



National Insurance Producer Registry

annual

REPORT 08



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2008
ANNUAL REPORT

u • ni • form • i • ty:

Conforming to one principle, standard, or rule; consistent.

2007

Address Change Request functionality introduced. During 2007, 45 states used this time-saving product and producers submitted more than 250,000 transactions since ACR's inception.

2008

In 2008, NIPR completed the all-state electronic solution for Address Change Requests and implemented the final state achieving 100% participation. By the end of the year, close to 1 million address changes had been processed.

2008 officer's message



Linda Hall

Director
Alaska Division of Insurance
NIPR Board President



William Anderson

Sr. Vice President, Law &
Gov. Relations
National Assoc. of Ins. &
Financial Advisors
NIPR Board Vice President



Leslie Newman

Commissioner
Tennessee Department of
Commerce and Insurance
NIPR Board Secretary/Treasurer

At NIPR, uniformity defines our direction. It is our end-goal in creating a foundation of electronic solutions to the licensing challenges of state-based regulation.

In 2008, NIPR completed the all-state electronic solution for Address Change Requests (ACR) and implemented the final state achieving 100% participation. By the end of the year, close to 1 million address changes had been processed.

This year NIPR also took the next steps to assist the NAIC in achieving its uniformity goals. At the direction of the Producer Licensing Coalition, NIPR created the Attachments Warehouse. This new function is already assisting producers by accelerating the licensing process when additional information is needed with a licensing application. The single point of collection in the Attachments Warehouse is a successful move toward a uniform standard across the states.

Our accomplishments also brought the support of our colleagues in the state legislatures. At their summer meeting, the National Conference of Insurance Legislators (NCOIL) passed a unanimous Resolution of Support urging all states to fully implement NIPR services to eliminate unnecessary hurdles in producer licensing. We look forward to continuing to work with NCOIL to promote the role NIPR plays in supporting uniformity and modernization of states' technology.

With the addition of each new product and improvement, NIPR promotes state-based insurance regulation by streamlining the licensing process – saving time and money for the states and producers and creating strength through uniformity.

letter from the executive director



Dear NIPR Board of Directors and Industry Customers,

Oliver Wendell Holmes once said “The great thing in this world is not so much where we stand, as in what direction we are moving.” This year, NIPR’s direction has been toward growth, progress and improvement.

We started 2008 by marking a major milestone – the 50 millionth Gateway transaction. By the end of the year, our progress was further highlighted by the addition of twenty-four new states to Resident and Non-Resident electronic licensing and renewals; as well as the addition of 11 states that now choose NIPR to license businesses and limited lines. This growth is once again a reminder that, more and more, people are turning to NIPR for their producer licensing needs.

Growth must be followed by progress, and in 2008, that meant project completion. In just over one year, the Address Change Request function has expanded to include electronic processing of address changes in all states. This project was a monumental undertaking that created a valuable product for producers across the country. Our dedication to developing these much needed tools has helped NIPR transition from being a “nice-to-have” option for automated processing, to being the “must have” online solution that producers and carriers depend on to keep their operations running smoothly.

The quest to achieve one-stop shopping in the licensing process continues to push us to make significant improvements. In September, we responded to requests from regulators with a breakthrough new product, the Attachments Warehouse. Producers and authorized submitters can now store requested documents to accompany their

“NIPR...the ‘must have’
online solution that
producers and carriers
depend on...”

applications for the states to retrieve during processing - further streamlining the time and effort of both the applicant and the state, creating a more efficient and effective licensing process.

In addition to the implementation of the Attachments Warehouse, NIPR recognized the changing economic pressures on the insurance industry. By eliminating the \$75 new set-up fee for accessing the Producer Database, and lowering the transaction fees by 15% for non-resident licensing applications, NIPR hopes to continue to be the most economical option for online licensing.

We look back at 2008 and see the progress we have made, but we don't rest on our laurels as we plan how to deliver the technological solutions for meeting future NAIC modernization and uniformity initiatives. It seems there is unlimited potential for serving the needs of our regulator and industry customers, a challenge I know we all hope to meet together.

I would like to thank the NIPR Board of Directors for their dedication and their support of NIPR initiatives. I look forward to working with all of you in the pursuit of our vision to see NIPR become the online licensing solution for the insurance industry.

Sincerely,



Maryellen Waggoner

MISSION

The mission of NIPR is to be the premier public-private partnership supporting the work of the states and the NAIC in reengineering, streamlining and making uniform the insurance producer licensing process for the benefit of regulators, insurers, producers and consumers.

VISION

The NIPR will work with states, industry and other stakeholders to be the “one-stop shopping” facility for all electronic producer licensing transactions.



profile

The National Insurance Producer Registry (NIPR) was incorporated in 1996 as a non-profit affiliate of the National Association of Insurance Commissioners (NAIC). NIPR is governed by a Board of Directors including members of NAIC and individuals representing a cross section of the insurance industry. NIPR was instrumental in the development and implementation of the Producer Database (PDB) and the Gateway for electronic appointments/terminations and licensing.

NIPR provides support for NAIC's State Producer Licensing Database (SPLD) and NIPR's PDB. Both are electronic databases consisting of information relating to insurance producers (agents and brokers), with the PDB available to the insurance industry to use in the licensing and compliance process. NAIC's SPLD is regulator only and accessible through NAIC's I-SITE. NIPR's PDB complies with the Fair Credit Reporting Act and is available to the industry. These databases provide information from participating state regulatory licensing systems into common repositories of producer information. Regulators have access to the Regulatory Information Retrieval System (RIRS) through NAIC's SPLD and industry, through PDB, has access to RIRS to provide a more comprehensive producer profile. The key benefits of these producer databases are:

- Financial/Time savings
- Centralized source of data
- Verification of license and status in 52 jurisdictions
- Reduction in paper
- Easy online access



ABOUT THE NAIC

Formed in 1871, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC has three offices: Executive Office, Washington, D.C.; Central Office, Kansas City, Mo.; and Securities Valuation Office, New York City. The NAIC serves the needs of consumers and the industry, with an overriding objective of supporting state insurance regulators as they protect consumers and maintain the financial stability of the insurance marketplace. For more information, visit www.naic.org.

The Gateway is a communication network that links state insurance regulators with the entities they regulate to facilitate the electronic exchange of producer information. Data standards have been developed for the exchange of license application, license renewal, appointment/termination submissions and address changes within a resident state. All data flowing over the Gateway will conform to these data standards. The key benefits of the Gateway are:

- Paper free transactions
- National standards for electronic transmission
- Faster turnaround time
- Electronic payment for fees

a step
closer...



producer licensing coalition & outreach

NIPR continues to work closely with the NAIC on an aggressive producer licensing strategic initiative that will further achieve compliance with the NAIC reciprocity and uniformity standards.

The process began in June 2007, when the NAIC partnered with the industry and formed the NAIC/ Industry Producer Licensing Coalition (the Coalition) in an effort to facilitate discussion among Commissioners and the industry trade associations regarding uniformity and reciprocity producer licensing reform initiatives.

The NIPR Board of Directors and the Coalition worked closely recommending ways to leverage NIPR's infrastructure to make further progress including (1) an aggressive plan for implementation of all NIPR products in all states, (2) full automation of business entity licensing, (3) development of the Attachment Warehouse, allowing full automation of the application process where further supporting documentation to background questions may be required by the states, and (4) providing an automated solution for the uniform notification/reporting of administrative and/or criminal actions by producers.



...to achieving
our vision

NIPR played a crucial role in the implementation of NAIC's initiative by providing a review of each state's compliance with reciprocity and uniformity standards. Working with a dedicated team of state producer licensing regulators, NIPR helped review and identify the state-level electronic licensing business rules that could be found to be inconsistent with reciprocity and the uniformity standards.

Following the extensive assessment, the Coalition commenced an outreach effort that included a collaborated effort between regulators and industry members to several state insurance departments for purposes of identifying the support needed to achieve the remaining producer licensing reforms.

Looking ahead, NIPR will continue to work closely with the NAIC and the Producer Licensing Coalition to encourage full utilization by all of the states and producers of its products and services in order to achieve its vision of one-stop shopping and further completing the licensing puzzle.



“ The great thing in this world is not so much where we stand, as in what direction we are moving.”

Oliver Wendell Holmes

products and services

producer database



The Producer Database (PDB) is a centralized repository of producer licensing information updated on a timely basis and made available to the insurance industry. All of the United States and Puerto Rico submit producer licensing data to this repository. The primary purpose of PDB is to facilitate the ability to track pertinent information regarding licensed producers. In 2008, progress was made in reengineering the PDB which will be implemented in 2009. The reports are more user-friendly than previously, as well as having a new look and feel. There will be an online User Administrator function to allow the customer to add and delete their own internal users for easy tracking of usage of PDB products.

PDB has five primary products: Detail Report, Company Specialized Report, Company Appointment Report, Company Appointment Reconciliation Report and Alerts.

DETAIL REPORT

The Detail Report allows the user to view all supplied information for a single producer, agency or company. This report will return information from all jurisdictions that are providing data. This information includes:

- General demographic information such as name and address
- License information, such as states licensed, license number, license status and lines of authority
- Appointment information such as company appointments, effective date, termination date and termination reason
- Regulatory actions (if taken)

The Detail Report can also be requested in batch format with the data being returned in XML. XML allows the user to import, filter and manipulate the data without worrying about incompatible programs, computer networks, data structures and operating systems.

COMPANY SPECIALIZED REPORT (CSR)

This customized report is useful when a full Detail Report is not needed. The user can select specific licensing information from the following PDB data fields to create their own specialized report: License Number, License Status, Resident/ Non-Resident, License Issue/Expiration Date, Lines of Authority Status and Regulatory Information Retrieval System (RIRS) information. This report can be viewed online, downloaded as a comma-delimited file or in XML.

ef • fi • cient:

performing or functioning in the best possible manner with the least waste of time and effort; having and using requisite knowledge, skill, and industry; competent; capable.

COMPANY APPOINTMENT REPORT (CAR)

The Company Appointment Report allows a company to view a listing of all active appointments and/or terminations. This report is company specific and state specific. Companies can only view data for their own affiliated companies. This report can be viewed online, downloaded as a colon-delimited file, or in XML.

COMPANY APPOINTMENT RECONCILIATION REPORT (CARR)

This report is designed to facilitate the appointment renewal process for Regulators and the insurance industry. Similar to the Company Appointment Report the CARR has the added functionality of completing “Not for Cause” terminations directly from the report. This allows the user to reconcile the company’s producer listing against the Producer Database. The terminations are generated electronically through the Gateway and sent to the appropriate state insurance department for processing. This report can be viewed online, downloaded as a colon-delimited file, or in XML.

ALERTS

The Alerts product is designed to provide notification to subscribers indicating a change has been made to the data stored in the Producer Database. Customers will have multiple options on accessing the data, selection of information desired and tracking individual producers. The four fields of data offered were gathered from a formal survey conducted with members of NIPR focus groups and include:

- Resident State License Status Change
- License Expiration Date Change
- Non-Resident State License Status Change
- Regulatory Actions

Additional Alerts will be added in the future.



gateway

The Gateway facilitates the electronic exchange of producer licensing information between state insurance regulators and the entities they regulate. The goal is to simplify the communication and to distribute information electronically, including licensing applications, appointments and terminations, Address Change Request and most recently the Attachments Warehouse. The Gateway was designed to improve the effectiveness and efficiency of the state licensing process. The Gateway provides a cost efficient method of data transfer that will provide an opportunity for increased revenue and reduction in costs. The electronic process takes the guesswork out of the licensing process for the insurance industry as it provides the ability to track transactions electronically.

ELECTRONIC APPOINTMENTS/TERMINATIONS

The electronic appointments and terminations process allows the producer to become appointed faster and begin generating revenue for the company. The Gateway requires certain data standards for the transfer of appointment and termination information between state insurance regulators and the industry. In order to process these transactions directly through NIPR, clients must establish specified programming requirements or use one of NIPR's Authorized Business Partners (ABPs). The Gateway also has the capability to accept payment for state appointment fees through Electronic Funds Transfer (EFT). This feature enhances the benefits of moving data electronically: accuracy, timeliness, efficiency and cost reduction.

ELECTRONIC APPOINTMENT RENEWALS

Industry can go to the NIPR website and process their appointment renewal invoice online payable by either credit card or electronic check, which was implemented in 2008. Once payment is received by NIPR, renewal transactions will be sent to the State to automatically update their system, which in turn uploads the data to the PDB. This product eliminates the need for states to mail out the paperwork and likewise for the company to return paperwork to the states. Currently, eight states are participating in electronic appointment renewals.

a • chieve • ment:

something accomplished, esp. by superior ability, special effort, great courage, etc.



ELECTRONIC LICENSING APPLICATIONS

NIPR offers online licensing applications which give producers the ability to quickly and easily apply for licenses.

Initial Non-Resident Licensing applications are based upon the producer's resident state lines of authority. Using a standardized electronic format, the online application verifies producer information with the PDB, so there is no need for a letter of certification. The application automatically calculates fees and allows the user to apply in multiple states using a single application. Currently there are 49 states using this electronic application. The Non-Resident Renewal application allows the producer to renew their Non-Resident license in 40 states, with additional states to be added in 2009.

The initial Resident and Resident Renewal Licensing applications further the facilitation of accelerated producer licensing by giving a producer, who has met the state's requirements, the ability to apply electronically for resident licensing. This application also allows producers to renew their resident license online. There are currently 19 states participating. It is anticipated that additional states will be added in 2009. The option to use an electronic check is available for Resident Licensing applications.

ADDRESS CHANGE REQUEST

Address Change Request (ACR), is the one of the newest online innovations designed to ease the burden of processing producer address changes.

With more than 2 million licensed individuals holding more than 5 million licenses, producers and state insurance departments process hundreds of thousands of address change requests annually. The former process to change addresses differed from state-to-state and often involved time



consuming paper forms and manual entry. With ACR, a producer can leverage technology to electronically complete address changes for multiple states using NIPR's application.

Fifty-one jurisdictions are currently available. Producers and authorized users can submit individual producer address changes through the NIPR website, www.NIPR.com. Over 950,000 transactions have been processed since ACR's inception. It is expected to eclipse one million transactions in the first quarter of 2009.

ATTACHMENTS WAREHOUSE

In 2008, NIPR released another Gateway product, the Attachments Warehouse to accompany the licensing applications. It is a licensing tool that electronically receives, stores and shares with regulators, licensing related documents that are submitted by producers/authorized submitters. An example of what is stored are documents to support "yes" answers to background questions on licensing applications. State regulators can be notified when documents are submitted to the Warehouse so they can access the information. The document only needs to be submitted once and any participating state can obtain the document. Fifty-one jurisdictions are utilizing the Attachments Warehouse successfully. Future plans include expanding use of the Warehouse to support regulatory requirements related to the notification and reporting of regulatory actions.

auditors' report



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Independent Auditors' Report

Board of Directors
NATIONAL INSURANCE PRODUCER REGISTRY

We have audited the accompanying statements of financial position of the National Insurance Producer Registry (the "NIPR") as of December 31, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of NIPR's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NIPR as of December 31, 2008 and 2007 and the changes in its financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Leawood, Kansas
February 27, 2009

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive, stylized script.

financials

Statements of Financial Position

December 31, 2008 and 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,999,438	\$ 3,765,831
Accounts receivable, less allowance for doubtful accounts; 2008 - \$10,000, 2007 - \$10,000	2,003,618	1,697,036
Interest and dividends receivable	223,297	108,602
Prepaid expenses	65,402	134,919
Investments	22,709,139	24,585,702
TOTAL CURRENT ASSETS	29,000,894	30,292,090
PROPERTY AND EQUIPMENT, NET	59,225	135,482
TOTAL ASSETS	\$ 29,060,119	\$ 30,427,572
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,587,958	\$ 1,428,868
Accrued expenses	820,327	486,583
TOTAL CURRENT LIABILITIES	2,408,285	1,915,451
NET ASSETS		
Unrestricted	26,651,834	28,512,121
TOTAL LIABILITIES AND NET ASSETS	\$ 29,060,119	\$ 30,427,572

See Notes to Financial Statements

activities

Statements of Activities

Years Ended December 31, 2008 and 2007

	2008	2007
REVENUES		
Access and transaction fees	\$ 18,446,357	\$ 18,990,203
Other income	71,836	59,930
TOTAL REVENUES	18,518,193	19,050,133
EXPENSES		
Administrative services and license fees	6,966,819	6,361,855
Salaries	3,355,609	2,929,592
Employee benefits	846,589	716,321
Professional services	4,499,341	2,971,521
Travel and transportation	420,350	326,925
Rental and maintenance	251,981	441,526
Depreciation	126,310	250,129
Insurance	80,184	87,799
Office services	71,374	65,932
Bad debt expense (recovery)	6,400	(28,747)
Other expenses	204,660	62,403
TOTAL EXPENSES	16,829,617	14,185,256
CHANGES IN NET ASSETS BEFORE INVESTMENT INCOME (LOSS)	1,688,576	4,864,877
INVESTMENT INCOME (LOSS)	(3,548,863)	2,142,429
CHANGES IN NET ASSETS	(1,860,287)	7,007,306
NET ASSETS, BEGINNING OF YEAR	28,512,121	21,504,815
NET ASSETS, END OF YEAR	\$ 26,651,834	\$ 28,512,121

See Notes to Financial Statements

cash flows

Statements of Cash Flows

Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,860,287)	\$ 7,007,306
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation	126,310	250,129
Net realized and unrealized losses (gains) on investments	4,796,382	(1,050,997)
Gain on disposition of property and equipment	(9,988)	(129)
Changes in operating assets and liabilities		
Accounts receivable	(306,582)	870,765
Interest and dividends receivable	(114,695)	(2,488)
Prepaid expenses	69,517	58,247
Accounts payable	159,090	(4,328,972)
Accrued expenses	333,744	23,218
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,193,491	2,827,079
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(17,730,951)	(14,537,209)
Proceeds from disposition of investments	14,811,132	9,757,624
Purchase of property and equipment	(50,565)	(24,294)
Proceeds from disposition of property and equipment	10,500	129
NET CASH FLOWS FROM INVESTING ACTIVITIES	(2,959,884)	(4,803,750)
CHANGE IN CASH AND CASH EQUIVALENTS	233,607	(1,976,671)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,765,831	5,742,502
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,999,438	\$ 3,765,831

See Notes to Financial Statements

notes

Notes to Financial Statements

Years Ended December 31, 2008 and 2007

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The National Insurance Producer Registry (the "NIPR") is a non-profit affiliate of the National Association of Insurance Commissioners (the "NAIC"). The NIPR combines the strengths of the public and private sectors to create products and services that benefit insurance regulators, industry and consumers.

The NIPR earns revenues predominantly through access fees and transactions fees. Access fees are earned when users access the NIPR's Producer Database (PDB). The PDB is an electronic database consisting of information relating to insurance agents and brokers. The PDB links participating state regulatory licensing systems into one common repository of producer information. Transaction fees are earned when users process transactions through the NIPR Gateway. The NIPR Gateway facilitates the electronic exchange of producer information, including license applications, appointments and terminations. The NIPR earns revenue by charging a fee for providing the interface between industry and state regulators for licensing and other transactions. The NIPR extends unsecured credit to its customers.

CASH AND CASH EQUIVALENTS

The NIPR considers all liquid investments with original maturities of one year or less to be cash equivalents. At December 31, 2008 and 2007, cash equivalents consisted primarily of money market funds.

The NIPR maintains deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and believes the NIPR's risk is negligible.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amounts billed to customers. The NIPR 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.

INVESTMENTS AND INVESTMENT INCOME

Investments are carried at fair market value. Investment income includes dividends, interest and realized and unrealized gains and losses on investments carried at fair market value.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Routine repairs and maintenance are expensed as incurred. Depreciation is computed by the straight-line method over the estimated useful life of the related assets.

<i>Description</i>	<i>Estimated useful lives</i>
■ Furniture and equipment	5 years
■ Computer software	3 years
■ Computer hardware	3 years

RECLASSIFICATIONS

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 financial statement presentation.

NOTE 1**SUMMARY OF
SIGNIFICANT
ACCOUNTING
POLICIES
(CONTINUED)****USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

TAXES

The NIPR has been granted exemption from income taxes by the Internal Revenue Service under the provisions of Section 501(c)(6) of the Internal Revenue Code and a similar provision of state law. However, the NIPR is subject to federal income tax on any unrelated business taxable income.

FUNCTIONAL EXPENSES

Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations (SFAS No. 117), requires not-for-profit organizations to disclose expenses by functional classification. The NIPR presents expenses only by their natural classification on the December 31, 2008 and 2007 statements of activities. Management believes that disclosing expenses by function is immaterial to the financial statements taken as a whole, and therefore does not apply the provision of SFAS No. 117 as it relates to the disclosure of expenses by functional classification.

NOTE 2**INVESTMENTS
AND INVESTMENT
INCOME**

Investments at December 31 consisted of the following:

	2008		2007	
	Cost	Market Value	Cost	Market Value
<i>U.S. Government and agency securities</i>	\$ 11,987,833	\$ 12,164,088	\$ 13,418,171	\$ 13,974,088
<i>Corporate bonds</i>	4,235,759	4,165,576	933,082	941,119
<i>Common stocks</i>	8,913,543	6,379,475	8,675,578	9,670,495
	\$ 25,137,135	\$ 22,709,139	\$ 23,026,831	\$ 24,585,702

Total investment income is comprised of the following:

	2008	2007
<i>Interest and dividend income</i>	\$ 1,247,519	\$ 1,091,432
<i>Net realized gains (losses) on investments</i>	(809,515)	432,964
<i>Net unrealized gains (losses) on investments</i>	(3,986,867)	618,033
	\$ (3,548,863)	\$ 2,142,429

NOTE 2**INVESTMENTS
AND INVESTMENT
INCOME
(CONTINUED)**

As required, the NIPR adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurement (SFAS No. 157) effective January 1, 2008. Although the adoption of SFAS No. 157 did not materially impact the NIPR's financial condition, results of operations, or cash flows, it requires additional disclosures as part of the financial statements. SFAS No. 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The management of NIPR endeavors to utilize the best available information in measuring fair value. The following table summarizes the valuation of financial instruments by the above SFAS No. 157 pricing levels as of December 31, 2008 and 2007:

	Total fair value	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
December 31, 2008				
<i>U.S. Government and agency securities</i>	\$ 12,164,088	\$ 12,164,088	\$ --	\$ --
<i>Corporate bonds</i>	4,165,576	4,165,576	--	--
<i>Common stocks</i>	6,379,475	6,379,475	--	--
	\$ 22,709,139	\$ 22,709,139	\$ --	\$ --
December 31, 2007				
<i>U.S. Government and agency securities</i>	\$ 13,974,088	\$ 13,974,088	\$ --	\$ --
<i>Corporate bonds</i>	941,119	941,119	--	--
<i>Common stocks</i>	9,670,495	9,670,495	--	--
	\$ 24,585,702	\$ 24,585,702	\$ --	\$ --

NOTE 3

Property and equipment at December 31 consisted of:

PROPERTY AND EQUIPMENT

	2008	2007
<i>Furniture and equipment</i>	\$ 20,167	\$ 5,838
<i>Computer hardware</i>	465,772	513,633
<i>Computer software</i>	333,503	333,503
	<u>819,442</u>	<u>852,974</u>
<i>Less accumulated depreciation and amortization</i>	760,217	717,492
	<u>\$ 59,225</u>	<u>\$ 135,482</u>

NOTE 4**RELATED PARTY TRANSACTIONS**

Effective January 1, 2006, the NIPR entered into a service agreement with the NAIC (an affiliated entity), whereby the NAIC provides certain administrative services to the NIPR. The NAIC receives a fee computed on 30% of certain NIPR revenues, which represents a license fee for NIPR to use the NAIC's producer data. In addition, the NAIC receives from the NIPR, an administrative fee of \$1,000,000 for services, facilities, and equipment provided by the NAIC. The NAIC maintains and incurs the costs related to the hardware and software infrastructure that support both the NIPR and the NAIC. The NAIC allocates a share of such costs to the NIPR, included in rental and maintenance on the statements of activities. Effective April 2008, the infrastructure cost sharing arrangement was transitioned to a per transaction usage fee related to the NAIC's State Producer Licensing Reengineering (SPLR) Project. Additionally, certain expenses are paid on behalf of, and reimbursed by, the NIPR.

The total amount charged during the year and amounts owed at year-end are as follows:

	2008	2007
<i>Administrative services provided by NAIC</i>	<u>\$ 6,489,473</u>	<u>\$ 6,361,855</u>
<i>SPLR fee</i>	<u>\$ 477,346</u>	<u>\$ --</u>
<i>Rental and maintenance</i>	<u>\$ --</u>	<u>\$ 178,674</u>
<i>Amounts payable to the NAIC</i>	<u>\$ 735,565</u>	<u>\$ 605,332</u>

NOTE 5**DEFINED CONTRIBUTION PLAN**

The NIPR has a defined contribution 401(k) plan, which covers substantially all employees who have completed one year or more of service. Each year the Board of Directors determines the contribution for the next year. In 2008 and 2007, the NIPR matched up to 3.5% of contributions of those employees who contributed to the Plan and contributed 5% of all employees' annual compensation. Contribution expense was \$231,250 and \$191,969 for the years ended December 31, 2008 and 2007, respectively.

NOTE 6**SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

U.S. generally accepted accounting principles requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Approximately 29% and 26% of all revenue was received from two business partners during the years ended December 31, 2008 and 2007, respectively.

2008 board of directors

as of December 31, 2008

MS. NICOLE ALLEN

Vice President of Industry Affairs
Council of Insurance Agents & Brokers

MR. WILLIAM ANDERSON

Sr. Vice President, Law & Gov. Relations
National Association of Insurance &
Financial Advisors
Board Vice President

THE HONORABLE JOEL ARIO

Commissioner
Pennsylvania Insurance Department

MR. ANDREW BEAL

Acting Executive Vice President & CEO
NAIC
Ex Officio Voting Member

THE HONORABLE WILLIAM DEAL

Director
Idaho Department of Insurance

MR. DAVID EPPSTEIN

Director, State Affairs
National Association of Professional
Insurance Agents

THE HONORABLE LINDA HALL

Director
Alaska Division of Insurance
Board President

THE HONORABLE JIM HODGES

Hodges Consulting Group, LLC
National Alliance of Life Companies

MR. MICHAEL LANE

Assistant Counsel – State Farm
National Association of Mutual Insurance
Companies

MR. DAVID LEIFER

Associate General Counsel
American Council of Life Insurers

THE HONORABLE LESLIE NEWMAN

Commissioner
Tennessee Department of Commerce &
Insurance
Board Secretary/Treasurer

THE HONORABLE ROGER SEVIGNY

Commissioner
New Hampshire Department of Insurance

THE HONORABLE SUSAN VOSS

Commissioner
Iowa Insurance Division

EX OFFICIO MEMBERS

MR. GARY ALLEN

AFLAC, Inc.
America's Health Insurance Plans

MR. WESLEY BISSETT

Senior Counsel
Independent Insurance Agents &
Brokers of America

MR. MICHAEL KEEGAN

Director of State Affairs
National Association of Health Underwriters

MR. JOSEPH TERMINI

GEICO
Property and Casualty Insurance Association
of America

executive director and senior management staff



Maryellen Waggoner
EXECUTIVE DIRECTOR

“By working together, our successes will continue to strengthen state-based insurance regulation by providing the pieces needed to complete the producer licensing puzzle.”



Susan Maldonado
ASSISTANT DIRECTOR



Patricia Hertlein
SENIOR MANAGER



Robert Ferrell
SENIOR MANAGER



Laurie Wolf
REGULATOR
RELATIONS MANAGER

In 2008, NIPR was able to fit several pieces in the licensing puzzle, making it one of our most successful and rewarding years. In 2009, NIPR will

continue to focus on finding more pieces to fulfill our mission to support the work of the States and the NAIC in reengineering, **streamlining and making uniform the insurance producer licensing process.**

COMPLETING THE LICENSING PUZZLE



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