enhanced Financial Reporting and Risk Assessment

This project enhances state insurance regulators' understanding around liquidity risk for life insurers. We created a way to provide more product detail in the life annual statement, making it easier to identify companies with product types that might possess higher liquidity risk.

We also moved forward with the initial implementation of the 2020 liquidity stress test (LST) framework and made changes to the *Insurance Holding Company System Regulatory Act* (#440). The updated framework added scope criteria to identify life insurers with higher liquidity risk, as well as details for the LST to be performed based on 2020 annual statement data. Overall, 23 life insurance groups triggered the initial scope criteria and are filing 2020 stress test results.

State Based Systems Transition Phase III

Our old legacy SBS system was fully decommissioned as of June 2021, having been replaced by the newer SBS platform. The new system offers improved SBS Revenue Service navigation and user experience, optimized revenue reports, completion of the SBS Project Tracking Service, External Regulated Industries Service (RIS), and External Healthcare Service. There is also better system scalability, improved administrative tools to enhance supportability, and improved system security. These include six administrative tools that are currently in production: 1) Continuing Education Admin Tool; 2) Appointment Cleanup Tool; 3) License Delete Tool; 4) Transaction Manager Tool; 5) License Add to Queue Tool; and 6) License Merge/Move Tool.

Expand Federal and International Information Sharing

The "Expand Federal and International Information Sharing" project did not originally anticipate a new data set related to the pandemic, but that is what occurred. The team paused work on the LST framework and instead worked with life insurers to identify data to provide state insurance regulators with information related to liquidity concerns and other solvency surveillance needs in the midst of the pandemic. Three data calls were completed to obtain needed data. This information was shared with state insurance regulators, federal and international financial/insurance regulators and government agencies through live presentations.

Service Organization Control 2 Certification for Cloud Activities

In 2014, the American Institute of Certified Public Accountants (AICPA) created Service Organization Control (SOC) 2 to ensure organizations are managing the risk of data theft. SOC 2 details five trust services criteria covering: 1) security; 2) availability; 3) processing integrity; 4) confidentiality; and 5) privacy.

The SOC 2 report is an essential tool for providing assurances to our members, business partners, and customers that we are consistently following best security practices to protect information. This project included work to prepare for the NAIC's first SOC 2 cloud audit.

During this multiyear project, the team developed 30 cloud-related controls and 70 on-premises controls. The first six-month SOC 2 audit resulted in one non-material exception covering the new cloud platform. This was an exceptional audit result that was made possible by the diligent work of many internal teams.

After the six-month audit, the project team immediately started the audit for the next eight-month period from July 1, 2021, through Feb. 28, 2022. One of the goals of the second audit is to get all SOC 1 and SOC 2 audits on a common reporting cycle.

Structured Securities Transition to Designation

Because of the challenging economic conditions and low interest rates in 2020, it became evident that the price breakpoint approach used by the Structured Securities Group (SSG) could penalize certain securities beyond the credit risks identified through financial modeling. Premium securities are particularly susceptible to penalties.

To better align financially modeled credit risks with NAIC designations, the Valuation of Securities (E) Task Force adopted an amendment to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) to use NAIC designations and designation categories instead of price breakpoints for non-legacy commercial mortgage-backed securities (CMBS)/residential mortgage-backed securities (RMBS) that were issued after 2012. The Structured Securities (STS) Transition to Designation project added functionality to the STS system to accommodate this change.

With the completion of this project, 12,745 RMBS and CMBS no longer receive price breakpoints to determine the designation but now receive an NAIC designation. The STS platform in Automated Valuation Service Plus (AVS+) was updated to accommodate this change for the securities held by insurance companies so the new information will be available in the year-end 2021 file.

System for Electronic Rates & Forms Filing Modernization Proof of Concept

The first phase of the SERFF modernization project, SERFF Mobilization and Pilot, closed in early November. NAIC staff worked with consulting vendor PricewaterhouseCoopers (PwC) on the project. The purpose of this development phase was twofold: 1) choose the major technologies to be used in the project; and 2) prove those technologies can be integrated to solve 39 use cases across a wide range of potential capabilities.

Key outputs of the phase included:

- Future state architectural diagram.
- An implementation road map.
- A proof-of-concept application.

The implementation plan introduces changes over time, providing value to end users throughout the project without disrupting production activities. State outreach efforts started in March, with most state calls completed by late June. In mid-July, a capabilities assessment was completed, and the environment to use the low-code platform Appian was set up. An architectural diagram with the proposed set of tools was delivered in August. Implementation/transition planning was completed via an onsite workshop in early September, followed by review and refinement over the following weeks.

Consideration was given to the number of users to be trained and implemented in each transition phase, as well as which features will be added in each stage. Our staff team conducted regular touch points throughout 2021 with the Regulator Oversight Group, with the latter approving the transition plan and road map for build-out of the new platform in October. NAIC staff provided a demonstration of the proof-of-concept application to the Regulator Oversight Group in November and to interested parties during the 2021 Fall National Meeting. The demonstrations covered features described in the 39 use cases, as well as some additional features provided "out of the box" with the Appian platform. In January 2022 we expect to submit a Fiscal Impact Statement to the Executive (EX) Committee for funding to move forward with the first part of a three-year transition to a new, modernized rate and form filing platform.

Cloud Migration

In early December, we migrated the fifth and final environment, our Production Environment, to the Cloud. The scope of these migrations included moving applications and backend processes to Amazon Web Services (AWS) and databases to Oracle Cloud Infrastructure (OCI). Each migration was planned in detail, tested, and rehearsed to ensure a successful cutover. Our migration to the Cloud has been a multiyear, multimillion-dollar project involving dozens of teams within the NAIC. The strong commitment of our staff team in getting this critical project completed helps ensure the organization is in a good position to provide our regulatory community with access to more: 1) robust technology platforms; 2) data; and 3) enhanced data analytics.

Artificial Intelligence Advanced Statistical Analysis Techniques for Solvency Surveillance

The NAIC continued its work on AI to enhance analytical capabilities. Our team has created an AI-based model with advanced statistical analysis techniques to help identify insurers at higher risk of financial difficulty. Lessons learned from the model are being used to adjust and improve the accuracy of the NAIC Life Scoring System for prioritization and solvency monitoring. Initial recommended changes were presented to and adopted by regulators in 2021. Future work focused on P/C insurers, health entities, and insurer investment portfolios is slated for 2022 and beyond.

Examination Workpaper Software Modernization

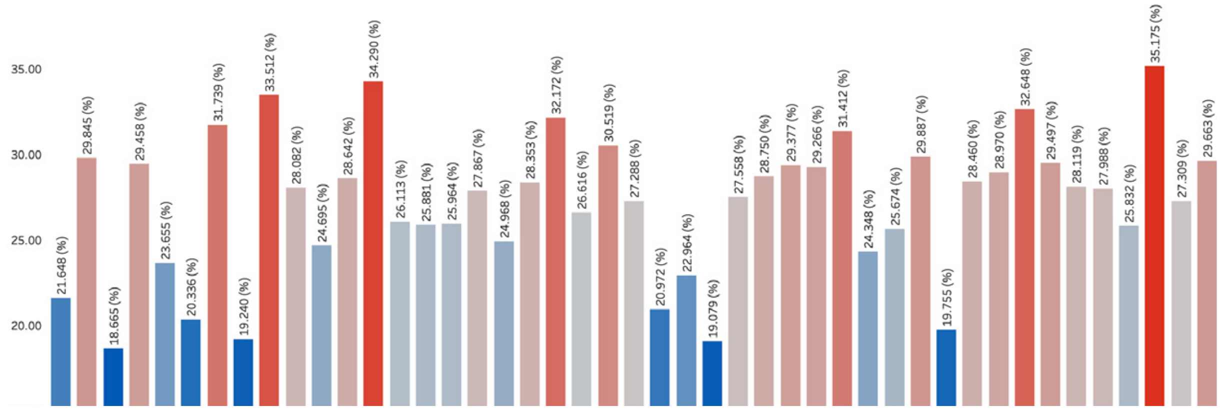
Updating the states' examination workpaper software used during financial and market conduct examinations, as well as other solvency work, commenced in early 2021. The current emphasis is on preparing for migration to the new software and platform in the first half of 2023 by configuring the software to meet examiners' needs, designing a cloud hosting environment, and developing training materials for financial and market conduct examiners.

Market Regulation Self-Service Dashboards Development and Training

Building upon the work of the successful deployment of Market Conduct Annual Statement (MCAS) dashboards in 2020, this project fulfilled the goal of creating additional Tableau dashboards to replace tabular iSite+ market regulation reports that contained information from several separate systems. Dashboards have now been completed for complaints, regulatory actions, market analysis, market share, and market analysis review system, as well as additional dashboards for the MCAS.

In addition to the development of the dashboards, the project included a Tableau webinar training series. This series covered an introduction to Tableau and data visualization, an overview of the complaint dashboards, an overview of the regulator actions dashboards, and an additional review of the MCAS dashboards. The webinar series concluded with a look at the future, including the development of dashboards for the Market Analysis Prioritization Tool (MAPT), which is a baseline analysis tool that contains information from several separate data systems. The data includes complaints, regulatory actions, premiums, market share, losses, expenses, Insurance Regulatory Information System (IRIS) ratios, market actions, company demographics, and company licensure. We are planning to do additional training webinars for state insurance regulators.

The replacement of current tabular reports with the visualization capabilities of Tableau dashboards provides immediate benefits to state insurance regulators by providing them with a modern data analysis tool to conduct a more robust review of data patterns that are identified through their baseline analysis. This, in turn, should result in better identification of potential market conduct concerns, while also providing for more efficient use of state resources.

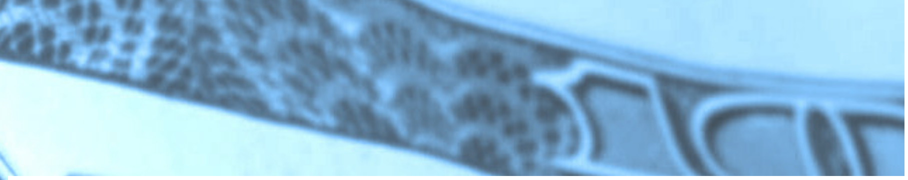


What's Ahead: Laying the Foundation for the Future

There is still a lot of work for the NAIC and insurance regulators as we continue to navigate the impacts of the pandemic and how its impact has changed the world around us. However, we have shown that we are resilient, adaptive to change, and learn from every transition.

We remain committed to working closely with our members to put the voice and credibility of state insurance regulators behind legislation on a range of issues from protecting seniors to improving coordination between state and federal agencies to creating more access to insurance coverages for cannabis businesses.

For the NAIC, our 150th anniversary marks the beginning of the next great chapter of this historic organization and membership.

Financial Report

National Association of Insurance Commissioners

December 31, 2021

Contents

RSM

RSM US LLP

Independent Auditor's Report

Honorable Members
National Association of Insurance Commissioners

Opinion
We have audited the financial statements of the National Association of Insurance Commissioners (the NAIC), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the NAIC as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NAIC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NAIC's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NAIC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NAIC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

RSM US LLP

Kansas City, Missouri
March 3, 2022

National Association of Insurance Commissioners

Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 28,819,519**	$ 18,965,079
Accounts receivable, less allowance for doubtful accounts of 2021—$61,514 and 2020—$669,000	**14,131,561**	14,477,584
Prepaid expenses	**7,098,453**	6,007,993
Inventories	**-**	23,315
Investments	**146,542,967**	131,930,123
Current portion of operating note receivable	**274,013**	274,013
Total current assets	**196,866,513**	171,678,107
Long-term portion of operating note receivable, net	**1,918,095**	2,192,108
Property and equipment, net	**12,120,088**	15,183,405
Deferred pension asset	**3,851,194**	1,265,866
Total assets	**$ 214,755,890**	$ 190,319,486
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 2,850,960**	$ 1,697,771
Accrued expenses and other current liabilities	**16,318,361**	14,283,569
Deferred revenue	**6,880,426**	3,029,838
Total current liabilities	**26,049,747**	19,011,178
Deferred lease incentive	**3,258,907**	4,611,258
Total liabilities	**29,308,654**	23,622,436
Net assets:		
Without donor restrictions:		
Allocated	**182,777,838**	164,319,539
Unallocated	**2,669,398**	2,377,511
Total net assets	**185,447,236**	166,697,050
Total liabilities and net assets	**$ 214,755,890**	$ 190,319,486

See notes to financial statements.

National Association of Insurance Commissioners

Statements of Activities
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues:		
Member assessments	**$ 2,114,811**	$ 2,110,951
Database fees	**32,780,920**	31,938,729
Publications and insurance data products	**16,933,828**	17,207,317
Valuation services	**30,992,789**	30,706,807
Transaction filing fees	**14,673,607**	13,202,790
National meetings, NAIC events, and interim meetings	**1,242,231**	720,784
Education and training	**323,310**	390,487
Administrative services/license fees	**26,016,819**	20,724,524
Other	**-**	131,990
Total revenues	**125,078,315**	117,134,379
Expenses:		
Salaries	**58,062,627**	56,718,566
Temporary personnel	**767,225**	695,416
Employee benefits	**17,126,713**	15,760,631
Professional services	**15,361,447**	16,815,554
Computer services	**6,451,379**	4,964,710
Travel	**1,468,474**	610,771
Occupancy	**4,323,964**	4,461,063
Equipment rental and maintenance	**6,913,179**	5,047,350
Depreciation and amortization	**4,051,435**	4,012,527
Insurance	**453,183**	397,199
Supplies	**1,409,304**	1,235,771
Printing expense	**61,371**	55,331
Meetings	**3,132,250**	732,600
Education and training	**143,311**	20,289
Grant and zone	**1,078,282**	167,799
Other expenses	**978,617**	1,107,722
Total expenses	**121,782,761**	112,803,299
Changes in net assets before investment income and pension adjustment	**3,295,554**	4,331,080
Net investment income	**11,857,669**	12,611,828
Changes in net assets before pension adjustment	**15,153,223**	16,942,908
Pension adjustment	**3,596,963**	344,954
Changes in net assets without donor restrictions	**18,750,186**	17,287,862
Net assets, beginning of year	**166,697,050**	149,409,188
Net assets, end of year	**$ 185,447,236**	$ 166,697,050

See notes to financial statements.

National Association of Insurance Commissioners

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets without donor restrictions	**$ 18,750,186**	$ 17,287,862
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization	**4,051,435**	4,012,527
Net realized and unrealized gains on investments	**(7,872,837)**	(9,921,814)
Changes in operating assets and liabilities:		
Accounts receivable, net	**346,023**	(2,634,550)
Interest receivable	**-**	80,003
Prepaid expenses	**(1,090,460)**	(2,160,923)
Inventories	**23,315**	8,315
Accounts payable	**1,153,189**	(96,520)
Accrued expenses and other current liabilities	**2,034,792**	883,542
Deferred revenue	**3,850,588**	(1,379,872)
Deferred lease incentive	**(1,352,351)**	(1,352,353)
Deferred pension asset	**(2,585,328)**	597,855
Net cash provided by operating activities	**17,308,552**	5,324,072
Cash flows from investing activities:		
Payments received on operating note receivable	**274,013**	274,013
Purchase of property and equipment	**(988,118)**	(1,187,966)
Purchase of investments	**(34,548,877)**	(40,001,486)
Proceeds from disposition of investments	**27,808,870**	40,859,642
Net cash used in investing activities	**(7,454,112)**	(55,797)
Net increase in cash and cash equivalents	**9,854,440**	5,268,275
Cash and cash equivalents:		
Beginning of year	**18,965,079**	13,696,804
End of year	**$ 28,819,519**	$ 18,965,079

See notes to financial statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: The National Association of Insurance Commissioners (the NAIC) is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate their regulatory oversight. The NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. The NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the United States.

Basis of accounting and presentation: The NAIC presents its financial statements based on Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 985, Presentation of Financial Statements. Net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the NAIC and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions but may be subject to board designations. At December 31, 2021 and 2020, net assets consisted entirely of net assets without donor restrictions.

Net assets with donor restrictions: Net assets are subject to donor-imposed restrictions that may or will be met either by actions of the NAIC and/or passage of time. Also included within this category are net assets subject to donor-imposed restrictions to be maintained permanently by the NAIC. Generally, the donors of these assets permit the NAIC to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2021 and 2020, the NAIC does not have any net assets with donor restrictions.

Cash and cash equivalents: The NAIC considers all liquid investments with original maturities of one year or less to be cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted of money market funds and discount notes. The NAIC, at times, maintains deposits with banks in excess of the insured limits, but has not experienced any losses in such accounts.

Accounts receivable: Accounts receivable are stated at the amounts billed to customers. The NAIC provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Past-due accounts are periodically reviewed by management. Delinquent and/or uncollectible receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Prepaid expenses: Prepaid expenses include general expenses, insurance, and cloud implementation fees that are amortized to expense ratably over the term of the related arrangement.

Inventory pricing: Inventories are stated at the lower of cost, determined by the first-in, first-out (FIFO) method, or market.

Investments: The NAIC carries its investments at their estimated fair values. Unrealized gains and losses are included in the change in net assets in the accompanying financial statements.

Investments may be exposed to various risks, such as interest rate, market and credit risks. As a result, it is at least reasonably possible that changes in risks in the near term could affect investment balances, and those effects could be significant.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fair value of financial instruments: The following methods and assumptions were used to estimate the fair value of each class of the NAIC's financial instruments at December 31, 2021 and 2020:

Cash and cash equivalents: The carrying amount approximates fair value because of the short maturity of these instruments.

Investment securities, except alternative investments: The fair values of fixed-income and domestic and international equity investments are based on quoted market prices at the reporting date for those or similar investments. A portion of the fixed-income investments is valued based on quoted prices for similar instruments in active markets.

Alternative investments: The NAIC reports the fair value of alternative investments using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the NAIC based on various factors.

Fair value measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The NAIC accounts for its investments at fair value. In accordance with the guidance, the NAIC has categorized its investments based on the priority of the inputs to the valuation technique, which gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, or derived from inputs that are observable.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker trade transactions; Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Investments and concentrations of credit risk: Financial instruments that potentially subject the NAIC to significant concentrations of credit risk consist principally of cash and investments. The NAIC maintains deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and believes the NAIC's risk is negligible. The NAIC has not experienced any losses in such accounts.

Alternative investments are redeemable with the fund at NAV under the original terms of the partnership and/or subscription agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future, in accordance with the fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the NAIC's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is therefore reasonably possible that if the NAIC were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Property and equipment: Property and equipment acquired with a useful life expectancy greater than one year and with a cost of $2,000 or greater is capitalized and stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The cost of internally developed software is expensed until the technological feasibility of the software has been established. Thereafter, all software development costs are capitalized until such time as the product is available for general release to customers. The development costs of enhancements that extend the life or improve the marketability of the original product are capitalized. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life, and changes in software and hardware technologies. The cost of capitalized software is amortized on the straight-line method over the products' estimated useful lives.

	Estimated Useful Lives
Furniture and equipment	5-13 years
Computer and related equipment	3 years
Computer software	3-10 years
Leasehold improvements	10-13 years

Uses of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of accounting for revenues: The NAIC recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer.
- Identify performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

Revenue from contracts with customers is derived primarily from fees for member assessments, database fees, the sale of publications and insurance data products, valuation services and transaction filing fees, and license and administrative services.

The NAIC's fees for member assessments is for a performance obligation that is satisfied over time and is derived from contracts with an initial expected duration of one year or less. The fee applies to an assessment fiscal year ended April 30, and are recorded in the calendar year assessed as receivables and deferred revenue. At December 31 of each year, one-third of the assessments are accounted for as deferred revenue. As of December 31, 2021 and 2020, member assessment revenue was $2,114,811 and $2,110,951, respectively.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

The NAIC's database fee revenue is recognized at a point in time and consists of a single performance obligation that is satisfied when the annual statement filing is due. Prices are distinct to a performance obligation. As of December 31, 2021 and 2020, database fee revenue was $32,780,920 and $31,938,729, respectively.

The NAIC's sales of publications and insurance data products is recognized at a point in time and consists of a single performance obligation that is satisfied when the product is shipped to the customer. Prices are distinct to a performance obligation. As of December 31, 2021 and 2020, publications and insurance data products revenue was $16,933,828 and $17,207,317, respectively.

The NAIC's valuation services and transaction filing fees is recognized at a point in time and consists of performance obligations that are satisfied when the service or filing has been performed. Prices are distinct to a performance obligation. As of December 31, 2021 and 2020, valuation services and transactions filing fees revenue was $45,666,396 and $43,909,597, respectively.

The NAIC's license and administrative fees revenue is recognized at a point in time. The NAIC's license fees consist of revenue earned from a related party for the use of the NAIC's producer data. Administrative services consist of revenues earned from related parties for administrative services and the use of the NAIC's facilities and equipment. Revenue from administrative services/license fees is recognized as revenue when the services are performed and when the use of the NAIC's assets occurs, in accordance with the terms contained in written agreements in effect with related parties. Prices are distinct to a performance obligation. As of December 31, 2021 and 2020, license and administrative revenue was $26,016,819 and $20,724,524, respectively.

The NAIC records deferred revenue in situations when amounts are invoiced but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met. Deferred revenues for revenue from contracts are classified as current liabilities on the statements of financial position and as of December 31, 2021 and 2020, were $6,880,426 and $3,029,838, respectively. Associated accounts receivable for revenue from contracts as of December 31, 2021 and 2020, were $14,131,561 and $14,477,584, respectively, and allowance for doubtful accounts for revenue from contracts as of December 31, 2021 and 2020, were $61,514 and $669,000, respectively. There were no changes in revenue streams that would affect economic seasonality of the statements of financial position.

The NAIC did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Income taxes: The NAIC has been granted exemption from income taxes by the Internal Revenue Service under the provisions of section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the NAIC is subject to federal income tax on any unrelated business taxable income.

Uncertain tax positions, if any, are recorded in accordance with ASC Topic 740, Income Taxes. ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more likely than not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2021 or 2020.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Net assets: The NAIC operating reserve is based on a liquid reserve, defined as total net assets, less net property and equipment, as a percentage of the future year's budgeted operating expenses. On July 7, 2015, following a comprehensive review by an outside consultant to reflect the NAIC's current operating environment, the NAIC adopted a target liquid reserve range of 83.4% to 108.2%. Net assets are allocated by the Executive (EX) Committee and Internal Administration (EX1) Subcommittee as a function of the budgeting process. As of December 31, 2021 and 2020, net assets were fully allocated, with the exception of an amount maintained as unallocated equal to 1.5% of the next year's projected net assets. The unallocated balance will be used to fund priority initiatives that may arise in the next year.

Pension plan: The Compensation—Retirement Benefits topic of the ASC requires employers to recognize on their statements of financial position a liability and/or an asset equal to the underfunded or overfunded status of their defined benefit pension and other postretirement benefit plans. The funded status that the NAIC has reported on the statements of financial position under the topic is measured as the difference between the fair value of plan assets and the benefit obligation.

Functional expenses: The Not-for-Profit Entities topic of the ASC requires nonprofit organizations to disclose expenses by functional classification. The NAIC presents expenses only by their natural classification on the statements of activities for the years ended December 31, 2021 and 2020, as there is only one program (member services) with multiple service offerings. Therefore, management does not allocate expenses between multiple programs and supporting expenses. Management believes that disclosing expenses by function is insignificant to the financial statements taken as a whole and, therefore, does not apply the provision of the topic as it relates to the disclosure of expenses by functional classification.

Recent accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in ASC Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal year 2022. The NAIC is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Note 2. Liquidity and Availability of Resources

The NAIC regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2021 and 2020, the following financial assets are available to meet general operating expenditures of the subsequent fiscal year:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	**$ 28,819,519**	$ 18,965,079
Accounts receivable, net	**14,131,561**	14,477,584
Inventories	**-**	23,315
Investments	**146,542,967**	131,930,123
Current portion of operating note receivable	**274,013**	274,013
Total financial assets	**$ 189,768,060**	$ 165,670,114

Note 2. Liquidity and Availability of Resources (Continued)

The NAIC has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, inventories, and marketable debt and equity securities. See Note 3 for information about the NAIC's investments.

Note 3. Investments and Investment Income

	2021		2020	
	Cost	**Fair Value**	Cost	Fair Value
Government bonds	**$ -**	**$ -**	$ 8,495,593	$ 8,790,607
Fixed-income mutual funds	**61,254,090**	**61,364,659**	42,346,208	43,770,724
Foreign fixed-income funds	**3,984,835**	**3,908,279**	4,291,374	4,415,812
Domestic equity mutual funds	**8,538,694**	**12,041,879**	7,156,471	9,220,227
Real estate investment trusts	**422,135**	**713,257**	4,446,927	4,329,139
Common stock:				
Industrials	**1,561,451**	**2,131,138**	1,346,425	1,753,591
Consumer discretionary	**2,947,696**	**5,766,725**	2,210,404	3,872,270
Financials	**1,568,798**	**3,033,819**	1,453,874	2,738,483
Information technology	**2,541,750**	**7,542,893**	1,751,991	5,263,296
Other industries	**8,136,699**	**12,818,201**	7,716,751	10,644,800
Foreign common stock	**847,975**	**1,427,079**	268,208	477,470
Foreign equity mutual funds	**20,645,673**	**24,501,997**	19,378,520	25,179,989
Alternative equity funds	**9,000,000**	**11,293,041**	10,000,000	11,473,715
	$ 121,449,796	**$ 146,542,967**	$ 110,862,746	$ 131,930,123

Total net investment income comprises the following:

	2021	2020
Interest and dividend income	**$ 4,272,360**	$ 2,902,049
Net realized gains	**3,847,043**	1,297,709
Net unrealized gains	**4,025,794**	8,624,105
Investment manager fees	**(287,528)**	(212,035)
	$ 11,857,669	$ 12,611,828

Note 3. Investments and Investment Income (Continued)

The following tables summarize the valuation of financial instruments measured at fair value on a recurring basis, segregated by the general classification of such instruments pursuant to the valuation hierarchy:

	December 31, 2021			
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Fixed-income mutual funds	**$ 61,364,659**	**$ 61,364,659**	**$ -**	**$ -**
Foreign fixed-income funds	**3,908,279**	**3,908,279**	**-**	**-**
Domestic equity mutual funds	**12,041,879**	**12,041,879**	**-**	**-**
Real estate investment trusts	**713,257**	**713,257**	**-**	**-**
Common stock:				
Industrials	**2,131,138**	**2,131,138**	**-**	**-**
Consumer discretionary	**5,766,725**	**5,766,725**	**-**	**-**
Financials	**3,033,819**	**3,033,819**	**-**	**-**
Information technology	**7,542,893**	**7,542,893**	**-**	**-**
Other industries	**12,818,201**	**12,818,201**	**-**	**-**
Foreign common stock	**1,427,079**	**1,427,079**	**-**	**-**
Foreign equity mutual funds	**24,501,997**	**24,501,997**	**-**	**-**
	135,249,926	**$ 135,249,926**	**$ -**	**$ -**
Investments measured at net asset value:				
Alternative equity hedge funds	**11,293,041**			
Total investments	**$ 146,542,967**			

	December 31, 2020			
	Total Fair Value	Level 1	Level 2	Level 3
Government bonds	$ 8,790,607	$ -	$ 8,790,607	$ -
Fixed-income mutual funds	43,770,724	43,770,724	-	-
Foreign fixed-income funds	4,415,812	4,415,812	-	-
Domestic equity mutual funds	9,220,227	9,220,227	-	-
Real estate investment trusts	4,329,139	4,329,139	-	-
Common stock:				
Industrials	1,753,591	1,753,591	-	-
Consumer discretionary	3,872,270	3,872,270	-	-
Financials	2,738,483	2,738,483	-	-
Information technology	5,263,296	5,263,296	-	-
Other industries	10,644,800	10,644,800	-	-
Foreign common stock	477,470	477,470	-	-
Foreign equity mutual funds	25,179,989	25,179,989	-	-
	120,456,408	$ 111,665,801	$ 8,790,607	$ -
Investments measured at net asset value:				
Alternative equity hedge funds	11,473,715			
Total investments	$ 131,930,123			

Note 3. Investments and Investment Income (Continued)

	Alternative Equity Funds	
	2021	2020
Total gains, included in earnings attributable to the change in unrealized gains, net, relating to financial instruments still held	**$ 900,376**	$ 1,492,241

The following table sets forth additional disclosures of the NAIC's investments whose fair value is estimated using NAV per share (or its equivalent) as of December 31, 2021 and 2020:

Investment	Fair Value at December 31 **2021**	Fair Value at December 31 2020	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Magnitude International (A)	**$ 5,970,460**	$ 5,519,030	$ -	Quarterly	65 days
Chatham Asset High Yield Offshore Fund, Ltd. (B)	**1,426,018**	1,261,175	-	Quarterly	45 days
Davidson Kemper (C)	**1,239,979**	1,105,563	-	Quarterly	65 days
Field Street Master Fund, Ltd. (D)	**-**	1,089,415	-	Monthly	60 days
Silver Point Capital Offshore Fund, Ltd. (E)	**1,387,581**	1,118,762	-	Quarterly	90 days
Survetta (F)	**1,269,003**	1,379,770	-	Quarterly	45 days
	$ 11,293,041	$ 11,473,715			

(A) This fund's investment objective is to deliver a 5% return over LIBOR, net of fees, over an extended market cycle with a target of achieving 5% annual volatility. The fund is globally diversified, multistrategy, multimanager portfolio that seeks to maximize expected active return from investing in hedge funds while minimizing passive risk and managing exposure to shock risk.

(B) This fund manages a long/short credit strategy within the high-yield bond and levered loan markets. The strategy combines a unique pairing of deep sector-based fundamental research combined with very active trading of portfolio positions.

(C) This fund employs a broad multistrategy event driven approach, blending distressed investing with merger arbitrage, event equity, and convertible and volatility arbitrage expertise. Strategy seeks to exploit situations where an announced or anticipated event is likely to take place, and a disconnect in the current valuation relative to the believed exit value is found.

(D) This fund manages a macro fund that is diversified across three categories: macro, relative value, and volatility. Relative value trades try to capture a mispricing among highly correlated securities, typically fixed-income instruments, while not taking any directional exposure to rates, curves or spreads. Macro trades will take directional views on rates, curves, spreads, currencies and implied volatility. Volatility trades can express a directional view or be a relative value trade. The goal of the portfolio manager is to produce a return stream that has low correlation to other risk asset classes.

(E) This fund manages a strategy that invests into distressed credit and special situations investments. Due to the nature of distressed credit, many of the investments have an event catalyst that will unlock value in the company. The fund is looking for opportunities in companies undergoing financial restructuring, companies in financial distress or bankruptcy, companies in liquidation or other special situations.

Note 3. Investments and Investment Income (Continued)

(F) This fund employs a generalist long/short equity strategy focused on investments in North America and developed countries in Europe.

Note 4. Property and Equipment

Property and equipment at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Furniture and equipment	**$ 5,766,293**	$ 5,754,513
Computer and related equipment	**11,594,326**	10,587,011
Computer software	**31,804,550**	31,842,620
Leasehold improvements	**16,869,256**	16,869,256
	66,034,425	65,053,400
Less accumulated depreciation and amortization	**53,914,337**	49,869,995
	$ 12,120,088	$ 15,183,405

Note 5. Operating Leases

The NAIC leases its office space in Kansas City, New York and Washington, D.C. under noncancelable operating leases which expire at various dates through 2027. Certain parts of the agreements contain escalation clauses providing increased rentals based on maintenance, utility and tax increases. The NAIC also leases certain office equipment under noncancelable operating leases, which expired during 2021. The accompanying financial statements reflect rent expense on the straight-line method over the terms of the leases. Total rental expenses under all leases for the years ended December 31, 2021 and 2020, were $2,764,134 and $2,773,116, respectively.

Deferred lease incentives consist primarily of reimbursements for leasehold improvements, parking costs and moving costs. U.S. GAAP requires that the above items be recognized as a reduction of rental expense over the term of the lease. The unamortized balance in deferred lease incentive was $3,258,907 and $4,611,258 as of December 31, 2021 and 2020, respectively.

Future minimum lease payments at December 31, 2021, are as follows:

Years ending December 31:	
2022	$ 4,402,867
2023	4,461,792
2024	1,395,981
2025	866,824
2026	866,824
Thereafter	443,412
Total future minimum lease payments	$ 12,437,700

Note 6. Employee Retirement Plans

The NAIC has a noncontributory defined benefit plan covering all employees with a hire date prior to January 1, 2000. As of December 31, 2012, accrued benefits for all active participants were frozen. The benefits are based on years of service and the employee's compensation prior to January 1, 2013.

The following table sets forth the plan's funding status, amount recognized in the NAIC's financial statements, and other required disclosures:

	2021	2020
Projected benefit obligation	**$ (50,444,656)**	$ (53,121,526)
Fair value of plan assets	**54,295,850**	54,387,392
Funded status of plan	**$ 3,851,194**	$ 1,265,866
Accrued benefit asset recognized in the statements of financial position	**$ 3,851,194**	$ 1,265,866
Accumulated benefit obligation	**$ 50,444,656**	$ 53,121,526
Employer contributions	**$ 670,000**	$ 927,000
Plan settlements	**$ (1,913,468)**	$ (3,436,140)
Benefits paid	**$ (891,748)**	$ (887,942)
Interest cost	**$ 1,046,431**	$ 1,435,732
Return on plan assets	**(1,985,175)**	(2,414,509)
Amortization of net loss	**2,573,274**	2,535,622
Settlement loss recognized	**47,106**	312,963
Net pension cost	**$ 1,681,636**	$ 1,869,808

Weighted-average assumptions used to determine benefit obligations are as follows:

	2021	2020
Discount rate	**2.62%**	2.15%
Salary rate	**N/A**	N/A
Measurement date	**December 31, 2021**	December 31, 2020

Note 6. Employee Retirement Plans

Weighted-average assumptions used to determine net pension costs are as follows:

	2021	2020
Discount rate	**2.15%**	3.10%
Salary rate	**N/A**	N/A
Expected return on plan assets	**4.00%**	5.00%
Measurement date	**December 31, 2021**	December 31, 2020

The expected rate of return on plan assets is determined by those assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The following is the plan's weighted-average asset allocation by asset category as of December 31, 2021 and 2020 (the measurement date of the plan assets):

	2021	2020
Equity securities	**14.94%**	27.62%
Debt securities	**85.06%**	72.38%

Plan assets are held by an insurance company, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreement permits investment in common stocks, corporate bonds, U.S. government securities and other specified investments, based on certain target allocation percentages. Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plan to recognize potentially higher returns through a limited investment in equity securities. Plan assets are rebalanced as necessary based upon the minimum and maximum restrictions set forth in the plan's investment policy statement. Plan assets are valued using Level 1 inputs and are based on unadjusted quoted market prices within active markets.

The benefits expected to be paid to participants over the next 10 years, as of December 31, 2021, are as follows:

Years ending December 31:	
2022	$ 4,810,539
2023	5,130,581
2024	4,295,759
2025	3,767,705
2026	3,288,413
2027–2031	13,152,780
Total	$ 34,445,777

The annual amount is actuarially calculated by the NAIC's independent consultant firm and represents the amount necessary to fully fund the actuarial accrued liability and normal cost of the plan.

Note 6. Employee Retirement Plans (Continued)

The NAIC provides a defined contribution 401(a) plan (Plan B) that covers substantially all employees with one year or more of service. Each year, the Executive (EX) Committee and Internal Administration (EX1) Subcommittee determine the contribution for the next year. The NAIC matched up to 5.5% of compensation of employees who contributed to Plan B and contributed 3.0% of all employees' compensation in 2021 and 2020. The pension expense related to Plan B for the years ended December 31, 2021 and 2020, was $4,001,995 and $3,770,086, respectively.

Note 7. Related-Party Transactions

The NAIC and National Insurance Producer Registry (NIPR) executed a License and Services Agreement (the Agreement) effective January 1, 2018, for an initial term of five years. The terms of the Agreement provide for (1) a 38% license fee for NIPR to use the NAIC's producer data; (2) the reimbursement of the actual cost of services, facilities and equipment provided by the NAIC to NIPR; and (3) a service fee for administrative and technical services provided by NAIC staff.

The total amount of revenue recognized during the year and amount owed at year-end from NIPR are as follows:

	2021	2020
Administrative services provided by the NAIC	**$ 2,398,923**	$ 2,394,601
License fee	**$ 23,429,146**	$ 18,199,297
Amounts payable to the NAIC	**$ 2,143,905**	$ 1,866,981

Effective June 2007, the NAIC entered into a service agreement with the Interstate Insurance Product Regulation Commission (the Insurance Compact), whereby the NAIC provides certain administrative services to the Insurance Compact. The NAIC receives an administrative fee of $125,000 and an annual license and maintenance fee in the amount of $25,000 for the use of the NAIC's System for Electronic Rate and Form Filing (SERFF). The Insurance Compact also pays an adjustable administrative fee of every $25,000 of net revenue in excess of expenses. This fee was 7.5% for the years ended December 31, 2021 and 2020. Additionally, certain expenses are paid on behalf of, and reimbursed by, the Insurance Compact. The NAIC also has an operating note receivable due from the Insurance Compact. Repayment of principal and interest was deferred until certain operating performance measures were met by the Insurance Compact. As of December 31, 2019, the Insurance Compact's 2019 financial performance triggered repayment of the note receivable. During 2020, the Insurance Compact renegotiated with the NAIC to modify and restructure the aforementioned operating note as a result of the trigger date being achieved. The modified agreement extends the repayment term from five to 10 years with the first payment due in 2020 and the final payment due in 2029. Repayment will be made only on the principal balance. Payments of $274,013 will be made no later than March 31 of each year. There is no accrued interest during the repayment period including any extended periods beyond the initial 10-year repayment period. If, during the 10-year repayment period, the Insurance Compact's cash balance is less than $250,000 as reflected in the annual audited financial statements, the required payment for the year following the financial statement date will be deferred and the repayment period extended accordingly. Upon the final payment that completely repays the principal balance, the imputed interest balance of $712,733 will be forgiven and treated as a contribution to the Insurance Compact. As a result of the modification, the NAIC has recorded an allowance for the accrued interest portion of $712,733 on the note receivable from the Insurance Compact as of December 31, 2021 and 2020.

Note 7. Related-Party Transactions (Continued)

Principal payments due to the NAIC as of December 31, 2021, consist of the following:

Years ending December 31:	
2022	$ 274,013
2023	274,013
2024	274,013
2025	274,013
2026	274,013
Thereafter	822,043
	$ 2,192,108

The total amount of revenue recognized during the year and amounts owed at year-end from the Insurance Compact are as follows:

	2021	2020
Administrative services provided by the NAIC	**$ 125,000**	$ 125,000
License fee paid to the NAIC	**$ 25,000**	$ 25,000
Adjustable administrative fee	**$ 63,750**	$ 5,625
Amounts payable to the NAIC	**$ 111,884**	$ 38,753
Note payable to the NAIC, net of allowance of $712,733 recorded by the NAIC	**$ 2,192,108**	$ 2,466,121

Note 8. Contingencies

The NAIC is, from time to time, subject to claims and lawsuits arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not currently believe the ultimate resolution of these matters will have a material adverse effect on the financial condition, results of operations, or cash flows of the NAIC.

Note 9. Subsequent Events

Management has performed an evaluation of events that have occurred subsequent to December 31, 2021, through March 3, 2022. There have been no events that occurred during such period that would require disclosure in these financial statements or would be required to be recognized in the financial statements as of or for the year ended December 31, 2021.

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