Explanation of Revisions to June 3 Drafts

With respect to the **regulatory guidance**

1. Structurally, we reordered the guidance document to include a brief introduction before laying out the regulatory guidance first and added headings to the guidance. The more comprehensive Background information that was first in the January draft, is now laid out after the guidance.
2. The content of the guidance is largely unchanged from the January draft. Specific differences include:
   * a) In A)1. Instead of “unfair bias” we used “unfair discrimination”;
   * b) In A)8. We added “or actions”;
   * c) In B)1. The January draft said “review a life Insurer’s initial submission of policy filings…” This was changed to “underwriting programs/guidelines.”;
   * d) In B)4 we added “via a model”;
   * e) In C)5 we added clarifying language “based on external data or information?”;
   * f) The current question in C)8 was revised to fold in another question that asked “how often does the company audit” and re-phrased to ask how does a “company validate, test and audit” and references “Adverse Outcomes,” which keys into the Model AI Bulletin; and
   * g) We deleted a couple of questions that were not feasible in practice –questions asking “what changed as a result of audits and why? and asking for copy of audit report.” Similar questions were removed from the Model AI Bulletin as being burdensome to produce and of questionable importance.
3. The revised guidance relies on definitions from other NAIC work product and those references have been footnoted.
4. Another change is to the structure of the Background information. This draft lays out chronologically the NAIC work product that relates to this topic. Since the January draft, several NAIC projects in this area were completed. The documents are hyperlinked as well as included in appendices to the guidance.

With respect to the **referral**

1. The revisions to the referral are relatively minor. We updated the context to include the AI Model Bulletin.
2. The specific NAIC models that provide the authority to add guidance on AU in life insurance to the MRH have been pulled out.
3. The referral references the regulatory guidance rather than restating parts of it as we had in the January draft.
4. We added a sentence stating that the WG stands to help with the effort to revive the MRH. The Working Group recognizes that getting MRH revisions will require proactive collaboration between the AUWG and the Market Conduct Examination Guidelines WG and members of the drafting group are positioned to help with that effort.