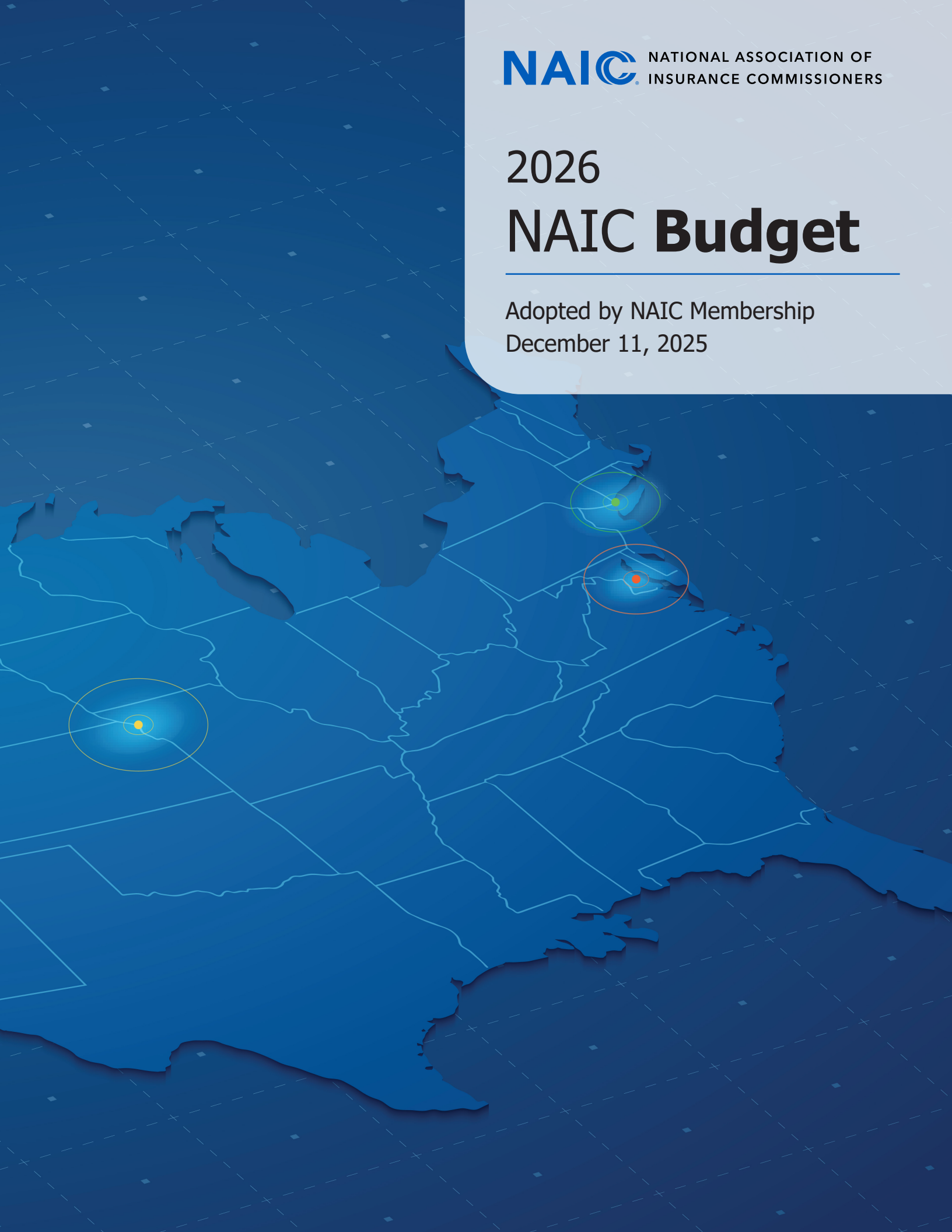


2026

NAIC Budget

Adopted by NAIC Membership
December 11, 2025





About the NAIC

Established in 1871, the National Association of Insurance Commissioners (NAIC) was created to support insurance regulators in coordinating oversight across jurisdictions and addressing the growing complexity of the insurance industry. Comprised of the chief insurance regulators from all 50 states, the District of Columbia, and five U.S. territories, the NAIC plays a critical role in supporting state-based insurance regulation. Through the NAIC, insurance regulators collaborate to develop model laws, share regulatory best practices, and leverage centralized data and analysis to ensure consistent, effective supervision and consumer protection nationwide.

With access to critical market intelligence and financial data, regulators are equipped to make informed decisions that protect policyholders and promote a stable insurance marketplace. The NAIC supports their work by developing essential tools and providing shared resources that enhance regulatory effectiveness and help achieve collective goals.

Mission

The NAIC's mission is to assist regulators in protecting consumers and maintaining fair, solvent and competitive insurance markets. In support of this mission, the NAIC offers a multifaceted range of products and services designed to serve regulators, the public, and insurers. Two core principles guide every aspect of the NAIC's work: (1) strengthen regulation by ensuring local oversight remains robust and responsive to the unique needs of each jurisdiction and (2) assist regulators in navigating the complexities of an evolving insurance landscape.

NAIC's Focus: Members and Mission

Members are insurance regulators from diverse backgrounds—but are united in their shared commitment to set standards and ensure fair, competitive, and healthy insurance markets to protect consumers. The singular mission of the NAIC is to support its members in these noble causes.

By staying true to these core principles, the NAIC not only supports the foundation of state-based regulation but also champions innovation and adaptability. The NAIC remains steadfast in its commitment to supporting a regulatory environment that balances consumer protection with market growth, embraces technological advancements, and promotes collaboration among stakeholders.

To support these values, the NAIC offers a wide range of services, including education, data collection and analysis, technology



support, financial analysis and reporting, licensing, and testing. Additionally, through NAIC committees, task forces, and working groups, regulators develop model laws and regulations to help standardize insurance practices across member jurisdictions, ensuring a consistent and effective regulatory framework.

Membership Support

The NAIC is dedicated to assisting insurance regulators in maintaining the reliability, solvency, and financial stability of insurers while supporting and enhancing insurance regulation. By leveraging NAIC technology solutions, regulatory tools, and employee resources, members can achieve these objectives in a timely and cost-effective manner. Membership in the NAIC offers a range of benefits and services. In addition to the numerous solvency tools and system access, members receive jurisdiction funding, training, analytical data, regulatory tools, and subject matter experts, all of which provide value that far exceeds the cost of membership. Many of the NAIC's systems would be cost prohibitive for jurisdictions to implement independently, leading to a significant increase in regulatory costs, higher expenses for insurers, and ultimately consumers. Maintaining NAIC's funding mechanisms benefits all parties involved by keeping regulatory costs manageable.

Valuable Products and Services

The NAIC seeks to support its mission through a wide variety of products and services offered to regulators, the insurance industry, and insurance consumers. For regulators and those in industry, the NAIC offers web-based systems that automate, standardize, and streamline regulatory processes by transmitting data and facilitating regulatory transactions. For consumers, the NAIC offers a wide range of informational products to help consumers make informed decisions.

The NAIC remains committed to maintaining and enhancing its infrastructure by staying abreast of emerging technologies. This commitment ensures regulators are equipped with the necessary tools to protect consumers and promote a fair, competitive, and healthy insurance market.

Building the Budget

The NAIC is committed to transparency in both its budgeting process and overall operations. Each May, department managers evaluate the current year's revenues and expenses to forecast a year-end financial outlook. They then develop budget proposals for the upcoming year, including fiscal impact statements (fiscals) for new or significant projects, aligning requests with member-driven initiatives and operational goals. Managers focus on articulating the differences between the current year's budget and projected



outcomes, as well as anticipated needs for the following year. This comprehensive process involves a thorough review of all committee directives, projects, products, programs, services, and technology initiatives to ensure alignment with the NAIC's mission, strategic direction, and member directives. The NAIC's Chief Executive Officer and senior management then evaluate each department's budget in detail, making necessary adjustments to support the association's strategic and financial goals, before consolidating all requests into a single, unified budget.

Following the extensive development and internal review process, the budget is presented to the NAIC Officers, the Executive (EX) Committee and Internal Administration (EX1) Subcommittee, and the full NAIC membership to ensure alignment before being released for public review and comment. To ensure transparency, a public hearing is conducted to gather comments before the full membership gives final consideration on adoption of the budget.



2026 NAIC Budget

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NOTE: The NAIC Annual Report, including audited financial statements, is located at <https://content.naic.org/about>

2026 BUDGET EXECUTIVE SUMMARY

Expected Results for 2025

Based on actual operating results through June 30, 2025, the NAIC projects an operating loss of \$9.1 million compared to a budgeted negative operating margin of \$11.5 million, an improvement of \$2.4 million. Investment income is projected to be a gain of \$14.1 million. When combining results of operations and investment returns, net assets are expected to increase \$5.0 million, resulting in \$215.0 million in projected net assets at year-end. While investment income is projected at \$10.8 million over budget at year-end, it is important to note that \$8.0 million is based on market valuations. Markets remain volatile and increasing uncertainty may impact future financial performance.

2026 Budget

The operating budget reflects revenues of \$175.2 million and expenses of \$186.3 million, which represent a 7.0% and 6.3% increase, respectively, from the 2025 budget, resulting in \$11.1 million in projected expenses over revenues. Viewed in relation to the 2025 projected totals, the 2026 budget represents an operating revenue increase of 4.0% and operating expense increase of 5.0%. Additional information is included in the detailed footnotes of the budget.

Included within this budget are five fiscals – detailed analysis prepared for new or existing NAIC initiatives with revenue, expense, or capital impacts of \$100,000 or more either in the current budget or within the following few years' budgets, or which require more than 1,150 hours of internal technical resources to accomplish. Each fiscal includes a detailed description of the initiative, its benefits, deliverables, and an assessment of the financial impact to the organization. The total financial impact of the five fiscals included in the 2026 budget is \$161,000 in revenues, \$6.5 million in expenses, and \$11.7 million in capital spending. Additional information about each initiative is included in the fiscal section of the budget.

The budget also includes \$3.6 million in investment income from the NAIC's long-term investment portfolio and cash equivalent investments. Investment income is composed of interest and dividends earned, reduced by investment management fees. Investment gains and losses are volatile and therefore are not projected nor included in the budget.

Combining budgeted results from operations with budgeted investment income, the budget has a reduction in net assets of \$7.5 million, with projected net assets of \$207.5 million at the end of 2026.

Ensuring Financial Stability

The NAIC maintains an operating reserve designed to ensure organizational financial stability in the face of emerging business risks and uncertainties, while also providing the capacity to fund new priority initiatives identified by membership. The association's reserve status is a paramount consideration in the budgeting process, reflecting the NAIC's commitment to strong and prudent financial management of its assets.

To support this commitment, the NAIC has adopted a rigorous, long-term methodology for determining its operating reserve target. Developed in consultation with an independent financial advisory firm and informed by an evaluation of comparable organizations, the framework considers three key components: the working capital required to sustain daily operations for a three-month period; funding needed to

mitigate potential organizational risks; and the resources necessary to advance strategic initiatives over a three-year horizon.

Operating Reserve Target

The reserve makes assets available to allow an organization to take mission-related risks and to absorb or respond to changes in its environment or circumstances.

Based on the most recent comprehensive analysis, NAIC's current operating reserve target is set at \$174.9 million. This reserve not only safeguards operational continuity and risk preparedness but also ensures the association can continue investing in the modernization of its critical information technology and technical infrastructure. These forward-looking investments are detailed throughout the 2026 budget.

Preparing for the Unknown

The budget and operating reserve includes all activities anticipated to occur in 2026. However, situations or additional strategic or emerging projects may arise that require additional funding. In such an event, a funding request will be prepared and presented to the Executive (EX) Committee and Internal Administration (EX1) Subcommittee for consideration and direction. Supplemental funding can also come from the Regulatory Modernization and Initiatives Fund, which is an extra layer of protection established in 2005 to manage requests that arise following the adoption and implementation of an annual budget. This fund is based on 1.5% of the NAIC's projected net assets as of December 31, 2025, or \$3.2 million.

Contact Information

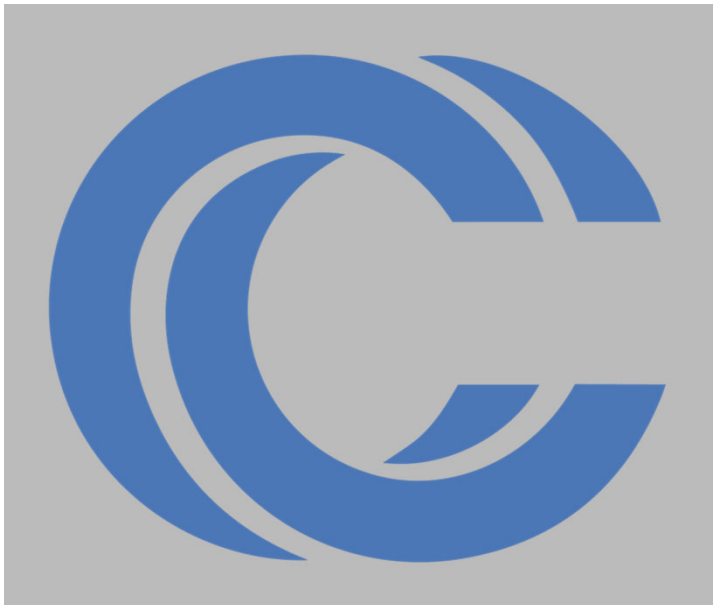
The NAIC appreciates the opportunity to present this budget and believes it provides a comprehensive review of the NAIC's business and financial operations for the current and upcoming year. A summary of the key components of the 2026 budget is included in the budget overview.

Please contact Carol Thompson, Director of Finance, at cthompson@naic.org, should you have any questions or need additional information.



NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS

2026 Budget Overview



2025 Projections

- Financial Performance
- Revenues
- Expenses

Financial Performance (in millions)

	2024 Actual	2025 Projection	2025 Budget	Change 2025 Budget vs 2025 Projection
Operating Revenue	\$161.4	\$168.4	\$163.7	\$4.7
Operating Expense	159.3	177.5	175.2	2.3
Operating Revenues Over/(Under) Expenses	2.1	(9.1)	(11.5)	2.4
Investment Income	14.5	14.1	3.3	10.8
Net Revenues Over/(Under) Expenses	<u>\$16.6</u>	<u>\$5.0</u>	<u>(\$8.2)</u>	<u>\$13.2</u>

- Operating results are expected to be over budget by \$2.4M due to a \$4.7M (2.9%) over run in operating revenue offset by a \$2.3M (1.3%) over run in operating expense.
- Investment income is expected to be \$10.8M over budget due to realized and unrealized investment gains.
- Net assets at the end of 2025 are expected to increase by \$5.0M, ending the year at \$215.0M.

Revenues (in millions)

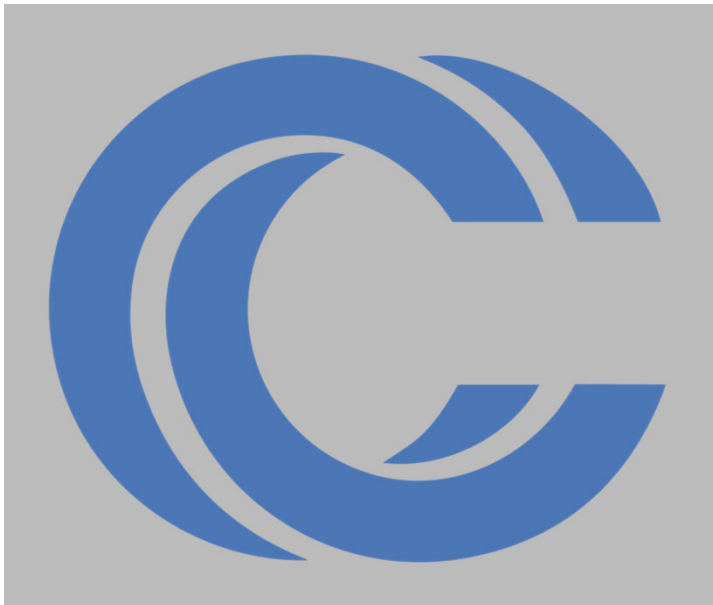
	Projection	Budget	Variance
Member Assessments	\$2.4	\$2.4	
Database Filing Fees	50.2	48.3	\$1.9
Publications and Insurance Data Products	17.4	17.5	(0.1)
Valuation Services	35.1	33.9	1.2
Transaction Filing Fees	23.1	23.3	(0.2)
National and Major Meetings	2.8	3.0	(0.2)
Education and Training	0.3	0.4	(0.1)
License Fees and Administrative Services	37.0	34.6	2.4
Other	0.1	0.3	(0.2)
Operating Revenue	<u>168.4</u>	<u>163.7</u>	<u>4.7</u>
Investment Income	<u>14.1</u>	<u>3.3</u>	<u>10.8</u>
Total Revenue	<u>\$182.5</u>	<u>\$167.0</u>	<u>\$15.5</u>

- Database filing fees revenue is \$1.9M above budget due to average premium growth within the industry exceeding the average of 2.5% to 3.0% included in the budget.
- Valuation services is above budget by \$1.2M primarily due to a higher volume of rating requests in several categories, most notably private letter ratings and corporate regulatory treatment analysis.
- License fees and administrative services revenue is \$2.4M above budget due to growth in National Insurance Producer Registry (NIPR) revenues.

Expenses (in millions)

	Projection	Budget	Variance
Salaries and Benefits	\$101.1	\$101.0	\$0.1
Professional Services	25.3	23.1	2.2
Computer Services	9.6	9.1	0.5
Travel	5.9	6.5	(0.6)
Occupancy and Rental	4.9	4.7	0.2
Software License Fees	11.9	11.7	0.2
Depreciation and Amortization	6.5	6.8	(0.3)
National and Major Meetings	5.7	5.5	0.2
Education and Training	0.2	0.3	(0.1)
Grant and Zone	2.5	2.5	
Administrative and Operational	3.9	4.0	(0.1)
Total Expense	<u>\$177.5</u>	<u>\$175.2</u>	<u>\$2.3</u>

- Professional services are \$2.2M over budget due to unexpected post production support for the new SERFF platform.
- Computer services is \$0.5M over budget due to the purchase of additional capacity for cloud computing and higher renewal rates on ratings and security data feeds.
- Travel is \$0.6M under budget due to a change in delivery of regulator training for Enterprise Data Asset Management and SERFF.



2026 Budget

- Summary
- Revenues
- Expenses
- Fiscals
- Headcount

Summary (in millions)

	2025 Projection	2025 Budget	2026 Budget	2026 Budget Increase (Decrease) from 2025 Budget	2026 Budget Increase (Decrease) from 2025 Projection
Operating Revenue	\$168.4	\$163.7	\$175.2	\$11.5	\$6.8
Operating Expense	177.5	175.2	186.3	11.1	8.8
Operating Revenues Over/(Under) Expenses	(9.1)	(11.5)	(11.1)	0.4	(2.0)
Investment Income	14.1	3.3	3.6	0.3	(10.4)
Net Revenues Over/(Under) Expenses	<u>\$5.0</u>	<u>(\$8.2)</u>	<u>(\$7.5)</u>	<u>\$0.7</u>	<u>(\$12.4)</u>

- Operating revenues are budgeted to increase by \$11.5M (7.0%) compared to the 2025 budget and \$6.8M (4.0%) over the 2025 projection.
- Operating expenses are budgeted to increase \$11.1M (6.3%) over the 2025 budget and \$8.8M (5.0%) higher than the 2025 projection.
- Five fiscals are included in the budget with revenues of \$0.2M, expenses of \$6.3M, and capital outlays of \$11.7M.
- Investment income is budgeted at \$3.6M. This represents interest and dividends earned less investment management fees. Realized and unrealized gains and losses are not budgeted due to the volatility of financial markets.
- After including investment income, the NAIC's net assets are budgeted to decline \$7.5M, ending 2026 at \$207.5M.

Revenues (in millions)

	2025 Projection	2025 Budget	2026 Budget	2026 Budget Increase (Decrease) from 2025 Budget	2026 Budget Increase (Decrease) from 2025 Projection
Member Assessments	\$2.4	\$2.4	\$2.6	\$0.2	\$0.2
Database Filing Fees	50.2	48.3	51.6	3.3	1.4
Publications and Insurance Data Products	17.4	17.5	17.9	0.4	0.5
Valuation Services	35.1	33.9	36.3	2.4	1.2
Transaction Filing Fees	23.1	23.3	25.7	2.4	2.6
National and Major Meetings	2.8	3.0	2.8	(0.2)	
Education and Training	0.3	0.4	0.3	(0.1)	
License Fees and Administrative Services	37.0	34.6	37.9	3.3	0.9
Other	0.1	0.3	0.1	(0.2)	
Operating Revenues	168.4	163.7	175.2	11.5	6.8
Investment Income	14.1	10.8	3.6	(7.2)	(10.5)
Total Revenues	<u>\$182.5</u>	<u>\$174.5</u>	<u>\$178.8</u>	<u>\$4.3</u>	<u>(\$3.7)</u>

- Database filing fees anticipates premium growth between 3.9% to 4.5% and an increase in the individual and group cap of 3.4% based on the 2024 CPI-U.
- Valuation services will increase slightly with price changes ranging from \$10 to \$125 for some Capital Markets and Investment Analysis Office designations and a \$5 increase for RMRS/CMBS securities.
- Transaction filing fees increase due primarily to volume and price increases in SBS continuing education, partially offset by a reduction in SERFF revenue.
- License fees and administrative services increase due to anticipated growth in NIPR revenues.

Expenses (in millions)

	2025 Projection	2025 Budget	2026 Budget	2026 Budget Increase (Decrease) from 2025 Budget	2026 Budget Increase (Decrease) from 2025 Projection
Salaries and Benefits	\$101.1	\$101.1	\$109.4	\$8.3	\$8.3
Professional Services	25.3	23.1	23.5	0.4	(1.8)
Computer Services	9.6	9.1	10.0	0.9	0.4
Travel	6.0	6.5	6.4	(0.1)	0.4
Occupancy and Rental	4.9	4.7	5.0	0.3	0.1
Software License Fees	11.9	11.7	12.5	0.8	0.6
Depreciation and Amortization	6.5	6.8	6.7	(0.1)	0.2
National and Major Meetings	5.7	5.5	5.8	0.3	0.1
Education and Training	0.2	0.3	0.2	(0.1)	0.0
Grant and Zone	2.5	2.5	2.7	0.2	0.2
Administrative and Operational	3.8	3.9	4.1	0.2	0.3
Total Operating Expenses	<u>\$177.5</u>	<u>\$175.2</u>	<u>\$186.3</u>	<u>\$11.1</u>	<u>\$8.8</u>

- Salaries and benefits increase \$8.3M due to an annual merit increase for employees, an increase in the number of employees, full year of salary expense for employees added throughout 2025, and increased benefit costs.
- Computer services will increase \$0.9M over the 2025 budget to cover increased cloud run costs and subscription increases for securities valuations services.
- Software license fees will increase \$0.8M over the 2025 budget with a change in the accounting for software used in the SERFF Modernization Project changing from capital to expense.

Fiscals (in millions)

2026 Budget Fiscal Impact Statements				
Description	Capital Expenditures	Revenues	Expenses	Net Impact 2026 Budget
Regulatory Data Integration and Enhancement of Solvency Related Tools			\$1.4	(\$1.4)
SERFF Modernization – 2026 Transition Stages	\$5.2		1.5	(1.5)
Financial Data Repository (FDR) Modernization	6.5			
SBS Implementations – 2026		\$0.2	1.7	(1.5)
Regulatory Support and Operational Resources			1.7	(1.7)
Total Fiscal Impact Statements	11.7	0.2	6.3	(6.1)
2026 Budget Before Fiscals	4.7	178.6	180.0	(1.4)
2026 Budget After Fiscals and Investment Income	\$16.4	\$178.8	\$186.3	(\$7.5)

Fiscals (continued)

Regulatory Data Integration and Enhancement of Solvency Related Tools

Continues work on the centralized data portal, migration of legacy application data to the data portal, and development of the next phase of redesigned solvency tools to modernize quarterly financial analysis. This initiative improves access to information, strengthens regulatory analysis capabilities, and enables more consistent, year-round financial oversight of insurers.

- Expense of \$1.4M for consulting and software.

SERFF Modernization – 2026 Transition Stages

Supports the fifth year of the multi-year initiative to modernize the electronic rates and forms filing system. Ten jurisdictions will begin transitioning in the first quarter of 2026, with 10 to 15 additional jurisdictions implemented by the end of 2026. This initiative takes advantage of new technological developments in document management, workflows, and artificial intelligence.

- Expense of \$1.5M for consulting, staff augmentation, travel, and amortization.
- Capital of \$5.2M for consulting and staff augmentation.

Financial Data Repository (FDR) Modernization

Supports full-scale implementation of a modernized financial data system. The initiative will enhance the accessibility and usability of financial data for regulators, internal teams, and external stakeholders, enabling faster and more informed decision making.

- Capital of \$6.5M for consulting and staff augmentation.

Fiscals (continued)

SBS Implementations – 2026

Provides funding to engage external consultants for three implementations in 2026. Resources will help manage increased workload, ensure timely project delivery, and maintain ongoing support for existing jurisdictions.

- Revenue of \$161K for continuing education.
- Expense of \$1.7M for consulting and travel.

Regulatory Support and Operational Resources

Requests the addition of 17 headcount in regulatory support and operational areas, partially offset by displacement of five consultants.

- Expense of \$1.7M for employees.

Headcount

Headcount by Department			
Division	Current Approved Headcount	Fiscal Requests	Headcount including 2026 Fiscals
CIPR	9.5	3.0	12.5
Executive	25.0		25.0
Financial and Market Regulatory Services	162.5	6.0	168.5
Government Relations	27.0		27.0
Information Technology Group	272.0	6.0	278.0
Legal	14.0	1.0	15.0
Member Services	31.0	1.0	32.0
People Operations and Engagement	18.0		18.0
Total Headcount	559.0	17.0	576.0

Headcount by Location			
City	Current Approved Headcount	Fiscal Requests	Headcount including 2026 Fiscals
Kansas City, MO	486.0	16.0	502.0
New York, NY	50.0	1.0	51.0
Washington, D.C.	23.0		23.0
Total Headcount	559.0	17.0	576.0

**2026 BUDGET
REVENUE AND EXPENSE SUMMARY**

Description	2025					2026				
	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2025 Projected Variance	2026 Budget	Increase (Decrease) from 2025 Budget	%	Increase (Decrease) from 2025 Projected	%
Operational Revenues	\$161,386,324	\$107,679,389	\$168,392,361	\$163,701,292	\$4,691,069	\$175,032,068	\$11,330,776	6.9%	\$6,639,707	3.9%
Operational Expenses	159,259,616	82,208,950	177,468,207	175,211,150	2,257,057	179,996,846	4,785,696	2.7%	2,528,639	1.4%
Operating Revenues Over/(Under) Expenses Before Fiscal Impact Statements	2,126,708	25,470,439	(9,075,846)	(11,509,858)	2,434,012	(4,964,778)	6,545,080		4,111,068	
Fiscal Impact Statement Revenues						161,250	161,250		161,250	
Fiscal Impact Statement Expenses						6,287,200	6,287,200		6,287,200	
Fiscal Impact Statement Revenues Over/(Under) Expenses						(6,125,950)	(6,125,950)		(6,125,950)	
Investment Income	14,539,189	9,451,274	14,065,480	3,276,000	10,789,480	3,624,000	348,000		(10,441,480)	
Total Revenues After Fiscal Impact Statements	175,925,513	117,130,663	182,457,841	166,977,292	15,480,549	178,817,318	11,840,026	7.1%	(3,640,523)	-2.0%
Total Expenses After Fiscal Impact Statements	159,259,616	82,208,950	177,468,207	175,211,150	2,257,057	186,284,046	11,072,896	6.3%	8,815,839	5.0%
Total Revenues Over/(Under) Expenses	<u>\$16,665,897</u>	<u>\$34,921,713</u>	<u>\$4,989,634</u>	<u>(\$8,233,858)</u>	<u>\$13,223,492</u>	<u>(\$7,466,728)</u>	<u>\$767,130</u>		<u>(\$12,456,362)</u>	

**2026 BUDGET
REVENUE AND EXPENSE BY LINE**

Description	2025					2026				
	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2025 Projected Variance	2026 Budget	Increase (Decrease) from 2025 Budget	%	Increase (Decrease) from 2025 Projected	%
Member Assessments	\$2,131,205	\$1,138,266	\$2,420,261	\$2,420,261	\$0	\$2,569,487	\$149,226	6.2%	\$149,226	6.2%
Database Filing Fees	43,661,649	50,196,842	50,196,842	48,301,095	1,895,747	51,608,868	3,307,773	6.8%	1,412,026	2.8%
Publications and Insurance Data Products	18,572,122	11,321,722	17,427,116	17,548,935	(121,819)	17,951,457	402,522	2.3%	524,341	3.0%
Valuation Services	36,584,490	12,548,428	35,204,596	33,937,575	1,267,021	36,292,645	2,355,070	6.9%	1,088,049	3.1%
Transaction Filing Fees	22,417,878	12,668,591	23,062,162	23,278,074	(215,912)	25,654,702	2,376,628	10.2%	2,592,540	11.2%
National and Major Meetings	2,676,014	905,752	2,753,252	2,973,225	(219,973)	2,806,200	(167,025)	-5.6%	52,948	1.9%
Education and Training	334,555	88,885	287,056	350,290	(63,234)	326,855	(23,435)	-6.7%	39,799	13.9%
License Fees and Administrative Services	34,461,539	18,830,657	36,966,732	34,637,821	2,328,911	37,859,434	3,221,613	9.3%	892,702	2.4%
Other	546,872	(19,754)	74,344	254,016	(179,672)	123,670	(130,346)	-51.3%	49,326	66.3%
Total Operating Revenues	161,386,324	107,679,389	168,392,361	163,701,292	4,691,069	175,193,318	11,492,026	7.0%	6,800,957	4.0%
Salaries	71,776,305	37,051,979	77,686,303	78,187,077	(500,774)	84,404,149	6,217,072	8.0%	6,717,846	8.6%
Temporary Personnel	727,763	211,188	614,939	491,094	123,845	788,331	297,237	60.5%	173,392	28.2%
Payroll Taxes	5,333,113	3,087,760	5,847,450	6,185,220	(337,770)	6,235,197	49,977	0.8%	387,747	6.6%
Employee Benefits	13,648,018	7,921,411	16,151,750	15,233,753	917,997	17,054,927	1,821,174	12.0%	903,177	5.6%
Employee Development	778,423	294,314	788,596	867,413	(78,817)	921,056	53,643	6.2%	132,460	16.8%
Professional Services	20,372,959	9,815,070	25,261,626	23,070,789	2,190,837	23,501,322	430,533	1.9%	(1,760,304)	-7.0%
Computer Services	8,796,559	4,685,976	9,610,064	9,077,896	532,168	10,026,796	948,900	10.5%	416,732	4.3%
Travel	5,923,211	2,385,976	5,968,487	6,535,262	(566,775)	6,425,705	(109,557)	-1.7%	457,218	7.7%
Occupancy and Rental	4,756,516	2,449,737	4,943,881	4,718,456	225,425	5,041,011	322,555	6.8%	97,130	2.0%
Software License Fees	10,778,698	5,817,405	11,934,708	11,740,488	194,220	12,455,724	715,236	6.1%	521,016	4.4%
Depreciation and Amortization	4,004,987	3,038,551	6,462,049	6,841,100	(379,051)	6,678,603	(162,497)	-2.4%	216,554	3.4%
Operational	1,974,732	1,035,876	1,974,836	1,884,769	90,067	2,066,296	181,527	9.6%	91,460	4.6%
Library Reference Materials	401,187	221,387	425,953	419,982	5,971	456,252	36,270	8.6%	30,299	7.1%
National and Major Meetings	6,337,213	2,530,104	5,682,112	5,552,320	129,792	5,796,993	244,673	4.4%	114,881	2.0%
Education and Training	90,855	33,722	173,847	264,816	(90,969)	231,076	(33,740)	-12.7%	57,229	32.9%
Grant and Zone	2,390,961	593,245	2,493,489	2,525,000	(31,511)	2,672,600	147,600	5.8%	179,111	7.2%
Other	1,168,116	1,035,249	1,448,117	1,615,715	(167,598)	1,528,008	(87,707)	-5.4%	79,891	5.5%
Total Operating Expenses	159,259,616	82,208,950	177,468,207	175,211,150	2,257,057	186,284,046	11,072,896	6.3%	8,815,839	5.0%
Revenues Over/(Under) Expenses before Investment Income	2,126,708	25,470,439	(9,075,846)	(11,509,858)	2,434,012	(11,090,728)	419,130		(2,014,882)	
Investment Income	14,539,189	9,451,274	14,065,480	3,276,000	10,789,480	3,624,000	348,000		(10,441,480)	
Revenues Over/(Under) Expenses	\$16,665,897	\$34,921,713	\$4,989,634	(\$8,233,858)	\$13,223,492	(\$7,466,728)	\$767,130		(\$12,456,362)	

BUDGET ITEM: Member Assessments

Item Description: Assessments from members to fund the activities of the NAIC offices. Member assessments are based on relative premium volume of the member's domiciled companies compared to total premium volume.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Member Assessments (1)	\$2,131,205	\$1,138,266	\$2,420,261	\$2,420,261	\$2,569,487	\$149,226	6.2%

(1) As a benefit of NAIC membership, the NAIC delivers a wide array of funding, information, products, and services, generally at no charge to insurance regulators.

The assessment structure is based on each member's share of total insurance premium volume within its jurisdiction. Premium volume is measured as direct written premiums by companies domiciled in each jurisdiction for the calendar year. The budgeted amount is based on four months of the May 2025 - April 2026 assessment and eight months of the May 2026 - April 2027 assessment. The May 2026 - April 2027 member assessments are illustrated in Exhibit R1.

NAIC MEMBER ASSESSMENTS						
Member	Total Premiums	Percent To Total	Assessment	\$10,000 Minimum \$150,000 Cap 2026/27 Amount	\$10,000 Minimum \$150,000 Cap 2025/26 Amount	\$7,339 Minimum \$125,000 Cap 2024/25 Amount
Alabama	\$44,556,438,704	1.2205%	\$34,011	\$34,011	\$34,426	\$28,020
Alaska	6,002,857,573	0.1644%	4,581	10,000	10,000	7,339
American Samoa	5,460,081	0.0001%	3	10,000	10,000	7,339
Arizona	62,955,720,274	1.7244%	48,053	48,053	44,790	36,415
Arkansas	25,831,010,726	0.7075%	19,716	19,716	20,014	16,353
California	241,540,269,480	6.6161%	184,368	150,000	150,000	125,000
Colorado	64,654,124,372	1.7710%	49,352	49,352	52,445	41,047
Connecticut	42,770,110,598	1.1715%	32,646	32,646	39,540	33,442
Delaware	124,695,212,236	3.4155%	95,178	95,178	68,482	66,606
District Of Columbia	13,564,478,177	0.3715%	10,352	10,352	11,057	10,527
Florida	287,973,554,605	7.8879%	219,808	150,000	150,000	125,000
Georgia	106,235,086,082	2.9099%	81,089	81,089	79,130	65,893
Guam	634,051,493	0.0174%	485	10,000	10,000	7,339
Hawaii	18,531,145,443	0.5076%	14,145	14,145	14,053	12,180
Idaho	15,581,431,378	0.4268%	11,893	11,893	11,838	10,183
Illinois	145,160,673,497	3.9761%	110,800	110,800	111,338	89,835
Indiana	66,224,659,159	1.8140%	50,550	50,550	51,065	41,605
Iowa	55,974,756,900	1.5332%	42,725	42,725	36,226	34,613
Kansas	33,611,765,146	0.9207%	25,657	25,657	24,977	21,058
Kentucky	45,098,366,244	1.2353%	34,424	34,424	35,644	29,590
Louisiana	57,188,292,211	1.5665%	43,653	43,653	45,411	36,661
Maine	12,556,713,343	0.3439%	9,583	10,000	10,000	8,044
Maryland	55,969,271,975	1.5331%	42,722	42,722	43,388	36,285
Massachusetts	83,551,284,352	2.2886%	63,775	63,775	63,987	55,155
Michigan	103,526,084,621	2.8357%	79,021	79,021	83,572	65,672
Minnesota	66,237,646,698	1.8143%	50,558	50,558	51,910	44,638
Mississippi	24,904,559,530	0.6822%	19,011	19,011	19,086	15,399
Missouri	63,121,275,611	1.7290%	48,181	48,181	49,014	40,049
Montana	9,278,523,691	0.2541%	7,081	10,000	10,000	7,339
Nebraska	23,097,161,879	0.6327%	17,631	17,631	17,670	14,999
Nevada	29,541,587,580	0.8092%	22,550	22,550	22,282	18,824
New Hampshire	14,309,222,353	0.3919%	10,921	10,921	10,993	9,614
New Jersey	115,015,499,730	3.1504%	87,791	87,791	89,463	73,902
New Mexico	20,323,916,976	0.5567%	15,513	15,513	16,296	13,652
New York	315,019,700,225	8.6288%	240,455	150,000	150,000	125,000
North Carolina	101,453,560,054	2.7789%	77,438	77,438	75,451	62,667
North Dakota	10,075,035,434	0.2760%	7,691	10,000	10,000	7,339
Northern Mariana Islands	72,401,087	0.0020%	56	10,000	10,000	7,339
Ohio	149,520,428,037	4.0955%	114,127	114,127	121,810	107,535
Oklahoma	33,515,498,777	0.9180%	25,581	25,581	23,868	19,383
Oregon	45,106,568,586	1.2355%	34,429	34,429	35,212	28,965
Pennsylvania	157,962,371,960	4.3268%	120,573	120,573	124,630	105,454
Puerto Rico	22,106,354,299	0.6055%	16,873	16,873	17,553	14,590
Rhode Island	13,420,176,630	0.3676%	10,244	10,244	10,600	8,546
South Carolina	52,393,206,258	1.4351%	39,991	39,991	39,651	31,559
South Dakota	12,021,328,543	0.3293%	9,176	10,000	10,000	7,339
Tennessee	69,109,507,683	1.8930%	52,751	52,751	52,676	42,559
Texas	304,562,863,051	8.3423%	232,471	150,000	150,000	125,000
U.S. Virgin Islands	523,121,895	0.0143%	398	10,000	10,000	7,339
Utah	33,062,465,483	0.9056%	25,236	25,236	23,160	19,523
Vermont	5,869,059,975	0.1608%	4,481	10,000	10,000	7,339
Virginia	84,140,601,817	2.3047%	64,224	64,224	66,108	54,591
Washington	70,705,931,419	1.9367%	53,969	53,969	53,749	45,441
West Virginia	16,097,127,150	0.4409%	12,286	12,286	12,587	10,362
Wisconsin	68,904,283,647	1.8874%	52,595	52,595	48,839	37,977
Wyoming	4,948,476,066	0.1355%	3,776	10,000	10,000	7,339
Total Member Assessments	\$3,650,812,280,794	100.00%	\$2,786,648	\$2,572,235	\$2,563,991	\$2,132,803
Four months of the May 2025-April 2026 assessment			\$854,664			
Eight months of the May 2026-April 2027 assessment			1,714,823			
Total calendar year 2026 assessment			<u>\$2,569,487</u>			

BUDGET ITEM: Database Filing Fees

Item Description: Fees from insurance companies filing with the NAIC's Financial Data Repository (FDR). Fees are based on each filer's premium volume, which is measured as the greater of direct written premiums or reinsurance assumed from non-affiliates.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Database Filing Fees (1)	\$43,661,649	\$50,196,842	\$50,196,842	\$48,301,095	\$51,608,868	\$3,307,773	6.8%

- (1) The NAIC uses annual database filing fee revenues to support its financial solvency program, including a number of solvency monitoring tools provided to insurance regulators. Company financial information is generally available to insurance regulators within 24 hours of receipt of the electronic filing. In addition, the insurance industry benefits from the ability to electronically file their quarterly and annual statements with the NAIC's central data collection system rather than submitting separate filings to each jurisdiction in which they conduct business.

Database filing fees are calculated using an insurance company's premiums or reinsurance assumed multiplied by a base factor, subject to a minimum fee and individual and group maximums (caps). Calculation of fees in a consistent method equitably funds major investments in important regulatory initiatives, including NAIC systems and technology infrastructure, all of which benefit insurance regulators, consumers, and the insurance industry.

Database filing fees projected for 2025 are based on actual 2024 data year filings received through July 31, 2025. The projected over budget variance reflects average premium growth within the industry of 11.1% with individual companies and non-capped groups growing at 10.7% and 9.8%, respectively, and capped groups growing at 13.2%, compared to the anticipated range of 2.5 to 3.0%. The 2026 budget incorporates an increase in premiums over current year filings ranging from 3.9% to 4.5%. The filing fee calculation of \$30 per million in premiums, floor of \$240, and combined filing fee for \$690 remain unchanged. The 2024 year-end CPI-U of 3.4% has been applied to filing fee caps for 2026, resulting in an individual company cap of \$108,817 and a group cap of \$544,085.

The group cap limits the impact of filing fees for groups of insurers with aggregate fees that exceed the cap. With the filing of 2024 data during the 2025 calendar year, groups hitting the group filing fee cap of \$526,195 had a reduction in fees of \$14.9 million. The 22 groups with 915 companies hitting the group filing fee cap reported over \$1.5 trillion in premiums and represent 20% of all companies filing in 2025. The \$14.9 million in savings to groups in 2025 represents a 55% reduction in database filing fees for the filing companies and a 22% reduction in database filing fee revenue for the NAIC.

BUDGET ITEM: Publications and Insurance Data Products

Item Description: Revenues generated from the sale of various reference materials, handbooks, subscriptions, and information stored within the NAIC's financial database.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Publications (1)	\$1,445,946	\$220,797	\$371,547	\$365,483	\$358,489	(\$6,994)	-1.9%
Insurance Data Products (2)	11,995,783	9,071,790	11,773,340	11,886,677	12,043,084	156,407	1.3%
Filing Support Product (3)	5,130,393	2,029,135	5,282,229	5,296,775	5,549,884	253,109	4.8%
Total	<u>\$18,572,122</u>	<u>\$11,321,722</u>	<u>\$17,427,116</u>	<u>\$17,548,935</u>	<u>\$17,951,457</u>	<u>\$402,522</u>	2.3%

- (1) Publications revenue is generated from royalties from the sale of NAIC publications by third-party vendors. The NAIC produces approximately 150 publications, which are designed to (1) provide insurance regulators with handbooks, statistical reports, and white papers in an effort to offer best practices and coordinated regulatory approaches to insurance regulation and (2) provide the insurance industry with a variety of handbooks, tools, and electronic applications to facilitate industry compliance with insurance regulatory requirements. In 2025, the NAIC converted all remaining paid publications to be free of charge for direct consumer use.
- (2) Revenues generated from the sale of insurance data products include (1) contracts with third-party vendors who use and sometimes redistribute NAIC data (\$11.2 million) and (2) direct sales to customers (\$883,500). This data is leveraged to conduct research and benchmark specific company data and performance to various industry aggregates, among other activities. The 2026 budget incorporates an increase in sales and contractual price increases of 5% or less. The price for downloads remains unchanged.
- (3) Several business partners leverage the NAIC Filing Support Product (FSP) in order to ensure accurate submissions of quarterly and annual filings to the NAIC. Licensed services include (1) Annual Statement Filing Support Product (ASFSP); (2) Risk-Based Capital Filing Support Product (RBCFSP); (3) enhanced Annual Statement Instructions; and (4) integrated risk-based capital forecasting. The increase in royalties is related to contractual price increases designed to recover the increased costs of maintaining this platform.

BUDGET ITEM: Valuation Services

Item Description: Fees related to the designation of securities. This category also includes revenues generated by the NAIC's Automated Valuation Service (AVS+).

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Capital Markets and Investment Analysis Fees (1)	\$14,085,425	\$7,345,875	\$14,375,100	\$13,371,800	\$14,080,295	\$708,495	5.3%
Structured Securities (2)	14,240,465	1,047,740	12,545,408	12,413,000	13,128,251	715,251	5.8%
Automated Valuation Service (3)	8,258,600	4,154,813	8,284,088	8,152,775	9,084,099	931,324	11.4%
Total	<u>\$36,584,490</u>	<u>\$12,548,428</u>	<u>\$35,204,596</u>	<u>\$33,937,575</u>	<u>\$36,292,645</u>	<u>\$2,355,070</u>	6.9%

- (1) The NAIC's Capital Markets and Investment Analysis Office provides regulators with investment security valuations, capital markets analysis, research, and evaluations of certain components of an insurer's investment portfolio risks. Revenues generated from capital markets and investment analysis fees in 2025 are projected to exceed budget due to higher volume of rating requests in several categories, most notably private letter ratings and corporate regulatory treatment analysis. The 2026 budget does not anticipate the 2025 volume of requests to continue and includes price adjustments ranging from \$10 to \$125 for certain designations. The pricing adjustments represent a continued effort to keep fees aligned with the effort expended to perform ratings analysis and the increasing cost of doing business.

Capital markets and investment analysis revenues include (1) \$9.9 million for securities designations (as illustrated in Exhibit R4); (2) \$656,700 for the processing of subsidiary valuation filings; (3) \$453,850 for advanced rating services; (4) \$152,700 in services provided to banks and financial institutions that wish to be placed on the NAIC List of Qualified U.S. Financial Institutions; (5) \$141,700 in service fees for the review of money market funds; (6) \$438,550 in service fees for the review of exchange traded funds; (7) \$63,750 in service fees for the review of working capital financial investments; (8) \$22,300 in sovereign fees, representing an offset to the cost of the SVO's requirement to conduct a sovereign analysis on the initial submission of issuing debt in a foreign country; (9) \$51,300 in service fees for the review of counterparty derivatives; (10) \$1.9 million in private letter ruling fees; (11) \$270,400 for the right for redistributors to use exchange traded fund designations; and (12) \$3,700 in appeals fees.

- (2) Structured securities revenues are generated from the sale of modeled residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) held by insurance companies, as well as advanced rating services for other structured securities. Revenue is based on the sales of individual security ratings to insurers based on their holdings and the sale of RMBS, CMBS, or complete RMBS/CMBS datasets to third parties. The 2025 projection is based on a slight decrease in the number of securities to be rated, an increase in advanced ratings, and fewer dataset sales to third parties. The 2026 budget includes a \$5 increase in the price per CUSIP to \$85 for RMBS and \$115 for CMBS.

- (3) AVS+ is the NAIC's electronic system for the delivery of security designations assigned by the SVO, and is utilized by companies when preparing their financial statement investment filings. Fees are based on the value of certain assets held in a company's investment portfolio. The 2026 budget incorporates an 11% increase to cover higher costs to maintain and populate this platform.

Securities Designations

Product Description	2025 Filing Fee	2026 Filing Fee	2026 Budgeted Volumes	2026 Budgeted Revenue
Corporates				
Regulatory Transactions - Initial	\$5,300	\$5,300	9	\$47,700
Regulatory Transactions - Annual	\$10,000	\$10,000	3	30,000
Corporate Initial Rated	\$450	\$460	7	3,220
Corporate A/U Rated	\$450	\$460	43	19,780
Corporate Initial Issuer Not in VOS	\$5,300	\$5,300	189	1,001,700
Corporate Initial Issuer Not in VOS Foreign	\$6,375	\$6,375	62	395,250
Corporate Annual/Initial Reinstatement	\$5,300	\$5,300	4	21,200
Corporate A/U Not Rated	\$1,925	\$1,925	680	1,309,000
Corporate A/U Not Rated Foreign	\$2,125	\$2,125	324	688,500
Corporate Initial Not Rated	\$1,925	\$1,925	191	367,675
Corporate Initial Not Rated Foreign	\$2,125	\$2,125	30	63,750
Corporate Initial Expired Info Request	\$450	\$460	33	15,180
Corporate Annual Expired Info Request	\$450	\$460	6	2,760
Corporate Rejected Filing	\$450	\$460	123	56,580
Corporate Non-Billable Filing	\$0	\$0	41	0
Corporate A/U Issuer CRP Rated	\$675	\$675	591	398,925
Corporate A/U Issuer Rated Add Issue	\$450	\$460	3,796	1,746,160
Corporate Initial Issuer CRP Rated	\$1,950	\$1,950	161	313,950
Corporate Initial Issuer Rated Add Issue	\$1,950	\$1,950	299	583,050
Corporate Material Change	\$1,600	\$1,600	1	1,600
Corporate Renumbering Request	\$0	\$0	20	0
Corporate Initial Complex Credit Not in VOS	\$8,000	\$8,000	9	72,000
Schedule BA Initial Not in VOS	\$5,300	\$5,300	2	10,600
Schedule BA Annual Rated	\$450	\$460	5	2,300
Schedule BA Annual VOS Not Rated	\$1,950	\$1,950	17	33,150
Schedule BA A/U Issuer CRP Rated	\$675	\$675	1	675
Schedule BA A/U Issuer Rated Add Issue	\$450	\$460	4	1,840
Total Corporates				7,186,545
Municipals				
Municipal A/U Rated	\$450	\$460	1	460
Municipal Initial Issuer Not in VOS	\$5,300	\$5,300	22	116,600
Municipal A/R VOS Not Rated	\$1,950	\$1,950	27	52,650
Municipal Initial Not Rated	\$1,950	\$1,950	5	9,750
Municipal Initial Expired Info Request	\$450	\$460	5	2,300
Municipal A/R Issuer CRP Rated	\$675	\$675	17	11,475
Municipal Initial Issuer CRP Rated	\$1,950	\$1,950	9	17,550
Municipal Initial Issuer Rated Add Issue	\$1,950	\$1,950	15	29,250
Municipal Annual Lottery Add Issue	\$450	\$460	28	12,880
Municipal Annual Lottery	\$775	\$775	19	14,725
Municipal Initial Pre-Refunded	\$1,475	\$1,475	53	78,175
Municipal A/R Issuer Rated Add Issue	\$450	\$460	43	19,780
Municipal Rejected Filing	\$450	\$460	10	4,600
Municipal Additional Issue Pre-Refunded	\$450	\$460	22	10,120
Muni Complex Initial	\$8,000	\$8,000	1	8,000
Total Municipals				388,315

Securities Designations

Product Description	2025 Filing Fee	2026 Filing Fee	2026 Budgeted Volumes	2026 Budgeted Revenue
Structured				
Structured CTL Annual Rated	\$450	\$460	836	384,560
Structured CTL Annual Not Rated	\$1,925	\$1,925	15	28,875
Structured Initial Rated	\$450	\$460	1	460
Structured A/U Rated	\$450	\$460	44	20,240
Structured Replication A/U	\$450	\$460	1,001	460,460
Structured Initial Filing NtRat NtVOS	\$1,950	\$1,950	1	1,950
Structured Initial Expired Info Request	\$450	\$460	1	460
Structured Non-Billable Filing	\$0	\$0	1	0
Structured CTL Bond Initial	\$1,950	\$1,950	10	19,500
Structured CTL Lease Initial	\$2,650	\$2,650	36	95,400
Structured GLF Annual Not Rated	\$3,650	\$3,650	1	3,650
Structured A/U Not Rated	\$1,950	\$1,950	90	175,500
Structured Replication Initial	\$1,950	\$1,950	350	682,500
Structured Replication Collateral	\$450	\$460	239	109,940
Structured Annual Structured Settlement	\$675	\$675	59	39,825
Structured Rejected Filing	\$450	\$460	8	3,680
Structured Material Change	\$1,600	\$1,600	3	4,800
Structured Annual Structured Settlement Add Issue	\$450	\$460	650	299,000
CTL - NRSAR Analysis	\$8,000	\$8,000	1	8,000
CTL - NRSAR Corporate Analysis	\$0	\$0	2	0
Military Housing Bonds Initial	\$5,300	\$5,300	1	5,300
Military Housing Bonds Annual	\$1,950	\$1,950	9	17,550
Military Housing Bonds Annual Additional	\$450	\$460	5	2,300
Military Housing Bonds Annual Rated	\$450	\$460	1	460
Total Structured				2,338,800
Total Securities				<u>\$9,913,660</u>

BUDGET ITEM: Transaction Filing Fees

Item Description: Transaction filing fees are generated through platforms built to assist departments of insurance with regulatory filings, including System for Electronic Rates and Forms Filing (SERFF), Online Premium Tax for Insurance (OPT_{ins}), State Based Systems (SBS), Experience Data Fees, International Insurers Department (IID), and Uniform Certificate of Authority Application (UCAA).

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
SERFF Fees (1)	\$10,668,095	\$5,774,000	\$10,324,940	\$11,067,621	\$10,165,453	(\$902,168)	-8.2%
SERFF Data Hosting	1,573,169	799,225	1,598,450	1,495,000	1,518,528	23,528	1.6%
OPT _{ins} Fees (2)	2,302,843	1,774,791	2,521,598	2,489,824	2,692,187	202,363	8.1%
SBS Fees (3)	5,726,971	3,136,118	5,933,052	5,707,231	8,474,716	2,767,485	48.5%
Experience Data Fees (4)	1,030,000		1,287,500	1,287,500	1,287,500		0.0%
IID Fees (5)	1,116,800	1,033,857	1,154,182	1,130,818	1,375,878	245,060	21.7%
UCAA (6)		150,600	242,440	100,080	140,440	40,360	40.3%
Total	<u>\$22,417,878</u>	<u>\$12,668,591</u>	<u>\$23,062,162</u>	<u>\$23,278,074</u>	<u>\$25,654,702</u>	<u>\$2,376,628</u>	10.2%

- (1) SERFF is licensed and used by 53 jurisdictions and over 6,500 insurance industry users, third-party filers, rating organizations, and other companies. SERFF represents a key NAIC product in the modernization and efficiency of the state-based insurance regulatory system. Most jurisdictions receive more than 90% of their filings in an electronic format via SERFF, allowing for faster turnarounds, more consistent reviews, and better reporting. Companies experience significant cost savings and efficiency through the electronic submission of product filings for multiple jurisdictions, saving personnel and mailing costs by streamlining the submission process. The number of transactions processed in 2025 is not expected to reach budgeted volumes as efficiencies and process flow changes with the new system have streamlined filings and decreased the number of submissions for processing. The 2026 budget is based on the reduced volume of transactions projected in 2025 and includes a price increase from \$19.58 to \$21.00 to cover ongoing modernization costs.

Also included in the SERFF revenue line is \$1.0 million for integration expansion license fees and a \$25,000 annual license fee from the Interstate Insurance Product Regulation Commission (Insurance Compact). Under the NAIC/Insurance Compact license and services agreement, the Insurance Compact pays a license fee to receive general support of the SERFF system and up to 250 development hours each year to make modifications to SERFF in order to accommodate Insurance Compact filings and the overall expansion/enhancements of Insurance Compact product filing operations. Integration expansion license fees includes a contractual 3% annual increase.

- (2) NAIC's OPT_{ins} automates and simplifies premium tax and surplus lines tax return submissions by filing companies, brokers, and individuals, and the receipt of filings and collection of premium taxes, in exchange for a transaction fee of \$17.50 or less. OPT_{ins}, with 28 participating jurisdictions, represents another NAIC initiative to modernize and improve the efficiency of the state-based insurance regulatory system. Companies experience cost savings and efficiency through electronic submission of premium tax and surplus lines returns, including electronic payment of quarterly and annual premium taxes. The increase in revenue represents an increase in the number of filings expected in 2025 and 2026.
- (3) SBS provides a comprehensive web-based application for use by regulators in support of all state-based insurance regulatory functions and is currently in service in 36 jurisdictions. SBS enables insurance regulators to more efficiently and effectively process license applications, license renewals, consumer inquiries, consumer complaints, and enforcement actions, among other regulatory applications, as well as remain compliant with national insurance regulation uniformity initiatives. Through SBS, both insurance regulators and regulated entities experience significant cost savings and efficiency by automation of insurance regulatory processes and transactions. The value of services to the industry is significant in terms of cost savings to insurers, producers, and providers in managing the cost of compliance, and far exceeds the insignificant processing fees charged by the NAIC in facilitating electronic transactions. SBS generates voluntary transaction fees from users who leverage the system to complete regulatory transactions, which further illustrates the benefit of value-added services to insurance regulators and the insurance industry. The increase in revenue in 2025 is the result of increased producer information reporting and more continuing education credits filed than expected. The 2026 budget includes these volume increases and a \$0.50 increase from \$1.00 to \$1.50 per continuing education credit hour reported. This increase, the first since 2010, is necessary to defray the rising cost of operating, maintaining, and improving this platform.

BUDGET ITEM: Transaction Filing Fees (continued)

- (4) The NAIC charges a fee to companies filing life insurance mortality experience data under *Valuation Manual* (VM)-50, Experience Reporting Requirements and VM-51, Experience Reporting Formats of the *Valuation Manual*. The fee is designed to recoup a portion of the cost of data collection and review, which include a significant time commitment from actuaries and other NAIC resources.
- (5) IID revenues are generated from processing initial applications and annual update financial filings from companies listed in the Quarterly Listing of Alien Insurers. Companies benefit from this listing in their ability to conduct business in jurisdictions relying on the IID and Quarterly Listing of Alien Insurers. The 2026 budget is based on 182 filings from companies and Lloyd's Syndicates, five new applications, and five late fees. The 2026 budget includes an increase of nine filings; a \$1,299 increase in the filing fee, to \$7,140; and a \$2,598 increase in the application fee, to \$14,280, to cover rising costs associated with these filings.
- (6) The UCAA platform allows insurers to submit expansion applications and foreign corporate amendments to jurisdictions accepting the uniform applications, eliminating the need to submit applications to each jurisdiction in varying formats. Initial filings received in 2025 exceeded expectations but filing volumes are anticipated to decrease significantly in 2026 as changes to system specifications are expected.

BUDGET ITEM: National and Major Meetings

Item Description: Fees received from attendees at NAIC National Meetings, Insurance Summit, and International Insurance Forum.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
National Meeting Registration Fees (1)	\$2,452,519	\$829,552	\$2,592,052	\$2,693,079	\$2,633,050	(\$60,029)	-2.2%
Insurance Summit (2)	170,995		85,000	228,446	92,750	(135,696)	-59.4%
International Insurance Forum (3)	52,500	76,200	76,200	51,700	80,400	28,700	55.5%
	<u>\$2,676,014</u>	<u>\$905,752</u>	<u>\$2,753,252</u>	<u>\$2,973,225</u>	<u>\$2,806,200</u>	<u>(\$167,025)</u>	-5.6%

- (1) National meeting registration fees are charged on a multi-tier basis such that early registrations receive a discount and certain incentives are offered to first-time, local attendees. The under budget variance in 2025 is the result of lower than expected registrations for the Spring and Summer National Meetings, and anticipated reduced registrations at the Fall National Meeting. The number of registrations budgeted for 2026 national meetings vary based on location as illustrated in Exhibit R6. The 2026 budget includes a \$75 increase in the advance registration, registration after 30 days prior, and virtual-only registration fees. These increases are necessary to cover increasing costs related to the production of a national meeting without reducing the services provided.
- (2) Revenue from the Insurance Summit is generated by registration fees for participants. Revenue from 2024 included fees for exhibitors, a practice that did not continue into 2025. The 2026 budget includes a \$50 increase in the in-person registration fee and an \$80 increase in the virtual registration fee. These increases are necessary to cover the increase in costs related to the production of the summit without reducing the services provided.
- (3) The change in venue for the 2025 forum provided space for additional attendees. The same volume of registrations is expected to continue into 2026.

National Meeting Registrations

	Fee	San Diego, CA		Columbus, OH		Dallas, TX		2026 Budget	
		Registrants	Total	Registrants	Total	Registrants	Total	Registrants	Total
Advance Registration	\$950	721	\$684,950	735	\$698,250	746	\$708,700	2,202	\$2,091,900
Registration after 30 Days Prior	\$1,050	65	68,250	70	73,500	80	84,000	215	225,750
Virtual-Only Registration	\$950	126	119,700	127	120,650	129	122,550	382	362,900
First Time, Local Registrants	\$500	5	2,500	10	5,000	10	5,000	25	12,500
Subtotal		917	875,400	942	897,400	965	920,250	2,824	2,693,050
Cancellation Refunds (Full Refund)	\$1,050	10	10,500	10	10,500	10	10,500	30	31,500
Cancellation Refunds (Virtual-Only)	\$950	10	9,500	10	9,500	10	9,500	30	28,500
Subtotal		20	20,000	20	20,000	20	20,000	60	60,000
Total Projected Paid Attendance and Revenues		897	\$855,400	922	\$877,400	945	\$900,250	2,764	\$2,633,050
Total Projected Registrations (Paid and Unpaid)		1,897		1,922		1,995		5,814	

2026 attendance projections were determined by taking into consideration location and past attendance.

Paid Attendance Statistics:	Spring	Summer	Fall
2025	961 Indianapolis, IN	1,025 Minneapolis, MN	Hollywood, FL
2024	946 Phoenix, AZ	952 Chicago, IL	955 Denver, CO
2023	883 Louisville, KY	910 Seattle, WA	1,054 Orlando, FL
2022	816 Kansas City, MO	822 Portland, OR	1,039 Tampa, FL
2021	509 Virtual	528 Columbus, OH	766 San Diego, CA
2020	Cancelled Phoenix, AZ	807 Virtual	644 Virtual
2019	1,016 Orlando, FL	1,071 New York, NY	1,127 Austin, TX
2018	985 Milwaukee, WI	1,003 Boston, MA	1,038 San Francisco, CA

BUDGET ITEM: Education and Training

Item Description: Revenue from NAIC education and training programs.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Education and Training (1)	\$334,555	\$88,885	\$287,056	\$350,290	\$326,855	(\$23,435)	-6.7%

- (1) The purpose of the education and training function is to manage the NAIC's regulatory curriculum. The core focus is identifying and seizing opportunities to develop on-demand training and other products, while assuring the integrity and comprehensiveness of the curriculum as a whole. In the examination of education opportunities, the goal is to achieve a balance between meeting the regulatory training needs of department of insurance employees while assisting industry clients through a broader range of compliance training topics. The NAIC educational curriculum is offered to department of insurance employees and consumer advocates at no charge. NAIC began the implementation of a new learning platform in 2024. This project includes the restructure of courses to self-paced, on-demand, e-learning modules, expansion of content to target regulatory job roles, and the redesign of the education and training website. Conversion of content to the new format has taken longer than anticipated resulting in an under budget revenue projection for 2025 and a reduced budget for 2026. The target for having most of the updated courses in the new platform is December 2025. Some higher-level designation programs will roll out in 2026.

BUDGET ITEM: License Fees and Administrative Services

Item Description: Revenues received from license and services agreements with National Insurance Producer Registry (NIPR) and Interstate Insurance Product Regulation Commission (Insurance Compact).

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
License Fees (1)	\$31,234,334	\$17,377,435	\$33,498,966	\$31,731,375	\$34,598,832	\$2,867,457	9.0%
Administrative Services (2)	3,227,205	1,453,222	3,467,766	2,906,446	3,260,602	354,156	12.2%
Total	<u>\$34,461,539</u>	<u>\$18,830,657</u>	<u>\$36,966,732</u>	<u>\$34,637,821</u>	<u>\$37,859,434</u>	<u>\$3,221,613</u>	9.3%

License fees and administrative services are derived from agreements between NAIC and NIPR and NAIC and Insurance Compact. The agreement between NAIC and NIPR began January 1, 2023, for a five year period. The agreement between the NAIC and the Insurance Compact began June 1, 2007, and expired December 31, 2011. This agreement continues to be renewed for one-year periods, with the most current expiring on December 31, 2025.

- (1) Pursuant to the 2023 license and services agreement, the NAIC receives 38% of certain NIPR revenues, which represents a license for NIPR to use NAIC's producer data. The 2025 projection and 2026 budget, as provided by NIPR, are based on strong sales of credentialing and reporting products. The 2026 budget assumes continued growth in NIPR revenue.

The value of NAIC/NIPR services to industry is significant. By licensing the NAIC's Producer Licensing Database, NIPR is able to deliver a national, aggregated database of producer information. Insurance companies are able to leverage NIPR as a centralized, one-stop shop to perform research of all licensed producer records, which is critical in saving time and money in ensuring the appropriate licensing and appointment of producers selling business on their behalf, and critical to the companies' compliance with jurisdictional insurance laws.

Without the centralized database, this research would have to occur on an insurance department-by-insurance department basis, significantly increasing the amount of time and cost of compliance. The NAIC believes this illustrates tremendous value and cost savings to insurers managing the cost of compliance. Further, NIPR's products and services have been embedded into the automated workflow processes of many insurance carriers. NIPR is now the data source for companies to synchronize their producer data systems, which automates data entry and gets the carrier closer to producer real-time expectations. Use of the data supports compliance management and eliminates costly errors.

Individuals and business entities looking to obtain or renew licenses in multiple non-resident jurisdictions can utilize NIPR's non-resident licensing or renewal applications. This allows them to submit a single electronic, uniform application for all 50 states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands, typically receiving approval or denial within 48 hours. NIPR also facilitates electronic processing for obtaining or renewing resident and adjuster licenses in most jurisdictions. Without NIPR's web-based option, producers would need to send paper applications by mail to each jurisdiction. Key benefits include (1) lower costs for producers and the insurance industry by using NIPR's uniform application system instead of dealing with the expense of printed mailings and the potential costs of preparing multiple forms if the uniform application is not accepted and (2) decreased administrative costs for tracking the status of paper applications, as users receive electronic notifications regarding their status.

The current license and services agreement with the Insurance Compact calls for an adjustable administrative fee of 7.5% of revenues in excess of expenses, measured in \$25,000 increments. Based on information provided by the Insurance Compact, the budgeted fee for 2026 is \$13,125 and the fee for 2025 is expected to be \$82,500.

- (2) Administrative services include the actual cost of services provided to NIPR and a flat fee of \$125,000 for services provided to the Insurance Compact. Services provided include administrative support services, facilities, software applications, and equipment. The projection for 2025 reflects a significant increase in headcount by NIPR in 2025. Headcount is the basis used by vendors for several shared services, which is also used in the allocation of fees for certain services for the benefit of NIPR. The 2026 budget includes decreases in NIPR's portion of shared software applications due to a decreased reliance on certain tools by NIPR, and a leveling of headcount additions between the two entities in 2026.

BUDGET ITEM: Other

Item Description: Revenues received from business operations not otherwise classified.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Other (1)	\$546,872	(\$19,754)	\$74,344	\$254,016	\$123,670	(\$130,346)	-51.3%

- (1) The 2026 budget includes (1) \$93,925 for administrative fees for TeamMate+ renewals; (2) \$25,000 for service level agreements to accept supplemental filings to the NAIC Annual Statement through the NAIC's internet filing application for two members; and (3) \$3,750 for rebates related to the use of purchasing cards. TeamMate+ is a cloud-based platform used by member jurisdictions to manage, document, and track financial examinations and related regulatory activity. The projected under budget variance for 2025 is driven by lower costs for TeamMate+ renewals than anticipated in the 2025 budget. The number of renewals far exceeded expectations resulting in a lower price tier offered by the vendor. The projection also includes a loss on the retirement of assets related to the renovation of the Kansas City leasehold. The 2026 budget incorporates the reduced pricing for examination software.

BUDGET ITEM: Salaries

Item Description: Includes salary, vacation liability, a turnover factor, a budget for promotions and adjustments, and overtime for all NAIC employees.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Salaries-Existing Employees (1)	\$71,608,841	\$36,982,282	\$77,547,566	\$78,086,251	\$82,168,305	\$4,082,054	5.2%
Salaries-New Employees (2)					2,104,587	2,104,587	100.0%
Overtime (3)	167,464	69,697	138,737	100,826	131,257	30,431	30.2%
Total	<u>\$71,776,305</u>	<u>\$37,051,979</u>	<u>\$77,686,303</u>	<u>\$78,187,077</u>	<u>\$84,404,149</u>	<u>\$6,217,072</u>	8.0%

- (1) The salary line includes amounts paid to employees such as wages, promotions, adjustments, and accrued paid time off (PTO) as well as a reduction for expected turnover. Overtime is budgeted separately in order to provide additional management of that expense line as it is not managed under the NAIC's salary increase process. As of October 1, 2025, the NAIC had 559 approved full-time equivalent (FTE) positions.

NAIC employees are located in the Kansas City, Washington, D.C., and New York labor markets, which have been tight for the past few years. High competition and the specialized nature of many NAIC positions creates increased pressure in the labor market for attracting and retaining qualified employees while being mindful of regulatory budget challenges. To combat the competition for labor in all NAIC labor markets, the NAIC has worked to build a strong work culture offering a hybrid work place, flexible schedules, and competitive compensation. The success of these programs is evident in a low employee turnover rate. The 2026 budget includes an annual increase for all NAIC employees, a full year of salary expense for employees added throughout 2025, and a turnover rate consistent with the current year. The NAIC uses local and national salary information from organizations such as World at Work, Century Business Services (CBIZ), Human Resource (HR) Morning, and Society for Human Resource Management (SHRM) when assessing potential increases for the coming year.

- (2) The 2026 budget includes requests for 17 full-time employees to support regulatory, technical, and administrative areas. Additional details regarding these resource additions are included in Fiscal 5: Regulatory Support and Operational Resources.

- (3) The overtime budget reflects the amount of overtime required to support NAIC functions during the year. Examples include (1) additional hours to support technology; (2) additional hours worked by desktop computer technicians during maintenance; (3) travel time and additional hours for administrative employees who support national meetings and other NAIC events; and (4) additional hours worked by employees to support committee and internal business operations. The increase in 2025 is related to an increase in the number of administrative employees who support national meetings and additional hours worked to meet tight deadlines for the completion of committee research and background materials that is not expected to continue into 2026.

BUDGET ITEM: Temporary Personnel

Item Description: Fees paid to outside agencies and wages paid to interns and temporary employees for additional resources during peak work periods and for special projects.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
National and Major Meetings (1)	\$114,730	\$22,644	\$163,435	\$106,094	\$305,331	\$199,237	187.8%
Interns (2)	359,492	95,172	210,132	130,000	228,000	98,000	75.4%
Other (3)	253,541	93,372	241,372	255,000	255,000		
Total	<u>\$727,763</u>	<u>\$211,188</u>	<u>\$614,939</u>	<u>\$491,094</u>	<u>\$788,331</u>	<u>\$297,237</u>	60.5%

- (1) Temporary resources for national meetings and the Insurance Summit are used for security and door monitoring purposes. Hotel configurations and meeting schedules dictate the amount of temporary services required at each event. The projection for 2025 and the 2026 budget are based on quotes from venues for those events and include additional security.
- (2) The NAIC internship program is designed to provide needed resources in various high-priority areas. Some of the areas slated for intern assignment include systems testing, product support, statistical and legal research, and member support. This program is successful with respect to identifying and retaining qualified candidates for full-time positions. This program was redesigned at the beginning of 2025 and has proven very successful for the NAIC and the interns. The current year level of internships is planned for 2026.
- (3) This line includes post-doctoral resources in the Center for Insurance Policy and Research (CIPR).

BUDGET ITEM: Payroll Taxes

Item Description: FICA and unemployment compensation costs incurred for all NAIC employees and interns.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
FICA (1)	\$5,221,588	\$3,017,268	\$5,736,952	\$6,080,103	\$6,151,256	\$71,153	1.2%
Unemployment Compensation (2)	111,525	70,492	110,498	105,117	83,941	(21,176)	-20.1%
Total	<u>\$5,333,113</u>	<u>\$3,087,760</u>	<u>\$5,847,450</u>	<u>\$6,185,220</u>	<u>\$6,235,197</u>	<u>\$49,977</u>	0.8%

(1) The increase in budgeted FICA for 2026 is related to the annual expected increase in the salary limit subject to FICA and the addition of employees as described in the salary section of this budget (see Footnote E1). The underbudget variance in 2025 is related to open positions and the salary limit subject to FICA not increasing to the expected level used during the 2025 budget process.

(2) The 2026 budget incorporates rate reductions received by taxing jurisdictions in the latter part of 2025.

BUDGET ITEM: Employee Benefits

Item Description: Includes retirement and health, dental, life, and disability insurance paid by the NAIC for its employees, as well as programs designed to reduce health insurance costs and retain NAIC employees.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Retirement (1)	\$4,605,645	\$2,965,734	\$6,351,126	\$5,855,065	\$6,802,931	\$947,866	16.2%
Health (2)	7,283,258	3,973,955	7,885,643	7,295,151	8,329,411	1,034,260	14.2%
Group Life and Disability (3)	458,991	302,505	500,505	563,073	534,536	(28,537)	-5.1%
Employee Relations (4)	1,300,124	679,217	1,414,476	1,520,464	1,388,049	(132,415)	-8.7%
Total	<u>\$13,648,018</u>	<u>\$7,921,411</u>	<u>\$16,151,750</u>	<u>\$15,233,753</u>	<u>\$17,054,927</u>	<u>\$1,821,174</u>	12.0%

- (1) Retirement includes the defined contribution plan (DCP) to which the NAIC makes a 3% discretionary contribution of each employee's annual salary and matches an employee's contribution up to 5.5%, for an estimated \$6.1 million in 2025. In 2026, this expense is expected to increase \$698,000 from projected 2025 expense and \$948,000 from the 2025 budget based on (1) additional employees entering the plan at higher contribution rates; (2) increased salary base from the annual merit cycle; and (3) automatic escalation of contribution rates until a preset maximum is achieved. Auto escalation provisions in retirement plans are considered best practice by the U.S. Department of Labor and were mandated by Congress for most plans established after 2022 as part of SECURE 2.0 Act.

The projection for 2025 includes \$246,100 for final expenses related to the NAIC's defined benefit plan (DBP). In 2017, the Internal Administration (EX1) Subcommittee approved a multi-year strategy to accelerate loss recognition and fully fund the plan with the goal of plan termination. The NAIC began the termination process in 2024 and it was completed in mid-2025.

- (2) Health insurance under the NAIC's self-insured plan is based on the number of employees enrolled and their benefit selections. As with any self-insured plan, actual costs vary annually based on employee claims. Projected expense for 2025 is based on actual claims through mid-year, prior year experience, and increased claims in the latter half of the year once employees meet their deductibles. The 2026 budget for health insurance includes (1) recent claims experience; (2) prescription drug coverage; (3) stop loss coverage; and (4) health coverage for additional employees as described in the salary section of this budget (see Footnote E1). The NAIC currently has several programs in place to assist in reducing the number and severity of health care claims. Examples of these programs are employee health awareness programs, Wellness Day, and Corporate Challenge participation.
- (3) The cost of group life and disability coverage during 2025 was lower than expected. The 2026 budget includes a slight increase for existing employees and the addition of employees as described in the salary section of this budget (see Footnote E1).
- (4) Employee relations includes (1) service awards; (2) performance recognition programs; (3) employee events such as Employee Appreciation Day, Wellness Day, and Corporate Challenge; and (4) student loan assistance program. These events serve as a conduit for employee engagement and camaraderie which are of vital importance in today's hybrid work environment. The decrease in 2025 and 2026 is related to the change in frequency and location of in-person employee Town Hall meetings, partially offset by the rising cost to produce the remaining events.

BUDGET ITEM: Employee Development

Item Description: Includes fees for seminars, professional training courses, and professional association memberships for NAIC employees.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Education Reimbursements (1)	\$132,924	\$38,366	\$62,045	\$55,653	\$77,070	\$21,417	38.5%
Professional Training (2)	553,184	180,487	623,439	701,453	732,781	31,328	4.5%
Professional Association Dues (3)	92,315	75,461	103,112	110,307	111,205	898	0.8%
Total	<u>\$778,423</u>	<u>\$294,314</u>	<u>\$788,596</u>	<u>\$867,413</u>	<u>\$921,056</u>	<u>\$53,643</u>	6.2%

- (1) Education reimbursements carry an annual cap per employee, are only available to those employees who are actively pursuing college degrees or professional designations, and only apply toward tuition for courses that specifically relate to and enhance the employee's job knowledge and/or skills for the benefit of the NAIC. The NAIC is committed to the development of employee skills to further the work of insurance regulation and the NAIC. Expenses vary from year to year based on employee enrollment in qualifying programs and the cost of those programs.
- (2) Professional training represents registration fees for professional seminars, trade workshops, and education programs attended by NAIC employees who require specialized training or are required to receive continuing education to maintain professional licenses or designations. This category also includes NAIC employee training event expenses on topics such as cybersecurity, management, and leadership. Spending in 2025 is projected to be under budget due to a reduced number of all employee training events, delays with the implementation of the new enterprise resource planning (ERP) software, and decreased availability for employees to take training during other major software implementations. The 2026 budget reincorporates the ERP training, training on new applications used for current implementations, and includes additional leadership training.
- (3) The budget includes employee memberships in various professional associations, such as the American Society of Association Executives, bar associations, the American Institute of Certified Public Accountants, and numerous technical associations.

BUDGET ITEM: Professional Services

Item Description: Fees paid to outside consultants for legal, actuarial, information technology, security modeling, financial services, and other consulting services.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Legal (1)	\$99,742	\$120,982	\$299,982	\$300,000	\$300,000		
Accreditation Team (2)	1,343,314	652,746	1,234,946	1,234,945	1,187,885	(\$47,060)	-3.8%
Royalties (3)	1,745,454	223,815	1,322,956	1,323,237	1,397,853	74,616	5.6%
Benefits (4)	521,895	107,312	172,312	152,617	136,496	(16,121)	-10.6%
Audit (5)	397,978	188,123	374,096	445,370	382,560	(62,810)	-14.1%
Implementation/Upgrade (6)	6,613,644	5,175,643	10,552,476	8,937,190	9,550,760	613,570	6.9%
Data Modeling (7)	2,950,000		2,950,000	2,950,000	2,950,000		
Other Professional Services (8)	6,700,932	3,346,449	8,354,858	7,727,430	7,595,768	(131,662)	-1.7%
Total	<u>\$20,372,959</u>	<u>\$9,815,070</u>	<u>\$25,261,626</u>	<u>\$23,070,789</u>	<u>\$23,501,322</u>	<u>\$430,533</u>	1.9%

- (1) The legal budget covers potential engagement of outside legal firms to assist the Legal Division in (1) needed expertise to assist in complex and specialized regulatory issues and projects; (2) labor and employment issues; (3) corporate matters relating to contracts, tax, and benefits; and (4) amicus briefs filed at the request of NAIC members.
- (2) The NAIC contracts with independent teams to conduct reviews of insurance departments seeking accreditation under the NAIC Financial Regulation Standards and Accreditation Program. The budget is based on the number and type of examinations to be conducted. The 2026 budget assumes 10 jurisdictions undergoing full reviews, two jurisdictions undergoing a re-review, and 11 jurisdictions undergoing pre-review. The 2025 budget included 10 full reviews, three re-reviews, and 10 pre-reviews. This line also includes training for the independent team members regarding program guidelines, standards, review team practices, changes to the program, and NAIC tools used by members to comply with the program. Total multi-state domestics drives the number of team members assigned to each examination.
- (3) Royalties are paid to financial modelers based on CMBS and/or RMBS dataset sales to third parties.
- (4) Consulting, support, and investment services in the benefits category include assistance with (1) administration of and investment advisory services for the defined contribution and defined benefit retirement plans; (2) actuarial services for the defined benefit retirement plan; and (3) benefit renewals. The 2025 projection includes additional costs related to the termination of the defined benefit plan. The decrease in the budget for 2026 reflects the termination of this plan.
- (5) Audit fees include amounts paid to independent accounting, accrediting, and information technology firms primarily for (1) annual financial examination (\$63,100); (2) Statement on Standards for Attestation Engagements (SSAE) No. 18, Reporting on Controls at a Service Organization (SOC) engagements, including SOC 1 and SOC 2 audits (\$165,750); and (3) cybersecurity audits (\$150,000).
- (6) The implementation/upgrade category contains amounts budgeted for consulting and other professional services related to process and application improvements across all platforms. The 2026 budget includes (1) \$155,000 for ongoing work on the Regulatory Information Retrieval System (RIRS); (2) \$2.0 million in staff augmentation as the NAIC continues work on several high-profile projects; (3) \$1.6 million for process improvements and automation of back-office systems; (4) \$435,000 for security-related implementations; (5) \$400,000 for continued work on financial analysis solvency tools; and (6) \$962,000 to support the existing Financial Data Repository (FDR) system. The 2026 budget also includes consulting dollars for Fiscal 1: Regulatory Data Integration and Enhancement of Solvency Related Tools (\$1.3 million); Fiscal 2: SERFF Modernization – 2026 Transition Stages (\$932,000); and Fiscal 4: SBS Implementations – 2026 (\$1.7 million). The over budget variance in 2025 is driven by unexpected post production support following the initial release of the new SERFF platform. The increase in the budget is primarily for the inclusion of post production support following two scheduled SERFF releases in 2026, partially offset by a reduction in staff augmentation due to the addition of employees included in Fiscal 5: Regulatory Support and Operational Resources.

BUDGET ITEM: Professional Services (continued)

- (7) Data modeling service fees are fees paid for the modeling of RMBS and CMBS securities owned by insurers and is based on the most current contract.
- (8) Other professional services include (1) \$454,200 for expenses related to registration software license fees, transportation, facilities, speakers, photographers, and other outside services for national and major meetings; (2) \$114,000 in banking fees; (3) \$412,200 for consumer education, outreach, and advocacy work; (4) \$191,000 in fees for the administration, lease, and oversight of the co-location site; (5) \$553,000 in cloud management services; (6) \$49,000 in video and news production services; (7) \$90,000 for cybersecurity services; (8) \$742,500 for technology and business information subscriptions; (9) \$240,000 for graphic design services; (10) \$162,700 in services related to human capital assets; (11) \$3.7 million in staff augmentation services to fill temporary vacancies in critical but difficult to fill positions and short term resources with specific skillsets; (12) \$485,000 for various activities related to the Catastrophe Modeling Center of Excellence (CAT COE); and (13) \$380,000 for various outside services used throughout the association. The 2025 over budget projection is due primarily to additional resources needed to address member services and back office operations. The budgeted decrease in 2026 is related to the completion of the Long-Term Care Insurance Experience Study and RBC Model Governance projects in 2025. These decreases in expense are partially offset by the incorporation of increases experienced in 2025 due to a continued increase in the need for additional resources in various areas of the NAIC.

BUDGET ITEM: Computer Services

Item Description: Fees paid to outside providers for computer processing; credit card processing; registrations for national meetings, education programs, and other NAIC events; and securities valuation services.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Database Network (1)	\$972,018	\$316,258	\$749,693	\$761,653	\$838,008	\$76,355	10.0%
Cloud Services (2)	3,872,621	2,223,566	4,405,674	4,051,459	4,290,339	238,880	5.9%
Securities Valuation Services (3)	3,025,423	1,773,446	3,613,255	3,560,405	3,939,829	379,424	10.7%
Credit Card Fees (4)	509,231	258,513	548,246	516,565	643,707	127,142	24.6%
Other (5)	417,266	114,193	293,196	187,814	314,913	127,099	67.7%
Total	<u>\$8,796,559</u>	<u>\$4,685,976</u>	<u>\$9,610,064</u>	<u>\$9,077,896</u>	<u>\$10,026,796</u>	<u>\$948,900</u>	10.5%

- (1) Database network expenses budgeted in 2026 include (1) internet, data connectivity, and network synchronization between the NAIC's co-location site and all three NAIC offices; (2) New York and Washington, D.C., office circuits and backups to the Kansas City office; and (3) wireless network and Wi-Fi services at national and major meetings. The 2025 projection includes a reduction in on-premise dependencies. The 2026 budget includes an increase in connectivity costs at national meetings and the Insurance Summit, partially offset by network savings secured in 2025.
- (2) The over budget variance in 2025 represents additional capacity for 2025 projects and increased run costs related to increased data loads. The increase in data loads is budgeted to continue into 2026 but the additional capacity is not. The NAIC utilizes a third-party service to ensure performance optimization to minimize costs.
- (3) Securities valuation services represent the purchase of nationally recognized statistical ratings organization (NRSRO) ratings and security data feeds, as well as access to credit reports, industry/sector analysis, peer searches, and analysis methodologies. This information is used to produce NAIC designations for NRSRO-rated securities, including municipal bond pricing, corporate bond pricing, Bloomberg, and Moody's. Some renewals in 2025 were at a higher rate than budgeted. These increases, as well as increases expected with future renewals, will raise expenses in this category in 2026.
- (4) Credit card fees include charges from vendors and banks to settle customer credit card transactions and deposit funds in the NAIC bank account. The increase in fees for 2025 and the budget for 2026 are related to the increase in customer payments via credit card and an increase in budgeted revenues.
- (5) Other computer services included in the 2026 budget represent (1) technology to scan attendee badges at national meetings and the Insurance Summit (\$169,200); (2) fees for powering the national meeting and Insurance Summit mobile agenda application (\$23,500); (3) employee-based services (\$25,400); (4) applications used to support member initiatives (\$58,000); and (5) fees for processing online registrations for national meetings and other NAIC events (\$34,000). The increase in the 2026 budget and spending in 2025 is related to the use of technology to scan attendees badges at national meetings which was not anticipated in the 2025 budget.

BUDGET ITEM: Travel

Item Description: Includes airfare, lodging, meals, and incidental travel expenses incurred by NAIC employees, commissioners, regulators, funded consumer representatives, legislators, and international fellows.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Employee Travel (1)	\$2,125,471	\$859,807	\$2,049,607	\$2,241,420	\$2,269,669	\$28,249	1.3%
Non-Employee/Non-Regulator Travel (2)	42,877		64,500	66,000	63,000	(3,000)	-4.5%
Regulator Travel (3)	2,479,834	1,131,682	2,750,713	3,165,579	2,941,708	(223,871)	-7.1%
International Travel (4)	1,117,987	341,485	888,665	847,263	921,328	74,065	8.7%
Regulatory Disaster Assistance Travel (5)	27,898	6,690	59,690	60,000	60,000		
Consumer Funding (6)	129,144	46,312	155,312	155,000	170,000	15,000	9.7%
Total	<u>\$5,923,211</u>	<u>\$2,385,976</u>	<u>\$5,968,487</u>	<u>\$6,535,262</u>	<u>\$6,425,705</u>	<u>(\$109,557)</u>	-1.7%

- (1) Employee travel includes travel for (1) national meetings for committee support; (2) interim committee meetings; (3) jurisdictional visits; (4) catastrophe modeling; (5) member support; and (6) professional seminars and training programs. The increase in 2026 is related to (1) an increase in the number of employees needed to support national and interim meetings; (2) travel in conjunction with Fiscal 2: SERFF Modernization – 2026 Transition Stages; (3) expanding catastrophe modeling activities; and (4) the increasing cost of travel.
- (2) The 2026 budget for non-employee/non-regulator travel includes (1) \$44,000 for travel expenses for legislators to attend a 2026 national meeting; (2) \$11,000 for travel and miscellaneous expenses for international regulators sponsored as part of the International Fellows Program; and (3) \$4,000 for speaker travel for CIPR programs. While the NAIC is committed to fund travel to a national meeting for one legislator from each member jurisdiction, the budget is set to reflect actual utilization of this program in prior years.
- (3) Regulator travel includes (1) \$400,500 in domestic travel for commissioners and senior regulators to participate in such events as Congressional testimony, trade association meetings, and speaking engagements for the purpose of conducting NAIC business; (2) \$847,500 to sponsor commissioner and senior regulator travel to all national meetings; (3) \$247,300 to fund commissioner and senior regulator travel to the Commissioners' Conference; (4) \$538,300 to fund regulator travel to the Insurance Summit; (5) \$179,500 for commissioner travel to the annual Committee Assignment Meeting, All Commissioner DC Fly-In, and International Insurance Forum; (6) \$246,000 to fund commissioner and senior regulator travel to the Commissioners' Mid-Year Roundtable; (7) \$57,500 for regulator travel for peer review examinations; (8) \$135,000 to fund regulator travel to the SBS Summit; (9) \$118,600 for regulator travel to train on Enterprise Data Asset Management; (10) \$131,300 to fund travel to various other regulatory events and meetings such as the Financial Analysis (E) Working Group (FAWG) and Market Actions (D) Working Group (MAWG); and (11) \$40,100 for training travel as discussed in Fiscal 2: SERFF Modernization – 2026 Transition Stages. Due to a change in the delivery of training for Enterprise Data Asset Management and the new SERFF system, travel for these events has been reduced by \$62,300 and \$86,700, respectively.
- (4) International travel includes \$553,250 for regulator travel and participation in meetings such as the International Association of Insurance Supervisors (IAIS), the Organization for Economic Cooperation and Development (OECD), and the Sustainable Insurance Forum (SIF), among many others. The remainder is for NAIC employee travel to support regulators during certain international regulatory meetings. NAIC members are committed to ensuring U.S. regulatory processes and practices are aligned with international standards development and coordinated with activities of federal agencies. The 2025 projection and 2026 budget reflect an increasing number of international issues that require U.S. regulator involvement and the rising cost of travel.
- (5) Projected 2025 expense for regulatory disaster assistance travel represents NAIC's commitment to fund volunteer regulators, if needed, to assist following devastating disasters should they occur during the remainder of the year. The 2026 budget is to ensure needs of this nature will be met, should they arise.

BUDGET ITEM: Travel (continued)

- (6) The consumer funding budget includes domestic and international travel for the NAIC's funded consumer representatives to attend national meetings and IAIS meetings. The 2026 budget includes an additional \$15,000 to fund travel for individuals who are not appointed NAIC funded consumer representatives but have issue-specific expertise and are interested in the NAIC Consumer Participation Program. The current focus is on recruitment of individuals with expertise in property and casualty (P&C) issues.

BUDGET ITEM: Occupancy and Rental

Item Description: Includes rent, building operating expenses, maintenance fees, parking, cleaning, warehouse storage, and equipment rental.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Rent (1)	\$3,129,263	\$1,534,197	\$3,076,007	\$3,074,036	\$3,072,044	(\$1,992)	-0.1%
Utilities and Parking (2)	739,467	373,575	762,083	762,370	909,286	146,916	19.3%
Warehouse (3)	93,850	51,502	99,502	49,848	51,260	1,412	2.8%
Equipment Rental and Maintenance (4)	657,014	471,943	924,738	760,171	907,229	147,058	19.3%
National and Major Meeting Equipment Rental (5)	136,922	18,520	81,551	72,031	101,192	29,161	40.5%
Total	\$4,756,516	\$2,449,737	\$4,943,881	\$4,718,456	\$5,041,011	\$322,555	6.8%

- (1) U.S. Generally Accepted Accounting Principles (GAAP) requires rent expense, including scheduled increases in rent payments, be recognized as expense evenly throughout the life of the lease. U.S. GAAP also requires incentive allowances, such as leasehold improvement reimbursements and rent reductions, be recorded on the balance sheet and amortized against rent expense over the life of the lease.

Rent expense for the Central Office in Kansas City, MO, at 1100 Walnut is \$148,424 monthly for 108,955 square feet (\$16.35 per square foot), with a lease expiration of February 29, 2036.

Rent expense for the Executive Office in Washington, D.C., at 1101 K Street is \$50,316 monthly for 11,000 square feet (\$54.89 per square foot), with a lease expiration of July 31, 2037.

Rent expense for the Capital Markets and Investment Analysis Office in New York, NY, at One New York Plaza is \$55,747 monthly for 18,844 square feet (\$35.50 per square foot), with a lease expiration of June 30, 2027. The NAIC is currently working to secure leased office space after the current lease expires.

- (2) The budget for 2026 reflects the addition of operating costs associated with new lease agreements for the Washington, D.C., and Kansas City, MO, offices following the baseline year of 2025.
- (3) Warehouse storage increased during 2024 as hardcopy documents from the Kansas City office were moved to a storage facility due to the reduction in leased square footage. These records are currently being digitized which will reduce storage costs in future years. Additionally, a new lease with reduced rates was negotiated with the storage facility.
- (4) Equipment rental and maintenance includes the cost to rent and maintain equipment that resides in NAIC offices such as copiers for the NAIC copy center and employee copy areas, computer equipment including laptops and conference room technology, and other business operational equipment. The over budget variance in 2025, which carries into 2026, is related to the increase in costs for maintenance on connectivity equipment in conference rooms.
- (5) The 2026 budget is based on rental equipment needs at the selected meeting locations. The increase in this category in 2026 is related to additional rental requirements at the convention centers used for the Spring and Fall National Meetings and the Insurance Summit.

BUDGET ITEM: Software License Fees

Item Description: Software licenses fees for products that are essential to NAIC's role in support of regulatory activities.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Software License Fees (1)	\$10,778,698	\$5,817,405	\$11,934,708	\$11,740,488	\$12,455,724	\$715,236	6.1%

- (1) The 2026 budget incorporates (1) annual subscription renewal rate increases ranging 3% to 20% and (2) capacity increases and upgrades to more robust versions of existing tools. The increase in 2026 is primarily related to annual rate increases and an accounting change for the software used in the SERFF modernization project. With the first release of this new platform in mid-2025, software costs for this project are now expensed rather than capitalized. The budget and projected expense for 2025 includes five months of this expense while the 2026 budget includes a full year. Additionally, the 2025 renewal rate for this software was higher than budgeted due to higher pricing and capacity needs. Budget increases for 2026 are partially offset by the elimination of software products that are no longer beneficial to NAIC operations or have been replaced by more powerful tools.

BUDGET ITEM: Depreciation and Amortization

Item Description: Includes depreciation and amortization for all capital assets owned as of June 30, 2025, projected capital purchases through December 31, 2025, and budgeted capital for 2026.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Depreciation (1)	\$635,977	\$366,398	\$769,111	\$769,321	\$801,502	\$32,181	4.2%
Amortization (2)	3,369,010	2,672,153	5,692,938	6,071,779	5,877,101	(194,678)	-3.2%
Total	<u>\$4,004,987</u>	<u>\$3,038,551</u>	<u>\$6,462,049</u>	<u>\$6,841,100</u>	<u>\$6,678,603</u>	<u>(\$162,497)</u>	-2.4%

- (1) Depreciation is calculated on a straight-line basis over the useful life of capital assets owned by the NAIC, which is five years for furniture and equipment and three years for computer hardware and software. The amount of depreciation expense in a given year is related to the purchase of capital assets in the current and preceding years. The increase in depreciation for 2026 is related to the replacement of uninterrupted power supplies.
- (2) Amortization is computed on a straight-line basis for capitalized assets such as leasehold improvements and costs incurred for major computer application projects and system upgrades. The initial useful life of this class of assets is approximately 10 to 12 years, but are assigned to specific assets based on each asset's useful life. The under budget variance in 2025 is related to the delay of the ERP project to 2026 pending identification of solutions to issues discovered in late 2024. The increase in 2026 over projected 2025 expense is related to a full year of amortization of SERFF Modernization – 2025 Transition Stages and amortization as detailed in Fiscal 2: SERFF Modernization – 2026 Transition Stages.

	2025 Capital Projection	2025 Capital Budget	2026 Capital Budget
Furniture and Equipment	\$53,669		\$52,000
Computer Software	371,672	\$770,791	105,511
Leasehold Improvements			
Consulting	4,955,323	11,711,484	16,240,481
Total Requests	<u>\$5,380,664</u>	<u>\$12,482,275</u>	<u>\$16,397,992</u>

	Equipment	Software	Consulting	2026 Capital Budget
SERFF Modernization – 2026 Transition Stages			\$5,157,789	\$5,157,789
Financial Data Repository (FDR) Modernization			6,541,000	6,541,000
IT VISION Technology Upgrade			1,083,792	1,083,792
Uninterrupted Power Supply Replacement	\$52,000			52,000
Enterprise Resource Planning (ERP)		\$105,511	3,457,900	3,563,411
	<u>\$52,000</u>	<u>\$105,511</u>	<u>\$16,240,481</u>	<u>\$16,397,992</u>

See Exhibit E11 for detailed information on specific items with a unit cost of \$25,000 or greater.

Proposed Capital Expenditures with a Unit Cost of \$25,000 or Greater

SERFF Modernization – 2026 Transition Stages (\$5,157,789)

The NAIC began a multi-year project in 2022 to modernize the SERFF platform. The project is designed to take advantage of new technological developments, particularly in the areas of document management, workflow, and artificial intelligence. In 2026, up to 25 jurisdictions will begin implementation on the new system. Early adopters, the first 10 jurisdictions, will begin implementation in the first quarter of 2026 with another 10 to 15 beginning implementations in the fourth quarter. Capitalized costs for this project include consulting (\$5,157,789).

Financial Data Repository (FDR) Modernization (\$6,541,000)

FDR is a centralized system designed to manage and analyze statutory financial data submitted by insurers and is instrumental in providing regulators with comprehensive data needed to monitor financial stability, assess risk, and ensure market integrity. In 2025, a formal proof of concept was completed which demonstrated the capabilities and potential benefits of a fully modernized FDR platform leveraging a next generation regulatory data collection and management solution. A fully modernized FDR will position regulators to more effectively respond to emerging risks, evolving market conditions, and the increasing complexity of the insurance sector. Capitalized costs for this project include consulting (\$6,541,000).

IT VISION Technology Upgrades (\$1,083,792)

This three-year project is designed to provide significant infrastructure upgrades to improve support to the Securities Valuation Office (SVO) and enhance VISION. Upgrades include breaking monolithic applications, such as VISION and AVS+, into smaller applications to allow teams to modernize the specific application to utilize best practice framework and deploy them to the desired NAIC end-state hosting platform. The project has three components in 2026: technology upgrade, multiple issuers and security identifiers (MISI), and filing exemption (FE) discretion expansion. Capitalized costs include consulting (\$1,083,792).

Uninterrupted Power Supply (UPS) Replacement (\$52,000)

UPS devices kick in when the electricity goes out and provide immediate power to the data center and network until the generator has time to power on. The UPS also cleans the power which is needed in low or high voltage situations. The NAIC has two UPS devices in the Kansas City office which are at end-of-life. Capitalized costs for this project include purchase and installation of the hardware (\$52,000).

Enterprise Resource Planning (ERP) Software (\$3,563,411)

In 2022, the NAIC began a project to convert current aging operational applications into a cloud-based software suite. The human capital management portion of the project was completed in mid-2023. Work in 2026 is to continue progress on implementation of accounting, financial management, and procurement. Capitalized costs for this project include software (\$105,511) and consulting (\$3,457,900).

BUDGET ITEM: Operational

Item Description: Operational expenses for the NAIC offices including insurance; office and computer supplies; postal and shipping charges; and marketing materials. The branding expense line includes registration and incidental fees charged by organizations for participation in their trade shows, attendance at recruiting events, and branded materials distributed at NAIC events.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Insurance (1)	\$513,652	\$259,005	\$541,697	\$540,360	\$584,140	\$43,780	8.1%
Supplies (2)	520,069	348,378	465,727	436,360	471,517	35,157	8.1%
Non-Capital Equipment (3)	514,491	223,265	515,491	461,042	535,821	74,779	16.2%
Mail Services (4)	147,529	87,889	167,320	165,377	175,539	10,162	6.1%
Branding (5)	278,991	117,339	284,601	281,630	299,279	17,649	6.3%
	<u>\$1,974,732</u>	<u>\$1,035,876</u>	<u>\$1,974,836</u>	<u>\$1,884,769</u>	<u>\$2,066,296</u>	<u>\$181,527</u>	9.6%

- (1) Additional coverage added at the May 2025 renewal date resulted in slightly higher fees than budgeted. The 2026 budget includes an increase of 5% over existing premiums for the May 2026 renewals and a continuation of the increased coverage from 2025.
- (2) Supplies include purchases of copy paper, common area supplies, and miscellaneous office supplies. The 2025 projection and 2026 budget incorporate the rising cost of supplies for NAIC offices.
- (3) Non-capital equipment includes non-capitalized computer equipment, such as laptops, as well as minor office equipment and computer supplies needed to furnish employees with the tools necessary to complete their assigned tasks. Spending in 2025 includes additional costs to complete signage and design elements for the new Kansas City leasehold to create a cohesive workplace environment for employees and visiting regulators; an increase in the number and cost of laptop replacements; and an additional tool used for the SERFF Modernization project. The increase in the budget for 2026 is related to the increasing cost of computer equipment and the purchase of equipment for additional employee resources as described in the salary section of this budget (see Footnote E1), as well as the replacement of equipment at the Kansas City office that is at end-of-life.
- (4) Mail services includes the cost of shipping equipment and materials to NAIC national meetings and other events, express mail services, and items sent through the United States Postal Service (USPS). The increase in 2026 is related to the increased distance to ship materials from Kansas City to the Spring National Meeting in San Diego, CA, in 2026, versus Indianapolis, IN, in 2025.
- (5) Branding represents registration and incidental fees charged by organizations for participation in trade shows to market NAIC products and services, such as SERFF, OPT^{ins}, SBS, and NAIC education programs. This line also includes expenses related to attendance at recruiting events and branded materials. The increase in this line for 2026 is related to a general increase in costs.

BUDGET ITEM: Library Reference Materials

Item Description: Includes costs for books, periodicals, and online reference services.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Library Reference Materials (1)	\$401,187	\$221,387	\$425,953	\$419,982	\$456,252	\$36,270	8.6%

- (1) Library reference materials include resources used in performing research by the NAIC Research Library. The reference collection is a vital source of information on insurance, legal, business, finance, and technology-related issues and supports the NAIC's fulfillment of research questions from regulators, employees, and interested parties. The increase in 2026 is related to annual increases in subscription rates and the addition of new digital services.

BUDGET ITEM: National and Major Meetings

Item Description: Outside costs directly related to conducting national meetings, Commissioners' Conference, All Commissioner DC Fly-In, Commissioners' Mid-Year Roundtable, Insurance Summit, International Insurance Forum, and interim meeting expenses not classified within other budget categories.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Receptions (1)	\$279,726	\$111,268	\$377,506	\$349,203	\$411,920	\$62,717	18.0%
Hotel Services (2)	2,957,484	1,337,265	2,745,489	2,822,419	2,938,517	116,098	4.1%
Audiovisual Services (3)	2,487,451	985,467	2,296,067	2,030,893	2,206,625	175,732	8.7%
Interim Meetings (4)	612,552	96,104	263,050	349,805	239,931	(109,874)	-31.4%
Total	<u>\$6,337,213</u>	<u>\$2,530,104</u>	<u>\$5,682,112</u>	<u>\$5,552,320</u>	<u>\$5,796,993</u>	<u>\$244,673</u>	4.4%

National Meeting Locations

Year	Spring	Summer	Fall
2026	San Diego, CA	Columbus, OH	Dallas, TX
2025	Indianapolis, IN	Minneapolis, MN	Hollywood, FL
2024	Phoenix, AZ	Chicago, IL	Denver, CO

- (1) Expenses for receptions reflect the cost of food and beverage services and charges for the NAIC's welcome reception at (1) national meetings; (2) Commissioners' Conference; (3) All Commissioner DC Fly-In; (4) Commissioners' Mid-Year Roundtable; (5) Insurance Summit; and (6) International Insurance Forum. The budget is based on quotes for food and beverage costs for selected meeting sites. The increase in cost in 2026 is related to national meeting locations.
- (2) Hotel services include the cost of (1) regulator and employee breakfasts and lunches; (2) regulator, employees, and industry breaks; (3) electrical support; and (4) other hotel charges. The 2026 budget is based on quotes from host hotels and convention centers. Like other organizations, the NAIC has experienced a dramatic increase in the cost of food and beverage services in recent years. The budgeted increase for 2026 is related to higher costs for services for the Spring National Meeting in San Diego.
- (3) Audiovisual services include microphones, video equipment, electronic presentations, and labor costs associated with setup and operation of these services. Budgets for audiovisual were developed based on current needs and quotes from service providers, which in some cases is designated by the facility. As attendance and the agenda have grown, necessitating more venues, the need for audiovisual services has also grown. Additionally, the cost of audiovisual services has increased more rapidly than other services. The majority of the over budget variance in 2025 is related to increased services and labor charges at all three national meetings, Commissioners' Mid-Year Roundtable, and International Insurance Forum. The 2026 budget is based on quotes from host hotels and convention centers, incorporates the expected number of attendees, and the use of a new vendor to provide these services.
- (4) The interim meeting budget represents costs associated with meetings on key initiatives that are not otherwise classified within the NAIC's budget. Interim meeting expenses include group meals, meeting room rental, audio-visual, and food and beverage. The under budget variance in 2025 is related to combining SBS Education Days with the Insurance Summit, as well as fewer in-person meetings for SERFF Modernization training and interim committee meetings. The 2026 budget covers (1) hosting legislative and international meetings (\$57,000); (2) peer review examinations (\$15,100); (3) ad hoc regulator meetings (\$133,000); and (4) hosting data research events (\$19,300). The decrease in the 2026 budget is related to combining SBS Education Days with the Insurance Summit, fewer in-person SERFF Modernization trainings, and not holding an Investment Analysis Office (IAO) Briefing for one year.

BUDGET ITEM: Education and Training

Item Description: Expenses incurred by the NAIC for education programs.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Education Programs (1)	\$90,855	\$33,722	\$173,847	\$264,816	\$231,076	(\$33,740)	-12.7%

- (1) NAIC began the implementation of a new learning platform in 2024. This project includes the restructure of courses to self-paced, on-demand, e-learning modules, expansion of content to target regulatory job roles, and the redesign of the education and training website. Conversion of content to the new format has taken longer than anticipated resulting in some courses not being available during 2025. The target for having most of the updated courses in the new platform is December 2025. Some higher-level designation programs will roll out in 2026. The increase in expense is the result of concentrating the first full year of the new learning platform on regulatory training modules, in particular Regulatory Leadership Forum, Practical Manager, and New Financial Regulator Training. These are all in-person trainings and include consulting services, meals, and regulator or trainer travel to the training location.

BUDGET ITEM: Grant and Zone

Item Description: Utilization of grant and zone funds and expenses for zone-sponsored events.

<u>Description</u>	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Grant Funds (1)	\$1,697,133	\$356,567	\$1,729,999	\$1,730,000	\$1,898,000	\$168,000	9.7%
Zone Scholarship Funds (2)	18,213	6,208	25,970	29,000	20,500	(\$8,500)	-29.3%
Zone Expenses (3)	675,615	230,470	737,520	766,000	754,100	(11,900)	-1.6%
Total	<u>\$2,390,961</u>	<u>\$593,245</u>	<u>\$2,493,489</u>	<u>\$2,525,000</u>	<u>\$2,672,600</u>	<u>\$147,600</u>	5.8%

- (1) Grant funding will increase from \$30,000 to \$33,000 per jurisdiction on January 1, 2026 (\$1,848,000). The budget also includes an additional \$50,000 to assist members with special funding needs during the year. The 2025 projection assumes funding will be fully utilized.
- (2) Zone Scholarship funds represent the utilization of training dollars allocated to each member by the four Zones. Grant funding balances are used by members first as they do not carry forward to the following year. Zone scholarship fund balances are available until used by the member.
- (3) Zone expenses include Zone conferences, training events, and meetings at national meetings. The 2025 projection and 2026 budget are based on conference location selected by the Zones. NAIC allocates funding annually to Zones to cover Zone expenses. Funding includes (1) \$2,500 per Zone member, with a minimum of \$60,000 per Zone (\$247,500); (2) \$2,500 per Zone member to be used by the Zones to provide additional training opportunities for their members (\$140,000); and (3) a minimum of \$7,500 per Zone member in unused grant funding reallocated to each Zone at the end of each year (\$420,000). The 2026 budget is based on the cost of proposed meetings at locations selected by the Zones.

BUDGET ITEM: Other

Item Description: Costs incurred for the NAIC's membership in other organizations, recruiting employees, bad debt expense, member relations, and other expense.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Professional Association Dues – NAIC (1)	\$921,108	\$927,141	\$944,859	\$959,468	\$1,080,164	\$120,696	12.6%
Recruiting and Relocation (2)	221,235	97,618	407,618	552,372	344,869	(207,503)	-37.6%
Bad Debt Expense (3)	(1,095)	(5,622)	74,378	80,000	80,000		
Member Relations (4)	26,868	16,112	21,262	23,875	22,975	(900)	-3.8%
Total	<u>\$1,168,116</u>	<u>\$1,035,249</u>	<u>\$1,448,117</u>	<u>\$1,615,715</u>	<u>\$1,528,008</u>	<u>(\$87,707)</u>	-5.4%

- (1) Professional association dues includes \$1.0 million for the NAIC's annual membership in the IAIS, an increase of \$127,036 over the dues paid in 2025. The IAIS is expected to increase the NAIC's dues by 2.8% in 2026, calculated in Swiss Francs. The increase was 2.8% in 2025, 4.0% in 2024, and 4.5% in 2023. The NAIC bears the currency conversion rate risk on this membership fee. The 2026 budget reflects continuing increases in the conversion rate of Swiss Francs to US Dollars as measured at the time the 2026 budget was prepared.
- (2) Recruiting agencies are used to fill open positions with qualified individuals with a unique/specific skill set and those at higher levels of management within the association when standard methods of recruitment prove unsuccessful. The 2025 projection reflects the use of outside firms to secure qualified individuals in several high profile positions. The 2026 budget represents a reduced reliance on outside firms in the area of recruiting.
- (3) Bad debt expense is a provision for future uncollectible customer accounts receivable.
- (4) The member relations account includes expenses associated with the Dineen Award and recognition of NAIC members and officers.

BUDGET ITEM: Investment Income

Item Description: Interest, dividends, and realized and unrealized gains/losses, partially offset by investment advisory management fees on the NAIC investment portfolio and cash equivalents.

Description	2024 Actual	6/30/2025 Actual	12/31/2025 Projected	2025 Budget	2026 Budget	Increase (Decrease)	Percentage
Interest Income (1)	\$1,527,598	\$857,402	\$1,351,562	\$1,200,000	\$1,100,000	(\$100,000)	-8.3%
Dividend Income (2)	5,369,466	2,186,533	3,559,440	2,400,000	2,800,000	400,000	16.7%
Realized Gain/(Loss) (3)	9,429,835	1,078,461	1,457,180				
Unrealized Gain/(Loss) (3)	(1,509,138)	5,344,042	7,971,932				
Investment Fees (4)	(278,572)	(15,164)	(274,634)	(324,000)	(276,000)	48,000	-14.8%
Total	<u>\$14,539,189</u>	<u>\$9,451,274</u>	<u>\$14,065,480</u>	<u>\$3,276,000</u>	<u>\$3,624,000</u>	<u>\$348,000</u>	10.6%

Investment income includes (1) interest income on short-term investments and cash balances; (2) dividend income from the equity portfolio; and (3) realized and unrealized gains and losses; partially offset by (4) investment advisory fees for the management of the NAIC long-term investment portfolio. NAIC uses actual results through August as the projection for year-end gains and losses for the current year. Realized and unrealized gains or losses are not budgeted due to the volatility of the market.

- (1) The over budget performance in 2025 is driven by the current interest rate environment. The 2026 budget anticipates a decrease in interest rates.
- (2) Dividend income is projected based on current and historical dividend receipts. The 2025 projection is expected to exceed budget based on the current financial markets and mix of NAIC investments. Budgeted 2026 dividend income reflects expected income in light of market uncertainty and mix of equity investments.
- (3) Unrealized gain and loss is the adjustment of equity investments to market value as required by U.S. GAAP when reporting actual financial results but are not budgeted due to the unpredictability of financial markets. Realized gains as of August 31, 2025, were generated from the sale of existing financial holdings as part of the ongoing investment strategy. Fluctuations in market gains and losses are expected during the remainder of 2025 and during 2026.
- (4) U.S. GAAP requires the presentation of investment advisory management fees as an offset to investment income. Fees for the NAIC's long-term investment portfolio are in line with expected expenses in 2025 and actual expense from 2024, which compliments current market trends.

2026 BUDGET FISCAL IMPACT STATEMENTS

Fiscal Number	Description	2026 Budget			Net Impact 2026 Budget
		Capital Expenditures	Revenues	Expenses	
	Total Revenues Over/(Under) Expenses Before Fiscals and Investment Income	\$4,699,203	\$175,032,068	\$179,996,846	(\$4,964,778)
1	Regulatory Data Integration and Enhancement of Solvency Related Tools			1,398,948	(1,398,948)
2	SERFF Modernization – 2026 Transition Stages	5,157,789		1,479,948	(1,479,948)
3	Financial Data Repository (FDR) Modernization	6,541,000			0
4	SBS Implementations – 2026		161,250	1,695,910	(1,534,660)
5	Regulatory Support and Operational Resources			1,712,394	(1,712,394)
	Total Fiscal Revenues Over/(Under) Expenses	11,698,789	161,250	6,287,200	(6,125,950)
	Investment Income		3,624,000		3,624,000
	Total Revenues Over/(Under) Expenses After Fiscals and Investment Income	<u>\$16,397,992</u>	<u>\$178,817,318</u>	<u>\$186,284,046</u>	(\$7,466,728)

Fiscal Impact Statement

DATE SUBMITTED:	AUGUST 2025
NAME OF INITIATIVE:	REGULATORY DATA INTEGRATION AND ENHANCEMENT OF SOLVENCY RELATED TOOLS
REGULATOR SPONSOR:	INTERNAL ADMINISTRATION (EX1) SUBCOMMITTEE
INTERNAL SUPPORT:	SCOTT MORRIS, CHIEF TECHNOLOGY OFFICER TODD SELLS, DIRECTOR FINANCIAL REGULATORY POLICY AND DATA BRUCE JENSON, DIRECTOR SOLVENCY MONITORING AND ACCREDITATION
ANTICIPATED START:	JANUARY 2026
ANTICIPATED COMPLETION:	APRIL 2027
EXPECTED REVENUE (2026):	\$0
(2027):	\$0
EXPECTED EXPENSE (2026):	\$1,398,948
(2027):	\$336,450
EXPECTED CAPITAL (2026):	\$0
(2027):	\$0

Summary

As part of the NAIC's continued efforts to advance the accessibility, reliability, and analytical power of regulatory data, the following initiatives are represented as a coordinated, multifaceted strategy to upgrade core systems, streamline data access, and enhance solvency oversight capabilities. These efforts encompass major enhancements to the Enterprise Data Platform (EDP), migration of additional legacy regulatory applications and datasets to the EDP, and continued evolution of the NAIC's financial analysis solvency tools (FASTR).

Collectively, these projects will significantly strengthen the technology infrastructure that supports regulators nationwide by expanding self-service capabilities, eliminating redundant systems, aligning financial analysis tools across annual and quarterly reporting, and delivering intuitive, high-performance solutions for real-time oversight and decision-making.

Enterprise Data Platform

The next phase of the EDP initiative will build upon earlier progress by further advancing the NAIC's modern, cloud-based environment for consolidating, managing, and delivering regulatory and financial data. A key focus of this phase is the development of a centralized data portal that will significantly improve data accessibility and usability. This portal will provide insurance regulators with an intuitive, self-service interface to efficiently access both raw datasets and NAIC generated reports.

The enhanced portal will serve as a single authoritative platform, replacing fragmented systems and redundant access points that currently complicate data navigation and slow workflows. By offering regulators a unified environment with customizable analytics, curated reporting options, and improved data visualization, the portal will enable more streamlined access to critical supervisory insights. Planned improvements include the integration of direct Snowflake access, AI-driven analytical capabilities, and natural language querying to make data exploration more intuitive, particularly for users without technical backgrounds.

In addition, this phase will incorporate iSite tools and reports, which are widely used by regulators to review and submit statutory financial information. As these tools are modernized or redeveloped, they will be integrated into the data portal to provide a consistent and seamless user experience. This approach not only enhances cross-platform functionality but also reduces duplication, strengthens data governance, and aligns long-term infrastructure with the evolving needs of insurance departments.

Significant progress is expected by the end of 2026 with work continuing into 2027.

Migration of Legacy Application Data to the EDP

A parallel and equally critical initiative focuses on accelerating the migration of the NAIC's extensive legacy application environment to the EDP. This transformation is not merely a technical upgrade, it is a foundational modernization effort aimed at strengthening data governance, improving the consistency and reliability of information assets, and ensuring that the NAIC's systems are equipped to support the growing analytical and regulatory demands of insurance departments.

This initiative primarily targets a large and complex inventory of applications, many of which are deeply embedded in core regulatory workflows and dependent on detailed financial datasets. These applications are essential to both internal operations and regulator-facing services. Their successful transition to the EDP is vital to avoiding disruption, maintaining operational continuity, and unlocking the benefits of a unified data infrastructure.

This migration is also a critical dependency for other high-priority efforts - most notably FDR, which aims to comprehensively overhaul the systems responsible for collecting, storing, and distributing key financial and market data. Any delay in moving applications off legacy databases could create cascading risks that hinder the progress and effectiveness of FDR modernization and other strategic efforts. By proactively addressing these dependencies, the NAIC will reduce downstream implementation risks and help ensure that project milestones are met on schedule.

Significant progress is expected by the end of 2026, though work may continue into 2027, at which time a supplemental budget request will be submitted.

Financial Analysis Solvency Tools Redesign (FASTR) Phase III – Quarterly Profiles and Technical Development

Building on the successful implementation of FASTR Phase II, which delivered an updated, more effective platform for annual solvency analysis, the NAIC is now extending the same enhancements to the quarterly financial profile reports. FASTR Phase III, initiated at the request of the Financial Analysis Solvency Tools (E) Working Group, will ensure consistency across the annual and quarterly tools while introducing additional system improvements that directly support regulators' solvency oversight responsibilities throughout the year.

This phase will focus on modernizing quarterly reports with redesigned navigation, more interactive and informative data visualizations, enhanced system performance, and expanded analytical functionality. These updates will align quarterly profiles with the highly successful annual tools delivered in Phase II,

enabling a seamless user experience across reporting periods and improving regulators' ability to track insurer performance in a more timely and consistent manner.

FASTR Phase III will also deliver critical back-end improvements, including the development of an administrative interface that will allow NAIC employees to more efficiently maintain and configure solvency monitoring tools. By addressing existing technical debt and modernizing the underlying code, this phase will help streamline future enhancements and reduce reliance on manual updates. Additionally, a robust automated testing framework will be implemented to reduce the risk of deployment errors, support continuous improvement, and improve software quality over time.

The enhanced quarterly profiles will provide regulators with faster access to financial data and improved tools to identify potential solvency concerns between year-end filings. These enhancements not only reflect NAIC's continued commitment to strengthening solvency monitoring tools, but also its collaborative approach, working closely with regulators to ensure the tools meet real-world supervisory needs and evolving expectations.

This initiative is expected to be completed for the first quarter of 2026 financial statement filings.

Benefits

Across these initiatives, the NAIC will deliver substantial, long-lasting benefits to regulators and stakeholders. A unified data platform will consolidate critical data assets, eliminating inefficiencies caused by fragmented systems and redundant access points. Enhanced self-service access to datasets, reports, and analytical tools will reduce reliance on technical support and accelerate regulatory workflows, allowing regulators to retrieve and analyze information more independently, efficiently, and confidently.

Improvements to the usability, performance, and visualization of both annual and quarterly solvency monitoring tools will empower regulators to identify emerging risks and trends with greater speed and clarity. The alignment of quarterly and annual tools through FASTR Phase III will provide a consistent modern user experience across all financial analysis reports reducing training time, simplifying navigation, and supporting a more intuitive review of complex financial data.

Expanded analytical capabilities within the FASTR tools, including updated metrics, refined calculations, and faster system responsiveness, will further strengthen regulators' ability to conduct timely and accurate solvency assessments throughout the year. These tools will also become easier to maintain, thanks to new administrative interfaces and automated testing processes that reduce manual effort, minimize deployment risk, and support continuous improvement over time.

These efforts will significantly reduce operational risk by proactively addressing technical dependencies across modernization projects and ensuring seamless integration of applications, data sources, and regulatory services. Collectively, these benefits will increase scalability, flexibility, and system resilience and will position the NAIC to meet the growing demands of oversight, solvency analysis, and data-driven supervision, reinforcing its commitment to delivering high-quality tools that help protect policyholders and promote a stable insurance marketplace.

Deliverables

Notable deliverables across these projects include:

- A centralized data portal with an intuitive user interface, offering streamlined access to raw datasets and reports in a single location.

- Integration of iSite tools and reports into the data portal as they are modernized or redeveloped, enabling a more seamless and consistent user experience across platforms.
- Direct Snowflake access and AI-driven analytics within the data portal, including the implementation of natural language capabilities to support non-technical users in exploring and analyzing regulatory data.
- Significant progress of the migration of applications and datasets from legacy databases to the EDP, eliminating reliance on outdated systems and improving overall system performance and data reliability.
- Alignment of quarterly financial profile reports with annual tools through FASTR Phase III, including updated layouts, enhanced data visualizations, expanded analytical features, and improved responsiveness.
- A robust testing framework and automated deployment tools to support the release of FASTR updates and other regulatory applications, reducing defects and minimizing rework.
- Development and implementation of a new administrative interface for solvency tools, designed to improve maintainability, address existing technical debt, and streamline ongoing enhancements.
- Strengthened data security, access controls, and governance frameworks across the entire data ecosystem to ensure long-term scalability, reliability, and regulatory compliance.

Financial Impact

To support the objectives of these integrated modernization initiatives, funding is requested to engage specialized consulting and development resources, implement advanced technology components to ensure the timely delivery of key project milestones.

To advance enhancements to the data portal, the initiative includes 2026 funding for external web development services totaling \$334,950, as well as an investment of \$64,166 for the implementation of an advanced AI-powered software tool which will improve self-service analytics by enabling natural language data queries, streamlining access to insights, and enhancing the portal's overall analytical capabilities.

For the migration of applications to EDP, experienced consultants will be engaged to assist with planning, development, testing, and implementation activities necessary to transition application data sources and ensure stable integration with the modern platform. This multi-year effort is estimated to require \$799,832 in funding to support the initial phases of work planned for 2026.

FASTR Phase III, the quarterly profile modernization project, will similarly rely on external consulting support. Consultants will contribute to development, testing, and implementation efforts, as well as to technical infrastructure improvements. Estimated consulting expenses for this effort are \$200,000 in 2026.

Collectively, these investments represent a strategic and coordinated commitment to modernizing data infrastructure, enhancing solvency oversight tools, and delivering high-quality, future-ready solutions that will support regulators effectively for years to come. See **Attachment I**.

2026 NAIC Budget

Regulatory Data Integration and Enhancement of Solvency Related Tools Project Cost Analysis

Anticipated Start: January 2026
Anticipated Completion: April 2027

Description	2026 Total	2027 Total	2028 Total
Expenses:			
Other Professional Services	\$1,334,782	\$30,450	
Software License Fees	64,166	77,000	\$84,700
Total Expenses	1,398,948	107,450	84,700
Revenues Over (Under) Expenses	<u>(\$1,398,948)</u>	<u>(\$107,450)</u>	<u>(\$84,700)</u>

Fiscal Impact Statement

DATE SUBMITTED:	AUGUST 2025
NAME OF INITIATIVE:	SERFF MODERNIZATION – 2026 TRANSITION STAGES
REGULATOR SPONSOR:	INTERNAL ADMINISTRATION (EX1) SUBCOMMITTEE
INTERNAL SUPPORT:	SCOTT MORRIS, CHIEF TECHNOLOGY OFFICER
ANTICIPATED START:	JANUARY 2026
ANTICIPATED COMPLETION:	DECEMBER 2026
EXPECTED REVENUE (2026):	\$0
(2027):	\$0
EXPECTED EXPENSE (2026):	\$1,479,948
(2027):	\$579,913
EXPECTED CAPITAL (2026):	\$5,157,785
(2027):	\$0

Summary

The NAIC's System for Electronic Rates and Forms Filing (SERFF) was launched collaboratively by regulators and industry more than 27 years ago and was designed to provide an efficient process for required insurer filings and regulatory review. The system handles requirements for product filing submissions, allowing companies to submit filings to multiple jurisdictions for review by the appropriate regulators. Today, 53 jurisdictions accept SERFF filings submitted by more than 6,500 industry users. The system processes hundreds of thousands of transactions annually across life, health, and property/casualty lines as well as serves as the platform for the Insurance Compact and the Affordable Care Act (ACA).

The SERFF platform was upgraded 19 years ago and expanded in 2012-2013 in response to the ACA. However, an in-depth assessment conducted by an outside vendor in 2020 validated the need to improve the consistent and efficient review of product filing through automating manual processes and providing the ability to gain insights from the data stored in SERFF. The assessment also determined it would be impractical and unwieldy to modify the current platform to meet these needs.

Accordingly, the NAIC began modernization work in 2021. The mobilization and pilot phase included two main objectives – to select the best and most robust technology solutions to meet current and future business needs and to partner with external experts to develop a proof-of-concept for a modern SERFF platform.

The next phase, which began in 2022, supported transition stages T1, T2, and the initial work for stage T3.1, as defined in the roadmap and transition plan shown in Table 1. Stages T1 and T2 included new

search functionality and enhanced reporting within the legacy SERFF application. Transition stage T1 was released to production in first quarter 2023, with the phased rollout completed in May. Stage T2 was subsequently released in June. Early work on T3.1, focused on transitioning the Insurance Compact, was expected to begin in 2023 but was delayed due to the level of effort required to complete the first two stages. T3.1 was deployed in spring 2025.

Table 1

T1	Search capabilities	• Key word searches across all filings and documents • Document comparison
T2	Reporting capabilities	• Standard and custom reporting options • Data export functionality
T3.1	Insurance Compact filings and users & Public Access	• Customized screens and workflows for Insurance Compact • Filing preparation and submittal with required upfront validation for Insurance Compact • Document analysis and comparison capabilities for Insurance Compact • Collaboration tools for Insurance Compact • Workflow management for Insurance Compact

In light of the T3.1 delay, the team re-evaluated the original rollout strategy, which was based on phased releases by business type (i.e., life, property/casualty, health, then plan management). However given concerns about the system’s ability to handle the user load that would accompany this approach, a shift was made to a model based on both the breadth and depth of functionality each jurisdiction uses and their readiness to migrate to the new platform. The revised strategy will identify 10 early adopter jurisdictions that can perform their regulatory duties using a limited feature set. As the system's capabilities grow, jurisdictions with more complex regulatory processes will be added to the new SERFF platform.

Accordingly, this fiscal requests funding for the fifth year of what will now be a six to seven-year transition to a modernized rate and form filing platform.

The team will complete most of the work for the early adopter phase in 2025, with a release planned for first quarter 2026. Development on functionality for the next wave of adopters will begin before the rollout of the early adopter phase is complete. The feature scope for the next phase is still being defined, but an additional 10 to 15 jurisdictions are expected to be included, with deployment targeted for late 2026.

Until the first ten jurisdictions are onboard, predicting the timing of subsequent phases is difficult. The following high-level milestones are projected for planning purposes:

- **First Quarter 2026:** Begin implementation for early adopters (10 jurisdictions)
- **Fourth Quarter 2026:** Begin implementation for second group (10 to 15 jurisdictions)
- **Early Third Quarter 2027:** Begin implementation for third group (15 to 18 jurisdictions); likely including all necessary functionality except plan management
- **Third Quarter 2028:** plan management release

Funding for 2027 and 2028 implementations will be submitted with future budgets.

Benefits

The overarching goal of the modernization effort is to gain operational efficiencies leveraging today’s technology and innovation opportunities. As both regulator and industry users face growing resource constraints, the new system will be more intuitive and user-friendly resulting in faster processing times, reduced errors, and improved overall efficiency. It will include built-in quality control checks to prevent

incomplete filings, enhance communications between filers and reviewers, and provide easier access to data. In the end, filings will be made more quickly and with fewer errors, enabling regulators to review the filings more easily and provide feedback in a streamlined manner captured by the system.

The modernized platform will also be designed with future innovation in mind. It will be capable of integrating with technologies such as artificial intelligence, business intelligence, machine learning, and other data analysis tools – all aimed at accelerating speed to market. The system’s architecture will allow information from other NAIC systems to be more readily available, which will display all the information needed to complete the review in one easy to use location.

Deliverables

The 2026 fiscal year represents a pivotal phase in the SERFF modernization effort, with a focus on completing the early adopter rollout, advancing the next wave of functionality, and building the foundation for broader implementation. Key deliverables for the year include:

- Complete the development work needed to prepare the new platform for early adopter jurisdictions and deploy it to production by the end of the first quarter 2026.
- Train and migrate early adopter jurisdictions.
- Continue to enhance both data and transactional web services.
- Continue employee development on technologies used in the new system to ensure employee can support the platform as additional stages are completed.
- Expand artificial intelligence solutions for regulators, specifically around training rules for filing review.
- Complete design and development of features for the second set of jurisdiction users.
- Train and migrate second set of jurisdictions.
- Complete development of the main features needed for future implementations.

Financial Impact

This fiscal request includes a total of \$6,637,737 in 2026 to continue SERFF Modernization efforts. Of this amount, \$5,200,000 is allocated for external consulting services with the current vendor partner. An additional \$1,177,280 is requested for staff augmentation resources to support development and deployment activities. In accordance with U.S. GAAP requirements, both consulting and staff augmentation expenses will be allocated between capital and operating categories based on the nature of the work performed.

Additionally, \$4,000 is requested for regulator workshops to support adoption and implementation of the new system and \$89,120 is included for regulators to travel to the NAIC for training and for NAIC employee travel to insurance departments. Finally, amortization expense of \$167,337 is anticipated for 2026.

2026 NAIC Budget

SERFF Modernization – 2026 Transition Stages Project Cost Analysis

Anticipated Start: January 2026
Anticipated Completion: December 2026

Description	2026 Total	2027 Total	2028 Total
Expenses:			
Other Professional Services	\$1,219,491		
Regulator Travel	40,100		
Employee Travel	49,020		
Interim Meetings	4,000		
Amortization	167,337	\$579,913	\$616,270
Total Expenses	1,479,948	579,913	616,270
Revenues Over (Under) Expenses	<u>(\$1,479,948)</u>	<u>(\$579,913)</u>	<u>(\$616,270)</u>
Capital Purchases:			
Other Professional Services	\$5,157,789		
Total Capital Purchases	<u>\$5,157,789</u>		

Fiscal Impact Statement

DATE SUBMITTED:	AUGUST 2025
NAME OF INITIATIVE:	FINANCIAL DATA REPOSITORY (FDR) MODERNIZATION
REGULATOR SPONSOR:	INTERNAL ADMINISTRATION (EX1) SUBCOMMITTEE
INTERNAL SUPPORT:	TODD SELLS, DIRECTOR FINANCIAL REGULATORY POLICY & DATA
ANTICIPATED START:	JANUARY 2026
ANTICIPATED COMPLETION:	DECEMBER 2028
EXPECTED REVENUE (2026):	\$0
(2027):	\$0
EXPECTED EXPENSE (2026):	\$0
(2027):	\$0
EXPECTED CAPITAL (2026):	\$6,541,000
(2027):	\$6,251,364

Summary

The NAIC houses and supports a range of critical information technologies that assist its members in effectively overseeing and regulating the insurance industry. Among these essential technologies is FDR, a centralized system designed to manage and analyze statutory financial data submitted by insurers. FDR is instrumental in providing regulators with the comprehensive data needed to monitor financial stability, assess risk, and ensure market integrity.

This database captures detailed financial and market conduct data from more than 4,500 insurers, representing over 98% of premiums written in the U.S. market. It processes and stores statutory financial statements (annual and quarterly), risk-based capital (RBC) reports, Market Conduct Annual Statements (MCAS), and various other supplemental filings. FDR ingests, validates, and organizes this data to support the regulatory needs of insurance departments.

FDR is crucial for ensuring the financial health of insurance companies. It maintains over a decade of annual and quarterly filings, offering an unparalleled source of information for financial surveillance and market monitoring. These filings, compiled according to NAIC templates known as blanks, form the basis of solvency analysis for regulators. The system includes detailed balance sheets, income statements, and other key financial documents, providing regulators with timely and accurate data to assess insurers' health.

Beyond storing financial statements, FDR equips regulators with critical tools for solvency oversight, including automated reports and financial analysis functions. Data contained in FDR supports the generation of key regulatory reports, such as Insurance Regulatory Information System (IRIS) Financial

Ratio Reports, which assess insurers' financial strength and risk exposure. Additionally, FDR data aids in RBC calculations, helping regulators determine the necessary capital levels to protect policyholders and prevent insurer insolvency.

FDR's extensive data repository is not only vital for identifying potential insolvencies but also for monitoring the overall health of the insurance market, enabling regulators to conduct thorough macro and micro financial reviews and identify early warning signs of potential distress. Regulators use FDR to perform detailed market structure and performance analyses, detecting emerging trends and assessing industry dynamics. The data is also utilized by other state and federal regulatory bodies and consumers, all to maintain a robust insurance market and protect consumers.

Recognizing FDR's crucial role, the NAIC has initiated a modernization project to transition the repository to a more advanced, modular platform. This modernization aims to create a more automated, user-friendly system that enhances data processing efficiency and accessibility for both internal and external users. The new platform will allow for continuous updates and ensure the system evolves with regulatory and technological advancements. It will also allow other ongoing data collections to experience the benefits of this system, including MCAS.

In the 2025 budget, NAIC membership approved funding to advance this initiative by completing a formal proof of concept (PoC). Earlier this year, the organization collaborated with a strategic technology partner to conduct this PoC, which demonstrated the capabilities and potential benefits of a fully modernized FDR platform leveraging a next-generation regulatory data collection and management solution.

The PoC successfully validated core functionalities critical to modern insurance regulation, including improved data ingestion and validation workflows, enhanced analytics, and more intuitive user interfaces for regulators and stakeholders. It also provided valuable insights into the transition pathway from the current FDR to an upgraded system, outlining resource requirements, project management strategies, and key considerations for risk mitigation.

Building on these findings, the modernization effort will not only strengthen the NAIC's ability to support insurance departments with timely, accurate, and actionable data but it will also set a new benchmark for regulatory excellence. A fully modernized FDR will position the NAIC and its members to more effectively respond to emerging risks, evolving market conditions, and the increasing complexity of the insurance sector. By transforming how data is collected, processed, and analyzed, this initiative will help ensure U.S. insurance regulation remains robust, transparent, and forward-looking.

Accordingly, this fiscal requests funding for the full-scale implementation of the modernized FDR system.

Benefits

The modernization of FDR will provide several key benefits to stakeholders. One of the primary advantages is enhanced data processing efficiency. The new platform will be significantly more automated and user-friendly, improving the efficiency of data ingestion, validation, and processing. This will enhance the accessibility and usability of financial data for regulators, internal teams, and external stakeholders, enabling faster and more informed decision-making.

Another major benefit is the implementation of continuous updates and evergreen technology. The system will be designed to stay current through ongoing updates that align with evolving regulatory requirements, technological innovations, and best practices. This ensures that the platform remains modern, adaptable, and effective over the long term.

Modernization will also improve regulatory capabilities, strengthening oversight functions and setting a new benchmark for insurance regulation. The upgraded FDR will offer more advanced analytical tools, streamlined workflows, and enhanced reporting functions. These improvements will support financial stability and industry integrity. In particular, the new system will enable MCAS and other ongoing data collection projects to operate within a unified platform, while also expanding the ability to handle a wider range of jurisdiction-only regulatory filings.

Finally, the initiative will reduce risk by adopting a proven solution. By leveraging a trusted and widely used technology platform already in place at other regulatory organizations, the project will minimize the time, complexity, and risks typically associated with building large-scale, mission-critical systems. This approach will deliver higher reliability, greater scalability, and increased effectiveness in the modernized FDR.

These benefits will help the NAIC provide regulators with the tools they need to maintain a robust insurance market and protect consumers.

Deliverables

Key deliverables include:

- Implementation and configuration of an advanced regulatory data collection and management solution tailored to meet the business requirements for capturing, validating, and storing statutory financial statement and MCAS data. This platform will provide enhanced automation, reduce manual processes, and improve data quality controls.
- Creation of clear, standardized data definitions and validation rules for all FDR and MCAS reporting templates (blanks). These taxonomies will serve as authoritative specifications used by insurers, software vendors, and filing systems to ensure consistent and accurate reporting.
- Creation of a detailed plan and execution strategy to migrate historical data from the legacy FDR system into the modern platform, preserving data integrity and continuity of regulatory reporting.
- Delivery of training materials, user guides, and support resources to ensure regulators, NAIC employees, and industry filers can effectively adopt and use the new system.

Financial Impact

This initiative will have a substantial financial impact over the next decade. Initial estimates from the selected technology partner project total costs of nearly \$40 million over ten years.

The first three years, comprised of the mobilization and build phase, are expected to require approximately \$15.6 million. These costs will cover the implementation of the core platform, development of data taxonomies, integration with existing NAIC systems, and initial data migration activities. This approach is projected to be significantly more cost-efficient than building a comparable platform internally or engaging consultants to develop a proprietary solution from the ground up. By leveraging a proven and scalable technology foundation, the NAIC anticipates realizing considerable savings both in development time and overall investment.

In addition to the core mobilization costs, an estimated \$816,000 in supplemental external resources will be required in 2026 to support the internal team during the transition and to ensure continuity of operations (see **Attachment I**).

In addition to the initial build, the ongoing operational and maintenance costs for years four through ten are projected to approximately \$3.5 million annually. These run-rate costs encompass system hosting, support services, upgrades, and enhancements necessary to maintain an evergreen platform that can

continuously adapt to evolving regulatory requirements and technological advances. Collectively, this investment represents a strategic, long-term commitment to modernizing the NAIC's most critical regulatory system while delivering measurable efficiencies, reducing risk, and strengthening the organization's ability to serve its members effectively for years to come.

2026 NAIC Budget

Financial Data Repository Modernization Project Cost Analysis

Anticipated Start: January 2026
Anticipated Completion: December 2028

Description	2026 Total	2027 Total	2028 Total
Capital Purchases:			
Other Professional Services	\$6,541,000	\$6,251,364	\$5,445,294
Total Capital Purchases	\$6,541,000	\$6,251,364	\$5,445,294

Fiscal Impact Statement

DATE SUBMITTED:	AUGUST 2025
NAME OF INITIATIVE:	SBS IMPLEMENTATIONS – 2026
REGULATOR SPONSOR:	INTERNAL ADMINISTRATION (EX1) SUBCOMMITTEE
INTERNAL SUPPORT:	SCOTT MORRIS, CHIEF TECHNOLOGY OFFICER
ANTICIPATED START:	JANUARY 2026
ANTICIPATED COMPLETION:	DECEMBER 2026
EXPECTED REVENUE (2026):	\$161,250
(2027):	\$900,000
EXPECTED EXPENSE (2026):	\$1,695,910
(2027):	\$0
EXPECTED CAPITAL (2026):	\$0
(2027):	\$0

Summary

The State Based Systems (SBS) platform is a comprehensive, web-based regulatory solution developed to support insurance departments in efficiently managing licensing, revenue collection, enforcement, consumer services, and other critical regulatory workflows. It provides a modern, centralized system that enables jurisdictions to streamline processes, reduce administrative burdens, improve data quality, and deliver responsive services to insurers, producers, and consumers. While it promotes consistency in regulatory practices across jurisdictions, SBS also allows for customization to fit each jurisdiction's unique statutory and operational needs. For regulators, SBS delivers significant benefits, including enhanced operational efficiency, greater transparency, and the ability to leverage shared technology investments – helping modernize insurance regulation without the costs and risks associated with developing proprietary systems independently.

As a part of its continued expansion, SBS is scheduled for implementation in three states in 2026. Due to the scale of these efforts, the current SBS team does not have sufficient capacity to manage all implementations concurrently while simultaneously maintaining routine support and operations for existing jurisdictions.

Two of the jurisdictions will undergo standard SBS implementations, which typically take approximately nine months to complete. This includes the deployment of core SBS services such as producer and company licensing, continuing education, enforcement, consumer services, and revenue management.

In contrast, the budget includes a non-standard jurisdiction which typically requires 15 to 18 months due to the need for extensive customizations. These enhancements support complex workflows including real

estate settlement agent tracking, birth injury fund administration, unallocated revenue management, company renewal tracking, and uninsured motorist processing.

To address this capacity gap, this fiscal requests funding to increase SBS capacity by engaging external consulting resources, including developers, quality assurance analysts, data analysts, business analysts, and production support specialists. These resources will be retained for approximately 12 months to support the team and ensure the timely and successful implementation of the planned jurisdictions.

Benefits

SBS is a valuable benefit provided to regulators. It serves as a comprehensive back-office system that is used daily by multiple divisions within insurance departments. SBS facilitates insurance department operations by integrating seamlessly with other applications at the NAIC, supporting efficient workflows for licensing, revenue collection, enforcement, and consumer services. Migrating additional jurisdictions to SBS will enable them to take full advantage of the complete suite of SBS products and services, bringing operational improvements across jurisdictions.

Each implementation also generates continuing education (CE) revenue for the NAIC, creating a funding source that supports the long-term sustainability of the platform and offsets operational costs. This revenue helps ensure the NAIC can continue to enhance and maintain SBS for all participating jurisdictions.

Deliverables

As with prior SBS implementations, the following deliverables will be met.

- New jurisdictions will not experience a gap in their business processes. If a jurisdiction requires specific functionality to conduct its operations, SBS will provide a solution.
- Implementations will be completed prior to the expiration of the jurisdiction's current vendor contract to ensure no disruption in back-office tools or services.
- SBS will meet dates that are agreed upon with the jurisdiction, NIPR, and all internal NAIC systems.
- Support for current SBS customers will not be affected.

Financial Impact

Based on the planned implementation dates, revenue associated with this initiative is forecasted at \$161,250 in 2026. However, the majority of revenue growth will occur in 2027 and beyond. The total projected expense for consultant resources required to support these implementations in 2026 is \$1,664,000, with associated travel costs estimated at \$31,910 (see **Attachment I**).

2026 NAIC Budget

SBS Implementations – 2026 Project Cost Analysis

Anticipated Start: January 2026
Anticipated Completion: December 2026

Description	2026 Total	2027 Total	2028 Total
Revenues:			
SBS Fees	\$161,250	\$900,000	\$1,065,000
Total Revenues	161,250	900,000	1,065,000
Expenses:			
Other Professional Services	1,664,000		
Employee Travel	31,910		
Total Expenses	1,695,910	0	0
Revenues Over (Under) Expenses	<u>(\$1,534,660)</u>	<u>\$900,000</u>	<u>\$1,065,000</u>

Fiscal Impact Statement

DATE SUBMITTED:	AUGUST 2025
NAME OF INITIATIVE:	REGULATORY SUPPORT AND OPERATIONAL RESOURCES
REGULATOR SPONSOR:	INTERNAL ADMINISTRATION (EX1) SUBCOMMITTEE
INTERNAL SUPPORT:	JEFF JOHNSTON, CHIEF REGULATORY AFFAIRS OFFICER SCOTT MORRIS, CHIEF TECHNOLOGY OFFICER KAY NOONAN, GENERAL COUNSEL CHRISTIAN CARTER, CHIEF MEMBER EXPERIENCE OFFICER
ANTICIPATED START:	JANUARY 2026
ANTICIPATED COMPLETION:	ONGOING
EXPECTED REVENUE (2026):	\$0
(2027):	\$0
EXPECTED EXPENSE (2026):	\$1,712,394
(2027):	\$2,107,873
EXPECTED CAPITAL (2026):	\$0
(2027):	\$0

Summary

This fiscal outlines NAIC senior management's proposal for the addition of several full-time employees to address important and ongoing regulatory and operational support needs.

As the regulatory environment continues to evolve in complexity, and as expectations for timely, high-quality services to members and stakeholders grow, it is essential the NAIC maintains sufficient staffing to fulfill its mission effectively. These positions will help ensure the organization can continue to support insurance departments in the advancement of insurance regulation and deliver the technical and analytical capabilities required to protect consumers and promote a stable insurance marketplace.

Assistant Director, Investment Analysis & Solvency Policy

This position will be primary committee support to the newly established Invested Assets (E) Task Force, which will be chaired and vice-chaired by insurance commissioners. The assistant director will also support affiliated groups under the task force's oversight, including the Investment Analysis (E) Working Group, the Investment Designation Analysis (E) Working Group, and the Credit Rating Provider (E) Working Group. This role will serve as the primary liaison between these groups and internal and external stakeholders, coordinating initiatives related to investment risk oversight, statutory accounting, reporting, and capital requirements. A significant component of this position will also include oversight of two investment analysis advisors listed next. The assistant director will ensure consistency across advisor work products, provide technical guidance, and help integrate investment risk perspectives into broader

solvency frameworks in alignment with the Framework for Regulation of Insurer Investments – A Holistic Review.

Investment Analysis Advisors (2 positions)

These positions will enhance the NAIC's ability to monitor and analyze risks across the full spectrum of invested assets held by insurers (i.e., investment portfolios), including traditional bonds, structured securities, real estate, collateralized loan obligations, and Schedule BA (Other Long-Term Invested Assets) investments. The advisors will identify emerging investment trends and evaluate novel or complex financial products that may pose solvency risks. They will also support insurance departments by reviewing insurer portfolios containing higher-risk or non-traditional assets. Each advisor will use advanced modeling tools to conduct portfolio analysis, simulate stress scenarios, and contribute to the development of risk-based oversight frameworks. These roles are central to the implementation of the investment framework and will support both proactive surveillance and responsive regulatory engagement.

Credit Rating Provider Process Manager II

This position will advise the newly created Credit Rating Provider (E) Working Group on the implementation and maintenance of the Credit Rating Provider (CRP) Due Diligence Framework and related policies. The CRP Due Diligence Framework and related policies and procedures are intended to improve the NAIC's usage of each of the credit ratings for various types of rated investments and how they correspond to the investment risk expectations of regulators with a goal of making sure regulators can rely on NAIC designations based on those ratings. The manager will oversee and perform the work necessary to maintain the CRP Due Diligence Framework and its policies and procedures.

Life Associate Actuary

This position will lead the expansion of mortality data collection and review efforts in support of Principle-Based Reserving (PBR), specifically for group annuities governed by the VM-22, Requirements for Principle-Based Reserves for Non-Variable Annuities. Since 2020, NAIC employees have annually reviewed mortality data from over 100 life insurers under VM-50: Experience Reporting Requirements and VM-51: Experience Reporting Formats. With the addition of group annuities, primarily from the growing pension risk transfer market, existing employee capacity is not sufficient to meet new regulatory demands. The life associate actuary will manage group annuity data collection, coordinate with regulators, and oversee related deliverables under VM-22. This position will also review PBR actuarial reports and reinsurance asset adequacy testing filings, as outlined in *Actuarial Guideline LV—Application of the Valuation Manual for Testing the Adequacy of Reserves Related to Certain Life Reinsurance Treaties* (AG 55).

Actuarial Analyst

This position will provide critical analytical and operational support to the group annuity mortality data expansion initiative under VM-50 and VM-51. Working directly with the life associate actuary, the analyst will assist in collecting, validating, and aggregating data for regulatory analysis. This role will also help create supporting documentation and streamline tools used in the data collection and review process. Beyond the data initiative, the analyst will participate in broader life actuarial resource functions, including review of PBR submissions and AG 55 filings. With growing regulator demand and expanding annuity oversight needs, this position ensures actuarial workflows remain accurate, timely, and adequately resourced.

Catastrophe Risk Resilience Associate

This position will assist the NAIC's effort to support regulators in reducing the risk of property loss in vulnerable markets across the country and territories. With catastrophic events increasing in frequency and severity, pressure to reduce risk for insurers is at the forefront of concern to ensure insurance

remains available and affordable for homeowners across the nation. Regulators are seeking guidance and assistance to create and implement risk transfer programs to develop and maintain a healthy insurance market. The associate will help coordinate with departments of insurance on resilience initiatives, including funding acquisition; policy development; program design, implementation and continuation; and performance management consultation. This position will also help develop research to support departments of insurance in their resilience efforts and assess the feasibility of those efforts. In addition, this role will work closely with regulators to assist in the development of communication and educational tools aimed at better preparing a resilient industry workforce and informing policyholders on applicable risk reduction and resilience activities.

Catastrophe Risk Resilience Coordinator

This position will provide a dedicated role for the NAIC to support regulators in their efforts to reduce the risk of property loss in vulnerable markets across the country and territories. As the NAIC continues to meet the growing demand from regulators for the development, implementation, and ongoing support of risk transfer programs, this role will contribute significantly to the development, delivery, and maintenance of educational tools through the Resilience HUB – a centralized platform that serves as a repository for resources, best practices, and communications designed to assist regulators in implementing resilience measures in their jurisdictions. This role will also provide ongoing engagement with regulators, offering research materials that support risk transfer programs and resilience in their jurisdictions.

Flood Insurance Advisor

This position will provide dedicated expertise to support the NAIC's efforts in analyzing the private flood insurance market while complementing the role of the National Flood Insurance Program (NFIP). With flood risk increasing nationwide and the protection gap remaining significant, regulators are seeking new strategies to encourage private sector participation, improve affordability, and enhance consumer choice. The advisor will work directly with regulators to analyze market trends, develop best practices, and support the implementation of effective regulatory frameworks for private flood products. The position will also assist in coordination of multi-jurisdictional efforts, contribute to NAIC model law discussions, and respond to federal policy developments that impact flood insurance. In addition to technical knowledge of flood risk and insurance underwriting, the advisor will bring strategic insight into bridging the protection gap and increasing household resilience. This role addresses a growing regulatory need in supporting flood insurance modernization.

Paralegal

This position will support the NAIC Legal Division through legal research and analysis of state and federal statutes, pending legislation, administrative regulations, case law, and NAIC model laws and procedures. A key responsibility will be maintaining and updating legislative and regulatory tracking charts for publication and member use. With a growing volume of legislative activity across jurisdictions, an additional paralegal is needed to ensure the timely delivery of accurate legal summaries and guidance. Without this position, the NAIC will not be able to maintain current and comprehensive resources for regulators, which could impact their ability to respond to evolving legal frameworks.

Relationship Manager

This position will advance the NAIC's capacity to support committee operations, improve member engagement and resources, and strengthen onboarding efforts across the organization. As regulatory activity continues to grow, there is a critical need for consistent, high-quality relationship management to ensure member needs are met efficiently and effectively. The relationship manager will serve as a central point of contact for designated zones, supporting operational logistics, facilitating member communications, and assisting with onboarding new regulators. This role will also contribute to the development of member engagement strategies and resources, ensuring timely access to tools, guidance,

and training. By establishing clear communication pathways and delivering personalized support, this position will improve continuity, increase member satisfaction, and enable better management of member requests.

Production Support Configuration Engineer

This position is responsible for configuring and maintaining critical systems that support the work of SBS and NAIC's affiliate, NIPR, ensuring updates are implemented accurately, efficiently, and with minimal disruption. This role provides responsive support during cyclical and project-driven workload peaks while strengthening the long-term stability, scalability, and reliability of SBS production support.

Production Support Engineer III

This position will augment the current Market, Financial, and Licensing (MFL) production support team, which currently consists of only two engineers responsible for over 100 business-critical applications supporting regulators, industry, consumers, and NAIC employees. The engineer will provide essential monitoring, troubleshooting, and resolution of technical issues affecting system stability and performance across the MFL platform. The addition of this role will improve responsiveness, allow for more proactive incident management, and reduce reliance on costly temporary consulting support, which often leads to knowledge gaps and continuity challenges. Strengthening the internal support team is critical to sustaining service reliability and improving the overall end-user experience. The expense of hiring this position will be fully offset by displaced consultant costs.

Software Quality Analyst III (2 positions)

These positions will enhance quality assurance efforts across the six MFL agile delivery teams, each of which currently operates with only one software quality engineer (SQE). The new analysts will work directly within delivery teams to conduct advanced manual testing, develop and execute complex test scenarios, and expand automation frameworks. They will also play a critical role in promoting a culture of continuous improvement by validating functionality against evolving specifications and supporting iterative development cycles. Without these roles, the division will remain heavily reliant on consultants, which limits institutional knowledge and creates inconsistency in quality assurance practices. These additions are necessary to support scalable, high-quality software delivery as NAIC systems continue to grow in complexity and importance. The expense of hiring these positions will be fully offset by displaced consultant costs.

Solutions Architect

This position will provide architectural guidance across the MFL division, which maintains over 100 systems spanning legacy and modern technologies. With only two full-time architects supporting six agile teams, current capacity is inadequate to ensure consistent, scalable, and forward-looking system designs. The new architect will assess existing infrastructure, define technical solutions, and support long-term modernization. Without this role, the division will remain dependent on short-term consultants, risking design inconsistencies and knowledge gaps. This position is critical to ensuring architectural integrity and supporting strategic technology investments across the division. The expense of hiring this position will be fully offset by displaced consultant costs.

Process Improvement and Governance Manager

This position will lead enterprise-wide process improvement and governance initiatives within the Enterprise Project Management Office. As the NAIC expands its use of project and portfolio management tools, centralized oversight is needed to ensure consistency, effective change management, and cross-departmental adoption. The manager will be responsible for refining intake procedures, developing standardized documentation, and supporting teams across the organization in aligning with enterprise project planning and tracking practices. In addition to driving process improvements, the position will lead training and adoption efforts and oversee continuous improvement initiatives related to project

governance frameworks and best practices. This role is essential to maintaining scalable, efficient, and transparent project operations as the NAIC continues to mature its enterprise project management capabilities. The expense of hiring this position will be fully offset by displaced consultant costs.

Deliverables

The new full-time positions are expected to be hired and brought on board throughout 2026.

Financial Impact

The financial impact of \$1,712,394 in 2026, consisting of salaries and benefits, includes \$738,960 in savings from displaced consultant costs (see **Attachment I**).

2026 NAIC Budget

Regulatory Support and Operational Resources Project Cost Analysis

Anticipated Start: January 2026

Anticipated Completion: Ongoing

Description	2026 Total	2027 Total	2028 Total
Expenses:			
Salary and Benefits	\$2,451,354	\$2,939,233	\$3,082,249
Other Professional Services	(738,960)	(831,360)	(831,360)
Total Expenses	1,712,394	2,107,873	2,250,889
Revenues Over (Under) Expenses	<u>(\$1,712,394)</u>	<u>(\$2,107,873)</u>	<u>(\$2,250,889)</u>

2026 BUDGET UNRESTRICTED NET ASSETS (UNA)

	Total UNA	Regulatory Modernization Fund (1)	Available UNA
2020 Ending Balance	\$166,697,050	\$2,377,511	\$164,319,539
2021 Revenues Over/(Under) Expenses	15,153,223		
Defined Benefit Plan Adjustment (FAS 158) (2)	3,596,963		
2021 Ending Balance	185,447,236	\$2,669,398	\$182,777,838
2022 Revenues Over/(Under) Expenses	(16,717,823)		
Defined Benefit Plan Adjustment (FAS 158) (2)	192,874		
2022 Ending Balance	168,922,287	\$2,498,819	\$166,423,468
2023 Revenues Over/(Under) Expenses	23,358,889		
Defined Benefit Plan Adjustment (FAS 158) (2)	1,607,802		
2023 Ending Balance	193,888,978	\$2,892,277	\$190,996,701
2024 Revenues Over/(Under) Expenses	16,665,897		
Defined Benefit Plan Adjustment (FAS 158) (2)	(558,818)		
2024 Ending Balance	209,996,057	\$3,050,151	\$206,945,906
2025 Projected Revenues Over/(Under) Expenses	4,989,634		
2025 Project Ending Balance	214,985,691	\$3,224,785	\$211,760,906
2026 Revenues Over/(Under) Expenses	(1,340,778)		
2026 Ending Balance Before Fiscal Impact Statements	213,644,913	\$3,204,674	\$210,440,239
2026 Fiscal Impact Statements	(6,125,950)		
2026 Ending Balance After Fiscal Impact Statements	<u>\$207,518,963</u>	\$3,112,784	\$204,406,179

UNRESTRICTED NET ASSETS

(1) The Regulatory Modernization and Initiatives Fund manages spending beyond the budget by establishing spending guidelines for new initiatives and proposals submitted subsequent to the annual budget presentation. The fund balance is 1.5% of projected consolidated net assets for that year.

(2) Financial accounting standards require plan sponsors to reflect the funded status of their defined benefit plans on the balance sheet on a projected benefit obligation basis. This is accomplished through an adjustment to unallocated net assets equal to actual performance of the NAIC's defined benefit plan compared to assumed performance of investments, discount rates, and covered participants.

The NAIC froze the Defined Benefit Plan to new entrants on January 1, 2000, and accrued benefits for all active employees were frozen as of December 31, 2012. In 2017, the NAIC Internal Administration (EX1) Subcommittee approved a multi-year strategy to accelerate loss recognition and fully fund the plan with the goal of plan termination. The NAIC began the termination process in 2024 and it was completed in mid-2025.

Higher than expected return on assets, updated plan assumptions, and a \$670,000 contribution decreased the plan obligation at the December 31, 2021, measurement date resulting in a \$2.6 million increase in the plan asset and an increase in net assets of \$3.6 million.

The plan experienced an overall decrease in plan obligation at the December 21, 2022, measurement date as a result of accelerated loss recognition in prior years and updated plan assumptions, partially offset by lower than expected return on assets which decreased the plan asset \$499,074 and increased net assets \$192,874.

Favorable market performance and updated plan assumptions increased the funded status of the plan as of December 31, 2023, increasing the plan asset \$2.4 million and net assets \$1.6 million.

The defined benefit plan adjustment at December 31, 2024, increased plan assets by \$335,995 and decreased net assets by \$558,818. These adjustments were the result of demographics, lump sums compared to liabilities held, annuity purchase premiums, and the portfolio's positive financial performance.

Operating Reserve Policy

On August 10, 2022, the Executive (EX) Committee and Internal Administration (EX1) Subcommittee adopted an operating reserve policy, which established a new methodology based on a report from the independent consulting firm hired to review NAIC's operating reserves. The recommendation was based on analysis of NAIC's working capital and strategic needs as well as current and future identified risks. NAIC's operating reserve is currently established with a minimum target reserve of \$174.9 million. Prior to August 10, 2022, the NAIC's operating reserve was measured as a target range - 83.4% to 108.2% - based on next year's operating expenses.