

**Date:** August 3, 2018

**To:** All NAIC Members and Interested Parties

**From:** Eric A. Cioppa, NAIC President-Elect  
Michael Consedine, NAIC Chief Executive Officer  
Andy Beal, NAIC Chief Operating Officer and Chief Legal Officer  
Jim Woody, NAIC Chief Financial Officer

**Re:** Summary of Comments on the Proposed Mid-Year Fiscals for the 2018 NAIC Budget

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The NAIC released for public comment three proposed Fiscal Impact Statements (fiscals) related to its *State Ahead* strategic plan on July 17. These fiscals represent requests for funding within the 2018 budget. In response, one comment letter was received from the Property Casualty Insurers Association of America (PCIAA) (**Attachment One**). This memorandum summarizes their comments and includes the NAIC's response to each comment.

### **Data Protection**

1. PCIAA asked the NAIC to provide further information about NAIC plans in regard to the future protection of the collected data, including intellectual property and personal information.

**NAIC Response:** The NAIC has always made it a priority to protect the data it collects and manages, and will continue to do so. There have been many projects and initiatives to enhance NAIC's cybersecurity program over the last three years. Our progress and overall security posture has been validated by one of the nation's top security firms in a review we undertake annually. We are continuing our commitment to security and protecting confidential data entrusted to the NAIC by state regulators and the industry with several projects initiated over the past year (data de-identification, web enterprise security, and security application enhancements). Two of the proposed fiscals further the NAIC's ongoing efforts to create an overarching policy and framework that will standardize internal processes for data collected by the NAIC, including cataloging of intellectual property and personal information. These projects will help ensure best practices and tools are utilized by all NAIC staff involved in the data collection and management process, including ensuring appropriate security protections are in place.

### **Data Governance**

2. PCIAA requested further information about NAIC Data Governance and what changes will be made, if any.

**NAIC Response:** While many aspects of data governance are currently utilized throughout the NAIC, these efforts have been geared toward the completion of individual projects and/or applications within each business unit to meet specific deadlines and business requirements. The goal of the Data Governance program is to establish coordinated data management processes that will be utilized by all projects/applications at the NAIC. The data governance program will allow the association to quickly and easily identify all data assets and asset attributes. This will enable regulators to more quickly and easily identify available data sources that will best serve their needs, potentially reducing duplication of data collection efforts. It will also ensure that each NAIC department follows the same data standards and streamlines internal security and data management processes. Each business area will designate staff to act as data stewards, who in turn will monitor data quality for each data set.

With regard to changes, the NAIC expects to use the Enterprise Data Platform as a centralized location for data used by regulators, industry, and consumers. The goal is to provide a common data platform that allows regulators to securely access data that has been streamlined for consumption by analytical tools thereby providing self-service to regulators and lessening the need for NAIC staff to perform manual processes for data requests.

### **Cost Reductions**

3. PCIAA asked to what extent these projects will reduce costs to collect and report data to the NAIC and to retrieve data from the NAIC.

**NAIC Response:** The primary goal of these initiatives is to further the *State Ahead* objectives of Safe, Solvent and Stable Markets; 2) Consumer Protection and Education; and 3) Superior Member Services and Resources. The main driver of these initiatives is to provide additional tools and resources to the states allowing them to become more efficient within their departments. That said, it is possible through future efforts of the NAIC and state insurance regulators to maximize efficiencies in data collection and management that duplicative efforts are identified and determined to be no longer necessary, thereby potentially reducing costs for entities that had been submitting the data.

### **Membership Support**

4. PCIAA asked how the projects under *State Ahead* will assist the NAIC to support the states in performing their independent regulatory functions, while not running the risk of supplanting them.

**NAIC Response:** The proposed fiscals are intended to support the implementation of *State Ahead*, which includes the objective of Superior Member Services and Resources. There is no intent by NAIC members to have the NAIC supplant the membership's independent regulatory functions through any of these projects. Rather, these projects ensure the data collected and managed by the NAIC is subject to a framework that ensures consistency across projects and improves performance in complex analytics.

### **Comment Periods on Future Fiscals**

5. PCIAA noted the comment period for these fiscals of two weeks was a short one and asked additional time could be allowed for comment on *State Ahead* fiscals going forward.

**NAIC Response:** The NAIC recognizes the concern presented by PCIAA and will take it into account for future proposals made outside of the normal budget process. However, the projects represented by these three fiscals are generally referenced within the descriptions of action items, project overviews and estimated costs contained in the NAIC's strategic plan, *State Ahead*, which was made public in February of this year.

### **Concluding Comments**

NAIC leadership, as well as NAIC senior management, appreciates the opportunity to publicly present the proposed fiscals to implement projects under *State Ahead*, and respond to questions and/or comments raised by interested parties. State insurance regulators, supported by the NAIC, are committed to protecting policyholders as well as ensuring the financial solvency of the insurance industry in a cost-effective and financially prudent manner. The NAIC continuously seeks opportunities to reduce operating costs while providing world-class support to its members, regulators, interested parties, and insurance customers.

## **PRELIMINARY COMMENTS AND QUESTIONS ON NAIC FISCALS RELEASED ON JULY 17, 2018**

The Property Casualty Insurers Association of America (PCI) represents approximately 1000 insurers and reinsurers of many sizes and business models that write more than \$245 billion in premiums annually. PCI has long been a supporter of state-based regulation and is pleased to offer a few constructive questions and comments on the fiscals published on July 17, 2018.

### Questions Regarding Scope and Substance

Modernizing the collection, use and protection of data is a critically important objective for all of us. While State Ahead laid out a high-level framework, the fiscals apparently authorize particular projects. However, the descriptions of the projects are still very high level and do not provide much additional detail on which to comment.

Of great interest to our members is learning how the NAIC will continue to protect the data sent to it, including intellectual property and personal information. We would appreciate knowing more about NAIC plans in regard to the future protection of these data. We would also appreciate more information about NAIC data governance and what changes will be made, if any.

Costs are also a shared interest. To what extent will the projects implemented under the fiscals reduce costs to collect and report data to the NAIC and retrieve data from the NAIC? And, how will the projects under State Ahead assist the NAIC to support the states in performing their independent regulatory functions, while not running the risk of supplanting them?

### Procedural Question

The procedure followed for the current fiscals, issued as they were for two weeks of public review and comment, provides a relatively short period of time for review and comment. Will this be the process going forward for fiscals and/or for which other documents? When will longer comment times be provided in connection with the implementation of State Ahead?

### Conclusion

Together, the industry and regulators have helped create the world's largest, most financially sound and competitive insurance market in the world. Accordingly, PCI wishes to continue to work closely with the NAIC in the effort to modernize data collection and use. We hope the questions and comments we have provided will be helpful to the NAIC as part of the on-going, productive dialogue on implementing State Ahead.