

Date: November 21, 2023

To: All NAIC Members and Interested Parties

From: Andrew N. Mais, Connecticut Insurance Commissioner and NAIC-President Elect
Andy Beal, NAIC Acting Chief Executive Officer, Chief Operating Officer and Chief Legal Officer
Jim Woody, NAIC Chief Financial Officer

Re: Summary of Comments on the Proposed 2024 NAIC Budget

In response to the Executive (EX) Committee's and Internal Administration (EX1) Subcommittee's request for comment on the NAIC's proposed 2024 budget, the NAIC received comment letters on the proposed budget after it was released for public comment on October 27, 2023, from the National Association of Mutual Insurance Companies (NAMIC) (Attachment One) and the Consumer Representative members of the Consumer Board of Trustees (Attachment Two). This memorandum summarizes the submitted comments and includes the NAIC's response to each comment.

A Public Hearing will be held November 28th to discuss these comments. Participation instructions for the public hearing can be accessed at https://content.naic.org/about_budget.htm.

NAMIC Comments

NAMIC acknowledges the increased regulatory demands placed on insurance departments despite their constrained resources and ongoing challenges in attracting and retaining talent. These difficulties, shared among NAMIC members, underscore the critical need for the NAIC to maintain an efficient regulatory support framework. This will enable regulators to concentrate on their respective duties and responsibilities. Accordingly, NAMIC continues to commend the NAIC and its members for their steadfast commitment to its ongoing multi-year strategic plan '*State Connected*.' The NAIC appreciates the recognition that tools previously developed and more specifically, the six projects supported by fiscal impact statements in the 2024 budget (noted below) further the assistance of effective insurance regulation. These tools are expected to significantly contribute to creating a more efficient marketplace for both regulators and NAMIC members. NAMIC has provided specific comments on each fiscal impact statement as follows:

1. System for Electronic Rates and Forms Filing (SERFF) Modernization – 2024 Transition Stages

NAMIC observed that SERFF remains one of the most crucial applications for day-to-day operations, serving as a backbone for much insurance regulation. They noted substantial support for this ongoing multi-year initiative and emphasized the project's objective to enhance efficiency in rate and form filings – an improvement they welcomed. NAMIC recommended continuous engagement and outreach to

stakeholders impacted by forthcoming changes. They also expressed openness to SERFF presentations at the NAMIC Compliance Council and engagement with other industry organizations.

NAIC Response: The NAIC appreciates NAMIC’s endorsement of this ongoing multi-year initiative. The NAIC also believes that upon its full development, the platform will yield significant efficiencies for regulators and insurers. This will ultimately enhance speed-to-market – a crucial characteristic in today’s rapidly changing business landscape. Additionally, the NAIC appreciates NAMIC’s emphasis on the necessity of feedback from regulators and industry throughout the development process as the NAIC firmly believes that collaboration with end-users will lead to a superior product. To ensure this collaboration, the NAIC SERFF development team consistently updates stakeholders on development milestones and actively seeks feedback. Multiple sessions, often a minimum of three, occur at each NAIC National Meeting and are open to regulators and the public. Furthermore, the SERFF team has engaged with various industry groups and plans a dedicated industry session in Kansas City in early 2024. The SERFF team has also established a steering committee and project focus groups open to anyone interested in staying informed or providing input on the project’s direction or desired functionalities.

Interested parties are encouraged to review updates or participate in a focus group by visiting https://www.serff.com/serff_modernization.htm.

2. Enterprise Data Management – Phase III

Consistent with previous offered comments on this initiative, NAMIC continues to support NAIC’s ongoing efforts to update the database environment, aiming to provide regulators with improved access to data and associated tools. However, alongside their support, NAMIC cautioned that the data collected should only be of regulatory value. NAMIC emphasizes the necessity to remain steadfast in ensuring the division between NAIC support and the regulatory function (which is reserved for regulators) remains clearly articulated and visible to third parties.

NAMIC also notes that while the NAIC is a private entity housing sensitive supervisory information, the collection of additional data should be limited to items holding significant regulatory value. NAMIC advocates for organizing this process in collaboration with the industry, allowing all affected parties to offer appropriate input. NAMIC cites the recent collaboration between regulators and industry regarding the impending Property and Casualty Insurance (C) Committee data call as a positive example. NAMIC highlights this collaboration as a successful demonstration of industry and regulators working together to ensure relevant and meaningful responses by asking pertinent questions. NAMIC commends and recommends this collaborative approach remain a template for continued dialogue and coordination with affected parties.

NAIC Response: The NAIC appreciates NAMIC’s overall support for this fiscal, particularly acknowledging the value of improved access to relevant data, tools, and training as a prudent use of funds. To avoid excessive duplication of benefits noted in the fiscal, this project aims to significantly enhance regulators’ data access by simplifying datasets for reporting and consolidating multiple databases into a single platform. Additionally, it will introduce new tools enabling regulators to access and analyze pertinent data using a singular, easily customizable tool—eliminating the need for specialized database programming expertise. This consolidation will provide regulators with a more comprehensive view of regulated companies and will significantly enhance efficiency in reviews by centralizing all relevant data into one accessible location through a unified tool.

As highlighted by NAMIC, avoiding duplicative data collection efforts holds considerable value and the NAIC believes this is one example of its service to members. Mention was made of a pending data call in which several jurisdictions are likely interested in participating and analyzing the information it will offer. Without the NAIC's assistance, each jurisdiction would need to independently develop data calls for their domestic insurers and likely any other companies licensed in their jurisdiction, leading to significant inefficiencies for both regulators and insurers. This would impose substantial burdens on insurers and the financial strain on regulators to support would be unfeasible given budgetary constraints. NAIC staff take the support role very seriously and diligently adhere to the guidance and instruction prescribed by regulators in its supportive role. The NAIC appreciates NAMIC's positive remarks concerning the productive conversations between regulators and the industry—a collaboration the NAIC is honored to help facilitate. The NAIC agrees this approach fosters better outcomes and ensures transparency for all impacted parties (regulators and industry) regarding data collection efforts across the NAIC enterprise.

3. Expand NAIC Expertise

NAMIC expressed support for the initiative to enhance the NAIC's expertise and acknowledged the value that specialized skill sets bring to both regulators and the industry. Additionally, as some of the requested staff in this fiscal will work on various data calls, NAMIC noted appreciation for consolidated data collection efforts into a single central location instead of coming from numerous multi-state inquiries. However, NAMIC expressed concern regarding the increase in staff involved in complex rate reviews or data calls. NAMIC specifically noted that the NAIC must continue to strive to assist regulators without directly influencing decisions or actions, highlighting that ultimate authority must remain with the chief insurance regulators rather than with NAIC staff, either directly or indirectly.

NAIC Response: NAIC acknowledges NAMIC's concern that some responsibilities of the requested staff might seem as having regulatory or policy decision-making authority. It is crucial to note that any rate review or completion of a data call performed by the NAIC is strictly under the explicit direction and authorization of regulators. Any analysis or summarization of data conducted by the NAIC is solely for the benefit of regulators, and all policy or regulatory decisions are exclusively reserved for insurance regulators. NAIC staff may provide suggestions or recommendations based on specific circumstances as prescribed by regulators when requested, but fundamentally, the NAIC supports rather than leads regulators. While the NAIC is committed to ongoing support, efforts will persist to address any perceived concerns regarding the clear delineation of responsibilities.

4. NAIC Education & Training Modernization Project

NAMIC has expressed complete support for expanding and modernizing the training programs provided to regulators, emphasizing that heightened knowledge often leads to regulators being more efficient and effective in executing their responsibilities. Additionally, NAMIC commended the already impressive education and training curriculum. NAMIC suggested that all NAIC education courses should be accessible to anyone interested in attending, provided they pay an appropriate fee. NAMIC emphasized that since these courses cover various insurance topics and the regulatory framework guiding them, the courses should be available for public consumption.

NAIC Response: The NAIC appreciates NAMIC's support for this project and agrees educational information and knowledge should be readily accessible and shared, recognizing that improved training for regulators ultimately benefits all stakeholders. As NAMIC highlighted, the NAIC currently provides a wide array of insurance-related training courses accessible to regulators, with many available to the public for a nominal fee. NAMIC's timely recommendation aligns with the NAIC's ongoing training modernization project, which involves a comprehensive reassessment not only of the courses themselves but also of

their delivery methods and formats. Through this modernization effort, NAIC staff will diligently reassess all courses, aiming to expand content offerings available to the public.

5. IT VISION System Enhancements

NAMIC expressed support for this fiscal, particularly emphasizing the system improvements aimed at enhancing security controls, especially considering that the VISION system serves as the repository for highly sensitive information. Encouraging continuity in NAIC's ongoing practices, NAMIC urges the NAIC to persist in prioritizing information security and data protection across all budgetary and project considerations.

NAIC Response: The NAIC appreciates NAMIC's support for this fiscal, specifically noting the fiscal's notation for improving information technology security. In the performance of their duties, regulators utilize various NAIC databases. However, these databases contain confidential information – a fact pattern and responsibility that the NAIC takes very seriously. Not only is every initiative vetted for appropriate security control, but the NAIC also has an entire team dedicated to ongoing security review/assessment. Under the direction of its audit committee, the NAIC voluntarily subjects itself to various security reviews and audits as well as undertakes (and constantly review) numerous security protocols all in the interest of its members and industry.

6. Uniform Certificate of Authority Application (UCAA) – Phase II

NAMIC expressed overall support for this fiscal, highlighting that although the use of UCAA platform's application might be less frequent than other systems, the advancement of technology that simplifies processes for companies is embraced by industry. Echoing their sentiment from the IT Vision System Enhancements fiscal, NAMIC recommended ensuring sufficient security considerations are always factored in when systems are either updated or developed.

NAIC Response: The NAIC appreciates NAMIC's support for this fiscal and concurs that the usage of this platform may not be as frequent as other items outlined in the 2024 budget, such as SERFF. However, the NAIC shares the view that enhancing processes or systems beneficial for both regulators and the industry warrant consideration. The NAIC is optimistic that this multi-year initiative will be well-received by industry due to the array of positive improvements highlighted in the fiscal. In fact, early feedback from companies involved in the pilot and development has been notably positive. Furthermore, aligning with the approach of the aforementioned project, security remains a paramount consideration at every stage, whether it's during origination, development, or during ongoing system support.

NAIC Consumer Representative Comments

The Consumer Representative members of the Consumer Board of Trustees expressed support for the NAIC's proposed \$15,000 increase in the budget for consumer funding. The consumer funding budget is an allocation for NAIC funded consumer representatives to attend national meetings and provides an avenue to directly engage with regulators in person. Noting the increased cost of travel, the Consumer Representative members appreciate the budgetary increase and expressed gratitude for NAIC's continued commitment to the consumer representative program.

NAIC Response: The NAIC and its members are pleased to increase the budget for consumer representatives. Not only has the increased cost of travel warranted this adjustment, but the NAIC and its members firmly believe that consumer representatives provide invaluable insights and align with the shared objective of safeguarding insurance consumers. Collaborating with all stakeholders, particularly

consumer representatives, is pivotal in fostering a more inclusive and comprehensive approach to protecting consumer interests within the insurance landscape. This increase in funding reaffirms the NAIC's commitment to facilitating meaningful engagement and dialogue between regulators and consumer advocates, ensuring that consumer voices continue to be heard and valued within the NAIC community.

Concluding Comments

The NAIC appreciates the engagement, insights, and inquiries brought forth by interested parties. Embedded within the NAIC's processes, strategic plan, and culture is a commitment to transparency and ongoing collaboration with its members and stakeholders, serving as foundational elements contributing to the NAIC's success. Consequently, the NAIC has a comprehensive approach to crafting its annual budget, integrating input from NAIC staff, NAIC officers, the Executive Committee, and all NAIC's members.

In adherence to a commitment to transparency, the NAIC publicly releases a proposed copy of its budget before approval, inviting input and comments from interested parties. These inputs are carefully addressed, both in written form and during an open Public Hearing. This meticulous process ensures steadfast support for state insurance regulators dedicated to safeguarding policyholders' interests and ensuring the financial stability of the insurance industry. It aims to achieve these goals in a cost-effective and financially prudent manner, while also striving to minimize adverse impacts on the industry where feasible. In addition, the NAIC continuously seeks avenues to trim operating costs and enhance efficiencies and remain dedicated to providing top-tier support to its members, regulators, interested parties, and insurance customers.



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November 15, 2023

Jim Woody
Chief Financial Officer
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106

VIA Email Transmission: jwoody@naic.org

RE: NAMIC Comments – NAIC Proposed 2024 Budget

Dear Mr. Woody:

The following comments are submitted on behalf of the National Association of Mutual Insurance Companies¹ regarding the NAIC's proposed 2024 budget.

NAMIC and its members have long been staunch supporters of the state-based regulatory system and are mindful of the many challenges facing state insurance departments; many of these challenges are shared by regulated entities. Collectively, our industry and regulatory system are facing a new era of risk as we confront extreme weather events, inflation, litigation abuse, and external economic pressures creating novel challenges in reinsurance markets. We know that much like our members, departments have struggled through difficult years coming out of the COVID-19 pandemic; they continue to do more than legislatures ask of them with limited resources while struggling to attract and retain talent. As we have noted in previous years, these challenges make it even more critical for the NAIC to assure streamlined and efficient regulatory standards and guidance so as not to unduly burden states in carrying out their respective duties and responsibilities, all while remembering its goal to assist and connect regulators.

Continued Importance of “State Connected”

Regarding the 2024 budget, we appreciate the continued financial commitment to the multi-year “State Connected” strategic plan to better connect and empower individual NAIC members and their staffs – the plan builds out several

¹ NAMIC membership includes more than 1,500 member companies. The association supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers, including 7 of the top 10 auto insurers in the country. NAMIC member companies write \$357 billion in annual premiums. Our members account for 69 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets. Through our advocacy programs we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.



programs and services NAMIC has applauded in previous years.² We continue to support the development of those tools that help regulators become more connected to each other and their respective insurance markets, thus making them more efficient and proficient in their roles, which in turn creates efficiencies for NAMIC members. The six areas noted in the 2024 fiscal impact statements are worthy of enhanced interest and further discussion.

SERFF Modernization – 2024 Transition Stages

The NAIC 2024 budget includes more than \$6 million toward the multi-year initiative to improve the SERFF platform, including three additional staff. While almost everything the NAIC does affects carriers in some fashion, it is safe to say that SERFF is among the most crucial for day-to-day operations; it is in the filing of rates and forms that the rubber meets the road for much of insurance regulation. The ongoing modernization project seeking to improve rate and form filing efficacy and speed-to-market will be a welcome upgrade for NAMIC member staff involved in the filing process. As you continue to allocate funds, resources, personnel, and time to these upgrades, we encourage continuous engagement and outreach to appropriate stakeholders who are deeply affected by any changes. We would welcome attendance, participation, and updates by appropriate NAIC staff at a future meeting of the NAMIC Compliance Council and encourage you to reach out proactively to industry organizations like the Association of Insurance Compliance Professionals, where you are likely to get the most productive feedback from SERFF users.

Enterprise Data Management – Phase III

The NAIC's continued efforts to update its data environment is important, particularly as more data sets are collected, analyzed, and housed by the NAIC. At the outset of this effort several years ago, NAMIC noted that the NAIC supporting its members with improved access to relevant data, tools, and training was a worthwhile use of funds; we continue to believe this is the case but wish to emphasize that efforts should be focused on that data regulators have legal authority to obtain and currently find challenging to analyze. We caution against NAIC intrusion into functions only appropriate for regulators to perform; even with legally binding memoranda of understanding, the NAIC remains a private entity and should not become a clearinghouse for extensive sensitive and proprietary supervisory information about regulated entities. There is value in avoiding duplicative data gathering efforts, and we encourage additional education for regulators, their staff, and interested parties (as appropriate) to inform about data collection efforts across the entire NAIC enterprise. A public accounting of what, when, how, and why data is being gathered by the NAIC would bolster confidence in both the process and the value of data gathering exercises, while potentially also identifying those collections that are less valuable and any that might be discontinued. We have been encouraged by fruitful conversations to date with regulators and the NAIC staff regarding the impending (C) committee data call on property markets and believe that effort can serve as a good example of industry and regulators working together to ensure the right questions are asked the right way in order to produce meaningful responses and useful results for all parties involved.

² <https://content.naic.org/about/state-connected>



Expand NAIC Expertise

There is no question that having NAIC staff with specialized skill sets creates value for both regulators and the industry by enhancing the level of expertise and dialogue with which issues are discussed and analyzed. At the same time, we are concerned with the continued increase in NAIC staff that are involved in complex rate reviews and data calls. While we understand from public statements that more than 37 states are taking advantage of NAIC staff assistance with their efforts to review rate and form filing, and we appreciate the efficiencies that come from multi-state inquiries rather than answering a multitude of individual data requests, the decisions and responsibilities for such official actions must ultimately remain clearly with the public servants at the Departments of Insurance. We encourage NAIC to continue to strive for the right balance of efficient assistance to regulators without intrusion into the regulation of insurance.

NAIC Education & Training Modernization Project

We fully support expansion and modernization of training programs offered to insurance regulators; more knowledgeable regulators are more efficient and effective in their oversight of the insurance industry. Where possible, there is tremendous benefit in regulators going through similar coursework across jurisdictions to enhance their understanding and perspective, while always remembering that what ultimately matters is their own state's law. We commend the NAIC's commitment to adding to an already impressive education and training curriculum.³ We also recommend that all NAIC education courses should be available to anyone wishing to sign up and pay the appropriate fees. Whether the target audience is a regulator or a member of the public – the industry and the public should be able to explore and learn about insurance topics and the regulatory infrastructure which guides them. Additionally, fees charged for course participation can help the NAIC offset other costs without raising fees across the board, and course attendees are likely to find additional industry involvement and perspective valuable as both educators and participants on course message boards.

IT VISION System Enhancements

We support enhancements of information technology security across the NAIC – as we see technology evolve, we are reminded that regulators and the NAIC are entrusted with the safekeeping of highly sensitive and valuable insurer and policyholder information. To the extent that the NAIC is investing in technology related projects, we encourage you to prioritize information security and data protection in all budgetary and governance considerations, just as regulators continuously require regulated entities to do. NAMIC appreciates the continued development of security for the NAIC system, as it houses insurer data with varying degrees of sensitivity. The NAIC should remain focused on the goal of protection when upgrading or modifying IT systems for the good of its member states and the industry whose data it holds.

³ https://content.naic.org/education_schedule.htm



Uniform Certificate of Authority Application (UCAA) – Phase II

This project continues development and will integrate additional applications into the platform, including corporate expansion, and domestic and foreign corporate amendments. Appreciating that the UCAA application process is a complicated one with less frequent applicability than the other 2024 fiscals, NAMIC is generally supportive of the NAIC developing technology that makes processes easier for companies undergoing significant changes. As noted in our previous comments, the security of the sensitive regulated entity data required for the UCAA process should be front-and-center as updates are developed.

General / Closing Comments

The role of the insurance industry and our partnerships with state regulators have never been more important to consumers all around the country than they are now as we enter cautiously into a new era of risk. Just as carriers continue to carefully assess every expenditure, investment, and strategic decision, the NAIC's growth and expansion should remain in proportion to expected needs and tempered by continuous review. Insurance regulators and the NAIC are uniquely positioned to solve for inefficiencies and remove redundancies that result in excessive costs to all stakeholders.

NAMIC appreciates the opportunity to provide input on the NAIC 2024 annual budget. We believe the association continues to capably manage the significant finances of the organization and has invested in several projects that will benefit the states' insurance markets and the consumers that they serve. Thank you for your consideration of these comments on this matter of importance to NAMIC, its member companies, and their policyholders.

Sincerely,

A handwritten signature in black ink, appearing to read 'Erin Collins'.

Erin Collins
Senior Vice President – State and Policy Affairs

November 17, 2023

Mr. Jim Woody
NAIC Chief Financial Officer
jwoody@naic.org.

Re: NAIC Proposed 2024 Budget

Dear Mr. Woody:

As the Consumer Representatives serving on the Consumer Board of Trustees, we write to support the NAIC's proposed \$15,000 budget increase for the Consumer Participation Program. Attendance at the national meetings often provides the only opportunities many Consumer Representatives have to meet and talk with regulators in person. The current \$5,000 expense (travel) cap per funded Consumer Representative has not changed in years while the cost of travel has increased, in some areas substantially. An increase in funding will allow more consumer representatives to participate and current consumer representatives to participate more fully. We appreciate the NAIC's continued commitment to this Program and its willingness to increase funding when appropriate.

Thank you and we would be happy to discuss further.

Best regards,

Brendan Bridgeland
Brenda Cude
Lucy Culp
Peter Kochenburger
Carl Schmid
Harry Ting

Consumer Representative Members, Consumer Board of Trustees