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Big Data and Artificial Intelligence (H) Working Group
Minneapolis, Minnesota
August 12, 2025

The Big Data and Artificial Intelligence (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met Aug. 12, 2025. The following Working Group members participated: Michael Humphreys, Chair and Shannen Logue (PA); Doug Ommen, Co-Vice Chair (IA); Mary Block, Co-Vice Chair (VT); Heather Carpenter (AK); Mark Fowler (AL); Lori Munn (AZ); Ken Allen (CA); Jason Lapham (CO); Wanchin Chou and George Bradner (CT); Nicole Crockett (FL); Weston Trexler (ID); Jack Engle (IL); Julie Rachford (IN); Shawn Boggs (KY); Caleb Malone (LA); Caleb Huntington and Jackie Horigan (MA); Robert Carey (ME); Phil Vigliaturo (MN); Brad Gerling and Angela Nelson (MO); Thomas Kincheloe (NC); Colton Schulz (ND); Eric Dunning (NE); Christian Citarella (NH); Justin Zimmerman (NJ); Gennady Stolyarov (NV); Nishtha Ram (NY); Judith L. French (OH); Teresa Green (OK); Alex Cheng (OR); Elizabeth Kelleher Dwyer (RI); Michael Wise (SC); Travis Jordan (SD); Emily Marsh (TN); Cassie Brown and Nicole Elliot (TX); Eric Lowe (VA); Bryon Welch (WA); Timothy Cornelius (WI); Allan L. McVey and Erin Hunter (WV); and Lela D. Ladd (WY).

1. Adopted its July 16 Minutes

The Working Group met July 16 and took the following action: 1) adopted its Spring National Meeting minutes; 2) discussed the artificial intelligence (AI) systems evaluation tool; 3) heard a preliminary summary of comments from the request for information (RFI) on an AI model law; and 4) heard a presentation from Lazarus AI on the use of agentic AI in the insurance industry.

Schulz made a motion, seconded by Munn, to adopt the Working Group's July 16 minutes (Attachment XX). The motion passed unanimously.

2. Heard Comments from Interested Parties on the RFI on a Possible AI Model Law

Commissioner Humphreys stated that the NAIC issued a request for information (RFI) about the possibility of developing an AI model law with the intention of moving the conversation forward after issuing the Principles on Artificial Intelligence, adopting the Model Bulletin, and surveying insurance companies on their use of AI.

Citarella commented that Commissioner D.J. Bettencourt (NH) and a consensus of regulators at the New Hampshire Insurance Department have reservations on the development of a model law. He stated three main concerns: 1) there is adequate regulatory authority in New Hampshire state law to oversee the use of AI in insurance; 2) it would be helpful to coordinate among jurisdictions that have issued the bulletin to see how insurers respond to an exam or investigation on the use of AI, and if there are gaps in authority, it might be appropriate to consider new legislation; and 3) there is much more to understand about AI, making it difficult and time consuming to draft language broad enough to create an effective model law. The New Hampshire Insurance Department recommends taking a "wait-and-see" approach.

Dan Bumpus (Virginia Bureau of Insurance) commented that the consideration of an AI model law is premature. Rather, the Working Group should focus its time and attention and limited resources on: 1) supporting broader adoption of the model bulletin in states that have not yet adopted it or do not otherwise have a legislative framework in mind for AI; and 2) supporting regulators in their efforts to work with companies and their use of AI. The development of an AI Systems Evaluation Tool is exactly what the Working Group should be doing, and more work should be done on education and training for staff members. Time should be given to gather

 

experience from the development of the exam tool, which should help inform what areas would need to be addressed in a future AI model law.

Lapham emphasized that the Colorado Division of Insurance encourages continued discussions regarding the development of a model law that is particularly about data usage, governance, and risk management, as well as quantitatively testing outcomes.

Lucy Culp (Leukemia & Lymphoma Society—LLS) stated that the LLS supports the development of an AI model law. Because states are at the forefront of regulating the use of AI in insurance, a model law will help create a regulatory floor across states, promoting fairness and transparency for both consumers and industry. The NAIC developed principles and a model bulletin, and a model law is the next step to move this work forward. Specific to health, the LLS sees a need to focus on areas like prior authorization and utilization management. The health survey from earlier this year shows that approximately 68% of health insurers are already using or planning to use AI to review prior authorization requests. This widespread adoption of AI for utilization management requires robust regulation to prevent delays or wrongful denials that could harm consumers. The LLS emphasizes the need for consistency in testing AI algorithms. The LLS is also concerned about the variability in self-governance, especially in testing for bias. A model law would be helpful to ensure fairness and accuracy of testing. The LLS encourages examining the use of third-party vendors to build and operate AI processes with the goal that insurers are responsible to regulators and consumers for the results of AI models they utilize, regardless of whether a third-party vendor is subject to state regulation. Transparency around data sources and data quality is also essential. The LLS is concerned that different data sets and vendors could result in multiple sets of rules and multiple sources of truth. Prior authorization decisions, which ultimately impact how patients receive medically necessary care, require one source of truth and one set of rules. A well-crafted, unified model law will help ensure that AI benefits consumers while safeguarding fairness and rights.

Peter Kochenburger (Southern University Law Center—SULC) advocated for a fourth pillar in regulating insurer use of AI, which would be focused particularly on consumer protection and the development of consumer rights. It is important that big data and AI are used in a transparent manner with fair outcomes. It is time to have requirements, more specific expectations, and third-party accountability. Insurers need to remain accountable to the insurance consumer for the outcomes, regardless of whether AI systems were developed in-house or by a third party.

Commissioner Humphreys asked Culp about the form of transparency that the LLS would recommend, with the insurance company or on insurance processes. Culp responded that the LLS issued a report last year on utilization management in health insurance, how AI tools were being used, and meaningful transparency. When AI is used to determine whether a patient receives care and the length of treatment they might be able to receive, the LLS believes transparency is important and should be part of the information provided to consumers.

Kochenburger commented that consumers should have the right to know what and how data is being used, including social media data, data on shopping habits, and/or a variety of other non-traditional data. Consumers should also be able to correct errors.

Superintendent Carey asked whether it is necessary for the consumer to know that a fast approval was made possible if a tool is being used to expedite a review of approvals and when disapprovals are sent to a clinician for review. Culp responded that this is not likely the case with approvals but is the case with denials.

Noah Isserman (American Hospital Association—AHA) commented that AI is rapidly transforming health care and holds enormous promise by supporting clinicians, improving efficiency, and reducing administrative burden. But AI should augment physician-driven care rather than replace the judgment of a trained clinician. Medical decision-

 

making belongs in the hands of people with the training, licensure, and ethical obligations. The AHA is concerned about how some insurers and third-party vendors are using AI in coverage decisions, where AI has been the sole decision maker for prior authorization, resulting in unintended denials, medically unnecessary care, and real harm to patients.

He said the AHA proposes guardrails for insurer use of AI: 1) transparency—insurers must disclose when and how they use AI, the data used for training, and the outcomes in plain language; 2) standards of care—AI must be grounded in widely accepted evidence-based clinical criteria; 3) patient-specific considerations—every patient's unique circumstances and their care team's recommendations must take precedent over the algorithms suggestions; 4) plain language denials—if AI influences a denial, then the patient must receive a clear explanation of the role of the AI decision; 5) no "AI-only" decisions—any recommendation to deny must be reviewed by a qualified clinician who documents the review of the patient's record; and 6) bias reduction—AI must be tested to ensure that it is not unfairly limiting access to any group of patients. The AHA urges regulators to strengthen oversight by requiring post-deployment testing to ensure AI systems remain safe and effective over time and by making sure the rules apply equally to third-party vendors to achieve the goal of encouraging innovation but not at the expense of patient safety, fairness, and access to care.

Michael Francisco (Association for Clinical Oncology—ASCO) commented that prior authorization is a significant barrier to timely and high-quality cancer care. While AI offers a promise of efficiency, its rapid adoption for claims decisions is raising critical issues. The ASCO has seen alarming reports of algorithms denying hundreds of thousands of claims with an average of 1.2 seconds per review. Using insufficient biased data, payer algorithms can perpetuate disparities and lead to less inclusive coverage. The lack of transparency makes it difficult for clinicians and patients to understand or challenge black-box decisions. The core issue is when AI tools override a clinician's medical opinion, which creates a conflict between automated efficiency and patient-centered care. Human interaction is fundamental. AI should never substitute in sensitive interactions. The ASCO urges stronger oversight and regulatory frameworks for transparent, unbiased, patient-focused processes, and calls for legislation mandating an AI use disclosure, requirements for human review in denials, and prohibiting the deployment of unvalidated AI tools. Delayed cancer care impacts are devastating. Regulations must be risk-based, not company-size-based, and must hold third-party vendors accountable.

Shanna Howe (Emergency Department Practice Management Association—EDPMA) commented on the following key points. First, prioritization of patient protections must come first, and while the EDPMA acknowledges that AI can be a powerful tool, its role in health care must be clearly defined. Regulation should promote the advancement of patient care. To achieve that, AI should not be a replacement for clinical judgment. Used responsibly, AI can reduce administrative burden, improve documentation, and support care delivery. Clinical judgment by a qualified physician must remain the final authority and decisions that affect patient outcomes.

Second, consistency and transparency are essential. Too often, the EDPMA observes the same clinical scenario that is approved in one case by the payer and denied in another, with no clear explanation. Decision-making is often opaque, and health plans make unilateral coverage determinations. Providers have no visibility into the criteria being applied, making appeals virtually impossible, diverting resources away from patient care. Texas Senate Bill 815 is a strong example of actionable transparency, empowering insurance commissioners to inspect a utilization review agent's AI process at any time. The EDPMA encourages the NAIC to incorporate similar regulatory oversight into a model law, and third, enforcement mechanisms must be included in a model law to investigate complaints, ensure compliance, and ensure that post penalties are appropriate.

Block asked whether health care organizations have standards or regulations that govern members comparable to those advocated by the EDPMA, such as internal policy statements. Howe and Jess Hart (EDPMA) responded that the EDPMA has examples that it can share.

 

Commissioner Humphreys asked if members know that insurers are using AI today. Howe responded that it is not known at the time of service until the claim is processed and the response is received from the payer.

Lapham commented that in Colorado, providers have leveraged AI tools when they have been made aware that a carrier is also using AI tools in the prior authorization process.

Lindsey Klarkowski (National Association of Mutual Insurance Companies—NAMIC) commented that the discussion of a potential AI model law is premature because regulators have the appropriate tools already to govern and regulate the use of AI. NAMIC encourages the Working Group to review its 2025 charge of facilitating discussion related to AI systems evaluation, including identifying existing tools, resources, and materials for the purposes of reviewing AI systems. AI models have been used in insurance for some time without the need for separate standards. AI is simply a tool used in insurance activities, much like the use of a calculator, computer, or spreadsheet. Insurance activities that AI would be used for are already governed by existing NAIC model laws that provide robust consumer protections and have high and consistent state adoption.

Matt Vece (American Property Casualty Insurance Association—APCIA) commented that moving forward with a model law is unnecessary at this time. The APCIA believes that the experience with the development and implementation of the AI model bulletin reflects the ongoing validity of the state-based regulatory standards, which have been in place and have evolved with new technologies and business practices for decades. Companies are already subject to extensive regulation and scrutiny through existing laws such as the Unfair Claims Settlement Practices Act and market conduct exams to ensure compliance, and consumers are not without redress for AI-related problems. Existing laws and standards provide consumer redress through a number of avenues, including complaints, potential legal actions, and increased regulatory scrutiny. When violations occur, regulators have a sliding scale of penalties and enforcement tools up to and including license revocation. The APCIA does not believe it is necessary to change these long-standing legal standards that have created the balanced state-based regulatory system. The APCIA encourages the Working Group to continue focusing on the development of additional guidance for insurers' use of AI within the existing standards, including the model bulletin.

Sarah Wood (Insured Retirement Institute—IRI) commented that the focus should be on continued adoption of the NAIC model bulletin. Because AI technology is continuously evolving, the IRI believes the focus should be on ensuring that the existing protection still applies. Existing laws provide a strong foundation and apply regardless of the tools or the technology used. It would be beneficial to allow time for more states to adopt the model bulletin and see whether regulators identify gaps or the need for new rules as they implement the model bulletin.

Bob Ridgeway (AHIP) commented that the discussion of an AI model law is premature. AHIP believes that regulators and industry should work together to identify any problems before working on a model law. AHIP does not see the need to reinvent the wheel when there are existing frameworks that should be leveraged. AHIP supports further adoption and promotion of the model bulletin.

Randi Chapman (Blue Cross Blue Shield Association—BCBSA) commented that developing an AI model law is premature and that, prior to developing any model law, a clear policy gap should be identified following a comprehensive review of current laws. If not, a model law could be duplicative or create conflicting obligations.

Brian Bayerle (American Council of Life Insurers—ACLI) recognized the regulatory need for a balanced approach between protecting consumers while encouraging innovation to improve the consumer experience in the availability of products. However, the ACLI does not believe the development of a model law is necessary at this time. Existing laws and regulatory tools available to insurance regulators provide consumer protections and apply to the insurer’s use of AI because they apply regardless of the tools and technology used. The model bulletin emphasizes that existing laws addressing unfair trade practices and discrimination are applicable to the use of AI

 

in insurance practices. The model bulletin adopts a risk-based approach that is applicable to companies of various sizes and lines of business. The ACLI supports the NAIC's continued focus on the broad adoption of the model bulletin to ensure consistent expectations between states. Without a clear understanding of what regulatory gaps this effort seems to be trying to address, the ACLI believes the development of a model law is premature.

Commissioner Humphreys asked for confirmation from the health insurance trade groups (AHIP and BCBSA) that their members support having a human in the loop before any adverse prior authorization decision is made. Chapman answered yes, and she said that a recently announced health insurance industry/company commitment focused on prior authorization efficiencies affirmed that requests not recommended for approval based on clinical reasons will continue to be reviewed by medical professionals before potentially being denied. That standard is already in place, and the commitment is currently in effect. The BCBSA recognizes the risk to patients if AI is overused in decision-making, and its member companies have made the decision not to make denial determinations without review by a human clinician with the appropriate expertise. The BCBSA believes that by using AI to assist, not replace human reviewers, health plans are able to make the process faster, more accurate, and less burdensome for providers and patients. There are plans that use AI in the approval process to help ensure that patients receive results faster, more accurately, and in a less burdensome way.

Superintendent Carey asked whether human intervention occurs when there is a denial based on a clinical reason and/or for other reasons, such as determining whether the service is covered. Chapman replied that she believes AI is used for clinical denials but wanted to confirm.

Ridgeway commented that AI is used in claims processing generally. Claims have been electronically processed in the health insurance world for decades, since soon after HIPAA. Regarding prior authorization, AI is used throughout the industry to speed up approval of claims and the approval of prior authorization requests. Generally, AI is used to make things happen faster, and most of those things are good.

Scott Harrison (American InsurTech Council—AITC) commented that the AITC believes it is premature to consider the development of an AI model law. AI is a tool that is used in support of business processes. Insurance code and the regulatory framework ensure that insurance company behavior is within the law, protects consumers, and furthers the interests of consumers. The AITC supports the continued state adoption of the model bulletin and the work to urge companies to develop governance and risk management frameworks. As regulators further their understanding of how AI is being used, they will identify whether there are potential gaps in the existing insurance law that need to be addressed. The preference of the AITC is to have the Working Group focus on governance and learn how the technology is being used. Harrison shared that recently, the Department of Justice (DOJ) announced a settlement with a large national realty management company in the country, which involved the use of AI tools in a price-fixing scheme. The DOJ did not need a new law or regulation, but it determined that existing antitrust laws applied. The AITC recommends that the Working Group look to the laws that were referenced in the model bulletin as a starting point to determine if there are gaps that can be identified.

Katie Dzurec (American Academy of Actuaries—Academy) commented that it is critical that any model language proposed with respect to AI use aligns with sound risk management practices. The Academy encourages a principles-based approach that maintains ongoing public discourse and clearly defined goals. It is important to have consistency with expectations and definitions of key terms. The Academy encourages broad foundational standards that apply to all insurance products, markets, and insurers regardless of size. The standards should apply equally to the third-party vendors.

Lauren Cavanaugh (Risk and Regulatory Consulting—RRC) commented that the RRC supports the goal of establishing clear regulatory expectations on the use of AI that can be applied consistently across the insurance industry. The RRC has conducted research with the Casualty Actuarial Society (CAS) on regulatory perspectives on

 

algorithmic bias and unfair discrimination. That paper may be useful to the Working Group, and a link is included in the RRC's comment letter. The RRC recommends that monitoring the effectiveness of models over time should be included as part of the governance pillar, and consideration of disclosures should be made to consumers that inform them about their risk. As AI develops, insurance companies have valuable information for consumers that can assist with risk mitigation. For example, data collected via aerial imagery used in underwriting can be useful to identify risk mitigation steps a consumer could take to prevent a loss. Transparency requirements could lower the frequency and severity of events, further protecting consumers and the financial stability of insurance companies.

Commissioner Humphreys stated that the Working Group should plan to regroup this fall, remotely or in person, to discuss any potential next steps related to the RFI and stakeholder feedback.

3. Discussed Next Steps for the Development of the AI Systems Evaluation Tool

Commissioner Ommen stated that the Working Group extended the exposure period for the AI systems evaluation tool another 30 days, ending Sept. 5. The Working Group is seeking feedback on the exposure draft with the expectation that states will eventually pilot the tool and provide insights for long-term regulatory solutions. He confirmed that the Working Group will schedule an interim meeting to hear from interested parties on this topic.

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

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