NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

~~7/8~~11/04/2026

Regulatory Framework for Third-Party Data and Model Vendors
Property and Casualty Pricing and Underwriting Data and Models

EXECUTIVE SUMMARY

As one component of a broader pending regulatory framework for third-party data and model vendors, this document describes the first phase focused on third-party data and models utilized in property and casualty pricing and underwriting insurance functions (hereafter referred to as "third-party data and models").

The purposes are to 1) facilitate a process by which states are able to ensure that licensees'~~insurers'~~ use of third-party data and models complies with state insurance laws and regulations, including the Unfair Trade Practices Act, Unfair Claims Settlement Act, and other applicable regulatory standards and rate review authority, including prohibitions against unfair discrimination; 2) encourage robust third-party data and model governance standards; and 3) provide state insurance regulators with a comprehensive awareness of the third-parties that play a material role in property and casualty pricing and underwriting functions along with direct access to third-party data and models.

In addition to strengthening regulatory oversight, this framework offers direct value to third parties themselves in the following ways: 1) Signals commitment to shared standards and establishes participants as credible and identifiable actors; 2) Establishes practical access to information-sharing and consultation channels, streamlining routine filings and regulatory inquiries in which third-party data or models are implicated; and 3) Reflects commitment to good governance by proactively contributing to a process where responsibility is shared by all stakeholders that materially affect outcomes with significant consumer impact.

Licensees~~Insurers~~ remain fully responsible for compliance with all applicable insurance laws when using third-party data or models.

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DEFINITIONS

Model:

Pricing Model—A simplified representation of how insurance losses, expenses, and risk factors relate to each other that is constructed for the purposes of developing rates, premiums, or rating factors for property and casualty insurance risks.

Third-Party Pricing Model Vendor—A person or entity, other than a licensee, that develops, maintains, or distributes a pricing model for use by licensees~~property and casualty insurers~~ in ratemaking. A third-party pricing model vendor does not itself assume the insurance risk associated with the model's output.

Underwriting Model—A simplified representation of relationships between risk characteristics, exposures, and expected insurance outcomes designed to inform or automate a licensee's~~property and casualty insurer's~~ decisions about whether to accept, decline, or modify the terms of property or casualty insurance risks.

Third-Party Underwriting Model Vendor—A person or entity, other than a licensee, that develops, maintains, or distributes an underwriting model for use by licensees~~property and casualty insurers~~ to provide actionable underwriting guidance such as an accept/decline recommendation, tier placement, or eligibility determination. A third-party underwriting model vendor does not itself assume the insurance risk associated with the model's output.

Data:

Pricing Data—Facts or information obtained from a source other than a licensee, used as input to a pricing model, or that informs the selection of such input, for the purposes of developing rates, premiums, or rating factors for property and casualty insurance risks. This includes output from other models supplied by third parties.

Third-Party Pricing Data Vendor—A person or entity, other than a licensee, that develops, maintains, collects, compiles, or distributes pricing data for use by both licensees or unlicensed persons or entities, in developing rates, premiums, or rating factors for property and casualty risks. A third-party pricing data vendor does not itself assume the insurance risk associated with the pricing decisions informed or influenced by that data.

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Underwriting Data—Facts or information obtained from a source other than a licensee, used as input to an underwriting model, or that informs the selection of such input, for the purposes of evaluating, accepting, declining, or modifying the terms of property and casualty risks. This includes output from other models supplied by third parties.

Third-Party Underwriting Data Vendor—A person or entity, other than a licensee, that develops, maintains collects, compiles, or distributes underwriting data for use by both licensees or unlicensed persons or entities, in evaluating, accepting, declining, or modifying the terms of property and casualty risks. A third-party underwriting data vendor supplies facts or information that serves as an input to an underwriting model, or that otherwise informs underwriting decisions made by licensees, but does not itself assume the risk associated with the underwriting decisions informed or influenced by that data.

Note: Third-party data vendors and third-party model vendors are not necessarily distinct. The same third-party vendor may, in fact, be a data vendor and model vendor.

Licensee—Any insurer, advisory organization, rating organization, or other similar organization engaged in pricing or underwriting property and casualty 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].

PROPOSED STRUCTURE

1. **Registry:** Third-party data and model vendors would be encouraged to voluntarily register through a shared multi-state registry hosted by the National Association of Insurance Commissioners ("NAIC"). The registry would function as a central repository and access point for third-party data and model vendors to provide required descriptions of their corporate governance structure as well as their data and model governance programs and to which licensees ~~insurers~~ they have supplied ~~purchased~~ data and/or models. As a condition of registration, third-party data and model vendors would commit to respond within specified timeframes to insurance regulator requests for information about the pricing and underwriting data and models they supply to licensees~~property and casualty insurers~~ including potentially the data and/or models themselves.

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a. Corporate governance documentation must include contact information, legal entity, ownership structure, and responsible officers.

b. Model and data governance programs ~~must~~ are expected to be consistent with the NAIC's AI Principles and Model Bulletin and demonstrate robust governance standards and risk management controls including governance, roles, responsibilities, and internal oversight.

   i. For models, documentation should consist of purpose, intended use, modeling approach, assumptions, inputs, outputs, limitations, performance metrics, and validation processes.

   ii. For data, documentation should consist of accuracy, completeness, timeliness, representativeness, auditable data lineage, and quality controls; data governance and provenance controls; ~~roles, responsibilities, and internal oversight;~~ process for identification and remediation of missing or incomplete data.

   iii. Third-party data and model vendors should include, in their contracts with licensees, the party responsible for disclosing~~e~~ to consumers the usage of data ~~usage~~, explaining how consumers can access and correct data records,[1] and defining~~e~~ any limitations of corrections.

~~c. Upon request, third-party data and model vendors should provide regulators with information such as that described in the *NAIC Model Review Manual* and the *Catastrophe Modeling Primer*, including the following: model documentation, input and output specifications, validation, performance, and any fairness/bias testing results, change logs and audit trails, and other information reasonably necessary for regulatory evaluation of a property and casualty rate, rule, or underwriting guideline filing.~~

[1] https://www.ftc.gov/business-guidance/resources/consumer-reports-what-information-furnishers-need-know

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~~d.~~c. Regulators will have access to the registry which will indicate the third-party vendors that are providing licensees~~insurers~~ with models and/or data for use in underwriting and/or pricing property and casualty products offered in their state along with which licensees~~insurers~~ have purchased the data and/or models . The registry will also indicate the type of registration applicable in each respective state (e.g., "Data and Model Vendor," "Insurance Support Organization," "Advisory Organization"). Information made public will include the vendor names and may include other non-confidential information such as the intended use(s) (e.g., P/C pricing) of data and models they have listed with their registration.

d. Information submitted to the Registry by a model or data vendor will be subject to a data sharing agreement between the NAIC and the Vendor. In this data sharing agreement, the NAIC will agree to share confidential information submitted by model or data vendors only with jurisdictions that attest they can maintain the confidentiality of such information. The NAIC will concurrently enter into MOUs with participating jurisdictions regarding access to the Registry, and as such, the confidentiality of vendor information will be governed by each participating state's statutory confidentiality protections and open records laws. Additionally, participating jurisdictions will have to attest that they will only share any confidential information accessed from the Registry with other jurisdictions that have also entered into the MOU with the NAIC.

Note: States may need to enact laws or amend existing statutes to specifically provide confidentiality protections with respect to information from third-party data and model vendors.

~~e. Information submitted to the NAIC's registry by a model or data vendor will be treated as confidential by the NAIC. The NAIC is not subject to open records laws in any state. The confidentiality of vendor information will be governed by each state's open records laws. However, if a vendor designates certain~~

~~information submitted to the registry as confidential, whether governance information or data or models, the NAIC will commit to sharing that information only with states that have the authority to keep it confidential. States may have statutes that permit confidential treatment of trade secrets and for exam work papers. States may also need to create statutes that apply specifically to information from third-party data and model vendors or amend existing statutes to include them.~~

2. **Rate and Underwriting Filings:** A~~n~~ licensee~~insurer~~ will still ~~continue to~~ be required to file its rates and underwriting rules in accordance with each state's laws and regulations. This new framework also does not change any state's requirements for the filing of data and models.

    a. If a third-party vendor's data and/or model is used, that data and/or model must be filed in either the licensee~~insurer~~'s own filing or as a separate filing submitted directly to the regulator, as requested by the regulator. In either case, the third-party data and model vendor is required to provide all information requested similarly to what is required of a~~n~~ licensee~~insurer~~ filing its own data and/or model. For instance, upon request, third-party data and model vendors should provide regulators with information such as that described in the *NAIC Model Review Manual* and the *Catastrophe Modeling Primer*, including the following: model documentation, input and output specifications, validation, performance, and any fairness/bias testing results, change logs and audit trails, and other information reasonably necessary for regulatory evaluation of a property and casualty rate, rule, or underwriting guideline filing.

    b. Failure on the part of a third-party data or model vendor to provide a regulator with requested data and/or model information may result in the regulator prohibiting licensees~~insurers~~ from using the data and/or model for pricing or underwriting any property and casualty insurance product offered in the state subject to each state's applicable administrative procedures including written notice and cure period requirements.

c. Some states may not have the ability to approve a third-party data or model as a separate filing because the state is limited to evaluating a~~n~~ licensee's~~insurer's~~ filing or rates. In these cases, the third-party data or model filing will be evaluated as if it is part of a~~n~~ licensee's~~insurer's~~ filing with the expectation that the licensee~~insurer~~ demonstrates the use of the data or model produces actuarially sound rates.

d. To access the registry and to facilitate third-party data and model vendors' submission of requested data and/or models, states are encouraged to commit to providing the same confidentiality and intellectual property protections to third-party data and model filings as are afforded to licensees~~insurers~~ for confidential, proprietary, and trade-secret information under state laws.

Note: To achieve consistent confidentiality protections, states are encouraged to create a "model and data vendor" licensure/registration similar to requirements for advisory or rating organizations with the following modifications: 1) in addition to organizational governance requirements, require data and model governance; 2) require no examinations or limit the scope of examinations to data and model governance; 3) require participation in the proposed registry; and 4) require an annual data and model governance attestation.

States may use alternative approaches to achieve the same goal of confidentiality.

3. **Annual Attestation:** Through the shared multi-state registry, vendors must annually update governance documentation, contact information, and any other required documentation. A senior leader with relevant technical expertise and vested with formal organizational authority to approve data and model governance must attest that:

a. The governance program is implemented and effective for the data and models used by licensees~~insurers~~ for pricing and underwriting property and casualty products.

b. Sufficient records are maintained enabling an independent party to reconstruct all material changes to each model or dataset, as applicable. Such records are expected to be retained until the model or dataset is no longer in use and produced when requested by a regulator.

~~b. The data and models third-party vendors provide to insurers comply with applicable insurance laws and regulations in each state in which insurers use the data and models for pricing and underwriting property and casualty products.~~

4. **Material Changes Notifications:** Vendors must submit to the registry 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. Material modifications are changes to a dataset or model reasonably expected to significantly impact model performance, capabilities, behavior, or risks.

   For models or datasets in which material changes may occur between annual attestations, vendors are expected to maintain sufficient records to reconstruct all material changes to each model or dataset as applicable. Such records are expected to be retained until the model or dataset is no longer in use and produced when requested by a regulator.

LICENSEE~~INSURER~~ RESPONSIBILITIES

This framework maintains the longstanding principle that licensees~~insurers~~ are responsible for their own compliance obligations. Licensees~~Insurers~~ must validate model suitability for their book(s) of business, ensure contractual access to necessary information, meet all pricing and underwriting requirements, even when using third-party data and/or models.

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Regulatory oversight of third-party data and model vendors and the data and models they supply to licensees~~insurers~~ **does not reduce licensee~~insurer~~ accountability**. Licensees~~Insurers~~ remain responsible for the following:

1. Assessing model suitability for their own data and business use cases
2. Conducting licensee~~insurer~~-level model validation, testing, and monitoring
3. Ensuring that any data provided by a third-party data vendor is sufficiently complete, accurate, and appropriate for its intended use
4. Ensuring compliance with laws pertaining to pricing, underwriting, unfair trade practices, and unfair discrimination
5. Maintaining contacts permitting licensee~~insurer~~ and regulator access to necessary model or data information