Shaping AI Governance in the Insurance Industry: A U.S. Perspective

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Agenda

- Implementation of the NAIC AI Bulletin
- Key Takeaways from the completion of the AI Surveys
- Oversight of Third-Party AI Systems (including state initiatives)
- Enhancing Data Privacy
- Education and Training

Adoption of Model Bulletin "Use of Artificial Intelligent Systems by Insurers" (2023)

- NAIC Model Bulletin: "Use of Artificial Intelligent Systems by Insurers" adopted in 2023.

- Maintains the vision of NAIC's AI principles. Reminds insurers that all existing consumer protections still apply and outlined what regulators expect from responsible users of AI, especially in terms of governance, risk management and internal controls, and third-party AI systems.

- Bulletin serves as guidance, not law.

- As of July 2025, 24 states had already adopted the AI Bulletin, with four more having adopted related activity.

NAIC AI Surveys

- Surveys examining the use of artificial intelligence and machine learning (AI/ML) across **personal auto, homeowners, life, and health insurance.**

- Percentage reported using **OR** planning to use AI/ML:
  - Health: 92%
  - Auto: 88%
  - Homeowners: 70%
  - Life: 58%

- Insurers most commonly use AI in claims, marketing, and fraud detection.

Oversight of Third-Party AI Systems

- **Half** of the data or models being used by companies are being provided by third parties.

- NAIC's **Third-Party Data and Models Working Group** - examining how to clarify lines of responsibility between insurers and the third-party vendors they rely on, particularly when it comes to the use of AI.

- In some cases, this may require adapting existing regulatory frameworks to more effectively oversee third-party AI systems and their impact on insurance outcomes.

Oversight of Third-Party AI Systems - State Initiatives

- **Connecticut** - Requires separate filings for complex models and is developing a predictive modeling database to improve regulatory oversight.

- **Texas** - Issued a bulletin reaffirming that insurers remain responsible for the actions and data of their third-party vendors.

- **Maine** - Treating certain third-party vendors as advisory organizations when appropriate, bringing them under existing regulatory structures.

- **Colorado** - Adopted a "trust but verify" approach, mandating quantitative testing of predictive models to ensure they perform as intended and do not produce unfair outcomes.

Enhancing Data Privacy

- All 50 states, District of Columbia, and Puerto Rico have adopted NAIC Model Law # 672 *Privacy of Consumer Financial and Health Information Regulation*

- Currently seeking revisions on:
  - Third-Party Service Provider Arrangements;
  - The Right to Access, Correct and Delete;
  - The Sale of Personal Information; and,
  - The Handling of Sensitive Personal Information.

- Sections of the Model Law being released for consultation, currently focusing on limits of disclosure across a number of areas.

Regulator Education and Training

- Equipping regulators with the tools necessary to engage insurers properly, including:
    - **Training on foundational topics**, e.g., what is AI and what is not, how the many types of AI work, and discussing how AI is used in the insurance industry.
    - **Enhancing and/or revising existing processes**, especially, market conduct exams, to determine whether they remain effective in an AI-driven environment.
- NAIC values international engagement to understand global trends and best practices.

Select Resources

- **AI Bulletin:** https://content.naic.org/sites/default/files/inline-files/2023-12-4%20Model%20Bulletin_Adopted_0.pdf

- **Surveys:**
  - Auto: https://content.naic.org/sites/default/files/committee_related_documents/PP%2520Auto%2520Survey%2520Team%2520Report%2520120822.pdf
  - Homeowners: https://content.naic.org/sites/default/files/committee_related_documents/Home%2520Survey%2520Team%2520Report_08102023.pdf
  - Life: https://content.naic.org/sites/default/files/inline-files/life-ai-survey-report-final.pdf
  - Health: https://content.naic.org/sites/default/files/inline-files/NAIC%20AI%20Health%20Survey%20Report%20.pdf

Thank You!