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The Troubling Case of the  
NAIC and Questions  
Concerning Transparency  
and Accountability

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# Executive Summary

Building upon a previous report on the National Association of Insurance Commissioners (NAIC), this paper analyzes the NAIC's tax status, lobbying activities, influences, operational practices, and spending habits. The purpose of this analysis is to shine a light on clear abuses and conflicts of interest that may exist and require remedies.

The American Consumer Institute (ACI) recommends several steps for improving organizational transparency and accountability.[1] These request the NAIC complete the following: file an annual Form 990 with the Internal Revenue Service (IRS), refrain from all lobbying activities or strictly document those that occur, and comply with the same rules that apply to other nonprofits. In addition, to restore public trust in the NAIC, an audit of the organization's current operations should be conducted by an independent third party.[2] This audit should examine the conflicts of interest the NAIC has in generating revenue by imposing fees on private insurance companies. It should also include recommendations for improving NAIC governance and steps for preserving the ability of states to override NAIC policies.

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[1] Steve Pociask, "Insurance Commissioners' Association Avoids Disclosure and Charges the Public to Fund its Own Corporate Projects," American Consumer Institute, April 19, 2009.

[2] Jeff Dial, "The National Association of Insurance Commissioners faces a credibility crisis," Arizona Digital Free Press, September 28, 2024, <https://arizonadigitalfreepress.com/dial-the-national-association-of-insurance-commissioners-faces-a-credibility-crisis/>.





# Background

Many of the nongovernmental organizations in the U.S. got their start more than a century ago when there was a strong demand for the creation of new mission-driven organizations dedicated to helping solve societal problems and serve as a bridge between policymakers and regulators.[3] In 1871, following a wave of insurer insolvencies, state insurance regulators formed a new organization called the National Insurance Convention, which was intended to bring stability and uniformity to the insurance market.[4] This organization would later become known as the National Association of Insurance Commissioners (NAIC).[5]

Today, the NAIC operates as an incorporated tax-exempt nonprofit that is treated,[6] in some ways, as a quasi-governmental body—despite not being a government agency—due to its role in helping set national insurance standards and providing state governments with regulatory guidance.[7] However, unlike most nonprofits, the NAIC is not required to disclose standard information to the IRS. This information includes details about the organization’s operations, financial condition, revenue sources, lobbying activities, and more.[8] It is also not subject to laws like the Administrative Procedure Act, and the Freedom of Information Act that apply to government agencies.[9] The NAIC conducts much of its business via unaccountable committees that sometimes make important decisions behind closed doors.[10]

This lack of transparency is unusual and disturbing to those already concerned that U.S. legislative bodies have increasingly delegated their constitutional responsibilities to organizations not ultimately accountable to the American people.[11] And without having to file with the IRS, the public cannot know whether the NAIC’s operations are consistent with its tax-exempt status. Specifically, the public is left in the dark regarding whether the NAIC is blurring the line between offering helpful guidance or influencing regulation. Furthermore, in many cases, state governments treat the NAIC as a quasi-governmental organization, entitled to certain privileges not enjoyed by other nonprofits.

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[3] Greg R. Lawson, “Beware The Trojan Horse of Rulemaking Nongovernment Organizations,” The Buckeye Institute, December 19, 2024, p. 3, <https://www.buckeyeinstitute.org/library/docLib/2024-12-19-Beware-the-Trojan-Horse-of-Rulemaking-Nongovernment-Organizations-policy-report.pdf>.

[4] “Model Laws 101,” NAIC Library, accessed February 5, 2025, <https://content.naic.org/sites/default/files/topic-model-laws-101.pdf>.

[5] Ibid.

[6] “Certificate of Incorporation of National Association of Insurance Commissioners a Nonstock Corporation,” NAIC, October 1999, p. 2, <https://content.naic.org/sites/default/files/about-certificate-of-incorporation.pdf>.

[7] “What is the NAIC and what does it do?” NAIC, accessed February 5, 2025, <https://content.naic.org/sites/default/files/about-naic.pdf>.

[8] “About FAQ,” NAIC, accessed February 5, 2025, p. 3, <https://content.naic.org/sites/default/files/about-faq.pdf>.

[9] Chip Merlin, “Understanding the NAIC—Is the NAIC a Trade Organization for the Insurance Industry?” Merlin Law Group, March 7, 2024, <https://www.propertyinsurancecoveragelaw.com/blog/understanding-the-naic-is-the-naic-a-trade-organization-for-the-insurance-industry/>.

[10] Allison Bell, “Consumer Advocate to NAIC: Open the Curtains,” Think Advisor, March 7, 2024, <https://www.thinkadvisor.com/2024/03/07/consumer-advocate-to-naic-open-the-curtains/>.

[11] “Separation of Powers: Delegation of Legislative Power,” NCSL, updated November 16, 2022, <https://www.ncsl.org/about-state-legislatures/separation-of-powers-delegation-of-legislative-power>.



State governments do this by adopting laws that require insurance companies to file documents with the NAIC and then pay fees to make those filings. However, since the NAIC gets to set those fees, the organization essentially taxes private insurance companies without any official review or approval by state governments.[12] In effect, states delegate their taxing power to an unaccountable and unelected private organization. That organization is then free to use the revenue from these fees to fund various unrelated activities. This appears to be a misallocation of public resources. Worse, the fees it imposes are partially passed onto consumers in the form of higher insurance premiums. For these reasons, the NAIC's current tax status, influences, method of revenue generation, and actions all merit closer scrutiny.

## The History of the NAIC and its Questionable Tax Status

The NAIC is a U.S. standard-setting organization comprised of insurance commissioners from all 50 states, the District of Columbia, and U.S. territories.[13] Beginning as a voluntary unincorporated association, the NAIC was granted non-profit status in 1999 and continues to operate as a 501(c)3 charitable and educational organization.[14]

However, unlike most 501(c)3's, the NAIC is exempt from disclosing certain types of financial information ordinarily required of nonprofits. Specifically, the NAIC is exempt from filing a Form 990 with the IRS—a form required of nearly all nonprofits.[15] Instead, the NAIC only publishes a limited amount of information on its website—namely public calendar events,[16] news releases,[17] and annual budget reports.[18] The failure of the NAIC to disclose more is curious considering its role in reviewing financial information submitted by insurance companies. As Greg Lawson, a research fellow at the Buckeye Institute, recently wrote:

*“Without filing a Form 990, NAIC enjoys a peculiar financial opacity for an entity with access to agency level data without agency-type transparency or oversight, which raises concerns and breeds suspicion, especially as NAIC's budget has grown significantly in recent years.”*[19]

With few exceptions,[20] the IRS generally prohibits 501(c)3 organizations from participating in substantial lobbying efforts without additional reporting or reclassification as a 501(c)4,[21] which permits nonprofit organizations to promote social welfare within specified parameters.[22] When the NAIC first received its tax-exempt status as a nonprofit in 1999, it told the IRS that it had no plans to perform any lobbying.[23]

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[12] “Filing Fee Payment Information and Instructions,” NAIC, accessed February 5, 2025, <https://content.naic.org/sites/default/files/industry-financial-filing-payment-instructions-and-fee-schedule.pdf>.

[13] “What is the NAIC and what does It do?”

[14] “Certificate of Incorporation of National Association,” p. 2.

[15] “About FAQ,” p. 3.

[16] “NAIC Public Calendar,” NAIC, accessed February 5, 2025, <https://content.naic.org/naic-public-calendar/202501>.

[17] “Newsroom,” NAIC, accessed February 5, 2025, <https://content.naic.org/newsroom>.

[18] “NAIC Budget,” NAIC, accessed February 5, 2025, [https://content.naic.org/about\\_budget.htm](https://content.naic.org/about_budget.htm).

[19] Lawson, “Beware the Trojan Horse,” p. 7.

[20] John Francis Reilly, Carter C. Hull, and Barbara A. Braig Allen, “IRC 501(c)(4) Organizations,” IRS, 2003, <https://www.irs.gov/pub/irs-tege/eotopici03.pdf>.

[21] “Lobbying,” IRS, last updated August 20, 2024, <https://www.irs.gov/charities-non-profits/lobbying>.

[22] “Social welfare organizations,” IRS, last updated March, 2024, <https://www.irs.gov/charities-non-profits/other-non-profits/social-welfare-organizations>.

[23] NAIC's IRS 1023, 1999, p. 4.



However, there is some evidence that NAIC has engaged in lobbying-like activities and directly benefits from legislation. For instance, the NAIC drafts and recommends model laws, many of which have been adopted by member states.[24] In addition, many of the NAIC's handbooks and manuals have been incorporated by reference in state insurance codes, giving them the force of law.[25] Some state insurance laws specifically mention the NAIC by name,[26] including many that require insurance companies to use the organization's filing platforms and make electronic payments to the organization.[27] In addition, virtually every state requires financial data reporting to the NAIC.[28] This raises questions about whether there has been an inappropriate delegation of state power.

This level of influence over state insurance regulation and strict reporting requirements for private insurance companies should not be possible under the NAIC's current tax status. Yet, the NAIC has been very public about its advocacy. For instance, the NAIC openly states that it considers it a "priority" to seek the universal adoption of its model laws in a majority of states.[29] The NAIC also acknowledges that its members dedicate "significant resources" to make this happen.[30]

While overt lobbying for 501(c)3's is strictly limited by IRS rules and regulations, what little that can occur must be reported. However, the NAIC does not file such information because a 1955 court ruling found the NAIC is a "wholly owned instrumentality" of the states, meaning it is not subject to such disclosures.[31] When the NAIC later applied to become a non-profit in 1999, it assumed that this 1955 ruling still applied and now points to an IRS letter from the same year as evidence that it is exempted from such requirements.[32]

But why should a 70-year-old court determination made when the NAIC was still an unincorporated organization apply today? This unexplained exemption means that the NAIC does not have to file a Form 990 each year, thereby allowing it to escape standard disclosure requirements that would otherwise shine a light on its lobbying activities. It is also not subject to Freedom of Information requests like government entities since it is treated as a quasi-governmental organization.[33] In other words, the NAIC enjoys the best of both worlds. It does not have to pay taxes to, or file with, the IRS.

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[24] "NAIC Model Laws, Regulations, Guidelines and Other Resources," NAIC, January 2005, <https://content.naic.org/sites/default/files/model-law-218.pdf>.

[25] Daniel Schwarcz, "Is U.S. Insurance Regulation Unconstitutional?" *Connecticut Insurance Law Journal*, Fall 2018, Vol. 25, 1, <https://digitalcommons.lib.uconn.edu/cgi/viewcontent.cgi?article=1017&context=cilj>.

[26] Mo Schriener, "Minnesotans Gain New Privacy Protections for Insurance Data," Minnesota Commerce Department, August 18, 2021, <https://mn.gov/commerce/news/?id=17-494515>.

[27] "Fiscal Impact Statement," NAIC, March 1, 2021, p. 1, <https://content.naic.org/sites/default/files/legacy/documents/fiscal-serff-modernization-mobilization-pilot-2021.pdf>.

[28] "Guide to Compliance with State Audit Requirements," NAIC, last updated January 9, 2024, <https://content.naic.org/sites/default/files/publication-gca-zu-guide-compliance-requirements.pdf>.

[29] "Model Laws 101," p. 1.

[30] *Ibid.*, p. 1.

[31] James Erwin, "As Trump Takes Office, NGOs will continue to push ESG," Americans for Tax Reform, December 13, 2024, <https://atr.org/as-trump-takes-office-ngos-will-continue-to-push-esg/>.

[32] R.J. Lehman, "Congressman asks: 'What Exactly IS the NAIC?'" R Street Institute, February 28, 2012, <https://www.rstreet.org/commentary/congressman-asks-what-exactly-is-the-naic/>.

[33] "What is the FOIA?" FOIA.gov, accessed February 5, 2025, <https://www.foia.gov/faq.html>.



# International Influence over the NAIC

Another troubling aspect of the NAIC's operations is the influence other organizations appear to have over it.[34] Specifically, some of the NAIC's positions on key issues appear to be informed by the policy agenda of international organizations. This is a problem because of the organization's dual status as a non-profit and quasi-governmental organization. Moreover, these international organizations have interests that may or may not align with domestic priorities and should not enjoy special influence over U.S. insurance regulatory policy.

For instance, like other U.S. regulatory insurance organizations, such as the Federal Reserve and Federal Insurance Office, the NAIC is a member of the International Association of Insurance Supervisors (IAIS).[35] The IAIS is a voluntary membership organization comprised of insurance commissioners and regulators from around the world that is responsible for developing and assisting with setting insurance standards.[36] However, as a global standard-setting body, the IAIS enjoys no supranational authority to regulate U.S. insurers. Despite this fact, the IAIS has increasingly attempted to influence the types of NAIC-sanctioned regulations that would apply to U.S.-based insurers,[37] as it recently did regarding potential changes to risk-based capital standards.[38]

While the policy positions of an international organization alone are not a problem, the NAIC's embrace of them could be, if influenced by that organization. For instance, the NAIC has previously stated that its members actively participate in discussions with the IAIS about hot-button issues such as the need to align international insurance standards with "climate related issues." [39]

Regardless of the merits of each of these ideas, the NAIC should not be using the recommendations of international organizations like the IAIS to shape U.S. insurance regulation. These are decisions that should be made at the state level.

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[34] Bryan Bashur, "Insurance Regulatory Reform is Desperately Needed: How to bring Accountability to the NAIC," Americans for Tax Reform, July 1, 2024, <https://atr.org/insurance-regulatory-reform-is-desperately-needed-how-to-bring-accountability-to-the-naic/>.

[35] "Draft Application Paper on how to achieve fair treatment for diverse consumers," IAIS, June 2024, <https://www.iais.org/uploads/2024/06/Draft-Application-Paper-on-how-to-achieve-fair-treatment-for-diverse-consumers-consultation.pdf>.

[36] Ibid.

[37] Gordon Gray, Grover Norquist, and Steve Pociask, "Re: Study and Report to Congress on the Impact on Consumers and Markets in the United States of a Final International Insurance Capital Standard (Docket No. OP-1845)," letter to Ann E. Misback, Secretary of the Board of Governors of the Federal Reserve System, January 10, 2025, <https://www.Federalreserve.gov/apps/proposals/comments/FR-2024-0016-01-C08>.

[38] "Risk-Based Capital," NAIC, accessed February 5, 2025, <https://content.naic.org/insurance-topics/risk-based-capital#:~:text=The%20RBC%20requirement%20is%20a,in%20proportion%20to%20its%20risk>.

[39] NAIC Comment Letter to FIO RFI on the Insurance Sector, "RE: FIO Insurance Sector and Climate-Related Financial Risks," NAIC, November 11, 2021, pp. 5 and 10, <https://content.naic.org/sites/default/files/testimony-letter-response-fio-rfi-climate-financial-risk-211111.pdf>.



# Problematic Areas of Revenue Generation

The NAIC generates income through a variety of means. Several of the revenue streams—such as membership dues, national meetings, conferences, and educational trainings, are in line with its mission but generate little revenue.[40] In 2024, state members contributed just \$2.1 million, or roughly 1 percent of NAIC earnings.[41] National and major meetings contributed \$3 million, and education and training just \$400,000.[42]

Other revenue sources such as database fees, publication and sale of insurance data products, and transaction filing fees, are not only greater financial contributors but also more problematic. That’s because—in many cases—they rely on compulsory fees or the sale of data that insurance companies were first required to provide.

## • Database Fees and Insurance Data Products

The largest source of NAIC’s revenue comes from database fees, which in 2024 accounted for \$42.3 million or 27 percent of the organization’s total revenue.[43] Insurance companies pay fees to file with the NAIC’s Financial Data Repository (FDR).[44] The FDR database system was established to help regulators, insurers, and other industry players by streamlining the reporting process through which companies file their financial insurance reports.

However, states now require insurance companies to file their reports using this system, meaning they are legally obligated to pay a fee for each filing.[45] This fee is calculated using the “measurement of the insurance company’s premiums or assumed reinsurance multiplied by a base factor, subject to a minimum fee and individual and group caps,” and the NAIC can raise it annually.[46] In practice, this means private insurance companies are legally required to file this data and must pay the NAIC to do so.

The problem with this system is that it gives a tax-preferred, non-profit organization the power to levy fees against private insurance companies without formal oversight or approval. In many states, it may even be unconstitutional to cede taxing authority to other entities, since non-delegation principles are included in many state constitutions.[47] For instance, Article X, Section 1 of the Minnesota Constitution notes that the “power of taxation shall never be surrendered, suspended or contracted away.”[48]

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[40] “About FAQ,” p. 2.

[41] “2025 NAIC Budget,” p. 11.

[42] *Ibid.*, p. 11.

[43] “2025 NAIC Budget,” p. 11.

[44] “Financial Data Repository,” NAIC, accessed February 5, 2025, <https://content.naic.org/insurance-topics/financial-data-repository>.

[45] Pociask, “Insurance Commissioners’ Association Avoids Disclosure,” p. 4.

[46] “Filing Fee Payment Information and Instructions,” p. 2.

[47] “Separation of Powers,” 2022.

[48] Minnesota Constitution, Art. X, sec. 1.



While the NAIC updates the FDR annually “on behalf of and at the direction of its members, the state insurance commissioners,” when approving fees, commissioners are not acting in any official capacity of their state, but as members of a separate organization.[49] That provides little room for accountability. Furthermore, because the NAIC does not have to file a Form 990 with the IRS, there is no legal mechanism for determining what charges have been made and how the money is used.[50]

Also troubling is that much of the data the NAIC acquires from insurance company filing has historically been used in its financial products and publications, which are then sold to make revenue. [51] In 2025 alone, the NAIC expects to generate \$11.8 million from selling insurance data products, a 3.2 percent increase over 2024.[52] The only real consolation is the NAIC recently announced plans to make all its digital platforms free of charge starting this year.[53]

Database fees remain the largest money generator for the NAIC.[54]

## • Valuation Services

The NAIC also generates income from valuation service fees, which are fees associated with the designation of securities by its Capital Markets Bureau (CMB), Securities Valuation Office (SVO), and Structured Securities Group (SSG).[55] In 2024, fees from these services were budgeted to generate \$33 million for the NAIC, making them the second-largest source of organization revenue. [56] While valuation services can potentially be valuable to regulators by helping them assess risk in certain complex securities and ensure that insurance companies are adequately capitalized, the NAIC has often thrown its weight around to drum up more business.[57]

For instance, the NAIC recently adopted new procedures[58] that would direct the SVO to override “credit ratings provided by independent agencies and apply the NAIC’s rating to securities held by state-regulated insurers.”[59] Basically, the NAIC is trying to generate more business by allowing the SVO to overrule ratings set by official credit rating agencies like Moody’s and S&P.[60] There is no good reason why unelected NAIC staff should possess the authority to compete with federally regulated credit rating agencies or state regulators. The proposal appears to be yet another attempt by the NAIC to amass more power and generate more money.

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[49] “Financial Statement Filing & Step Through Guide,” NAIC, accessed February 5, 2025, [https://content.naic.org/industry\\_financial\\_filing.htm](https://content.naic.org/industry_financial_filing.htm).

[50] “About FAQ,” p. 2.

[51] Pociask, “Insurance Commissioners’ Association Avoids Disclosure,” p. 4.

[52] “2025 NAIC Budget,” p. 31.

[53] Ibid., p. 31.

[54] Ibid., p. 11.

[55] Ibid., p. 32.

[56] Ibid., p. 32.

[57] Securities Valuation Office (SVO), NAIC, accessed February 5, <https://content.naic.org/industry/securities-valuation-office>.

[58] “Update: NAIC Proposals to Challenge Credit Ratings for Structured Securities,” Morgan Lewis, October 3, 2024, <https://www.morganlewis.com/pubs/2024/10/update-naic-proposals-to-challenge-credit-ratings-for-structured-securities>.

[59] Dial, “The National Association of Insurance Commissioners faces.”

[60] Ralph Hudgens, “The NAIC must get its house in order,” InsuranceNewsNet, December 4, 2023, <https://insurancenewsnet.com/inarticle/commentary-the-naic-must-get-its-house-in-order>.

## • Transaction Filing Fees

The NAIC also collects revenue through transaction filing fees, which the NAIC charges for using its different digital platforms.[61] One of the NAIC's most well-known platforms is the System for Electronic Rate and Form Filing (SERFF), which allows insurance companies to file rate and form changes.[62] Today, 53 U.S. jurisdictions accept filings with SERFF,[63] 35 states require them in at least one business area, and 23 states mandate electronic payment exclusively through SERFF.[64]

Over the years, the number of SERFF transactions has grown significantly. For instance, in 2001 there were just 3,694 SERFF filing transactions.[65] However, by 2023, there were 517,571.[66] Over time, the cost of each SERFF transaction has also grown. In 2001 the standard SERFF filing fee was just \$7 dollars,[67] but by 2025 it had grown to \$19.58 per transaction.[68] And because insurance companies often need to submit multiple rate and form filings to their state insurance departments using the SERFF system, the total amount of money they spend on SERFF fees can quickly add up. In 2024, the NAIC collected over \$11 million in revenue from SERFF fees alone and \$23.2 million from transition filing fees collectively.[69] That makes these fees one of the largest drivers of NAIC's annual revenue, and a profitable line of business.[70]

While it is true that NAIC recently announced plans for a multi-year SERFF Modernization project to improve operational efficiency and user experience, the underlying problem of SERFF's obligatory nature remains.[71] The NAIC still sets rates and requires insurance companies to pay fees, the cost of which are borne by consumers.

The NAIC also appears to be collecting more types of fees than in the past, raising further questions over its intentions. For example, in 2023, the NAIC introduced experience data fees, which are allegedly intended to help the NAIC recoup a portion of their data collection costs.[72] They generated more than \$1 million for the organization in 2024.[73] Other popular fees include OPTins, which are associated with the use of a web application that is designed to help facilitate the submission of premium tax, surplus lines, and other state-specific transactions.[74] The NAIC notes this application currently has 29 participating jurisdictions and describes it as another initiative to "modernize and improve the efficiency of the state-based insurance regulatory system." [75] However, as is true with SERFF, many states mandate insurance companies and brokers use OPTins to make their filings.[76]

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[61] "2025 NAIC Budget," p. 35.

[62] "About the Systems for Electronic Rates & Forms Filing (SERFF)," NAIC, accessed February 5, 2025, <https://www.serff.com/>.

[63] "Fiscal Impact Statement," p. 1.

[64] "State SERFF Mandates," NAIC, October 2024, [https://www.serff.com/documents/state\\_participation\\_mandates10082024.pdf](https://www.serff.com/documents/state_participation_mandates10082024.pdf).

[65] "NAIC/FIO Meeting on Market Conduct," NAIC, December 7, 2011, p. 75, [https://content.naic.org/sites/default/files/inline-files/index\\_financial\\_reform\\_fio\\_111207\\_agenda.pdf](https://content.naic.org/sites/default/files/inline-files/index_financial_reform_fio_111207_agenda.pdf).

[66] "2025 NAIC Budget," p. 4.

[67] Eli Lehrer, "SERFF liberation: The System for Electronic Rate and Form Filing needs competition," Perr&Knight, October 1, 2009, <https://www.perrknight.com/2009/10/01/serff-liberation-system-electronic-rate-form-filing-needs-competition/>.

[68] "SERFF Billing," NAIC, accessed February 5, 2025, [https://serff.com/serff\\_billing.htm](https://serff.com/serff_billing.htm).

[69] "2025 NAIC Budget," pp. 11, 35.

[70] *Ibid.*, p. 11.

[71] "SERFF Modernization," NAIC, accessed February 5, 2025, [https://www.serff.com/serff\\_modernization.htm](https://www.serff.com/serff_modernization.htm).

[72] "2023 NAIC Budget," NAIC, December 16, 2022, pp. 14, 33-34, <https://content.naic.org/sites/default/files/inline-files/about-budget-approved-2023-naic-budget.pdf>.

[73] *Ibid.*, pp. 14, 33-34.

[74] "Online Premium Tax for Insurance," NAIC, accessed February 5, 2025, <https://content.naic.org/industry/optins/faq>.

[75] "2025 NAIC Budget," p. 35.

[76] "Re: Mandatory Use OPTins for Premium Tax and Surplus Lines Filers," Alabama Department of Insurance OPTins Memo, October 18, 2018, p. 1, <https://www.aldoi.gov/PDF/Legal/OPTinsMemo.pdf>.



While the NAIC undoubtedly believes these fees serve an important purpose, they nonetheless reinforce the notion that the organization increasingly relies on introducing and raising fees to fund its operations.

## Money Well Spent or a Misallocation of Public Resources

As we have seen, the NAIC generates most of its money from fees imposed on insurance companies, while generating a small amount from membership dues and other sources.[77] This means that fees help fund operations unrelated to their original purpose. But rather than ask its members to pay more to support these services, the NAIC continues to rely on money generated from obligatory fees to drive its operations.

As part of the NAIC's bylaws,[78] the NAIC has the power to charge each of its members—which includes the insurance department of every U.S. state—an annual assessment, or membership fee, that it can use to fund its operations.[79] However, the amount of money the NAIC generates from these fees is minuscule. In 2024, total membership assessment revenue totaled just \$2.1 million.[80] That figure has not changed in a decade.[81] Meanwhile, the NAIC budgeted \$93.5 million for salaries, taxes, and benefits, which it notes is 1.2 percent above budget, partially due to “higher than expected paid time off (PTO) balances.”[82] The NAIC does not even bother to disclose the salary of its CEO or other senior executives, which only raises further questions about its spending habits.[83]

The NAIC's spending on travel also appears dubious. In 2024, the organization spent roughly \$6 million on travel-related expenses.[84] In other words, the amount of money the NAIC spent on travel last year, much of it reimbursing state insurance departments, exceeded the total assessment revenue generated by all its members.[85] That is problematic.

It also raises questions about why the NAIC is spending so much on travel and who is eligible for reimbursement. For instance, assuming that the NAIC's self-disclosed information is accurate, the organization regularly reimburses the travel expenses of all insurance commissioners who attend its national meetings, commissioner conferences, and commissioner mid-year roundtables.[86] It also appears to reimburse NAIC-funded consumer representatives, and any state insurance department staff member, or other participant, who attends its event as a speaker, instructor, or at the request of the organization.[87]

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[77] “2025 NAIC Budget,” p. 11.

[78] “Bylaws of the National Association of Insurance Commissioners,” NAIC, October 1999, [https://content.naic.org/members\\_bylaws.htm](https://content.naic.org/members_bylaws.htm).

[79] “2025 Membership List, NAIC, revised February 3, 2025, <https://content.naic.org/sites/default/files/regulator-membership-list.pdf>.

[80] “2025 NAIC Budget,” p. 28.

[81] “2015 Annual Report,” NAIC, p. 3., [https://content.naic.org/sites/default/files/2015\\_annual\\_report.pdf](https://content.naic.org/sites/default/files/2015_annual_report.pdf).

[82] *Ibid.*, p. 12.

[83] Dial, “The National Association of Insurance Commissioners faces.”

[84] “2025 NAIC Budget,” p. 18.

[85] *Ibid.*, p. 18.

[86] “Guidelines for Reimbursement of NAIC Travel Expenses,” NAIC, accessed February 5, 2025, p. 1, <https://content.naic.org/sites/default/files/regulator-travel-expense-guidelines.pdf>.

[87] *Ibid.*, p. 1.

The NAIC also appears to subsidize a wide range of travel-related expenses including everything from flights, food, and lodging, to the cost of attending specific educational trainings that benefit state insurance commissioners and their staff.[88] In 2024, the NAIC estimated that national and major meetings alone were 15.7 percent over budget due to higher regulator attendance, the rising prices for food and beverage service, and increased costs associated with audio-visual equipment.[89]

Not all NAIC member travel is domestic. Just this past year, U.S. state insurance regulators and NAIC staff attended business meetings and events in Basel, Bermuda, Cape Town, Hamilton, Frankfurt, Gent, Helsinki, Hong Kong, Kuala Lumpur, Montevideo, Rio De Janeiro, Zurich, and elsewhere that were paid for or reimbursed by the NAIC.[90] Considering the NAIC is a U.S. standard-setting organization primarily focused on providing states with regulatory guidance on insurance, it is unclear what public benefits can be derived from excessive foreign travel.[91] And the fact that the NAIC continues to be treated as a quasi-governmental organization makes these expenditures even more alarming.

Besides using its earnings to support activities that provide questionable public benefit, the NAIC appears to be building a sizable operating reserve that it can tap for virtually any purpose. Despite news of a \$6.6 million operating budget shortfall for 2025, the NAIC's revenue forecasts for 2025 still represent a 6.2 percent increase over 2024.[92] More importantly, the NAIC reports that its 2025 operating reserve target is \$170.4 million.[93] While there is nothing wrong with building a reserve to prepare for the unexpected, the NAIC has built much of its reserve at the expense of obligatory payments rather than membership fees or voluntary contributions.

[88] Ibid., p. 1.

[89] "2025 NAIC Budget," p. 18.

[90] "2024 NAIC International Calendar – Public Version," NAIC, last updated December 10, 2024, pp. 1-3, <https://content.naic.org/sites/default/files/government-affairs-international-calendar-2024.pdf>.

[91] A 2017 NewsChannel 5 investigation into Tennessee's then Department of Commerce and Insurance commissioner illustrates the severity of the problem. See Jennifer Kraus, "Questions Surround Insurance Commissioner's Travel," News Channel 5 Nashville, last updated May 18, 2017, <https://www.newschannel5.com/news/newschannel-5-investigates/consumer-alert/questions-surround-commissioners-travel>.

[92] Kenneth Araullo, "NAIC faces \$6.6 million deficit as 2025 budget prioritizes tech and staffing," Insurance Business America, January 22, 2025, <https://www.insurancebusinessmag.com/us/news/breaking-news/naic-faces-6-6-million-deficit-as-2025-budget-prioritizes-tech-and-staffing-521649.aspx>.

[93] "2025 NAIC Budget," p. 7.

## Summary

Evidence presented in this paper reveals that the NAIC not only continues to benefit from its 501(c)3 status where it does not have to pay taxes but also enjoys unique exemptions from standard disclosures ordinarily required of government agencies. In other words, NAIC continues to enjoy the best of both worlds while providing limited transparency. In addition, despite the federal government traditionally leaving most insurance regulations to the states, the NAIC wields enormous influence over state regulatory policy where it proposes and advocates for model laws. The states frequently adopt these model laws, raising questions about whether the NAIC has, in some cases, taken on state legislative functions. This would seem to violate the basic separation of powers and non-delegation principles embedded in many state constitutions.

The NAIC is also free to decide what information it shares, such as what financial documents it publishes on its website, and which committee meetings are open to the public. The NAIC is an active member of international insurance organizations like the IAIS that appear to influence its positions on a wide range of controversial subject matters, despite such organizations having interests that may or may not align with domestic priorities. Last, the NAIC generates a significant amount of its revenue from various filing fees that are compulsory for private insurance companies. It then spends some of its earnings on services like foreign travel, which provide questionable public benefit.

Collectively, the NAIC's tax privileges and exemption from ordinary disclosure requirements, significant influence over state insurance regulatory policy, freedom to decide what information it shares with the public, and methods of money generation and expenditure, reveal that the organization continues to operate without adequate transparency and accountability. Something must change.





# Recommendations

This paper raises serious questions about the NAIC and suggests an immediate need for greater transparency and accountability. ACI recommends several actions. These include:

- Requiring the NAIC to file a Form 990 to the IRS like other nonprofits;<sup>[94]</sup>
- Requiring the NAIC to be subject to the same transparency laws such as the Administrative Procedure Act and the Freedom of Information Act that apply to government agencies if claiming quasi-governmental status;<sup>[95]</sup> and
- Requiring an audit to be launched by an independent third-party into the NAIC's current practices and operations. Specifically, this audit should examine the conflicts of interest inherent in the SVO, and other parts of the NAIC, generating revenue from charging fees. The audit should also include specific recommendations for improving the governance of the NAIC and steps for preserving the ability of states to override NAIC policies as needed. In addition, the findings of this audit should inform whether further steps are necessary.<sup>[96]</sup>

The end goal of these actions should be for a new and improved NAIC that acts in the public's interest, rather than its own.

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[94] "Federal Filing Requirements for Nonprofits," National Council of Nonprofits, accessed February 5, 2025,

<https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/Federal-filing-requirements-nonprofits>.

[95] Hudgens, "The NAIC must get its house in order."

[96] Dial, "The National Association of Insurance Commissioners faces."

