NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Date: November 20, 2025

To: All NAIC Members and Interested Parties

From: Scott White, Commissioner, Virginia Bureau of Insurance and NAIC-President Elect
Jeff Johnston, NAIC Interim Chief Executive Officer
Carol Thompson, NAIC Director of Finance

Re: Summary of Comments on the Proposed 2026 NAIC Budget

In response to the Executive (EX) Committee's and Internal Administration (EX1) Subcommittee's request for comment on the NAIC's proposed 2026 budget, the NAIC received one comment letter from the National Association of Mutual Insurance Companies (NAMIC) (Attachment One). This memorandum summarizes the submitted comments and includes NAIC's responses.

A public hearing will be held on November 24th at 12:00 p.m. CT to discuss these comments. Participation instructions for the public hearing can be accessed at https://content.naic.org/about_budget.htm.

Opening Remarks

NAMIC reiterated its support for a modernized state-based system of insurance regulation and recognized NAIC's central role in that framework. NAMIC noted that it has participated in the NAIC budget process for many years because it values the NAIC's contributions to defending and advancing state-based insurance regulation. They also acknowledged rising labor and service costs faced by the NAIC and expressed appreciation for tools and services that help insurance departments operate more efficiently and effectively.

However, NAMIC also expressed concern about the scale of the NAIC's financial growth in recent years, noting net assets have increased from 2019 to 2024 and that several key revenue sources have also grown over that period. While reaffirming support for efforts that help regulators maintain reliable and financially sound insurance markets, NAMIC encouraged continued attention to budget growth as the costs associated with regulatory tools and services are borne initially by insurers and ultimately by policyholders.

NAIC Response:

The NAIC appreciates NAMIC's continued engagement in the budget process and its long-standing support for the state-based system of insurance regulation. NAIC additionally values NAMIC's recognition that many NAIC services significantly reduce burdens on individual jurisdictions by providing shared tools and infrastructure that support efficient and effective supervision.

The NAIC also recognizes the importance of managing organizational growth and related fee structures. Revenue requirements support member-directed initiatives, multi-year technology projects, and the prudent development of reserves to secure continuity of operations, and ultimately, to support members in their efforts to maintain solvent and active insurance markets.

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It is important to note that $57 million of the $80 million of the NAIC's net asset growth over this timeframe is largely attributable to investment performance rather than through revenue sources. Given the volatility of financial markets, reliance on this revenue source to fund the important operations of the NAIC has been minimal. This volatility is evident by the $23 million loss in the NAIC's portfolio valuation at the end of 2022. While the portfolio valuation recovered in the following year, significant drops in market values are not uncommon.

However, the NAIC remains extremely mindful that costs ultimately affect policyholders, which is evident through the planned reduction of net assets in 2026. Further, the planned reduction aligns with the commitment to fund operations and strategic investments using existing resources to the extent possible.

1. Regulatory Support and Operational Resources

NAMIC focused on the NAIC's planned increase in headcount in the 2026 budget, noting that the NAIC proposes to add numerous positions, viewing this in the context of a broader trend in organizational growth. NAMIC acknowledged that the stated goal is to improve regulatory support and operational capabilities and encourages that growth remains proportionate to member needs and aligned with the NAIC's core mission of supporting insurance regulation.

NAMIC emphasized its view that the NAIC's greatest strength lies in relationships, governance processes, and the tools and services it provides to regulators, rather than in the size of its staff alone. NAMIC cautioned that the continued development of national-level expertise in areas such as data analysis and actuarial support should not lead to a concentration of activities that belong with insurance regulators or result in activities that could blur the line between NAIC support versus regulatory oversight.

NAIC Response:

The NAIC appreciates NAMIC's comments regarding staffing and the importance of ensuring that organizational growth remains aligned with the NAIC's mission to support, rather than substitute for, state-based insurance regulation. The staffing changes reflected in the 2026 budget are intended to directly respond to member priorities, strengthen the NAIC's capacity to deliver requested services, and improve coordination and support for insurance departments across all jurisdictions. These additions are focused on enhancing existing functions, improving internal processes, and better organizing the assistance the NAIC provides to regulators.

The NAIC also recognizes the concern that increases in staff could, if not carefully managed, create the perception that regulatory activities are moving away from insurance departments. The NAIC does not possess regulatory authority and does not supervise insurers. Staff with technical, analytical, or operational responsibilities serve to assist member committees and regulators at their sole discretion and direction. Decisions regarding regulatory policy, supervisory actions, and oversight of licensed entities remain solely with insurance regulators.

The NAIC agrees that relationships, governance structures, and clear processes are central to the strength of the state-based system. As new roles are implemented, the NAIC will continue to emphasize transparency regarding their purpose, ensure that responsibilities are framed around supporting members, and review staffing levels and functions on an ongoing basis. The NAIC remains committed to maintaining clear boundaries between analytical and operational support provided by staff and the regulatory authority exercised exclusively by insurance regulators, while continuing to provide the tools, services, and coordination that members have identified as essential to effective supervision.

2. Regulatory Data Integration and Enhancement of Solvency Related Tools

NAMIC commented on the proposed investment to upgrade the enterprise data platform, develop a centralized data portal, and enhance solvency analysis tools. They noted the planned use of modern technologies, including artificial intelligence, and recognized that these efforts are intended to improve access to supervisory information, reduce redundancy, and support consistency across jurisdictions. NAMIC acknowledged that such improvements could provide regulators with clearer, more timely insights into emerging risks while consolidating information that is currently dispersed across multiple systems. At the same time, NAMIC expressed concern about the overall scale, complexity, and cost of the initiative and the potential for large technology projects to extend beyond their original timelines or budgets.

NAMIC further noted that centralizing data and modernizing tools can offer tangible efficiency gains and strengthen solvency oversight by creating a more streamlined view of insurer financial information. However, NAMIC emphasized that this centralization must be paired with strong governance, clear accountability, and appropriate oversight, particularly because sensitive regulatory data would be managed within the NAIC. NAMIC underscored the importance of transparency around how data is managed, who may access it, and what safeguards are in place to protect confidentiality and cybersecurity. They also cautioned that technology cannot replace the judgment, experience, and local market knowledge required for effective financial analysis. While AI-driven features and enhanced search capabilities may help identify patterns or expedite review, NAMIC noted that these tools do not, on their own, ensure better supervisory outcomes and must be supported by sound regulatory expertise.

NAIC Response:

NAMIC's recognition of the intent behind the enterprise data and solvency tools initiative is appreciated. The enhancements are designed to provide regulators with more timely and accessible information and reflect member direction to reduce duplicative systems and modernize technology in support of more effective oversight.

The NAIC understands the concerns raised regarding the cost and complexity of multi-year technology projects. To address these considerations, the initiative is being advanced in phases with defined milestones, regular reporting to member committees, and established financial oversight to help ensure that development remains aligned with member expectations. Transparency around progress and resource needs will continue throughout the project.

With respect to governance and data protection, safeguarding sensitive regulatory information remains a core priority. Confidentiality agreements with member jurisdictions, established security controls, and ongoing enhancements to the NAIC's information security program guide how data is handled as systems evolve. Technology tools, including natural language search and AI-assisted features, are intended to support regulatory review, not to replace supervisory judgment or jurisdiction-specific expertise. Accordingly, the NAIC remains committed to ensuring that these enhancements reinforce the state-based system, respect jurisdictional authority, and provide regulators with effective tools that support their responsibilities.

3. SERFF Modernization – 2026 Transaction Stages

NAMIC provided comments on the SERFF modernization project, noting that the 2026 budget includes additional capital and expense funding for the fifth year of the transition, with work expected to extend into a sixth year. NAMIC recognized that SERFF is essential to the day-to-day work of insurers and regulators in rate and form filings and reiterated support for modernization because of the potential to reduce filing times, improve speed-to-market, and enhance workflow and communication.

NAMIC welcomed anticipated improvements such as better document management, built-in quality checks, and expanded AI capabilities. However, they also expressed concern about the length of time required to complete the project. NAMIC commented that offers from companies that use SERFF daily to provide expert input have not been fully utilized. NAMIC encouraged NAIC to adopt a more collaborative approach that includes more active engagement with end users so the modernized platform reflects real-world filing needs.

NAIC Response:
NAMIC's continued support for the SERFF modernization initiative is appreciated. SERFF remains one of the most widely used regulatory tools in the state-based system, and its modernization is intended to improve filing efficiency, strengthen workflow capabilities, and support more consistent and timely review processes. The scope of the project reflects both the breadth of SERFF's user base and the need to ensure that updated functionality can be introduced without disrupting ongoing regulatory operations.

The multi-year timeline, while longer than originally anticipated, reflects a phased approach designed to balance progress with stability. Replacing a twenty plus year old platform that supports rate and form filings across virtually all jurisdictions requires extensive testing, careful sequencing, and accommodation of differing jurisdictional requirements. This structure extends the development period but is intended to deliver a reliable, durable system that meets the needs of both filers and regulators. The upcoming transitions planned for 2026 represent an important milestone in moving from development to broader adoption. The phased approach also allows the NAIC to ensure training and support can be provided to the large number of industry users moving to the new platform, to respond effectively to their feedback, and to continue enhancing the system.

The SERFF modernization initiative emphasizes extensive engagement with industry users to ensure the platform functions effectively. The project team actively gathers input through existing avenues such as NAIC meetings, monthly product steering committee calls (averaging 175 attendees), and presentations to industry groups and forums. An in-person workshop was planned for 2025 but cancelled due to lack of interest. However, the team consistently engages with industry users representing a wide variety of experience and perspectives and plans to schedule additional opportunities for feedback in 2026. As the project moves into the early adopter phase, the team will involve users in focused requirements sessions and user testing.

As noted, this is a critically important system and the NAIC remains committed to delivering a modernized SERFF platform that supports accurate, efficient filings and strengthens the regulatory review process. Ongoing collaboration with regulators, filers, and industry groups will continue to guide development as the project advances.

4. Financial Data Repository (FDR) Modernization
NAMIC expressed support for modernizing FDR and acknowledged its central role in helping regulators monitor the financial condition of insurers and identify early signs of distress. NAMIC stated that upgrades can improve accessibility and reliability of financial data and enhance automation, validation, and usability, streamlining regulatory workflows and strengthening solvency and market conduct oversight.

NAMIC also emphasized the size and duration of the proposed investment, noting the projected initial cost in 2026 and the estimated long-term cost over a ten-year period. They stated that, given this scale, stakeholders should have a clear understanding of how recurring costs will be managed and how benefits will be measured. NAMIC further raised concerns about the centralization of sensitive financial data with a private organization and called for strong transparency and accountability to ensure that data stewardship remains aligned with the public interest.

NAIC Response:
NAMIC's support for the FDR modernization initiative is appreciated, as is its recognition of the platform's central role in solvency oversight. Modernization is necessary to address increasing reporting demands and to ensure regulators continue to receive timely, reliable financial information. The current system has reached the limits of its architecture, and comprehensive redevelopment is the most practical and cost-effective way to meet long-term supervisory needs.

Cost considerations remain an important part of this work. The modernization strategy incorporates the use of cloud-based infrastructure and managed service arrangements to help stabilize future costs and shift certain support responsibilities to a specialized provider. This approach reduces the need for internal infrastructure investments, shortens development and deployment timelines, and lessens the long-term maintenance burden that would otherwise fall directly on the NAIC.

Oversight of value and performance will continue to be a focus throughout development. Performance indicators related to timeliness, accuracy, usability, and workflow support are being developed in coordination with members. These measures will help ensure that efficiencies gained through modernization, such as improved data quality, faster processing, and reduced reliance on legacy systems, offset the long-term operating costs associated with a modern platform. A significant benefit of the vendor system is its ability to facilitate statutory financial statement filings, Market Conduct Annual Statement filings, and filings from other data collection projects.

Safeguarding sensitive financial information remains a vital consideration. Data submitted through the vendor's collection system will reside in the NAIC's internal data warehouse. Thus, all reports, applications and tools to provide access to and analysis of the submitted data will be sourced from the NAIC. Existing controls governing the handling of financial data are grounded in agreements with member jurisdictions and long-standing regulatory expectations. Modernization provides an opportunity to update these protections with current security capabilities, strengthened access controls, and enhanced monitoring. Throughout this process, NAIC will continue to operate solely as a support organization, with use of FDR data occurring under the authority and in the support of insurance departments.

5. State Based Systems (SBS) Implementations - 2026
NAMIC addressed the fiscal for SBS implementations planned for 2026 and acknowledged that SBS provides a centralized platform for licensing, enforcement, consumer services, and revenue management and that it allows participating jurisdictions to modernize operations while maintaining jurisdiction-specific customization.

NAMIC recognized that expanding SBS to three additional jurisdictions, as detailed in the fiscal, offers potential efficiency gains. At the same time, they noted the upfront cost of the fiscal and that most related revenue is expected in later years. NAMIC also observed that the initiative relies heavily on external consultants and expressed concern about long-term continuity and cost control.

NAIC Response:
The NAIC appreciates NAMIC's recognition of the benefits that SBS provides to participating jurisdictions and agrees that careful oversight of implementation costs is important. SBS has been developed at the

direction of regulators to support key workflows in a configurable manner, and the planned 2026 expansion reflects jurisdictions that specifically requested to adopt this shared infrastructure.

While the fiscal includes upfront implementation expenses, these costs are variable and incurred only when a jurisdiction elects to join the system. If a member chooses not to proceed with an implementation, the associated expenses will not materialize. Consultant support is often used during initial transitions to ensure specialized technical expertise is available for configuration and data migration, but NAIC's long-term support model relies primarily on internal staff. Implementation projects include structured knowledge transfer to help ensure continuity and cost control over time.

As always, the configuration and use of SBS remain under the authority of each participating jurisdiction. Licensing decisions, enforcement actions, and other supervisory activities are made by regulators, and SBS serves as a tool to support these responsibilities rather than shift or centralize regulatory authority. The NAIC will continue to work closely with jurisdictions to ensure that SBS aligns with regulatory frameworks and that resources are deployed efficiently and only when requested.

Concluding Comments

NAIC appreciates NAMIC's engagement and the perspectives shared in its comments. Openness and collaboration remain central to the NAIC's work, and these principles continue to guide the budget development process. Each year, the proposed budget is shaped through input from NAIC staff, officers, the Executive (EX) Committee, and all members to ensure it supports the needs of insurance departments and the broader regulatory framework.

As part of this commitment, the NAIC publishes the proposed budget for public review and provides structured opportunities for interested parties to offer observations. These comments are carefully considered and reflected upon through written responses and during a public hearing. This approach helps maintain clarity around the NAIC's operations and reinforces the organization's role in supporting regulators as they work to protect policyholders and uphold the financial stability of insurance markets.

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November 14, 2025

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VIA Email Transmission: cthompson@naic.org; jpinegar@naic.org

RE: NAMIC Comments – NAIC Proposed 2026 Budget

Dear Ms. Thompson:
cc: Mr. Pinegar:

The following comments are submitted on behalf of the member companies of the National Association of Mutual Insurance Companies[1] regarding the NAIC's proposed 2026 budget.

NAMIC supports a reformed and modernized state-based regulatory system and recognizes the NAIC's central role in that effort. For years, NAMIC has participated in the NAIC budget process, because we value the NAIC's contributions to the defense and advancement of state-based insurance regulation. Like many organizations, the NAIC faces rising labor and service costs, and we appreciate its efforts to provide responsive tools and services that help insurance departments operate more efficiently and effectively.

That said, the NAIC has grown immensely over the past years. From 2019 to 2024, its net assets have increased from $130 million to $210 million – a 60% rise. Over that period, key revenue sources grew significantly: database fees rose 41%, valuation services and transaction filing fees grew 45%, and license and administrative services increased 77%. In the 2026 budget, only the database fees are projected to grow beyond 2024 levels. It is important to be mindful that the cost to provide the added regulatory products and services are financed by insurers initially and by the insurance-buying public ultimately. Although we are concerned about the overall growth in the budget, particularly the fee

[1] The National Association of Mutual Insurance Companies (NAMIC) is the foremost trade association representing the property/casualty insurance industry. Serving more than 1,300 member companies – including local and regional insurers as well as some of the nation's largest carriers – NAMIC members collectively write $383 billion in annual premiums, representing 61% of the homeowners and 48% of the automobile insurance markets. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect our members and their policyholders.

portion of the database services, we remain committed to supporting efforts that help regulators maintain a reliable and financially sound insurance market. With that in mind, we offer the following comments on specific fiscal proposals.

Regulatory Support and Operational Resources

The NAIC plans to increase its staff headcount by 17 positions in 2026, rising from 559 to 576 employees, and the associated expense growth of $1.7 million in 2026 and $2.1 million in 2027. Understanding the stated goal is to improve regulatory support and operational capabilities, these additions are part of a broader trend of organizational growth in both personnel and financial resources. While we appreciate the intent behind adding 17 new employees next year, NAMIC submits that the NAIC's greatest strength lies in relationships, not just headcount. NAMIC applauds the addition of a Relationship Manager, provided that instruction and guidance to new Commissioners include essential background on insurance fundamentals; this includes specifically advising against the politicalization of regulation, focusing on the state-based authority to regulate for inadequate rates and insurer insolvencies, and identifying reliable data sources.

Additionally, the proposed role for a Process Improvement and Governance Manager is warranted, particularly if essential duties involve advising members and staff on the NAIC's bylaws. Deliberately developed to ensure compliance with the regulatory framework established under the McCarran-Ferguson Act and to preserve the state-based regulatory system, the by-laws are not mere procedural documents. They are there to prevent any delegation of regulatory authority away from the states to the NAIC staff themselves. State insurance regulation is designed to be performed by public officials accountable to the citizens of each state. When the NAIC increases its internal capacity to interpret data, conduct actuarial reviews, or shape regulatory policy through national-level staffing, it risks centralizing activities that should remain in the hands of state regulators. This shift may reduce transparency, weaken state oversight, and create potential accountability issues.

Regulatory Data Integration and Enhancement of Solvency Related Tools

The NAIC's 2026 budget proposes a $1.4 million investment to upgrade its enterprise data platform, build a centralized data portal, improve solvency analysis tools, and modernize legacy systems with features like AI-driven analytics and natural language search. While these upgrades aim to support regulators, the high upfront cost, along with additional spending planned for 2027 and beyond, raises some concerns. Projects of this size often involve complex data migrations and system redesigns that can run over budget or fall behind schedule, potentially leading to wasted resources or unfinished tools.

The effort to centralize data access and eliminate redundant systems could make regulatory work more efficient by providing faster, clearer access to supervisory insights. It could also improve consistency across states to help maintain accreditation standards. But centralization must be balanced with strong governance and accountability. Handing sensitive regulatory data to a private organization creates new risks for the insurance industry, including reduced oversight by the primary public regulators. It also introduces challenges around data transparency and cybersecurity that must be addressed.

Enhancements to solvency tools can be helpful, especially when they provide more current data and enable quicker detection of solvency risks. That supports the core purpose of solvency regulation: identifying financially weak insurers before problems worsen. Still, financial analysis depends on more than technology. It requires sound judgment, experience and understanding of local market conditions that no software can replicate.

New features like AI and natural language search are intended to make the system easier to use, particularly for non-technical staff. These tools may help identify trends or speed up reviews, but faster oversight doesn't always mean better oversight. Additionally, the presence of a pattern in the data doesn't guarantee the right conclusion will be drawn through technology alone; proper oversight and expertise is still needed to analyze results before drawing any conclusions.

SERFF Modernization – 2026 Transition Stages

Included in the NAIC's proposed budget is an additional $5.2 million in capital outlay and $1.5 million in expense for the ongoing SERFF modernization effort. This marks the fifth year (and planned to go into year six) of transition to overhaul SERFF, a platform that is essential to the day-to-day operations of insurers and state regulators alike. Plans for 2026 focus on rolling out functionality to the first group of jurisdictions, with a second group of jurisdictions scheduled for implementation by year's end.

NAMIC continues to support this initiative because it directly benefits our members. SERFF is a critical tool for filing insurance rates and forms, and modernizing it has the potential to significantly reduce filing times and improve speed-to-market. Improvements in workflow, document management, and communication tools will hopefully lead to more accurate filings, faster approvals, and fewer administrative delays. The inclusion of built-in quality control checks and expanded AI capabilities is a welcome step forward for both filers and regulators.

However, while we recognize the complexity of modernizing such a widely used platform, we are concerned about the length of time it has taken to complete this project. In addition, despite offers to provide expert input from companies who use SERFF every day, the NAIC has not taken steps to engage these practitioners in a meaningful way. Input from all stakeholders in the SERFF system could strengthen both the design and functionality of the end product. As the platform continues to evolve, we encourage a more collaborative approach that includes end users in the development process.

Doing so will help ensure the modernized SERFF platform meets the real-world needs of those who depend on it.

Financial Data Repository (FDR) Modernization
A modernized financial data repository (FDR) is a well-placed investment given how critical FDR is for regulators in assisting their ability to monitor the financial health of insurers and detect early signs of financial distress. Upgrading this platform will significantly improve the accessibility and reliability of financial data, enabling regulators to make faster, more informed decisions. The improvements in automation, data validation, and usability will streamline regulatory workflows and enhance the oversight of both solvency and market conduct.

That said, the long-term cost of this project is significant. The initial investment of $6.5 million in 2026 is only the beginning of a projected ten-year cost nearing $40 million. With annual operating and maintenance expenses expected to reach $3.5 million per year after the initial build, it's essential that all stakeholders have a clear understanding of how these recurring costs will be managed and how value will be measured over time.

Furthermore, the centralization of sensitive insurer financial data, including filings that cover nearly the entire U.S. insurance market, raises concerns about data security and governance. While the NAIC plays a role in supporting the state-based system, it is still a private organization. Entrusting it with such critical and confidential information requires transparency and strong accountability mechanisms to ensure that the safekeeping of this data remains aligned with the public interest. These risks must be carefully weighed and mitigated as the system is designed and deployed.

SBS Implementations – 2026
The NAIC's 2026 fiscal to support additional State Based Systems (SBS) implementations offers meaningful benefits for state insurance departments. SBS serves as a centralized platform that streamlines licensing, enforcement, consumer services, and revenue management. It enables states to modernize operations while allowing for jurisdiction-specific customization. By expanding SBS to three more jurisdictions (two standard implementations and one with complex, tailored functionality) this initiative helps improve efficiency.

The fiscal carries a high upfront cost of $1.7 million in 2026, with most revenue not expected until the following year. Additionally, the NAIC will rely heavily on outside consultants to manage this expansion, which raises concerns about the project's long-term continuity and cost control. While SBS is designed to support state functions, we ask that any product that helps regulators with their core regulatory functions does not shift too much day-to-day authority away from the primary state regulators.

Closing

Thank you for the opportunity to review and comment on the NAIC's proposed 2026 budget and related fiscal initiatives. We appreciate the transparency of the process and the NAIC's continued engagement with stakeholders as it considers how best to support state insurance departments. While we have shared both support and concerns regarding specific proposals, our overarching goal remains the same: to ensure the long-term strength and credibility of the state-based regulatory system.

We look forward to continued collaboration and to working together in support of efficient, accountable, and effective insurance regulation. Thank you for your consideration of these comments on this matter of importance to NAMIC, its member companies, and their policyholders.

Sincerely,

Jonathan Rodgers

Jonathan Rodgers, Policy Vice President – Solvency
National Association of Mutual Insurance Companies