

Session 6: Policyholder protection: Regulation and supervision, especially considering the development of Insurtech and microinsurance

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NAIC Efforts on Consumer Protection in Technological Environment

- Supervisors in the U.S. are working to enable stakeholders to harness the benefits of big data and AI innovation, but also working to ensure that adequate governance and risk management frameworks are in place enabling the use of trustworthy systems.
- NAIC developed its Innovation Cybersecurity and Technology (H) Committee to focus our technology related workstreams under one Committee
 - Third Party Data and Models
 - Big Data and Artificial Intelligence
 - Cybersecurity
 - E-Commerce
 - Privacy Protections
 - Technology, Innovation, and InsurTech

Privacy Model Law

- Industry's technological innovations raise questions about privacy - attempting to address via a new Privacy Model Law based on existing related Model Law and Regulation.
- The model covers several topics including:
 - Consumer rights;
 - Consent;
 - Notifications;
 - Third-party service agreements;
 - Data retention;
 - Deletion policies, and
 - Data sharing agreements.

Survey Work on Industry Use of AI

Private Passenger Auto Survey

- 169 of 193 (88%) responding companies use or plan to use AI in some form
- Of those that use it, most use for claims, marketing, fraud detection, rating, and underwriting

Homeowners

- 136 of 194 (70%) responding companies use or plan to use AI in some form
- Of those that use it, most use for claims, underwriting and marketing, and fraud detection

Life

- 93 of 161 (58%) responding companies use or plan to use AI in some form
- Of those that use it, most use for underwriting and marketing

Considering next steps; work dovetails with the NAIC's Race and Insurance workstream looking at how AI can unfairly affect marketing.

AI Bulletin & Regulatory Questions

- Approved a principles-based Bulletin to include governance framework guidance on the responsible use of AI.
- While not a model law or regulation, the AI model bulletin serves as a guiding document, fostering uniformity among state insurance supervisors regarding expectations for insurance carriers deploying AI.
- Emphasizes the importance of responsible governance, risk management policies, and procedures to ensure fair and accurate outcomes for consumers.
- The bulletin reminds insurers that decisions impacting consumers that are made or supported by advanced analytical and computational technologies, including AI, must comply with all applicable insurance laws and regulations, including unfair trade practices.

State Implementation

- The NAIC convened a Collaboration Forum to address the implementation of the AI Bulletin. The Collaboration Forum has two workstreams: one focused on the evaluation discussion and one on training.
- AI Bulletin adoption (as of April 2024):
 - 11 states/jurisdictions have adopted the AI Bulletin
 - 3 states/jurisdictions have issued related activity

Connecticut's Regulatory Framework

Balancing Innovation with Consumer Protection

- **Bulletin No. MC-25, The Use of Artificial Intelligence Systems in Insurance**
 - Reminds all insurers that decisions or actions affecting consumers made and supported by advanced analytical and computational technologies, including AI Systems, must comply with all applicable insurance laws and regulations, including unfair trade practice and unfair discrimination laws.
 - Sets forth expectations for insurers' governance of the development, acquisition and use of certain AI technologies, including AI Systems.
 - Advises insurers of the type of information and documentation that the Department may request during an investigation or examination of an insurers' use of such technologies and AI Systems.
- **Artificial Intelligence System (AIS) Program Guidelines**
 - Governance, Risk Management and Internal Controls, and Third-Party AI Systems and Data
 - Certification of AIS Program
 - Market Conduct Division - Regulatory Oversight and Examination Considerations

Fostering Innovation

- **NAIC's Technology, Innovation, and InsurTech Working Group**
 - Charged with creating opportunities to better understand InsurTechs and opportunities for open dialogue with them
- **Connecticut Insurtech Initiatives**
 - Insurtech Hartford
 - US-UK Financial Innovation Partnership - Insurtech Corridor
 - Innovation Challenge Annual Sponsorship
- **Parametric and Microinsurance**
 - U.S. state insurance supervisors are eager to learn more about these types of products and how they can help communities.
- **Internationally**
 - U.S. State supervisors engage internationally through the IAIS, OECD, and bilaterally, exchange best practices.

SupTech

- The NAIC is working diligently to assist State Supervisors, especially regarding technology, and has developed a strategic plan called "State Connected" to strengthen the State-based system and safeguard markets and consumers (i.e., move to suptech)
- AI is a tool that supervisors are using for:
 - Prudential supervision to improve solvency monitoring tools; and,
 - Market conduct to review policy form submissions/new form filings.

Thank you!