

# Innovative Insurance in the U.S.

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# Innovation Topics for Today



Innovation and the Role of the Regulator



New Business Models and Risks for Consumers



NAIC Coordination on Innovation Across Regulatory Areas



Cyber Insurance and AI Considerations



Privacy Protection Priorities

# Innovation and the Role of the Regulator

- New technologies spurs faster decision making across all business units for consumers, coupled with supervisory innovation hubs (*i.e.*, sandboxes) - can bring products to market faster than ever
- The process is quick - but do the products respond to consumer need?
- As supervisors, it is our responsibility to foster new technology, understand it, and ensure that consumers remain protected.

# Understanding Innovative Business Models

- Bad policy is made from bad data (or lack of data)
- Understanding new products and business models is a priority for state supervisors.
- State supervisors continue to hear from numerous stakeholders on all issues related to tech.

# Innovation Cybersecurity and Technology (H) Committee

- Created by NAIC membership in 2022; first new letter committee in nearly two decades.
- Committee is tasked with:
  - Providing forums, resources, and materials for the discussion of insurance sector developments in cybersecurity and data privacy;
  - Educating state insurance regulators on technology developments;
  - Discussing emerging technologies and innovations; and
  - Consider and coordinate the development of regulatory guidance and examination standards
- Working groups on Big Data and AI, Cybersecurity, E-Commerce, Innovation in Technology and Regulation, and Privacy Protections
- Innovation and climate risk and resiliency

# Cyber Insurance and Cyber Security

- Cyber Insurance (underwriting)
  - Still a small segment of the property casualty line, but growing
  - Cybercrime is up, and underwriters are cautious in examining an insured's risk presented by the third parties working or contracting with the insured
- NAIC Cybersecurity Working Group
  - Cyber response plan
  - Strengthening cyber oversight

# AI/ML Surveys

- AI/ML Surveys to gauge the use of AI/ML in:
  - Private Passenger Auto
  - Home Insurance
- Our surveys have revealed many insights which help us understand how to better ask questions which will help as we continue to engage.

# Draft Model AI Bulletin

- Based largely on the NAIC AI Principles (2020), the Bulletin sets forth the expectations as to how Insurers will govern the development/acquisition and use of artificial intelligence (AI) systems by or on behalf of the Insurer to make or support decisions.
- The initial draft of the Bulletin has been exposed for public comment and we're currently reviewing the feedback received.



# NAIC Privacy Protection

- Developing new regulatory standards for innovative products.
- NAIC adopting new privacy model to replace decades old model.
- Attempting to modernize and streamline consumer data privacy notifications and disclosures with respect to the insurance processes of third-party service providers.

# Questions?