The Innovation and Technology (EX) Task Force met in Austin, TX, Dec. 9, 2019. The following Task Force members participated: Jon Godfread, Chair, and Chris Aufenthie (ND); Keith Schraad, Vice Chair (AZ); Lori K. Wing-Heier (AK); Jim L. Ridling represented by Jerry Workman (AL); Allen W. Kerr represented by Letty Hardee (AR); Michael Conway represented by Peg Brown (CO); Andrew N. Mais (CT); Stephen C. Taylor (DC); Trinidad Navarro represented by Leslie Ledogar (DE); David Altmaier represented by Mike Yaworsky (FL); Colin M. Hayashida (HI); Doug Ommen and Travis Grassel (IA); Dean L. Cameron represented by Weston Trexler (ID); Robert H. Muriel represented by CJ Metcalf (IL); Vicki Schmidt represented by LeAnn Crow (KS); Nancy G. Atkins (KY); James J. Donelon represented by Rich Piazza and Warren Byrd (LA); Al Redmer Jr. and Robert Baron (MD); Gary Anderson represented by Rachel M. Davison (MA); Anita G. Fox represented by Chad Arnold (MI); Steve Kelley represented by Tammy Lohmann and Phil Vigiatiuro (MN); Chlora Lindley-Myers represented by Angela Nelson and Cynthia Amann (MO); Mike Causey represented by Tracy Biehn and Kathy Shortt (NC); John Elias represented by Christian Citarella (NH); John G. Branchini and Anna Krylova (NM); Jillian Froment (OH); Glen Mulready (OK); Andrew Stolfi (OR); Jessica Altman and Michael Humphreys (PA); Elizabeth Kelleher Dwyer (RI); Raymond G. Farmer (SC); Larry Deiter (SD); Hodgen Mainda represented by Carter Lawrence (TN); Kent Sullivan represented by Michael Nored (TX); Scott A. White represented by Vicki Ayers and Eric Lowe (VA); Michael S. Pieciak represented by Kevin Gaffney (VT); Mike Kreidler represented by Molly Nollette and Lichiou Lee (WA); and Mark Afable represented by Nathan Houdek and Olivia Hwang (WI). Also participating was: Eric A. Cioppa (ME).

1. **Adopted its Oct. 18 Minutes**

   The Task Force met Oct. 18 and took the following action: 1) adopted the Artificial Intelligence (EX) Working Group’s Sept. 5 minutes; 2) adopted its 2020 proposed charges; and 3) adopted a Request for NAIC Model Law Development to develop model law language for the Unfair Trade Practices Act (§880).

   Mr. Taylor made a motion, seconded by Director Froment, to adopt the Task Force’s Oct. 18 minutes (Attachment Four). The motion passed unanimously.

2. **Adopted the Reports of its Working Groups**

   a. **Big Data (EX) Working Group**

   Commissioner Ommen said the Big Data (EX) Working Group met Dec. 7. He said after the Spring National Meeting and the referral to the Life Insurance and Annuities (A) Committee to study the use of external data and data analytics in accelerated life underwriting, the Working Group turned its attention to the use of data for fraud detection and claim settlements.

   Commissioner Ommen said the Working Group received presentations from the Insurance Services Office (ISO) and the National Insurance Crime Bureau (NICB) to help inform the Working Group about current market practices in the property/casualty (P/C) industry.

   Commissioner Ommen said the ISO provided an overview of three of its products the insurance industry uses for fraud detection and claim settlement: 1) ClaimSearch, which contains 1.4 billion records and is used by insurance companies to identify questionable relationships or networks within a claim record; 2) Verisk Weather, which provides historical weather data and loss exposure analysis for companies; and 3) ClaimXperience, a policyholder collaboration portal used for processing lower value property damage claims.

   Commissioner Ommen said the NICB presentation primarily focused on the NICB’s Geospatial Intelligence Center (GIC), which provides aerial imagery of pre- and post-catastrophe conditions of property to assess potential fraud and speed up the claim settlement process.
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Commissioner Ommen said the Working Group also received a brief update from the Casualty Actuarial and Statistical (C) Task Force regarding its white paper, *Regulatory Review of Predictive Models*. He said the Task Force will soon issue its third draft of the white paper, but it may need further input from the Big Data (EX) Working Group on the issues of causality versus statistical correlation and the confidentiality of predictive models.

Commissioner Ommen said the Working Group would like to delve deeper into the specific data elements used in fraud detection and claim settlement models beyond the traditional data collected during a claim investigation, and it will hold an interim conference call to explore these issues in more detail.

Commissioner Ommen made a motion, seconded by Commissioner Mais, to adopt the report of the Big Data (EX) Working Group (Attachment One). The motion passed unanimously.

b. Speed to Market (EX) Working Group

Superintendent Franchini said the Speed to Market (EX) Working Group met Dec. 3 and Sept. 12.

During its Sept. 12 meeting, the Working Group discussed and reviewed System for Electronic Rate and Form Filing (SERFF) enhancements and prioritization of several focus areas. He said NAIC staff members discussed suggested areas of improvement and goals for submission validations, review tools, workload management, performance and reliability, the search function, document management, reporting and data export, streamlined correspondence, and user experience. He said input was sought from Working Group members, interested state insurance regulators and interested parties as to which areas of improvement would provide the most benefit. He said a survey was distributed to seek feedback from all states.

During its Dec. 3 meeting, the Working Group took the following action: 1) adopted its Sept. 12 minutes; 2) heard an update on the SERFF capabilities survey; and 3) received a brief overview of the request for proposal (RFP) for a consultant to conduct a business and technical assessment of SERFF.

Superintendent Franchini said there was a great response to the SERFF survey sent in September, and all but 12 member jurisdictions provided feedback. He said some of the enhancement items reviewed are already being worked into the analysis and development process by NAIC staff, and others are going through the development pipeline. He said these matters will be reflected in an action plan for 2020 and beyond, so the SERFF application can provide more functionality for the states and insurance companies moving forward.

Superintendent Franchini made a motion, seconded by Director Farmer, to adopt the report of the Speed to Market (EX) Working Group (Attachment Two). The motion passed unanimously.

c. Artificial Intelligence (EX) Working Group

Commissioner Godfread said the Artificial Intelligence (EX) Working Group met Dec. 7 and discussed comments related to using the Organisation for Economic Co-operation and Development (OECD) Artificial Intelligence (AI) Principles as a basis for developing AI principles for the insurance industry.

Commissioner Godfread said the Working Group also reviewed a draft principles document from the North Dakota Insurance Department as a “strawman” for moving forward to complete the deliverable and decided to expose the draft for a public comment period ending Jan. 17, 2020. He said the Working Group agreed to meet at least once via conference call prior to the 2020 Spring National Meeting to discuss the comments and the draft.

Director Froment made a motion, seconded by Director Schraad, to adopt the report of the Artificial Intelligence (EX) Working Group (Attachment Three). The motion passed unanimously.

d. Innovation and Technology State Contacts

Denise Matthews (NAIC) said the Innovation and Technology State Contacts met Dec. 6. She said George Bradner (CT) chaired and reviewed the purpose of the meeting.
Ms. Matthews said the attendees discussed a proposed process to facilitate more frequent and regular webinars on various innovation and technology topics or presentations from innovators. She said the group agreed it would be appropriate and that it will proceed with that in 2020. She said the group also discussed defining “regulatory sandbox” because that term gets used frequently. She said there was a desire to ensure that when that term is used, there is a common understanding of what is means. She said NAIC Legal Division staff are also tracking sandbox and other types of state organized activity. She said Kentucky and Vermont are currently the only states to have implemented an insurance regulatory sandbox.

Ms. Matthews said the group also discussed innovation and technology education and information opportunities, including dates and locations taking place in 2020. She said updates on the Western Zone Silicon Valley Program, the InsurTech Connect event and the Insurtech on the Silicon Prairie event, all held in 2019, were provided by Ms. Nollette, Mr. Aufenthie and Matt Holman (NE), respectively.

Ms. Matthews said the group also received presentations on regulatory technology proof-of-concepts underway in a few states. She said the presentations focused on form filing review and analysis workflow tools that are using technology and some machine learning to make that process more efficient, including a discussion related to SERFF.

3. Discussed Anti-Rebating Draft Bulletin and Model Law Amendments

Commissioner Godfread said the Task Force adopted a motion to move forward with Request for NAIC Model Law Development to modify Model #880 during the Summer National Meeting. He said the Task Force reviewed and adopted the request during its Oct. 18 meeting, and the Executive (EX) Committee has since adopted it. Therefore, he said the Task Force may proceed with work on model law language.

Commissioner Godfread said, prior to deciding to work on the model law, the Task Force discussed a North Dakota draft bulletin on the rebating topic, and the Task Force has received comments related to that language. He said it was considered something that could be done in the nearer term or possibly as an alternative to the model law approach. He said that while the Task Force members agreed to accept comments and continue to work on the language for a bulletin, Task Force members did not make a decision as to if it wanted to pursue this work as an exercise to fine tune a North Dakota bulletin that other states may choose to use as a template for their state, or if it wanted to actually pursue using this to create an NAIC work product.

Commissioner Godfread asked if it is the will of the Task Force members to pursue an official NAIC anti-rebating bulletin, or to consider that work complete and move on with the work on the model language.

Director Froment and Director Wing-Heier both said they thought it was time to move on to work on the model law language.

Ms. Nollette said the work on the North Dakota bulletin was valuable and will inform the model law work but agreed it was time to focus on the model law.

Commissioner Godfread said there was clear direction to proceed and discontinue work on the bulletin. He said there would be one more small tweak to the North Dakota bulletin before it is finalized, but he hopes to get it in place early next year and would be happy to work with any state interested in the bulletin.

Commissioner Godfread asked if anyone has any thoughts or suggestions regarding an approach to drafting the model law language discussed in the Request for NAIC Model Law Development. He said some draft language has been submitted by the American Property and Casualty Insurance Association (APCIA) during the Task Force meeting at the NAIC/NIPR Insurance Summit in June, and the Task Force has received a lot of thoughtful input via emails, comment letters and presentations.

Director Ramge recommended the Task Force assign this to another group to work via conference call with subject-matter experts (SMEs) and comments from interested parties, and Nebraska would volunteer to be on that group.

Commissioner Richardson agreed with Director Ramge that a smaller group would be good to begin this work.
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Commissioner Ommen supported that, as well, to allow that drafting to take place but said there will obviously be a lot of opportunity for others to comment.

Commissioner Godfread suggested this be a drafting group as opposed to an NAIC working group.

Director Farmer agreed, as did other members of the Task Force.

Commissioner Godfread asked for volunteers to participate in the drafting group and to let NAIC staff know if interested. Hearing no other discussion, he said the drafting group will be formed and to move forward with the work on the model law.

4. Received an Update on Cybersecurity Initiatives, Including the Implementation of Model #668, and Data Privacy from the Privacy Protections (D) Working Group

   a. Update on Cybersecurity Initiatives

Commissioner Godfread said the Cybersecurity (EX) Working Group was disbanded in March 2018, and the Task Force now has the responsibility to monitor developments in this area. He said data, innovation and cyber continue to be a key regulatory priority including not only the ongoing work to implement the model law, but also monitoring data privacy activity and applicability to the insurance space. He said efforts in this area need to be well coordinated, and updates will continue to be provided to committees with a vested interest. He said he encourages everyone to look at the different committees overseeing these workstreams and pay attention to that activity.

Director Farmer provided an update on the Insurance Data Security Model Law (#668) and its implementation. He said adoption of the model law remains a high priority for the NAIC. He said state insurance regulators are dedicated to developing the necessary tools to ensure consumers are protected from data breaches and that Model #668 is the best way states can lead in this effort. He said eight states have adopted laws based on the NAIC model to date, and more are anticipated to follow next year. He said the U.S. Department of the Treasury (Treasury Department) endorsed the model law and recommended its prompt and uniform adoption by the states to avoid congressional action setting forth uniform requirements for insurer data security.

Director Farmer said a joint Kansas and Missouri ransomware cyber tabletop exercise was held Sept. 5 at the NAIC Central Office in Kansas City, MO. He said the event was well attended, with more than 40 participants comprised of staff from state insurance and information technology (IT) departments, 12 companies, financial examiners from several states, the Treasury Department and law enforcement. These events have prepared the NAIC with templated cyber scenarios, an event planning timeline and direction on facilitation of these events.

Director Farmer said Illinois will host a cyber tabletop exercise in Chicago in 2020, and the NAIC is currently working with Wisconsin to determine if this could be a joint event similar to the Kansas/Missouri tabletop and if it can be scheduled sometime between May and October 2020. He said a cyber tabletop exercise will also be held in Ohio on May 19, 2020, for Ohio domestic insurers only, as well as support entities like the FBI and local law enforcement. He said the NAIC is also talking with Connecticut about conducting a tabletop in October 2020. He said it will likely be a single-state event and would be the third cyber tabletop exercise in 2020, exceeding the NAIC’s original goal of two events for 2020.

   b. Update from Privacy Protections (D) Working Group

Ms. Amann provided an update on the work of the Privacy Protections (D) Working Group. She said it held its kick-off meeting Dec. 8. She said the Working Group was appointed Oct. 1, and it is in the process of finalizing its membership and distribution lists for interested state insurance regulators and parties.

Ms. Amann said the Working Group will work closely with the other working groups in this arena, including the Artificial Intelligence (EX) Working Group, the Accelerated Underwriting (A) Working Group and others, as each has its unique set of issues that will require coordination.

Ms. Amann said during the Dec. 8 meeting, the Working Group took the following action: 1) discussed its proposed workplan to meet monthly via conference call; 2) heard a presentation by Jennifer McAdam (NAIC) on the NAIC Insurance Information
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and Privacy Protection Model Act (#670), the Privacy of Consumer Financial and Health Information Regulation (#672), the General Data Protection Regulation (GDPR), the California Consumer Privacy Act (CCPA) and state data privacy legislation; 2) heard an update from Kendall Cotton (MT) on current legislative activities in Montana; and 3) discussed comments received from the Center for Economic Justice (CEJ), the National Association of Mutual Insurance Companies (NAMIC) and the APCIA.

Ms. Amann said the work will be to decide how effective amendments to these models may be versus drafting something new. She said there is a chart on the NAIC web page outlining state activity to date in this area. She said NAIC Legal Division staff are trying to keep it current, so contact NAIC staff if updates need to be made.

5. Received an Update on Drafting a Document for Startups

Commissioner Godfread said Birny Birnbaum (CEJ) submitted a request to the Task Force to draft a document targeted at educating startups regarding the difference between insurance products and other consumer products in the banking arena or otherwise. He said Mr. Birnbaum suggested that a document be developed for InsurTechs on why insurance is different from banking and other consumer products. Commissioner Godfread said most would likely agree Mr. Birnbaum’s points are well taken.

Commissioner Godfread said during events and opportunities that state insurance regulators have participated in over the past several years, it appears there has been fairly strong interest and awareness on the part of accelerators and others in terms of offering counsel and mentorship to startups in the InsurTech space, in regard to better understanding the insurance industry, its products and services, as well as how it is regulated. He said he is not sure that undertaking a charge to draft an official NAIC white paper on this topic would make sense or should be a priority for the Task Force, but maybe something could be drafted, informally, to address this area.

Commissioner Godfread also said the NAIC is working on opening up the Associate Professional in Insurance Regulation (APIR) designation program to tweak it for InsurTechs, and that could encapsulate a lot of the introduction to insurance regulation that InsurTechs may be missing. In addition, he said Shanique V. Hall (NAIC) is working on an InsurTech study and that she would be open to working with others to incorporate this work into the study, as well.

Commissioner Ommen said Iowa has information available to startups and the responsibility to communicate to those coming into the insurance business. He said the suggestions made by the CEJ indicate some common themes that are mindful of concerns that many on the Task Force share, but he said risk discrimination is what we do in the business of insurance and is where companies compete to become faster and more efficient. He said this document might create an overemphasis on one particular aspect of the Task Force’s concerns, and it is difficult to boil all of this down to a short list. He said the Task Force should work on all of the issues contained in the list in Mr. Birnbaum’s letter, but it may be too heavily focused on one theme.

Commissioner Godfread said he likes the idea of working with the NAIC’s Center for Insurance Policy and Research (CIPR) and the NAIC Insurance Regulator Professional Designation Program, along with the consumer groups.

Director Froment agreed and said Ohio has a designated person who meets with the startups. She said they come in with different levels of knowledge, and it takes a person to navigate where they are and then work with them.

Mr. Slape said there is a list of state innovation and technology contacts on the NAIC website. He said it would be good to get that message out through social media and other methods, reminding startups of that list so they can contact the right person and get direct feedback.
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Mr. Birnbaum said he would defer to the Task Force members’ best judgment on how to get this message out to InsurTechs. He said he would like to clarify that the intent of his letter was not to provide a list of things they need to do to comply with insurance regulation or a guide to becoming a producer or licensed company, but rather to explain the significant differences between insurance products and other consumer products. He said many InsurTechs come from other markets where there is no rate regulation or licensing and capital requirements. He said the goal was to help them navigate the regulatory system and to help them understand the key concepts and differences from other consumer product markets, using the unfair discrimination issue as an example.

Peter Kochenburger (University of Connecticut School of Law) said even skilled and knowledgeable individuals in other areas often do not know that these regulatory processes exist and that they should talk to a state insurance regulator.

Commissioner Godfread said he has seen a shift over the past few years and progress has been made, but that does not mean everybody is there yet. He said the CEJ letter includes a good list and points out those differences. He said state insurance regulators are committed to working with consumer groups to ensure this gets addressed. He said working through CIPR and the NAIC Designation Program, in his opinion, is the best approach.

6. **Heard an Update on the NCOIL Insurance Modernization Activity**

   Indiana State Rep. Matt Lehman (R-Berne), who is also vice president of the National Conference of Insurance Legislators (NCOIL), provided an update on NCOIL’s insurance modernization activity.

   Mr. Lehman said about a year ago, NCOIL began to receive comments about the market being ripe for clean-up legislation around technology and doing business the old way. He said a prime example is that some states do not have legislation to allow consumers to opt into electronic delivery of documents but mandate a requirement to do so via the U.S. mail, which is antiquated and needs to be updated. He said NCOIL made it a 2019 priority to develop insurance modernization legislation and at first was not sure if it would be some type of omnibus modernization deliverable or if it would get into more detailed issues. He said NCOIL looked at: 1) allowing consumers to opt into electronic delivery and posting of insurance notices; 2) modernizing the current paper process used to transfer ownership of a total loss vehicle; and 3) modernizing the anti-rebating laws.

   Mr. Lehman said he heard the discussion on the anti-rebating topic earlier in the meeting and would be happy to work as partners with the NAIC on that effort and any topics the Task Force may wish to include. He expanded on the first topic, saying the industry took the federal e-signature law and customized it for the insurance industry. He said it requires an opt-in, so the consumer must consent, and it excludes cancellation and renewal notices. He said this type of insurance delivery method has been adopted in approximately 38 states, and approximately 25 states have enacted insurance posting legislation that is opt-out. This means that it only applies to the policy document itself and does not include any personally identifiable information (PII), and the consumer can request a paper copy, which most still do.

   Mr. Lehman said in the case of an accident that results in a total loss where the insurance company takes ownership of the vehicle, the process is completely paper-based and requires paperwork that the consumer often does not have or cannot find. As a result, the consumer has to file for a duplicate from the state’s Department of Motor Vehicles (DMV), which takes time. He suggested if the process were digitized, the process could be sped up, money would be saved, and the consumer would get his or her money faster. He said the proposed NCOIL model would require the DMVs to develop and use electronic systems to process those transactions. He said Florida passed a law and that he hopes the NCOIL model can gain traction across the country.

   Mr. Lehman said anti-rebating issues have been brought up a lot and are finally getting attention. He said the law covering this issue was drafted a long time ago when life insurance agents were paying rebates to clients to increase sales and then were demanding higher commissions, which led to solvency issues. He said he recognized the state insurance regulator’s charge is to not only protect consumers but also the solvency of companies, making this a big issue that also potentially has unfair discriminatory practice implications. He said he considers rebating to be an issue between brokers and carriers and not as much to the consumer as a loser. He said unfair trade practice issues are driven by the consumer. Therefore, rebating is tied more to the issue of an anti-trade violation as opposed to unfair trade practices, so they should be viewed as separate items.
Mr. Lehman said earlier conversations among the Task Force members regarding the desire to work on a model to avoid multiple bulletins and inconsistencies makes sense and that as a broker, he is aware of the challenges posed by state differences. Therefore, he said NCOIL is looking for a standard or benchmark for this area. He said the NCOIL model addresses those things and moves toward that direction. He said NCOIL is here to work with state insurance commissioners and to get those laws passed. He said he would be happy to work with the Task Force’s drafting group as a resource.

Commissioner Godfread said the Task Force would definitely keep NCOIL apprised on its work, as the two groups share a common goal to simplify this and make things easier and more understandable.

Mr. Lehman said he liked the three bullet points in the North Dakota draft bulletin on anti-rebating and, as the author of the NCOIL model, would be considering those as a filter to put the model through.

7. **Discussed Other Matters**

Commissioner Godfread said CIPR has posted a great summary of the *Journal of Insurance Regulators* (JIR) article titled, “Time to Dust the Anti-Rebating Laws,” and he encouraged those working on the anti-rebating model law language to read it.

Commissioner Godfread also said the Task Force has a charge to: “Monitor and discuss regulatory issues that arise with the development of autonomous vehicles. Study and, if necessary, develop recommendations for changes needed to the state-based insurance regulatory framework.” He said, in keeping with that, he wanted to let the Task Force members know about an upcoming webinar on the subject.

Ms. Hall provided a quick update on the webinar, noting it would build on the CIPR Autonomous Vehicle Symposium held in 2018 in Silicon Valley regarding this emerging technology.

Having no further business, the Innovation and Technology (EX) Task Force adjourned.