INNOVATION, CYBERSECURITY, AND TECHNOLOGY (H) COMMITTEE

Draft Pending Adoption

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Innovation, Cybersecurity, and Technology (H) Committee
Minneapolis, Minnesota
August 13, 2025

The Innovation, Cybersecurity, and Technology (H) Committee met in Minneapolis, MN, August 13, 2025. The following Committee members participated: Michael Yaworsky, Chair (FL); Karima M. Woods, Co-Vice Chair (DC); Angela Nelson, Co-Vice Chair (MO); Mark Fowler (AL); Michael Conway represented by Jason Lapham (CO); Scott Saiki represented by Jerry Bump (HI); Doug Ommen (IA); Marie Grant (MD); Mike Chaney represented by Andy Case (MS); James E. Brown (MT); Jon Godfread represented by Colton Schulz (ND); Judith L. French (OH); Michael Humphreys (PA); and Elizabeth Kelleher Dwyer and Matt Gendron (RI). Also participating were: Lori Munn (AZ); Wanchin Chou (CT); Wes Trexler (ID); Eric Dunning (NE); Christian Citarella (NH); Michael Wise (SC); Cassie Brown, Marianne Baker, and Nicole Elliot (TX); and Michael Peterson (VA).

1. Provided an Update on Committee Leadership and Membership Changes

Commissioner Yaworsky opened the meeting with a brief discussion on committee leadership and membership changes. Director Angela Nelson will now serve as Co-Vice-Chair alongside Commissioner Karima Woods. Additionally, Commissioner Yaworsky welcomed Commissioners Mark Fowler of Alabama and Scott Saiki of Hawaii who have now joined as members of the Committee.

2. Adopted its 2025 Spring National Meeting Minutes

Commissioner then briefly summarized the highlights of the Spring National meeting, including a presentation from Travelers on the responsible use of AI and an update on federal activities related to AI and cybersecurity.

Director Nelson made a motion, seconded by Commissioner Ommen, to adopt the Committee's Mar. 26, 2025, minutes (*see NAIC Proceedings – Spring 2025, Innovation, Cybersecurity, and Technology (H) Committee*). The motion passed unanimously.

3. Adopted the Reports of its Task Force and Working Groups

A. Big Data and Artificial Intelligence (H) Working Group

Commissioner Humphreys next reported on the Big Data and Artificial Intelligence (H) Working Group's work since the last national meeting.

Humphreys said that the Big Data and Artificial Intelligence (H) Working Group met Tuesday, August 12, 2025. During this meeting, the Working Group adopted its July 16 Meeting minutes and discussed interested party responses to request for information (RFI) on a possible AI model law.

The RFI was issued May 15 for a 45-day comment period that ended June 30. The Working Group received 33 written responses from state departments of insurance, consumer representatives, health provider groups, trade organizations, InsurTechs, an advisory organization and consultants.

In the Working Group meeting, individuals from 15 organizations provided comments on whether the NAIC should pursue an AI model law, whether existing laws, regulations, and/or the AI Bulletin are sufficient, regulation of third-party data vendors, and other topics highlighted in the RFI.

Commissioner Humphreys said that the Working Group will take the insights shared from the written and verbal comments on the RFI and evaluate next steps on the development of a possible AI Model Law, which may include a possible interim meeting and/or an on-site discussion to be scheduled.

Commissioner Humphreys further clarified that he has not said that the Working Group would develop an AI model. The purpose of the RFI was to seek comment on the idea of an AI model and to continue the discussion that the Working Group has had over the last couple years, which started with the principles moved into the bulletin included surveying companies on the use of AI and the natural next step felt like an RFI to further discuss related issues and whether to pursue a model.

The Working Group also received a brief update on the AI Systems Evaluation Tool. The working group developed a draft of this tool with a handful of the states that are members of the working group with the goal of providing regulators with a resource for examining AI systems. The tool and each exhibit are optional, and regulators obviously may tailor the questions as they see fit. The tool was initially exposed for public comment on July 7th for a 30-day comment period ending August 6th, but the comment period has since been extended to 60 days ending September 5th.

As the Working Group considers next steps, Commissioner Humphreys says that the Working Group may meet again, potentially in person to complete the work of the AI Systems Evaluation Tool.

B. Cybersecurity (H) Working Group

Michael Peterson next gave an update on the Cybersecurity (H) Working Group's work. The Cybersecurity (H) Working Group met on June 17, 2025, in a regulator-to-regulator session. The purpose of the meeting was to hear a presentation from colleagues at the NY DFS Cybersecurity Division regarding updates to their Cyber Regulation.

The Working Group reconvened on July 15, 2025, during which a draft guide was introduced in response to the Chief Financial Regulator Forum's referral concerning regulatory compliance for the Insurance Data Security Model Law (#668). The guide is designed to support a gap analysis between Model #668 and other standards, with the goal of reducing duplicative efforts across Departments of Insurance (DOI). It complements the Cybersecurity Event Response Plan (CERP) and the forthcoming portal project aimed at streamlining compliance and reducing regulatory risk.

Also on the July call, Joe Toomey from Coalition briefed the group on Scattered Spider, a collective of young, native-English-speaking cybercriminals known for SIM swapping and double extortion ransomware attacks. Their targets have included major firms such as MGM, Caesars, and more recently, U.S. insurance carriers like Erie and Philadelphia Insurance. Their tactics include phishing, help desk impersonation, and MFA manipulation. Toomey recommended several mitigation strategies, including robust identity verification, employee training, immutable backups, and supply chain security assessments.

On July 29, 2025, the Working Group held a regulator-only meeting to hear a presentation from AM Best, which provided a deep dive into its inaugural Cyber Insurance Survey.

The survey results highlighted the increasing complexity and systemic risk in the cyber insurance market. While small businesses comprise the majority of policyholders and exposure, shared dependencies present significant aggregation risks. The findings emphasized the importance of robust modeling and risk management practices, which are now integral to insurer ratings.

The Working Group committed to continued monitoring of these trends and supporting initiatives to enhance resilience and transparency in cyber underwriting.

Lastly, Peterson provided an update of the Working Group's meeting held on August 11, 2025 during which the Working Group heard verbal comments facilitated by Vice-Chair Colton Schulz of North Dakota from Members and Interested Parties regarding the IDSM compliance and enforcement guide. The Working Group will incorporate insights from both written and verbal feedback, and NAIC staff will issue an exposure notice. Following a 30-day comment period, an interim meeting will be held to discuss next steps.

The Working Group also discussed progress on the research and documentation of a proposed Cybersecurity Event Notification Portal at the NAIC, intended to receive notifications from regulated entities. The current fragmented reporting methods have led to inefficiencies and increased regulatory burden for licensees. The Portal is designed to save money, time, and make it easier for companies to comply with cybersecurity event notification requirements. Once the Working Group confirms the portal's legal, developmental, and financial viability, a formal project memo will be published for full public comment.

The Working Group also received a brief update from NAIC Staff on changes to the Cybersecurity Insurance Coverage Supplement, which underwent significant revisions for 2024 data. These changes include the elimination of Identity Theft-related reporting and the historic two-way split of reporting as either stand-alone or packaged policies. The Supplement now requires a three-way split for cyber policies—categorized as Primary, Excess, and Endorsement coverage. While these changes aim to provide a more granular view of how cybersecurity insurance is structured and sold, they also introduce complexity in analysis and may affect year-over-year comparisons.

C. Data Call Study Group

Colton Schulz provided an update on the Data Call Study Group. He said that the Data Call Study Group met in a regulator only session Data Call study group on July 31, 2025 and discussed the NAIC staff's progress on indexing financial data elements and their metadata such as table name, line, column, etcetera.

This indexing and data elements and data calls will help the states identify and potentially eliminate some redundant data calls. The next major step in the process is to conduct a gap analysis which would include reviewing data elements that regulators want and need and the data elements the NAIC is already receiving from different data calls. From there, the group intends to research whether a technology solution is needed and what that product would look like.

D. Privacy Protections (H) Working Group

Director Dwyer provided an update on the Privacy Protections (H) Working Group's ongoing work to develop an updated draft of the *Privacy of Consumer Financial and Health Information Regulation* (#672).

The Privacy Protections (H) Working Group met on April 23, 2025, in a regulator-to-regulator session pursuant to paragraph 6 of the NAIC Policy Statement on Open Meetings, which pertains to consultations with NAIC staff members related to NAIC technical guidance. The meeting focused on next steps for drafting Article IV of Model #672, which includes provisions to Privacy Notices to Consumers.

Following this meeting and the Drafting Group's open session on February 28, 2025, the Working Group released a revised version of Article IV. At this time, comments are not being requested on Article IV. A public comment period will be held after the next exposure of the completely revised draft of Model #672.

The Privacy Protections (H) Drafting Group also met on August 1, 2025, in open session to hear comments on Article V, which includes sections on Limits on the Sale of Nonpublic Personal Information and Limits on Disclosure of Sensitive Personal Information.

The Working Group did not convene during the Summer National Meeting. However, in lieu of meeting at the Summer National Meeting, the Drafting Group has continued to make steady progress on revising Model #672 section-by-section and will hold additional open and regulator-only meetings as needed. Upon completion of the section-by-section review, the Drafting Group will submit the full revised draft of Model #672 to the Working Group for consideration and exposure. Director Dwyer closed by acknowledging criticism the Working Group has received on the way in which the Working Group is proceeding in their work. Director Dwyer acknowledged that opinions may vary but that the Working Group is advancing section by section and then plans to reconstitute the model and re-expose it. Director Dwyer hopes that this will give everyone sufficient time to offer their opinions.

E. SupTech/GovTech (H) Subgroup

Lori Munn then provided a report on the SupTech/GovTech (H) Subgroup.

Since the last report presented in Indianapolis, the Subgroup has continued to build momentum in exploring technologies and innovations that may assist state insurance regulators in fulfilling their regulatory responsibilities.

As the Subgroup focuses on regulatory tools and education and receives presentations from companies on proprietary technologies, all meetings are conducted as regulator-only sessions, in accordance with the NAIC Policy on Open Meetings.

A survey was completed to identify specific areas of interest for presentations on technology solutions aimed at increasing efficiency, reducing administrative burden, and strengthening overall regulatory effectiveness.

A total of 45 responses were received from regulators in various roles. These results have informed and will continue to guide the selection of presentations for the Subgroup. A dedicated page was established on NAIC Connect, where recordings and updates are shared to promote broader regulator access and engagement.

The Subgroup's work also included the receipt of two presentations.

On July 19, the UK's Prudential Regulation Authority (PRA) presented its approach to monitoring and addressing reserving trends across insurance firms. The presentation included a demonstration of software that uses AI to perform data-driven analysis.

On August 7, the Subgroup heard from AlphaSense, a market intelligence platform that leverages AI to surface hard-to-find insights and monitor industry trends. The software aggregates and organizes diverse content, offering regulators a potential tool to assess regulated companies and understand emerging trends.

F. Third-Party Data and Models (H) Working Group

Jason Lapham (CO) next provided an update on the Third-Party Data and Models (H) Working Group's work.

The Third-Party Data and Models (H) Working Group convened on July 25, 2025, in a regulator-only setting.

The Working Group met again on August 13, 2025, continuing its discussion on the draft definition of third-party data and models vendor. The central issue being addressed is the need for regulators to obtain information about third-party data and models used by insurers—specifically, what data is being used, whether inappropriate data is included, what assumptions are made, and whether any practices are unfairly discriminatory. Regulators often face challenges in accessing third-party information when insurers themselves do not possess it.

While this issue is most prominent in the context of Property & Casualty (P&C) rate filings, similar concerns apply to other insurance practices, prompting broader consideration of the Working Group's scope. The regulation of models and data extends beyond P&C rate reviews, and the Working Group is evaluating how expansive its oversight should be. Key decisions under discussion include defining what constitutes a third-party organization, clarifying the roles of data and model vendors, and determining whether the focus should be limited to specific insurer operations.

In terms of next steps, Lapham said that the Working Group plans to compile language for each discussion topic to form a comprehensive definition, which will then be exposed for comment by regulators and interested parties. He also said that leadership from the Working Group will continue to collaborate with the Big Data and AI (H) Working Group to align efforts on related AI topics.

Director Nelson made a motion, seconded by Commissioner Humphreys, to adopt the report of the Big Data and Artificial Intelligence (H) Working Group (Attachment One), Cybersecurity (H) Working Group (Attachment Two), Data Call Study Group, Privacy Protections (H) Working Group, SupTech/GovTech (H) Subgroup and Third-Party Data and Models (H) Working Group (Attachment Three). The motion passed unanimously.

4. Heard an Update on the International Actuarial Association's work on AI Governance

Dorothy Andrews next presented the IAA's AI governance framework for actuaries, developed to guide responsible use of AI in insurance.

Andrews said that the framework covers ten components such as advocating a risk-based approach with oversight at board, executive, and IT levels. It also emphasizes the need for clear governance, model risk rating (low/medium/high), independent validation, and continuous monitoring of AI systems. She further said that the framework takes a position that the Board of Directors also bears the ultimate responsibility for the use of AI and thus for appropriate governance frameworks, which includes developing a new and or updating existing governance frameworks with clear communication about the strategy for policies relating to the use of AI within the organization.

Dorothy discussed the importance of distinguishing bias, fairness, and discrimination, clarifying that "algorithmic bias" is not a single type but results from data, design, and evaluation choices.

The framework encourages ongoing education for all staff, not just actuaries, and stresses understanding the data generation process to mitigate unintentional bias. Training should include recognition for when the algorithm may be producing illogical results and they must be empowered to pause any implementation until the issues are resolved.

Commissioner Yaworsky asked about unintentional bias. Along a spectrum, Commissioner Yaworsky asked how unintentional bias would be calculated versus an intentional bias that may be legitimate in the space because they're insurance naturally discriminates to some level.

Dorothy acknowledged that pricing is naturally a discussion about discrimination as it is a practice of distinguishing risk. To unintentional bias, Dorothy noted that companies may not have control over how the data was collected, how it was generated and what kind of systemic influences may be impacting the data. That would be more unintentional because the actuary is not trying to put any racial bias in the data. That's not intentional, but the way it may have been collected, certain people may be left out. It could also happen where if you don't have enough diversity in a thought in the room when you're looking at the algorithmic results, someone may not catch,

like with the healthcare algorithm where no one caught the fact that that was not a really good metric because it was based off of access to the cost of care.

Commissioner Yaworsky then asked about other professions involved in this work and how they should approach the Framework. Andrews responded that the Framework is agnostic to the fact that it's for the actuarial profession. She said that with her background as a psychologist, she thinks it important that practitioners take a social science approach to understand how data is generated because even the collection of data may inadvertently embed biases into the data.

Commissioner Woods asked about what comes next for the actuarial profession domestically and whether it will incorporate the international framework's ideas or whether that's even necessary. Andrews said that what is missing domestically is a risk taxonomy that would help classify which algorithms present low risk, medium risk and high risk, because that will change the type of action that you're going to take with regard to an algorithm and how many layers of an organization need to get involved. She also acknowledged that domestically, practitioners should think more holistically about data and the data generating process.

Brendan Bridgeland (Consumer Representative) asked if the framework includes a code of ethics or method for enforcing a code of ethics. Andrews noted that the framework does not prescribe a code of ethics due to international legal differences but focuses on responsible use and consumer protection.

5. Heard a Presentation from Sixfold on Human-Centered Use of Artificial Intelligence

Jane Tran (Sixfold) introduced Sixfold's generative AI platform for insurance underwriting, which supports underwriters by extracting and highlighting key information from submissions, improving efficiency and accuracy.

The platform maintains human decision-making authority, with AI providing facts and insights but not making final decisions.

Sixfold's adoption strategy centers on building trust through transparency and accuracy, including an "accuracy validator" that compares AI outputs to ground truth and requires high accuracy before deployment.

Jane described their bias testing framework for large language models, using counterfactual testing to assess consistency in fact highlighting across demographic variations. Traditional machine learning models are deterministic and so given the same input users will get the same output makes bias testing for machine learning models much more straightforward. However, she said, with large language models everything is probabilistic, so the outputs can vary even though they're factually similar.

Sixfold's counterfactual testing method varies patient demographics like race and gender to assess the consistency in fact highlighting with the variability of the specific factors. The work is still early but promising.

Commenting on the impact and content of the NAIC's Model Bulletin *Use of Artificial Intelligence Systems by Insurers:* She said that over the past 2 years, governance is still a key part of the AI discussion and specifically accountability and explainability for any sort of AI model. She said she sees insurers still working to embed expectations around third-party relationships although Sixfold has now seen expectations regarding compliance with the Bulletin built into a contractual agreement.

However, she also noted that the Bulletin encourages testing for bias but doesn't provide detailed guidance around what is expected so continued discussion with industry about what robust trustworthy AI testing would actually look like in practice would be beneficial.

Commissioner Yaworsky asked if Tran had any lessons learned to help regulators understand good versus bad practices related to AI. Commissioner Woods asked how partners have responded to Sixfold's practice of putting humans at the core of their AI practices. Tran said that Sixfold's industry partners have been receptive to Sixfold's approach to working with AI. However, she said that with AI implementation in general, including for Sixfold, that change management concerns are still raised as part of the implementation process. Director Nelson said that many companies want to be responsible but sometimes that can come at the expense of slowing down innovation, so she asked how Sixfold balances sometimes competing interests. Tran said that Sixfold is mindful to be compliant with enterprise grade criteria as considered in SOC 2, Type 2 reports or in HIPPA but that Sixfold also has an independent opinion on what is responsible. Still, Sixfold does try to operate with speed but this balance requires careful selection of partners, so values are aligned and not slow their implementation down.

Having no further business, the Innovation, Cybersecurity, and Technology (H) Committee adjourned.

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Big Data and Artificial Intelligence (H) Working Group
Minneapolis, Minnesota
August 12, 2025

The Big Data and Artificial Intelligence (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met Aug. 12, 2025. The following Working Group members participated: Michael Humphreys, Chair and Shannen Logue (PA); Doug Ommen, Co-Vice Chair (IA); Mary Block, Co-Vice Chair (VT); Heather Carpenter (AK); Mark Fowler (AL); Lori Munn (AZ); Ken Allen (CA); Jason Lapham (CO); Wanchin Chou and George Bradner (CT); Nicole Crockett (FL); Weston Trexler (ID); Jack Engle (IL); Julie Rachford (IN); Shawn Boggs (KY); Caleb Malone (LA); Caleb Huntington and Jackie Horigan (MA); Robert Carey (ME); Phil Vigliaturo (MN); Brad Gerling and Angela Nelson (MO); Thomas Kincheloe (NC); Colton Schulz (ND); Eric Dunning (NE); Christian Citarella (NH); Justin Zimmerman (NJ); Gennady Stolyarov (NV); Nishtha Ram (NY); Judith L. French (OH); Teresa Green (OK); Alex Cheng (OR); Elizabeth Kelleher Dwyer (RI); Michael Wise (SC); Travis Jordan (SD); Emily Marsh (TN); Cassie Brown and Nicole Elliot (TX); Eric Lowe (VA); Bryon Welch (WA); Timothy Cornelius (WI); Allan L. McVey and Erin Hunter (WV); and Lela D. Ladd (WY).

1. Adopted its July 16 Minutes

The Working Group met July 16 and took the following action: 1) adopted its Spring National Meeting minutes; 2) discussed the artificial intelligence (AI) systems evaluation tool; 3) heard a preliminary summary of comments from the request for information (RFI) on an AI model law; and 4) heard a presentation from Lazarus AI on the use of agentic AI in the insurance industry.

Schulz made a motion, seconded by Munn, to adopt the Working Group's July 16 minutes (Attachment One-A). The motion passed unanimously.

2. Heard Comments from Interested Parties on the RFI on a Possible AI Model Law

Commissioner Humphreys stated that the NAIC issued a request for information (RFI) about the possibility of developing an AI model law with the intention of moving the conversation forward after issuing the Principles on Artificial Intelligence, adopting the Model Bulletin, and surveying insurance companies on their use of AI.

Citarella commented that Commissioner D.J. Bettencourt (NH) and a consensus of regulators at the New Hampshire Insurance Department have reservations on the development of a model law. He stated three main concerns: 1) there is adequate regulatory authority in New Hampshire state law to oversee the use of AI in insurance; 2) it would be helpful to coordinate among jurisdictions that have issued the bulletin to see how insurers respond to an exam or investigation on the use of AI, and if there are gaps in authority, it might be appropriate to consider new legislation; and 3) there is much more to understand about AI, making it difficult and time consuming to draft language broad enough to create an effective model law. The New Hampshire Insurance Department recommends taking a "wait-and-see" approach.

Dan Bumpus (Virginia Bureau of Insurance) commented that the consideration of an AI model law is premature. Rather, the Working Group should focus its time and attention and limited resources on: 1) supporting broader adoption of the model bulletin in states that have not yet adopted it or do not otherwise have a legislative framework in mind for AI; and 2) supporting regulators in their efforts to work with companies and their use of AI. The development of an AI Systems Evaluation Tool is exactly what the Working Group should be doing, and more work should be done on education and training for staff members. Time should be given to gather

experience from the development of the exam tool, which should help inform what areas would need to be addressed in a future AI model law.

Lapham emphasized that the Colorado Division of Insurance encourages continued discussions regarding the development of a model law that is particularly about data usage, governance, and risk management, as well as quantitatively testing outcomes.

Lucy Culp (Leukemia & Lymphoma Society—LLS) stated that the LLS supports the development of an AI model law. Because states are at the forefront of regulating the use of AI in insurance, a model law will help create a regulatory floor across states, promoting fairness and transparency for both consumers and industry. The NAIC developed principles and a model bulletin, and a model law is the next step to move this work forward. Specific to health, the LLS sees a need to focus on areas like prior authorization and utilization management. The health survey from earlier this year shows that approximately 68% of health insurers are already using or planning to use AI to review prior authorization requests. This widespread adoption of AI for utilization management requires robust regulation to prevent delays or wrongful denials that could harm consumers. The LLS emphasizes the need for consistency in testing AI algorithms. The LLS is also concerned about the variability in self-governance, especially in testing for bias. A model law would be helpful to ensure fairness and accuracy of testing. The LLS encourages examining the use of third-party vendors to build and operate AI processes with the goal that insurers are responsible to regulators and consumers for the results of AI models they utilize, regardless of whether a third-party vendor is subject to state regulation. Transparency around data sources and data quality is also essential. The LLS is concerned that different data sets and vendors could result in multiple sets of rules and multiple sources of truth. Prior authorization decisions, which ultimately impact how patients receive medically necessary care, require one source of truth and one set of rules. A well-crafted, unified model law will help ensure that AI benefits consumers while safeguarding fairness and rights.

Peter Kochenburger (Southern University Law Center—SULC) advocated for a fourth pillar in regulating insurer use of AI, which would be focused particularly on consumer protection and the development of consumer rights. It is important that big data and AI are used in a transparent manner with fair outcomes. It is time to have requirements, more specific expectations, and third-party accountability. Insurers need to remain accountable to the insurance consumer for the outcomes, regardless of whether AI systems were developed in-house or by a third party.

Commissioner Humphreys asked Culp about the form of transparency that the LLS would recommend, with the insurance company or on insurance processes. Culp responded that the LLS issued a report last year on utilization management in health insurance, how AI tools were being used, and meaningful transparency. When AI is used to determine whether a patient receives care and the length of treatment they might be able to receive, the LLS believes transparency is important and should be part of the information provided to consumers.

Kochenburger commented that consumers should have the right to know what and how data is being used, including social media data, data on shopping habits, and/or a variety of other non-traditional data. Consumers should also be able to correct errors.

Superintendent Carey asked whether it is necessary for the consumer to know that a fast approval was made possible if a tool is being used to expedite a review of approvals and when disapprovals are sent to a clinician for review. Culp responded that this is not likely the case with approvals but is the case with denials.

Noah Isserman (American Hospital Association—AHA) commented that AI is rapidly transforming health care and holds enormous promise by supporting clinicians, improving efficiency, and reducing administrative burden. But AI should augment physician-driven care rather than replace the judgment of a trained clinician. Medical decision-

making belongs in the hands of people with the training, licensure, and ethical obligations. The AHA is concerned about how some insurers and third-party vendors are using AI in coverage decisions, where AI has been the sole decision maker for prior authorization, resulting in unintended denials, medically unnecessary care, and real harm to patients.

He said the AHA proposes guardrails for insurer use of AI: 1) transparency—insurers must disclose when and how they use AI, the data used for training, and the outcomes in plain language; 2) standards of care—AI must be grounded in widely accepted evidence-based clinical criteria; 3) patient-specific considerations—every patient's unique circumstances and their care team's recommendations must take precedent over the algorithms suggestions; 4) plain language denials—if AI influences a denial, then the patient must receive a clear explanation of the role of the AI decision; 5) no "AI-only" decisions—any recommendation to deny must be reviewed by a qualified clinician who documents the review of the patient's record; and 6) bias reduction—AI must be tested to ensure that it is not unfairly limiting access to any group of patients. The AHA urges regulators to strengthen oversight by requiring post-deployment testing to ensure AI systems remain safe and effective over time and by making sure the rules apply equally to third-party vendors to achieve the goal of encouraging innovation but not at the expense of patient safety, fairness, and access to care.

Michael Francisco (Association for Clinical Oncology—ASCO) commented that prior authorization is a significant barrier to timely and high-quality cancer care. While AI offers a promise of efficiency, its rapid adoption for claims decisions is raising critical issues. The ASCO has seen alarming reports of algorithms denying hundreds of thousands of claims with an average of 1.2 seconds per review. Using insufficient biased data, payer algorithms can perpetuate disparities and lead to less inclusive coverage. The lack of transparency makes it difficult for clinicians and patients to understand or challenge black-box decisions. The core issue is when AI tools override a clinician's medical opinion, which creates a conflict between automated efficiency and patient-centered care. Human interaction is fundamental. AI should never substitute in sensitive interactions. The ASCO urges stronger oversight and regulatory frameworks for transparent, unbiased, patient-focused processes, and calls for legislation mandating an AI use disclosure, requirements for human review in denials, and prohibiting the deployment of unvalidated AI tools. Delayed cancer care impacts are devastating. Regulations must be risk-based, not company-size-based, and must hold third-party vendors accountable.

Shanna Howe (Emergency Department Practice Management Association—EDPMA) commented on the following key points. First, prioritization of patient protections must come first, and while the EDPMA acknowledges that AI can be a powerful tool, its role in health care must be clearly defined. Regulation should promote the advancement of patient care. To achieve that, AI should not be a replacement for clinical judgment. Used responsibly, AI can reduce administrative burden, improve documentation, and support care delivery. Clinical judgment by a qualified physician must remain the final authority and decisions that affect patient outcomes.

Second, consistency and transparency are essential. Too often, the EDPMA observes the same clinical scenario that is approved in one case by the payer and denied in another, with no clear explanation. Decision-making is often opaque, and health plans make unilateral coverage determinations. Providers have no visibility into the criteria being applied, making appeals virtually impossible, diverting resources away from patient care. Texas Senate Bill 815 is a strong example of actionable transparency, empowering insurance commissioners to inspect a utilization review agent's AI process at any time. The EDPMA encourages the NAIC to incorporate similar regulatory oversight into a model law, and third, enforcement mechanisms must be included in a model law to investigate complaints, ensure compliance, and ensure that post penalties are appropriate.

Block asked whether health care organizations have standards or regulations that govern members comparable to those advocated by the EDPMA, such as internal policy statements. Howe and Jess Hart (EDPMA) responded that the EDPMA has examples that it can share.

Commissioner Humphreys asked if members know that insurers are using AI today. Howe responded that it is not known at the time of service until the claim is processed and the response is received from the payer.

Lapham commented that in Colorado, providers have leveraged AI tools when they have been made aware that a carrier is also using AI tools in the prior authorization process.

Lindsey Klarkowski (National Association of Mutual Insurance Companies—NAMIC) commented that the discussion of a potential AI model law is premature because regulators have the appropriate tools already to govern and regulate the use of AI. NAMIC encourages the Working Group to review its 2025 charge of facilitating discussion related to AI systems evaluation, including identifying existing tools, resources, and materials for the purposes of reviewing AI systems. AI models have been used in insurance for some time without the need for separate standards. AI is simply a tool used in insurance activities, much like the use of a calculator, computer, or spreadsheet. Insurance activities that AI would be used for are already governed by existing NAIC model laws that provide robust consumer protections and have high and consistent state adoption.

Matt Vece (American Property Casualty Insurance Association—APCIA) commented that moving forward with a model law is unnecessary at this time. The APCIA believes that the experience with the development and implementation of the AI model bulletin reflects the ongoing validity of the state-based regulatory standards, which have been in place and have evolved with new technologies and business practices for decades. Companies are already subject to extensive regulation and scrutiny through existing laws such as the Unfair Claims Settlement Practices Act and market conduct exams to ensure compliance, and consumers are not without redress for AI-related problems. Existing laws and standards provide consumer redress through a number of avenues, including complaints, potential legal actions, and increased regulatory scrutiny. When violations occur, regulators have a sliding scale of penalties and enforcement tools up to and including license revocation. The APCIA does not believe it is necessary to change these long-standing legal standards that have created the balanced state-based regulatory system. The APCIA encourages the Working Group to continue focusing on the development of additional guidance for insurers' use of AI within the existing standards, including the model bulletin.

Sarah Wood (Insured Retirement Institute—IRI) commented that the focus should be on continued adoption of the NAIC model bulletin. Because AI technology is continuously evolving, the IRI believes the focus should be on ensuring that the existing protection still applies. Existing laws provide a strong foundation and apply regardless of the tools or the technology used. It would be beneficial to allow time for more states to adopt the model bulletin and see whether regulators identify gaps or the need for new rules as they implement the model bulletin.

Bob Ridgeway (AHIP) commented that the discussion of an AI model law is premature. AHIP believes that regulators and industry should work together to identify any problems before working on a model law. AHIP does not see the need to reinvent the wheel when there are existing frameworks that should be leveraged. AHIP supports further adoption and promotion of the model bulletin.

Randi Chapman (Blue Cross Blue Shield Association—BCBSA) commented that developing an AI model law is premature and that, prior to developing any model law, a clear policy gap should be identified following a comprehensive review of current laws. If not, a model law could be duplicative or create conflicting obligations.

Brian Bayerle (American Council of Life Insurers—ACLI) recognized the regulatory need for a balanced approach between protecting consumers while encouraging innovation to improve the consumer experience in the availability of products. However, the ACLI does not believe the development of a model law is necessary at this time. Existing laws and regulatory tools available to insurance regulators provide consumer protections and apply to the insurer’s use of AI because they apply regardless of the tools and technology used. The model bulletin emphasizes that existing laws addressing unfair trade practices and discrimination are applicable to the use of AI

in insurance practices. The model bulletin adopts a risk-based approach that is applicable to companies of various sizes and lines of business. The ACLI supports the NAIC's continued focus on the broad adoption of the model bulletin to ensure consistent expectations between states. Without a clear understanding of what regulatory gaps this effort seems to be trying to address, the ACLI believes the development of a model law is premature.

Commissioner Humphreys asked for confirmation from the health insurance trade groups (AHIP and BCBSA) that their members support having a human in the loop before any adverse prior authorization decision is made. Chapman answered yes, and she said that a recently announced health insurance industry/company commitment focused on prior authorization efficiencies affirmed that requests not recommended for approval based on clinical reasons will continue to be reviewed by medical professionals before potentially being denied. That standard is already in place, and the commitment is currently in effect. The BCBSA recognizes the risk to patients if AI is overused in decision-making, and its member companies have made the decision not to make denial determinations without review by a human clinician with the appropriate expertise. The BCBSA believes that by using AI to assist, not replace human reviewers, health plans are able to make the process faster, more accurate, and less burdensome for providers and patients. There are plans that use AI in the approval process to help ensure that patients receive results faster, more accurately, and in a less burdensome way.

Superintendent Carey asked whether human intervention occurs when there is a denial based on a clinical reason and/or for other reasons, such as determining whether the service is covered. Chapman replied that she believes AI is used for clinical denials but wanted to confirm.

Ridgeway commented that AI is used in claims processing generally. Claims have been electronically processed in the health insurance world for decades, since soon after HIPAA. Regarding prior authorization, AI is used throughout the industry to speed up approval of claims and the approval of prior authorization requests. Generally, AI is used to make things happen faster, and most of those things are good.

Scott Harrison (American InsurTech Council—AITC) commented that the AITC believes it is premature to consider the development of an AI model law. AI is a tool that is used in support of business processes. Insurance code and the regulatory framework ensure that insurance company behavior is within the law, protects consumers, and furthers the interests of consumers. The AITC supports the continued state adoption of the model bulletin and the work to urge companies to develop governance and risk management frameworks. As regulators further their understanding of how AI is being used, they will identify whether there are potential gaps in the existing insurance law that need to be addressed. The preference of the AITC is to have the Working Group focus on governance and learn how the technology is being used. Harrison shared that recently, the Department of Justice (DOJ) announced a settlement with a large national realty management company in the country, which involved the use of AI tools in a price-fixing scheme. The DOJ did not need a new law or regulation, but it determined that existing antitrust laws applied. The AITC recommends that the Working Group look to the laws that were referenced in the model bulletin as a starting point to determine if there are gaps that can be identified.

Katie Dzurec (American Academy of Actuaries—Academy) commented that it is critical that any model language proposed with respect to AI use aligns with sound risk management practices. The Academy encourages a principles-based approach that maintains ongoing public discourse and clearly defined goals. It is important to have consistency with expectations and definitions of key terms. The Academy encourages broad foundational standards that apply to all insurance products, markets, and insurers regardless of size. The standards should apply equally to the third-party vendors.

Lauren Cavanaugh (Risk and Regulatory Consulting—RRC) commented that the RRC supports the goal of establishing clear regulatory expectations on the use of AI that can be applied consistently across the insurance industry. The RRC has conducted research with the Casualty Actuarial Society (CAS) on regulatory perspectives on

algorithmic bias and unfair discrimination. That paper may be useful to the Working Group, and a link is included in the RRC's comment letter. The RRC recommends that monitoring the effectiveness of models over time should be included as part of the governance pillar, and consideration of disclosures should be made to consumers that inform them about their risk. As AI develops, insurance companies have valuable information for consumers that can assist with risk mitigation. For example, data collected via aerial imagery used in underwriting can be useful to identify risk mitigation steps a consumer could take to prevent a loss. Transparency requirements could lower the frequency and severity of events, further protecting consumers and the financial stability of insurance companies.

Commissioner Humphreys stated that the Working Group should plan to regroup this fall, remotely or in person, to discuss any potential next steps related to the RFI and stakeholder feedback.

3. Discussed Next Steps for the Development of the AI Systems Evaluation Tool

Commissioner Ommen stated that the Working Group extended the exposure period for the AI systems evaluation tool another 30 days, ending Sept. 5. The Working Group is seeking feedback on the exposure draft with the expectation that states will eventually pilot the tool and provide insights for long-term regulatory solutions. He confirmed that the Working Group will schedule an interim meeting to hear from interested parties on this topic.

Having no further discussion, the Big Data and Artificial Intelligence (H) Working Group adjourned.

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Draft: 7/30/25

Big Data and Artificial Intelligence (H) Working Group
Virtual Meeting
July 16, 2025

The Big Data and Artificial Intelligence (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met July 16, 2025. The following Working Group members participated: Michael Humphreys, Chair, Shannen Logue, and Michael McKenney (PA); Doug Ommen, Co-Vice Chair (IA); Mary Block, Co-Vice Chair (VT); Alex Romero and Molly Nollette (AK); Tom Zuppan (AZ); Ken Allen (CA); Jason Lapham (CO); Wanchin Chou (CT); Omar Barakat and Yohaness Negash (DC); Rebecca Smid (FL); Renee Iverson (ID); Jack Engle (IL); Victoria Hastings (IN); Nathan Strebeck (LA); Caleb Huntington (MA); Marie Grant (MD); Sandra Darby (ME); Jeff Hayden (MI); Phil Vigliaturo (MN); Brad Gerling and Patrick Lennon (MO); Colton Mork (ND); Connie Van Slyke (NE); Christian Citarella (NH); Brandon Rocchio (NV); Kevin Yan (NY); Judith L. French and Matt Walsh (OH); Teresa Green (OK); John Haworth (OR); Matt Gendron (RI); Andreea Savu (SC); Emily Marsh (TN); Rachel Cloyd (TX); Eric Lowe and Michael Peterson (VA); Timothy Cornelius (WI); and Joylynn Fix (WV).

1. Adopted its Spring National Meeting Minutes

Block made a motion, seconded by Lowe, to adopt the Working Group's March 25, minutes (*see NAIC Proceedings – Spring 2025, Innovation, Cybersecurity, and Technology (H) Committee, Attachment One*) The motion passed unanimously.

2. Discussed the AI Systems Evaluation Tool

Commissioner Humphreys stated that the NAIC issued the *Model Bulletin on the Use of Artificial Intelligence Systems by Insurers* in December 2023, and to date, 24 states have adopted the bulletin or pursued legislation, and an additional four states have adopted related activity. It was announced at the Spring National Meeting that the Working Group began having discussions on how to assess the risks associated with the use of artificial intelligence (AI). As for the next steps after the adoption of the bulletin, members of the working group have been working on a draft AI systems evaluation tool that provides regulators with an immediate resource for examining AI systems. The tool will provide regulators with an efficient and standardized data collection tool that can be used to assess and evaluate risk, along with providing guidance on what regulators can expect when using AI for insurer operations.

The tool is structured into four exhibits that could be incorporated into market and financial exams, while more permanent solutions are being developed. The tool allows regulators to progressively investigate AI governance, testing protocols, data sources, and financial implications while simultaneously serving as a checklist for insurers. Each exhibit is optional, offered to help regulators assess risk as they see fit.

Commissioner Ommen said the AI systems evaluation tool was exposed on July 7 for a 30-day public comment period ending Aug. 6. The Working Group is seeking feedback on the draft from interested parties, with the expectation that states will pilot the tool and provide insights on long-term regulatory solutions. The Working Group encourages interested parties to contribute to the discussion.

Block stated that in 2025, the Working Group will continue working on this tool and other tools to help evaluate insurers' use of AI with the goal of creating a standardized data collection tool to aid reviews. The four exhibits are designed to quantify how an entity is using AI systems. Which exhibit to use will depend on the focus of the regulator. The purpose of Exhibit A is to determine the degree of AI model use and the models' purpose and use

cases in order to identify models with higher risk. The questions on Exhibit A include how many models are in use, which ones have direct consumer or financial impact, how many of them are new, whether there were consumer complaints related to the models, and whether the company is planning to implement additional models. For example, insurers should use Exhibit A to identify reputational risk and consumer complaints. Exhibits B and C address the robustness of controls. Insurers can use the checklist in Exhibit B to assess financial risk and the checklist in Exhibit C to evaluate actions taken against the company's use of high-risk AI systems. Exhibit D is focused on the data used in AI models. Insurers can use all of the exhibits to identify adverse consumer outcomes.

Logue said that Exhibit B takes on both a narrative and a checklist format, depending on the preference of the regulator, to understand the level of governance and testing. The questions on Exhibit B include whether a company has established a governance program and the elements within that governance program, such as the responsibilities, assessment of effectiveness, and identification of AI systems that may have a consumer or financial impact, transparency disclosures, monitoring and risk mitigation procedures, and due diligence performed on third-party-provided AI systems.

Logue said that Exhibit C asks for specific information about high-risk models, such as how they were developed and tested, the level of human-in-the-loop involvement, and how they were reviewed for compliance. Exhibit D may be more likely to be used by market conduct in response to a consumer complaint or where there may be concerns about the types and sources of data used to develop AI models. She stated that the comment period will end a few days before the Summer National Meeting and will not be available at that time due to the timing. As for the next steps, the Working Group is looking for feedback and soliciting states to pilot the tool.

Commissioner Humphreys said that the focus of the Working Group's meeting at the Summer National Meeting will be discussing the comments received on the AI model law request for information (RFI). Then, in a later meeting to be scheduled, the Working Group will discuss the comments received on the AI systems evaluation tool.

Lowe clarified that Virginia's feedback on the AI systems evaluation tool was not meant to replace any of the work of the working group's members but was submitted as complementary.

3. Heard a Preliminary Summary of Comments from the RFI on an AI Model Law

Commissioner Humphreys stated that one of the items under consideration is a potential model law to promote consistent use of AI across states. The purpose of the RFI was to solicit feedback from all interested parties. It was exposed for a 45-day comment period, which ended June 30. The RFI gauged stakeholder reactions and asked for other goals to be considered that are not addressed by existing laws and regulations, and what key concepts should be considered if governance requirements should vary. The Working Group received 33 comment letters, which were posted to the Working Group's website. Some central themes included developing a model law with uniformity, consumer protection, and third-party vendors. On the other hand, some organizations expressed concerns or reservations, suggesting that the focus should be on continued adoption of the bulletin and providing guidance and clarity using bulletins rather than pursuing legislation.

Commissioner Humphreys said many states, including Pennsylvania, have developed legislation on AI use, specifically in health insurance; however, comments from a panel that would include health insurance, consumer, and trade group stakeholders could help move the conversation along. The Working Group would like to hear comments and feedback from all stakeholders to determine next steps and looks forward to furthering the conversation in mid-August.

4. Heard a Presentation from Lazarus AI on the Use of Agentic AI in the Insurance Industry

John Keddy (Lazarus AI) introduced his presentation on agentic AI by contrasting it with non-agentic AI. He explained that non-agentic AI includes reading handwriting, extracting complex medical information, models that perform reasoning and logic, creating contracts or documents, gleaning insights from documents, and analyzing legal contracts.

He explained that the big tech players that insurance companies use, such as Salesforce, Microsoft, and NVIDIA, are aggressively pushing agentic AI, which uses a series of AI analytic capabilities to execute processes to create value, reduce risk, reduce costs, increase productivity, and have faster turnaround for the consumer. Further, agentic AI is centered around an orchestrator, like a brain, that conducts AI tools and technologies. He stressed that people are a critical part of agentic AI. Agentic AI is an end-to-end multi-modal input and output process that executes a process and creates value.

Keddy continued with a demonstration of how agentic AI could be used in the claims process. He described a scenario where a car was stolen, and many inputs, such as documents, police reports, and video, were analyzed. Agentic AI can call out to other databases to compare images against an external source. In this case, the agentic AI determined that the claim was legitimate, but the original color of the car was incorrect, and there were inconsistencies in the model year. The expectation is that legacy systems will start to get thinner as the use of agentic AI increases in our economy. However, having a human in the loop is still critical.

Pearce asked about the skill sets needed by humans to ensure the right supervision expertise. Keddy responded that insurance domain knowledge is more important than ever, insurers must have a degree of skepticism, and authentication and technical skills are critical.

Umakant Narkhede (American Red Cross) commented that AI literacy is also a critical skill, and insurance professionals need to understand the risks associated with the models being used. Keddy agreed and added that there are two aspects. The insurance industry must upscale and gain knowledge on AI systems, and it is also incumbent on AI tech providers to provide explanations so that companies can make decisions.

Commissioner Humphreys asked how to prevent an agentic AI system from hallucinating. Keddy confirmed that errors are real concerns, just as humans make mistakes. In the same way that professionals have learned how to manage humans, there is a need to manage AI systems. It is important to understand the choices an AI provider has made and to continue to be active in third-party vendor management.

Commissioner Humphreys asked Keddy to provide written responses to the additional questions due to time constraints (Attachment One-A1).

Having no further discussion, the Big Data and Artificial Intelligence (H) Working Group adjourned.

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NOTE: THE FOLLOWING VIEWS AND OPINIONS ARE EXPRESSED BY JOHN KEDDY (LAZARUS AI) AND ARE SOLELY THEIR OWN AND DO NOT REFLECT THE VIEWS, POSITIONS, OR POLICIES OF THE NAIC. THESE STATEMENTS SHOULD NOT BE CONSTRUED AS REPRESENTING THE STANCE OF THE ORGANIZATION.

To Commissioner Humphreys et al :

It was a pleasure to engage last week. I have provided some brief responses to the questions provided. I am available to discuss in more detail 1:1 or in any other group session. My sole intent is to support NAIC and the important work being done on this critical topic.

Stuart Jones (Florida Office of Insurance Regulation):

- This looks to be an advanced form of generative AI. Fascinating, for sure. But how do you keep the Agentic AI from hallucinating?
- (I believe you answered this one)

COMMENT : We did discuss but I will extend with a few comments here. For over 3 years I have been sharing that one way for people to get their minds around AI is to use HI (Human Intelligence) as a comparison. So for this question, ask "do Humans make mistakes ?" and of course the answer is yes. ("Hallucinations" are just one form of a mistake.)

When we hire a human do we check background and their training/education ? Yes – of course. With AI we need to have roughly analogous questions. Getting a basic understanding of how the models were trained is good but perhaps more importantly see how they apply this training/education.

Do humans need oversight ? Yes – of course. . All employees need to have proper management oversight (even the CEO of a corporation has governance and oversight.) So does AI. We need to have the proper guiderails in place. In the AI world we must think through "human in the loop" requirements early on and re-validate over time.

I could go on but think the analogy is clear. With Agentic AI (which provides us the ability to leverage AI more holistically), the topic of error minimization is ever more important and "human in the loop" will be a key technique.

- Frank Quan (Professor, University of Illinois):
    - Regarding the agentic AI, did your company develop and train the model in-house, or did you rely on a pre-trained version? If the model was trained on real insurance data, could you provide insight into the scale of the dataset and the computational resources involved? Additionally, are carriers generally open to sharing data for training purposes? Lastly, if the model is trained on data from a single insurer, does the agentic AI retain or transfer any insights when deployed for other clients?

COMMENT : Lazarus AI develops all of our own core AI technologies. Our core model training involved a very large corpus of business and medical records. Going beyond that would start to get into proprietary information and I am sure you can understand why we would be hesitant to go too far on this topic (without a business relationship, NDA etc.).

In general, speaking solely for my work at Lazarus AI, Insurers are not comfortable, in July 2025, with handing over internal information to train a model on. At Lazarus AI, as we use our models we do NOT train on any client data and do NOT want to. In my role, I am constantly asked about the potential training from insurer data. Due to the volume of this specific question, I conclude insurers (and others in Financial Services) are very concerned about this topic.

Now if we need to bring in a company's specific acronyms or some other very unique set of facts, we would work with that company on an auxiliary implementation (typically solved by techniques called RAG or VKG). We can discuss this more if of interest but I want to stay focused here on the question at hand.

To your last point, as noted above in my answer we do NOT train on our client's data and we do not retain. I must stress here as I am answering solely for Lazarus and not for other model providers. Other model providers may be training on client data (or using limited fine tuning techniques). Due to this possibility, in my view, every user of AI should be asking your exact questions and with agentic AI coming into the economy, the answers to your questions are ever more important .

- Matt Gendron (Rhode Island Insurance Division):
    - The Agentic AI tool shown seems very valuable. However, I would echo the concern raised by Stuart Jones above. And I wonder how it would adhere to the NAIC AI Guidelines of Fairness, Accountability, Transparency, and Ethical Considerations.

  COMMENT : In my view the work NAIC is doing on Fairness, Accountability, Transparency and Ethical Considerations is ever more important as our economy heads into a world of more AI including Agentic. Each component of AI being utilized by Agentic should be held to reasonable expectations---as-------should the humans.

  Notice in my example of how an insurer might use Agentic, our little demo ended by, essentially, saying, "human—not trying to accuse anyone—but suggest you look much harder at these specific inputs."

  As AI becomes a larger part of our industry, we must not lose sight of the human decisions made in all of this. We need to expect that companies will make different decisions making the work you note here more valuable.

- Peter Kochenburger (Southern University Law Center):
    - How transparent and testable are the assumptions and information used to ultimately generate a recommendation? Historically, some fraud indicators have been discriminatory.

COMMENT : The model that is most common in our current "Go to Market" has explainability of answers in common English (or any other language you would like). This helps users understand model sensitivity (language models are very sensitive to the way you phrase a question and how you provide context). This capability supports companies as they decide where to put "human in the loop."

I will also share that insurers are very intrigued when we show "no" answers. So, e.g., we will ask if there is evidence of a disease from a medical document. The correct answer is "no" but the explainability lets them see exactly what the model was looking for and why the model concluded "no" was the correct answer.

I can not speak for the entire AI industry but I think overall model providers have gotten more sensitive on the topic of transparency in answers. I can remember what seems like ancient days but was only about 36 months ago and I would commonly hear "the models are all a black box" "you can't understand what's going on." I would always

respond with " that's not going to work in heavily regulated industries." I don't hear those dismissive comments as much anymore but that doesn't mean all AI providers have same level of seriousness on this topic. In my view, users need to demand a "lay person" explanation of what is going on and being able to experiment a bit (testing the assumptions you note) so they can get comfortable with how recommendations are made.

Again, it was a pleasure to engage with you all and I found these questions very germane. As noted before I am always available to go deeper 1:1, speak with members of your team or participate in any group setting

Sincerely,

John Keddy, Lazarus AI

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Draft: 8/20/25

Cybersecurity (H) Working Group
Minneapolis, Minnesota
August 11, 2025

The Cybersecurity (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met Aug. 11, 2025. The following Working Group members participated: Michael Peterson, Chair (VA); Colton Schulz, Vice-Chair (ND); Richard Fiore (AL); Julia Jette (AK); Chris Erwin (AR); Mel Anderson and Lori Dreaver Munn (AZ); Damon Diederich (CA); Wanchin Chou (CT); Lance Hirano and Kathleen Nakasone (HI); Daniel Mathis (IA); C.J. Metcalf and Ryan Gillespie (IL); Shane Mead (KS); Nina Hunter and Ron Henderson (LA); Mary Kwei and Lynn Beckner (MD); Danielle Torres (MI); Gregory Maus (MN); Kim Dobbs and Jo A. LeDuc (MO); Martin Swanson and Connie Van Slyke (NE); D.J. Bettencourt and Christian Citarella (NH); Ned Gaines and Roger Hayashi (NV); Gille Ann Rabbin (NY); Matt Walsh and Don Layson (OH); David Buono (PA); Rebecca Rebholz and Christina Keeley (WI); and Lela D. Ladd (WY). Also participating were: Weston Trexler (ID); and Aaron Cooper (MS).

1. Adopted its July 15 and March 13 Minutes

The Working Group met July 15 and March 13. During its July 15 meeting, the Working Group took the following action: 1) heard a presentation from Coalition on Scattered Spider. During its March 13 meeting, the working group took the following action: 1) discussed the 2025 cyber work plan.

Diederic made a motion, seconded by Chou, to adopt the Working Group's July 15, 2025, minutes (Attachment Two-A). The motion passed unanimously.

Diederich made a motion, seconded by Anderson, to adopt the Working Group's March 13, 2025, minutes (*see NAIC Proceedings – Spring 2025, Innovation, Cybersecurity, and Technology (H) Committee*). The motion passed unanimously.

2. Discussed the Chief Financial Regulator Forum Referral and Response

Schulz expressed appreciation to the state departments of insurance (DOIs) and trade organizations for the comments received during the shortened public review and comment process. The Working Group exposed the *Insurance Data Security Model Law* (#668) Compliance and Enforcement Guide and Chief Financial Regulator Forum Referral Response drafts on July 17, 2025, for a 20-day, public comment period, and received six written responses from state DOIs, trade organizations, and the Center for Internet Security (CIS). Schulz asked about issuing another request for comments to consider the revisions made to incorporate the comments received. Torres said she supports re-exposing for an additional 30-day public comment period.

Schulz requested the DOIs provide verbal comments first, followed by the trade organizations.

Chou made brief comments to explain the written comments suggested using wording that is consistent with what is used by Information Technology (IT) specialists, noting any exceptions or non-compliance for clearer understanding. Chou stated the concerns were resolved with the revisions made in the days leading up to the meeting.

Kansas' comments were included in the materials for the meeting. No other states were prepared to provide comments.

Kristin Abbott (American Property Casualty Insurance Association-APCIA) to provide comments on behalf of the joint letter submitted to the Working Group to communicate comments from the APCIA, American Council of Life Insurers (ACLI), and the National Association of Mutual Insurance Companies (NAMIC). Abbott said the groups appreciate the Working Group's efforts, especially the emphasis on reducing redundant regulatory requirements. Abbot said that in her preliminary review, she recognized revisions made to incorporate some of the feedback but asked for more time to review for the other elements suggested.

Having no other organizations or industry representatives prepared to provide comments, Peterson suggested coordinating with NAIC staff to re-expose following the Summer National Meeting.

3. Discussed the Cybersecurity Event Notification Portal Project Memorandum

Peterson brought up the request for NAIC staff and Working Group members to study the feasibility of developing a centralized portal to receive cybersecurity event notifications. The Working Group passed a motion for this request during the 2024 Fall National Meeting. Subsequent work and conversations have made it apparent that the current system has generated multiple variations in the required process through which regulated entities are expected to provide notification to the commissioner. The variations observed are more than initially anticipated, and additional research and legal analysis are required to develop accurate development resource estimates. Peterson also talked about the benefits of such a portal. In addition to reducing the burden on licensees, it would ensure security and confidentiality of the data entered. He also described the substantial data privacy requirements set in state laws that have to be followed.

Peterson suggested there is strong support for stakeholder engagement and feedback on the portal project to ensure that it is developed with all concerns addressed. As an example of a question being considered, he stated that if the portal is built with NAIC staff having access, then the licensees would not be able to contact the NAIC for user issues. Lindsey Klarkowski (NAMIC) asked when the Working Group expects to provide the documentation to the public for comments. Miguel Romero (NAIC) said that while there is no timeline for exposure, part of the research process could benefit from conducting information gathering meetings with stakeholders to include cyber insurance companies and law firms. Hearing from organizations actively involved in regular response activity for cybersecurity incidents would provide key insights into the portal's development.

4. Heard an Update on Changes Made to the Cybersecurity Supplement for 2024.

Koty Henry (NAIC) presented an update on the changes implemented in the 2024 data reported through the Cybersecurity Insurance Coverage Supplement. He explained that prior years were collected in a two-way split between stand-alone and packaged policies. However, beginning in 2025, the data is split between primary, excess, and endorsement policies. In streamlining reporting by removing low-value data points to reduce reporting burden, the changes focus on data quality improvements to provide actionable insights for regulators and policymakers. Henry explained that this aligns with market reality, reflecting the standardized nature of cyber insurance products. The original two categories led to inconsistent reporting because companies interpreted "package" differently. The new three-way split improves comparability and trend analysis, helping regulators track where risk is concentrated and how coverage is evolving.

Chou said he supports the changes that were made and suggested collecting more data in the future. He said that the American Academy of Actuaries (Academy) has several people who would be interested in collaborating. Romero and Chou discussed whether and how a data wish list could be developed to support enhancements to cyber modeling data.

Peterson said that one of the primary goals of the Working Group continues to be the convergence of methods of regulation as well as the alignment of tools, ensuring that regulators are approaching problems the same way. He said that cybersecurity in the insurance industry is one of the few places that stakeholders overlap to include those with national security and law enforcement responsibilities and concerns.

Having no further business, the Cybersecurity (H) Working Group adjourned.

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Draft: 8/5/25

Cybersecurity (H) Working Group
Virtual Meeting
July 15, 2025

The Cybersecurity (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met July 15, 2025. The following Working Group members participated: Michael Peterson, Chair (VA); Julia Jette (AK); Leo Liu (AR); Bud Leiner (AZ); Damon Diederich (CA); Wanchin Chou (CT); Tim Li (DE); Elizabeth Nunes and Matt Kilgallen (GA); Lance Hirano (HI); Daniel Mathis and Travis Grassel (IA); C.J. Metcalf (IL); Shane Mead (KS); Nina Hunter (LA); Mary Kwei (MD); Jeff Hayden (MI); Bubba Aguirre and T.J. Patton (MN); Kim Dobbs (MO); Troy Smith (MT); Tracy Biehn (NC); Martin Swanson (NE); Christian Citarella (NH); Ned Gaines (NV); Gille Ann Rabbin (NY); Matt Walsh and Don Layson (OH); David Buono (PA); Bryon Welch and John Haworth (WA); Rebecca Rebholz (WI); and Lela D. Ladd (WY).

1. Discussed the Chief Financial Regulator Forum Referral Response

Peterson opened the meeting by introducing the *Insurance Data Security Model Law* (#668) compliance and enforcement guide, which was drafted as a response to the referral received from the Chief Financial Regulator Forum. The referral asked the Working Group to consider and provide further information on the regulatory compliance and enforcement of Model #668. This effort aimed to eliminate duplicative work across departments of insurance (DOIs) and provide a method for foreign departments to gain assurance that the domestic regulator is adequately enforcing the model law. He explained that the guide offers a method for a gap analysis between Model #668 and another standard, like Exhibit C or another state's adopted version of Model #668. Peterson encouraged confidential state-to-state collaboration to ensure efforts are properly aligned and comparable.

Peterson stated the documents would be shared for a public comment period and expressed appreciation for the states that participated in the drafting group. The goal of the guide and the public comment period is to create a seamless regulatory environment where the domestic regulator is trusted to fulfil the role of primary regulator. He recognized a lack of an accreditation process for reviews of Model #668 compliance, so it is necessary to perform a gap analysis after assembling all relevant documents. He stated that the most efficient way of communicating compliance with a state's adopted version of Model #668 would be through Section 4(I) or the Certificate of Compliance. While this could be satisfactory for representing compliance, only a gap analysis could definitively confirm.

Peterson explained that the broader effort is to support regulatory convergence and alignment. The Model #668 compliance and enforcement guide follows in the footsteps of the Cybersecurity Event Response Plan (CERP) in helping states provide a predictable regulatory environment, even in an unpredictable space like cybersecurity. He reminded the Working Group that the portal project being designed for everyone's review is another major part of the broader effort. Its successful implementation promises to relieve substantial regulatory risk from regulated entities by improving the ease of compliance.

2. Heard a Presentation from Coalition on Scattered Spider

Peterson said that in light of recent cybersecurity incidents observed across the country, Coalition offered to provide a briefing tailored to the insurance industry. He said Joe Toomey (Coalition) serves as Coalition's head of security engineering and has a vast background in cybersecurity and protecting organizations' most sensitive systems.

Toomey introduced the presentation topic, Scattered Spider, as a fluid collective of young, native-English-speaking, online threat actors. He said these 15–17-year-old hackers are unique and troublesome, but they are not usually well-funded; however, because they are native English speakers, their social engineering skills are strong. He said they are motivated by money and notoriety, and they target well-known Fortune 500 companies, deploying double extortion models meant to exfiltrate data and then encrypt systems with ransomware. He said the group often receives ransom payments and then threatens to release the exfiltrated data if an additional payment is not received to ensure compliance.

Toomey explained that Scattered Spider, as a collective organization, tends to act as an initial access broker to breach networks, selling network access to other criminal groups while operating online forums. He said most groups today are not developing their own ransomware because it is too expensive to develop internally. Scattered Spider first grew in notoriety around 2023 when it attacked MGM Resorts International and Caesars Entertainment, leveraging Subscriber Identity Module (SIM) swapping. Scattered Spider called the phone company and assumed the identity of the victim customer to bypass account security. Toomey described the progression in targeting. He said that from the attacks on Snowflake customers, Scattered Spider discovered the lack of multi-factor authentication (MFA) across customer accounts and targeted hundreds of companies in 2024. Now, Snowflake always requires MFA across all accounts. He explained that starting in April 2025, the group began targeting retail companies like Harrods and supply distributor Peter Green Chilled before targeting U.S. insurance carriers in June.

Toomey explained that the Erie Insurance and Philadelphia Insurance Companies attacks compromised millions of policyholder records while halting new policy underwriting and digital claims processing for a period. The targeting of insurance providers is not unique to Scattered Spider; other groups like the Russia-based Conti ransomware group have found insurers to be good targets because they pay.

Toomey transitioned to explain the more technical portion of the presentation. He said the tools, techniques, and procedures are how cybersecurity personnel learn to detect and prevent attacks by certain threat actors. He described how Scattered Spider employs the art of deception to facilitate initial access. Toomey said the group uses reconnaissance and open-source information to gather names, titles, and personal details to make impersonation attempts, such as phishing and voice calls, to target employees and information technology (IT) help desks. The core tactic in help desk exploitation is convincing help desk staff to reset passwords and enroll new MFA devices, effectively bypassing security controls. Toomey described a similar tactic in which the group "push bomb" users with repeated MFA notifications, hoping for an accidental approval.

Toomey said threat intelligence suggests that Scattered Spider exfiltrates and then encrypts target systems using legitimate tools and partnerships with ransomware organizations like BlackCat, also known as ALPHV. He offered guidance for hardening, including the mandate of robust, out-of-band identity verification for all MFA resets, training employees, and reinforcing technical defenses with immutable backups and response plans that have been tested.

Toomey said Coalition's research also supported implementing IT security awareness training that specifically simulates the various forms of phishing campaigns. He also encouraged organizations to scrutinize the supply chain by vigorously assessing the security of third-party vendors and managed service providers (MSPs), as they are a primary vector of entry for these attacks. He stated that the basic information security hygiene items, like patching critical systems, reducing attack surface, and network segmentations, are critical and often overlooked.

Peterson thanked Toomey for his insightful and timely presentation on the evolving threat landscape posed by groups like Scattered Spider. He acknowledged the importance of continued vigilance and collaboration across the industry in response to these cyber threats.

Peterson extended his appreciation to the attendees for their time and engagement and reminded the Working Group that the next opportunity to continue this discussion will be during the Working Group's session at the Summer National Meeting.

Having no further business, the Cybersecurity (H) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Committees/H CMTE/2025_Summer/WG-Cybersecurity/Minutes-CyberWG071525.docx

Draft Pending Adoption

Draft: 8/21/25

Third-Party Data and Models (H) Working Group
Minneapolis, Minnesota
August 13, 2025

The Third-Party Data and Models (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met in Minneapolis, MN, Aug. 13, 2025. The following Working Group members participated: Jason Lapham, Chair (CO); Nicole Crockett, Vice Chair (FL); Sarah Bailey (AK); Charles Hale (AL); Lori Dreaver Munn (AZ); Ken Allen and Chandara K. Phanachone (CA); George Bradner and Wanchin Chou (CT); Kathleen Nakasone (HI); Jordan Esbrook and Travis Grassel (IA); Weston Trexler (ID); Shannon Whalen (IL); Julie Holmes (KS); Caleb Malone (LA); Jackie Horigan (MA); Raymond A. Guzman (MD); Sandra Darby (ME); Phil Vigliaturo (MN); Jo LeDuc and Brad Gerling (MO); Colton Schulz (ND); Christian Citarella (NH); Gennady Stolyarov (NV); Matt Walsh (OH); Shannen Logue and David Buono (PA); Megan Mihara (RI); Andreea Savu (SC); Marianne Baker and Nicole Elliott (TX); Eric Lowe (VA); Rosemary Raszka (VT); and Timothy Cornelius (WI).

1. Adopted its July 10 and May 22 Minutes

Lapham said the Working Group met July 10 and May 22 to: 1) discuss comments received about the definition of "third-party data and model vendors" (Attachment Three-A); and 2) discuss its work plan.

The Working Group also met July 25 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss the definition of third-party data and model vendors.

Schulz made a motion, seconded by Trexler, to adopt the Working Group's July 10 (Attachment Three-B) and May 22 (Attachment Three-C) minutes. The motion passed unanimously.

2. Discussed a Draft Third-Party Vendor Definition

Lapham said he had some recent conversations with insurers and trades about regulatory goals and the scope of work and some questions can be addressed. There seems to be questions about what problem(s) state insurance regulators are trying to solve. He said the goal of this work is for regulators to be able to obtain information about third-party data and models being used by insurers. He said regulators want to answer questions such as: What is the data being used? Is there data that should not be used? What assumptions are made in models? With models, are the outcomes of the models being used, or are there back-end adjustments made—and what are those? Are they unfairly discriminatory or are company practices using the data and models unfair?

Lapham said regulators request information and rarely have issues getting information about data and models from insurers. However, they often have problems getting third-party information. In Colorado, Lapham said regulators were requesting customary information from a large third party and did not receive that information. A bulletin was drafted to inform insurers they can no longer use that third party. The missing information was received from the third party soon thereafter. The bulletin will not be adopted, but it illustrates the struggles regulators sometimes encounter with respect to third parties.

Draft Pending Adoption

The issue is most evident in the context of property/casualty (P/C) insurance rate filings. The scope of this Working Group's work is mainly focused on practices with direct consumer impact, such as rating, underwriting, claims, and antifraud activities. Working Group leadership is coordinating with leaders from the Big Data and Artificial Intelligence (H) Working Group because together, the groups will build the regulatory framework for the regulation of data and models being used in the insurance industry. The Big Data and Artificial Intelligence (H) Working Group has charges to evaluate data and models in artificial intelligence (AI) systems used by insurers, whether that is internal or external information and whether that is governance and/or a deeper dive into areas of higher risk. The Third-Party Data and Models (H) Working Group needs to decide how it can best obtain information from third parties needed to evaluate high-risk insurance practices.

Crockett said the discussion draft (Attachment Three-D) for the Working Group is a result of submitted comments on the definition of a third-party data and model vendor, identifying some key decisions it needs to make in order to agree on a working definition. Those key decisions are identified as separate sections grouped with Roman numerals. In those sections the Working Group will find the question(s), a potential definition identified in blue text, and potential answers submitted as written comments. She said it is a starting point and not an adopted or agreed definition. Throughout the document, there are discussions about scope, identification of what data vendors and model vendors do that identifies them as data or model vendors, and analysis of the potential to limit focus on third parties to those company operations with the greatest risk.

Crockett said the questions in the scope section are: What type(s) of organizations should be considered third parties? What organizations should be included/excluded? Bob Ridgeway (AHIP) suggested the definition does not need to include any already-licensed entities because state insurance regulators already have jurisdiction over those. Crockett said there is still consideration whether to include agents, brokers, producers, and reinsurers in the definition. Lapham said the idea is there could be different types of entities that provide data and models.

One question in the framework is how to treat those entities that perform those services. Brian Bayerle (American Council of Life Insurers—ACLI) asked whether applications like fraud detection would necessitate being in scope and said MIB does a lot of data collection with a high degree of transparency with regulators already.

Steve Clarke (Verisk Analytics) said statistical agents may be subjected to two different regulatory frameworks. He said there are additional services provided by outside statistical agencies, but they are just a pass-through for motor vehicle records (MVRs) and weather data. Information is consolidated by state and provided to members. Clarke asked if pass-through vendors should be included in the framework. Crockett said the ultimate intent is not to enforce duplicative efforts on those companies, so the Working Group will work through that. Stolyarov said an example of a pass-through vendor for government data is one that compiled auto violations. The problem was each state has different laws on which violations are chargeable, and the data vendor did not apply those requirements. A pass-through is not the same as directly using a government agency because the vendor could make some transformation or aggregation of information. Stolyarov said consideration should be given to a company purported to be just a pass-through of information from the consumer to the insurer.

Lindsey Klarkowski (National Association of Mutual Insurance Companies—NAMIC) said Big Tech vendors appear to be included. She asked if there is an attempt to have some jurisdiction over Google, AWS, ChatGPT, etc.? Stolyarov said he thinks data elements should be included. Trexler said a company that stores an insurance company's data and then gives the company its data back seems to be included in the definition.

Draft Pending Adoption

To define a data vendor, Crockett said the Working Group needs to identify activities that would make a vendor a data vendor and determine what is meant by third-party data. She said there are a few definitions of third parties identified in the document, and the Working Group is trying to tie those together to at least not have any inconsistencies. LeDuc said the list of activities are tied together with an "and." She said she believes a vendor does not need to do all of the functions. Crockett said that change will be made. Chou said the function should be broadened to include telematics and aerial imagery or activities of third parties. Bradner suggested adding "gathering data."

To define a model vendor, the Working Group needs to define what a vendor does to be a model vendor and whether there are any models that should be excluded. Chou said that predictive models are just one type of model; there are also catastrophe and other models. Gennady said some predictive models are not necessarily a subset of AI, such as linear regression. There may be a Venn diagram that has overlapping circles for AI tools, predictive models, and other models. Citarella questioned the term license because it is not clear who is doing the licensing. He suggests using another term besides licensing. Logue said the definition of AI systems in the bulletin may not include some models. Lapham said that is one difference between the AI bulletin and work in this Working Group. Charges are broader to decide a third-party regulatory framework for models, which can be broader than AI. Scott Harrison (American InsurTech Council—AITC) said it will be a challenge if there are different regulatory areas that have rules where some entities are in or out of the definition. He said there will be legal battles, so it is best to use existing definitions. He said the more the Working Group is trying to be precise, the more people may argue.

Crockett said there is potential to limit the focus of third-party work to specific insurer operations. This can also be described as the separation of what can be regulated through the insurer and its governance. She said this is the scope of work at Big Data and Artificial Intelligence (H) Working Group and is what the Third-Party Data and Models (H) Working Group needs to do so that state insurance regulators can get the information they need to appropriately regulate data and models produced or sold by third parties. One way the Working Group can limit the scope is by limiting the third-party framework to the insurance operations that have the greatest risk. For third-party data and models in other operations, because there is less risk, the Working Group could place more reliance on insurer due diligence and governance. The four company operations are: 1) rating; 2) underwriting; 3) claims; and 4) fraud detection. A consideration is to include consumer communication, especially chatbots.

Lapham said the comments received today will be considered when developing a definition for exposure. He said the definition needs to be completed so the Working Group can move on to developing the framework.

Having no further business, the Third-Party Data and Models (H) Working Group adjourned.

SharePoint/Staff Hub/Committees/Member Meetings/H CMTE/2025_Summer_WG-Third-Party/Minutes 081325 Minutes SpNM.docx

Attachment Three-A
Innovation, Cybersecurity, and Technology (H) Committee
8/13/25

Third-Party Data and Models (H) Working Group

"Third-Party Data and Model Vendor" Definition Discussion Document

The following identifies decision points to aid development of a working definition of "Third-Party Data and Model Vendor." The words in blue text color provide a starting point for discussion of the working definition.

I. SCOPE

1. What type(s) of organizations should be considered third parties? What organizations should be included/excluded?

"Third-Party Vendor" means an organization other than the insurer.

- **Includes insurance agents, brokers, producers, and reinsurers contracted with insurers only if third-party vendor services are provided**
- **Excludes Governmental entities providing consumer public records data to insurers (e.g., motor vehicle records, court records, weather data, death records)**

PROPOSALS IN COMMENT LETTERS

1. What type(s) of organizations should be considered third parties?

- Entity
- An organization
- A person or entity
- Independent agent (vs. captive agents)
- Any party supplying data or models, other than the insurer
- A person, partnership, corporation, or other entity
- A person or entity not otherwise defined as an Insurer Licensee or an Affiliate of an Insurer Licensee
- Unrelated or Unaffiliated party
- Reinsurers, but only if the reinsurer is also a data or model provider for a ceding company.

Third-Party Data and Models (H) Working Group

"Third-Party Data and Model Vendor" Definition
Discussion Document

- Any entity that is not a parent of, affiliate of, related by common ownership with, or affiliated by corporate control with, an insurer
- Any company not licensed as an insurer in the state

What organizations should be included/excluded?

- Government entity
- Affiliate of the licensee or registrant
- An affiliate of the insurer
- Licensee's affiliate
- MIB Group, Inc.
- Insurance agents, brokers, and producers
- Reinsurers
- An employee of the insurer

II. DATA VENDORS

2. What does a data vendor do?

Maintains, processes, stores, and provides consumer data

PROPOSALS IN COMMENT LETTERS

2. What does a data vendor do?

- Provides data to an insurer
- Collects, aggregates, and sells or licenses data and contracts with an insurer
- Contracts with an Insurer Licensee or an Affiliate of an Insurer Licensee
- Sells or seeks to sell external consumer data to insurers

3. What is "third-party data?"

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"Third-Party Data and Model Vendor" Definition
Discussion Document

consumer data

PROPOSALS IN COMMENT LETTERS

3. What is "third-party data?"

- Consumer data
- External consumer data
- Insurance claim, premium, and expense data
- Data about individuals or entities
- Data that identify "lifestyle indicators"
- Any data not owned by the insurer
- All data provided to the insurer
- Aggregated data, which may include the insurer as one data source

What data should be excluded? One or more of the following options could be specifically excluded:

- Data regulated by other agencies: Public records (DMV reports, building permits, crime statistics), econometric data, and weather data
- Google, Facebook, or the U.S. government
- Publicly available data
- Data that is originally collected by or on behalf of an insurer or its affiliates Governmental public records (e.g., motor vehicle records, court records, weather data, death records)

III. MODEL VENDORS

4. What does a model vendor do?

Develops or licenses AI tools including predictive models for insurers' use

Third-Party Data and Models (H) Working Group

"Third-Party Data and Model Vendor" Definition
Discussion Document

PROPOSALS IN COMMENT LETTERS

4. What does a model vendor do?

- Develops or licenses predictive models or AI systems
- Provides an algorithm or a predictive model to an insurer for use in an insurance practice
- Develop or license models
- Sells or seeks to sell predictive models to insurers

Should any models be excluded?

- Predictive models or AI systems that are not developed or materially modified by the insurer or its affiliates
- Community hazard mitigation model
- Catastrophe models (because they are already evaluated by states and don't need to be part of a third-party regulatory framework)

IV. INSURERS' OPERATIONS

5. Should the third-party work focus on specific insurers' operations or all insurers' operations?
    - Are there some operations where the insurer can be held fully responsible and other operations where regulators need access to third-party data and model information?
    - Should the focus be on Insurers' operations with the most risk? What are the operations with the most risk?

pricing, underwriting, claims processing, and/or fraud detection

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"Third-Party Data and Model Vendor" Definition Discussion Document

PROPOSALS IN COMMENT LETTERS

5. Should the third-party work focus on specific insurers' operations or all insurers' operations?

- Pricing, Rating, or Ratemaking
- Underwriting or Traditional Underwriting
- Assessment of an applicant for insurance coverage
- Claims
- Fraud Detection
- All insurance operations
- Primary functions of the insurer
- Insurance Practice

Should any operations be excluded?

- Models used by HR or for company operations
- internal business operations unrelated to underwriting, pricing, or claims processing (e.g., HR, IT security)
- Fraud detection, anti-money laundering, or regulatory compliance purposes
- Don't focus on operations: place emphasis on vendors and models with the greatest impact on consumers

Third-Party Data and Models (H) Working Group

"Third-Party Data and Model Vendor" Definition Discussion Document

V. NAIC DEFINITIONS

Definition from the Model Bulletin:

"Third Party" *means an organization other than the insurer that provides services, data, or other resources related to AI.*

Definition from the Data Security Model Law:

"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.*

Definitions from the Privacy Protection Model Law #674 8.5.24:

"Nonaffiliated third party" *means any person except: (a) A licensee's affiliate; or (b) A person employed jointly by a licensee and any company that is not the licensee's affiliate (but nonaffiliated third party includes the other company that jointly employs the person). (2) Nonaffiliated third party includes any company that is an affiliate solely by virtue of the direct or indirect ownership or control of the company by the licensee or its affiliate in conducting merchant banking or investment banking activities of the type described in Section 4(k)(4)(H) or insurance company investment activities of the type described in Section 4(k)(4)(I) of the federal Bank Holding Company Act (12 U.S.C. 1843(k)(4)(H) and (I)).*

"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, process or otherwise is permitted access to nonpublic personal information through its provisions of services to the licensee.*

- Fyi MO-668: *"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.*

Draft: 7/24/25

Third-Party Data and Models (H) Working Group
Virtual Meeting
July 10, 2025

The Third-Party Data and Models (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met July 10, 2025. The following Working Group members participated: Jason Lapham, Chair (CO); Nicole Crockett, Vice Chair (FL); Alex Romero and Molly Nollette (AK); Charles Hale and Richard Fiore (AL); Ken Allen and Chandara K. Phanachone (CA); George Bradner and Wanchin Chou (CT); Doug Ommen and Jordan Genevieve Esbrook (IA); Weston Trexler (ID); Julie Holmes (KS); Tom Travis and Caleb Malone (LA); Jackie Horigan (MA); Raymond A. Guzman (MD); Sandra Darby (ME); Phil Vigliaturo (MN); Jo A. LeDuc and Brad Gerling (MO); Tyler N. Erickson and Colton Schulz (ND); Christian Citarella (NH); Brandon Rocchio (NV); Matt Walsh (OH); Shannen Logue and Michael McKenney (PA); Beth Vollucci and Matthew Gendron (RI); Rosemary Raszka (VT); and Timothy Cornelius and Amy Malm (WI).

1. Heard from Commenters Regarding the Definition of "Third Party"

Lapham opened the discussion and welcomed comments from interested parties on an appropriate definition of "third party" in the context of this Working Group's work plan.

Scott Harrison (American InsurTech Council—AITC) stated that it is beneficial to have a clear articulation of the problem that is to be solved. He noted a concern about vendors attempting to be excluded from the definition and, therefore, be excluded from regulatory requirements. He also noted a concern about vendors gaming the system, which would not be productive. The AITC expressed a need for clarity and recommends a simple, broad definition of "third party."

Lapham responded by stating that there are a number of issues related to third parties that regulators have encountered, such as a lack of transparency into black box models used in rate filings and a lack of consistency across jurisdictions as well.

Harrison responded that those on this call are in favor of transparency, clarity, and good consumer protection. He said AITC's suggestion is to take a functional approach by identifying third-party vendors based on what they provide, rather than overthinking a definition.

Brian Bayerle (American Council of Life Insurers—ACLI) echoed many of the concerns that others raised about the context needing to make sense in terms of what the Working Group is trying to accomplish. He noted that it is difficult to find a "one-size-fits-all" definition for the purposes of this Working Group. He suggested there should be a list of exclusions for publicly available data, MIB Group Inc. data, agents/brokers data, reinsurer data, and others that are not the focus of this Working Group. He said it does not seem to be the Working Group's intent to be concerned about publicly available data or data collected from the insured or potential insured.

Lapham responded that a list of exclusions may help to reframe the focus.

Miranda Motter (AHIP) commented that the definitions are self-explanatory but noted three things: 1) to the extent possible, the definitions should be kept simple and clear; 2) to the extent possible, the definitions should align with existing laws, regulations, and industry-supported standards; and 3) that it is necessary understand the broader context of how a definition is used.

Crockett emphasized that the Working Group sees that other definitions of "third party" exist, such as in the artificial intelligence (AI) model bulletin and in an NAIC model law, and it is taking those definitions under consideration while drafting a new definition.

Matthew Vece (American Property Casualty Insurance Association—APCIA) commented that overall, it is premature to suggest definitions at this time because it depends on the objectives of the framework the Working Group is seeking to achieve. As an example, certain definition is needed if the intent is to focus on AI vendors, but a broader definition might be needed if the intention is to apply beyond AI. For those reasons, Vece asked for additional opportunities to comment as the scope and the intent of the framework are refined over time. APCIA has the following recommendations: 1) the definition should treat transactions among affiliates differently than with unaffiliated entities that do not have common ownership because vendors that are not related to an insurer are not subject to the same level of parent control or oversight compared to vendors that are associated with an insurer; and 2) any future framework should be risk-based with an emphasis on models having the greatest impact on consumers, rather than those that are merely operational.

Lapham stated that the Working Group is considering third-party data and model vendors within an AI context as well as within a more general context.

Lindsey Klarkowski (National Association of Mutual Insurance Companies—NAMIC) said the discussion on the definition of third parties and the scope is premature. She suggested three specific areas that the Working Group should focus on to make it easier for interested parties to provide feedback. First, the Working Group should identify and understand how insurers use different third-party vendors, as the spectrum of third-party data and model vendors and the different services that they provide is vast. It is important to understand those different types and then focus on the ones or the specific services with which regulators have the most concern. Second, the Working Group should identify the issues and challenges it is looking to solve, then determine what may or may not be necessary given existing laws. Third, the Working Group should ensure that the definition is narrowly tailored to those concerns. After these steps, there should be emphasis on full compliance with all NAIC processes and a commitment to open meetings for robust, transparent conversations with all stakeholders.

Lapham responded that the Working Group is mindful not to work at cross purposes from other NAIC committees and working groups in establishing a definition.

Tom Smith (Reinsurance Association of America—RAA) commented that the definition should exclude reinsurers unless the reinsurer is specifically providing some sort of model or data to the ceding company.

Mollie Zito (UnitedHealth Group—UHG) noted that UHG did not suggest a specific definition but encouraged using the definition in the NAIC model bulletin. UHG recommended that the NAIC continue encouraging other states to issue the bulletin and see how things work out, then work with companies to determine additional needs.

David Schraub (Independent Actuarial Consultant) commented that he did not propose a definition because the task is too complex at this point. However, he pointed out that trying to put the onus of opening the black box on every carrier in order to test for bias is difficult and onerous. He said one idea could be to establish a licensing process by an authority, such that a data provider or an algorithm could be considered appropriate for the industry to use, alleviating every carrier from vetting that provider.

Lapham responded that bias would potentially be a concern for jurisdictions as it relates to testing. On a more basic level, the question may be how a third-party model would intersect with the current regulatory framework and how to ensure regulators have a clear view into the model or data in order to perform the reviews that the regulators are accustomed to performing.

Crockett summarized the Florida Office of Insurance Regulation's comments that when the definition is created, the Working Group should prioritize models that impact consumers the most.

Esbrook commented that Iowa provided a potential definition in its written comments and noted that the Working Group seems to already have a good picture of the third-party vendors that service the insurance business, given the AI/machine learning (ML) surveys conducted by the Big Data and Artificial Intelligence (H) Working Group.

Scott Fischer (Insurtech Coalition) commented that the Insurtech Coalition did not need to add anything other than what it had already submitted in writing.

Stephen Clarke (Verisk) echoed many of the comments made by other speakers and noted that developing a definition may not recognize that some entities that would qualify as a third party are already licensed and regulated by departments of insurance (DOIs) as an advisory organization, a rating organization, a rating service, etc. He noted concern that this could create ambiguities. He said that before developing a definition, it is important to look at the types of data, functions, and uses of the data that are of concern. Clarke said that in cases such as anti-fraud investigations, Verisk believes using a third party does not raise the level of concern. Verisk believes it is premature to define a third-party vendor until the underlying issues have been more fully discussed.

Logue stated that the Pennsylvania Insurance Department has many third-party vendors being used by insurers for technological services. Considering the complexities of some of the filings, where it is difficult to get the information needed for approval, having a third-party registration process would provide a way to get that information. She said Pennsylvania's proposed definition of third party is an organization that collects, stores, and furnishes insurance data or machine-based systems to persons or organizations licensed by or registered with the insurance department. This term shall not include a government entity or an affiliate of the licensee or registrant, such that it is similar to other comments heard.

McKenney said Pennsylvania's preference would be to add a simple definition, then regulate the model law around it instead of in the definition.

Lapham responded that another concern experienced in Colorado from third parties relates to intellectual property and wanting to give assurances that confidentiality and trade secrets would be respected. One of the goals is to develop a working definition for further discussion at the Summer National Meeting.

Having no further business, the Third-Party Data and Models (H) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/H CMTE/2025_Summer/WG-Third-Party/Minutes 071025 Third-Party Data - Final.docx

Draft: 6/6/25

Third-Party Data and Models (H) Working Group
Virtual Meeting
May 22, 2025

The Third-Party Data and Models (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met May 22, 2025. The following Working Group members participated: Jason Lapham, Chair (CO); Nicole Crockett, Vice Chair (FL); Alex Romero and Molly Nollette (AK); Charles Hale (AL); Lori Dreaver Munn (AZ); Chandara K. Phanachone (CA); George Bradner and Kristin Fabian (CT); Kathleen Nakasone (HI); Travis Grassel (IA); Weston Trexler and Shannon Hohl (ID); Shannon Whalen (IL); Craig VanAalst (KS); Caleb Malone (LA); Jackie Horigan and Caleb Huntington (MA); Raymond A. Guzman (MD); Sandra Darby (ME); Phil Vigliaturo (MN); Julie Lederer (MO); Tyler N. Erickson and Colton Schulz (ND); Christian Citarella (NH); Gennady Stolyarov and Brandon Rocchio (NV); Matt Walsh (OH); David Dahl and Ying Liu (OR); Michael McKenney, Michael Humphreys, and Shannen Logue (PA); Beth Vollucci (RI); Will Davis (SC); J'ne Elizabeth Byckovski (TX); Jessica Baggarley and Eric Lowe (VA); Rosemary Raszka and Mary Block (VT); and Timothy Cornelius and Coral Manning (WI).

1. Discussed its 2025 Work Plan

Lapham noted that this was the first open call for the Working Group since the 2024 Fall National Meeting. He reminded the group that it has changed from a Task Force to a Working Group as part of a multi-committee action plan adopted by the Innovation, Cybersecurity, and Technology (H) Committee at the Spring National Meeting to maintain consistent naming conventions across NAIC groups; however, the group's charges and work plan adopted at the end of last year have not changed.

Lapham reminded the Working Group that its goal is to develop and propose an optimal framework for the regulatory oversight of third-party data and predictive models, which may require new model laws or modifications to adopted model laws or regulations in 2025. He noted that the intention is not to build a ground-up framework but to examine how regulatory oversight should adapt to insurers' use of third-party data and models.

He stated that the second charge of the work plan is to monitor governmental oversight and regulation of third parties; however, in this meeting, the Working Group will be concentrating on the first charge, which is to develop and propose a framework for the regulatory oversight of third-party data and predictive models, as that will be the Working Group's main focus throughout this year.

Lapham stated that the 2024 plan to develop a general concept for a framework for overseeing third-party data and models, including those utilizing artificial intelligence (AI), needed to slow down so that other Innovation, Cybersecurity, and Technology (H) Committee groups could work on their initiatives such that both Working Groups can coordinate. The Working Group's goal is to continue work planned for 2024. The remaining first-step task was to discuss whether existing frameworks could regulate third-party data and models. The final 2024 step was to discuss goals for a future third-party framework.

The work plan for 2025 is to build the regulatory framework, and the likely output will be referrals to other groups to implement the plan.

2. Heard a Report on High-Level Regulatory Survey Results

Lapham stated that the key parts of the survey are to: 1) identify current state frameworks that are applicable when insurers purchase and use data or models from a third party; 2) identify issues the Working Group needs to solve; and 3) establish the definition of third party.

Regarding existing frameworks, states reported that they have broad authority in this area and are awaiting NAIC guidance for next steps. States report the most focus to date has been on four areas: 1) property/casualty (P/C) rating and underwriting, with an emphasis on personal lines; 2) licensed advisory organizations, rating organizations, etc.; 3) financial analysis/examination for all lines of business; and 4) Market Conduct Annual Statement (MCAS) questions about life accelerated underwriting.

Other types of reviews that were mentioned less frequently were P/C rating and underwriting for commercial lines; health rate filings when third-party models are used; accident/health and health/life claims third-party administrator (TPA) services; life and annuity principle-based reserving (PBR); market conduct (especially claims and underwriting); and life/disability insurance (DI)/long-term care (LTC) rates when third parties are mentioned in the actuarial memo.

States most frequently cited frameworks for overseeing third-party activity in areas including rate/form and P/C product filings, market conduct, actuarial, financial analysis, state bureaus, and the hurricane commission. Some states cited other areas such as data analytics, information technology (IT) exams, PBR exams, and title agent audits.

Many states have issued bulletins, P/C rate and form filing regulations, and System for Electronic Rates & Forms Filing (SERFF) P/C rate filing requirements with a focus on third parties. One state referred to a regulation on third-party data. Otherwise, states are currently relying on existing laws such as the *Unfair Trade Practices Act* (#880), the *Unfair Claims Settlement Practices Act* (#900), and general filing statutes. Some states have specific requirements for the licensure of advisory organizations.

The Working Group will focus on developing a framework to assess third-party data and models, similar to how the Big Data and Artificial Intelligence (H) Working Group will evaluate insurers' use of internally developed AI. However, the Working Group is concerned with third-party data and models in general, not limited to those within an AI system.

Lapham stated that the primary goal of a third-party data and models regulatory framework is to solve the following issues: 1) the inability to assess fairness of insurers' data and model use, including unfair discrimination and verification of model outputs; 2) limited governance and oversight of how third-party models and data are tested, controlled, and monitored; and 3) the inability to determine whether rates are excessive, inadequate, or unfairly discriminatory when third-party models or data are used.

3. Discussed the Definition of Third Party

Lapham noted that the survey asked how "third party" should be defined within the regulatory framework and explained that, while it seems like an obvious answer, "third party" refers to any source other than the insured or insurer; however, this definition may need further clarification.

He initiated discussion by asking whether the Working Group should: 1) focus on vendors that offer at least one model or dataset for insurance operations; 2) treat third-party vendors within an insurance group differently from

unaffiliated third parties; 3) define the scope of "insurance operations"; 4) exclude certain models, such as those used by human resources (HR) or internal AI systems; 5) set boundaries for how far regulatory oversight should extend; 6) place limits on the types of data to examine further; and 7) distinguish between data vendors, like Google, Facebook, or the U.S. government, where review methods may differ.

Stolyarov commented that a third party is anyone other than the insurer or the insured, and any information not provided directly from the insured or from the insurer's own records or experience with the policyholder is considered third-party information. Regarding how third-party data is treated, it is reasonable that differences should exist. He used the example of insurers being allowed to obtain information from governmental entities under certain conditions, such as a department of motor vehicles (DMV). Insurers can pull DMV reports, but only within a certain time frame.

Stolyarov said that governmental third-party data is subject to certain frameworks that may not be specified in private third-party data laws, so the framework should consider when the data is gathered. The validity of general statistical information about a location or weather phenomena, for example, would not be a concern, but the specific use of the information would be. On the other hand, some third-party data aggregators solely exist to crawl the web and gather information about individuals, but the way they compile or define that data may not meet consumer protection standards. As a result, such vendors should be considered separately.

Regarding Facebook, Stolyarov asked whether insurers mining Facebook posts should warrant specialized treatment or prohibition. He recommended a broad definition of a third party, with distinctions based on the type of information sources.

Schulz commented that "third party" versus "holding company/affiliate" is a key term to define within regulatory authority.

Lauren Pachman (National Association of Professional Insurance Agents—PIA) commented that Stolyarov's proposed definition would make independent agents into third parties and asked whether that was the intent.

McKenney commented that the term "third-party data" refers to first-party (policyholder) data that third parties have collected and suggested defining it as data from outside the insurance transaction used within that transaction.

Schulz agreed with McKenney's point that the Working Group should focus on third parties accessing first-party insurance transaction data.

Stolyarov agreed that agents represent the insurer, so the information they collect, whether from applicants or insurers, is not third-party data. This applies to both independent and exclusive agents. He clarified that third-party data should come from entities genuinely external to the insurance transaction but whose information informs insurer decisions like underwriting, rating, or risk segmentation.

J.P. Wieske (American InsurTech Council—AITC) warned against overly broad regulation, noting concerns from cybersecurity law about unintended oversight of unrelated services, like janitorial services hired by insurers. Wieske recommended creating sub-definitions within the definition of third parties to differentiate demographic and geographic data, and raised a question about the scope, especially in pricing decisions for specific policies. He recommended a graduated approach that starts with a broader model and gradually collects data over time to improve understanding of the market for the industry and regulators.

Scott Harrison (AITC) commented that AITC submitted a risk-based approach that Connecticut has successfully used for several years.

Birny Birnbaum (Center for Economic Justice—CEJ) asked whether the Working Group could expose the survey questions. Lapham said they could not be exposed because the survey was regulator-only.

Steve Clarke (Verisk) cautioned against sweeping statements about all activities and responded to Stolyarov's point about using Facebook data. He acknowledged valid uses of Facebook data in fraud investigations and special investigations unit (SIU) work and noted that some organizational activities may require different treatment. For example, Verisk, as a licensed advisory and rating organization, files extensive materials with insurance departments but also provides information to carriers that can be difficult to categorize. He recommended a flexible definition focused on the nature of the activity rather than the entity.

Lapham said that how third-party data or models are used in insurance can affect their definition. He said that the question of the definition will be exposed for a 30-day public comment period ending June 20.

4. Discussed Next Steps

Lapham said the next steps are to establish the definition of third party based on input from interested parties and discuss issues to be solved that regulators identify, including data that is not used within an AI context.

Stolyarov commented that the distinction matters greatly because most states have experience regulating traditional predictive or deterministic models, whereas AI models are more dynamic and require a different framework. He raised the point of considering the level of human involvement in the decision-making process.

Lapham agreed that the Working Group's charges encompass consideration of data used in a non-AI context.

Birnbaum said these questions are premature, as definitions are needed first for third-party data and vendors in all aspects that consumers may face. He recommended distinguishing either by data life cycle or data type.

Logue commented that the Big Data and Artificial Intelligence (H) Working Group questioned who is liable for data accuracy when working with third parties. She said that accountability and transparency are essential in these relationships.

Lapham reiterated that the clear next step is to consider the definition of third party.

Having no further business, the Third-Party Data and Models (H) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/H CMTE/2025_Summer/WG-Third-Party/Minutes 052225 Third-Party Data - Final.docx

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June 20, 2025

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

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

Re: Definitions of Third-Party Data Vendor and Third-Party Model Vendor for Use in a Regulatory Framework

Dear Chair Lapham and Vice Chair Crocket,

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the NAIC Third-Party Data and Models (H) Working Group recent exposure requesting proposals from interested parties on what definitions of "Third-Party Data Vendor" and "Third-Party Model Vendor" may look like for use in a regulatory framework.

ACLI offers the following draft definitions for the Task Force's consideration:

- "Third-Party Data Vendor" means any entity that is not a parent of, affiliate of, related by common ownership with, or affiliated by corporate control with, an insurer, that collects, aggregates, and sells or licenses data (except for publicly available data or data that is originally collected by or on behalf of an insurer or its affiliates) about individuals or entities and contracts with an insurer for the insurer's use of such data in pricing, underwriting, or claims processing.

This definition excludes:

- Entities providing data used exclusively for internal business operations unrelated to underwriting, pricing, or claims processing (e.g., HR, IT security);
- Governmental entities providing public records (e.g., motor vehicle records, court records, weather data, death records);
- Entities providing data for fraud detection, anti-money laundering, or regulatory compliance purposes;
- Insurance agents, brokers, and producers;
- Reinsurers; and
- MIB Group, Inc.

- "Third-Party Model Vendor" means any entity that is not a parent of, affiliate of, related by common ownership with, or affiliated by corporate control with, an insurer, that develops or licenses predictive models or Artificial Intelligence Systems and contracts with an insurer for the insurer's use in pricing, underwriting, or claims processing, where such predictive models or Artificial Intelligence Systems are not developed or materially modified by the insurer or its affiliates.

  This definition excludes:
  - Entities that develop or license models used for internal business operations unrelated to underwriting, pricing, or claims processing (e.g., HR, IT security);
  - Entities that develop or license models used for fraud detection, regulatory compliance, or risk management;
  - Insurance agents, brokers, and producers; and
  - Reinsurers.

Thank you once again for the chance to provide these proposals and we look forward to additional discussion soon at a future session of the Working Group.

Sincerely,

cc: Kris DeFrain, NAIC

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ahip.org

June 20, 2025

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

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

Re: Request of proposed definitions of "Third-Party Data Vendor" and "Third-Party Model Vendor"

Dear Chair Lapham:

On behalf of AHIP, thank you for the opportunity to provide feedback on a proposed definition for "Third-Party Data Vendor" and "Third-Party Model Vendor" for consideration by the NAIC Third-Party Data and Model (H) Working Group.

AHIP agrees with the suggestion made during the meeting of the Third-Party Data and Model (H) Working Group on May 22 that definitions be simple and where feasible, align with existing laws, regulations, and industry-supported standards. We believe regulators, industry, and consumers alike would be best served by utilizing terms and definitions that align with current NAIC model law/guidance language around this topic of data use (noted below) with an explicit exception for a licensee's affiliate, similar to definitions under the Data Security and Privacy Model law.

We would also note that since it is unclear how these definitions would be used in any operative language, AHIP looks forward to the opportunity to supplement or adjust our feedback as the context of their use is clarified.

Draft Definitions for consideration:

> **Third-Party Data Vendor** means a person or entity not otherwise defined as a Licensee or Affiliate of a Licensee that provides data or data-related goods or services to a Licensee or Affiliate of a Licensee.
>
> **Third-Party Model Vendor** means a person or entity not otherwise defined as a Licensee or Affiliate of a Licensee that provides predictive models or model-related goods or services to a Licensee or Affiliate of a Licensee.

Current NAIC Model Law / Guidance Language

NAIC AI model bulletin:
"Third-Party" for purposes of this bulletin means an organization other than the Insurer that provides services, data, or other resources related to AI

Data Security Model Law
"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.

Privacy Protection Model Law #674 8.5.24
"Nonaffiliated third party" means any person except:
(a) A licensee's affiliate; or
(b) A person employed jointly by a licensee and any company that is not the licensee's affiliate (but nonaffiliated third party includes the other company that jointly employs the person).
(2) Nonaffiliated third party includes any company that is an affiliate solely by virtue of the direct or indirect ownership or control of the company by the licensee or its affiliate in conducting merchant banking or investment banking activities of the type described in Section 4(k)(4)(H) or insurance company investment activities of the type described in Section 4(k)(4)(I) of the federal Bank Holding Company Act (12 U.S.C. 1843(k)(4)(H) and (I)).

"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, process or otherwise is permitted access to nonpublic personal information through its provisions of services to the licensee.

Thank you for the opportunity to provide these suggestions. We look forward to discussing them and continuing to collaborate with you and the Working Group in the future.

Sincerely,

Miranda Motter
Senior Vice President, State Affairs and Policy
mmotter@ahip.org
202-923-7346

AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit www.ahip.org to learn how to work together, we are Guiding Greater Health.

June 20, 2025

Jason Lapham, Chair
Third Party Data and Models (H) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64105

Re: Request for Proposed Definitions of Third-Party Data Vendor and Third-Party Model Vendor

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. We appreciate the opportunity to provide the following comments in response to the National Association of Insurance Commissioners' (NAIC) request for proposed definitions of Third-Party Data Vendor and Third-Party Model Vendor.

As a preliminary comment, it remains unclear to us and perhaps others what issue (or issues) concerning insurer use of third party data vendors or third party model vendors the Working Group is attempting to address. Any discussion of regulatory oversight of third party vendors should begin with a clear statement of the issues that need to be addressed. Until that has been made clear we respectfully suggest that an effort to define key terms is premature. AITC would welcome a public discussion that clarifies this question.

In considering the Working Group's request, we revisted the NAIC's statement of Principles on Artificial Intelligence (AI) and the NAIC's statement of Principles on Artificial Intelligence (AI), the Model Bulletin: Use of Artificial Intelligence Systems By Insurers. We also considered how the term third party vendor (or provider) is used in other NAIC models and in common industry practice. At a minimum, the Working Group must ensure that any definition of third party vendor is consistent with the Principles of Artificial Intelligence, the Model AI Bulletin, and existing definitions of third party vendors in state's insurance laws and standards of practice.

Based upon the results of our review, it is not clear why these terms require new definitions, or how definitions could meaningfully add to the authority to oversee insurer use of AI that already exists under state law. To the contrary, we see significant potential for unintended adverse consequences.

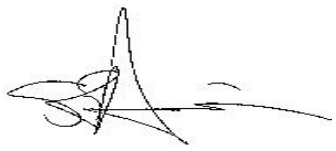
Third-party vendors provide a wide array of services, ranging from providing raw data to complex predictive modeling. These services often combine elements of "data provider" and "data modeler." At a time of rapid change in technology and the development of business use cases for AI that benefit consumers, we would be concerned that attempts to parse descriptions of these services into rigid definitions would undermine the dynamic, rapidly evolving and innovative nature of third-party services to insurers. Rigid definitions would also create confusion in contracting and compliance efforts, impose unnecessary regulatory burdens, and create the conditions for inconsistent interpretations across the states. Existing regulatory frameworks and established industry practice developed over decades already provide sufficient tools to oversee vendor relationships and activities through principles-based risk management, due diligence, and contractual oversight.

Should members of the Working Group determine, however, that a definition is essential AITC would recommend combining both terms into a single definition. The following definition is intended to reflect current practice and standards associated with third party vendors in the context of providing models or data services to insurers.

"Third-party data or model vendor" means a person, partnership, corporation, or other entity that provides external consumer data, an algorithm, or a predictive model to an insurer for use in an insurance practice, but does not include an employee or affiliate of the insurer.

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

Respectfully Submitted,



Scott R. Harrison
Co-Founder, American InsurTech Council
sharrison@americaninsurtech.com

cc: Kris DeFrain, NAIC

American Property Casualty Insurance Association
INSURING AMERICA apci.org

June 20, 2025

Jason Lapham, Chair
Third-Party Data and Models (H) Working Group
National Association of Insurance Commissioners

Re: Definition of "Third Party" for Potential Regulatory Framework

Dear Mr. Lapham:

The American Property Casualty Insurance Association (APCIA) appreciates the opportunity to provide input in response to the Third-Party Data and Models (H) Working Group's exposure seeking stakeholder feedback on potential definitions of "third party," "third-party data vendor," and "third-party model vendor" for use in a regulatory framework. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

We are committed to working with the NAIC and state regulators on how best to regulate the products and services of third-party vendors. We also wish to express interest in how to provide regulators with sufficient assurances of legal compliance, without overburdening insurers or having the effect of diminishing the availability of useful third-party products and services, which through better data or more efficient operations, ultimately serve consumers.

However, it seems premature to provide meaningful feedback on the definition of "third party," "third-party data vendor," and "third-party model vendor" for use in a potential future regulatory framework. The definitions of these terms will differ depending on the specific objectives of what a potential regulatory framework is trying to achieve. For example, a regulatory framework focusing on AI vendors will require different definitions than a regulatory framework intended to apply more broadly. It is also important for stakeholders to understand which vendors regulators are focused on (e.g., vendors that build custom AI models for an insurer, vendors that offer AI tools generally, etc.) In the absence of context of how the defined terms are intended to be implemented within a regulatory framework, it is challenging to offer a workable definition at this time. Any definitions proposed at this point risk being over-inclusive or under-inclusive depending on the issues that a future regulatory framework is intended to address. For these reasons, the Working Group should provide stakeholders with additional opportunities to comment on definitions as any regulatory framework is further developed.

With respect to any proposed definition of these terms, transactions among affiliates should be treated differently than transactions with unrelated or unaffiliated third parties. Affiliates are ultimately controlled by their corporate parents and subject to group policies, standards, procedures, and operating models, and their interests are aligned with the group parent, resulting in a sufficient control environment for affiliates. By contrast, vendors that are not related to a party

are not subject to the same level of corporate control or interest alignment, and the relationship between a party and a vendor is governed principally by a contract negotiated at arms' length.

Ultimately, any future regulatory framework should be risk-focused and principles-based, with an emphasis on vendors and models with the greatest impact on consumers, rather than those that are operational in nature. We appreciate your consideration of these views and welcome continued collaboration as this work moves forward.

Sincerely,

Matthew Vece
Sr. Director, Financial & Tax Counsel

Dave Snyder
Vice President, International & Counsel

Comments Received From: Blue Cross Blue Shield Association

Thank you for the opportunity to provide input on proposed definitions for third-party data vendor and third-party model vendor for use in a regulatory framework.

BCBSA believes that definitions should be carefully scoped to ensure clarity on who is being regulated and to what extent. As we noted in our comments on the Task Force's work plan (please see attached), overly broad definitions, particularly of "third party", could unintentionally sweep in longstanding insurer practices already subject to effective oversight, and create unnecessary regulatory complexity. We continue to urge the Working Group to align the scope of this effort with the definition of "third party" in the NAIC Model Bulletin on AI and to differentiate responsibilities between developers and deployers of AI systems. This clarity is critical to advancing regulatory objectives without impeding innovation or duplicating existing oversight frameworks.

Please let me know if you have any questions and thank you again for this opportunity to provide feedback.

Randi Chapman

Comments Received From: Insurtech Coalition

We, the Insurtech Coalition, appreciate the thoughtful attention being given to the topic of third-party data and models and recognize the importance of ensuring these tools are appropriately used to serve consumers and support fair, transparent insurance markets. At the same time, as the discussion evolves, we find it challenging to provide fully substantive feedback because it is not entirely clear what specific problem or regulatory gap this effort is intended to address. Many models currently used — particularly those supporting underwriting, pricing, and claims — are already subject to robust regulatory oversight through rate filings, product approvals, market conduct exams, and existing governance processes that regulators review in practice. Even models that are not directly filed are often examined through supervisory oversight or corporate governance structures.

With that in mind, it would be helpful for this group to first clearly identify and narrowly define the particular concerns or risks that are viewed as unaddressed, so that any future framework can be appropriately targeted and effective. Without that clarity, we risk developing duplicative or overly broad requirements that may not meaningfully advance consumer protection or market oversight. We would also note that related aspects of third-party data, models, and AI governance are actively being discussed in other NAIC workstreams, and we encourage ongoing coordination across those efforts to ensure a holistic, balanced approach. We welcome continued collaboration as these conversations progress, and remain committed to constructive dialogue on how best to address any true gaps while supporting innovation and consumer outcomes.

NAMIC
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

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June 20, 2025

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 Models Definitions and Scope

Dear Chair Lapham and Members of the Committee:

On behalf of the National Association of Mutual Insurance Companies (NAMIC)[1], we would like to thank the NAIC Third-Party Data and Models (H) Working Group for requesting and accepting comments on potential definitions of "third party" and scope of issues for the Working Group's efforts. In support of beneficial outcomes for all stakeholders in this work, NAMIC provides below general substantive comments for the Working Group to consider. NAMIC has previously commented on the Working Group's efforts to define "third party" and the scope of work, so please note that those comments are repeated here as applicable.

Before Defining "Third Party Vendor," Identify How Insurers Use Different Vendors

The spectrum of third-party data and model vendors that insurers use is vast and understanding the different types of vendors as well as how insurers use them is an essential step in the Working Group's process. NAMIC encourages the Working Group to ensure that this aspect of the work plan is given due time and attention. Part of this process should focus first on defining exactly which third-party services are ones with which regulators have the most concern. The importance of determining how vendors are used and understanding the different vendor types cannot be overstated, as it is the only way the Working Group can then establish scope of its efforts and a definition of "third-party vendor."

Identify the Challenge to be Solved

At the 2024 Fall National Meeting, NAMIC provided verbal testimony encouraging the Working Group to explicitly identify the issues and challenges it is looking to solve. Since the Working Group's creation, such issues or challenges have not been made explicit, and the lack of identifying these issues creates question as to the direction of a "framework for regulatory oversight of third-party data and predictive models."[2] NAMIC

[1] The National Association of Mutual Insurance Companies consists of nearly 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies write $391 billion in annual premiums and represent 68 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets. Through its advocacy programs NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

[2] *See* NAIC Third-Party Data Models (H) Task Force 2024 Charges and Work Plan, https://content.naic.org/sites/default/files/2024-charges-and-work-plan-exposure-040524.pdf.

again encourages the Working Group to publicly identify these issues or challenges. Where concrete challenges are identified, they may guide the direction of the Working Group's efforts so as to avoid creating a solution disjointed from any needs of the market. The Working Group should be specific about the identified challenges, and what a new model law or amendments to existing law or regulations are trying to solve. The industry and other stakeholders will then be better suited to provide helpful substantive feedback on definitions and scope.

Definition of "Third Party Vendor" Should be Narrowly Tailored and Consistent Across the NAIC

Once the Working Group identifies the issues and concerns with respect to third-party data and model vendors, the Working Group should then ensure that any definition of "third-party vendor" is narrowly tailored to those concerns. NAMIC also encourages the Working Group to publicly engage with other NAIC Committees and Working Groups that may be addressing similar topics and overlapping purposes, as there are many NAIC workstreams that have already touched on third-party vendors or are currently working on third party efforts.[3] NAMIC believes it is important and beneficial for the industry and consumers alike for the NAIC to create consistency in the marketplace with respect to how regulators create and enforce laws, especially when addressing enforcement mechanisms relative to data and model use. Further, given that there are many workstreams engaging in the space, and because there are proponents of different approaches, that indicates a need for a robust investigation into the pros and cons of different strategies and what's necessary given existing law.

IN SUMMARY

We close by again thanking the Working Group for allowing NAMIC to submit comments 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 the education process and any potential drafting processes. 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 Klarkowski
Policy Vice President – Data Science, Artificial Intelligence, and Cybersecurity
NAMIC

[3] As of the writing of this letter, NAMIC is aware of the following groups at the NAIC looking at third party models and data to some extent: The Big Data and AI (H) Working Group, Generator of Economic Scenarios (GO/ES) (E/A) Subgroup, Cybersecurity (H) Working Group, the Supervisory Technology (H) Workstream, and the Advisory Organizations (D) Working Group.

REINSURANCE ASSOCIATION OF AMERICA

June 20, 2025

Jason Lapham, Chair
Third-Party Data and Models (H) Working Group
National Association of Insurance Commissioners
c/o Ms. Kris DeFrain
Director, Research and Actuarial Services
Via email kdefrain@naic.org

Re: RAA Comments Regarding Definitions of Third-Party Data Vendor and Third-Party Model Vendor

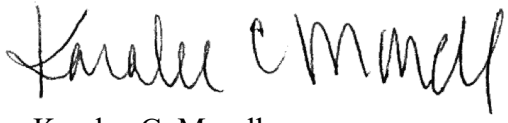
Dear Mr. Lapham:

The Reinsurance Association of America (RAA) appreciates the opportunity to submit comments to the Third-Party Data and Models (H) Working Group regarding your request for proposed definitions of third-party data vendor and third-party model vendor for use in a regulatory framework. The Reinsurance Association of America (RAA) is a national trade association representing reinsurance companies doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross-border basis. The RAA also has life reinsurance affiliates and insurance-linked securities (ILS) fund managers and market participants that are engaged in the assumption of property/casualty risks. The RAA represents its members before state, federal and international bodies.

The RAA appreciates the Working Group's continued thoughtful engagement in this space. While RAA does not have a proposed definition to offer the Working Group, we believe it is important that any such definition should not include reinsurers as a third-party, unless the reinsurer is also a model or data provider for the ceding company. Many reinsurers use models to identify and manage their own portfolio of risk. These internal analytical tools should not be subject to either the definition of third-party data vendor or third-party model vendor in a regulatory framework. The definitions should continue to focus on models that relate to the lifecycle of an insurance product with a potential consumer impact.

The RAA appreciates the opportunity to work with you on this important project and specifically to address our reinsurance-specific concerns. We would be happy to meet with members of the Third-Party Data and Models (H) Working Group and NAIC staff to discuss excluding internal reinsurer models from any definition of third-party. We look forward to further engagement on these issues.

Sincerely,



Karalee C. Morell
SVP and General Counsel
Reinsurance Association of America

Regulatory comment letter

To: -Third-Party Data and Models (H) Working Group, Interested Regulators, and Interested Parties
-Colorado DORA - Proposed Amended Regulation 10-1-1 regarding governance and risk management requirements for the use of external data and predictive models in insurance
From: David Schraub
Date: 5/28/2025
Subject: Response to Request for comments

Introduction

This letter is submitted as comments to both (1) the email from Kris DeFrain dated May 22, 2025, titled "Request for Third-Party Definitions"[1] and the Big Data and AI (H) Working Group AI Request for Information[2] (RFI), as well as (2) the draft Proposed Amended Regulation 10-1-1 regarding governance and risk management requirements for the use of external data and predictive models in insurance from Colorado Department of Regulatory Agencies, Division of Insurance[3] ("draft Colorado regulation 10-1-1").

I am David Schraub, an independent actuarial consultant specializing in artificial intelligence and bias testing.

Please note that I also contribute as a volunteer with the American Academy of Actuaries to offer comments on related topics, including this one.

Concerns Regarding Bias Testing of External Data

Section 5.A.9. of the draft Colorado regulation 10-1-1 states:

> "Documented evaluation of ECDIS for statistical bias, statistical representativeness, data quality, data validity, and appropriateness for the intended purpose and steps taken to address and correct such data quality issues."

Additionally, the RFI asks:

> "Given feedback from industry representatives about the amount of staff resources that could be devoted to implementing a governance program, the ability and

[1] Appendix 1
[2] Appendix 2
[3] Appendix 2

effectiveness of smaller insurance companies in negotiating with third-party vendors... should requirements vary by company size?"

Although Actuarial Guideline 23 – Data Quality – supports the evaluation of third-party data, requiring individual insurers to test for bias poses several challenges:

- Inconsistent outcomes across business lines: A company might interpret the same data differently depending on its line of business.
- Competitive disparities: Different insurers may reach conflicting conclusions, potentially affecting market fairness.
- Impracticality with certain sources: Testing data from government agencies or highly regulated entities may be problematic.
- Undue burden to small companies, as noted above.
- Negotiation effectiveness with vendors, when the latter are significantly larger than the insurer, as noted above.

Definitional Clarification: What Is a Third Party?

It is not immediately obvious to me whether an external company working as an agent for the insurance company would be considered as part of the insurer (similar to captive agents) or third party. For example, an external vendor performing insurance functions (e.g., underwriting, claim triage) using tools such as generative AI (e.g., ChatGPT), predictive algorithms, or PDF summarizers—whether working with insurer-provided data or data directly from the insured.

Proposed Solution

To promote consistency and fairness, I recommend a centralized certification requirement focused on bias auditing. This could take numerous forms, similar to HIPAA, ISO or SOC 2 compliance certification, to financial audit, or to ratings provided by the Nationally Recognized Statistical Rating Organizations (not pass fail criteria, but grade). The regulatory community should be an active actor in articulating the requirements and/or the testing criteria. Verification of the effectiveness of such mechanism would be part of the regulatory oversight.

Advantages of this option include:

- Provide insurers with confidence in third-party tools;
- Eliminate redundant and potentially inconsistent bias testing by individual insurers;
- Establish a higher baseline for consumer data protections across the industry.

Thank you for offering the opportunity to comment on these documents. I believe these questions are critical to developing a sound regulatory framework for a thriving fair industry for the benefit of the society.

Respectfully submitted,
David Schraub
Founder and CEO of David Schraub Actuarial Consultancy
david@davidschraubactuary.com

Appendix 1: Excerpt from DeFrain Email (May 22, 2025)

To Third-Party Data and Models (H) Working Group, Interested Regulators, and Interested Parties:

The Third-Party Data and Models (H) Working Group met today and requested proposed definitions of third-party data vendor and third-party model vendor for use in a regulatory framework. Please send to Kris DeFrain (kdefrain@naic.org) by Friday, June 20.

-----Some discussion from the Working Group's virtual meeting-----

Jason Lapham, Chair, noted complications regarding these definitions to get the conversation started:

1. The simple definition of "third party" is "anyone other than the insured and insurer." He said there are nuances to discuss needed for a regulatory framework.
2. Should we focus on vendors that market at least one model or dataset for use in insurance operations?
3. What would insurance operations include? Does that exclude models such as those that may be used by HR or anything that might be part of the company's AI system? Are there different buckets of third-party models and data to consider?
4. Should a third-party vendor within the insurance group be distinguished from or treated differently than unrelated/unaffiliated third parties?
5. How far would we ideally want the regulatory system extended or are there limits on what types of data we would want to be able to get more information?
6. Should we distinguish data vendors such as Google, Facebook, or the U.S. government where our review methods may differ?

Note: Jason Lapham said there was nothing "magical" about these questions or the priority of such; these were provided to get conversation started.

Some additional issues regarding definitions were noted by Working Group members, interested regulators, and interested parties:

1. There could be different treatment of different types of 3rd party data. For example, government (e.g., motor vehicle reports); weather data; and 3rd party aggregators gathering data from different sources.
2. Facebook: may not want insurers to comb Facebook; but then again, Facebook is useful in fraud investigations.
3. Third party vs. holding company and affiliate
4. A definition of "other than insured or insurer" seems to count agents as third parties. Agents would be 1st party, representing the insurer.
5. When we say "3rd party data"... we really mean 1st party data - policyholder data - that 3rd parties have collected. I think we want to say an entity outside the insurance transaction that has data about one or more parties to the insurance transaction and for which the data is used in the insurance transaction"
6. For usefulness, may need sub definitions.

Appendix 2: Regulatory links

Big Data and AI (H) Working Group AI Request for Information
https://content.naic.org/sites/default/files/inline-files/RFI%20-%20AI%20Model%20Law_0.pdf

Draft Proposed Amended Regulation 10-1-1 regarding governance and risk management requirements for the use of external data and predictive models in insurance from Colorado Department of Regulatory Agencies, Division of Insurance

https://drive.google.com/file/d/1Wd60KO1wIIcsYtsA2eOy7p46imaG-KTZ/view

UNITEDHEALTH GROUP
1 Health Drive
Eden Prairie, MN 55344

June 20, 2025

Mr. Jason Lapham
Chair, 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 Definitions of "Third-Party Data Vendor" and "Third-Party Model Vendor"

Dear Chair Lapham,

Thank you for the opportunity to comment on potential definitions of "third-party data vendor" and "third-party model vendor" for use in a regulatory framework. While UnitedHealth Group (UHG) is not proposing specific definitions of these terms, we hope that the below comments are helpful to the Third-Party Data and Models (H) Working Group (Working Group).

UHG believes the NAIC's Model Bulletin: Use of Artificial Intelligence Systems by Insurers (Model Bulletin) provides a robust regulatory framework for "third-party data vendors" and "third-party model vendors." Section 3 of the Model Bulletin outlines regulatory guidance and expectations for an insurer's "process for acquiring, using, or relying on (i) third-party data to develop AI Systems; and (ii) AI Systems developed by a third party."[1] Section 4 of the Model Bulletin outlines the types of information and documentation that insurers should expect to produce for departments of insurance regarding data collected from and AI Systems developed by third-parties during an investigation or examination.[2] The Model Bulletin also includes a definition of "third-party."[3]

A primary objective of the NAIC should be to encourage states that have not adopted the Model Bulletin or do not have their own insurance-specific standards to adopt it before moving forward with further regulatory considerations. If, however, members of the Working Group determine that the state adoptions of the Model Bulletin need to be amended, UHG encourages the Working Group to continue adhering to a risk-based approach to regulation, promoting AI standards focused on the evaluation and management of risk. Those developing or deploying AI uses that may pose a higher risk should assume greater accountability. Additionally, AI uses classified as "high-risk" should receive this classification based on the AI's capability to pose actual, material risk of harm to an individual's health, safety, or fundamental rights. Accordingly, greater regulatory scrutiny and obligations should be reserved for those uses, ensuring that older technologies and lower-risk AI applications remain appropriately supported to preserve intended efficiencies.

We also recommend that the Working Group continue to allow insurers to address AI governance through an existing Enterprise Risk Management (ERM) program and to rely upon, in whole or in part, standards developed by the National Institute of Standards Technology (NIST) Artificial Intelligence Risk Management Framework (AI RMF) or other official third-party

[1] NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers, Section 3, 4.0 Third-Party Systems and Data, p. 7.
[2] Id., Section 4, 2.0 Third-Party Systems and Data, p. 9.
[3] Id., Section 2, "Third Party" for purposes of this bulletin means an organization other than the Insurer that provides services, data, or other resources related to AI, p. 3.

standard setting organization.[4] UHG supports the development of responsible use programs by third parties that rely upon, in whole or in part, standards developed by NIST or other official third-party standard setting organizations. Allowing third parties developing and deploying AI to rely on the NIST AI RMF will promote consistency with existing standards, enabling the development and maintenance of robust AI responsible use programs.

Thank you again for the opportunity to comment. If you have any questions, please reach out to me at mollie_k_zito@uhg.com.

Sincerely,

Mollie K. Zito

Mollie K. Zito
Deputy General Counsel

[4] NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers, AIS Guideline 1.5, p. 5.

Stephen D. Clarke, CPCU
SVP Government Relations
T: (201) 469-2656
SClarke@iso.com

June 20, 2025

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 proposed definitions of *third-party data vendor* and *third-party model vendor* for use in future regulatory framework

Verisk thanks the Working Group for the opportunity to provide input regarding proposed definitions for third-party data vendor and third-party model vendors.

For you to best understand our perspective, please note that Verisk supports the insurance industry by providing information, including statistics, underwriting and claims information, fraud solutions, actuarial analyses, policy language, catastrophe models, 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.

While Insurance Services Office, Inc. (ISO), a subsidiary of Verisk Analytics, is licensed as an advisory, rating, and/or rate service organization under the appropriate section of individual state insurance codes, there are several affiliated companies and activities under the Verisk umbrella where such a license is not required. We believe that before the Working Group considers a definition of third-party data and/or model vendor there are some foundational issues contained within the working groups charges that should be discussed.

1. What lines of business would this framework apply to?

   While much of the conversation has referred to so called “consumer lines” such as personal auto and homeowners, third-party data sources are utilized throughout the business of insurance. For example, boiler and elevator inspections are often conducted by third-parties that are typically regulated by other government agencies. Econometric data is commonly used throughout the industry to develop trends and forecasting reports. This data can be produced by both the government as well as private sector companies.

2. What types of data is the working group concerned with?

   As mentioned above, there are numerous types of data, often produced by third-parties, where a framework is unnecessary. Some vendors may be regulated by other agencies, some by

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actual government agencies, and much of this type of data should not be of concern due to its very nature. Examples include, but are not limited to:

- Public records – DMV reports, building permits, crime statistics
- Econometric data
- Weather data

We believe careful consideration of this topic is crucial to avoid inadvertently overreaching potential third-party vendors/models regulated by other agencies.

3. What types of models is the working group concerned with?

   There are numerous models that utilize information that should not generally be concerning to regulators and likely do not need to be treated under a new regulatory framework. For example, a community hazard mitigation model that evaluates building code enforcement or structural fire protection should not generally be subject to the same level of oversight as a personal auto rating model might be. In addition, catastrophe models are also currently evaluated directly by states.

4. What activities is the working group concerned with?

   After determining the types of data the working group is concerned with, consideration should be given to the various parts of the insurance lifecycle – namely, underwriting, rating, portfolio management, marketing, and claims. While working group members may be concerned about the use of a particular data type for rating/underwriting, it may be entirely appropriate for use in claims and fraud investigations.

We believe that by first addressing these foundational issues the working group can then look at the types of entities that supply the information (or analytics) and then determine the best definition(s) to wrap around them.

Chair Lapham posed a number of questions bringing light to complications that will have to be worked through and these questions should be considered prior to moving forward with definitions. We believe it is premature to present proposed definitions of third-party data vendor and third-party model vendor before the committee creates a regulatory framework addressing these foundational issues. We think it is imperative the working group first thoroughly flesh out what the regulatory framework will entail before defining what entities will fall into that framework.

It is important to have a regulatory framework that does not impose rigid prescriptive requirements for third-party data vendors or third-party model vendors, but rather principles-based standards that allow for flexibility, innovation and accountability.

Stephen C. Clarke, CPCU
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Thank you for the opportunity to share our feedback with you regarding the request for proposed definitions of *third-party data vendor* and *third-party model vendor* for use in future regulatory framework. Please feel free to contact me should you require additional information concerning ISO's position relative to these matters.

Respectfully submitted,

Stephen C. Clarke

Comments Received From: Florida Office of Insurance Regulation
June 3, 2025

We discussed with the rates team and our thoughts are in red:

1. The simple definition of "third party" is "anyone other than the insured and insurer." He said there are nuances to discuss needed for a regulatory framework. **Any party suppling data, other than the insurer, which is analyzed to assist with performing key tasks. This would include aggregated data, which may include the insurer as one data source.**
2. Should we focus on vendors that market at least one model or dataset for use in insurance operations? **Yes, I think the focus should be one vendor that have active models/datasets that are currently being used by insurers in the market. We should consider some prioritization criteria to ensure the models impacting the most consumers are reviewed first.**
3. What would insurance operations include? **Ratemaking, underwriting, and claims handling (including fraud detection).**
    a. Does that exclude models such as those that may be used by HR or anything that might be part of the company's AI system? **I think those uses are beyond the scope of the current project.**
    b. Are there different buckets of third-party models and data to consider? **Yes, I think these can be divided into buckets. I think it would be helpful to define the buckets and maybe focus on the third-party data's use. Consider evaluating aggregated data differently than data that is modified/enriched prior to aggregation. Some vendors sell data only, but others use a model to complete indexes/scores, which are very different.**
4. Should a third-party vendor within the insurance group be distinguished from or treated differently than unrelated/unaffiliated third parties? **Think these should be treated the same, but we may lack regulatory authority for certain data vendors.**
5. How far would we ideally want the regulatory system extended or are there limits on what types of data we would want to be able to get more information? **I think there are limits to how far this extends, and I suggest focusing on data used for the primary functions of the insurer – including ratemaking and underwriting.**
6. Should we distinguish data vendors such as Google, Facebook, or the U.S. government where our review methods may differ? **I would think all data vendors would be treated the same, with similar review methods.**

Comments Received From: Jordan Esbrook, Iowa Division of Insurance

Thursday, May 29, 2025

Proposed definitions for the Third-Party Data and Models (H) Working Group

I am assisting Commissioner Ommen with his work with this working group. These are the definitions we've been working with in our office as we think about these issues

Jordan Esbrook

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Third-Party Vendor means any person, company, or entity, not licensed as an insurer in this state, that sells or seeks to sell external consumer data or predictive models to insurers doing business in this state.

Predictive model means a mathematical or computational method or process that can estimate the probability or expected value of an outcome given a set amount of input data; for example, predictive models can predict the frequency of loss, the severity of loss, or the pure premium.

External consumer data means data or information used – in whole or in part – to supplement traditional medical, life, property or casualty underwriting, rating or pricing, as a proxy for traditional underwriting, rating or pricing, or to identify "lifestyle indicators" that contribute to an underwriting, rating or pricing assessment of an applicant for insurance coverage. External consumer data includes, but is not limited to: credit-based insurance score, financial credit score, other types of non-credit "score", public records, demographics, census records, telematics type data, driving behavior, online media public records, e.g., assessor data, genealogy records, court filings, voter information, property/casualty data from adjacent carrier(s), marketing and social data, e.g., shopping habits, mortgage amount/lender, occupation and education, and social media, professional licenses, biometric data, e.g., voice analysis, facial analysis, and other analytics based on personal physical features and characteristics, and data collected from wearable devices. External consumer data includes data included in a set as "unknown" or "missing."

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Jordan Esbrook
General Counsel
Iowa Division of Insurance

Comments Received From: Pennsylvania Insurance Department

"Third-party vendor means an organization that collects, stores and furnishes insurance data or machine-based systems to persons or organizations licensed by or registered with the [Insurance Department]. This term shall not include a government entity or an affiliate of the licensee or registrant."

Michael McKenney (He/Him)
Director – Property & Casualty Rate and Policy Form Review
Pennsylvania Insurance Department

Comments Received From: Jessica Baggarley, Virginia Bureau of Insurance
June 18, 2025

1. MO-668- provides:

"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.

"Licensee" means any Person licensed, authorized to operate, or registered, or required to be licensed, authorized, or registered pursuant to the insurance laws of this State but shall not include a purchasing group or a risk retention group chartered and licensed in a state other than this State or a Licensee that is acting as an assuming insurer that is domiciled in another state or jurisdiction.

"Person" means any individual or any non-governmental entity, including but not limited to any non-governmental partnership, corporation, branch, agency or association.

1. Virginia has also adopted the AI Bulletin where "Third Party" means an organization other than the Insurer that provides services, data, or other resources related to AI. (Could replace AI with a term chosen by the Working Group)

While VA supports and recognizes the definitions of third-party data vendor and model vendor are critical to the work being undertaken, it may be beneficial to take a step back and hone in on which part(s) of the insurance process(s) the working group wishes to build a framework around. The definitions, unless broad, will inherently change based on the scope of the framework. By narrowing our focus, coming to definitions may occur more organically.