



STATE AHEAD

STRATEGIC PLAN 2018 2019 2020







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Letter from NAIC Officers

For time and the world do not stand still. Change is the law of life. And those who look only to the past or the present are certain to miss the future.

John F. Kennedy

As NAIC's leadership, we made a commitment to our fellow members to support state insurance departments and drive efforts to improve and enhance our regulatory framework through the NAIC. Our members, in turn, have sworn commitments to protect their consumers and provide for a stable and competitive marketplace. Our system of regulation must keep pace with a rapidly evolving marketplace fueled by seismic shifts in consumer behavior, huge technological advances, and a dynamic policy and regulatory environment. Our state-based system of insurance regulation has faced change before, but never on the scale we are currently experiencing. This is a watershed moment. We cannot falter.

To better position all of us to succeed in this ever-changing environment, we have created *State Ahead*, an in-depth strategic plan for the NAIC to drive our efforts, resources and attention to meet the challenges facing us in the next three years. The plan will also serve as a messaging platform for how we talk about the advancements we are making.

Throughout the planning process and in light of regional, national and global landscape considerations, NAIC officers, zone leadership, and NAIC senior management focused internally on our organization, how we excel and where we need to improve. Small, incremental changes will not serve us well in the face of such dynamic change in financial service regulation.



State Ahead is our combined — 56 member-strong — effort to take these challenges head-on.

All of this planning and eventual execution goes hand in hand with maintaining the NAIC's existing operations, supporting our committee structure and maintaining our commitment to transparency and consensus-building. We are not slowing down. Combined, our efforts will go a long way to secure the insurance sector more broadly as a pillar of financial security.

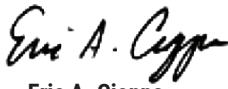
On behalf of the dedicated individuals who worked tirelessly to put this plan together, we are pleased to share our combined vision for enhancing the insurance regulatory framework throughout the next three years.



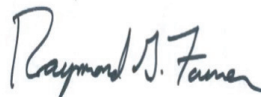
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About the NAIC

The National Association of Insurance Commissioners (NAIC) was formed in 1871 and 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 review, and coordinate their regulatory oversight. NAIC staff support these efforts and represent the collective views of state regulators domestically and internationally. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

The NAIC and its membership are at an exciting crossroads — a critical stage of regulatory developments in the insurance sector. To guide the association while supporting continued development of the effective state regulatory framework, NAIC leadership conducted an extensive planning process, soliciting input from a broad range of interested parties including state insurance regulators, NAIC senior leadership and stakeholders.

Through this process, the NAIC developed a three-year approach to focus the scope and impact of what we concluded is our most important work. *State Ahead* provides a blueprint for the NAIC's future. At its core, the plan shows the way toward building on our existing strengths as a nexus for innovation and a hub of resources for insurance departments to draw upon as they execute their responsibilities as state insurance regulators.

The long-standing goals of solvency monitoring and consumer protection have not changed, but the landscape has. In response, the NAIC must develop and harness new tools, talents and technologies without losing sight of the nearly 150 years of history and experience that has served the U.S. well.

The development of *State Ahead* was a yearlong initiative drawing on expertise from state regulators and NAIC staff from every department. The strategic



If you don't have a strategy, you're part of someone else's strategy.

Alvin Toffler



planning team spent much of the year fine-tuning the plan to the finished product submitted for approval. State regulators guided the direction of the plan at each stage of development, weighing in on and approving the direction in which the NAIC must evolve. The NAIC's current officer group, as well as its Executive (EX) Committee, have all committed to *State Ahead*, thereby ensuring the plan has the support and resources needed to effectively implement a multi-year strategic initiative, endorsed and supported by each of the current officers of the NAIC.

State Ahead is organized by three overarching themes supported by four goals outlining how to accomplish the plan.

THEME I: Safe, Solvent and Stable Markets

1. Provide insurance regulators with the data, training and tools required to support a collaborative regulatory environment that fosters stable financial markets and reliable and affordable insurance products.

THEME II: Consumer Protection and Education

2. Ensure that consumer protection keeps pace with changes in the marketplace and consumers have information and education needed for informed decision-making.

THEME III: Superior Member Services and Resources

3. Provide optimal services to support state insurance departments and equip them with the necessary talent and resources.

4. Optimize the efficiency and effectiveness of the NAIC structure to focus on member priorities and maximize member engagement.

Developing and launching *State Ahead* is just the first part of the NAIC's continued evolution, representing the next chapter of the storied history of the NAIC.

NAIC's Vision for State Ahead

To build on the NAIC's world-class information, technology and talent to provide superior member services and strong advocacy of pro-state regulation policy.

THE CASE FOR CHANGE

The NAIC is no stranger to change and has adapted to the shifting currents affecting the sector that have occurred many times over the course of its nearly 150-year history. The NAIC and its members are once again at a turning point and facing a myriad of forces including:

- Technological advances and the impact on consumers, insurance industry and state insurance regulators.
- Use of data to tailor insurance product design, pricing and delivery.
- Retirement security and changing population demographics.
- Changing view of ownership of personal property and the increasing availability of autonomous vehicles.
- Rising demand for simplified and near instantaneous purchase transactions.
- The prolonged low-interest rate environment impact on insurer investments.
- Cybersecurity as a major consideration for insurers, state insurance regulators and the NAIC.
- Increasing frequency, destructiveness and cost of natural catastrophes.
- Influence of foreign jurisdictional approaches to insurance standard-setting.
- Regulatory ability to promote stable financial markets through data collection and analysis.
- 24-hour news cycle, fed by nontraditional sources for information on complicated issues.
- Need for states to hire increasingly professional and technical staff at a time of limited state budgets.

State insurance regulation is already experiencing the challenges and opportunities associated with this new and emerging landscape. Regulators must work together to enhance the collective regulatory framework in response to these changes. The NAIC has never experienced such a convergence of forces with the potential to reshape the industry. We need to evolve with the marketplace around us, lest we be left behind. This is especially true of the tools and services developed and provided by the NAIC. In particular, we foresee leveraging even further the information the NAIC collects as a critical element to the future.

State Ahead has identified data, technology and talent as the 'foundational pillars' supporting the core three themes and their respective goals. Each of our themes and goals will be supported by the investments we make in these three key areas. Many of the NAIC's current initiatives and budget for 2018 are designed to lay these foundational pillars on which *State Ahead* will be built.



BUILDING THE PLAN

NAIC leadership developed a process for *State Ahead* designed to engage state insurance regulators, NAIC staff and stakeholders throughout the process. Regular meetings of NAIC members and leadership were held to advance the development of the core themes, goals and objectives in the plan.

The planning process for the NAIC's *State Ahead* initiative began in January 2017 and concluded in January 2018. The NAIC CEO and COO led the planning process at the direction of the NAIC officers. Senior NAIC staff worked throughout the process to offer expertise and insight. Because the NAIC is a member-driven and a member-support organization, it was critical to involve state regulators in the construction of a plan designed to benefit their agency missions and the consumers and markets they serve.

56 Members, One Plan

As a member-driven organization, it is critical *State Ahead* be wholly owned by each of our members. Every member of the NAIC was involved in the development of the plan. In addition, NAIC management and stakeholder feedback was solicited and incorporated as part of the strategic planning process.



Strategic Planning Milestones

January – March 2017: Individual member outreach and engagement.

April: Executive (EX) Committee and Internal Administration (EX1) Subcommittee meeting and Commissioners' Roundtable.

May: Strategic planning activities, including NAIC staff in Kansas City.

June: Strategic planning session with NAIC members and staff in Kansas City; NAIC zone leadership call.

July: NAIC Executive (EX) Committee call; Commissioners' Roundtable in Madison, WI; survey to all members; NAIC staff and all-member call.

August: Commissioners' Roundtable in Philadelphia.

September – October: Ongoing NAIC leadership coordination calls.

November: Engagement with NAIC officers and zone leadership.

December: Presentation of *State Ahead* full plan template to membership at Fall National Meeting.

December 2017 – January 2018: Further refinement of *State Ahead* based on member direction and input.

February 2018: Finalization and implementation of *State Ahead*.

KEEPING ON TRACK

NAIC management is tasked with working closely with the NAIC leadership and members to implement the action steps contained in *State Ahead*. This includes providing the Executive (EX) Committee and members with regular status reports, as well as year-end reports. NAIC management will coordinate with NAIC leadership and members to conduct an annual review of *State Ahead* to confirm the themes, goals and objectives are still on point.

Strategic Themes, Goals and Objectives 2018 – 2020



Three Themes, Four Goals, Eight Priority Objectives

<i>Themes</i>	<i>Goals</i>	<i>Priority Objectives</i>
<p>I. Safe, Solvent and Stable Markets</p>	<p>1. Provide insurance regulators with the data, training and tools required to support a collaborative regulatory environment that fosters stable financial markets and reliable and affordable insurance products.</p>	<p>A. Optimize the NAIC’s world-class financial data and information for regulator-focused analytics, including predictive analytical tools.</p> <p>B. Evaluate regulatory gaps and opportunities arising from macroprudential surveillance, and develop appropriate regulatory responses.</p>
<p>II. Consumer Protection and Education</p>	<p>2. Ensure consumer protection keeps pace with changes in the marketplace and consumers have the information and education needed for informed decision-making.</p>	<p>C. Optimize use of market data and regulatory processes to enhance consumer protections.</p> <p>D. Provide effective and accessible consumer education and financial literacy tools.</p> <p>E. Position NAIC and its members as thought leaders in insurance regulatory innovation.</p>
<p>III. Superior Member Services and Resources</p>	<p>3. Provide optimal services to support state insurance departments and equip them with the necessary talent and resources.</p> <p>4. Optimize the efficiency and effectiveness of the NAIC structure to focus on member priorities and maximize member engagement.</p>	<p>F. Expand ongoing training for regulators at all levels of state insurance departments.</p> <p>G. Ensure NAIC provides state insurance regulators with technical services that are secure, reliable and flexible.</p> <p>H. Focus on better management of regulatory issues introduced in committees and task forces, including setting expectations, defining deliverables and establishing time deadlines.</p>

An important part of State Ahead is making the organization more nimble and efficient, allowing us to use our wealth of data and technology for new and better purposes tailored to meet what regulators are seeing in their markets and what they're going to be seeing three years from now.

**Michael F. Consedine,
NAIC CEO**

I. SAFE, SOLVENT, AND STABLE MARKETS

Goal 1: Provide state insurance regulators with the data, training, and tools required to support a collaborative regulatory environment that fosters stable financial markets and reliable and affordable insurance products.

There are two main objectives to achieve this goal: (1) optimize the NAIC's world-class financial data and information for regulator-focused analytics, including predictive analytical tools; and (2) evaluate regulatory opportunities arising from macroprudential surveillance and develop appropriate regulatory responses.

Optimizing financial data includes modernizing the way the data is organized to make it more consumable for state insurance regulators, staff, industry and the public. By reorganizing financial data with the customer in mind, the NAIC will empower users with easy to find information.

Another key to accomplishing this goal is providing users with self-service tools. With self-service business intelligence tools, state insurance regulators and staff can create meaningful information from collected data. This will allow individuals to create and share information across the membership. More specific capabilities include giving state insurance regulators the ability to drill down from high-level information into detailed records, creating and modifying filters to highlight a particular regulatory issue or concern, and building visualizations of data to see trends and anomalies. But regulators need more than reports; they need access to flexible tools giving them the ability to view financial and other data from different perspectives in order to gain a better understanding of what has happened in the past, as well as insights into the future.

Cloud capabilities being built for the NAIC will enable the organization to explore opportunities with big data. The NAIC has the potential to streamline data intake processes, expand our tool-sets, and reduce the cost of data processing and storage. The use of cloud platforms will enable experimenting with artificial intelligence at a manageable cost factor.

The second objective to meeting this goal is evaluating the regulatory opportunities arising from macroprudential

surveillance. This initiative involves analyzing how the insurance sector is affected by, reacts to and contributes to financial, economic and other common risk exposures. This effort will be consistent with, and support, the work already underway and led by the Financial Stability (EX) Task Force. Preliminary work suggests opportunities to improve liquidity assessment techniques, particularly for life insurers. This objective should lead to better organization and analytical reporting on the financial health of insurance industry segments and their role in financial stability.

Further detail on meeting these objectives includes:

Objective A: Optimize the NAIC's world-class financial data and information for regulator-focused analytics, including predictive analytical tools.

Create an enterprise data strategy and analytics data warehouse.

- As part of an enterprise approach, create a data analytics warehouse designed for end-user consumption of data, allowing state insurance regulators to more easily identify data across all NAIC functions.
- Create a financial data lifecycle and data governance framework, including establishing ownership of data, data definitions and master source of data. This includes periodic reviews of the utilization of existing data and recommendation to the membership on new sources of data, as well as streamlining or reducing data no longer necessary. Better data management will ensure existing data is fully leveraged before requesting new data.
- Provide easy access to download, interact and consume financial data for state insurance regulators, staff, industry and the public. Explore development of a one-stop shop for NAIC data.
- Develop an enterprise approach to retire obsolete data collection systems and centralize data collection in one modern and flexible platform.

Implement a business intelligence tool with self-service capabilities.

- Provide NAIC staff and state insurance regulators with self-service capability to create and publish reports and dashboards. These tools should allow state insurance regulators to customize NAIC data with their own prioritization system and incorporate individual state datasets.
- Train NAIC staff and state insurance regulators on business intelligence tool capabilities.
- Acquire new skillsets, such as a data scientist, to support goals and objectives.
- Leverage data across internal regulatory domains and external sources of market conduct, financial solvency, the System for Electronic Rate and Form Filing (SERFF), and State Based Systems (SBS), and provide state insurance regulators easy access to this data.
- Improve modeling capabilities to cover various scenarios, comparisons and extended looks across multiple years of data (10 or more years).
- Provide information to give insight into the past (descriptive analytics) and move towards understanding the future (predictive analytics).

Explore the use of advanced cloud capabilities.

- Develop proof of concept involving artificial intelligence and predictive analytics.
- Explore big data tools to further automate the execution of data calls (self service).

Objective B: Evaluate gaps and regulatory opportunities arising from macroprudential surveillance, and develop appropriate regulatory responses.

Apply the business intelligence tool to NAIC and external data to improve macroprudential surveillance capabilities.

- Integrate data practices and business intelligence tools described in the previous objective to achieve enhanced

From the evolution of the web in the late '90s to where we are today, we can practically do everything on our phones or electronic devices. From purchasing health insurance to filing complaints, there's a broad spectrum of things occurring, and how we adapt our regulations to meet those changes is, I think, what is the basis of the State Ahead initiative.

**Gordon I. Ito,
NAIC Secretary-Treasurer
Hawaii Insurance
Commissioner**

financial reporting and risk assessment tools to better monitor the liquidity risk profile of life insurers.

- Deliver enhanced and new macroprudential surveillance tools focused on the financial health and key activities for insurance industry segments.
- Identify and source needed data, including but not limited to insurance regulatory data such as liquidity and counterparty risk exposure, as well as external datasets such as U.S. Securities and Exchange Commission (SEC) generally accepted accounting principles (GAAP) filings and economic data for the U.S. and abroad.
- Assess the role of the Financial Stability (EX) Task Force in the NAIC solvency framework carried out by the state insurance regulators.

Enhance support of the Financial Stability (EX) Task Force.

- Respond to issues raised by the Financial Stability Oversight Council (FSOC).
- Build on strategic objectives relative to liquidity, counterparty exposures and resolution established by the Financial Stability (EX) Task Force, as well as expand upon these objectives to be proactive in our macroprudential surveillance capabilities.
- Develop a high-level status report on risks to/from the U.S. insurance industry.
- Use data, metrics and reports to better leverage the NAIC's macroprudential surveillance capabilities with federal and international peers. Continue to build participation in information-sharing opportunities with financial stability and macroprudential surveillance groups at federal and international levels.
- Leverage best practices from the federal and international community.

Explore the use of advanced tools.

- Develop proof of concept involving artificial intelligence and predictive analytics.

The most important reason for a strategic plan is consumers. We have to be able to educate consumers on the changing insurance needs throughout their lives. From the time they're born, or bring a child into the world, until the time they die, they have different needs and they have to understand the difference in those needs.

**Mike Chaney,
Mississippi Insurance
Commissioner**

II. CONSUMER PROTECTION AND EDUCATION

Goal 2: Ensure consumer protection keeps pace with changes in the marketplace and consumers have information and education needed for informed decision-making.

NAIC members have always been forward-looking when it comes to protecting consumers in the insurance marketplace. In addition to solvency regulation, NAIC members regulate business practices in the marketplace and provide the public with helpful educational information on a wide range of insurance-related topics.

Throughout the past few years, there has been a noticeable change in the insurance marketplace, driven by consumer expectations and competitive pressures, as well as the growth of innovation and emerging technology. By most accounts, the pace of these changes in the marketplace is expected to accelerate in the foreseeable future. It is therefore imperative for the NAIC and its members to not only continue pursuing opportunities to enhance current regulatory market-related data, tools and processes, but also to stay abreast of new developments in the area of innovation and emerging technology in the insurance area.

First, with respect to enhancing current regulatory market-related data, tools and processes, it all begins with market data collected by state insurance regulators and the NAIC. The NAIC has a long history of serving as a central collection point for market data submitted by state insurance departments, which includes complaint data, regulatory actions, examination information and producer licensing/appointment data. More recently, state insurance departments have begun collecting market data from insurers through filings of the NAIC's Market Conduct Annual Statement (MCAS). NAIC members are leveraging NAIC technology to collect and store more market data. Therefore, it will be important for the NAIC to optimize the collection and use of market data, including analytical tools for the benefit of state insurance departments.

Second, with respect to the NAIC and its members staying abreast of new developments in the area of innovation and emerging technology, there will be a need to become more engaged in the areas of InsurTech and RegTech. The goal

should first be to gain a good understanding of new insurance products and services, including the manner in which they affect consumers and other stakeholders in the insurance marketplace. Consumer protection should always be the first consideration.

Through this process, state insurance regulators may identify a need for laws to protect consumer data, as well as identify outdated laws, regulations, or business practices no longer necessary in a digital world.

Objectives to meet this goal include:

Objective C: Optimize use of market data and regulatory processes to enhance consumer protections.

Rebuild the NAIC’s MCAS application, as well as those applications utilizing MCAS data, as a cloud-based solution.

- Provide a more efficient MCAS filing process for insurers.
- Provide state insurance regulators and NAIC staff with a solid platform to collect, analyze and share Market Information Systems (MIS) regulatory data.

Implement a business intelligence tool with self-service capabilities.

- Provide NAIC staff and state insurance regulators with self-service capability to create and publish reports and dashboards. This includes tools to allow state insurance regulators to customize market data with their own prioritization system and incorporate individual state datasets.
- Train NAIC staff and state insurance regulators on business intelligence tool capabilities.
- Acquire new skillsets, such as a data scientist, to support goals and objectives.
- Leverage data across regulatory domains of market conduct, financial solvency, SERFF and SBS.
- Enhance analytical capability by giving state insurance regulators access to more data. Evaluate using external data (e.g., SEC filing data), and give state insurance regulators easy access to this data.

- Improve modeling capabilities.

Create an enterprise market data strategy and analytics data warehouse.

- Leverage the existing work of Market Information Systems (D) Task Force to assess the completeness, accuracy and timeliness of market data reported to the NAIC by state insurance departments.
- As part of an enterprise approach, create a data analytics warehouse designed for end-user consumption of data, allowing state insurance regulators to more easily identify data across all NAIC functions.
- Create a market data lifecycle and governance framework, including establishing ownership of data, data definitions and master source of data. Better data management will ensure existing data is fully leveraged before requesting new data.
- Provide access to download and use market data for state insurance regulators, staff, industry and the public. Explore development of a one-stop shop for NAIC data.
- Develop an enterprise approach to retire obsolete market data collection systems and centralize data collection to one modern and flexible platform.

Rebuild the NAIC's Consumer Information Source (CIS) application.

- Provide a cloud-based application that is consumer facing, creating a consumer-driven experience. This includes a business intelligence tool to provide consumers with the ability to conduct searches and develop data and reports.
- Enhance integration with state insurance department websites to create a national system for release of public information while directing consumers to their appropriate state insurance department.

Objective D: Provide effective and accessible consumer education and financial literacy tools.

Develop the Insure U website into a leading-edge resource for consumer education on insurance-related topics.

- Conduct research and develop innovative approaches to educating consumers about insurance and financial literacy, including the use of business intelligence tools, interactive gamification and other consumer tools.

Develop and update tools for state insurance departments to use directly in promoting consumer education in their respective jurisdictions.

- Develop, update and maintain a portfolio of consumer alerts for use by state insurance departments covering a wide range of insurance-related events.
- Provide general media and consumer outreach training for state insurance regulators through Public Information Officer (PIO) forums, at NAIC zone meetings and national meetings, and separate outreach to individual state insurance departments.
- Develop a financial literacy program for state insurance departments.

Objective E: Position the NAIC and its members as thought leaders in insurance regulatory innovation.

Create opportunities for state insurance regulators to share information and stay current on the evolving dynamics of the global insurance marketplace.

- Monitor and report developments affecting the insurance marketplace and/or state-based insurance regulatory framework.
- Provide forums and programs for state insurance regulator education and discussion regarding changes in the insurance marketplace, including innovation and technology.
- Convene an Autonomous Vehicle Insurance Forum with stakeholders to discuss insurance regulatory issues related to autonomous vehicles.

Strategic Themes, Goals and Objectives 2018 – 2020

Technology is a daily part of our lives. This plan will allow us to bridge the past to the future.

**Lori K. Wing-Heier,
Alaska Insurance Director**

Utilize the NAIC’s Center for Insurance Policy and Research (CIPR) to enhance focus on insurance regulatory innovation.

- Conduct targeted research and analysis regarding factors likely to affect regulatory innovation.
- Sponsor/participate in live programs/webinars focusing on regulatory innovation, including InsurTech and RegTech, designed to inform state insurance regulators and NAIC staff.

Create a Cybersecurity Insurance Institute.

- Work with NAIC members to develop a framework for a cybersecurity insurance institute, including its purpose, members/participants, objectives and operational issues.
- With the approval of the membership, develop a comprehensive work plan to implement the agreed upon framework.



State Ahead provides the roadmap for the NAIC and state insurance regulators in our rapidly changing environment to put the states first and serve as a primary resource for all of our stakeholders: consumers, industry and the U.S. Congress, providing factual information to address public policy issues.

**Julie Mix McPeak,
NAIC President
Tennessee Insurance
Commissioner**

III. SUPERIOR MEMBER SERVICES AND RESOURCES

Goal 3: Provide optimal services to support state insurance regulators, and equip them with the necessary talent and resources.

Providing high-quality services to our members and their staffs has been, and will continue to be, one of the NAIC's key operational priorities. This includes providing (i) training and educational initiatives covering a broad range of subject matter areas intended for all levels of state insurance departments, and (ii) technology-based services to members that are secure, reliable and flexible.

With many state insurance departments impacted by budget cuts and/or changes in the level of staff experience, the NAIC will increasingly be looked upon to assist members in addressing these issues. The NAIC will work closely with state insurance departments to better understand their needs, either through direct inquiries or a more involved needs assessment. This effort will help identify areas where attention is needed and further lays the groundwork for developing capabilities to help members.

To improve the security, flexibility and availability of technology-related services, the NAIC needs to focus on four things — cybersecurity, improving the customer experience, platform transformation, and talent development and management.

The NAIC will continue to implement the requirements developed as part of the cybersecurity initiative implemented in the past two years. This will allow for a continued focus on reducing and/or eliminating known risks. Although cybersecurity is becoming ingrained into the culture, this effort needs to continue. The NAIC's migration to the cloud presents new challenges, yet affords many opportunities to improve security. We will extend security practices to the cloud, while gaining a better understanding of how new offerings can help increase the NAIC's security posture.

Improving the customer experience starts with moving towards one customer experience instead of the traditional siloed approach. It also means providing additional tools for

collaboration between state insurance regulators and NAIC staff. Much of improving the customer experience involves monitoring and implementing metrics, as well as streamlining processes used to provide services to the membership.

Platform transformation includes moving to the cloud, evaluating new tools, and improving our development and operational processes. This transformation will help improve and extend systems the NAIC creates for state insurance regulators, while also looking for software as a service (SaaS) capabilities for internal systems. Generally, we will strive to move NAIC staff from operational and maintenance activities, to focus on providing a more direct impact to our core competency of supporting insurance regulation.

The NAIC must continue to foster a highly innovative culture. Cloud computing allows the organization to set up flexible systems and enable low-cost experimentation. The goal is to make it easy and safe to try something new and fail fast without significant financial impact or harm to consumers.

Objectives to meet this goal include:

Objective F: Expand ongoing training for regulators at all levels of state insurance departments.

Outreach to each member to identify training needs.

- Work with each member directly, up to and including a needs assessment, to determine gaps in human and technology resources, level of staff skillsets, and possible training opportunities.
- Develop and implement a program with each member based on needs assessment.
- Continue to increase regulator participation in the NAIC Insurance Regulator Professional Designation Program.
- Formalize NAIC zone technical training programs.
- Provide targeted training for individual state insurance departments.

Strategic Themes, Goals and Objectives 2018 – 2020

There's not a business, industry or entity that is safe from a cyberattack. Strategic planning will provide a roadmap on how to handle and prevent security breaches as much as possible.

**Raymond G. Farmer,
NAIC Vice President
South Carolina
Insurance Director**

Objective G: Ensure the NAIC provides state insurance regulators with technical services that are secure, reliable and flexible.

Keep cybersecurity a top priority and continue to build out our cybersecurity framework.

- Move from Service Organization Control 1 (SOC 1) certification to SOC 2 certification.
- Continue to integrate cybersecurity into daily responsibilities of NAIC staff, creating a continued awareness of cyberthreats and best practices.
- Complete projects to de-identify data for development systems, manage third-party access, enable two-factor authentication for regulator systems, and eliminate critical and high code vulnerabilities.
- Conduct regular monitoring and auditing of programs put in place as part of the cybersecurity framework.
- Maintain regular reviews of risks and plans to reduce, eliminate or accept outstanding risks.
- Hold table-top exercises at least once per year to test for readiness, including disaster recovery.
- Provide appropriate reporting of security threats, disaster recovery exercise results, table-top exercise results, and system health regarding upgrades and patching.
- Actively manage security for cloud implementation, and look for ways to increase security through cloud capabilities — enhanced monitoring, encryption, network segmentation, web application firewall, key/secret management and others.

Improve the user experience of NAIC technology services.

- Create one online NAIC experience based on customer segment — state insurance regulators, consumers and industry.
- Evaluate online accessibility guidelines and determine what level of compliance is required.
- Implement tools to facilitate state insurance regulator collaboration.

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- Implement tools to monitor and measure availability and performance of systems, and publish results to state insurance regulators and internal staff.
 - Continue to implement industry best practices for information technology (IT) service management. Identify and execute efficiency initiatives to streamline internal processes.
 - Work to improve first call resolution for service desk support.

Transform platform and development practices.

- Address outdated technology by consolidating systems, creating shared services and refactoring for cloud.
- Evaluate SaaS offerings for internal support systems — human resources, financial, association management, office productivity and others.
- Automate the deployment of code and infrastructure to improve the overall speed and flexibility of IT services.
- Move from developing large monolithic siloed systems to developing small reusable components designed to achieve a business solution.
- Create a centralized business rules engine to leverage across the organization, thereby achieving one source for state business rules.

Foster a culture for innovation and continuous improvement.

- Develop technology talent, and move them up the stack to focus on higher value activities, while pushing commoditized activities to partners.
- Create an environment where it is okay to fail fast and challenge the old way of doing things. Encourage exploring new ideas.
- Implement processes and tools to increase NAIC staff productivity.

State Ahead provides the guidepost and roadmap we need to get through 2018, move into 2019 and beyond. It really nails down what we're looking to accomplish in the next three to five years.

**Ted Nickel,
NAIC Immediate
Past President
Wisconsin Insurance
Commissioner**

Address NAIC talent and resource needs.

- Conduct an internal needs assessment to determine what we are missing at the NAIC. Examples include:
 - A shared services approach.
 - NAIC provided services.
 - Department of insurance provided services.
 - Crowd sourcing.
 - Outreach to academic institutions and fostering a pathway to public service.

Goal 4: Optimize the efficiency and effectiveness of the NAIC structure to focus on member priorities and maximize member engagement.

The NAIC committee structure plays a critical role in helping members identify, discuss and address a wide range of important insurance regulatory policy issues. Historically, the foundation of the committee structure is based on the Executive (EX) Committee and a set number of standing committees, with jurisdiction over specific subject matter areas, as set forth in the organization's bylaws. These committees are supported by a collection of task forces, working groups and subgroups.

In reality, the committee structure continuously evolves, depending on the nature and number of issues on which state insurance regulators are engaged at any given point in time. For example, a task force, working group or subgroup may be created at any time, depending on a parent group's desire to devote resources to address an issue or set of issues. One of the recognized attributes of the current structure is the flexibility to quickly take initial steps to deal with a wide range of issues at any given point in time. However, if not managed carefully, this may create a structure where regulators and NAIC staff resources become stretched too thin, and overall efficiencies and effectiveness are reduced.

It is therefore important for the committee structure to be managed within a framework that includes reasonable

governance controls designed to ensure effective engagement while ensuring the structure operates as efficiently as possible.

Objectives to meet this goal include:

Objective H: Focus on better management of regulatory issues introduced in committees and task forces, including setting expectations, defining deliverables and establishing time deadlines.

Conduct a review of the committee structure, and develop appropriate governance factors to ensure a balance between effective engagement and efficiency.

- Review the current structure and eliminate groups no longer necessary.
- Develop criteria including the process for the creation of new groups.
- Require achievement of deliverables within specified deadlines for all groups.
- Consider imposing a sunset requirement for certain groups.
- For groups spanning more than one calendar year, conduct year-end assessment of performance as measured against the group's charges and the organization's key initiatives, strategic goals and objectives.



Strategic Investments Summary

Goal 1	Goal 2	Goal 3	Goal 4
Provide state insurance regulators with data, training and tools required to support a collaborative regulatory environment that fosters stable financial markets and reliable and affordable insurance products.	Ensure consumer protection keeps pace with changes in the marketplace and consumers have information and education needed for informed decision-making.	Provide optimal services to support state insurance departments and equip them with the necessary talent and resources.	Optimize the efficiency and effectiveness of the NAIC structure to focus on member priorities and maximize member engagement.

Strategic Initiatives	2017 Funding	2018-20 Base Budget	New Fiscals	Goals
Create an enterprise market data strategy and analytics data warehouse.			\$1,185,000	1,2
Implement a business intelligence tool with self-service capabilities.	\$709,352	\$787,608	\$750,000	1,2
Develop proof of concept involving artificial intelligence and prescriptive analytics.		\$70,000		1,2
Pursue regulatory opportunities relating to macroprudential surveillance.	\$10,000	\$60,000		1
Rebuild the Market Conduct Annual Statement (MCAS) application, and other applications utilizing MCAS data, as a cloud-based solution.	\$303,800	\$171,600		2,3
Rebuild the Consumer Information Source (CIS) application as a cloud-based solution.		\$224,924		2,3
Develop tools for state insurance departments to use directly in promoting consumer education in their respective jurisdictions, including financial literacy.	\$25,000	\$75,000	\$150,000	2
Develop Insure U website into a leading-edge resource for consumer education on insurance-related topics.		\$30,000		2
Provide opportunities for state insurance regulator education and engagement on emerging issues in the insurance marketplace, including InsurTech, RegTech, cybersecurity, autonomous vehicles, etc.	\$200,000	\$525,000	\$600,000	2
Conduct targeted research and analysis to identify and monitor factors affecting or likely to affect regulatory innovation.		\$68,462		2
Expand ongoing training for state insurance regulator staff at all levels of state insurance departments.	\$150,000	\$840,000		3
Ensure the NAIC provides state insurance regulators with technical services that are secure, reliable and flexible.				
• Keep cybersecurity a top priority and continue to build out our cybersecurity framework.	\$367,328	\$2,008,612	\$100,000	3
• Improve the user experience of NAIC technology services.	\$516,346	\$695,118	\$1,808,500	3
• Transform platform and development practices.	\$441,987	\$210,000	\$8,461,941	3
• Foster a culture for innovation and continuous improvement.	\$50,000	\$150,000	\$150,000	3
Optimize the efficiency and effectiveness of the NAIC structure to focus on member priorities and maximize member engagement.		\$75,000		4
Totals:	\$ 2,773,813	\$ 5,991,324	\$13,205,441	

Conclusion

State Ahead is a living, breathing document. It's fluid and dynamic. NAIC staff will work closely with our members to evaluate where we are and what's been accomplished with the plan, but we'll also continuously monitor for changes in the marketplace and evaluate any modifications we may need to implement.

Andrew J. Beal,
NAIC COO/CLO

State Ahead is built on the premise that if the NAIC evolves with the market while continuing to support its members as they execute on the fundamentals of state regulation — solvency monitoring, ensuring competitive markets, and consumer protection and education — then it provides the best possible foundation for the continued primacy of state regulation. Both domestic and international policy agendas will similarly flow from the demonstration that state regulation has adapted to this new landscape. The best defense against federal and international intrusion is a strong offense in the fundamentals of insurance regulation that are embodied in *State Ahead*.

Development and approval of *State Ahead* is a significant accomplishment, but it is just the first of many steps in the NAIC's transformational journey.



NAIC Mission

The mission of the NAIC is to assist state insurance regulators, individually and collectively, in serving the public interest and achieving the following fundamental insurance regulatory goals in a responsive, efficient and cost-effective manner, consistent with the wishes of its members:

- Protect the public interest;
- Promote competitive markets;
- Facilitate the fair and equitable treatment of insurance consumers;
- Promote the reliability, solvency and financial solidity of insurance institutions; and
- Support and improve state regulation of insurance.



Appendix: Historic Perspective 1752–Present

The business of insurance is older than our nation itself. In 1752, Benjamin Franklin helped found the Philadelphia Contributorship for the Insurance of Houses from Loss by Fire. Nearly 100 years later, the first state insurance commissioner was appointed in New Hampshire in 1851. The NAIC was created just 20 years later in 1871 to support the burgeoning regulation surrounding the growth of the insurance industry. Congress passed the federal McCarran-Ferguson Act in 1945, affirming that state regulation of insurance is in the public's best interest.

As insurance markets have become more interconnected with the broader financial services landscape, the state-based insurance regulatory regime remains largely untouched. The federal Gramm-Leach-Bliley Act (1999) and Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) were two landmark financial services reform bills that relied heavily on the state-based insurance regulatory framework.

State regulation endures because it adapts. Historically, state insurance regulators, supported by each other through the NAIC, have risen to meet challenges as they arise. In the early 1990s, the NAIC developed a method for cost-effective rate and form filings for insurers, the System for Electronic Rate and Form Filings (SERFF). Also in the 1990s the NAIC created a risk-based capital (RBC) calculation which: (1) provides a capital adequacy standard related to risk, (2) raises a safety net for insurers, (3) is uniform among the states, and (4) provides regulatory authority for timely action.

In 1996, state insurance regulators formed the National Insurance Producer Registry (NIPR) to streamline the producer-licensing process, making it more cost-effective and uniform for regulators, the insurance industry and consumers. In 2002, the NAIC developed a framework for the creation of the Interstate Insurance Product Regulation Commission (IIPRC) through an interstate compact to enhance the efficiency and effectiveness of how insurance products are filed, reviewed and approved. Streamlining this process allows companies to better respond to consumers by providing faster access to innovative insurance products.

With the backdrop of the financial crisis in 2008–2009, the NAIC embarked on its Solvency Modernization Initiative (SMI) in 2008 as a critical self-examination focused on five key solvency areas: capital requirements, international accounting, insurance valuation, reinsurance and group regulatory issues. The SMI, and the related macroprudential initiative launched in 2017, highlight the strengths of the state-based national system of insurance regulation, identify improvements, and recognize the potential impact from international standard-setting in the insurance sector.

This is an unprecedented domestic and international policy environment in which the NAIC has an opportunity to reassert the primacy of state insurance regulation.

The U.S. insurance market is the largest and most competitive in the world. More than 5,900 insurers write \$2 trillion in premium annually and employ more than 2.2 million people. State insurance regulators supervise more than one-third of all global premium, and taken individually, 26 U.S. states are included on the list of the world's 50 largest insurance markets, including three states in the top 10.

Despite considerable activity by state insurance regulators on a variety of important topics in recent years, the NAIC continues ongoing efforts to improve regulation in the best interests of U.S. insurance consumers. State regulation has a nearly 150-year track record of evolving to meet the challenges posed by dynamic markets, and continues to believe well-regulated markets make for well-protected policyholders.



STATE AHEAD



STRATEGIC PLAN 2018 2019 2020