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Adopted by Executive (EX) Committee and Plenary, ____, 2023

Adopted by the Innovation, Cybersecurity, and Technology (H) Committee, ____, 2023

2024 Proposed Charges

INNOVATION, CYBERSECURITY, AND TECHNOLOGY (H) COMMITTEE

The mission of the Innovation, Cybersecurity, and Technology (H) Committee is to: 1) provide a forum for state insurance regulators to learn [about](#) and have discussions regarding: cybersecurity, innovation, data security and privacy protections, and emerging technology issues; 2) monitor developments in these areas that affect the state insurance regulatory framework; 3) maintain an understanding of evolving practices and use of innovation technologies by insurers and producers in respective lines of business; 4) coordinate NAIC efforts regarding innovation, cybersecurity and privacy, and technology across other committees; and 5) make recommendations and develop regulatory, statutory, or guidance updates, as appropriate.

Ongoing Support of NAIC Programs, Products, or Services

1. The **Innovation, Cybersecurity, and Technology (H) Committee** will:

- A. Provide forums, resources, and materials ~~for the discussion of insurance sector~~ [related to](#) developments ~~in and emerging issues in innovation~~, cybersecurity ~~and~~, data privacy, [and the uses of technology in the insurance industry in order](#) to educate state insurance regulators on ~~how~~ these developments [and how they](#) affect consumer protection, insurer and producer oversight, marketplace dynamics, and the state-based insurance regulatory framework.
- ~~B.~~ [Discuss emerging issues related to cybersecurity, including cybersecurity event reporting and consumer data privacy protections. Identify, track and report on developments and emerging issues related to cybersecurity, information and data security systems, including industry best practices for risk management, internal controls, and governance; and how state insurance regulators can best address cyber risks and challenges for insurance industry. Coordinate with various subject matter expert \(SME\) groups on insurer and producer internal cybersecurity. Consider best practices related to cybersecurity event tracking and coordination among state insurance regulators, and produce guidance related to regulatory response to cybersecurity events to promote consistent response efforts across state insurance departments. Work with the Center for Insurance Policy and Research \(CIPR\) to analyze cybersecurity-related information from various data sources.](#)
- ~~B.C.~~ Monitor and advise on the cybersecurity insurance market, including rating, underwriting, claims, product development, and loss control. Report on the cyber insurance market, including data reported within the Cybersecurity Insurance and Identity Theft Coverage Supplement.
- ~~C.A.~~ ~~Coordinate with various subject matter expert (SME) groups on insurer and producer internal cybersecurity. Discuss emerging developments; best practices for risk management, internal control, and governance; and how state insurance regulators can best address industry cyber risks and challenges. Work with the Center for Insurance Policy and Research (CIPR) to analyze cybersecurity related information from various data sources.~~
- D. ~~Provide~~ [Identify and provide](#) forums, resources, and materials for the discussion of ~~innovation~~ [innovations](#) and ~~technology developments~~ [emerging technologies](#) in the insurance sector, including the collection and use of data by insurers, producers, and state insurance regulators, as well as new products, services, and distribution platforms. Educate state insurance regulators on how these developments affect consumer protection, data privacy, insurer and producer oversight, marketplace dynamics, and the state-based insurance regulatory framework.

- E. Discuss emerging technologies and innovations related to insurance and insurers, producers, state insurance regulators, licensees, or vendors, as well as the potential implications of these technologies for the state-based insurance regulatory structure—including reviewing new products and technologies affecting the insurance sector and their associated regulatory implications.
- F. Consider and coordinate the development of regulatory guidance and examination standards related to innovation, cybersecurity, data privacy, the use of big data and artificial intelligence (AI) including machine learning (ML) in the business of insurance, and technology, including drafting and revising model laws, white papers, and other recommendations as appropriate.
- ~~F. Consider best practices related to cybersecurity event tracking and coordination among state insurance regulators, and produce guidance related to regulatory response to cybersecurity events to promote consistent response efforts across state insurance departments.~~
- G. Track the implementation of and issues related to all model laws pertaining to innovation, technology, data privacy, and cybersecurity, including the *Insurance Data Security Model Law* (#668), the *NAIC Insurance Information and Privacy Protection Model Act* (#670), the *Privacy of Consumer Financial and Health Information Regulation* (#672), and the *Unfair Trade Practices Act* (#880) rebating language and providing assistance to state insurance regulators as needed.
- H. Coordinate ~~with other NAIC committees and task forces, as appropriate, and evaluate~~ and facilitate collaborate with and among other NAIC committees and task forces to promote consistency and efficiency in the development of regulatory policy, education, training, and enforcement materials and tools related to innovation; cybersecurity; data privacy; and the use of technologies, big data and artificial intelligence (AI), including machine learning (ML), in the business of insurance. Evaluate and recommend certifications, continuing education (CE), and training for regulatory staff related to technology, innovation, cybersecurity, and data privacy.
- I. Follow the work of federal, state, and international governmental bodies to avoid conflicting standards and practices.

2. The Third-Party Data and Models (H) Task Force will:

- A. Develop and propose a framework for the regulatory oversight of third-party data and predictive models.
- B. Monitor and report on state, federal, and international activities related to governmental oversight and regulation of third-party data and models vendors and their products and services. Provide recommendations to the Innovation, Cybersecurity and Technology (H Committee) regarding responses to such activities.

2.3. The Big Data and Artificial Intelligence (H) Working Group will:

- A. Research the use of big data and AI (including ML) in the business of insurance, and evaluate existing regulatory frameworks for overseeing and monitoring their use. Present. Proactively communicate findings and present recommendations to the Innovation, Cybersecurity, and Technology (H) Committee.
- A.B. Monitor state, federal, and international activities on AI, including potential recommendations for development of model governance for the use of big data and AI including ML for the insurance industry. working with the Innovation, Cybersecurity, and Technology (H) Committee, (i) to respond to such activities, where appropriate and (ii) address potential impacts on existing state insurance laws or regulations.
- ~~B. Review current audit and certification programs and/or frameworks that could be used to oversee insurers' use of consumer and non-insurance data and models using intelligent algorithms including AI and in alignment with the NAIC AI Principles. If appropriate, issue recommendations and coordinate with the appropriate SME committees on the development of or modifications to model laws, regulations, handbooks, and regulatory guidance regarding data analysis, marketing, rating, underwriting and claims,~~

~~regulation of data and model vendors, regulatory reporting requirements, and consumer disclosure requirements.~~

~~C. Assess data and regulatory tools needed for state insurance regulators to appropriately monitor the marketplace, and evaluate the use of big data, algorithms, and ML, including AI/ML in underwriting, rating, claims, and marketing practices. This assessment shall include a review of currently available data and tools, as well as recommendations for development of additional data and tools, as appropriate. Based on this assessment, propose a means to include these tools in existing and/or new regulatory oversight and monitoring processes to promote consistent oversight and monitoring efforts across state insurance departments.~~

- C. Oversee the completion of the work of the Collaboration Forum on Algorithmic Bias, including:
- a. Monitor and support adoption of the Model Bulletin on the use of Artificial Intelligence Systems by Insurers.
 - b. Explore the creation of an independent synthetic data sets to support testing of predictive models for unfair discrimination, in collaboration with the Center for Insurance Policy and Research, as appropriate.
 - c. Finalize and maintain a glossary/lexicon to guide regulators as they engage in AI and technology related discussions.
- D. Facilitate and coordinate foundational and contextual educational content for regulators on topics related to the use of Big Data and Artificial Intelligence techniques, tools and systems in the insurance industry.

3.4. The E-Commerce (H) Working Group will:

- A. Examine e-commerce laws and regulations ~~and work toward meaningful, unified recommendations. The Working Group will also examine whether a model bulletin would be appropriate for addressing some of~~ to aid in identifying updates to the identified issues and draft a proposed bulletin if determined appropriate. E-Commerce Modernization Guide. This may include meeting with industry experts to understand industry trends that may impact laws and regulations.

4.5. The Cybersecurity (H) Working Group will:

Cybersecurity Charges -

- A. Monitor cybersecurity trends such as vulnerabilities, risk management, governance practices, and breaches with the potential to affect the insurance industry.
- ~~B. Interact with and support state insurance departments responding to insurance industry cybersecurity events.~~
- ~~C.~~ B. Promote/Facilitate communication across state insurance departments regarding cybersecurity risks and events.
- ~~D.~~ C. ~~Oversee the development of~~ Develop and maintain a regulatory cybersecurity response guidance ~~document~~ to assist state insurance regulators in the investigation of insurance cyber events.
- ~~E.~~ D. Monitor federal and international activities on cybersecurity engaging ~~on, in~~ efforts to manage and evaluate cybersecurity risk.
- ~~F.~~ E. Coordinate NAIC committee cybersecurity work, including cybersecurity guidance developed by the Market Conduct Examination Guidelines (D) Working Group and the Information Technology (IT) Examination (E) Working Group.
- ~~G.~~ F. Advise on the development of cybersecurity training for state insurance regulators.
- ~~H.~~ G. ~~Work with the CIPR to receive updates on cybersecurity research efforts, by the CIPR and others,~~ and to analyze publicly available cybersecurity-related information.
- ~~I.~~ H. Support the states with implementation efforts related to the adoption of Model #668.

Cyber Insurance Charges -

- A. Monitor industry trends pertaining to cyber insurance, including meeting with subject matter experts and evaluating data needs of state insurance regulators. Considerations may also include, the availability and affordability/pricing of Cyber insurance, disclosures, limits and sub-limits in policies, policy language and trends in requirements, underwriting practices, and the role of reinsurance in the Cyber insurance market.
- B. Coordinate with NAIC work groups addressing cyber insurance related issues, such as the Casualty and Actuarial (C) Task Force.
- C. Monitor federal and international activities related to cyber insurance and financing mechanisms for cyber risk.

5.6. The Privacy Protections (H) Working Group will:

- A. Use state insurance privacy protections regarding the collection, data ownership and use rights, and disclosure of information gathered in connection with insurance transactions to draft a new Privacy Protections Model Act to replace NAIC models, such as Model #670 and Model #672.
- ~~B. Develop a research paper on state insurance privacy protections regarding the collection, data ownership and use rights, and disclosure of information gathered in connection with insurance transactions that states can use to support their implementation efforts related to the adoption of the new Privacy Protections Model Act (#674).~~
- B. Monitor state, federal, and international activities on privacy engaging on efforts to manage and evaluate privacy.

6.7. The Innovation in Technology, Innovation, and Regulation-InsurTech (H) Working Group will:

- A. Develop forums, resources, Monitor technology and materials for discussing innovation trends to identify services and technology regarding companies, producers, products of import to state insurance regulators.
- B. Facilitate presentations related technology, innovation, and licensees relevant InsurTech to assist regulators in understanding related trends in the state-based insurance regulatory structure, including new products, services, business models, industry.
- A.C. Develop opportunities for start-ups and distribution mechanisms InsurTechs to present to and receive feedback from state insurance regulators.

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