

## Draft Pending Adoption

Attachment A

Big Data and Artificial Intelligence (H) Working Group

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Draft: 12/17/25

Big Data and Artificial Intelligence (H) Working Group

Hollywood, Florida

December 7, 2025

The Big Data and Artificial Intelligence (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met in Hollywood, FL, Dec. 7, 2025. The following Working Group members participated: Mike Humphreys, Chair, represented by Diana Sherman (PA); Doug Ommen, Co-Vice Chair, Daniel Mathis, and Amanda Theisen (IA); Mary Block, Co-Vice Chair, and Rosemary Raszka (VT); Molly Nollette (AK); Richard Fiore (AL); Barbara Richardson (AZ); Ken Allen (CA); Jason Lapham (CO); Wanchin Chou and Kurt Swan (CT); Shannon Hohl and Weston Trexler (ID); Nicole Crockett (FL); Sharon Clark (KY); Caleb Huntington (MA); Mary Kwei (MD); Sandra Darby (ME); Joseph Keith (MI); Angela L. Nelson (MO); Jacqueline Obusek (NC); Colton Schulz (ND); Martin Swanson (NE); Christian Citarella (NH); Matt Walsh (OH); Matt Gendron (RI); Diane Cooper and Will Davis (SC); Emily Marsh (TN); Jamie Walker (TX); Dan Bumpus, Eric Lowe, and Michael Peterson (VA); Timothy Cornelius and Lauren Van Buren (WI).

### 1. Adopted its Nov. 19 Minutes

The Working Group met Nov. 19 and took the following action: 1) adopted its Sept. 29 minutes; 2) heard a preview of the discussion for the Fall National Meeting; and 3) discussed feedback, reactions, and revisions to the Artificial Intelligence (AI) Systems Evaluation Tool.

Richardson made a motion, seconded by Obusek, to adopt the Working Group's Nov. 19 minutes (Attachment Two-A). The motion passed unanimously.

### 2. Discussed Edits to the AI Systems Evaluation Tool and Heard Feedback from Interested Parties

Commissioner Ommen stated the objectives of the extended half-day Fall National Meeting discussion, which were to invite detailed discussion and feedback on each section of the AI Systems Evaluation Tool and make live edits on screen. Following this extended session and incorporating the edits, the Working Group will pilot the Tool in early 2026. Based on the written and verbal comments received by the Working Group during the exposure period earlier this year and the discussions at recent meetings, the Working Group created a second version of the Tool, which was distributed on Nov. 5, along with a summary of the feedback received and the regulators' responses at that time.

Commissioner Ommen stated that on Nov. 19, the Working Group communicated the status of the Tool in preparation for the interactive discussion at the Fall National Meeting. At the conclusion of the meeting, Commissioner Humphreys requested that interested parties submit redline edits to the Tool by Dec. 2. The Working Group has since consolidated the redline comments into a comment chart..

Theisen began the discussion of the Tool, starting with the comments received on Exhibit A. She stated that she agreed with the suggestion from Karin Gyger (American Council of Life Insurers—ACLI) that "Adverse Consumer Outcome" is a defined term and should be capitalized throughout the document. Therefore, an edit to the document should be made to reflect this input. In addition, she noted that the ACLI suggested it is reasonable to provide approximate counts of the number of AI models in use in company instructions, as an AI System may be used for multiple operations. Gyger said that the ACLI suggested that algorithms that do not make autonomous

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decisions should be excluded from the scope of the Tool. Theisen stated the Working Group recognizes such systems might not make decisions, but as they influence decisions, they should still be included; thus, no change was reflected in the Tool.

Block agreed that, because AI usage may still influence human decisions, the scope should not be limited to autonomous decisions only. Walker commented that the Tool should not create a different definition of artificial intelligence, and Bumpus stated that the NAIC *Model Bulletin on the Use of Artificial Intelligence Systems by Insurers* defines an “AI System” specifically as having varying levels of autonomy, as implemented in Virginia. The Working Group did not make this suggested edit.

Lindsey Stephani (National Association of Mutual Insurance Companies—NAMIC) acknowledged that while the discussion was focused on Exhibit A, it might be prudent to address the question of scope and definitions pertaining to the inclusion of generalized linear models (GLMs), which were previously excluded from the Tool. She further recommended defining the terms “support,” “augment,” and “automate.” Mathis commented that the Working Group is looking for suggestions on defining those terms.

David Snyder (American Property Casualty Insurance Association—APCIA) commented that the focus should be on an AI System that potentially impacts consumers or the financial well-being of a company, an AI System that takes action without human involvement, or an AI System that could negatively impact a company’s financial condition. In other words, focus on a potential high-risk AI System. Snyder reiterated the concern expressed in the APCIA comment letter regarding the preservation of confidentiality.

Commissioner Ommen said that given the interested party's focus on key terms, the order of the meeting should be adjusted to first address those terms, which may later facilitate the discussion of subsequent parts. Ommen said that as each change was discussed, the discussion leader would be looking to the Working Group to obtain general consent before moving forward to future changes, as opposed to making changes via motions. Miguel Romero (NAIC) suggested, and Ommen agreed, that the discussion be focused on one specific topic at a time to make the discussion easier to follow and more orderly.

Mathis suggested that the Working Group agree to the suggestion from the ACI, which is that the term “AI Systems” be capitalized because it is a defined term. However, he disagreed with the other portion of the ACI’s feedback, which is that because the NAIC’s AI model bulletin focuses on consumer outcomes, that should mean that financial items should be excluded from the scope of the Tool. He noted that the system of governance a company has in place is inherently covered during a financial exam, and so it would be difficult to separate these concepts. Commissioner Ommen encouraged the Working Group to come to conclusions as each topic is discussed.

Walker stated that she agreed with Mathis due to the potential operational risks associated with the use of AI. Walker also said she sees value in having a singular Tool serving both types of examiners, as AI use should be in scope of all regulatory oversight. Gendron commented that financial risk is inextricably linked to potential consumer harm, so it cannot be separated.

Romero added that the drafting group contemplated that in the future, market and financial Tools might later be split, but that given the lack of regulatory resources existing currently, the drafting group opted to stay with a singular Tool leaving a decision to build more purpose and narrow Tools to be considered in the future by the Market Regulation and Consumer Affairs (D) Committee and Financial Condition (E) Committee, respectively.

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Swanson suggested that the inclusion of both may mean that the terminology needs to be evaluated carefully to ensure the Tool is effective for all regulatory functions. Gyger suggested starting with a focus on market conduct, followed by the development of a separate Tool for financial risks. Commissioner Ommen responded that, because regulators want to understand how companies are using AI across their businesses, the Working Group is currently opting to include both financial and market inquiries in the Tool to help all regulators gain that understanding. Gyger stated that the differences across financial and market processes make it difficult for companies to understand how the pilot will proceed. Commissioner Ommen acknowledged this concern. Chou shared his expectation that regulators will tailor questions as needed to the company's use of models because financial exams already include model governance oversight.

Mathis suggested that the Working Group agree to the suggestion from the Committee of Annuity Insurers (CAI) to modify the text in the background to add the terms "adverse [financial] impacts" and "appropriate risk-based" in lieu of "adequate" in the same paragraph. Trexler said the proposed change is reasonable. The change was accepted.

Mathis next discussed the suggestion from the ACLI, which is that the Tool should focus only on direct impacts, not direct and indirect impacts, since "indirect impacts" is difficult to define. Romero inquired as to whether this suggestion required an immediate change or if that was intended as an overall piece of input. Gyger agreed that the change did not require an immediate change to the introductory text but was rather intended as an overall observation that could be revisited as the discussion on the Tool continued. Gyger noted that she anticipated expressing this feedback again in the discussion regarding Exhibit A. Mathis said that regulators tend to approach things in a risk-based manner and do not spend time on non-impactful systems. Walker added that regulators tend to focus on risk but noted that sometimes indirect risk can aggregate to be material, but she agrees that direct risk should be the area of focus for a pilot.

Trexler asked for examples of indirect risks that would need to be addressed. Romero suggested that the discussion be revisited as it advances to avoid a theoretical debate that does not lead to immediate revisions of the template. Eric Ellsworth (NAIC Consumer Representative) opposed creating a firm classification of direct versus indirect risks due to the potential for crossover. Snyder also suggested considering that, as the discussion is revisited, attention should be paid to the clarity of the discussion to avoid confusion in what is expected from the responses.

Mathis stated that Mary Jane Wilson-Bilik (CAI) suggested removing product reviews and form filings from the intent paragraph and clarifying that the market conduct and financial examination review procedures are in the context of reviewing AI Systems. The Working Group agreed to this edit. Mathis stated that the CAI also proposed to add the paragraph "Non domestic/non-lead state regulators should scope their use of this Tool to adverse consumer impacts only based upon the market presence of the admitted insurer and whether there are indications of potential adverse consumer impacts in their jurisdiction, and they should defer to the domestic and lead state regulators and or group-wide supervisors in the use of this Tool to evaluate financial risk from AI Systems." Walker said that this is an appropriate description of how financial regulation is coordinated.

Block noted that the comments do not always acknowledge that the Tool will be used as an exam Tool, and thus, the processes associated with market and financial exams would still apply, driving the scoping, risk assessment, and so on. Trexler stated that while he was fine with some of the clarifying edits, the additional paragraph about non-domestic and non-lead states was not needed. Richardson agreed with Trexler. Kwei preferred language, such as "...will be used in accordance with normal exam procedures." Mathis suggested a revision that would

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acknowledge that the information requested using the Tool would also follow the guidance in NAIC handbooks on financial analysis, financial exams, and market regulation, which the Working Group agreed.

Darby asked if the Working Group had reached a clear decision on the earlier part of the suggested edit from the CAI, specifically to remove the reference to the Tool supporting product review and form filing. Mathis suggested that the discussion be revisited. Darby said removing the reference to product review and form filing is important because it ties to the handbook guidance now being referenced in the Tool. Director Nelson suggested that, for a pilot review, the references to the product review and form filing reviews might not be relevant given the Tool's design and the information being requested. Lapham agreed, as the Tool seems to align most closely with the idea of an examination Tool, and therefore, the reference to the product review and form-filing processes would make sense to be removed. Swanson, Lowe, and Darby agreed.

Ellsworth suggested that governance is an important process to be adopted early on and asked if governance framework questions would be asked only during an exam or prior to it. Mathis suggested that the Tool would fit into the normal ongoing monitoring work of each state insurance department, and so governance would be reviewed proactively. Snyder said that companies have been working on implementing governance since the adoption of the bulletin and noted that companies understand that governance is important, but asked that this Tool be limited to examinations, given the sensitivity of information being requested. Commissioner Ommen acknowledged the comment and agreed that the Tool fits best in an examination setting.

Mathis stated that the CAI suggested changing the title of Exhibit C to "High-Risk AI Systems Details," which Mathis said was reasonable, and the Working Group accepted this change.

Mathis stated that the ACLI suggested editing the sentence in the instructions to read, "unfair trade practices, unfair claims settlement practices, corporate governance annual disclosures, confidentiality, financial reporting, and ratemaking principles." This change would align the authority language with that of the model bulletin. Block noted that the revision eliminated the reference to financial reporting being an applicable category of laws referenced in the text.

Mathis discussed the property/casualty (P/C) rating law and whether that should remain. Nelson referenced leaving the laws in the text, as compliance with those laws would be in scope of what a market conduct exam could evaluate for compliance. Commissioner Ommen agreed.

Trexler asked if a more general reference to rating, rather than one specific to P/C rating, would be more appropriate. The Working Group agreed to add a reference to the additional laws suggested by the ACLI, but would leave in the financial reporting law and make the rating law reference more general. Ellsworth expressed concern about the lack of a reference to unfair discrimination, but Theisen noted that one would be within the scope of the unfair trade practices reference.

Mathis stated that the ACLI suggested editing the sentence in the instructions to "Specifically, Exhibit C should only be requested for specific regulatory purposes regarding direct Consumer Impact." Mathis suggested revisiting this later, when the discussion shifted to addressing Exhibit C's specific feedback. Mathis made the point that Exhibit C would only be used in instances where regulators wanted more specific information on a given model, rather than the general information provided in Exhibits A and B.

Mathis stated that the ACLI suggested editing the sentence in the instructions to "Regulators are advised to coordinate with the domestic regulator of the company. To the extent that the... regulators should accept a

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company's prior submission if it was done so in the past 12 months absent specific regulator purposes." Director Nelson expressed concern with the language on coordination, given the way market conduct exams are operated, but thought the rest of the suggested edit was reasonable. Mathis noted that in all the handbooks, there is a concept of discussing previously submitted work to determine if those submissions are still adequate.

Bumpus raised concerns about relying solely on previously submitted information without understanding its applicability and noted that it may no longer be relevant or appropriate given the rapidly changing company operations. Gyger said the ACLI's membership was concerned about the potential volume of requests to be received, so they appreciated any revision that could be made to decrease that possibility. Mathis suggested that the revision should reflect the regulator's desire to exercise judgment in accepting or rejecting prior submissions. Lapham and Block agreed with the idea expressed by Mathis. Lowe expressed concern with the idea of deadlines constraining a regulator's ability to request information and wanted to preserve the importance of the judgment a regulator needs to exercise. Mathis, Darby, Theisen, and Trexler discussed whether a reference to a 12-month timeline is a necessary reference that is also referenced in Exhibit A. Following the discussion, the Working Group agreed to this edit: "... and the regulators may accept prior submissions if the prior response is still current and applicable."

Stephani raised a concern about how coordination would take place, given the differing practices on financial and market conduct exams. She suggested that coordination be further considered, particularly as the pilot continues to be designed.

Mathis stated that the ACLI suggested adding a paragraph to the confidentiality section. Mathis said that he felt there was already language to address confidentiality, adding that confidentiality protections will get addressed when information is requested, but he was open to discussion among the Working Group. Block had a concern about citing a model law that not every state has adopted; rather, it should be based on the confidentiality law in the particular state where the exam is being taken. She agreed that the discussion in the document regarding confidentiality and states' need to rely on their own confidentiality statutes is the appropriate reference. Gendron agreed and confirmed that as long as confidentiality is stated to be maintained, then that is sufficient.

Snyder expressed that confidentiality is one of the most important issues for APCIA members, as long as the Tool is used under either market conduct or financial examination authority, which generally includes the necessary confidentiality protections. However, if the Tool is used, for example, in the context of reviewing a rate filing, confidentiality is often lacking in many states. It is very important for insurance companies to maintain confidentiality under the examination authority. Mathis stated that this likely aligns with the earlier discussion on the pilot, where the intention is to focus on the examination context.

Romero proposed strengthening the existing wording to cite examination or other authorities as appropriate, thereby enhancing clarity. Trexler agreed, but when possible, the regulators should cite model laws that apply. Block recommended that "forms and filing reviews" should be removed from the paragraph. Gyger pointed out that the reference to "product review and form filing" should be removed from the first sentence. The Working Group agreed to the following: "Regulators should cite all relevant confidentiality statutes or other specific protections related to documents, materials or other information in the possession or control of regulators that are obtained by or disclosed to the regulators or any other person in the course of a market conduct inquiry and all information reported or provided to the regulator pursuant to cited examination or other authority."

Mathis stated that the CAI proposed edits to the materiality and risk assessment paragraph to clarify that Exhibit C includes reliance on the company's assessment of which AI Systems are "high-risk" and other minor

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edits. Mathis proposed that the Working Group accept this wording: "Exhibit C of this Tool relies on company assessments of the risks and materiality of its AI System(s), including the company's assessment of which AI System is 'high risk.' As part of evaluating company responses, regulators may request information on how a responding company assesses the concepts of AI risk and materiality to assist in the regulatory review." The Working Group agreed.

Mathis stated that NAMIC suggested adding the text: "The Exhibits contained in this Tool include questions relevant to both financial examinations and market conduct examination, and regulators should therefore only utilize the Exhibits and sections of the Exhibits that are pertinent and relevant to the exam being conducted." Mathis stated that NAMIC also suggested adding this text: "If information requested through the Tool has already been provided to this department or any other state department of insurance, the company's response should so state and reference when and how the information was provided." Mathis said that the Working Group has already covered these issues and to not accept these edits. The Working Group agreed.

Mathis stated that NAMIC suggested removing identifying reputational risk because they disagreed about the existence of reputational risk associated with using AI. Mathis suggested that this concern is already covered. The Working Group agreed to make no changes.

Mathis stated that the ACLI suggested removing the top row of the table, "Which Exhibit to Use?" Stephani clarified its suggestion for this Exhibit. Gyger confirmed that tracking complaints would be addressed in Exhibit B, but was removed from Exhibit A. Mathis confirmed that this was the case. Ellsworth asked to confirm that the consumer complaints section was primarily moved to Exhibit B and suggested that it be considered in the governance framework. Romero confirmed that there is still a desire to collect information on consumer complaints, but this Tool may not be the best place to ask for that information. Theisen confirmed that the Working Group has discussed this issue.

Snyder expressed concern that the responses inadvertently undermine the confidentiality authority. Mathis confirmed that gathering information on consumer complaints falls under the market conduct context and preserves confidentiality. Richardson agreed to remove the reputational risk phrase from this table. Stephani clarified its suggestion to this table to be consistent with the edits made to Exhibit A. Mathis suggested the Working Group accept removing the reference to consumer complaints from the top row and the "X" in the Exhibit A column, and adding another row titled "Review Company Practices Related to Consumer Complaints" with an "X" in the Exhibit B column. The Working Group agreed. Theisen confirmed that the potential adverse impact on consumers and the additional complaints that could occur are of interest, so they should remain in Exhibit B.

Theisen stated that by previewing the Tools to the industry, the Working Group hopes this process will help the industry anticipate what regulators may ask regarding these new and emerging risks. She reiterated that regulators' duties are to evaluate risk, and it is mutually beneficial for consistency across jurisdictions to discuss these conversations.

Theisen suggested that the Working Group accept the additional edits proposed by the ACLI, which states that, in the company instructions, it is reasonable to provide approximate counts or to provide model inventories or other ways that provide this type of information, particularly in situations where an AI System is used for more than one operation. The Working Group agreed.

Theisen suggested that the Working Group accept the edits proposed by the APCIA to focus on AI used in regulated insurance practices during the initial pilot phase, aiming to provide a better balance between the regulatory

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burden and the identification of potentially adverse consumer or financial impacts. Snyder clarified that back-office operations are not regulated, and the focus should be on what regulators are focused on. Mathis stated that the concern is with insurance operations.

Theisen stated that the APCIA suggested that Exhibit A should be limited to high-risk AI use cases. She stated that the purpose of Exhibit A was to assess an inventory of AI, whereas the purpose of later exhibits is focused on high-risk AI Systems, the determination of high risk, and the governance of AI Systems. The Working Group agreed.

Anthony Habayeb (Monitaur) suggested that the counts in Exhibit A be replaced with simple “yes/no” usage-type questions, as it is challenging to determine the consumer impact. He proposed a total volume question by function and collapsing the consumer impact and materiality columns into a high-risk determination column. Bumpus opposed this suggestion, as it would not capture the desired level of granularity. Trexler said a count of zero would imply “no,” and a count greater than zero would imply “yes,” and suggested the word “material” be added to the third column but removed from the fourth column. Romero clarified that “materiality” is not an established term for consumer impact purposes and proposed changing the third column to ask whether an insurer has AI Systems that automate, augment, or support decision-making. Trexler said that the column, as is, would provide a sense of any consumer impact. Cornelius asked whether “materiality” is defined and expressed concern that if this is not defined, then it would introduce ambiguity. Romero clarified that the Tool relies on the company’s assessment of materiality.

Director Nelson said there needs to be some sort of modifier, whether the impact is material or a clarification regarding whether an AI System has a direct impact. Block suggested consistency with the bulletin and clarifying that the concern should be on the number of models with potential “adverse consumer impact.” Gyger said the ACLI recommended adding the phrase “adverse consumer impact (to the column headers).” Trexler asked whether the idea is that if a company responds that they have AI Systems models with adverse or material consumer impact, then these models would be further questioned in Exhibit C. Romero confirmed that the purpose of Exhibit A is to capture all models.

Motter expressed that it is important to distinguish direct versus indirect impact, but recommended clarification of the intent. Commissioner Ommen stated that the Working Group will refine the operationalization of the Tool. Theisen agreed that clarification was needed, but this discussion would have to wait until after the pilot experience. Clay McClure (Blue Cross Blue Shield Association—BCBSA) recommended using the term “material” rather than “direct” as the preferred term. Ellsworth expressed the hope that the questions on Exhibit A can serve as a screener and an incentive for considering material impacts proactively. Romero suggested the Working Group accept adding this text to the company instructions to Exhibit A: “For purposes of responding to information requests related to this Exhibit, those models that augment or automate decision-making related to consumers are considered to have direct consumer impact,” and to add definitions for “augment” and “support” from the artificial intelligence/machine learning (AI/ML) surveys. The Working Group agreed.

Theisen stated that the APCIA suggested that the “Other” row be deleted, but proposed that if a company operation is not listed in the named categories, the insurer should be asked to include the use and description. Block and Darby agreed. The Working Group agreed to change the “Other” category text to “Other (if applicable).”

Stephani stated that the existing categories are extensive, such that they recommend removing the “Other” category. Mathis stated that “Other” is a standard category used in financial and market conduct handbooks and is listed to prevent follow-up questions to the company if the information is not initially captured in this category.

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Stephani asked whether it would be tenable to limit the “Other” category to insurer core practices. Mathis stated that other, non-core operations could possibly be related to areas of concern.

Gyger asked if a regulator is using the Tool for a financial exam, whether the intent is to ask about “other” use cases in a financial context, and if a regulator is using the Tool for a market conduct exam, then the regulator would ask about “other” use cases in a market conduct context. Mathis responded that Exhibit A is the universe of governance (combining market conduct and financial examination). As the regulator moves into the other exhibits, the regulator would have specified what type of exam it is for. The goal is to avoid the silo of having to report to two different reporting systems.

Snyder suggested greater specificity to provide guidance on what should be included in the “other” category. Bumpus expressed concern that a company should be aware of potential material risks in other categories that AI Systems may pose, which should then be captured in this category. Mathis explained that the use of Microsoft CoPilot could be entered into the “other” category, or special, non-recurring/non-day-to-day operations could go into the “other” category. Snyder suggested that “other” be specified by the regulator. The Working Group noted this concern.

Theisen stated that the APCIA requested clarification on “producer services” and opened it up to the Working Group to provide further clarification. Block clarified that this refers to Tools provided to producers to assist them in their work, such as those that help determine which product to sell to a consumer, and agreed that providing more context would be helpful. Theisen recommended the Working Group accept the phrase: “producer services (AI Tools provided to producers in the sale of insurance).” Gyger suggested specifying these examples. The Working Group agreed to leave the category as “producer services” and add example text: “E.g., AI Systems that support producers, AI Systems that provide suggestions for products.”

Motter suggested deleting the categories of legal compliance, producer services, and reserves and evaluations, and requested additional clarification. Additionally, under consumer services, include “consumer-facing AI Tools.” Mathis suggested grouping the categories into financial versus market conduct groups, but Theisen said this would require numerous edits. Lapham clarified that producer services should refer to AI Systems having a direct consumer impact. The edit was made to add example text to the “Customer Service” category: “E.g., Consumer-facing AI Systems, AI Systems that support customer service functions, etc.” however, Block was reluctant to use the term “consumer-facing AI” within this example text.

Theisen stated that the edits suggested by the CAI to the purpose in Exhibit A that mentions the use of Exhibit B and Exhibit C, which add the condition of whether the regulator is the lead state/group-wide supervisor and there is risk for material adverse financial impact, and that defines materiality, have been previously discussed. Furthermore, its proposed edits, which include adding the term “material” to each column, adding “with regard to insurer core operations listed above” to the “Legal/Compliance” category, and striking reinsurance and the other categories, have also been previously discussed.

Theisen stated that Allen suggested an edit to add the term “eligibility” to the “Underwriting” category. The Working Group agreed.

Theisen stated that Stojsih suggested replacing “or” with “and” in the request for co-code and group code. Mathis preferred “and.” Walker questioned whether there is a need to request the legal company name and legal group name. Theisen suggested using the term “and/or.” Mathis expressed the need to reference the group code. The Working Group agreed to replace the word “or” with “and.”

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Theisen stated that Lederer suggested considering an alternative, checklist version of Exhibit A, in which the insurer could indicate whether AI Systems are being used in each operation or program area (e.g., marketing, underwriting). Theisen was reluctant to make this change until the Tool was piloted to gather experience. Stephani suggested that a company could provide a range of AI models instead of the exact number of models. Theisen was not opposed to that suggestion as an alternative. Lowe opposed ranges since the intent is to quantify the number of models; however, an inventory of models is fine. Theisen suggested the Working Group leave the column headers as they are. Gyger asked whether submitting an inventory is included in the instructions. Mathis confirmed. Snyder agreed with the effort for a company to provide an inventory.

Theisen stated that NAMIC suggested removing the “Premium Quotes & Discounts” category because there is already a category for ratemaking below. However, she stated that the Working Group agreed to keep the rows as they are.

The Working Group then transitioned to discussing the idea that states would use the Tool during a pilot process. Commissioner Ommen reviewed the discussions leading up to the pilot, stating that a second draft of the Tool was released on Nov. 19 and that, after incorporating the edits discussed and agreed to during the meeting, the Tool would be used during a series of pilot examinations. However, he said that even during the pilot that the Working Group would continue to coordinate and communicate updates on the development of the Tool to regulators serving on the D and E Committees. At the conclusion of the pilot, states will have learned important lessons that will then lead to continued refinements of the Tool.

He said that the pilot states will continue to discuss the structure of the pilot, but the pilot will be a coordinated effort, allowing states to share experiences as they use the Tool. He added that the pilot will include a mix of financial and market conduct examinations with regulators bringing a mix of experience and background to support the pilot. He also said that he anticipated pilot states working with companies to get their perspective on participating in the pilot. Ommen drew a contrast to his work on annuity best interest reviews where each review generated insights to help regulators issue additional guidance in support of the regulator discussion. Ommen also anticipated holding a kickoff meeting to start the pilot so that states could discuss how to best coordinate their work and opened the discussion for input from regulators.

Mathis said that there are currently 10 pilot states, with a key first step to meet among the pilot groups to ensure states proceed in a coordinated manner, starting with Exhibit A and sharing experiences from using it, as available. Block agreed that a kick-off meeting would be useful to ensure proper coordination. Block noted that Vermont is not planning to call special exams, anticipating that the Tool would be incorporated into already planned exams. She also said that ongoing sharing of experience will be important to help improve the Tool, leading to an interactive process. Sullivan asked if the kick-off call would be open to all states, with Commissioner Ommen stating that he anticipated it would be available for all to listen and benefit from the lessons. Block added that no confidential information would be shared on calls, instead focusing on the experience of using the Tool, which Commissioner Ommen agreed with. Lapham emphasized that participating states should use the Tool on a mix of market and financial exams to ensure that the experience of using the Tool is broad enough.

Stephani asked if there would be plans to report back on the progress made as a result of the pilot, and inquired whether the participating pilot states would be reported to the public. Commissioner Ommen said that after an organizing meeting, the list of participating states would be finalized, and he anticipated releasing the list of states. He would envision quarterly discussions among pilot states, given the limited number of companies on which this Tool will be used. Therefore, he said he is unsure if it will be helpful to have many interim progress reports.

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Mathis added that he anticipates a public report, but it may be challenging to preplan progress reports, given how insights may be intermittent. He added that early experience in the pilot may inform revisions to later parts of the Tools, for instance, noting that the use of Exhibit A may inform the use of subsequent exhibits, which could lead to adjustments to the Tool. Commissioner Ommen stated that practical experience with the Tool would help shift discussions about the Tool from the abstract to the practical, leading to improvements. He also suggested that companies could use the Tool to prepare their governance systems by encouraging self-auditing, regardless of participation in the pilot, to better prepare for future inquiries. Mathis said this was the intent of drafting the full Toolkit to understand the broader vision for the Tool. Block said that she anticipates eventually releasing another version of the Tool as a critical mass of changes is made based on the pilot experience.

Snyder noted that traditional pilots are voluntary for companies and regulators and asked whether the Tool could be limited in advance of the pilot, given the lack of review by the other committees within the NAIC. Commissioner Ommen stated that the NAIC's model bulletin provides regulators with a foundation of consistency that this Tool and pilot help to continue building upon. He said that consistency is a goal of this work.

Gyger encouraged consistent implementation of the Tool in the pilot process, requested a timeline, and asked that the pilot be made voluntary with no compliance penalties for participation. She expressed concern about the possibility of duplicative inquiries. She inquired whether further discussion and opportunities for comment would be available on Exhibits B, C, and D. Commissioner Ommen suggested that the drafting group lead efforts to incorporate the remaining input, which would result in version three of the Tool.

Motter expressed appreciation for the discussion held during the meeting. She referenced a letter submitted by eight trade associations, in addition to the red lines each of the trade associations individually submitted, requesting more specifications around the pilot before its work begins. She further requested that an updated Tool be provided, allowing for further comments before its use during the pilot, acknowledging the helpful revisions made during the Working Group's meeting. She also asked that the regulators align the use of the Tool with the examination cycle.

Richardson suggested that the regulators describe the pilot further in exam call letters and agreed that participation in the pilot be optional. She noted that some companies subject to the use of the Tool may not follow the NAIC guidelines and, therefore, may be unaware of the Tool's intended purpose. Regarding compliance, Richardson noted that she would have concerns with the idea Gyger had raised about the lack of compliance findings during pilot exams, suggesting that such an idea be narrowed to exclude compliance issues strictly related to Tool inquiries and not be applied more broadly.

Darby suggested that, in addition to ensuring the pilot includes a mix of financial and market conduct examinations, the pilot group take steps to ensure they include a mix of lines of business.

Commissioner Ommen acknowledged that a further version of the Tool was likely, but he would leave it to the Chair to decide whether further comment would be allowed and whether additional meetings would be scheduled to discuss the remaining sections of the Tool. Block noted that she did not think it was appropriate to consider eliminating exhibits prior to the pilot, but did not expect any exhibits would be eliminated. Sherman suggested that future comments continue to focus on suggested edits being provided in red-lined format.

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### 3. Discussed Other Matters

Commissioner Ommen stated that the Working Group is aware of the draft executive order that eliminates state laws related to AI and is working to digest it. Regulation of insurance has been explicitly delegated to the states by the McCarran-Ferguson Act, and the Working Group is confident that the coordinated efforts of state insurance commissioners to supervise U.S. insurers and their use of Tools like AI are necessary, effective, and consistent with federal law. Any attempt to prevent state regulators from supervising the industry and protecting consumers would negatively impact the sector and represent a significant departure from the successful, collaborative regulatory model that has served the U.S. so well for more than 150 years.

Having no further discussion, the Big Data and Artificial Intelligence (H) Working Group adjourned.

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