What You Need to Know about the NAIC

The **National Association of Insurance Commissioners** (NAIC) is the U.S. standard-setting body for all 50 states and District of Columbia. Unelected staffers within the NAIC, which is a nongovernmental organization (NGO), establish best practices, conduct peer review, and coordinate regulatory oversight of U.S. insurance policy – with no oversight from Congress or a federal agency. The NAIC is a 501(c)(3) non-profit organization, enjoying a tax-exempt status.

Recent studies suggest that **the NAIC lacks transparency and accountability**, enabling both opaque spending practices and the infiltration of liberal international influences. For example, the NAIC does not file Form 990s to the IRS because it is deemed a "government instrumentality." At the same time, the NAIC is not required to follow the same transparency guidelines as a normal regulatory agency.

As a member of the International Association of Insurance Supervisors (IAIS), the NAIC is influenced by foreign regulators. The IAIS is based in Basel, Switzerland, and is hosted in the same building as the Bank for International Settlements (BIS). The IAIS drafts policies on capital requirements that are ultimately imposed on U.S.-based insurers. This is identical to how the Basel Committee on Banking Supervision (Basel Committee) imposes capital requirements on banks. **We need America First insurance regulations, not rules dictated by left-wing European bureaucrats.**

ISSUES

A report from the Buckeye Institute found that the NAIC:

- Enjoys a peculiar financial opacity for an entity with access to agency-level data without agency-caliber transparency or oversight.
- Lacks internal processes for public notice and comment protections required of government agencies
- Is not subject to direct oversight from elected federal or state officials
- Often makes major organizational decisions at "regulator-only sessions" that are closed to the public

SOLUTIONS

These findings, in tandem with similar research from the American Consumer Institute, have led to calls to reform the NGO. Commonsense reforms could include:

- Requiring the NAIC to file an annual Form 990 with the IRS
- Prohibiting the unelected bureaucrats within the NAIC from conducting lobbying activities, or strictly document those that occur
- Requiring compliance with the same rules that apply to other nonprofits
- Implementing an audit of the organization's current operations by an independent third party. Specifically, auditing the NAIC's Securities Valuation Office.

FAQS

Q: Has the NAIC been involved with ESG or DEI standards?

A: The NAIC, Federal Insurance Office, and state insurance departments are members of the International Association of Insurance Supervisors (IAIS), the principal international organization for insurance regulations and standard setting. IAIS has been vocal about their encouragement of incorporating DEI standards into insurance policy. Additionally, this blog post from the Competitive Enterprise Institute (CEI) explains how the NAIC has moved beyond its enumerated purpose to "stealthily foist environmental, social, governance (ESG) requirements onto state insurance entities."

The Trump administration withdrew the Federal Reserve and the FDIC from the Network for Greening the Financial System as a rejection of woke ESG initiatives. The administration should also consider withdrawing any American presence from the IAIS.

Q: How has the NAIC been susceptible to international influence?

A: The IAIS has continually pushed for uniform insurance regulation across the globe that is based on the European Union's Solvency II framework. Originally developed by the EU in 2016, Solvency II placed severe restrictions on insurers and limited investment opportunities, even imposing arbitrary punitive requirements on insurers that have exposure to fossil fuels. These policies are clearly bad for America. In fact, as a result of Solvency II implementation in the EU, European insurers hold a mere 0.33% of their investment assets in securitizations, compared to 17% for their U.S. counterparts. **The U.S. and NAIC need to put American interests first.**

Q: What formal disclosure regimes are in place for keeping the NAIC accountable to the public?

A: The NAIC is not subject to the same compliance rules as other non-profits. For example, NAIC staff are not required to file Form 990s. The organization also lacks an internal process for public notice, is not subject to direct oversight from elected federal or state officials and makes major decisions in closed session meetings. It also coerces states into adopting model laws by keeping track of state insurance departments' accreditation. If a state fails to follow NAIC policies, the state may be blacklisted, thus negatively impacting any insurers based in the blacklisted state. Mandating disclosure compliances required of other non-profits will help in bringing the shady operations of this organization out into the light.