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February 6, 2026

Jason Lapham, Chair
NAIC Third-Party Date (H) Working Group

Re: Third-Party Regulatory Framework Exposure - 12/9/25

Dear Chair Lapham:

Thank you for the opportunity to provide comments on the Third-Party Regulatory Framework exposed for comment on December 9, 2025. The American Council of Life Insurers (ACLI) appreciates the ongoing, deliberative work on this project and values the opportunity to provide our feedback.

While we appreciate the working group's efforts, the proposed approach contains significant flaws. A compulsory third-party regulatory framework is unnecessary especially given the NAIC Model Bulletin on AI which already provides useful guidance on the topic of "Third-Party AI Systems and Data." Further, this proposed approach is unsupported by statutory authority and would create considerable operational and structural challenges for insurers, vendors, and departments. It also risks unintended consumer impacts and does not clearly identify the regulatory gap it seeks to resolve.

In order to work towards a more viable framework, we recommend the following two refinements:

ACLI suggests narrowing the framework scope to AI model vendors providing pricing, underwriting, and claims services with direct consumer impact. To maintain focus, and manage implementation complexity, ACLI recommends removing data and data vendors from the framework. We also recommend that regulators keep the focus on registering AI model vendors, as insurers still must do their due diligence on the models themselves, as described in Section 9 of the framework.

ACLI suggests an optional, voluntary framework under which a third-party vendor may elect to seek registration as a form of recognition for meeting established best-practice standards. This recognition would not be about individual vendor AI models but instead the vendor's AI policies and management approach. Companies would have the discretion to adjust their own onboarding process if they use such vendors. Under this framework, insurance companies continue to have the discretion to contract with vendors that have not voluntarily registered, as companies continue to do their due diligence and maintain regulatory compliance. The benefit would be that registered vendors have an immediate and aligned foundation of responsible AI management.

It is important to first agree on the overarching concepts of the framework. As such, we think it is premature to provide specific language on the definitions of the terms used in the framework but want to highlight our **members' interest in collaborating on refinement of the definitions** as this project continues.

Overall concerns with the framework as drafted:

ACLI members agree with the insurer compliance responsibilities articulated in Section 9. Insurers already bear the ultimate responsibility for ensuring their products and processes comply with applicable law; therefore, **a new compulsory vendor registration framework is not necessary**.

Critical questions on statutory authority need to be addressed. ACLI is not aware of language in any insurance codes that allow for the creation of a new registration regime for third party vendors.

A mandatory framework also risks **stifling innovation**. Many third-party vendors— especially those offering general rather than insurance specific technology— may choose to stop offering products to the insurance industry rather than subject themselves to additional regulatory requirements. Additionally, a mandatory framework may disadvantage smaller insurers who have less leverage to incentivize vendors to register and which could limit their options for consideration.

A mandatory framework could create a **competitive disadvantage** relative to other sectors, which might discourage new capital from entering the insurance market. When capital is not attracted to insurance markets, affordability and availability are reduced which negatively impacts consumers.

The proposed structure would introduce significant **operational and structural challenges** for insurers such as potential for vendor approval to be inconsistent across states, concerns about regulator resources, expertise, and bottlenecks. These challenges may inadvertently impact consumers through reduced product availability, slower speed to market, or increased premium costs. A smaller pool of vendors also creates cybersecurity and supply chain risk. We believe the development of a more balanced voluntary framework will result in greater transparency in consumer-facing operations that use third-party models without undue risk or burden for companies. Such challenges could also undermine the intent of fostering confidence in responsible AI usage and of establishing a regulatory framework capable of evolving alongside rapidly advancing technologies.

In conclusion, an optional, voluntary model vendor registration framework focused on AI model vendors supporting pricing, underwriting, and claims functions with direct consumer impact could offer meaningful benefits to regulators, consumers, insurers, and the vendors themselves. Such a structure would identify vendors that have met certain best practices while preserving the existing regulatory system in which insurers remain accountable for compliance. Importantly, it would support continued consumer access to affordable, compliant, and innovative products.

Thank you for the opportunity to provide comments. Please let us know if you have any questions for us on these points.

Sincerely,

Cc: Kris DeFrain/Scott Sobel, NAIC Committee Staff

February 6, 2026

Deputy Commissioner Jason Lapham, Chair
Third-Party Data and Models Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

By Email to: Kris DeFrain at kdefrain@NAIC.org.

Re: NAIC Third-Party Data and Models (H) Working Group Third-Party Regulatory Framework

Dear Deputy Commissioner Lapham:

On behalf of AHIP, thank you for the opportunity to provide feedback on the proposed Third-Party Regulatory Framework (the "Framework").

As Americans increasingly interact with AI in many facets of life, including across the health care system, it is important to create balanced policies that help realize the potential of AI and promote innovation, while also promoting safety and building trust among patients and stakeholders. Stakeholders in the private sector have been collaborating for several years to develop governance, ethical, and practice standards for organizations developing and deploying AI to protect consumers while fostering AI. AHIP strongly encourages use of existing national frameworks and standards in developing any new policy. The Consumer Technology Association developed standards of trustworthiness and recommendations for bias management and continues to work with them to identify area which new standards are needed. The NIST AI Risk Management Framework, developed with robust input from stakeholders, provides a foundation for understanding and applying methods for "tiering" of risks associated with AI. Using these policies would help avoid duplication and promote a streamlined oversight structure to support continued innovation.

Governance is key to promoting trustworthy, ethical AI, and to that end, **health plans have established governance models and are continually assessing potential risks** for the use of AI in health care, including those related to safety, ethics, privacy, and security. At this point in the maturity model, health plans aim to identify and prioritize high-value and low-risk use cases for development and deployment. Any policies that address AI oversight should apply a risk-based approach. Flexibility to right-size business practices and mitigation techniques based on risk is necessary to realize the potential of AI, while avoiding overly restrictive,

infeasible, or misaligned policies that risk stifling innovation. Aligning with the NIST AI RMF categories and ensuring adequate human oversight for use cases that result in critical decisions for members and patients can further support risk mitigation. Consistent with a risk-based approach, we do not support requirements to broadly subject underlying AI technology to mandatory outside review or audit. Many health plans are proactively employing their own risk-based approaches and optimizing existing data governance structures for internal applications of AI. Health plans are also proactively testing and performing assessments on their AI solutions as part of a multifaceted risk-based approach to ensure AI systems perform as designed. **Regulators should focus on monitoring outcomes and not micromanage business practices through required third-party evaluation**, **audits, or disclosure of proprietary information**. If regulators choose to require outside evaluation, it should focus only on high-risk clinical applications that generate decisions that could lead to adverse direct patient impact. It would be tremendously costly to seek outside review of all AI solutions and duplicative of plans' own internal work.

It is through these lenses that we are providing feedback on the proposed Framework. Our feedback is framed as questions and focused on three primary areas.

- State Authority and Protection of Confidential Information
- Third Party Vendor Approvals, Existing Contractual Relationships with Health Plans and Attestations
- Consistent Application and Implementation Across States

We also outline some high-level recommendations for your consideration, along with some specific language edits to the Framework. We look forward to working with you to advance AI, including opportunities to support innovation in health care.

State Authority and Protection of Confidential Information. Under the current draft Framework, there are questions about state departments of insurance (DOIs) current authority over third party vendors (TPs) and how DOIs will protect confidential information. Questions are:

- What authority do DOIs have over TPs?
    a. Without clear statutory authority, how will TPs be subjected to DOIs' regulatory authority?
    b. What enforcement mechanism does the Framework contemplate or utilize? Will the Framework be a statute or a regulation?

- Confidentiality protections for TPs must be clear. Market conduct and exam confidentiality provisions do not extend to TPs, and in most states, filings to DOIs are considered public record. The confidentiality protection must be clearly articulated.

      a. What confidentiality protections are being considered for inclusion in the Framework?

Third Party Vendor Approvals, Existing Contractual Relationships with Health Plans and Attestations

1. What is the timeframe for TP approvals? A long "approval before use" (as currently required under the draft Framework) timeline could hamstring companies' ability to bring continued value to the health care continuum. The volume of information requested is significant and could result in unworkable approval times.
2. Once a TP is approved by a DOI through the new regulatory structure, will the TP be responsible and accountable for compliance with insurance laws and regulations? Licensed carriers should be able to rely upon the TP's attestation of registration and should not be required to independently verify TP registration status.
3. What are DOIs' expectations if a TP falls off or is removed from the approved list? How are companies expected to react to changes to the list? How will these changes impact already existing TP and legacy contractual relationships?
4. The Framework should consider utilizing a risk-based approach rather than imposing a "annual" attestation.

Consistent Application and Implementation Across States. Any framework should be consistently utilized and uniformly implemented across all states. A lead state approach could help, similar to that of financial exams or producer licensing, where a producer is licensed in their resident state, then receives reciprocity in a majority of other states (the National Insurance Producer Registry or NIPR). How will DOIs handle:

1. What if one DOI asks for a change but other DOIs do not?
2. What if the TP refuses to make a state-specific change?
3. If each DOI has the authority to "approve" a TP, how do other DOIs know that TP was previously approved?
4. Will there be a repository maintained by the NAIC?
5. Will there be a fee associated with registration or for the national repository?

Recommendations for Consideration.

1. Consider certification for information security as a "seal of approval" allowing carriers to work with TPs that meet the requirements.
2. Set parameters and let the carrier as the consumer determine out how to meet them.
3. If TP is on the approved list, carriers can use them without further review. If a TP is not on the approved list, carriers can contract but face more regulatory scrutiny.

Specific Language Recommendations. Below we've detailed specific language edits for your consideration.

1. **II. Third-Party Data and Model Vendor Definitions**
    - There are no definitions for key terms like "data," "novel or opaque models," and "direct consumer impact." This could lead to broad interpretations that would capture more than is intended.
    - "Models" should be limited to "Predictive Models" as it is defined in the NAIC AI Model Bulletin. "Predictive models" are where the most consumer risks lie and would be easier to regulate.
    - If the Framework intends to utilize a broader definition for "Third-Party" then there should be an exemption for general purposes model providers (such as OpenAI's ChatGPT, Google's Gemini, etc.). Applying state registration requirements to non-insurance specific, general-purpose models would likely limit health plans' access to widely used technologies as those providers will likely not want to submit to the Framework.

2. **III.B. Regulatory Proportionality**

    - The definition of "Direct Consumer Impact" is broad and would capture low-risk scenarios, such as customer support chat-bots. Throughout the draft, consider using "Material" instead of "Direct."

3. **IV. Third-Party Model Vendor Registration**

    - Consider adding the below underlined language to point regulators to existing laws, guidance, and frameworks such as the NIST AI RMF and applicable industry-specific laws:

        A. Information Provided at Registration
        2. Model Governance Program Documentation

        a. Documentation demonstrating a comprehensive governance program that <u>aligns with applicable laws, regulations, and expert-developed guidance. This may</u> include:

4. The draft Framework does not explain whether a parent/affiliate/shared-services entity within the same corporate group counts as a "third-party vendor." Clear guidance is needed for scenarios where models are developed centrally but used by licensed carrier subsidiaries.

Thank you for your consideration of our input. AHIP appreciates the NAIC's efforts to engage stakeholders as you identify AI priorities and actions. We look forward to continuing to work with you to advance AI, including opportunities to support innovation in health care.

Sincerely,

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Cc: Miranda Motter, Senior Vice President, State Government Affairs and Policy

February 6, 2026

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Third Party Data and Models (H) Working Group
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Re: Risk-Based Regulatory Framework for Third-Party Data and Model Vendors

Chairman Lapham:

The American InsurTech Council (AITC) is an independent advocacy organization dedicated to advancing the public interest through the development of ethical, technology-driven innovation in insurance. Our diverse group of sponsors and supporters include legacy insurers, more than 120 insurtech startups and technology developers, and other stakeholders in the insurance and technology sectors. Many of those small startups and developers already provide AI Systems and other technology solutions to insurance carriers. They are living examples of the engine that is driving innovation in the insurance industry. All of these entities share a common interest in effective regulation while advancing ethical, technology-driven innovation within the insurance industry to improve business practices and consumer experiences.

AITC appreciates the opportunity to provide our comments on the proposed Risk-Based Regulatory Framework for Third-Party Data and Model Vendors (the "Framework"). While we share the NAIC's commitment to consumer protection and responsible innovation, we are deeply concerned that the Framework in its current form will produce outcomes directly contrary to the Working Group's stated objectives. We identify below a series of concerns with the Framework, and we offer an Alternative Proposal that we think would accomplish the Working Group's goals and objectives.

It is important to note first, however, our view that the Framework's extremely wide breadth is a significant flaw. By this we mean that for regulatory purposes, the Framework treats all data and models alike when the world of AI Systems and models is extremely diverse, serving vastly different insurance functions with dramatically different risk profiles and impact on consumers.

For instance, the risks associated with mortality prediction models for life insurance underwriting, claims fraud detection systems that determine whether to pay or deny benefits, or dynamic pricing algorithms that set premium rates, are very different from customer service chatbots that answer policy questions, or marketing optimization models that target advertising, or operational efficiency tools that route claims to appropriate adjusters or predict application processing times, Document classification systems, data enrichment services that append publicly available information to applications, and workflow automation tools that schedule appointments or send policy renewal reminders are altogether entirely different from the previous use cases and present an altogether different risk profile.

The Model AI Bulletin recognizes these risk-based distinctions and calls on companies to calibrate their goverance and risk management to each particular risk. We respectfully suggest that it is equally appropriate that the tools used by regulators also be carefully calibrated to the risk associated with a particular model.

A regulatory framework should clearly specify the type or types of data, models and business use cases the Working Group is attempting to address, and the resources are already available to regulators to ensure model transparency. For instance, more than one-half of the states already allow third party data vendors to directly file and inspect the models that carriers are currently using for personal lines rating and underwriting. If greater transparency involving these models is an objective that can be easily achieved by the remaining states simply adopting the filing and review process already being used by other states.

Additional concerns with the Framework include:

1. **Imposes fixed costs that don't scale**, creating insurmountable barriers for small vendors while being easily absorbed by large vendors—guaranteeing market consolidation
2. **Accelerates vendor consolidation**, creating "too big to fail" mega-vendors that pose greater systemic risks than a distributed ecosystem made up of smaller vendors
3. **Creates a class of "too small to succeed"** small vendors and startups whose only logical recourse is to exit the insurance market entirely
4. **Disproportionately harms small and mid-sized insurers** through "one-size-fits-all" insurer responsibilities that functionally restrict their access to affordable, innovative technology
5. **Stifles innovation** in AI and advanced analytics through technology-specific restrictions at a time when these technologies offer the greatest potential to expand insurance access and improve consumer outcomes
6. **Takes a monolithic approach to "data" and "access to data"** that ignores critical distinctions between the various types of data encompassing different legal and competitive implications
7. **Create regulatory incoherence** by contradicting the risk-based principles established in the NAIC's own Model AI Bulletin
8. **Lacks clear legal authority** while creating unenforceable requirements that invade vendor intellectual property and raise serious questions regarding regulators' jurisdiction
9. **Creates insurmountable uniformity problems** while ensuring a patchwork of regulatory standards across the states

AITC's Alternative Approach

Rather than directing its efforts to regulating technology providers, we believe a more effective approach to achieving meaningful consumer protection without the Framework's negative impacts would be to align with the NAIC's approved policy of a risk-based approach established in the Model AI Bulletin. Examples of the elements of this approach include:

- Focus on regulators' existing authority over insurers' vendor governance and risk management practices
- Adopt meaningful materiality thresholds and risk-weighted requirements
- Scaling insurer responsibilities to insurer size
- Focus on outcomes rather than methods
- Create safe harbors for certain categories of vendors, e.g.,:
    - Vendors compliant with SOC 2 Type II, ISO 27001, or similar third-party certifications
    - Vendors already regulated by federal agencies (OCC, CFPB, FTC)
    - Vendors serving multiple industries where insurance is <25% of business
    - Vendors serving a small number of insurers, e.g., 5 - 10

Unlike the proposed Framework that would require years and significant effort to develop into a Model Law, AITC's proposed approach relies upon states' existing regulatory authority. A workable framework focusing on insurers rather than vendors can also be developed reasonably quickly, provide certainty to both insurers and vendors, reduce confusion in the marketplace, and would avoid the uniformity problems associated with development of a Model Law.

Thank you again for the opportunity to address our comments. We look forward to further discussion of these issues.

Respectfully Submitted,

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February 6, 2026

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Via email: kdefrain@naic.org

RE: Regulatory Framework for Third-Party Data and Model Vendors Exposure Draft

Chair Lapham and Members of the Third-Party Data and Models (H) Working Group:

Thank you for the opportunity to provide comments on the NAIC's proposed Third Party Data and Model Vendors Regulatory Framework. The American Property Casualty Insurance Association (APCIA) appreciates the significant time, effort, and thought that the Working Group has dedicated to examining the evolving landscape of third-party data and models. We recognize the complexity of the issues the Working Group is seeking to address and value the NAIC's commitment to exploring approaches that promote transparency, fairness, and responsible use of advanced technologies. APCIA is committed to maintaining an open dialogue and working collaboratively with the NAIC.

Few proposals in recent years have generated as much urgent and consistent concern among our members. APCIA has received an exceptionally high volume of member feedback on the current draft, and this engagement has produced a clear and consistent message: our members have substantial concerns with the proposed framework. Many expressed that the framework is unworkable and would yield outcomes counter to its objectives. In particular, the cumulative requirements are likely to leave insurers with limited access to third-party models or datasets, as many vendors may be unwilling or unable to comply. At best, a small subset of vendors focused exclusively on the U.S. insurance market may attempt to participate, however, they are expected to charge significantly more to offset compliance burdens and may be slower-moving and less competitive than global market leaders, reducing innovation, raising costs, and ultimately undermining consumer outcomes.

Beyond these foundational issues, our members identified a broad set of additional concerns, including provisions that are overly broad, resource-intensive, or duplicative of existing regulatory tools, along with definitions that sweep far beyond the intended scope. Many raised serious questions about regulatory authority, confidentiality protections, and the risk of divergent state-level approaches creating a fragmented national landscape. These issues, taken together, indicate that substantial rethinking and revision are necessary.

We offer the detailed comments below to support the Working Group's continued efforts, but we emphasize the need for significant reconsideration of the proposed framework. We understand that many elements of the proposal will continue to evolve over the course of the year, and we welcome the opportunity to refine or expand our input as the Working Group's efforts advance. We appreciate the Working Group's willingness to engage with stakeholders and look forward to ongoing discussion.

Scope, Definitions, and Applicability

Additional clarity on scope and definitions is essential before stakeholders can provide fully informed comments on the proposal. As drafted, key terms are overly broad, making it difficult to discern what entities, tools, and data sources are intended to fall within scope. Members expressed concern that undefined terms, such as "data," "model," and "direct consumer impact", could sweep in routine or ancillary tools used to support internal business functions, with one noting that even a free internet search could fall within the scope under the current language. For example, it is unclear whether registration is expected at the level of the vendor, each individual model, or each dataset, and whether generally available or foundational AI tools not created for insurance purposes are meant to be covered. In addition, certain insurance functions, such as claims or fraud investigation, operate under distinct statutory and confidentiality regimes, underscoring the importance of ensuring that any framework is appropriately tailored and does not unintentionally reach activities governed by separate regulatory structures.

If "third-party data" is construed broadly, it could be interpreted to include police reports, newspaper articles, stock prices, and other publicly available information, sources whose "providers" would have little or no incentive, or in many cases no ability, to comply with the proposed regulatory requirements. Members also stressed that many entities simply pass through or transmit governmental or publicly sourced data without transformation or predictive use, and that these organizations should not be captured by registration or filing requirements.

To avoid such unintended consequences, several members recommended limiting a framework to predictive models created for use in the insurance industry to avoid sweeping in foundational models or general-purpose tools that vendors are unlikely to submit for regulatory oversight. This is particularly important because the vendors with the most advanced foundational and generative AI models are unlikely to seek registration under a sector-specific regime, which would deprive insurers of access to these tools and hinder innovation. Moreover, as written, the model-related provisions appear to overlap with, and in some respects supersede, the principles-based, pro-innovation approach reflected in the NAIC AI Model Bulletin. If insurers can demonstrate effective governance of AI models under the Model Bulletin, an additional layer of regulation should not be necessary. Finally, narrowing the definition of *consumer* to focus on individual policyholders would help avoid unintended consequences in commercial and institutional contexts.

Statutory Authority and Enforceability

As drafted, it is not entirely clear whether state regulators have statutory authority to directly regulate unaffiliated third-party vendors. State insurance departments traditionally oversee insurers rather than external technology providers, and several members emphasized that regulators are generally not authorized to impose direct requirements on entities outside the insurance sector. Members also raised questions about how a potential framework would interact with existing structures, such as the FCRA and "insurance support organization" concepts in current privacy models, warning that the proposal risks duplicating federal oversight without improving consumer protection. It is also unclear whether the proposal is intended to function as a model law, a model bulletin, or something else, and how a "framework" without a statutory basis could be enforceable. Without clear statutory authority, confidentiality protections may be limited, and certain provisions could conflict with federal or state laws.

Additionally, existing statutes or regulations applicable to vendors could conflict with the requirements imposed by the framework.

Vendor Registration: Feasibility, Materiality, and Practical

The proposed vendor registration requirements are one of the most significant sources of concern for APCIA members. The requirements may be more expansive than necessary to achieve the NAIC's goal, and, as structured, risk driving both model vendors and data vendors away from serving the insurance industry. Requiring registration for each dataset or model, particularly without corresponding adjustments to insurer filing requirements, could duplicate existing oversight mechanisms and create substantial burdens for vendors. Many vendors rely on underlying technologies or platforms that they do not control or cannot fully document, making compliance difficult or impossible. At a minimum, registration triggers should be tied to material use in insurance and objective indicators of risk, rather than to vendor status alone, to avoid sweeping in low-risk, ancillary, or pass-through services.

This approach also creates significant uncertainty for insurers, whose operations may depend on vendors' willingness to comply with NAIC requirements that are, in effect, optional for the vendors themselves. Several members shared concerns that some companies may be unlikely to register or cooperate with detailed requests for information. If key vendors choose not to participate, insurers could lose access to critical tools, reducing innovation and competition.

Confidentiality and Protection of Proprietary Information

Confidentiality and protection of proprietary information are of utmost importance. The framework, as drafted, would require detailed disclosures regarding model logic, performance, data lineage, and validation processes, materials that often constitute the most sensitive intellectual property of both model developers and data providers. Even with existing confidentiality language, these disclosures may expose vendors to risks related to trade secrets, subpoenas and third-party discovery requests, reverse engineering, competitive harm, or inadvertent release of proprietary information, as well as increased cybersecurity risks resulting from broader access to sensitive data and system information.

Moreover, confidentiality protections vary widely across jurisdictions, and neither state open-records laws nor existing regulatory safeguards consistently provide the level of protection required for highly sensitive algorithmic and data assets. For many vendors, particularly those operating in national or global markets, the risk of disclosure is likely to outweigh any incentive to participate, which could significantly limit the tools and technologies available to insurers.

Given the magnitude of these concerns, it is essential that any regulatory structure include strong, uniform, and enforceable protections, and that disclosures be limited strictly to what is necessary for regulatory oversight and used solely for regulatory purposes. Without clear, consistent, and robust confidentiality safeguards, participation by key vendors may be substantially reduced, undermining innovation and constraining insurers' access to critical capabilities.

Operational Burden and Compliance Costs

The proposed framework would create significant operational and resource demands for both vendors and insurers, with limited evidence that these burdens would meaningfully advance regulatory objectives.

Vendors, particularly smaller or emerging entities, would face substantial new documentation, attestation, and governance requirements, along with multi-state filings and ongoing updates. Insurers may encounter delays associated with approval-before-use mandates, limitations on pilot testing and proofs of concept, and increased vendor costs. Regulators may also face challenges related to technical capacity and staffing to review complex data and model materials.

Without greater clarity on expectations and a more targeted, risk-based approach, these pressures risk constraining innovation, reducing vendor participation, and creating substantial operational friction across the marketplace. Because many third-party tools are deeply embedded in insurers' operations, members stressed the need for clear expectations and reasonable transition periods to avoid disruptions if a vendor changes status or declines to register. In practice, implementation of a new framework will require time for vendors to complete registration and approval processes and for insurers to adjust, modify, or phase out models and datasets that can no longer be used. Without a defined period for these transitions, both vendors and insurers could face operational disruptions that affect access to critical tools and services.

Implementing the framework in its current form would jeopardize insurers' access to embedded third-party tools, strain existing vendor relationships as suppliers decline to register or cannot meet disclosure requirements, and limit the deployment of modern technologies essential to pricing accuracy, fraud detection, and customer experience. New pre-approval and filing obligations would extend implementation timelines and delay routine model updates, while compliance build-outs and vendor pass-through costs would increase expenses. Over time, reduced vendor participation would diminish competition and choice, concentrating the market in a smaller set of higher-cost providers and further constraining innovation.

The potential market impacts raise additional concerns. There is significant risk that key data and model providers will determine that the costs, disclosures, and operational demands of the framework outweigh the value of serving the insurance sector. If such providers elect not to register, insurers could lose access to essential tools, reducing competition, limiting innovation, and ultimately affecting consumer outcomes. Members also highlighted the practical challenge of continuing to operate existing models if underlying data providers do not participate. Insurers would either need to discontinue long-standing models into which they have heavily invested or undertake costly redevelopment and retraining efforts using alternative datasets. These disruptions would carry significant operational consequences, and the resulting costs, including redevelopment expenditures and the loss of sophisticated modeling capabilities, would inevitably be passed on to consumers.

State Harmonization and Multi-State Workability

APCIA strongly supports ensuring consistency across states. Without a coordinated national structure, the proposed framework could lead to divergent state requirements, varying confidentiality protections, and inconsistent review outcomes. This type of fragmentation could create substantial challenges for insurers and vendors operating in multiple jurisdictions. APCIA encourages the NAIC to prioritize harmonization and reciprocity across states to promote clarity and consistency. This can be achieved without placing additional regulatory requirements on insurers. Consistent vendor-facing requirements would reduce duplicative efforts and help ensure that innovation and consumer-benefiting tools can be deployed efficiently across the country.

Standards, Triggers, and Testing: Objective Criteria and Alignment

Certain triggers in the proposed framework, including novelty, consumer impact, and external risk, are highly subjective and could lead to inconsistent or unpredictable review requirements across jurisdictions. Without clearly defined thresholds or measurable indicators, insurers and vendors may struggle to determine when a tool qualifies for heightened scrutiny, increasing compliance uncertainty and potentially discouraging innovation. More objective, transparent criteria for testing, validation, and data quality would support consistent application and clearer expectations for all stakeholders. It is critical to ensure that regulatory testing or submission requirements are aligned with insurer-level model governance standards and do not inadvertently slow the deployment of beneficial tools particularly those that improve accuracy, reduce bias, enhance fraud detection, or otherwise support consumers. Excessively broad or discretionary triggers could create operational bottlenecks, introduce duplicative reviews, and delay time sensitive updates to models or data sources that are necessary for effective risk management.

Overlap With Existing Insurer Oversight

Insurers already undergo substantial oversight regarding their use of data and models, including filing pricing models, disclosing data sources, participating in market conduct exams, and maintaining robust internal governance frameworks. They are also subject to the NAIC AI Model Bulletin, which establishes principles-based expectations and already requires insurers to "remain responsible" for maintaining contracts that permit insurer and regulator access to necessary model or data information. The existing framework provides insurers with flexibility to evaluate and negotiate appropriate contractual terms based on the nature of the vendor relationship, the model, and the associated risk, rather than imposing uniform requirements in every instance.

At the same time, the proposed framework is unclear regarding what responsibilities insurers would have for ensuring that third-party model and data vendors comply with its requirements. Members expressed concern that insurers could be implicitly held accountable for vendor compliance even though insurers do not control vendors' internal operations, documentation practices, or willingness to register. This uncertainty is heightened by language indicating that expanded regulatory oversight of vendors "does not reduce insurer accountability" and by examples that appear to introduce new expectations, such as insurer-level model testing or maintaining contracts that provide regulator access to vendor model and data information, that are not existing legal requirements for many insurers. Members cautioned that presenting such obligations under the umbrella of "maintaining accountability" risks creating new duties that do not align with insurers' traditional role or authority in managing vendor relationships.

In addition, the proposed framework would add new layers of oversight without reducing existing requirements, and it remains unclear whether determinations of what constitutes "necessary" access would be made by insurers or by regulators. This distinction is significant, as it may not always align and could complicate contractual negotiations with vendors. The cumulative effect could result in duplicative filings, overlapping obligations, and increased administrative costs without corresponding benefits, while reducing the flexibility that currently allows insurers to tailor governance and contractual approaches to the specific risks presented.

Impact on Innovation, Competition, and Consumer Outcomes

Third-party data and models play a critical role in improving accuracy, affordability, efficiency, and consumer experience. In particular, third-party data sources used in pricing, underwriting, and claims help enable faster customer processing and more accurate information, reducing fraud and loss-cost risk to the benefit of consumers. These tools also support better risk segmentation, enable market entry, and facilitate important research and development.

As drafted, however, the proposed framework may unintentionally discourage vendors from serving the insurance market or delay the adoption of advanced tools, ultimately affecting consumer benefits. As one APCIA member shared, "*Mandatory registration and filing requirements would be disruptive and difficult to implement, particularly for vendors that do not operate exclusively in the insurance space. Many will simply choose not to participate, reducing innovation, competition, and consumer choice.*"

In addition, the proposed framework may place unworkable expectations on vendors, such as requiring vendors to disclose data usage to consumers, allow consumers to access and correct records, or define limitations on such corrections. These obligations are not feasible because vendors generally do not interact directly with consumers, do not know who the insurer's customers are, and consumers typically do not know which vendors are being used.

A more targeted, risk-based approach could better support innovation while still addressing regulatory objectives. Well-targeted, proportionate oversight will also better preserve consumer benefits, such as improved accuracy, more tailored pricing, and faster claims handling, while addressing genuine risks.

Recommendations and Path Forward

In the interest of offering constructive feedback, APCIA recommends that the Working Group begin with additional groundwork to clearly identify the specific risks the proposal is intended to address, assess which of those risks are not already mitigated under existing regulatory frameworks, including the AI Model Bulletin, and revisit the scope and definitions discussed above so all stakeholders can provide feedback with a shared understanding of the proposal's intent. Only after this foundational work is completed will it be possible to meaningfully evaluate the relative merits of various regulatory approaches and determine whether new structures or processes are needed.

APCIA stands ready to work collaboratively with the Working Group as it continues this important conversation.

Conclusion

APCIA appreciates the opportunity to share feedback and values the NAIC's continued engagement on these important issues. We look forward to ongoing discussion.

Thank you,

Kristin Abbott
Sr. Director and Counsel, Cyber & Privacy

Dave Snyder
Vice President, International & Counsel

February 6, 2026

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Submitted via email: Kris Defrain (kdefrain@naic.org) and Scott Sobel (SSobel@naic.org)

RE: Exposure of Third- Party Regulatory Framework

Dear Chair Lapham and Vice Chair Crockett:

The Blue Cross Blue Shield Association (BCBSA) appreciates the opportunity to comment on the NAIC Draft Risk-Based Regulatory Framework for Third-Party Data and Model Vendors. We thank the NAIC for its continued leadership on data, artificial intelligence (AI), and emerging technology governance and appreciate the thoughtful effort to balance consumer protection, regulatory transparency, and proportionality.

The Blue Cross Blue Shield Association is a national federation of independent, community-based and locally operated Blue Cross and Blue Shield companies that collectively provide health care coverage for one in three Americans. BCBS Plans contract with 96% of hospitals and 95% of doctors across the country and serve those who are covered through Medicare, Medicaid, an employer, or purchase coverage on their own.

We share NAIC's interest in a more consistent regulatory framework governing the use of third-party data and AI models in insurance operations, especially as the role of these technologies expands across the industry. This supports responsible adoption by reducing regulatory burden and complexity. We also support the framework reaffirming that insurers remain ultimately accountable for compliance with state insurance laws, even when leveraging third-party vendors.

At the same time, we have concerns regarding the framework's scope, ambiguity, scalability, and operational feasibility as currently drafted. We respectfully offer the following comments to help ensure the framework achieves its intended objectives without creating unnecessary

burdens or implementation challenges that could impede innovation and effective insurer oversight.

To strengthen the effectiveness, clarity, and scalability of the framework, BCBSA recommends that the NAIC:

- **Clarify and narrow the scope of the framework** by defining "direct consumer impact" using a clear, materiality- and risk-based standard. This will ensure the framework focuses on higher-risk third-party data and AI models rather than sweeping in low-risk tools that pose little or no consumer protection concern.

- **Strengthen and align key definitions**—including "model" and "third-party" to ensure consistent interpretation and implementation across states. Narrowing "model" to AI systems that generate original outputs and aligning "third-party" with the NAIC AI Model Bulletin, will reduce ambiguity and improve regulatory clarity.

- **Incorporate risk-based approaches throughout the framework, aligned with NIST's AI Risk Management Framework (RMF),** by tailoring requirements for registration, documentation, monitoring, and model-change materiality based on the risk, complexity, and potential consumer impact of the third-party's role. This ensures appropriate and proportional oversight, prevents bottlenecks, and supports effective, scalable regulation. We thank the Working Group for its consideration of our comments and look forward to continuing to work with you as you revise this regulatory framework. If you have any questions, please do not hesitate to contact Randi Chapman at randi.chapman@bcbsa.com or Legislative and Regulatory Policy Program Director, Chinonye Onwunli at Chinonye.Onwunli@bcbsa.com.

Sincerely,

Clay S. McClure
Senior Director, State Affairs
Blue Cross Blue Shield Association

BCBSA'S DETAILED COMMENTS ON NAIC'S DRAFT RISK-BASED REGULATORY FRAMEWORK FOR THIRD-PARTY DATA AND MODEL VENDORS

Recommendation #1: BCBSA recommends NAIC narrow and clarify the scope of the framework by more precisely defining "direct consumer impact" using a materiality and risk-based standard that aligns with the NAIC AI Bulletin.

Rationale: The stated scope of the framework, covering "third-party data and models used in insurance functions with direct consumer impact", is broad and undefined. As drafted, it could be interpreted to apply to nearly all third-party data sources or models used by insurers, including low-risk tools and off-the-shelf solutions with minimal or indirect consumer impact. This lack of clarity also increases the likelihood of inconsistent interpretations and uneven enforcement across states.

A more targeted scope, focused on high-risk AI systems and models that could plausibly lead to adverse consumer outcomes, would allow regulators to prioritize oversight and examination resources on the use cases that matter most for consumer protection while avoiding unnecessary regulatory burden on low-risk tools. This approach improves regulatory effectiveness, enhances consistency with existing NAIC guidance, and reduces the risk of over-inclusive oversight that could dilute attention from true consumer protection concerns.

Recommendation #2: BCBSA recommends NAIC define "model" to mean artificial intelligence systems, such as machine learning models and large language models (LLMs), that generate original output or recommendations that influence insurance decision-making outcomes.

Rationale: As drafted, the term "model" is broad and could be interpreted to encompass a wide range of analytical tools, including traditional statistical or actuarial methods, business rules and other deterministic processes that do not present the same governance, transparency or consumer protection risks as artificial intelligence systems. This breadth creates ambiguity and could dilute regulatory focus by subjecting low-risk tools to the same oversight as higher-risk AI technologies.

AIS, particularly machine learning models and LLMs that generate original content, raise distinct regulatory considerations related to explainability, bias, data provenance, and ongoing performance monitoring. These systems are more likely to influence insurance decision-making in dynamic and less transparent ways, warranting more tailored governance expectations.

By narrowing the definition of "model" to focus on AI systems that generate original outputs used to inform or influence insurance decisions, NAIC can better align with the framework with its risk-based intent, concentrate oversight on technologies most likely to impact consumers and avoid unintentionally expanding the framework to tools that do not pose comparable risks.

Recommendation #3: We recommend NAIC align the definition of 'third-party'" in this framework with the NAIC AI Model Bulletin.

Rationale: Aligning the definition of "third-party" in the Third-Party Regulatory Framework with the definition used in the NAIC AI Model Bulletin promotes consistency across NAIC guidance

and reduces interpretive ambiguity for insurers, vendors, and regulators. A harmonized definition ensures that entities understand when they are subject to regulatory requirements, prevents conflicting or duplicative compliance obligations, and helps regulators take a consistent, coordinated approach across NAIC's related work This alignment also minimizes implementation burden, reduces the risk of regulatory gaps or overlaps, and strengthens regulators' ability to evaluate third-party models and data in a uniform, predictable manner.

Recommendation #4: BCBSA recommends NAIC develop any materiality standards for third-party data and model changes through a transparent process that includes meaningful stakeholder input.

Rationale: Materiality thresholds are complex and highly dependent on context. Developing these standards with stakeholder input will improve feasibility, consistency, and acceptance across markets while reducing the risk of unintended consequences.

Recommendation #5: We recommend NAIC ensure that materiality thresholds for models and data changes align with the specific use case and level of risk associated with the third party's role, aligned with NIST's AI Risk Management Framework.

Rationale: The potential consumer and compliance impact of model or data changes varies significantly by function, complexity, and risk. A use-case and risk-based approach enables regulators to focus oversight where it is most warranted while avoiding unnecessary burden for applications with lower risk. To promote consistency and align with industry best practices, we recommend aligning with NIST's framework on how to establish definitions of levels of risk.

Recommendation #6: We also recommend NAIC align any post-deployment monitoring and notification expectations with the scope and rigor of pre-deployment testing requirements.

Rationale: Consistency between pre-deployment and post-deployment expectations promotes effective lifecycle oversight and avoids imposing monitoring or reporting obligations that are disproportionate to the risks identified during initial review. As NAIC considers what constitutes a materiality threshold, this consistency will promote clarity in expectations for both regulators and regulated entities.

Recommendation #7: BCBSA recommends NAIC tailor third-party registration, documentation, and attestation requirements based on risk, complexity, and consumer impact of the third-party's role.

Rationale: A scalable framework best reflects how AI systems are designed and maintained in practice and enables regulators to prioritize oversight where it is most needed. This approach avoids administrative overload while preserving meaningful consumer protection.

AI systems frequently contain multiple models, and the number of data and AI models used by insurers will continue to grow. Requiring registration and documentation for each individual model or dataset risks creating an unmanageable volume of submissions for both regulators and vendors, leading to review bottlenecks and delays in insurer adoption of responsible technologies.

In addition, in many markets, third-party vendors are treated contractually as subcontractors of the health plan, with insurers, not vendors, responsible for regulatory filings and compliance

obligations. Independent vendor registration in these circumstances could impose undue burden on insurer compliance teams, create duplicative processes, and misalign with existing regulatory workflows.

Recommendation #8: We recommend NAIC align third-party registration requirements with existing contractual and regulatory structures, including circumstances where insurers are responsible for regulatory compliance filings on behalf of subcontractors.

Rationale: Currently, insurers frequently rely on third-party vendors or subcontractors, with insurers, not vendors, contractually responsible for regulatory filings and compliance obligations. The framework's current registration approach does not clearly account for these existing structures creating the potential for duplicative filings, misaligned responsibilities, and increased compliance burden without improving consumer protection.

Aligning registration requirements with established regulatory practice would improve feasibility, reduce unnecessary administrative burden, and support consistent implementation across states while preserving insurer accountability.

Recommendation #9: We recommend NAIC promote national coordination by encouraging a centralized or harmonized registration approach for vendors operation across multiple states.

Rationale: The framework references both state-based and national registration approaches but does not explain how requirements will be coordinated for vendors operating in multiple states. Without coordination, vendors may be required to register separately in each state, resulting in duplicative processes and potentially inconsistent regulatory outcomes. Coordinated oversight improves efficiency for regulators and regulated entities while preserving consumer protections. Reducing duplicative state-by-state requirements also lowers compliance costs and supports consistent application of regulatory standards nationwide.

Recommendation #10: BCBSA recommends NAIC recognize and defer to existing, widely adopted governance frameworks and applicable laws when evaluating third-party model governance programs.

Intentional recognition or existing governance frameworks, such as expert-developed risk management standards and applicable industry-specific laws, would reduce redundancy, promote consistency across regulatory regimes, and allow regulators to assess governance maturity without imposing duplicative or conflicting requirements.

Recommendation #11:

NAIC should require third-party data and model vendors to provide insurers with visibility into any regulatory concerns raised about the tools they use, subject to appropriate confidentiality protections.

Rationale: Insurers remain accountable for compliance outcomes, including when relying on third-party vendors. Without visibility into regulatory concerns identified during vendor oversight, insurers may be unable to remediate issues in a timely manner or meet their own governance

obligations. Providing insurers with appropriate visibility supports effective oversight while preserving regulator discretion and confidentiality.

Recommendation #12: We recommend NAIC support requirements for third-party developers to provide insurers with standardized disclosures sufficient to enable insurer compliance with applicable legal and regulatory requirements.

Rationale: Insurers rely on third-party developers for data and models that support regulated insurance functions. When key details about an AIS are incomplete or inconsistent it impairs insurers' ability to oversee vendors on an ongoing basis, manage risk and demonstrate compliance with applicable requirements.

Standardized disclosure, delivered in a consistent format, would streamline implementation for developers and enable insurers to digest complex technical information and integrate it into governance processes. Accordingly, BCBSA supports further development of standardized "model cards" or similar reporting tools by an appropriate standards-setting body, such as NIST, to facilitate consistent and efficient disclosure.

THE Committee OF Annuity Insurers
www.annuity-insurers.org

February 6, 2026

2026 NAIC Third-Party Data and Models (H) Working Group
NAIC Central Office
1100 Walnut Street
Suite 1500
Kansas City, Missouri 64106

Sent via email to: kdefrain@naic.org

RE: Risk-Based Regulatory Framework for Third-Party Data and Model Vendors

Dear Chair Jason Lapham:

The Committee of Annuity Insurers ("CAI" or the "Committee")[1] appreciates the opportunity to submit comments to the NAIC Third-Party Data and Models (H) Working Group ("TPDM Working Group" or the "Working Group") on the December 9, 2025 exposure draft of its Risk-Based Regulatory Framework for Third-Party Data and Model Vendors (the "Draft Framework").

The TPDM Working Group is charged with developing and proposing "a framework for the regulatory oversight of third-party data and predictive models." The Committee recognizes how the Draft Framework reflects that purpose and endeavors to advance regulatory oversight of the third-party data and predictive models used by insurers carrying out their insurance business, with the goal of protecting consumers. However, as currently presented, the Draft Framework would create significant uncertainties for insurers regarding their current use of third-party vendors and likely will disincentivize vendors from developing solutions for the insurance industry in the future. As our comments below explain, we believe an approach that aligns the interests of insurers with those of consumers and with the responsibilities and priorities of regulators could result in a framework that is workable and enforceable.

COMMENTS:

1. **The Framework should support insurers and consumers alike by providing regulatory oversight that promotes value for the insurance industry while fostering innovation that benefits consumers.**

   As currently proposed, the Draft Framework would create a burdensome and uncertain compliance process that will impose unnecessary costs and barriers to entry for innovators looking to improve how insurers conduct their insurance business and how consumers interact with their insurers. The Committee recognizes that legitimate consumer harms can result from the use of complex models and novel datasets that insurers do not adequately vet and oversee and agrees that consumer wellbeing should be prioritized and protected. But regulatory oversight should not come at the expense of stifling innovation that improves insurance operations and customer experience.

   For the Draft Framework to be workable, it should be reframed to preserve the benefits consumers have gained from innovations in insurance operations involving vendor-supported

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[1] The Committee of Annuity Insurers is a coalition of life insurance companies that issue annuities. It was formed in 1981 to address legislative and regulatory issues relevant to the annuity industry and to participate in the development of public policy with respect to state regulatory, securities and tax issues affecting annuities. The CAI's current 33 member companies represent approximately 80% of the annuity business in the United States. More information is available at https://www.annuity-insurers.org/.

models and datasets, and it should also tangibly benefit insurers by providing consistent regulatory recognition for those data and model vendors that register with state insurance regulators. The Working Group has failed to explain why a regulatory framework directed at vendors is necessary, when insurers will continue to remain responsible and accountable for the results of using third-party models and datasets, especially considering how such excessive new regulatory requirements will likely disincentivize vendors from prioritizing innovation in the insurance space.

If insurance regulators are intending to engage in a supervisory role relating to third-party vendors by overseeing and evaluating their models and datasets, as well as their governance capabilities, insurers should be able to rely on vendor registration and filing approvals by regulators to use these vendors, thus alleviating operational costs, such as due diligence costs, that insurers would otherwise incur in connection with their own risk management processes.

The Committee recommends that the vendor registration and filing process outlined in the Draft Framework be reframed to allow insurers to rely on regulators' approval of a vendor's registration or filing for their vendor management purposes.

2. **The Working Group should detail what legal authorities it would need to create or intends to rely on to effectuate the regulatory oversight concepts and processes included in the Framework.**

   While Committee members understand that the Draft Framework is a conceptual draft, the Working Group should identify the legal or regulatory authorities that support the enforceability and enforcement of their proposed oversight, or that will need to be developed to implement the kinds of oversight practices and processes contained in the Draft Framework.

   The Committee requests that the Working Group transparently address whether they envision operationalizing this Draft Framework through model law(s), regulation(s) or formal guidance in the form of a bulletin.

3. **The Working Group should consider whether a voluntary registration and filing process would better protect consumers and support insurers.**

   The regulatory aims of the Draft Framework could be reoriented toward incentivizing vendor compliance with governance standards by means of a program that encourages voluntary registration and filing. Vendors would benefit from having successfully obtained registration (which would be recognized in all other states on a reciprocal basis), while insurers would benefit from being able to rely on the registration process. Given the many operational risks and lost opportunities for insureds and potential disadvantages to consumers that could arise from the regulatory processes outlined in the Draft Framework, the use of a voluntary vendor registration process may help advance regulator's visibility into and oversight of the third-party models and datasets used by insurers and actually incentivize vendor participation in the regulatory process.

   The Committee recommends that the Working Group consider establishing a voluntary program for the registration of vendors of models and datasets.

4. **The Framework must explain the consequences of non-compliance for insurers and the methods of enforcing its proposed oversight of vendors.**

   The exposed conceptual draft is unclear as to who would be sanctioned or under what legal authority regulators would enforce violations of the Draft Framework when vendors do not register or fail to maintain their registration status. The Draft Framework reiterates that ultimate responsibility rests with insurers, but insofar as the Draft Framework's regulatory obligations are directed toward vendors, as opposed to insurers, it is unclear why or how insurers could be sanctioned for a vendor's non-compliance, especially if multiple insurers use the same third-party vendor. We would expect that insurers who use reasonable efforts to adhere to their

enterprise risk management procedures, especially related to procurement of third-party models and datasets, would be shielded from liability for a vendor's technical non-compliance with registration requirements or filing requests. Because no clear legal authorities are cited or outlined in the Draft Framework, the intent of regulators with regard to enforcement is left vague.

The Committee requests that the Working Group provide clear legal authority and guidance on how the Draft Framework will be enforced and what the consequences of vendor non-compliance with registration and filing requirements will be for insurers.

5. **As a foundational principle, the Framework must provide for regulatory coordination and streamlined vendor registration with an appeals process.**

The risk and burden of asking and/or requiring vendors to follow the registration and filing process outlined in the Draft Framework in all 50 states is unworkable and introduces unnecessary complexity for vendors and insurers alike. The Framework should either allow vendors registered in one state to receive reciprocal registration in other states that have adopted the Framework or should set up a centralized clearinghouse or coordinated review mechanism housed at the NAIC and staffed by experts to manage the process.

Fundamentally, the Draft Framework creates the real possibility that a vendor's governance, models or datasets will be determined to be insufficient to warrant registration in some jurisdictions, but not others, based on subjective criteria. Similarly, multiple layers of discretionary filing requests and subjective reviews could result in a filed model or dataset ultimately being disapproved for use in some jurisdictions, but not in others. This inconsistent treatment could require that varying versions of a model or dataset be placed on the market, leading to inconsistent results. Either of these possibilities create unworkable operational risk for insurers and confusion for consumers.

One way to relieve this operational risk is to create a centralized clearinghouse, similar to the Interstate Compact,[2] where approval by the clearinghouse results in reciprocal registration for the vendors in each state that is a member of the clearinghouse. The benefit of this approach would be uniformity, speed, interstate cooperation, streamlined registration and compliance managed by an expert staff. The Interstate Compact was supported by the development and widespread adoption of a model law. To ensure coordinated regulatory oversight, either through a new central body or across the states, a similarly robust process to draft, enact and advance a model law or bulletin would likely be necessary.

The Committee recommends that the Working Group consider developing a centralized clearinghouse similar to the Interstate Compact that would solve the need for uniformity, speed and expertise in the review of third-party vendor registrations and models and dataset filings.

Irrespective of whether a clearinghouse mechanism is adopted, it is critical that transparency and due process be built into the registration and filing process so that disapproval determinations are transparent and vendors can appeal any adverse findings through an appeals mechanism. Standards for what would trigger a discretionary review should also be articulated in writing.

The Committee strongly urges the Working Group to ensure that the decisions regarding vendor registration and filing approvals are transparent and can be appealed through an appeals mechanism that is neutral and fair.

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[2] The Interstate Insurance Product Regulation Compact (Compact) established a multi-state public body, the Commission, which has been operational since 2006 and now is comprised of 46 states. Each state has enacted Compact legislation and is an official member of the Commission, usually represented by the Insurance Commissioner in the state. The Compact has implemented close to 100 uniform product standards through an open, transparent rulemaking process.

6. **The Framework should minimize disruptions to currently accepted industry practices and operations.**

Committee members are concerned about how the Draft Framework will impact their relationships with longstanding vendors whose models and datasets have been subject to existing regulatory oversight and examination by insurance regulators without any issue. The unfair and deceptive trade practices laws, for instance, are fundamentally results based, and insurers have designed controls to ensure that the technologies they use, regardless of the stage of the insurance lifecycle, do not result in negative consumer impacts or harms. And they understand they can be held accountable for the results of their business processes in market conduct examinations.

The Draft Framework's mandatory registration and discretionary filing processes forces regulatory oversight of insurers' vendors to be untethered from the actual results of insurer use of their models and datasets. Vendors that have a long track record of providing solutions that safely, reliably and fairly benefit insurance customers, as well as insurers, should not have their models and datasets already on the market be subjected to the same assessments as new unproven predictive models or datasets.

The Committee requests that the Working Group consider integrating a grandfathering concept or safe harbor into the Draft Framework for those models and datasets already used in insurers' operations that have been previously subject to regulatory examination. Such grandfathering will minimize disruptions in the availability of these solutions due to uncertain or inconsistent regulatory actions.

The Working Group should also consider whether there are types of services that are so critical to consumer safety that they should be exempted from compliance with the Draft Framework in order to prevent an interruption of service. For instance, carveouts in the definition of "model" or "dataset" for those vendor-provided models and datasets that assist in identifying instances of fraud and stolen identities are examples of services where an outright exemption from the regulatory framework may be warranted. Any disruption in such critical services due to regulatory review and scrutiny could significantly harm not only insurer operations, but also consumer safety.

The Committee requests that the Working Group exempt vendors involved in critical services such as fraud, know your customer and stolen identity detection from the Draft Framework.

7. **The Working Group should clarify key definitions, concepts and standards in the Draft Framework to ensure the scope is workable and can be applied consistently across jurisdictions and existing regulations.**

The Working Group in its prior meetings has acknowledged the potential overlaps between its mandate and those of other (H) Committee working groups and between the Draft Framework and other work products of the (H) Committee and its working groups. These overlaps can be extremely problematic if there are inconsistencies in the scope and definitions of these work products. For instance, the Draft Framework lacks a clear definition for "model" or "predictive model" that creates uncertainty about how the Draft Framework will be operationalized in relation to the NAIC's Model Bulletin on the Use of AI Systems by Insurers ("Model Bulletin"). The Model Bulletin addresses insurer responsibility for overseeing third-party vendors of "AI Systems," and its definition of "AI System" includes many, but not necessarily all, third-party predictive models intended to be regulated under this Working Group's Draft Framework. While we understand that the regulatory targets for this Draft Framework are the vendors themselves, as opposed to insurers, any inconsistencies between the definition of "AI Systems" or "Predictive Model" in the Model Bulletin and definitions of "model" or "predictive model" in the eventual regulatory framework for vendor oversight will create unnecessary logistical confusion and undermine regulatory goals. Likewise, the Big Data and Artificial Intelligence (H) Working Group's proposed AI Systems Evaluation Tool uses the definitions of "Predictive Models" and "AI

Systems" that were provided for in the Model Bulletin, which could have collateral impacts on compliance with the processes in the Draft Framework, given the complexities of various arrangements involving third-party models and datasets.

The Committee urges the Working Group to develop a definition of "model" that is consistent with the Model Bulletin and other work products of the (H) Committee and its working groups.

Another critical operational concern that Committee members have identified with the Draft Framework is the ongoing requirement for vendors to notify and potentially respond to regulator information requests following "material changes" or "material modifications" to models or datasets. There is not yet an accepted industry standard for what constitutes a material change to a predictive model or a dataset, so if a regulatory obligation is going to be triggered by such a material change, the baseline for determining what are "material changes" and "material modifications" to models and datasets must be established.

The Committee strongly recommends that the Working Group establish a threshold definition or indicia of what constitutes a "material change" or "material modification" to a model or dataset that would trigger additional filings and review under the Draft Framework in order to ensure consistent interpretation and enforcement.

The Draft Framework also states that regulators will carry out different reviews and assessments as part of a discretionary third-party model filing and approval process, including requiring a direct filing of the model with a regulator that may require a "Completeness Review." There may also be discretionary evaluations of a model's accuracy, reliability, fairness and fitness for use, as well as of the configuration of the model that will be assessed by insurance regulators. The Committee is of the view that the Working Group should be consulting technical experts to develop written protocols for the various assessments that the discretionary filing and review process may require and then should provide those protocols to interested parties for review and comment before adoption. Technical experts should also be consulted to prepare the evaluative standards and metrics that regulators will apply in their approval process. Those critical elements should be completed before the Framework is adopted and should be consistent across jurisdictions.

The Committee requests that written protocols be developed in consultation with technical experts for the various assessments, evaluative standards and metrics that regulators will apply under the Draft Framework and that such protocols be provided to interested parties for review and comment before adoption. The Committee also requests that the standards for these complex assessments and evaluations be developed using a transparent process that includes industry review and comment before any registration process is implemented.

8. **The Draft Framework should clarify the standard of compliance that will be expected of vendors and insurers from regulators when enforcing the Framework.**

The Draft Framework proposes a complex and potentially intrusive series of regulatory registrations and approvals at both the vendor-level and the model or dataset-level that can vary at the discretion of the state regulator. Many vendors are not accustomed to directly interfacing with multiple state-based insurance regulators and likely will resist such a registration process unless it is simplified and uniform. While insurers often contract for vendors to support their responses to regulatory inquiries or to meet their regulatory obligations, the new registration and filling processes are likely to dissuade many highly-qualified vendors from supporting the insurance industry. This is especially true in light of the proposed ongoing notification requirements and annual attestations. There is also no specification of the level of effort that vendors must use in response to regulatory inquiries.

The Committee requests that the Working Group expressly state that "reasonable efforts" by vendors to comply with registration requirements and discretionary filing requests or requests for supplemental information are sufficient to be granted approvals.

Thank you for the opportunity to comment on the Draft Framework. We hope that you find these comments helpful. Please do not hesitate to contact us if you have any questions and/or would like to discuss our comments further.

For The Committee of Annuity Insurers

Eversheds Sutherland (US) LLP

By:

_____
Mary Jane Wilson- Bilik
Partner

Cc: Stephen E. Roth, Eversheds Sutherland (US) LLP
    Jeremy Bloomstone, Eversheds Sutherland (US) LLP

February 6, 2026

To: Third-Party Data and Models (H) Working Group
Re: Comments in Response to Third-Party Data and Model Regulatory Framework

On behalf of the undersigned NAIC Consumer Representatives, we are pleased to submit comments in response to the Third-Party Data and Model Regulatory Framework exposure draft dated December 9, 2026. We applaud the intent of the framework, to provide regulators with access to information about both third-party data vendors and third-party model vendors, and offer the following comments and attached redline edits.

Registration efficiency and scope

We support the goal of a single, streamlined process for data entry and tracking of registrations, as well as a uniform system for identifying registered entities across states. Regardless of where the database or registration process is sited, there should be a single, consistent identifier for each entity across all states. This will improve the quality of the data collected on each entity, enable states to share information more effectively, and provide vendors with a more efficient registration process.

We further support the goal of this framework in keeping the focus of regulatory oversight on uses of data with direct impact on consumers, and support the language used for establishing this scope.

Within that goal, we respectfully suggest broadening the scope of registration to include any model vendor or data vendor who does business with a state-regulated insurance company (or its parents), without regard to where or when the data or model is used. For state review, the proposed scope of uses of models and data would apply.

Broadening the scope of registration, in conjunction with a single national database, will reduce the need for insurers and third parties to assess whether or not the intended uses fall under the scope for DOI review. The vendor may or may not know all the uses to which its model or data will be put, and indeed the insurer itself may not yet know the specific uses to which the data or model will be put when it onboards the third party as a vendor.

The insurer can easily notify the third party of the need to register in the national database. Registration should be simple, comprising the identity and contact info of the company, and some summary information about the products and services it sells within the insurance industry vertical. Since typical corporate onboarding processes require many forms of this type, the added burden of filling out a simple registration form should be minimal.

We also suggest that the single national database be maintained by the NAIC. Due to the simplicity of the proposed registration process, developing a web application for registration should not be a complex undertaking and would provide a number of benefits. The third party can register once, regardless of how many insurers it does business with. A national database will also result in higher quality data, with no need to reconcile a vendor's differing submission data between states, and facilitate sharing of oversight experiences between regulators.

Clarity around definitions

At the meeting on December 9, one commenter raised the concern that not all terms in the framework had been defined. We do not feel this necessitates a slowdown in the working groups process. Rather,

we would urge you to look to other NAIC efforts where these terms have been defined and could easily be duplicated. Most recently, in the Definitions and Appendix section of the draft AI Systems Evaluation Tool, as well as in the surveys conducted by the Big Data and Artificial Intelligence (H) Working Group (for example, see the definitions by operational area beginning on page 7 of the AI/ML Health Survey).

Company Size
There were also questions about whether the size of the model vendor or AI vendor should be taken into consideration with regard to their requirement to register. We do not support a carve-out for small companies: all vendors who meet the framework's scope should be included, regardless of size. The history of other industries and of the Insurtech industry itself illustrates that effective regulation can prompt the adoption of good design and governance practices earlier in a company's lifecycle; such good practices lead to higher quality products being brought to market sooner, as well as a preventing harms to consumers.

We thank the Working Group for this important work and look forward to continued dialogue throughout the process. If you have questions or would like to discuss further please contact Eric Ellsworth at eellsworth@checkbook.org or Lucy Culp at lucy.culp@bloodcancerunited.org.

Sincerely,

Eric Ellsworth	Chuck Bell
Lucy Culp	Lauren Finke
Adam Fox	Theresa Alban
Silvia Yee	Amy Bach
Jalisa Clark	Brendan Bridgeland
Bonnie Burns	Michael DeLong
Kellan Baker	Carl Schmid
Deb Steinberg	Stephanie Hengst
Deborah Darcy	Jennifer Snow
Wayne Turner	Anna Hyde
Shamus Durac	Kenneth Klein
Anna Schwamlein Howard	Joe Feldman
Claire Heyison	

**Risk-Based Regulatory Framework for
Third-Party Data Vendors and Model Vendors**

EXECUTIVE SUMMARY

This draft outlines a risk-based regulatory framework for third-party data vendors and model vendors engaged with insurers in functions with direct consumer impact such as pricing, underwriting, claims, utilization reviews, marketing, and fraud detection. The framework aims to enhance regulatory oversight, transparency, and accountability while safeguarding intellectual property and promoting proportionality in compliance requirements.

The purpose of the regulatory framework is to provide regulators with access to third-party data vendors and models used in insurance functions with direct consumer impact and to establish governance standards for model and data integrity, consumer protection, and ongoing monitoring.

Proposed Structure:

Third-party data vendors and model vendors must register with the [state insurance departments] before their models or data may be used by insurers. *(Sufficient time will be provided for the registration process to be completed)*

Registration status will be:

- "Applied" at initial filing of registration, contingent on regulatory review of the materials submitted in support of registration including documentation of a governance program.

- "Applied with regulator approval" upon positive assessment of the governance program by the _____ *(state, lead regulator, regulator committee, other)*.

- "Registered" upon the state's acceptance of the registration and governance approval.

Regulators retain authority to disapprove individual models or data that fail to meet standards. An optional filing process is included.

Governance Standards:

Governance requirements are outlined in the framework. For model vendors, required documentation will consist of the purpose, assumptions, inputs, limitations, performance metrics, and validation processes. For data vendors, required documentation will consist of demonstrable accuracy, completeness, timeliness, representativeness, auditable data lineage, and quality controls.

Commented [1]: For clarity, we suggest using "data vendors and model vendors" in the title and summary, as this framework addresses these entities separately.

Commented [2]: To simplify and limit confusion, we suggest broadening the scope of registration to all model vendors and data vendors doing business with insurers. Please see our letter and the comment in section II for further discussion.

Deleted: governance

Risk-Based Regulatory Framework for
Third-Party Data Vendors and Model Vendors

Consumer Protection:

Vendors should disclose data usage, allow consumers to access and correct records, and define any limitations of corrections.

REGULATORY FRAMEWORK

I. Purpose and Scope

This framework establishes regulatory oversight of third-party data vendors and model vendors whose models or data are used by insurers in insurance functions with direct consumer impact. Regulators expect sufficient visibility into their models, data, and governance practices to ensure insurers using these models and data comply with state insurance laws.

Oversight is achieved through vendor registration, regulatory access requirements, and a state-specific, discretionary filing process.

II. Third-Party Data Vendor and Model Vendor Definitions

The following are the current working definitions adopted Sept. 26, 2025:

- **"Third-Party"** means any organization, operating independently of any government entity and not otherwise defined as a Licensee, that engages with an insurer to provide data, models, and/or model outputs to the insurer.

- **"Licensee"** means any insurer, producer, advisory or rating organization, third-party administrator, or other similar organization engaged in the business of insurance that is required to be licensed or otherwise authorized to perform insurance-related functions under applicable state law and is subject to examination by the [department of insurance].

III. Principles

A. Regulation with Safeguards

Regulators must determine whether third-party data vendors and models produce outcomes across insurance functions with direct consumer impact such as pricing, underwriting, claims, anti-fraud measures, and utilization review, that comply with

Deleted: The framework acknowledges that while third-party vendors will be subject to limited regulatory jurisdiction, r

Commented [3]: We would suggest clarifying this sentence. We are unsure what the phrase "regulatory access requirements" is referring to.

Commented [4]: I'd suggest removing the usages here, so that the definition of the Third Party is not tied to the usages.

Commented [5R4]: As I understand it, this broader definition of Third Parties (independent of the usages of their models or data) means that they ALL must register.
However, as the framework is directed toward oversight of the usages with direct consumer impact, the oversight is only for the subset of Third Parties whose products are used in underwriting, claims,...

Deleted: for pricing, underwriting, claims, utilization management, marketing, and/or fraud detection functions, or any other function with direct consumer impact...

Risk-Based Regulatory Framework for
Third-Party Data <u>Vendors</u> and Model Vendors

regulatory standards, including those pertaining to unfair trade practices as well as those ensuring that rates are not excessive, inadequate, or unfairly discriminatory.

For regulators to perform necessary analysis to make such determinations, third-party data <u>vendors</u> and model vendors must provide sufficient information on data sources, maintenance, model design, training data, and assumptions, with confidentiality protections equivalent to those provided to insurers. These confidentiality safeguards facilitate transparency, enabling regulators to assess model purpose, logic, and outputs and identify potential consumer harm or compliance concerns.

B. Regulatory Proportionality

Oversight scales with the materiality, complexity, and consumer impact of the third party's role. Insurance functions with direct consumer impact that use third-party data and models—such as pricing, underwriting, claims, utilization reviews, marketing, and fraud detection—may require more extensive review and documentation. Proportionality directs regulatory focus to areas with the greatest potential for consumer harm or compliance risk.

C. Accountability

Third-party data <u>vendors</u> and model vendors are responsible for data integrity as well as the accuracy and reliability of model outputs. Insurers remain ultimately accountable for all outcomes derived from the use of third-party data and models and for verifying that activities with direct consumer impact or compliance risk meet regulatory requirements. Accountability requires insurers to maintain governance, controls, and monitoring across all functions, supported by third-party data<u> vendors</u> and model vendors providing transparent documentation and cooperation with regulatory oversight.

IV. Third-Party Model Vendor Registration

Third-party model vendors must register with the a national registration database before their model(s) may be used by licensed insurers in insurance functions with direct consumer impact. Registration creates a standardized framework and ensures vendors maintain robust governance standards and controls. Any data vendor or model vendor who does business with a Licensee is required to register, regardless whether they are knowingly involved in the insurer functions listed in Section II, and regardless of whether their activities fall under the activities of this framework.

Deleted: [state insurance department or

Deleted:]

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**Risk-Based Regulatory Framework for
Third-Party Data Vendors and Model Vendors**

A. Information Provided at Registration

1. Corporate and Contact Information

    a. Legal entity, ownership structure, responsible officers, and states where model(s) are deployed or currently under review for deployment.

2. Model Governance Program Documentation

    a. Documentation demonstrating a comprehensive governance program that includes:

        1) Model development standards and testing protocols

        2) Data governance and provenance controls

        3) Validation and monitoring

        4) Change-management procedures and processes including version control, updates, and approvals

        5) Roles, responsibilities, and internal oversight

        6) Defect reporting and remediation processes

3. Agreement to Regulatory Access

    a. Vendors must agree to provide regulators with access, upon request, to information such as that described in the *NAIC Model Review Manual and the Catastrophe Modeling Primer*, including the following:

        1) Model documentation

        2) Input and output specifications

        3) Validation, performance, and any fairness/bias testing results, including impacts on specific populations

        4) Change logs and audit trails

        5) Other information reasonably necessary for regulatory evaluation

B. Annual Attestation

A senior officer must attest that the governance program is implemented, effective, and applied to all models with direct consumer impact used by licensed insurers, complies

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**Risk-Based Regulatory Framework for
Third-Party Data Vendors and Model Vendors**

with applicable insurance laws and regulations in [state], and adheres to third-party model vendor governance program requirements (*to be developed*). The attestation should be provided to each [state insurance department].

Failure to provide access may result in the model(s) being disallowed for insurer use in the state.

V.   Discretionary Third-Party Model Vendor Filing Process

States retain discretion to require direct filing of a third-party model when regulatory evaluation is necessary to ensure compliance and consumer protection. Filing is **not automatically assumed** and is rather triggered by the request of regulators based on an assessment of risk, consumer impact, and specific regulatory needs. States may modify the documentation required to be submitted depending on specific needs and level of risk.

A. Considerations for Filing a Model

1. A state may request a model to be filed for review based on any of the following:

    a. Level of consumer impact or potential harm

    b. Novel or opaque model methods

    c. Limitations of a vendor's model governance program

    d. Complaint or market conduct indicators

    e. Emerging risks, external risks, or supervisory priorities

    f. Transparency to assess compliance with rating or unfair trade practices statute(s).

B. Filing Requirements

1. Model summary and intended use

    a. Business purpose, functions, and consumer-impact

2. High-level methodology description

    a. Key factors, relationships, modeling approach, and version

3. Inputs and outputs

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**Risk-Based Regulatory Framework for
Third-Party Data Vendors and Model Vendors**

      a. Required data elements, use of sensitive attributes or potential proxies, and outputs provided to insurers

4. Validation and performance documentation

      a. Accuracy, calibration, and any fairness/bias testing results

      b. Monitoring and performance degradation controls

5. Explainability documentation

      a. How insurers can interpret model outputs

      b. Primary drivers of predictions or classifications

6. Change-management summary

      a. Version history, material changes since last version, anticipated updates

C. Confidentiality Protections

All third-party model filings are subject to the same protections afforded to insurers for confidential, proprietary, and trade-secret information.

D. Filing Review

When a model is submitted, the [state insurance department] may perform the following:

1. Completeness Review

2. Technical, actuarial, and compliance review assessment

      a. Fitness for intended use

      b. Accuracy and reliability

      c. Fairness

      d. Adequacy of governance, controls, and monitoring

3. Disposition

      a. Approval for use

      b. Conditional use

      c. Disapproval for use

**Risk-Based Regulatory Framework for
Third-Party Data Vendors and Model Vendors**

**Risk-Based Regulatory Framework for
Third-Party Data Vendors and Model Vendors**

VI.   Third-Party Data Vendor Registration

Third-party data vendors must register with the [state insurance department or a national registration database] before their data may be used by a licensed insurer in insurance functions with direct consumer impact. Registration creates a standardized framework and ensures vendors maintain robust governance standards and controls.

A. Information Provided at Registration

1. Corporate and Contact Information

   a. Legal entity, ownership structure, responsible officers, and states where data is deployed or currently under review for deployment.

2. Data Governance Program Documentation

   a. Documentation demonstrating a comprehensive governance program that includes:

   1) Data governance and provenance controls
   2) Roles, responsibilities, and internal oversight
   3) Process for identification and remediation of missing or incomplete data

3. Agreement to Regulatory Access

   a. Vendors must agree to provide regulators with access, upon request, to the following:

   1) Data documentation
   2) Validation, performance, and any fairness/bias testing results
   3) Change logs and audit trails
   4) Other information reasonably necessary for regulatory evaluation

B. Annual Attestation

A senior officer must attest that the governance program is implemented, effective, and applied to all data used by licensed insurers, complies with applicable insurance laws and regulations in [state], and adheres to third-party data vendor governance program requirements (*to be developed*). The attestation should be provided to each [state insurance department].

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**Risk-Based Regulatory Framework for
Third-Party Data Vendors and Model Vendors**

Failure to provide access may result in the vendor(s) being disallowed for insurer use in the state.

VII.   Discretionary Third-Party Data Vendor Filing Process

States retain discretion to require a direct filing of third-party data or data documentation when regulatory evaluation is necessary to ensure compliance and consumer protection. Although registration is required for all entities meeting the criteria in Section II, filing is **not automatically assumed** and is rather triggered by risk, consumer impact, and specific regulatory needs. States may modify the documentation required to be submitted depending on specific needs and level or risk.

A. Filing Requirements

1. Data documentation, source, and intended use

2. Business purpose, functions, and consumer impact

3. Accuracy, completeness, and any fairness/bias testing results

4. Explainability documentation

5. Version history, material changes since last version, anticipated updates

6. Whether data is derived or created bespoke for insurers

7. Other information reasonably necessary for regulatory evaluation

B. Confidentiality Protections

All third-party data filings are subject to the same protections afforded to insurers for confidential, proprietary, and trade-secret information.

VIII.   Ongoing Oversight of Third-Party Data Vendors and Model Vendors

A. Annual registration renewal

Vendors must annually update governance documentation, contact information, and any other required documentation.

B. Material changes notifications

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Risk-Based Regulatory Framework for
Third-Party Data Vendors and Model Vendors

Vendors must notify regulators of material modifications to a dataset or model, including decommissioning of a model. Regulators may request documentation if the changes indicate a significant alteration of model behavior, risk, or consumer impact.

C. Targeted Reviews

Regulators may request additional information or conduct targeted evaluations if concerns arise regarding model performance, fairness, or lack of sufficient governance or internal controls.

D. Annual Governance Attestation (see above **Information Provided at Registration**)

IX. Insurer Responsibilities

This framework maintains the longstanding principle that insurers are responsible for their own compliance obligations. Insurers are responsible for notifying third-party model vendors and data vendors of their obligations to register with the database described in section IV.

Insurers must, on an ongoing basis, validate model suitability for their book(s) of business, ensure contractual access to necessary information, meet all rating and underwriting requirements, even when using third-party models or data.

Regulatory oversight of third-party data vendors and model vendors **does not reduce insurer accountability**. Insurers remain responsible for the following:

A. Assessing model suitability for their own data and business use cases

B. Conducting insurer-level model validation, testing, and monitoring

C. Ensuring that any data provided by a third-party data vendor is sufficiently complete, accurate, and appropriate for its intended use

D. Ensuring compliance with rating, underwriting, unfair trade practices, and unfair discrimination laws

E. Maintaining contacts permitting insurer and regulator access to necessary model or data information

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February 6, 2026

Third-Party Data and Models (H) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1000
Kansas City, MO 64106-2197

Re: Request for comments on draft third-party data and model vendor regulatory framework

Thank you for the opportunity for Insurance Services Office, Inc. (ISO) to provide comments on the draft Risk-Based Regulatory Framework for Third-Party Data and Model Vendors developed by the NAIC Third-Pary Data and Models Working Group.

Introduction

Our comments elaborate on the following four suggested changes to the framework:

1. Limit the scope of the framework to underwriting and rating.
2. Create a central multi-state third-party vendor registration process.
3. Modify the definition of "Third-Party."
4. Enhance confidentiality protections.

We acknowledge regulators' goal to protect consumers by ensuring oversight of the third-party vendors, data, and models used within the insurance industry. After thoughtful review of the framework, we believe our suggested changes will not only help preserve consumer protection but also contribute to the availability and affordability of insurance with a more focused, efficient framework. To best understand our perspective, please note that ISO provides information (including statistics, underwriting and claims information), actuarial analyses, policy language, and consulting and technical services in connection with multiple lines of property/casualty insurance, as well as information about specific properties. Our customers include insurers and reinsurers, as well as agents, brokers, self-insureds, risk managers, financial services firms, regulators, and various government agencies.

Focus the Scope on Underwriting and Rating

First, we suggest focusing the scope of the framework on underwriting and rating. While other insurance related functions, such as claims, marketing, and fraud detection, can have an impact on consumers, they also come

![Verisk]

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with additional, often nuanced, considerations such as protection of fraud investigation activity, the range of claim types across life, health, and property and casualty, and the diversity of marketing methods. Focusing on underwriting and rating, given their outsized effect on the availability and affordability of insurance, is likely to have the biggest direct benefit from the framework. In addition, narrowing the framework's focus permits regulators to concentrate their attention and resources on these two functions that "pose the greatest potential for consumer harm or compliance risk."[1] Moreover, a more focused framework will help regulators tailor the framework to the intricacies of these two highly technical functions. In addition, a narrowed focus reduces the number of vendors required to register and potentially submit filings under the framework. This, in turn, helps to alleviate the financial, speed-to-market, and staffing burdens a broader framework would likely impose on regulators, vendors, insurers, and ultimately consumers. Focusing the scope of the framework not only helps ease regulatory burdens, but would look to ensure that regulatory oversight remains comprehensive. In addition, state insurance departments would still uphold "the longstanding principle that insurers are responsible for their own compliance obligations. Insurers must validate model suitability for their book(s) of business, ensure contractual access to necessary information, meet all rating and underwriting requirements, even when using third-party models or data."[2] Finally, concentrating the scope of the framework to these two high consumer impact functions aligns with the current regulatory framework for product filing and review, which promotes consistency.

<u>Create a Central Multi-State Third-Party Vendor Registration Process</u>
Second, we suggest streamlining the registration process by creating a central multi-state registration process, such as a national registration database, for third-party vendors. This centralized process should not only provide a standardized registration for all jurisdictions, it should also incorporate any required registration renewals, governance program reviews, annual attestations, and material change notifications. States could maintain the option ". . . to require a direct filing of third-party data or data documentation when regulatory evaluation is necessary to ensure compliance and consumer protection" and ". . . request additional information or conduct targeted evaluations if concerns arise . . ."[3] A single state registration process is inefficient considering the number of third-party vendors contributing to the insurance ecosystem. To illustrate, the 2025 Insurtech Connect Vegas conference had 800+ Insurtechs and startups in attendance.[4] Using this as a baseline for the number of vendors, and assuming each vendor intends to make their products available in all jurisdictions, this could result in over 43,000 registrations across 54 jurisdictions. A central multi-state third-party vendor registration process has precedence; for example, the National Insurance Producer Registry (NIPR) manages producer licensing across all jurisdictions to provide similar efficiencies.
The registration process could be further streamlined by requiring third-party vendor registration only in the vendor's state of domicile with other states accepting this registration. This would further limit the

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[1] Risk-Based Regulatory Framework for Third-Party Data and Model Vendors, pg. 3.

[2] Risk-Based Regulatory Framework for Third-Party Data and Model Vendors, pg. 9.

[3] Risk-Based Regulatory Framework for Third-Party Data and Model Vendors, pg. 8.

[4] Startups & Insurtechs - ITC Vegas 2025

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administrative burden of the registration process on both third-party vendors and regulators. This is analogous to the licensing requirements for surplus lines brokers as outlined in the NAIC State Licensing Handbook, Chapter 10.[5]

Modify the definition of "Third-Party"

Third, we suggest modifying the definition of "Third-Party" to align with a more concentrated scope, to focus on those entities supporting underwriting and rating functions, and to explicitly not include organizations that directly pass through government data. For example, a well-known third- party vendor may sell map data to an insurer for various uses, however this data might not be used directly to underwrite or rate a policy. In addition, an organization may directly pass through Division of Motor Vehicle records across multiple jurisdictions, without transformation, to provide efficiency to the industry. Subjecting such entities to the registration and, potentially, the filing process would take regulatory resources and focus away from unique data sources used explicitly and directly in underwriting and/or rating. We suggest the following changes to the definition:

> "**Third-Party**" means any organization, operating independently of any government entity and not otherwise defined as a Licensee that explicitly engages with an insurer to provide data, models, and/or model outputs to the insurer for use directly in ~~for~~ rating and/or~~,~~ underwriting~~, claims, marketing, and/or fraud detection functions~~,. except an organization that directly passes through government sourced data without transformation.

Enhance Confidentiality Protections

Finally, third-party model vendors invest sizable resources in the development of their products. The models themselves are the vendor's intellectual property and, if made public through a filing, could prove detrimental to their business. Given this, some states may wish to provide additional confidentiality protections, beyond those which govern traditional product filings. As a result, we suggest modifying V.C. Confidentiality Protections, as follows:

> All third-party model filings are subject to at least the same protections afforded to insurers for confidential, proprietary, and trade-secret information, including in jurisdictions where such protections are not explicitly codified.

In addition, the same may be said of third-party data vendors and we suggest modifying VII.B. Confidentiality Protections similarly, as follows:

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[5] State Licensing HB Chapter 10.pdf

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All third-party data filings are subject to <u>at least</u> the same protections afforded to insurers for confidential, proprietary, and trade-secret information<u>, including in jurisdictions where such protections are not explicitly codified</u>.

<u>Conclusion</u>

Again, thank you for the opportunity to share our comments with you regarding the draft framework. Please feel free to contact me should you require additional information concerning ISO's position relative to these matters.

Sincerely,

Laura L. Panesso, CPCU
AVP, State Relations

Hi Kris,

Third-Party data and models are used widely within the insurance industry. It is essential that regulators have the ability to review Third-Party data and models as they have a profound impact on consumers. The Third-Party Framework is a great step in ensuring regulators can review Third-Party data and models. The NAIC Model Review team has experience reviewing Third-Party models that appear in SERFF filings and offer this feedback on the exposed draft:

- The spacing appears to be a little off in the second paragraph under "EXECUTIVE SUMMARY".

- The second sentence in "Governance Standards" states, "For models, required documentation will consist of the purpose, assumptions, inputs, limitations, performance metrics, and validation processes." We think it might be useful to add: "implementation and monitoring procedures". The NAIC model review team has reviewed multiple Third-Party models and finds it helpful when the vendors discuss how they will advise companies to implement their model. "Implementation procedures" could include a general discussion regarding how companies should demonstrate that the added model provides additional lift above and beyond the insurer's existing models. This could also include templates showing examples how a typical insurance company could potentially integrate the new Third-Party model with their other models. "Monitoring procedures" would be a discussion of how the company is monitoring that the model continues to generalize well to newly incoming data. Ideally, the testing would be ongoing and the Third-Party vendor would update their model appropriately as warranted.

- The first sentence in "Agreement to Regulatory Access" references the NAIC Model Review Manual and the Catastrophe Modeling Primer. We recommend including links to the latest versions of the documents in a footnote on the page. The NAIC

Model Review Manual is located here:
https://content.naic.org/sites/default/files/inline-files/NAIC%20Model%20Review%20Manual__%20adopted%20by%20CASTF%2011.04.25_0.pdf.

- Section VIII.B. Refers to "Material Changes Notifications". It might be helpful to clarify what a material change is. Would a "model refresh" be considered a "material change"? The NAIC model review team defines a "model refresh" as when the company is updating its model with new data, but uses the exact same variables. Generally, insurance companies directly regulated by DOIs file all model "refreshes". We have found that some third-party vendors are unclear whether they are similarly required to file all model refreshes if the underlying methodology for the model has not changed. It would also be beneficial to clarify what "decommissioning of a model" includes. For example, if it is decommissioned in a state for state-specific statutory reasons, does the vendor need to notify other state DOIs where the model is still active? Similarly, if a model is decommissioned from a particular application, such as decommissioned from rating but still used in underwriting, does that require notification?

Please let me know if you have any questions.

Thanks!

Sam Kloese, ACAS, MAAA, CSPA

P&C Rate Modeling Actuary and Data Scientist

Research and Actuarial Service Department

National Association of Insurance Commissioners

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February 6, 2026

Kris DeFrain
Research and Actuarial Services
NAIC Central Office
1100 Walnut Street, Suite 1500
Kansas City, MO. 64106

Attn: Ms. Kris DeFrain, Director, Research and Actuarial Services
Sent via email: kdefrain@naic.org
Re: Comments on NAIC EXPOSURE DRAFT: THIRD-PARTY REGULATORY FRAMEWORK

Dear Ms. DeFrain:

We are writing on behalf of LexisNexis Risk Solutions Inc. ("LexisNexis"), a leader in providing essential information to help customers across industries and government assess, predict, and manage risk. LexisNexis appreciates the opportunity to provide feedback on the draft NAIC Exposure Draft: Third-Party Regulatory Framework ("Framework Draft").

LexisNexis is greatly appreciative of the continued comprehensive and inclusive stakeholder process the NAIC has undergone as it seeks to identify the best approach for the Framework Draft. The NAIC Third-Party Data and Models (H) Working Group ("NAIC") continues to show its willingness to identify a framework that is both operationally feasible for third-party vendors and provides the efficiencies necessary for the industry and for consumers. The comments below are intended to assist the NAIC in refining the most recent proposed draft provisions of the Framework Draft.

***

Utilization of Current Effective Processes

While LexisNexis appreciates the work of the NAIC in relation to developing a logical solution to creating efficiencies and fostering communication between the state departments of insurance and third-party model vendors, LexisNexis would like to note that there are state departments of insurance that allow for non-licensed entities to file their models in SERFF. These departments have noted publicly that the processes they have in place provide the transparency and communication that the NAIC appears to be trying to achieve with this Framework Draft. We would encourage the NAIC to review and discuss this process with the state departments of insurance that allow this activity as this makes use of an effective solution already in practice.

Registration Level: State vs National

Section IV. Third-Party Model Vendor Registration notes that "Third-party model vendors must register with the [state insurance department or a national registration database] before their model(s) may be used by licensed insurers in insurance functions with direct consumer impact." LexisNexis supports the

proposal of a national registration as this would provide significant efficiency and consistency to the current insurance model filing process.

Regulatory Authority

Per the Framework Draft's purpose and scope statement, the "framework establishes regulatory oversight of third-party data and model vendors whose models or data are used by insurers in insurance functions with direct consumer impact. The framework acknowledges that while third-party vendors will be subject to limited regulatory jurisdiction, regulators expect sufficient visibility into their models, data, and governance practices to ensure insurers using these models and data comply with state insurance laws. Oversight is achieved through vendor registration, regulatory access requirements, and a state-specific, discretionary model filing process."

LexisNexis appreciates the value of having direct communication between third-party vendors and state departments of insurance. However, currently there are multiple states whose statutes and/or insurance codes are interpreted to not permit a direct relationship and/or filing or sharing of documentation between a third-party vendor and the department. To overcome this statutory gap, these states would likely need to create legislation that would address the ability of these entities to communicate or establish a new vendor designation for vendor registration. LexisNexis recommends that statutory language be proposed by the NAIC that would provide uniform access between third-party vendors and state departments of insurance to ensure standardization of application and to create efficiencies in the registration or regulatory process.

Confidentiality

Per Section III. A. Regulations with Safeguards, LexisNexis appreciates the inclusion by the committee that, "third-party data and model vendors must provide sufficient information … with confidentiality protections equivalent to those provided to insurers" as "these confidentiality safeguards facilitate transparency, enabling regulators to assess model purpose, logic, and outputs and identify potential consumer harm or compliance concerns." Information provided by LexisNexis to state departments of insurance may contain confidential and proprietary information and maintaining that confidentiality would ensure protections for that information and for the industry as a whole.

Data vs Model Documentation in Filing

Beginning with Section VI. Third-Party Data Vendor Registration of the Framework Draft, the filing process proposal expands from "model vendors" or "model documentation" to applying the process to "data vendors" and "data documentation". "Data" is extremely broad and would require filing beyond what is currently required for insurers. To prevent confusion as to what must be filed by third-party vendors and to not create new and overly burdensome requirements, LexisNexis recommends maintaining sections related to "model vendors" or "model documentation" and striking sections pertaining to "data vendor" processes throughout as applicable to the registration and filing of documentation with state departments of insurance.

Third-Party Vendor Requirements

While LexisNexis does not seek to create overly prescriptive requirements that would create undue burdens on both third-party vendors and the state departments of insurance, clarity would also be beneficial in terms of understanding what is required of third-party vendors within this Framework Draft. There are multiple instances throughout the exposure draft where the language calls for "other information reasonably necessary" to be provided to state departments as well as the requirement of a third-party attestation stating that they adhere to "third party model vendor governance requirements (to be developed)". Third-party vendors such as LexisNexis need clarity and specificity in these areas to be able to provide feedback as to whether the documentation covers everything necessary while also not being overly prescriptive and burdensome for the wide range of third-party vendors that may work with insurers, thus negatively impacting the industry.
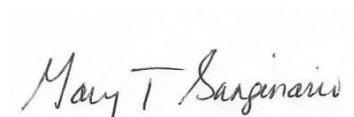
In addition to enhanced specificity in requirements, carve outs may be required in instances where "other information reasonably necessary" is referenced within the Framework Draft. A specific example would be Section IV.A.3. Agreement to Regulatory Access under Third Party Vendor Registration. Information such as detailed confidential and proprietary information (i.e. contract terms) or federally regulated information (i.e. consumer reports governed by the Fair Credit Reporting Act ("FCRA")) may need specific carve outs to ensure protections for said information and to ensure requests don't exceed the scope of what third-party vendors are capable of legally providing.

Finally, in Section IV.A.3. Agreement to Regulatory Access, requirements are listed that are specific to catastrophe models. LexisNexis believes it would be beneficial to provide clarity in the Framework Draft that the requirements listed are for catastrophe models specifically versus all models.

<p style="text-align:center">***</p>

Thank you for your consideration of these comments. To the extent they have not already, we fully anticipate that other industry participants will provide more detailed feedback and observations.

LexisNexis looks forward to future opportunities to comment on revised drafts of the Third-Party Regulatory Framework Draft. Should you have any questions, please do not hesitate to contact us at Gary.Sanginario@lexisnexisrisk.com.

Sincerely,

Gary T. Sanginario, CPCU
AVP, Product Management
Insurance

Good Morning Kris,

On behalf of Commissioner Grant, I would like to submit Maryland's comments regarding the Third-Party Regulatory Framework. Our comments are as follows:

- There is a lack of clarity for the enforcement authority the insurance regulators will have. Under accountability it mentions that a State might prohibit a model if not all of the information is submitted, but does this also contemplate penalizing an insurer or a third-party vendor if the submission of the model or the attestation are not timely? It may be helpful if the insurer responsibility section would more clearly state that the insurer is subject to sanction for failure of its third-party vendor to provide data or the attestation in a timely manner.

- The framework could be strengthened by including a section on how and why approval of a model or registration may be revoked, and what happens if an insurer uses a vendor that is not registered.

- A formal framework would definitely enhance the depth and scope of any potential case where we need to dig deeper. We often obtain 3rd party SSAE18 and/or SOC reports Type 2 (typically) which provide additional assurance of the underlying controls around model governance by the third-parties. Even if the insurer does not obtain such assurance, it is still the insurer's responsibility to ensure that controls are built into third party models.

- The regulatory framework requires the 3rd party vendor to obtain regulatory analysis of the model when it is initially developed and submitted to the insurance department. Subsequently, when an insurer chooses to use this model in its rating procedure, it also needs to file the model with the insurance department. Is there going to be two analyses of the same model by the same insurance department, or is there going to be one analysis split into two portions?

- Is the general idea that aspects of the model's design only will be filed by the 3rd party vendor, and then the insurer will file only how that approved model was used to determine actual rating factors used in the insurer's rating plan? The current

method of analysis used when an insurer files a new or updated model is to ask the insurer questions about how the model was constructed as well as how it was used to calculate new rating factors. If a full review is to be required by the insurance department for both the 3rd party vendor's model filing and the subsequent insurer's filing which used the model to develop its rating factors, that will place a heavy burden of both time and resources on the insurance department that may become unwieldy.

- If a "partial" filing is to be made by both the vendor and the insurer, who will determine which items need to be included in the vendor's filing and which items need to be included in the insurer's filing?

Thank you for allowing us the opportunity to comment and have a great day!

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February 6, 2026

Ms. Kris DeFrain
NAIC, Director, Research and Actuarial Services
1101 K Street, N.W., Suite 650
Washington, DC 20005

Sent via email to kdefrain@naic.org

Re: Exposure of the Third-Party Data & Model Regulatory Framework (TPDMWG) — Dated December 9, 2025

Dear Chair Lapham, Vice Chair Crockett, and Members of the Third-Party Data & Models (H) Working Group:

MIB Group, Inc. and MIB Group Holdings, Inc. (collectively "MIB") appreciates the opportunity to comment on the Risk-Based Regulatory Framework for Third-Party Data and Model Vendors exposed on December 9, 2025 ("Exposure Draft"). We support the Working Group's goal of promoting regulatory clarity around insurers' use of third-party data and models in functions with direct consumer impact, in a manner that is proportionate to risk and consistent with longstanding principles of insurer accountability.

The Exposure Draft does not recognize Consumer Reporting Agencies (CRAs) as a distinct, governed category. As detailed below, we respectfully request a targeted, text-level carve-out for CRAs acting within the scope of the Fair Credit Reporting Act (FCRA), 15 U.S.C. § 1681 et seq. CRAs—including MIB—are already subject to a comprehensive federal regime that: (1) constrains permissible uses of consumer information; (2) mandates "maximum possible accuracy" procedures; and (3) grants consumers robust access, dispute, and correction rights, all subject to ongoing federal supervision and examination. Imposing duplicative state registration, attestation, and filing requirements on CRAs under the Exposure Draft would not advance the Working Group's stated goals and risks conflict with, and preemption by, the FCRA.

I. The Exposure Draft's Purpose and Principles Align with a CRA Carve-Out.

The Exposure Draft seeks to provide regulators with insight into third-party data and models used by insurers, set governance standards for the use thereof, and ensure consumer protection when these data and models are used in high-impact functions (pricing, underwriting, claims, utilization review, marketing, and fraud detection), with oversight scaled by risk and insurers retaining ultimate accountability.

The Working Group minutes recognize that some entities already operate with high transparency to regulators (e.g., MIB) and that the framework aims chiefly at addressing opaque "black-box" vendors whose data and models regulators cannot readily evaluate. Creating a state registration/filing overlay for CRAs does not remedy that problem and diverts oversight away from higher-risk, non-CRA vendors.

II. Why CRAs Are Different: The FCRA is a Comprehensive Consumer-Protection Regime

FCRA was enacted to promote accuracy, fairness and privacy of consumer information, and to prevent the misuse of data. CRAs are federally defined and regulated under the FCRA, which:

- Limits the provision of consumer reports to specific "permissible purposes," including insurance underwriting (15 U.S.C. § 1681b(a)(3)(C)); and prohibits furnishing reports absent a permissible purpose.
- Requires CRAs to follow reasonable procedures to assure "maximum possible accuracy" (15 U.S.C. § 1681e(b)) and to vet users, verify identity and stated purpose, and limit disclosure to the listed purposes (15 U.S.C. § 1681e(a)).
- Grants consumers access and reinvestigation rights with strict timelines (generally 30 days, extendable to 45) and furnisher-notification duties (15 U.S.C. § 1681i).
- Is subject to active federal supervision and examination (CFPB's Supervision & Examination Manual—Consumer Reporting; interagency exam procedures), aimed precisely at accuracy and dispute handling.
- These obligations match or exceed the Exposure Draft's governance, accuracy, and consumer-access aims (see Annex A).

III. The Exposure Draft, If Applied to CRAs, Would Create Duplicative and Conflicting Requirements

Sections IV–VIII of the Exposure Draft impose state registration, governance documentation, broad regulatory access, optional model/data filings, material-change notices, and annual officer attestations. For CRAs, these would duplicate and/or conflict with:
(i) FCRA data-accuracy and purpose-limitation duties (15 U.S.C. § 1681e, § 1681b),
(ii) FCRA dispute rights and timelines (15 U.S.C. § 1681i), and
(iii) CFPB supervisory expectations regarding accuracy, matching, and dispute investigations.

Additionally, the Exposure Draft's regulator-access provisions could pressure CRAs to disclose consumer-report information outside FCRA channels or beyond permissible purposes, which the FCRA does not permit—even to state actors—absent a valid statutory basis. That tension invites preemption disputes and risks consumer privacy harms the FCRA was designed to avoid.

IV. Requested Text-Level Edits: Two Practical Carve-Out Paths

To address this duplication and conflicting regulatory situation, MIB respectfully recommends one of the following:

A. Express Definition-Level Exclusion (preferred)
Amend § II ("Third-Party") to add: "Third-Party' does not include a Consumer Reporting Agency, as defined in the Fair Credit Reporting Act (15 U.S.C. § 1681a), when acting within the scope of the FCRA."

B. Conditional Safe Harbor
Add to § I or § II a clause exempting CRAs from registration/filing/attestation to the extent they act in compliance with and are subject to oversight under the FCRA.

Each path honors the Exposure Draft's risk-proportionality and accountability principles while avoiding duplicative or conflicting oversight.

V. Recognition of MIB Data as a Distinct, Federally Regulated Underwriting Source

Regulators in both New York and Colorado have already recognized that MIB-supplied information occupies a fundamentally different position from external consumer data sources. New York's DFS, in Insurance Circular Letter No. 7 (2024), expressly excludes MIB information from the definition of "external consumer data and information sources (ECDIS) and distinguishes it as traditional, insurer-furnished underwriting information from such external datasets. While the Colorado Division of Insurance, in its draft proposed regulation concerning quantitative testing of ECDIS, algorithms, and predictive models used for life insurance underwriting for unfairly discriminatory outcomes, similarly identifies "MIB data" as a *traditional underwriting factor* rather than an ECDIS under its draft quantitative testing regulation (3 CCR 702-10). Such examples are offered merely as evidence of an emerging regulatory consensus related to MIB information.

This treatment reflects a consistent supervisory understanding that MIB operates within the established FCRA framework—collecting data directly from consumers and providing standardized, insurer-generated, and insurer-validated data—rather than collecting or creating novel consumer attributes that raise fairness, transparency, or explainability concerns. Accordingly, MIB data warrants parallel treatment under the NAIC's proposed third-party framework: applying external-vendor registration obligations to a federally regulated CRA would neither enhance consumer protection nor align with the existing regulatory posture in states that have already examined—and carved out—MIB data from external-data regimes. MIB does not provide predictive models or decisioning outputs within the scope of the framework.

VI. Conclusion

A targeted CRA carve-out advances the Working Group's stated goals while respecting an existing, mature federal framework that already secures accuracy, transparency, and consumer rights for insurance uses of consumer reports. We would welcome the opportunity to discuss practical implementation with staff.

Respectfully submitted,

Christie Corado

Christie Corado
General Counsel, Secretary and Chief Privacy Officer

Cc: Kara Baysinger, Willkie Farr & Gallagher, LLP

Annex A — Side-by-Side Mapping: FCRA Obligations vs. TPDMWG Exposure Draft

Purpose: Show that applying the Exposure Draft to MIB (a CRA) creates overlapping—and in places conflicting—requirements, with no incremental consumer-protection benefit.

A1. Governance, Accuracy, and Data Controls

- Exposure Draft § IV(A)(2), § VI(A)(2) — Requires model/data governance program documentation covering development standards, provenance controls, validation/monitoring, change management, roles, and quality controls.
- FCRA (15 U.S.C. § 1681e(a)-(b)) — CRAs must (i) verify user identity and purpose; (ii) limit furnishing to permissible purposes; and (iii) maintain "reasonable procedures to assure maximum possible accuracy." These are enforceable, examinable governance obligations.
- Federal Supervision — CFPB examination procedures for consumer reporting specifically test CRA accuracy, matching, furnisher relations, and dispute handling, with ongoing supervisory expectations.
- Redundancy: The Exposure Draft's governance expectations substantially overlap CRA accuracy and control duties already examined by the CFPB.

A2. Transparency and Regulatory Access

- Exposure Draft § IV(A)(3), § VI(A)(3), § V, § VII — Requires vendor agreement to regulatory access (documentation, inputs/outputs, performance/fairness testing, change logs) and permits discretionary filings for risk review.
- FCRA (15 U.S.C. § 1681b) — CRAs may only furnish consumer reports for specific, consumer-level permissible purposes (including insurance underwriting) and must have reason to believe the user has such purpose; CFPB has clarified purpose is consumer-specific and disclaimers cannot cure non-compliance.

Potential conflict: Broad "regulatory access" obligations could pressure disclosures of consumer-report information outside FCRA-permitted pathways, risking preemption and consumer privacy harms.

A3. Consumer Access, Disputes, and Corrections

- Exposure Draft (Executive Summary; Consumer Protection) — Vendors should enable consumer access/correction and define correction limits.
- FCRA (15 U.S.C. § 1681i) — CRAs must provide free reinvestigation of disputed items within 30 days (extendable to 45), notify furnishers within 5 business days, delete/modify

unverifiable information, and give written results and a free updated report—all subject to liability for non-compliance.

- Redundancy: The Exposure Draft's generalized "access/correction" concept is less rigorous and is fully specified and time-bound under FCRA for CRAs.

A4. Registration, Attestations, and Ongoing Monitoring

- Exposure Draft § IV(B), § VI(B), § VIII — Annual senior-officer attestation, annual renewal, material-change notices, and potential targeted reviews.
- FCRA + Federal Supervision — CRAs operate under continuing federal examination and enforcement; supervisory materials and interagency procedures focus on accuracy, permissible purpose controls, identity-theft alerts, complaint handling, and third-party oversight.

Redundancy: Annual attestations to state insurance departments would duplicate federal supervisory reporting and create a multi-state filing burden without added consumer protection.

Annex B — Proposed Red-Line Text

1. Definition-level Exclusion (preferred)
    Add to § II (Definitions):

"'Third-Party' does not include a Consumer Reporting Agency, as defined in the FCRA (15 U.S.C. § 1681a), when acting within the scope of the FCRA."

2. Conditional Safe Harbor
    Add to § I (Purpose and Scope) or § II:

"CRAs acting in compliance with, and subject to, the FCRA's requirements for accuracy, consumer access and dispute rights, and permissible-purpose limitations are deemed to satisfy vendor registration, filing, attestation, and ongoing-oversight requirements under this framework."

Annex C — Supporting Authorities (selected)

- TPDMWG Exposure Draft & Minutes (Dec. 9, 2025; Aug. 13 & Oct. 29, 2025): registration/attestation regime; scope; proportionality; insurer accountability; WG recognition of MIB's transparency.
- FCRA § 604 (15 U.S.C. § 1681b): Permissible purposes (incl. insurance underwriting) and consumer-specific purpose; CFPB advisory opinion clarifying user- and consumer-specific permissible purpose.
- FCRA § 607(b) (15 U.S.C. § 1681e(b)) & § 607(a): Maximum possible accuracy; user vetting and purpose verification.
- FCRA § 611 (15 U.S.C. § 1681i): Dispute/reinvestigation timelines, furnisher notice, deletion of unverifiable data, consumer notifications.
- CFPB Supervision & Examination Manual (Consumer Reporting): Federal examination coverage of accuracy, matching, disputes.
- New York Department of Financial Services, *Insurance Circular Letter No. 7 (2024): Use of Artificial Intelligence Systems and External Consumer Data and Information Sources in Insurance Underwriting and Pricing.*
- Colorado Division of Insurance, *Draft Proposed New Regulation 10-2-XX Concerning Quantitative Testing of External Consumer Data and Information Sources, Algorithms, and Predictive Models Used for Life Insurance Underwriting for Unfairly Discriminatory Outcomes* (3 CCR 702-10).

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Microsoft's Response to the NAIC's Proposed Risk-Based Regulatory Framework for Third-Party Data and Model Vendors

Microsoft respectfully submits this response to the National Association of Insurance Commissioners' proposed Risk-Based Regulatory Framework for Third-Party Data and Model Providers (referenced as "proposed framework"). Microsoft supports the underlying objectives of transparency, accountability, and effective risk management for high-risk insurance uses of AI. Consistent with those objectives, Microsoft recommends targeted refinements to ensure the framework remains risk-based, proportionate, scalable, and aligned with established financial services regulatory frameworks.

Microsoft's recommendations are narrowed to: (i) defining which models should be in scope (i.e., high-risk models intended for specific insurance use cases), (ii) accounting for the shared responsibility model given only insurers have knowledge and accountability for a model's intended use, and (iii) transparency obligations should remain with the regulated institution because they have domain control over how the specific models are to be used.

Central to all of this is ensuring that a balanced regulatory framework enables the insurance industry to avail itself of the benefits of innovation in use of AI and responsibly manage and have oversight of such high-risk systems to protect its customer base. Microsoft believes that these proposed refinements would allow the NAIC framework to achieve its consumer protection and governance objectives while remaining workable, enforceable, and supportive of responsible innovation in the insurance sector.

1. THE IMPORTANCE OF DISTINGUISHING BETWEEN GENERAL PURPOSE AND HIGH-RISK MODELS

Modern AI governance frameworks distinguish between general purpose AI (GPAI) models and high-risk AI systems. Risk and regulatory obligations attach primarily based on how AI is deployed, not solely on the technical capabilities of an underlying model. Oversight and risk management responsibilities are distributed across the AI supply chain through a shared responsibility model aligned with established cloud governance principles.

With this in mind, it is important to distinguish between:

- AI models (the trained statistical engines), and

- AI systems (the operational applications that integrate a model with data, software, workflows, and users).

A GPAI model, on its own, is not automatically classified as high risk**,** for example, under the EU AI Act, or similar risk-based regulatory frameworks because of their general nature, and the fact they are not tied to, or developed for, high-risk use cases.

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a. General Purpose AI (GPAI) Models

General purpose AI models are foundational technologies designed to perform a wide range of tasks such as language understanding, content generation, summarization, and reasoning. By themselves, GPAI models are not tied to a single regulated purpose and do not automatically constitute high-risk AI.

b. High-Risk AI Systems

An AI system may be classified as high risk based on its intended use and impact, not the generality of the model it uses. The proposed framework covers high-risk AI systems deployed in contexts that they are intended to be used (and even developed) for scenarios involving "*pricing, underwriting, claims, marketing, and/or fraud detection functions."* These systems combine AI models with business logic, data pipelines, operational workflows, and human decision-making processes that are specific for this intended use.

c. Relationship Between GPAI Models and High-Risk AI Models

While GPAI models may be used in both low-risk and high-risk systems, risk classification follows the deployment context, which is solely dependent upon the insurer, who would be accountable for the deployment, management, governance and oversight of such models in these high-risk use cases. A GPAI model provider would have no knowledge or control of such a high-risk use case, which remains solely within the regulated insurance entity.

By way of further background, GPAI providers like Microsoft offer access to foundational models (such as OpenAI, Microsoft Phi, and third-party models) through services like Azure OpenAI and Microsoft 365 Copilot, while separately acting as a cloud platform that stores and protects customer data. These roles are distinct: the models are trained on large-scale public, licensed, or de-identified data, not on enterprise customer content, whereas customer data exists solely to deliver the service. Microsoft does not use customer data to train foundation models, and its contractual terms explicitly prohibit it, ensuring prompts, responses, and organizational content remain private. This separation between model provider and data custodian ensures customer data is never repurposed for AI model training and as a GPAI provider and a cloud provider Microsoft has no knowledge of how models or data are used.

This context is important as it should not be assumed that a GPAI model provider would have knowledge, control or responsibility for high-risk use cases, which have an additional layer of responsibility by the deployer of such models. Indeed, because GPAI model providers would not develop models specifically tailored for such high-risk use cases, they should be outside the scope of the proposed framework given the underlying objectives and scoping of what defines a "third party" as noted below.

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2. SHARED RESPONSIBILITY MODEL AND RELEVANT OBLIGATIONS ON FINANCIAL INSTITUTIONS

a. Responsibilities of AI Model and Platform Providers

GPAI platform providers are responsible for designing and training AI models by implementing a rich set of governance processes and adhering to international standards such as the NIST AI Risk Management Framework, including:

- Designing and training models with built-in safety, security, and risk mitigations;
- Providing technical documentation, transparency notes, and evaluation information;
- Implementing model-level safeguards, including content safety systems, logging, and incident response mechanisms;
- Maintaining cybersecurity protections for AI infrastructure;
- Aligning model development, such as with Microsoft's Responsible AI Standard and frameworks such as the NIST AI Risk Management Framework; and
- Providing compliance-enabling tool**ing** and guidance for customers, as further described below.

b. Responsibilities of AI System Deployers

Organizations that deploy AI systems, particularly in high-risk scenarios, are responsible for the full lifecycle chain in management, governance, testing and oversight in use of such models, including:

- determining whether a use case is high risk;
- conducting impact assessments of such models;
- conducting bias evaluations of such models;
- conducting risk analyses of such models in their operational context;
- implementing human oversight, governance, and escalation procedures;
- monitoring system performance and outcomes;
- complying with sector-specific and jurisdictional regulatory requirements; and
- ensuring transparency and disclosures to affected users.

c. Limitations of GPAI Model Providers versus Model-Providers for Specially Developed High-Risk AI Systems

Model providers cannot fully predict or control downstream uses of general-purpose models. Many high-risk considerations depend on organizational policies, data choices, decision thresholds, and human involvement. Effective AI oversight therefore requires both

provider-level safeguards at a platform level, and deployer-level governance, supporting a proportionate, risk-based regulatory approach. In light of these limitations, the proposed framework should expressly exclude GPAI model providers as noted below.

3. RECOMMENDATIONS TO FRAMEWORK BASED ON UNDERLYING OBJECTIVES AND SCOPE

a. Scope Should be to Specific Insurance Purpose Models for High-Risk Use Cases

The proposed framework limits applicability to the following:

"Third-Party" *means any organization, operating independently of any government entity and not otherwise defined as a Licensee, that engages with an insurer to provide data, models, and/or model outputs to the insurer for pricing, underwriting, claims, marketing, and/or fraud detection functions.*

For purposes of clarity, it would be helpful to distinguish between GPAI models and those models specifically developed or co-developed by model providers for specific insurance use cases in these scenarios, which GPAI model providers do not provide. GPAI model providers do not develop such models for specific insurance use cases, have no knowledge of the underlying intended purpose uses by insurers, and do not have specific knowledge or engagement with insurers when such models are used and for what purpose.

Thus, for clarity, it would be helpful to add this additional language to the definition of "Third Party": *For clarity, general purpose model providers or any AI model provider that does not co-develop or create a model for insurers in connection with high-risk uses cases for pricing, underwriting, claims, marketing, and/or fraud detection functions is excluded from this Proposed Framework*.

b. The Shared Responsibility Model Requires that Regulated Institutions Have Full Knowledge, and Remain Accountable, For Specific High-Risk Use Cases

To be implementable and effective, responsibilities need to be allocated to the actors that have both the necessary information and capabilities to implement them. This lies with the insurers, who are the regulated entities, who have the requisite knowledge of the model's intended use, and have accountability and control in managing the use case and associated risks.

At bottom, if the express purpose of this framework is (i) to obtain transparency of models involving high-risk uses in specific, articulated insurance use case scenarios, (ii) ensure accountability in managing risk of such models by insurers, and (iii) enable regulatory oversight of in such high risk use cases by insurers, all of these objectives can be accomplished by maintaining the regulatory structure that exists in mandating such

information from the regulated institutions, who have the requisite knowledge and access to such information to provide to regulators.

By way of explanation, such responsibilities should remain with the regulated institutions for the following reasons:

- *Model Providers Unlikely Have Readily Available Information in Tracking Use Cases by Their Customers:* At least for GPAI models, there can be models freely available to download by anyone, including models provided "as a service" by general platform vendor without any knowledge concerning the model's use. By way of example, Microsoft's Azure Foundry provides access to over 11,000 models which, if downloaded by financial firms, could involve deployment of tens of thousands of different models by thousands of financial firms worldwide.

- *Model Providers Unlikely know that the customer is a licensed insurer using models for high-risk uses cases:* in many cases the licensed insurer will not be purchasing models directly and instead will be purchasing systems or services that incorporate the model from another third-party (e.g., Software as a Service), and the model vendor won't know what systems or services their models are being incorporated into, and whether those systems or services are used by licensed insurers. Even when a licensed insurer purchases models directly from a model vendor, the model vendor will have no knowledge for which uses cases the insurer intends to use the model for, and the model itself is general purpose – not created for specific high-risk use cases which this Proposed Framework is intended to address.

- *Under the Shared Responsibility Model, Insurers Remain Accountable for Managing Risks for High-Risk Use Cases*, *Including Oversight and Transparency of Such Models.* Insurers must maintain appropriate governance and controls in use of third-party models, especially when using them for high-risk uses cases. This includes maintaining oversight of third-party model providers, and mandating as needed appropriate transparency of such models, including explainability of outcomes for such use cases. This may include, by way of example, including audit and oversight requirements by contract, including regulatory rights of examination. Microsoft, by way of example, commits to audit rights and regulatory rights of examination by financial services regulators. This meets a standard feature in most financial services regulatory requirements and could be applied as a general requirement under this proposed framework to meet its objectives.

c. Model Providers Can Help Firms Manage Risk with Tools and Resources

The proposed framework should make clear that regulated institutions that deploy AI systems should be accountable for how those systems operate. This is especially true in

industries such as financial services, in which AI models might inform high-risk decisions, like underwriting and pricing. To provide oversight and guidance, it is imperative to establish an internal governance system tailored to the organization's unique characteristics, culture, guiding principles, and level of engagement with AI. These governance systems provide guiding principles to ensure that humans, not AI systems, are the final authority on decision-making impacting people's lives.

At the same time, model providers, including GPAI providers, have a role to play in helping firms manage and assess risk of the models they use, including for high-risk scenarios. While there are a myriad of third-party tools and resources firms may use to govern responsible use of AI models, such tools and resources are important for governance, risk assessments, testing accuracy and efficacy of models, and continuous oversight. By way of example, Microsoft offers several tools to help customers assess and manage AI systems, including tools and processes that can help financial institutions map, measure, and manage AI risks throughout the development lifecycle.

Below are several illustrative examples of tools, processes, and guides Microsoft has developed for organizations to help them manage their AI risk. We provide these examples to show how firms can achieve a level of transparency and manage risk in deploying models for their business, including for high-risk use cases.

- *Azure AI Studio Evaluation Tools*: *Azure AI Studio's Evaluation Tools* help assess performance, quality, and safety of generative AI applications.

- *Azure Responsible AI Dashboard*: The *Responsible AI Dashboard* helps in the areas of model performance and fairness assessments; machine learning interpretability; error analysis; counterfactual analysis and perturbations; and causal inference.

- *AI Impact Assessment Guide and Template*: The *AI Impact Assessment Guide* and *AI Impact Assessment Template* provide guidance on helping organizations map, measure, and manage AI risks throughout the development cycle.

- *Azure OpenAI Evals*: Evaluation is the process of validating and testing the outputs that large language model (LLM) applications are producing.

These tools and resources help organizations build, test, and deploy AI systems responsibly and effectively. Use of these resources and tools help assess and have greater transparency about the outputs in use of such models that are implemented.

d. Transparency Obligations Should be Proportional and Risk-Based

One of the primary objectives of the proposed framework is to obtain greater transparency from high-risk model providers, but it does not appropriately scope what level of

transparency is required and why direct regulatory supervision, including registration by third-party providers, is necessary to achieve that objective.

Consistent with the proposed framework's objectives, transparency should enable regulators and deployers to assess model intent, limitations, safety mitigations, and governance maturity. Further, many material risks, such as fairness, appropriateness, and legal impact, arise from how models are deployed within specific business processes, which are controlled by deployers rather than model providers.

As with the shared responsibility model, transparency objectives should distinguish between GPAI models and model systems by deployers (i.e., the insurer), which is in line with EU AI Act's distinction between model transparency versus system accountability, and the NIST AI RMF emphasis on risk-informed, role-based transparency.

With this in mind, below are approaches that can be accomplished without the need for direct supervision of third-party model providers (specifically GPAI models) and would be in line with regulatory requirements elsewhere, such as the EU AI Act.

      (i) Transparency of GPAI Models. Transparency of GPAI Model providers should include documentation that explains how GPAI models are designed to operate within deployed systems. These materials describe system behavior, guardrails, monitoring, logging, and incident response processes. This enables deployers and regulators to understand how models behave in practice, how risks are mitigated, and what residual risks may remain. Further, such transparency should encompass information concerning the model provider's governance, including centralized review processes, sensitive use evaluations, red-teaming practices, and ongoing monitoring.

      (ii) Transparency of AI Systems – High Risk. As high-risk systems are dependent upon specific use cases built by narrowly tailored model providers and deployers (i.e., insurers), the material risks for high-risk systems arise from how models are deployed within specific business processes, which are controlled by deployers rather than model providers. Transparency is system specific, and depends upon the business objective, data sources chosen by the deployer, decision thresholds and workflows, and human involvement. Transparency elements expected at the system level should include:

- **Use-case-specific documentation:** High-risk AI systems must be documented with respect to intended purpose and operating context, limitations and foreseeable misuse, and instructions for use and human oversight requirements.

- **Operational transparency and traceability:** Deployers must keep logs generated by the AI system, monitor system operation in real-world use, and document incidents, anomalies, or unexpected performance.

- **Human oversight and accountability:** Transparency should include who oversees the system, when human intervention is required, and how decisions can be reviewed, overridden, or escalated.

- **Contextual risk assessments:** For high-risk systems, deployers should conduct and document impact assessments reflecting the specific business process, population, and data used.

Clarity of obligations should be more clearly defined, and division of responsibilities should be outlined in a manner that is consistent with the models to be deployed and for what purposes. Taking this into account, setting forth obligations of GPAI providers, and even for those that developed specifically for high-risk use cases, can be self-executing and voluntary, as noted below.

(iii) Self-Executing Transparency Requirements on a Voluntary Basis Should be Sufficient to Meet the Regulatory Objectives of Transparency.

A self-executing transparency program, as one that Microsoft follows in line with regulatory requirements such as the EU AI Act, should enable regulators under this proposed framework accomplish the underlying objectives sought, without need either for registration of high-risk model providers or even compelled disclosure of other information (under direct supervision or indirectly through regulated institutions).

Indeed, risk assessments should focus on understanding whether appropriate safeguards, controls, and governance mechanisms are in place to manage foreseeable risks. Transparency that enables regulators and deployers to assess model intent, limitations, safety mitigations, and governance maturity should achieve the underlying objectives sought.

Withholding highly sensitive technical details such as model weights or full training datasets is consistent with regulatory objectives. Disclosure of such proprietary and confidential information could create security risks, intellectual property concerns, and opportunities for misuse without materially improving risk oversight or assessing underlying risks. Balancing transparency with safety by providing the information necessary for oversight and compliance while protecting against unintended harms would not undercut regulatory objectives but enhance them from a risk perspective.

5. SCALABLE, WORKABLE APPROACH SHOULD REMAIN WITH REGULATED INSTITUTIONS THAT ARE RISK-BASED AND PROPORTIONATE

Microsoft agrees with the objectives of this proposed framework that it remains risk-based, is proportionately applied to the high-risk use cases, and narrowed to achieving the

objectives of transparency in relation to those use cases from model providers that provide specific insurance models to regulated institutions. At the same time, such a framework needs to be workable, scalable, and account for the market dynamics of how such models are implemented. The practical realities are that it is the regulated institutions that have the requisite knowledge, accountability, and oversight in use of such models, and accountability must always remain with them to govern risk and overall oversight.

This proposed framework, however, would constitute a significant shift in subjecting non-regulated technology providers to direct regulatory supervision and would be unprecedented as proposed. No such financial services regulatory regime exists in any jurisdiction, either in terms of scale, direct supervision, or mandated registration of model providers. Nor is this proportionate, risk-based, and workable in light of the fact model providers, especially GPAI model providers, would have no knowledge of the intended use cases that may be in scope.

In every market, accountability remains with firms to manage and govern risk, to maintain oversight of technology providers, and mandate that such firms enable audit rights to such regulated institutions as needed to assess such risks in use of a firm's technology. Requiring by contract that technology vendors commit to regulatory examination through the regulated firms is consistent with regulatory frameworks and scalable in approach.

CONCLUSION

A proposed framework that is risk-based, proportional in approach, and seeks to achieve a level of transparency for firms to assess, govern and manage risks in use of AI models is a sound and workable objective that is both achievable and scalable for regulated institutions and technology vendors alike. However, the proposed framework, as constructed, constitutes a marked departure from any financial services regulatory framework worldwide and is not proportionate, risk-based, or practical to implement given the sheer scale of models implemented.[1]

In line with other regulatory frameworks, that are both achievable, proportionate, risk-based and scalable, modest revisions to this framework can achieve the reasonable outcomes sought:

1. Scope third-party providers narrowly to those that provide AI-specific models for the high-risk uses this proposed framework is intended to cover.

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[1] Although estimates may vary, approximately 76-84% of insurers in the United States (i.e., 3,600-4,500 institutions) are deploying somewhere in range of 10-20 AI Models each, with the proliferation of AI and Agentic AI models growing substantially (i.e., no less that 36,000-80,000 models in production today). Any framework that proposes registration for such models is simply not scalable. See, e.g., AI in Insurance Statistics 2026: $10.24B Market Redefining Risk & Claims.

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2. Transparency can be achieved by requiring such third-party model providers to make available relevant documentation sufficient for regulated insurers to assess risk of such models, including outputs derived from an explainability perspective, which would comport with requirements under the EU AI Act.

3. Require regulated insurers, as part of their overall risk governance management, to maintain a repository in identifying high-risk uses cases and maintain a registry of such third-party model vendors they use (this need not be limited to high-risk use cases as this constitutes good overall governance).

4. Require that regulated insurers include audit rights of technology vendors, both for themselves and commitments to provide for examinations by insurance regulators.

5. Apply rights of examination by regulators through the regulated institutions, which obviates the need for new legislation that would regulate technology vendors directly.

These sensible and practical steps will enable insurance regulators and regulated institutions to obtain the level of transparency needed within the existing regulatory structure, and that strikes an appropriate balance of supervision and governance so that the insurance industry can continue to thrive and innovate going forward.

Microsoft would be pleased to share more perspective directly to NAIC representatives if that would be helpful to build out a workable model that works for insurers, regulators and technology providers alike. Thank you for your consideration and we look forward to supporting you going forward.

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Re: The Third-Party Data and Models (H) Working Group's Third-Party Regulatory Framework

Insurance Commissioners,

Thank you for the opportunity to submit comments regarding the Third-Party Data and Models Working Group exposure draft of December 9, 2025. Milliman appreciates the NAIC's leadership in seeking to protect consumers and uphold the integrity of insurance markets. Milliman's mission is to serve our clients to protect the health and financial well-being of people everywhere. In keeping with our own core values of quality, integrity, and opportunity, we support a framework that promotes transparency and accountability, protects intellectual property, advances innovation, and is operationally feasible. Drawing on our more than 75 years of experience serving insurers and others, we wish to share our thoughts on some potential challenges and concerns we see with the proposed framework.

Add or Clarify Definitions

- **Add definitions of "data" and "model".** The draft regulation does not define the terms "data" or "models." Within the insurance industry, these terms encompass a wide range of tools and inputs, from complex datasets and advanced machine learning or generative AI models to more basic actuarial trend indices and spreadsheet-based analyses. For example, would the framework apply to catastrophe models?

- **Clarify definition of "third-party vendors".** Under the draft framework, a consultant engaged by an insurer to develop bespoke, insurer-specific models appears to fall under the working definition[1] of "third-party". Is it the intent of the framework to require such consulting firms producing insurer-specific custom models for pricing, underwriting, claims, marketing, and/or fraud detection to register as third-party vendors or would these models be considered "in house" models[2], and therefore not subject to the draft regulations of this framework?

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[1] Working Definition: "Third-Party" means any organization . . . that engages with an insurer to provide data, models, and/or model outputs to the insurer . . .

[2] For example, models developed in-house (with or without third-party assistance) are not considered a third-party models in Tables 6 of the Home Insurance Artificial Intelligence/ Machine Learning Survey Results – NAIC Staff Report.

Expand on Confidentiality Safeguards

- **Describe current insurer confidentiality protections.** The draft framework states that third-party vendors would have confidentiality protections "equivalent" to those provided to insurers when providing information on data sources, maintenance, model design, training data, and assumptions. Questions will undoubtedly arise on the discoverability of confidential information in litigation and the treatment of disclosures under public records laws.

- **Consider expanded confidentiality protections for third parties.** Third parties are potentially exposed to greater harm from exposure of disclosure to intellectual property than an insurer. A third-party vendor's most valuable asset is typically its intellectual property, whereas an insurer has other types of assets. While an insurer may experience economic harm from disclosure of its trade secrets and confidential information, it generally can continue to underwrite risk and invest assets.

- **Describe policies, procedures, and controls to protect confidentiality**. Robust confidentiality protections are essential to safeguard innovation and preserve a competitive marketplace. However, the model- or data-specific disclosures contemplated in the draft framework could increase the risk of exposing valuable intellectual property. For example, if regulators rely on external consultants to assess confidential information, there is the potential for inadvertent exposure or competitive conflicts as many firms with the requisite technical capabilities also compete directly with the vendors that develop these models and datasets. Setting out policies, procedures, and controls for confidentiality protection up front would help mitigate this risk.

Minimize Operational Complexity

- **Strive for a multi-state standardized framework considering overlapping laws and regulations.** The increased operational complexity associated with complying with potentially differing state requirements for registering models and data disproportionately favors large, established vendors and reduces competition, as smaller providers may lack the resources to manage multi-state compliance obligations.

  Additionally, many vendors already operate under complex, well-established regulatory frameworks such as HIPAA, GDPR, FCRA, and state privacy laws. For instance, under the FCRA, a third-party data vendor already must ensure the accuracy, fairness, and privacy of consumer information they collect, maintain, or share and provide consumers with access to their data and the ability to dispute and correct inaccuracies. Introducing an additional layer of state-specific insurance regulatory requirements, particularly where definitions, expectations, and documentation obligations diverge, could create unintended conflicts in maintaining compliance with various state and federal laws and regulations.

  Because of this, tools may never be developed or brought to market. This can lead to a less dynamic insurance marketplace, higher operational costs, and ultimately higher premiums or a diminished consumer experience. A multi-state registration database and multi-state model/data filing and review process would minimize the costs that are ultimately borne by consumers and resources needed to complete regulatory reviews in a timely manner.

- **Provide guidance on state-specific requirements.** Introducing an additional layer of state-specific insurance regulatory requirements, particularly where definitions, expectations, and documentation obligations diverge, adds complexities in maintaining compliance. A central repository (similar to the

"General Instructions" in SERFF for rate/rule/form filings) that documents the differences in state requirements, such as the types of models/data in scope, the information required for registration or model/data review, logistics for submissions, and whether the vendor must also be licensed as an advisory or rating organization would reduce the costs of compliance for third-party vendors.

- **Streamline the "material changes" notification requirements.** Third-party vendors may offer many different tools serving many different users and use cases across various insurance functions described in the framework. In addition, some models may require rapid updates to respond to emerging trends within the industry[3] or to make modifications to address insurer needs.

  Submitting update notifications for each model or dataset—particularly for models with frequent updates, customization, or evolving sources of data—could present significant capacity challenges for both vendors and regulators. Are these updates expected for all models/data, or just ones that have been previously subjected to regulatory review? Could exemptions be considered for models that are refreshed with more recent data, as long as there are no changes to the model's structure? Are the notifications required within a specific timeframe before the changes are planned to go into effect? Would annual or quarterly notifications of changes be sufficient?

- **Include alternatives to discretionary model/data filings.** Regulators may not have access to the resources required to review a large volume of discretionary filings. SOC-type reports and the established Market Conduct Examination process can also provide accountability while protecting proprietary or highly technical model details. In addition, NAIC tools such as the AI Evaluation Tool offer a practical, scalable method for assessing model governance and risk.

Support and Clarify Insurer Responsibilities

- **Provide insurers with market conduct standards/expectations for third-party due diligence and governance**. Third-party models/data are elements of broader business processes. Actual outcomes are shaped by an integrated framework that includes human judgment, operational controls, data quality, the interaction of multiple vendors and tools, and insurer-specific methodologies. It continues to be important for regulators to consider the broader context in which they are used to address the regulatory objectives of enhanced oversight, transparency, and accountability underlying the proposed framework.

  Regulators can further support effective oversight by setting clear baseline expectations for the information insurers should obtain from vendors. Well-crafted, consistently applied standards, developed with input from all stakeholders, would significantly reduce the variability insurers face today when evaluating vendor models and data.

Conclusion

At Milliman, our commitment to integrity and transparency is reinforced by rigorous internal quality controls. While we protect our intellectual property, we also prioritize educating clients to use our products responsibly. Direct collaboration with insurers—tailored to their specific needs—builds trust and model reliability and fosters innovation.

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[3] For example, the rapid shifts in prescribing patterns and clinical uses of GLP-1 medications have materially affected the underlying data and models used in life insurance underwriting, pricing, and reserving.

Milliman

We support a regulatory framework that strengthens collaborative interactions between vendors and insurers, safeguards a dynamic and competitive marketplace for data and tools, and ensures strong consumer protections.

We share the NAIC's commitment to consumer protection and market integrity. While we have concerns about the current draft regulatory framework, we appreciate the opportunity to collaborate with the NAIC and state regulators to further refine this framework in a way that ensures consumer protection, enables appropriate regulatory insight into vendor models and data, and fosters continued innovation within the industry.

Sincerely,

Signed by:

96453BF94C574E3...

Dermot Corry

President and CEO

From: Lederer, Julie <Julie.Lederer@insurance.mo.gov>
Sent: Wednesday, January 28, 2026 5:24 PM
To: DeFrain, Kris <kdefrain@naic.org>
Cc: Sobel, Scott <SSobel@naic.org>; Gerling, Brad <Brad.Gerling@dci.mo.gov>; LeDuc, Jo <Jo.LeDuc@insurance.mo.gov>
Subject: RE: Reminder: Third-Party Data and Models (H) Working Group Regulatory Framework - Comments Due Feb 6, 2026

Hi Kris,

I offer some questions and comments below.

1. What is the intended legal standing of this regulatory framework?

2. It is not clear that Missouri has a statute or regulation under which we could keep the third-party information confidential, as Sections III.A, V.C, and VII.B require.

3. Exhibit B of the NAIC's proposed AI systems evaluation tool suggests governance standards. Should there be consistency between the AI standards and those in Sections IV.A.2 and VI.A.2 of this document (and, more broadly, amongst any NAIC guidance that discusses model or data governance)?

4. Section IV.B says, "A senior officer must attest that the governance program is implemented, effective, and applied to all models with direct consumer impact used by licensed insurers, complies with applicable insurance laws and regulations in [state], and adheres to third-party model vendor governance program requirements (*to be developed*)." There is a similar requirement in Section VI.B for third party data vendors.

    a. Do third parties have to file this attestation in every state in which the licensed insurers that use their model or data make filings?

    b. Do third parties always know exactly how insurers are using their data or models?

Best regards,
Julie
Julie Lederer, FCAS, MAAA, Property and Casualty Actuary
Missouri Department of Commerce & Insurance
816-889-2219, Julie.Lederer@insurance.mo.gov

February 6, 2026

ELECTRONIC SUBMISSION

Jason Lapham

Chair, Third-Party Data and Models (H) Working Group

Nicole Crockett

Vice Chair, Third-Party Data and Models (H) Working Group

Via Email: Kris DeFrain; Kdefrain@naic.org

RE: Request for Comments on Proposed Risk-Based Regulatory Framework for Third-Party Data and Model Vendors – December 9, 2025 Exposure Draft

Dear Mr. Lapham and Ms. Crockett,

Thank you for the opportunity to provide comments on the exposure draft of the Risk-Based Regulatory Framework for Third-Party Data and Model Vendors released on December 9, 2025. We appreciate the Working Group's efforts to strengthen regulatory visibility into third-party data and models used in insurance, to establish clear governance expectations for vendors, and to allow the industry to engage with thoughtful commentary.

Moody's Analytics provides both data and models to the insurance industry, including climate and disaster models through RMS, aerial imagery derived data and models through CAPE Analytics Property Intelligence, as well as others. We work closely with insurers, regulators and industry partners across the country, giving us a broad perspective to evaluate the proposed framework through both a technical and operational lens.

In general, we support the NAIC's objectives to enhance transparency while maintaining appropriate protections for proprietary intellectual property and ensuring proportional compliance obligations for vendors. Our comments seek to enhance clarity on vendor

expectations, define whether the framework applies to CAT models/vendors given the NAIC's existing review processes, and reduce operational redundancies for both regulators and vendors.

Applicability to Catastrophe Models

1 – <u>Catastrophe (CAT) Model Expectations</u>: This current framework proposal doesn't mention CAT models/vendors, which follow a separate and distinct review process through the NAIC directly compared to other types of vendor insurance models. There is already a process in place at the NAIC for CAT model review under the Catastrophe Risk Management Center of Excellence (COE). We encourage the working group to consider defining and excluding catastrophe models from this framework. Alternatively, if the intention is to include CAT model vendors in this process, we would encourage the Working Group to consider a separate expectation, outlined in this framework, for accommodating the regulatory mechanisms already in place by the CAT COE Team for CAT models, reducing the overall burden related to those models.

Reduce Operational Redundancies

2 – <u>National vs. State Registration</u>: Requiring vendors to register separately in every state – and to submit annual attestations to each one – would create a significant and unnecessary burden, with costs being passed on to carriers and ultimately policyholders. It would also create inefficiencies for regulators, who would need to review identical attestations multiple times across states. A national registration process administered through the NAIC with a single set of standards and a single submission point would greatly reduce redundancy while still allowing states full access to the information and maintaining each state's ability to require additional model submissions as needed.

Enhanced Clarity on Vendor Expectations

3 – <u>Confidential Protections</u>: Confidentiality is of the utmost importance for model vendors to continue business operations, and some states do not offer confidentiality protections through state filings. We would kindly request confidentiality protections to apply as broadly as possible across all states to protect from financial harm to the vendor's business. Moody's concern is specific to safeguarding models and data from other competing model developers, and there is no concern with sharing these details with regulators in a confidential manner.

4 – Registration Statuses and Filing Material: The registration framework appears to focus primarily on a vendor's governance program, suggesting that once a vendor's governance structure is approved, the vendor would meet the registration requirements. However, other sections – such as Regulatory Framework III.A - indicate vendors must also provide sufficient information on data sources, maintenance, model design, training data, assumptions, etc. which implies each individual model may need to be filed and approved before registration status is granted.

We recommend adding more clarity for what each registration status is intended to represent and what is required to achieve it. It may be more effective to streamline the statuses to "Applied" and "Registered", based solely on the vendor's governance practices rather than model-specific approvals at this stage. If the purpose of the registration is to confirm that a vendor maintains sound data and model governance, we believe it is currently unclear what distinguishes "Applied with Governance Approval" from "Registered".

5 – Attestation Dates: Request for a target date each year that attestation will be due.

6 – How to Submit: The framework does not mention how vendors would submit the required registration information. As this framework continues to unfold, we would respectfully ask for the registration and attestation submission processes be made as streamlined as possible with one point of contact for submissions.

Thank you again for the opportunity to provide comments on this framework. We recognize the Working Group's leadership in establishing regulatory expectations that enhance transparency, promote reasonable data and model governance, and protect consumers across markets. Moody's Analytics remains committed to supporting regulators and the insurance business by delivering high-quality, well-governed model and data solutions. As the framework continues to evolve, we welcome the opportunity to participate in future discussions or assist in refining implementation requirements to ensure the framework is both effective and practical for all stakeholders. We appreciate your consideration of our comments and look forward to continued engagement with the Working Group.

Sincerely,

MOODY'S

Matt Nielsen
SVP – Gov't, Public & Regulatory Affairs
Moody's

Chris Clickner
AVP – Gov't, Public & Regulatory Affairs
Moody's

February 6, 2026

Jason Lapham (CO), Chair
NAIC Third-Party Data and Models (H) Working Group
c/o Kris DeFrain, NAIC Director, Research and Actuarial Services
Via email kdefrain@naic.org

Re: NAMIC Comments on the Third-Party Data and Model Vendors Framework

Dear Chair Lapham and Members of the Working Group:

On behalf of the National Association of Mutual Insurance Companies (NAMIC)[1], we are writing in response to the NAIC Third-Party Data and Models (H) Working Group initial draft Risk-Based Regulatory Framework ("Framework"). In support of beneficial outcomes for all stakeholders, NAMIC provides the following comments and alternative approaches for the Working Group to consider.

SUBSTANTIVE COMMENTS

[1] Match the scope and framework to the identified issue

> **The Working Group has identified its issue as one specific to models and specific to the pricing and underwriting contexts; as such, the Working Group should narrowly tailor its focus to third party model vendors that provide solutions for use in pricing and underwriting.**

The Working Group's identified issue with third party model vendors has been specific to the pricing and underwriting models, in the context of rate filings or market conduct examinations. The Working Group has provided an example which describes departments interacting with insurers in either rate filings or market conduct exams and asking for certain pieces of information related to a pricing or underwriting model, and insurers allegedly not being able to provide the information. The example continues that a department would then go to the third party that provides the model, and the third party allegedly does not provide the information (under trade secret or proprietary information status), and departments argue that they don't have the information they need. As such, the goal of the working group is to enable timely access to third party model vendors in this scenario and the ability to obtain information from the third-party vendor.

The identified issue is specific to pricing and underwriting models, yet the proposed Framework includes in scope both data and model vendors, and insurance practices of pricing, underwriting, claims, marketing,

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[1] The National Association of Mutual Insurance Companies (NAMIC) is the foremost trade association representing the property/casualty insurance industry. Serving more than 1,300 member companies—including local and regional insurers as well as some of the nation's largest carriers—NAMIC members collectively write $383 billion in annual premiums, representing 61% of the homeowners and 48% of the automobile insurance markets. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect our members and their policyholders.

and/or fraud detection. Because the working group has not identified an issue with respect to data vendors and the other insurance activities proposed in the framework, the focus of the Working Group should be on model vendors for pricing and underwriting alone. Without appropriately narrowing the scope, the framework also risks further contributing to the existing patchwork, and potential overlap, of third-party terms and requirements throughout insurance law, like those in the privacy, cybersecurity, third-party administrator, and advisory organization contexts,[2] as well as with the Fair Credit Reporting Act for consumer data correction avenues.

[2] Evaluate whether existing frameworks solve the identified issue
> **Because the Working Group's identified issue is specific to models within the context of pricing and underwriting, there are existing frameworks and laws which the Working Group may be able to draw from, rather than creating a new framework.**

At the outset, part of this evaluation should include articulating the statutory authority that would underpin a new regulatory framework for third party vendors, or whether a new model law would be required to provide such authority. This clarification has not been made thus far and would be helpful in providing substantive and meaningful feedback to the Working Group, especially in terms of where a framework like this would exist and how it interacts, or fits within, existing frameworks.

Separately, existing laws already require insurers to file information relating to a rating system, including models, and detail the authority of the departments to have access to that information. We've included a sampling of these laws below for reference:

> **Arkansas Code 23-67-211**
> *Filing of rates and other rating information*
> **(a)(1)(A)(i)** In a competitive market, every insurer shall file with the Insurance Commissioner all rates, supplementary rate information, and supporting information for risks which are to be written in this state.

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[2] "**Third party administrator**" or "TPA" means a person who directly or indirectly underwrites, collects charges, collateral or premiums from, or adjusts or settles claims on residents of this state, in connection with life, annuity, health, stop-loss or workers' compensation coverage (Regulation of Third Party Administrators – An NAIC Guideline).
"**Advisory organization**" means any entity, including its affiliates or subsidiaries, which either has two () or more member insurers or is controlled either directly or indirectly by two (2) or more insurers and which assist insurers in ratemaking-related activities such as enumerated in Sections 10 and 11. (NAIC Property and Casualty Model Rating Law).
"**Third party service provider**" means a person or entity not otherwise defined as a licensee or affiliate of a licensee that: (1) provides services to the licensee; and (2) maintains, processes or otherwise is permitted access to nonpublic personal information through its provisions of services to the licensee (NAIC Chair Draft, Privacy of Consumer Information Act (August 2024)).
"**Third-party service provider**" means a Person, not otherwise defined as a Licensee, that contracts with a Licensee to maintain, process, store or otherwise is permitted access to Nonpublic Information through its provision of services to the Licensee (NAIC Insurance Data Security Model Law # 668).

> **Illinois Administrative Code S. 754.10**
> *Companies Must File*
> **(b)** The following must be filed:
>   (1) All Companies – All underwriting rule manuals that contain rules for applying rates or rating plans, plans for reporting statistics to statistical agencies, classifications, or other such schedules used in writing the kinds of insurance in subsections (a)(1) through (a)(3)
> **(c)** The filing requirement of subsection (b)(1) can be met by:
>   (1) A company making a direct filing on its own behalf; or
>   (2) A company making a rule reference filing on its own behalf by utilizing its advisory organization's data relative to subsection (b)(1); or
>   (3) A company authorizing the advisory organization of which it is a member or subscriber to make the filing on the company's behalf

> **Nebraska Revised Statute 44-7511**
> *Rating systems; filing requirements for lines subject to prior approval; hearings*
> **(4)** Each insurer shall file or incorporate by reference to material filed with the director all supporting information relating to a rating system. If a filing is not accompanied by such information or if additional information is required to complete review of the filing, the director may require the filer to furnish the information, and in that event the review period in subsection (10) of this section shall commence on the date such information is received by the director. If a filer fails to furnish the required information within ninety days, the director may, by written notice sent to the insurer, deem the filing as withdrawn and not available for use.

Because laws already exist[3] requiring insurers to provide information on models used in pricing and underwriting, and, as the Working Group notes in its proposed Framework, because insurers already bear the responsibility for use of vendors, the need for a new framework as proposed by the Working Group is at best duplicative, and at worst, threatens speed to market, all without demonstrated consumer benefit.

Further, the Working Group's identified issue is in the context of pricing and underwriting, so the Working Group risks creating yet another definition of "third-party" in the insurance codes, and risks further contributing to a patchwork of inconsistently adopted and applied requirements. Below, we provide a

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[3] Additional laws for the Working Group to reference include: IL 215 ILCS 5/457 (1) and (2) Workers' Comp & Employers' Liability Rates; NE s. 44-7508 Rating systems, filing requirements, hearing (Workers' Compensation); PA 40 P.S. s. 1184, s. 1224, s. 7106 (Commercial and Personal Lines; PA 77 P.S. s. 1035.5 (Workers' Compensation).

visual of existing third-party definitions and corresponding requirements, all of which already involve pricing and underwriting activities.

Advisory Organizations:

Entity that assists P&C insurers in **ratemaking related activities**.

- Develop Statistical Plans
- Collect statistical data
- File Loss Costs
- File Factors, Calculations or Formulas
- File manuals of rating rules, schedules or other rating information
- File policy forms

Managing General Agents:

Manages all or part of the insurance business of a P&C insurer.

- **Underwriting**
- **Risk Assessment**
- Issue Policies
- Appoint Producers
- Claims Management
- Administrative

Third Party Administrators:

Manages all or part of the insurance business of Health, Life, or Annuity insurers.

- **Underwriting**
- Policy Administration
- Appoint Producers
- Claims Management
- Administrative

As shown above, Advisory Organizations, Managing General Agents, and Third-Party Administrators are all insurance related third parties that provide services to or manage pricing and underwriting related activities for insurers. Each of these third parties is required to be licensed with the requisite departments of insurance, each is subject to market conduct examination, and insurers have ultimate responsibility and due diligence requirements. All three of these third parties also have the ability to file directly with departments either on behalf of a licensed insurer (if the third party is set up as an approved or authorized filer) or on behalf of the third party's membership for broader insurer adoption. **Rather than creating yet another group of pricing or underwriting "third parties" in the insurance code, and further contributing to a patchwork of adoption and application, the Working Group should further examine the information sharing aspect that these frameworks provide, as applied to its focus on third party model vendors.**

In this vein, some jurisdictions allow for non-licensed entities to file their models in SERFF, as has been shared on Working Group calls in the past. Based on what those jurisdictions have shared in public calls, this

practice gives them the insight and information they need from third party model vendors in the rate filing context. We suggest that the Working Group further explore this option through gathering experience and feedback from these jurisdictions and determine whether this potentially solves the Working Group's articulated issue. Leveraging this process more broadly would create uniformity in the practice and potentially achieve the Working Group's goals and information being sought, without the need for a brand-new framework.

[3] Focus on facilitating information access rather than registration

> **To effectuate its goals while also preserving speed to market and avoiding inadvertent conflicting frameworks, the Working Group should focus on facilitating information availability and sharing through existing tools and law rather than on a new registration framework.**

As noted throughout this letter, the Working Group's identified issue is one of information access, specific to models in the pricing and underwriting context. This fact coupled with existing law in many jurisdictions indicates that there is opportunity for the Working Group to focus on facilitating information access rather than pursuing a new regulatory registration framework.

Adding a new regulatory layer of registration risks making already slow rate approval processes take even longer, and we encourage the Working Group to not make the pace of speed to market worse. Slowing speed to market negatively impacts consumers and negatively impacts the health of the overall insurance market. Instead, we suggest the Working Group leverage existing law as articulated in the section above, and **explore the utility of statutory or regulatory protection for companies to be able to access vendor information to perform the insurer's own audits and provide information to departments as already required** in existing rate-filing, pricing, and underwriting laws. Some of these statutory or regulatory protections already exist, and we've included an example from the NAIC Model Bulletin on AI (which 25 jurisdictions have adopted) below.

> **NAIC Model Bulletin on the Use of Artificial Intelligence Systems by Insurers**
> **_Section 4. Regulatory Oversight and Examination Considerations_**
> _2. Third-Party AI Systems and Data._ [I]f the investigation or examination concerns data, Predictive Models, or AI systems collected or developed in whole or in part by third parties, the Insurer should also expect the Department to request the following additional types of information and documentation. . . . Audits and/or confirmation processes performed regarding third-party compliance with contractual and, where applicable, regulatory obligations.

While some state insurance codes allow for direct information sharing from third parties, this ability is not uniformly recognized in statute across jurisdictions. We encourage the Working Group to explore frameworks that would make such information sharing ability consistent across state insurance departments, and with it, consistent confidentiality standards with respect to information shared between

third parties and departments. This could take similar form to what is in the current exposed Framework, where it states that submission of or access to third party information by departments include "confidentiality protections equivalent to those provided to insurers" and that such "confidentiality safeguards facilitate transparency, enabling regulators to assess model purpose, logic, and outputs and identify potential consumer harm or compliance concerns." While confidentiality is referenced in the proposed Framework, specific protections should be spelled out, and any information submitted outside of the filing context should similarly have specific confidentiality protections detailed.

IN SUMMARY

We close by again recognizing the importance for all stakeholders to engage in this extremely important discussion regarding third-party vendors, and we urge you to continue offering additional iterative opportunities for robust, transparent conversations throughout this process. NAMIC endeavors through these comments to highlight areas that the Working Group should especially direct its focus. NAMIC looks forward to continuing our work with the Working Group to arrive at solutions that protect and stabilize the insurance marketplace while fostering growth and innovation that benefit all stakeholders.
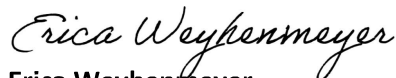
Sincerely,

Lindsey Stephani

Lindsey Stephani
Policy Vice President
Data Science, Artificial Intelligence, Cybersecurity
NAMIC

Erica Weyhenmeyer

Erica Weyhenmeyer
Policy Vice President
Market Regulation and Workers' Compensation
NAMIC

February 6, 2026

Submitted Via Email

Jason Lapham, Chair
Third Party Data and Models (H) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: Risk-Based Regulatory Framework for Third-Party Data and Model Vendors

Chairman Lapham:

This comment letter is submitted on behalf of the National Alliance of Life Companies (NALC). We welcome the opportunity to comment on the Working Group's Risk-Based Regulatory Framework for Third-Party Data and Model Vendors exposure draft (the "Exposure Draft").

The NALC is a national trade association whose members include smaller, mid-sized and specialty life and health insurers.   The NALC was formed in 1992 to address concerns that existing trade associations were not adequately representing the interests of member companies and their policyholders.   Unlike many larger life insurers, NALC members serve regional markets and specific demographics, including working-class families, rural communities, and small business owners.   Our members and their policyholders depend upon regulatory frameworks that are appropriately scaled, do not create artificial barriers, and preserve competitive market dynamics.

We appreciate the work that the Working Group and other NAIC committees are doing to develop regulatory frameworks applicable to insurance carrier use of AI and advanced analytics. The NALC supports regulators having the tools they need to ensure that insurance companies' use of AI Systems complies with applicable state insurance laws and regulations.

It is vital that those tools reflect a balanced, risk-based approach that create the conditions for continued innovation in this area, and ensure a level playing field that does not disproportionately disadvantage smaller and specialty carriers.   This balanced approach was a primary reason for the NALC's strong support for the *NAIC Model Bulletin: Use of Artificial Intelligence by Insurers* ("Model AI Bulletin"), which we view as the cornerstone for development of future frameworks related to insurer use of AI.

Smaller and Specialty Life Insurance Carriers Serve a Vital Market Role

Our members are critical to innovation and the stability of the U.S. life insurance market, serving specialized customer segments, under-served markets, providing competition that benefits consumers, and maintaining the diverse, resilient market structure that state-based regulation was designed to protect. The continued development of AI-powered business solutions is of vital interest for these carriers, whose long-term competitive viability depends upon having continued access to the transformative technologies that are only beginning to drive change in the insurance industry.

Unlike larger carriers with substantial R&D budgets, NALC members do not typically have the personnel or resources needed to develop these types of digital technologies in-house Our members specialize in ensuring the financial security of American families, and rely heavily upon the existence of a stable, healthy technology solutions marketplace made up of a diverse range of vendors to deliver next-generation AI powered solutions and advanced analytics capabilities for a reasonable cost.   The development of a regulatory framework focused on third party vendors is therefore of critical importance to NALC members and similarly situated companies.

While the NALC supports the Working Group's primary objectives, we have significant concerns that the framework described in the Exposure Draft would have the opposite of the intended effect and materially and disproportionately disadvantage life and health insurers. Those specific concerns are outlined below.

The Exposure Draft imposes a "one-size fits all" approach to all models, data, governance and vendor relationships that conflicts with the risk-based based approach utilized in the *NAIC Model Bulletin: Use of Artificial Intelligence by Insurers* ("Model AI Bulletin").

The risk-based approach in Model AI Bulletin scales regulatory obligations based on the actual risk associated with specific AI Systems.   The Exposure Draft applies broad registration and governance requirements on third party vendors and insurers *regardless* of risk. Many of the problems with the Exposure Draft can be traced to this departure from the Model AI Bulletin. It is essential that every element of the NAIC's regulatory approach to addressing insurer use of AI and advanced analytics reflect the Model AI Bulletin's risk-based approach. We encourage the Working Group to consider incorporating risk-based elements such as materiality thresholds, risk-tiered requirements, and regulatory requirements that distinguish between small start-ups and large platforms that pose higher risk.

The Exposure Draft's framework would materially disrupt technology-driven innovation in insurance.

While some large, established technology firms provide AI-powered solutions to life insurers, the reality is that the insurtech landscape has for years been overwhelmingly made up of small, early-stage startups. According to an article from CB Insights published in October announcing

its *2025 Insurtech 50 List* of the world's most promising insurtech startups, 60% were early stage (a 20% increase from 2024), and "nearly three-quarters … were not even in business at the start of the decade." The data reveals a fundamental reality: **The future of insurance technology will not come from large incumbent technology companies—it will come from the hundreds of small startups experimenting with new approaches to underwriting, claims, distribution, and customer service.** The Framework threatens to sever this innovation pipeline entirely.

Every successful technology firm, no matter its size today, began as a startup. State regulation of AI systems must ensure that the conditions needed to sustain continued growth and innovation remain stable and accessible to carriers of every size.

The Exposure Draft's multi-state registration, documentation, governance and audit requirements create an artificial barrier to entry for the vast majority of startups whose economic and business models are unprepared for the regulatory compliance costs that are being proposed. We believe that many smaller vendors and their investors would simply exit the market and redeploy their technology to other commercial opportunities rather than absorb these costs.

Only large, well-financed technology companies would benefit from this disruption. Consolidation would significantly reduce the number of available vendors, particularly those serving regional or niche markets like smaller insurance carriers. Fewer vendors would result in higher prices, eliminating cost effective solutions. Fewer vendors would also impair innovation while increasing the likelihood of systemic concentration risk among a few remaining large vendors.

Reduction in the number of vendors would prejudice life insurers of every size, resulting in higher costs and fewer alternatives. Smaller and mid-sized life insurers would be particularly hard hit given their limited leverage to negotiate favorable vendor terms. Many life insurers will find taking advantage of the growth potential associated with increased use of AI cost-prohibitive, making these carriers even less competitive. This would leave consumers with fewer choices. This easily foreseeable result directly contradicts state insurance regulators' longstanding policy of promoting competitive insurance markets across a variety of company sizes and market focus.

Restricts Access to Innovation.

Life insurers of every size rely, particularly smaller carriers, rely heavily on third-party vendors to access advanced analytics, underwriting models, and digital distribution capabilities that they cannot develop internally.   The Exposure Draft will prevent these insurers from adopting innovative technologies by driving price increases and increasing regulatory costs. Over time this will result in a two-tiered market where some of the largest insurers will able to access cutting edge AI, while smaller carriers are forced to rely on dated technology that will make them far less competitive. This will limit the ability to serve underserved markets or offer specialized products,

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harming consumers by reducing competition, limiting product innovation, and decreasing availability in underserved markets.

Conclusion

Thank you for the opportunity to submit our comments.   We look forward to engaging with members of the Working Group as work on the Framework continues.

Respectfully Submitted,

Scott R. Harrison
CEO, National Alliance of Life Companies

cc Scott Sobel, NAIC

Jason/Kris,

I write on behalf of Commissioner Bettencourt and the NHID regarding the draft Regulatory Framework exposed during the Fall National Meeting.

We appreciate the work of the drafting group and believe there is value in the discussions going forward on regulatory strategy and oversight methods specific to Third Party Data and Models. However, we do not agree that having these non-insurance entities "register" with the state insurance departments is the best approach. First of all, it would likely necessitate new legislation and/or rule making because it would formally extend our authority over these vendors independent of their client insurance companies. At the same time, it might serve to weaken the perceived responsibility of the insurance carriers themselves to be accountable for the products they sell.

To be sure, there is plenty of excellent guidance in the document and I appreciate the comments already submitted for improved consistency among jurisdictions and clarity for vendors and carriers. We believe these guidelines can be effective and instructive without the formal registration process.

Furthermore, we encourage the working group to continue down the path of guidelines and frameworks and avoid discussion of model laws or model regulations. As expressed in the Section IX of the draft framework, insurers are currently accountably for the modelling and data work they may outsource. We remain confident in our regulatory authority to review vendor models ahead of implementation or exam/investigate consumer harms by these vendors afterwards through the oversight of the insurance carriers.

Thank you for the opportunity to share this feedback.

Respectfully,

Christian

Christian Citarella, ACAS, MAAA
(he/him/his)

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February 6, 2026

Third-Party Data and Models (H) Working Group
Innovation, Cybersecurity, and Technology (H) Committee
National Association of Insurance Commissioners
Attn: Kris DeFrain – Director, Research and Actuarial Services

Re: NICB Comments on Exposure Draft (12/9/2025) of the Risk-Based Regulatory Framework for Third-Party Data and Model Vendors

Dear Members of the Third-Party Data and Models (H) Working Group:

On behalf of the non-profit National Insurance Crime Bureau (NICB), I write to submit comments on the Exposure Draft (12/9/2025) of the Risk-Based Regulatory Framework for Third-Party Data and Model Vendors ("Framework").

As a longtime and direct operational partner of the National Association of Insurance Commissioners (NAIC) in the reporting of insurance fraud, NICB appreciates the opportunity that the Working Group has afforded to stakeholders as it weighs "a risk-based regulatory framework for third-party data and model vendors engaged with insurers in functions with direct consumer impact such as pricing, underwriting, claims, utilization reviews, marketing, and fraud detection."[1]

To be clear, _NICB does not sell data or models_. However, given NICB's singularly unique role as a facilitator of insurance fraud reporting and time-sensitive intelligence-sharing, we respectfully request that the Working Group ensure in any final version of the Framework that NICB is not inadvertently treated as a "vendor" subject to registration or model/data pre-approval requirements that would hinder our ability to provide insurance commissioners, law enforcement, and our member insurers with timely fraud alerts, intelligence, and threat assessments that help protect consumers from harm.

NICB's Unique Role and History in Fighting Insurance Crime

With a nearly 115-year history, NICB is the nation's premier non-profit organization exclusively dedicated to detecting, preventing, and deterring insurance fraud and insurance-related crimes through intelligence-driven operations. NICB is supported by approximately 1,200 property and casualty insurance companies, associate members, and other strategic partners within the anti-fraud ecosystem. While NICB provides value to our members—such as through investigative support;

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[1] _Exposure Draft (12/9/2025) of the Risk-Based Regulatory Framework for Third-Party Data and Model Vendors_ at 1.

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intelligence reports and information sharing; and education and training programs—we also serve a significant public benefit—at no cost to the public—by helping to stem the estimated billions of dollars in economic harm that insurance crime causes every year.

According to the Federal Bureau of Investigation (FBI), insurance fraud is estimated to be more than $40 billion per year, costing the average U.S. family between $400 and $700 annually in the form of increased premiums.[2] Other estimates suggest that the damage is far greater, stealing approximately $308 billion each year from American consumers.[3] These crimes take many forms—from vehicle and cargo theft; staged accidents and slip-and-fall schemes; and home and auto repair scams; to identity theft, predatory towing, and medical billing fraud—and are limited only by the scope of fraudsters' capabilities and resourcefulness.

To disrupt and deter these crimes, NICB sits at the intersection of the insurance industry, regulators, and law enforcement across the country. This ecosystem recognized long ago that communication is key to the fight against insurance crime and to protect consumers. We know that fraudsters are coordinated—often within sophisticated organized crime rings—and thus we should be too.

To encourage that coordination, most states mandate that insurers report suspected insurance fraud to the appropriate Department of Insurance, state fraud bureau, or law enforcement agency. In conjunction with those reporting requirements, most states grant civil immunity to insurers for reporting fraud. NICB has long served as the facilitator of these reports and, in fact, _NICB is codified by name directly alongside the NAIC into multiple states' insurance fraud reporting laws_.[4]

In nearly all 50 states, insurers can submit insurance claims suspected of being fraudulent directly to NICB. Each of those suspicious claims—also known as "questionable claims"—is assigned to an NICB investigator for further review and analysis. _In partnership with the NAIC's Online Fraud Reporting System_, NICB's Fraud Bureau Reporting Program relays questionable claims reports to the appropriate state authority. This process gives NICB unique, unmatched visibility into insurance crime trends nationwide. Our expert analysts can identify fraud trends and patterns—and can

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[2] Insurance Fraud, Federal Bureau of Investigation, _available at_ https://www.fbi.gov/stats-services/publications/insurance-fraud.

[3] Fraud Stats, Coalition Against Insurance Fraud, _available at_ https://insurancefraud.org/fraud-stats/.

[4] _See, e.g.,_ Fla. Stat. § 626.989(4)(c)(3) (Florida granting immunity "[f]or any such information furnished in reports to … the National Insurance Crime Bureau, the National Association of Insurance Commissioners"); KRS 304.47-060(1)(d)-(e) (Kentucky granting immunity "[f]or any information furnished in reports to the commissioner or the National Association of Insurance Commissioners; or … the National Insurance Crime Bureau"); Va. Code § 52-41(B) (Virginia granting immunity "when the information is provided to or received from … the National Association of Insurance Commissioners … or the National Insurance Crime Bureau").

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uncover complex criminal networks—that are visible only from NICB's multi-state, multi-carrier vantage point. NICB works with our federal, state, and local law enforcement partners to assist in the investigation and prosecution of insurance fraud rings.

NICB's unique position, relationships, and information assets have even helped solve some of the most devastating terrorist attacks and vehicle-related crimes on U.S. soil. For example, in the aftermath of the April 19, 1995 Oklahoma City bombing, the FBI called NICB to assist in identifying the vehicle used in the bombing. Using NICB-developed technology and multi-state vehicle and insurance records, agents reconstructed the VIN, which led to the identification of the Ryder truck that carried the bomb and ultimately the identification of Timothy McVeigh and his coconspirator, Terry Nichols.

Importantly, NICB also shares _time-sensitive_ intelligence—developed directly from NICB's unique insights and analysis of reported fraud—with our member insurers to alert them of potentially overlapping networks of fraudsters. Today, as crime and fraud continue to evolve and accelerate with technology, NICB's unique information-sharing role, data analytics and innovations, and timely investigative support are more critical than ever.

Importance of Protecting NICB's Operations and Its Partnership with the NAIC

As a facilitator of vital (and confidential) information exchanges within the anti-fraud ecosystem, NICB's operations—including our fraud reporting partnership with the NAIC—could be significantly delayed or impeded if NICB were treated under the Framework as a "vendor" subject to registration, model- or data-filing requirements, or burdensome notification obligations any time NICB modifies its fraud-fighting models or datasets.

First, _NICB does not sell data or models_. As a 501(c)(4) social welfare organization, NICB is not similarly situated with commercial vendors that might seek to profit from producing datasets or models used in insurance functions. And as a non-profit entity, NICB is simply not in a position to resource the robust compliance infrastructures that commercial vendors can establish to navigate regulatory frameworks. If treated as a traditional "vendor," NICB could face significant compliance obligations that would strain our operational resources.

For example, the Framework contemplates that third-party data and model vendors "must notify regulators of material modifications to a dataset or model." If NICB were inadvertently considered a "vendor" under the Framework, NICB could be compelled to notify regulators across the country about active, ongoing changes in a dataset targeted to a specific fraud type or criminal network. In addition to diverting NICB resources from benefitting consumers by fighting insurance crime, the ever-evolving threat landscape that NICB works within could create an almost unending

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obligation to be notifying regulators of changes in our datasets and/or models. This would necessarily shift our focus from staying *ahead* of fraudsters to simply staying on top of regulatory compliance.

Second, while well-intentioned, the Framework's instruction that "[v]endors … disclose data usage [and] allow consumers to access and correct records" could create opportunities for fraudsters to exploit the Framework with respect to NICB, such as by compelling NICB to confirm the existence of records within our system and/or to delete data—including fraud reporting information sent to the states in coordination with the NAIC. The result could reveal and upend fraud reporting itself as well as ongoing criminal investigations of organized, nationwide (and even transnational) crime rings. A mere response from NICB tying a requester's information to a fraud detection-related purpose would provide a clear signal to that individual, thereby exposing an investigation. This would be akin to requiring that a law enforcement agency publicly acknowledge that it is actively investigating a criminal network.

In recent years, NICB has shared similar concerns with lawmakers in states across the country during the consideration and adoption of consumer data privacy laws. To date, eighteen states have wholly exempted NICB from their data privacy laws, recognizing NICB's direct partnership with law enforcement, critical information-sharing role, and the risk of restricting NICB's pro-consumer, anti-fraud operations.

Accordingly, NICB respectfully requests that the Working Group ensure in any final version of the Framework that NICB is not inadvertently treated as a "vendor" for purposes of additional regulatory requirements, beyond what NICB is already subject to under existing state insurance codes.
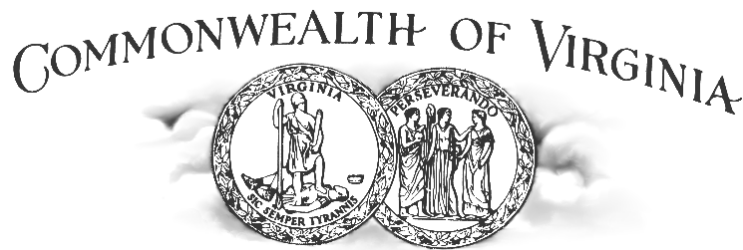
Conclusion

NICB is grateful for the Working Group's consideration of our comments, and we stand ready to provide any further assistance.

If you have any questions, please contact me at kmccollum@nicb.org or 847-636-7041.

Respectfully,

Kyle T. McCollum
Vice President
Strategy, Policy, and Government Affairs
National Insurance Crime Bureau

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February 4, 2026

To: Third Party Data and Models (H) Working Group Chair Jason Lapham
      c/o Kris DeFrain (kdefrain@naic.org)

Re: Third-Party Data and Model Regulatory Framework Exposure Draft- Comments

Dear Jason Lapham,

The Virginia Bureau of Insurance ("Bureau") appreciates the opportunity to offer its comments on the Third-Party Data and Model Regulatory Framework Exposure Draft.

The Code of Virginia does not currently recognize third-party model vendors as entities permitted to file directly with the Bureau or on behalf of an insurer. Any insurer who wishes to use a third-party model in rating, must file the model in its entirety directly with the Bureau via SERFF. The Bureau's review of the model itself does currently include many of the technical items outlined in sections IV. and V. and the filing insurer is responsible for securing such information.

The Code of Virginia does provide an avenue for a third-party model vendor to pursue becoming licensed as a rate service organization and they are then able to file their model directly with the Bureau. This avenue is most often pursued by a third-party model vendor who requests the model maintain a confidential filing status. The third-party model vendor registration outline detailed in IV.A., does mirror the Bureau's rate service organization licensing process. The Bureau's review of the model itself does currently include many of the technical items outlined in sections IV. and V.

The Bureau holds any insurer wishing to utilize third-party data as the sole party responsible for the reliability, dependability, and veracity of such data. The Bureau believes it would still be beneficial for the Working Group to consider building out guidance to enhance understanding of data governance and risk management related to third-party data for conversations with insurers as needed.

The Bureau offers these comments for the Working Group's consideration and looks forward to engaging on these important issues.

Sincerely,
Jessica Baggarley
Personal Lines Manager
Property and Casualty Division

February 6, 2026

ATTN: Kris DeFrain
National Association of Insurance Commissioners
Third-Party Data and Models Working Group

Re: Exposure Draft – Risk-Based Regulatory Framework for Third-Party Data and Model Vendors

Dear Members of the Third-Party Data and Models Working Group,

ZestyAI appreciates the opportunity to provide comments on the Exposure Draft titled *Risk-Based Regulatory Framework for Third-Party Data and Model Vendors*. We support the NAIC's objective of establishing a risk-based, proportional framework that promotes transparency, sound governance, and consumer protection in the use of third-party data and models.

ZestyAI has proactively invested in robust governance, validation, and regulatory engagement, including obtaining Rating Organization or equivalent licenses in nearly every state and routinely filing models using documentation and controls that closely resemble those contemplated by the proposed framework. Based on our experience, review processes that employ a structured, vendor-level framework promote greater efficiency, transparency, and completeness in regulatory review. As a result, we view the proposed framework as consistent with existing best practices and well-positioned to improve regulatory consistency and elevate industry standards across jurisdictions.

Our comments focus on three areas where additional clarification would help ensure the framework operates as intended and integrates smoothly with existing regulatory structures.

1. Existing RSO or Equivalent Programs

We believe it is important for the framework to clearly articulate how the proposed vendor registration concept relates to existing rating organizations, advisory organizations, or similar licensures. Many third-party model vendors, including ZestyAI, already operate under well-established regulatory oversight regimes that address governance, transparency, and ongoing monitoring.

Clarifying whether registration is intended to replace, incorporate, or rely upon these existing programs would help avoid duplicative oversight and unnecessary compliance complexity. We encourage the NAIC to explicitly recognize that participation in established RSO or equivalent frameworks may satisfy, or substantially satisfy, registration expectations, consistent with the framework's emphasis on proportionality and efficiency.

2. Consistency in Registration and Model Review Frameworks

To maximize consistency, efficiency, and regulatory effectiveness, we encourage the NAIC to use this framework as a mechanism to standardize third-party vendor registration and model review expectations across states and vendors regardless of the technological novelty. At present, vendors and insurers face a patchwork of state-specific documentation requirements, formats, and review processes, even when models and governance programs are substantively identical.

Bryan Rehor
Director
Regulatory Affairs
regulatory@zesty.ai

Establishing a standardized set of registration and model documentation requirements would allow vendors to prepare a single, comprehensive governance and model package that could be relied upon by multiple states. Such an approach would reduce duplicative effort and promote consistency in regulatory review.

Under a standardized framework, states would retain full authority to request additional information, conduct follow-up inquiries, or apply state-specific considerations where warranted. However, those inquiries would build upon a shared baseline, rather than requiring vendors and insurers to recreate core documentation for each jurisdiction.

This reliance-based, standardized approach aligns with the NAIC's historical role in promoting uniformity where appropriate, supports efficient multi-state insurer operations, and rewards vendors that invest in robust, scalable governance and transparency programs, without diminishing state regulatory authority.

3. Preserving Insurer-Led Consumer Interaction and Accountability

We strongly support the framework's recognition that insurers remain ultimately responsible for compliance with insurance laws and for consumer-facing decisions. To avoid confusion, we recommend reaffirming that consumer disclosures, access, and correction processes should remain insurer-led, with third-party vendors supporting insurers through documentation, transparency, and contractual cooperation rather than direct consumer engagement.

Maintaining this clear division of responsibilities aligns with existing regulatory practice and ensures that consumers continue to interact with the licensed entities responsible for underwriting, rating, and claims outcomes.

Conclusion

With these clarifications, we believe the proposed framework can reinforce strong governance practices, enhance regulatory consistency, and support responsible innovation across the insurance ecosystem. ZestyAI appreciates the NAIC's leadership in this area and welcomes continued dialogue as the framework evolves.

Respectfully submitted,

Bryan Rehor
Director of Regulatory Affairs
ZestyAI