BIG DATA (EX) WORKING GROUP
Work Plan for 2017

Introduction

The mission of the Big Data (EX) Working Group is to gather information to assist state insurance regulators in obtaining a clear understanding of what data is collected, how it is collected and how it is used by insurers and third parties in the context of marketing, rating, underwriting, and claims. This includes an evaluation of both the potential concerns and benefits for consumers and the ability to ensure data is being used in a manner compliant with state insurance statutes and regulations. The Working Group will also explore opportunities for regulatory use of data to improve the efficiency and effectiveness of insurance regulation.

The Working Group will prioritize its discussions by first focusing on rating issues for personal lines auto and homeowners insurance. In addition, the Working Group will make Charge B its first priority.

The following 2017 Work Plan documents the Big Data (EX) Working Group’s planned actions to undertake in 2017. The plan will be a working document to be modified as decisions are made, questions are raised, and deliverables are met.

**Charge “A” – Regulatory Framework (Completion of P&C – 2018 / Completion of Life and Health – 2019)**

The first charge of the Working Group is:

A. Review current regulatory frameworks used to oversee insurers’ use of consumer and non-insurance data. If appropriate, recommend modifications to model laws/regulations regarding marketing, rating, underwriting and claims, regulation of data vendors and brokers, regulatory reporting requirements, and consumer disclosure requirements.

The Working Group wants to balance consumer protection with industry innovation.

**Charge “A” Actions:**

1. NAIC Staff will identify existing state authority, NAIC model laws, model regulations, and guidelines addressing insurers’ use of consumer and non-insurance data.

2. The Working Group will identify and discuss insurers’ use of consumer data and non-insurance data in each of the following activities and determine whether or not changes are needed to the current regulatory framework to protect consumers while fostering innovation:
   a. marketing
   b. rating (including tier placement)
   c. underwriting
   d. claims settlement

Discussion will include, but not be limited to, the following:

a. How data/models are or could be used by insurers.

b. Whether the current framework of prohibiting insurance rates from being excessive, inadequate, or unfairly discriminatory is sufficient to protect consumers while fostering innovation.

c. Whether specific levels of correlation and/or causality are needed for rating variable selections.
   i. Whether there is unfair discrimination.
   ii. Whether the current framework of prohibiting unfair insurance practices is sufficient.

b. Whether innovation is hampered or deterred and adjustments are needed to the framework.

f. Whether the use of particular data should be prohibited for marketing, rating, underwriting, or claims settlement;

g. Consumer privacy concerns, ownership, and awareness of consumer-generated data gathered and/or used by insurers.

h. Data accuracy and consumers’ ability to challenge the accuracy of data.
   i. Examine how insurers use and validate consumer data.
ii. Safeguards that should be in place to ensure consumer data used by insurers are accurate.

3. The Working Group will discuss whether or not changes are needed to the following in the regulatory framework (at a minimum) to protect consumers while fostering innovation:
   a. Regulation of data vendors and brokers.
   b. Regulatory reporting requirements.
   c. Consumer disclosure and other requirements (including consumer education).
      i. Discuss how to explain to consumers what data insurers are using and how it is being used in rate development and risk segmentation.
      ii. Discuss how to explain to consumers what data insurers use in the claims settlement process.
      iii. Discuss consumers’ rights to know what information is being used and how to contest inaccurate information.
      iv. Discuss the proper balance between public disclosure and confidentiality of insurers’ intellectual property.
      v. Discuss how consumers might use data to become better risks and to make coverage decisions.

5. If needed, the Working Group will request approval to revise or create model laws, regulations, or guidelines.

**Charge “B” — Review of Complex Models (Completion - 2017)**

The second charge of the Working Group is:

B. Propose a mechanism to provide resources and allow states to share resources to facilitate states’ ability to conduct technical analysis of and data collection related to states’ review of complex models used by insurers for underwriting, rating, and claims. Such mechanism shall respect and in no way limit states’ regulatory authority.

Charge “B” Actions:

1. NAIC staff will work with regulator subject matter experts with actuarial and market regulation experience to develop potential mechanisms for consideration.

2. Propose NAIC resource(s) or state shared resources, including expertise, staffing, data, or technology, to assist states’ review of complex models used by insurers for underwriting, rating, and claims.
   a. Identify the type of expertise and tools needed to evaluate complex rating models.
   b. Identify existing state and NAIC staffing and technological resources.

3. Propose a mechanism through the NAIC to facilitate states’ ability to conduct analysis of complex models used by insurers for underwriting, rating, and claims.
   a. Coordinate with the Casualty Actuarial and Statistical (C) Task Force regarding its work to facilitate interstate communication regarding insurers’ use of consumer and other data.
   b. Coordinate with the Life Actuarial (A) Task Force and Health Actuarial (B) Task Force, as needed.

**Charge “C” — Data and Tools Needed (Completion of P&C – 2018 / Completion of Life and Health – 2019)**

The third charge of the Working Group is:

C. Assess data needs and required tools for regulators to appropriately monitor the marketplace and evaluate underwriting, rating, claims, and marketing practices. This assessment shall include gaining a better understanding of currently available data and tools and recommendations for additional data and tools as appropriate. Based upon this assessment, propose a means to collect, house, and analyze needed data.

Charge “C” Actions:

1. Identify current data collected and how regulators use the data (for evaluation of underwriting, rating, claims, and marketing practices).

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c. Auto Insurance (C/D) Working Group (auto insurance availability and affordability data).

d. Other NAIC groups, as needed.

e. Individual states who have established data calls.

f. Outside sources.

2. Assess data needs for regulators to appropriately monitor the marketplace and evaluate underwriting, rating, claims, and marketing practices.
   a. Coordinate with appropriate NAIC Working Groups to determine metrics states should use to evaluate information about insurers, the marketplace, and consumers.
   b. Study and make recommendations on how states can better use currently available data to regulate insurers.
   c. Coordinate with appropriate NAIC Working Groups to identify any needs and uses for additional data.
      i. Assess the need for insurer transaction level data (policies purchased, claims made, losses paid, etc.).
      ii. Assess the need for data collection about consumers from other sources (e.g. demographic data for applicants and policyholders).

3. Evaluate the need to collect additional data for review of models.

4. Coordinate with appropriate NAIC Working Groups to assess tools for regulators to appropriately monitor the marketplace and evaluate underwriting, rating, claims, and marketing practices. If needed, select tools. Based upon this assessment, propose a means to collect, house, and analyze needed data.

5. If additional data is to be collected (by the NAIC or by the states and then compiled by the NAIC),
   a. Coordinate with appropriate NAIC Working Groups to develop a data reporting and data collection structure so that appropriate consumer data is available to regulators to assist regulators in evaluating insurers’ use of consumer data.
   b. Coordinate with the Information Systems (EX1) Task Force to employ technology resources to collect data according to the structure identified.