INNOVATION, CYBERSECURITY, AND TECHNOLOGY (H) COMMITTEE

Draft: 12/17/25

Innovation, Cybersecurity, and Technology (H) Committee
Hollywood, Florida
December 11, 2025

The Innovation, Cybersecurity, and Technology (H) Committee met in Hollywood, FL, Dec. 11, 2025. The following Committee members participated: Michael Yaworsky, Chair (FL); Angela L. Nelson, Co-Vice Chair (MO); Mark Fowler (AL); Michael Conway represented by Jason Lapham (CO); Doug Ommen (IA); Marie Grant (MD); Mike Chaney represented by Ryan Blakeney (MS); James E. Brown (MT); Jon Godfread represented by John Arnold and Colton Schulz (ND); Judith L. French (OH); Mike Humphreys represented by Diana Sherman (PA); and Elizabeth Kelleher Dwyer (RI). Also participating were: Lori Dreaver Munn (AZ); Sandra Darby (ME); Christian Citarella (NH); Cassie Brown (TX); Scott A. White and Michael Peterson (VA); and Rosemary Raszka (VT).

1. Adopted its Nov. 17 and Summer National Meeting Minutes

The Committee conducted an e-vote that concluded Nov. 19 to adopt its 2026 proposed charges.

Director Nelson made a motion, seconded by Commissioner Fowler, to adopt the Committee's Nov. 17 (Attachment One) and Aug. 13 minutes (*see NAIC Proceedings – Summer 2025, Innovation, Cybersecurity, and Technology (H) Committee*). The motion passed unanimously.

2. Adopted the Reports of its Working Groups and Subgroup

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

Commissioner Ommen stated that the Working Group met Nov. 19 and requested additional redline feedback on the *Artificial Intelligence (AI) Systems Evaluation Tool* by Dec. 2. He said the Working Group received comments from interested regulators and parties. These comments were summarized into a comparison chart for discussion. Commissioner Ommen stated that during its meeting at the Fall National Meeting, the Working Group discussed the detailed feedback received on the background, intent, and scope of the *AI Systems Evaluation Tool*. The Working Group also discussed comments from interested parties concerning Exhibit A, with the goal of finalizing the edits for the next version of the Tool.

The Working Group's agenda also planned for discussion of edits and comments on Exhibit B, Exhibit C, and Exhibit D of the tool. However, due to the robust discussion, the Working Group was unable to discuss those exhibits during the meeting.

Edits discussed during the meeting ranged from minor refinements to the specific wording and phrasings to more substantial and conceptual feedback and concerns, including how the Tool would be administered in the context of a market conduct or financial condition examination, the confidentiality protections, and whether and how the Tool would be coordinated with a lead regulator. The Working Group also discussed whether the Tool should only be focused on high-risk AI models with direct impact, how to assess and measure the extent of the usage of AI System models by an insurer, whether to include all insurer operations in scope, and whether to include certain types of AI model algorithms.

The Working Group also discussed the pilot process for the Tool and heard comments suggesting that the Working Group develop a pilot planning document that would describe the pilot's parameters.

After evaluating the discussion during this meeting and incorporating the edits, Commissioner Ommen stated that he expects that a third draft of the Tool, along with a comment chart with the issues the Working Group was unable to discuss, may be taken up at an additional interim Working Group meeting. Working Group members suggested that the Working Group could discuss Exhibit B, Exhibit C, and Exhibit D at an interim meeting.

Once the Working Group has completed the revisions, it is expected that the Tool will be piloted by a few state departments of insurance (DOIs) in 2026 to gather feedback on their experiences administering the Tool. During this time, the Working Group will continue to coordinate with the Market Regulation and Consumer Affairs (D) Committee and Financial Condition (E) Committee, as well as other working groups and task forces. At the conclusion of the pilot period, the Working Group will revise the Tool based on the experience gained from the pilot process and may re-expose it. At that point, the Working Group may revisit its discussion on next steps.

B. Cybersecurity (H) Working Group

Peterson next gave an update on the Cybersecurity (H) Working Group's activities. He stated that the Working Group has convened on several occasions since the Summer National Meeting.

Peterson reported that the Working Group met at the Fall National Meeting, where it heard comments on the *Cybersecurity Event Notification Portal* project intake form. The Working Group's work centered on achieving convergence in the implementation and operation of the *Insurance Data Security Model Law* (Model #668), aiming to reduce marginal compliance costs for insurers and streamline regulatory processes. The portal project proposal was posted for comment before the meeting, and the Working Group addressed feedback received during this meeting.

Peterson also provided the Committee with a summary of the portal proposal, which would provide a single, unified platform for receiving and managing notifications. Once the Working Group adopts its proposal, it anticipates seeking approval from the Committee and later presenting the proposal to the Executive (EX) Committee. Yaworsky stated that the project will result in a platform that will add value to the work of the regulators.

The Working Group also met Sept. 30 in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member) of the NAIC Policy on Open Meetings, to receive an update on the Working Group's ongoing work to discuss the development of the Cybersecurity Event Notification Portal.

Additionally, the Working Group met Sept. 25 and took the following action: 1) discussed and received comments on the insurance data security model (IDSM) compliance guide, which was designed to help state DOIs enforce compliance with Model #668 more effectively, and the Chief Financial Regulator Forum referral response; and 2) adopted the compliance guide.

C. Data Call Study Group

Schulz provided an update on the Data Call Study Group's ongoing activities. He stated that the Study Group continued its work to create an inventory of data elements collected by the NAIC and regulators, along with their definitions. The Study Group shifted its focus from statutory financial statement data to market data and data element definitions. NAIC staff finalized lists of data elements and definitions for the homeowners data call and Market Conduct Annual Statement (MCAS) datasets, and edited and validated an initial data scrape of NAIC statistical data available to regulators.

The Study Group chair monitored activities and met periodically with lead regulators of various market data efforts. The Study Group aimed to finalize a master list of market data elements and definitions, supplementing it with elements from recent state-specific data calls. Once complete, the Study Group plans to meet in regulator-to-regulator session to compare existing data elements to regulator needs and identify gaps.

After gap identification, industry representatives from key insurers and trade associations would be invited to review the regulators' list of data element gaps and provide comments. The Study Group would then finalize its list of needed data elements and definitions, moving toward operationalizing data collection. The overarching goal was to reduce the number of ad hoc data call requests by different states, promote consistency, and improve the quality and timeliness of regulatory data.

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

Lapham gave an update on the work of the Third-Party Data and Models (H) Working Group. He stated that the Working Group met during the Fall National Meeting. During this meeting, the Working Group adopted minutes from previous meetings and discussed the exposure of a draft third-party data and model regulatory framework. The framework, developed by a subgroup of regulators from Colorado, Florida, Iowa, Pennsylvania, and Vermont, was released for a 60-day exposure period ending Feb. 6 to solicit written comments from interested parties.

The draft framework applies to property/casualty (P/C), health, and life insurance, requiring third-party vendors to register with state insurance departments if their data or models are used in insurer functions with direct consumer impact. The framework provided confidentiality and trade secret protections for third parties, similar to those afforded to insurers, and outlined a discretionary filing process for receiving data or models.

The framework's goals are to ensure regulators have timely access to third-party data and models and to confirm that vendors maintain strong governance practices. It covered insurance functions, such as pricing, underwriting, claims, utilization reviews, marketing, and fraud detection. Governance standards for models included documentation of purpose, assumptions, inputs, limitations, performance metrics, and validation processes. For data, standards included accuracy, completeness, timeliness, representativeness, auditability, lineage, and quality controls.

Lapham said the Working Group emphasized that insurers remained fully responsible for compliance with all applicable laws and regulations.

E. SupTech/GovTech (H) Subgroup

Munn provided an update on the SupTech/GovTech (H) Subgroup's activities. She stated that the Subgroup met Dec. 2 in regulator-to-regulator session, pursuant to paragraph 6 [consultations with NAIC staff] of the NAIC Policy Statement on Open Meetings. During this meeting, NAIC staff presented on Compliance Language Assistance for Regulatory Analysis (Clara), an AI-powered tool designed to assist regulators in reviewing rate and form filings more efficiently. The demonstration highlighted Clara's "human in the loop" approach, showing how the tool flags potential compliance issues while ensuring that regulators retain full decision-making authority.

The session also provided information about the states participating in a pilot program for Clara and offered insight into the tool's development roadmap. The Subgroup expressed interest in evaluating future presentations and educational opportunities for 2026 and invited fellow regulators to suggest topics that would benefit collective understanding and oversight capabilities.

Munn invited regulators to reach out to Subgroup leadership or NAIC staff with suggestions for future topics and emphasized the Subgroup's commitment to ongoing education and technological advancement in regulatory practices.

Director Nelson made a motion, seconded by Director Dwyer, to adopt the reports of the: Big Data and Artificial Intelligence (H) Working Group (Attachment Two); Cybersecurity (H) Working Group (Attachment Three); Data Call Study Group; Third-Party Data and Models (H) Working Group (Attachment Four); and SupTech/GovTech (H) Working Group. The motion passed unanimously.

3. <u>Adopted the Privacy Protections (H) Working Group Report and Request for NAIC Model Law Extension</u>

Director Dwyer gave an update on the Privacy Protection (H) Working Group's activities. She stated that the Working Group met Dec. 3 in regulator-to-regulator session, pursuant to paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to discuss next steps for drafting and Article VI. She said that she anticipated releasing revised Article VI, without comment, soon.

The Working Group also met Nov. 7 in open session and heard comments on Article VI, Exceptions to Limits on Disclosures of Nonpublic Personal Information.
Additionally, the Working Group met Sept. 22 in regulator-to-regulator session, pursuant to paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, to discuss next steps for drafting and Article V, Limits on Disclosures of Nonpublic Personal Information, of the *Privacy of Consumer Financial and Health Information Regulation* (#672), which includes, among others, sections on the sale of nonpublic personal information and limits on the disclosure of sensitive personal information. As a result of this meeting, as well as the drafting group's Aug. 1 open session, the Working Group released revised Article V. The revised Article V can be found on the Privacy Protections (H) Working Group's website under the exposures tab. Comments are not being requested on Article V at this time. There will be a public comment period following the next exposure of the complete revised draft of Model #672.

Director Dwyer stated that, in lieu of meeting at the Fall National Meeting, the drafting group continues to make progress revising Model #672 section by section and will continue to hold open and regulator-only meetings as needed. She said that the drafting group will submit the full revised draft of Model #672 to the full Working Group for consideration and exposure once the section-by-section review is complete.

Director Dwyer made a motion, seconded by Commissioner Ommen, to adopt the Working Group's report and grant the Working Group's request for an extension of time until the 2026 Fall National Meeting to continue drafting the revised Model #672. The motion passed unanimously.

4. <u>Heard a Presentation from Conning on AI in Insurance</u>

Manu Mazumdar (Conning) began by introducing Conning as an insurance asset management company with a long history and a dedicated insurance research group. Mazumdar explained that Conning conducted an annual survey of C-suite executives in the insurance industry to assess the adoption and impact of AI and related technologies.

Mazumdar traced the evolution of AI, noting its roots in the 1940s and its growing influence in the insurance sector. He emphasized that AI is no longer an emerging technology but has become integral to the insurance business value chain, from underwriting and claims to client engagement. The 2025 survey revealed a dramatic shift: 90% of respondents were in some stage of implementing generative AI, with 55% in early or full adoption—

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a nearly 100% increase year-over-year. Full adoption of large language models surged from 18% to 63% in just one year, and machine learning (ML) and predictive analytics have reached 74% adoption.

Mazumdar detailed how AI adoption varied across business functions. In sales and underwriting, generative AI, large language models, and ML tools have seen widespread adoption, with similar trends in operations and claims. He highlighted that the insurance workforce was evolving, with significant growth in higher-skilled, higher-paid roles, such as data science and actuarial positions, while administrative roles have declined. Mazumdar projected that future workforce skills would need to blend technological fluency, critical thinking, creativity, adaptability, and regulatory proficiency.

He concluded that AI is driving efficiencies, reducing costs, and enabling hyper-personalized customer experiences. However, he stressed the importance of balancing innovation with empathy, governance, and trust, and noted that the human element would remain essential in both developing and utilizing AI systems.

Commissioner Yaworsky asked Mazumdar about the AI winter referenced in the presentation, which took place in the 1980s, and whether there were any lessons to be drawn from that. Commissioner Yaworsky then inquired about where the greatest growth in AI use might occur within insurance operations—whether in underwriting, customer interaction, claims, or back-office functions. Mazumdar replied that growth was occurring across the board. He provided an example of how AI tools were enhancing both operational efficiency and customer interactions, such as enabling staff from various departments to handle customer calls more effectively during catastrophe events by leveraging AI-driven support.

Commissioner Yaworsky asked whether ML continues to play a role in shaping innovation. Mazumdar said that all the technologies will remain relevant, but that he views the discussion as a sort of building block situation, where some AI plays a foundational role and other, more advanced techniques like generative AI would likely play an overarching role.

Director Nelson remarked that she appreciated the discussion in Mazumdar's presentation about the continued reliance on human involvement. She asked how much of the innovation Conning is observing relates to back-office or more consumer-facing interactions. Mazumdar responded that the P/C industry was primarily focused on operational efficiency, while the life industry was adopting technologies such as wearables. However, he explained that each sector had its own nuanced approach to technology adoption. Mazumdar added that he also expected to see innovation across the board, for instance, in underwriting or other operational areas. He noted an example where, in responding to a natural catastrophe, companies are using AI to help receive information from policyholders and help augment staff capabilities with informational resources to assist in the support being provided.

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

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Draft: 11/24/25

Innovation, Cybersecurity, and Technology (H) Committee
E-Vote
November 17, 2025

The Innovation, Cybersecurity, and Technology (H) Committee conducted an e-vote that concluded Nov. 17, 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 (CO); Doug Ommen (IA); Marie Grant (MD); Mike Chaney (MS); James E. Brown (MT); and Judith L. French represented by Matt Walsh (OH).

1. Adopted its 2026 Proposed Charges

The Committee conducted an e-vote to consider adoption of its 2026 proposed charges. A majority of the Task Force members voted in favor of adopting the charges (Attachment One-A). The motion passed.

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

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2026 Proposed Charges

INNOVATION, CYBERSECURITY, AND TECHNOLOGY (H) COMMITTEE

The mission of the Innovation, Cybersecurity, and Technology (H) Committee is to: 1) provide a forum for state insurance regulators to learn about and have discussions regarding: cybersecurity, innovation, data security and privacy protections, and emerging technology issues; 2) monitor developments in these areas that affect the state insurance regulatory framework; 3) maintain an understanding of evolving practices and use of innovation technologies by insurers and producers in respective lines of business; 4) coordinate NAIC efforts regarding innovation, cybersecurity and privacy, and technology across other committees; and 5) make recommendations and develop regulatory, statutory or guidance updates, as appropriate.

Ongoing Support of NAIC Programs, Products, or Services

The **Innovation, Cybersecurity, and Technology (H) Committee** will:

1. Provide forums, resources and materials related to developments and emerging issues in innovation, cybersecurity, data privacy, and the uses of technology in the insurance industry in order to educate state insurance regulators on these developments and how they affect consumer protection, insurer and producer oversight, marketplace dynamics, and the state-based insurance regulatory framework.
2. Consider and coordinate the development of regulatory guidance and examination standards related to innovation, cybersecurity, data privacy, and the use of big data and artificial intelligence (AI) including machine learning (ML), in the business of insurance, and technology. This includes drafting and revising model laws, white papers, and other recommendations as appropriate.
3. Oversee the work of the Data Call Study Group to study the enhancement of regulator access to high-quality and timely data allowing for evidence-informed decisions, enhanced supervisory capabilities, and improved efficiency.
4. Track the implementation of and issues related to all model laws pertaining to innovation, technology, data privacy, and cybersecurity, including the *Insurance Data Security Model Law* (#668), the *NAIC Insurance Information and Privacy Protection Model Act* (#670), the *Privacy of Consumer Financial and Health Information Regulation* (#672), and the *Unfair Trade Practices Act* (#880).
5. Coordinate and facilitate collaboration with and among other NAIC committees and task forces to promote consistency and efficiency in the development of regulatory policy, education, training, and enforcement materials and tools.
6. Follow the work of federal, state, and international governmental bodies to avoid conflicting standards and practices.

The **Big Data and Artificial Intelligence (H) Working Group** will:

1. Research the use of big data and AI (including ML) in the business of insurance.

2. Monitor state, federal, and international activities on AI, including updates to the regulatory framework for the oversight of AI, to: i) respond to such activities, where appropriate, ii) address potential impacts on existing state insurance laws or regulations, and iii) support adoption of the *Model Bulletin on the Use of AI Systems by Insurers*.

3. Facilitate discussion on AI systems evaluation, including coordination across the NAIC, to identify and/or develop tools, resources, materials, training, and guidance to assist regulators in their review of AI systems used by licensees.

4. Facilitate and coordinate foundational and contextual educational content for regulators on topics related to the use of big data and AI techniques, tools, and systems in the insurance industry.

The **Cybersecurity (H) Working Group** will:

Cybersecurity Charges

1. Monitor cybersecurity trends, such as vulnerabilities, risk management, governance practices, and breaches, that have the potential to affect the insurance industry.
2. Facilitate communication across state insurance departments regarding cybersecurity risks and events.
3. Develop and maintain regulatory cybersecurity response guidance to assist state insurance regulators in the investigation of national insurance cyber events.
4. Monitor federal and international activities on cybersecurity, engaging in efforts to manage and evaluate cybersecurity risk.
5. Coordinate NAIC committee cybersecurity work, including cybersecurity guidance developed by the Market Conduct Examination Guidelines (D) Working Group and the Information Technology (IT) Examination (E) Working Group.
6. Work with the Center for Insurance Policy and Research (CIPR) to receive updates on cybersecurity research efforts, by the CIPR and others, and to analyze publicly available cybersecurity-related information.
7. Support the states with implementation efforts related to the adoption of Model #668 including supporting the research into and, if approved, the implementation of a cybersecurity event notification portal.
8. Coordinate with committee support to support cybersecurity preparedness for state insurance regulators, including advising on training development and facilitating tabletop exercises.

Cybersecurity Insurance Charges

1. Monitor industry trends pertaining to cyber insurance, including meeting with subject matter experts (SMEs) and evaluating data needs of state insurance regulators. Considerations should include the availability and affordability/pricing of cyber insurance, disclosures, limits and sublimits, as well asd sublimits in policies, policy language and trends in requirements, underwriting practices, and the role of reinsurance in the cyber insurance market.
2. Coordinate with NAIC work groups addressing cyber insurance related issues, such as the Casualty Actuarial and Statistical (C) Task Force.
3. Monitor federal and international activities related to cyber insurance and financing mechanisms for cyber risk.
4. Coordinate with committee support to conduct analysis pursuant to the NAIC's *Cyber Insurance Report*.
5. Review the NAIC's *Property & Casualty Annual Statement Cybersecurity Insurance Coverage Supplement* recommending changes and/or developing reports to supplement data development as necessary.
6. Consider and develop a guide for states on cyber insurance data analysis best practices.

The **Privacy Protections (H) Working Group** will:

1. Use state insurance privacy protections regarding the collection, data ownership and use rights, and disclosure of information gathered in connection with insurance transactions to draft a new/revised privacy protections model act to replace/update NAIC models such as Model #670 and/or Model #672.

2. Monitor state, federal, and international activities on privacy, engaging in efforts to manage and evaluate privacy.

The **SupTech/GovTech (H) Subgroup** will:

1. Facilitate technology, innovation, and SupTech/GovTech presentations from leading technology companies for state insurance regulators to provide them with insights into cutting-edge technology and innovation.
2. Facilitate technology, innovation, and SupTech/GovTech presentations from specialized vendors for state insurance regulators to assist in identifying vendor solutions that may benefit regulators.

The **Third-Party Data and Models (H) Working Group** will:

1. Develop and propose a framework for the regulatory oversight of third-party data and predictive models. Monitor and report on state, federal, and international activities related to governmental oversight and regulation of third-party data and model vendors and their products and services.

NAIC Support Staff: Miguel Romero, Scott Morris, and Scott Sobel

Draft: 12/12/25

Big Data and Artificial Intelligence (H) Working Group
Hollywood, Florida
December 7, 2025

The Big Data and Artificial Intelligence (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met in Hollywood, FL, Dec. 7, 2025. The following Working Group members participated: Mike Humphreys, Chair represented by Diana Sherman (PA); Doug Ommen, Co-Vice Chair, Daniel Mathis, and Amanda Theisen (IA); Mary Block Co-Vice Chair and Rosemary Raszka (VT); Molly Nollette (AK); Richard Fiore (AL); Barbara Richardson (AZ); Ken Allen (CA); Jason Lapham (CO); Wanchin Chou and Kurt Swan (CT); Shannen Hohl and Wes Trexler (ID); Nicole Altieri (FL); Sharon Clark (KY); Caleb Huntington (MA); Mary Kwei (MD); Sandra Darby (ME); Joseph Keith (MI); Angela Nelson (MO); Jackie Obusek (NC); Colton Shulz (ND); Martin Sullivan (NE); Christian Citarella (NH); Matt Walsh (OH); Matt Gendron (RI); Diane Cooper and Will Davis (SC); Emily Marsh (TN); Jamie Walker (TX); Dan Bumpus Eric Lowe, and Michael Peterson (VA); Tim Cornelius and Lauren Van Buren (WI); Also participating were: Daniel Mathis and Amanda Theisen (IA); and Diana Sherman (PA).

1. Adopted its Nov. 19 Meeting Minutes

The Working Group met Nov. 19 and took the following action: 1) adopted its Sept. 29 minutes; 2) heard a preview of the discussion for the Fall National Meeting; and 3) discussed feedback, reactions, and revisions to the Artificial Intelligence (AI) Systems Evaluation Tool.

Richardson made a motion, seconded by Obusek, to adopt the Working Group's Nov. 19 minutes (Attachment Two-A). The motion passed unanimously.

2. Discussed Edits to the AI Systems Evaluation Tool and Heard Feedback from Interested Parties

Commissioner Ommen stated the objectives of the extended half-day Fall National Meeting discussion, which was to invite detailed discussion and feedback on each section of the AI Systems Evaluation Tool and make live edits on screen. Following this extended session and incorporating the edits, the Working Group will pilot the Tool in early 2026. Based on the written and verbal comments the Working Group has received from the exposure period earlier this year and the discussions at the past few Open meetings, the Working Group created a second version of the Tool that was distributed on Nov. 5 along with a summary of the feedback received and regulator responses at that time.

Commissioner Ommen stated that on Nov. 19 the Working Group communicated the status of the Tool in preparation for the interactive discussion at the Fall National Meeting. At the conclusion of that meeting, Commissioner Humphreys requested redline edits to the Tool from interested parties in redline format to be submitted by Dec. 2. The Working Group has since consolidated the redline comments in a Comment Chart, included in Attachment B of this meeting.

Theisen began the discussion of the Tool starting with the comments received on Exhibit A. She stated that she agreed with the suggestion from the American Council of Life Insurers (ACLI) that "Adverse Consumer Outcome" is a defined term and should be capitalized throughout the document and so an edit to the document should be made to reflect this input. In addition, she noted the ACLI suggested that in the company instructions, it is reasonable to provide approximate counts of the number of AI models in use, since an AI system may be used for multiple operations and clarifying that algorithms that do not make autonomous decisions should be out of scope.

Karin Gyger (ACLI), confirmed that they thought that she thought such systems should be out of scope of the discussion. Theisen stated the working group recognizes such systems might not make decisions but as they influence decisions, they should still be in thus no change was reflected in the Tool.

Block agreed that because AI usage may still influence human decisions, the scope should not be limited to only autonomous decisions. Walker commented that the Tool should not carve out a different definition of artificial intelligence, and Bumpus (VA) stated that the NAIC Bulletin defines "AI system" specifically as having varying levels of autonomy, as implemented in Virginia. The Working Group did not make this suggested edit.

Lindsey Stephani (National Association of Mutual Insurance Companies—NAMIC) acknowledged that while the discussion was focused on Exhibit A, that it might be prudent to address the question of scope and definitions pertaining to the inclusion of Generalized Linear Models (GLMs) which were previously excluded from the Tool. She further recommended to define the terms "support," "augment," and "automate." Dan Mathis (IA) commented that the working group is looking for suggestions on defining those terms.

David Snyder (American Property Casualty Insurance Association—APCIA) commented that the focus should be on an AI system that potentially impacts consumers or the financial well-being of a company, an AI system that takes action without human involvement, or an AI system that could negatively impact a company's financial condition. In other words, focus on a potential high-risk AI system. Snyder reiterated the concern expressed in the APCIA comment letter over preserving confidentiality.

Ommen addressed that given the interested party focus on key terms, that the order of the meeting should be adjusted to first address those terms which may later assist subsequent parts of the discussion. And said that as each change was discussed that the discussion leader would be looking to the working group to obtain general consent before moving forward to future changes as opposed to making changes via motions. Miguel Romero (NAIC) also suggested that the discussion be focused to one specific topic at a time to make the discussion easier to follow and more orderly which Ommen agreed with.

Mathis suggested that the working group agree to the suggestion from the ACLI that the term "AI Systems" should be capitalized as it is a defined term, but disagrees with their feedback that because the NAIC's Model Bulletin on *The Use of Artificial Intelligence Systems by Insurers* focused on consumer outcomes, that should mean that financial items should be excluded from the scope of the Tool. He noted that the system of governance a company has in place is inherently covered during a financial exam and so it would be difficult to separate these concepts. Ommen stated that he thought it best for the Working Group to come to conclusions as each topic is discussed. Walker stated that she agreed with Mathis because of the potential for operational risks coming from the use of AI. Walker also sees value in having a singular tool serving both types of examiners as AI use should be in scope of all regulatory oversight. Gendron (RI) commented that financial risk is inextricably linked to potential consumer harm so cannot be separated. Romero added the drafting group contemplated that in the future, market and financial tools might later be split, but that given the lack of regulatory resources existing at the moment, that the drafting group opted to stay with a singular tool leaving a decision to build more purpose and narrow tools to be considered in the future by the Market Regulation and Consumer Affairs (D) Committee and Financial Condition (E) Committee, respectively. Swanson suggested that the inclusion of both may mean that terminology will be important to be evaluated carefully to ensure the Tool is effective for all regulatory functions. Gyger (ACLI) suggested to start with a focus on market conduct but then develop a separate Tool for financial risks. Ommen responded that because regulators want to understand how companies are using AI across their business and at this stage are opting to keeping both financial and market inquiries in the tool to help all regulators gain that

understanding. Gyger remarked that the differences across financial and market processes make it difficult for companies to understand how the pilot will proceed. Ommen acknowledged the concern. Chou (CT) expressed that because financial exams already include model governance oversight and anticipates that regulators will tailor questions as needed to the company's use of models.

Mathis next suggested the Working Group agree to the suggestion from the Committee of Annuity Insurers (CAI) to modify the text in the Background to add the term "adverse [financial] impacts" and "appropriate risk-based" in lieu of "adequate" in the same paragraph. Trexler expressed that the proposed change felt reasonable. The change was therefore accepted.

Mathis next discussed the suggestion from the ACLI that the Tool should focus only on direct impacts, not direct and indirect impacts since "indirect impacts" is difficult to define precisely. Romero inquired as to whether this was a change that required an immediate change or if that was intended as an overall piece of input. Gyger agreed that the change did not require an immediate change to the introductory text but was rather intended as an overall observation that could be revisited as the discussion on the Tool continued. For instance, Gyger noted that she anticipated expressing this feedback again in the discussion regarding Exhibit A. Mathis said that regulators tend to approach things in a risk-based manner and tend not to spend time on non impactful systems. Walker added that regulators tend to focus on risk but noted that sometimes indirect risk can aggregate to be material but she agrees direct risk should be the area of focus for a pilot. Trexler asked for examples of indirect risks that would need to be addressed. Romero suggested that the discussion be revisited as discussions advance to avoid a theoretical debate that doesn't lead to immediate revisions to the template. Eric Ellsworth (NAIC Consumer Representative) supported not creating a firm classification of direct versus indirect risks because of potential for crossover. Snyder also suggested considering that as the discussion is revisited, that attention to be paid to the clarity of the discussion to avoid confusion in what is expected from the responses.

Mathis next discussed feedback raised related to each Exhibit suggesting they be revised, narrowed, or eliminated in several ways. Commissioner Ommen stated that this will be addressed when the working group discusses those topics later in the discussion.

Mathis stated that Mary Jane Wilson-Bilik (Committee of Annuity Insurers—CAI) suggested to remove product reviews and form filings from the Intent paragraph and clarify that the market conduct and financial examination review procedures are in the context for reviewing AI Systems. The Working Group agreed to this edit. Mathis stated that the CAI also proposed to add the paragraph "Non domestic/non-lead state regulators should scope their use of this tool to adverse consumer impacts only based upon the market presence of the admitted insurer and whether there are indications of potential adverse consumer impacts in their jurisdiction, and they should defer to the domestic and lead state regulars and or group-wide supervisors in the use of this tool to evaluate financial risk from AI Systems." Walker (TX) said that this is an appropriate description of how financial regulation is coordinated. Block acknowledged a theme of the input received that the comments do not always acknowledge that this Tool will be an exam tool and so the processes associated with market and financial exams would still apply and thus would drive the scoping, risk assessment, and so on. Trexler (ID) stated that while he was fine with some of the clarifying edits removing reference to product review and form filing processes, the additional paragraph about non-domestic and non-lead state was not needed. Richardson (AZ) agreed with Trexler. Kwei (MD) preferred language such as "…will be used in accordance with normal exam procedures." Mathis suggested a revision that would acknowledge that the information requested using the tool would also follow the guidance

in NAIC handbooks relating to financial analysis, financial exams, and market regulation which the Working Group felt was an appropriate edit.

Romero commented that as the working group has been discussing revisions to the document, he has made notes to reflect those accepted changes and that he anticipated later distributing a copy of the Tool with the revisions agreed to reflected.

Darby asked if the Working Group had reached a clear decision on the earlier part of the suggested edit from the CAI to remove reference to the tool supporting product review and form filing. Mathis suggested that the discussion be revisited. Darby referenced that the idea to remove reference to product review and form filing is important because it ties to the reference to the Handbook guidance now being referenced in the tool. Director Nelson suggested that for a pilot review, the references to the product review and form filing reviews might not make sense given the design of the tool and information being requested. (CO) Lapham agreed with this idea as the Tool seems to most align with the idea of an examination tool and so the reference to the product review and form filing processes would make sense to be removed. Swanson, Lowe, and Darby agreed. Ellsworth suggested that governance is an important process to be adopted early on and so he asked if governance framework questions would be asked just during an exam or prior to an exam. Mathis suggested that the Tool would fit into the normal ongoing monitoring work of each state insurance department and so governance would be reviewed proactively. Snyder said that companies have been working on implementing governance since the Adoption of the Bulletin and noted that companies understand that governance is important but asked that this Tool be limited to examinations given the sensitivity of information being requested. Ommen acknowledged the comment and agreed the Tool fits best as in an examination setting.

Mathis next discussed CAI suggestions to limit Exhibit B but Mathis said that would be addressed later which Trexler agreed was reasonable. He also stated that the CAI suggested to change the title of Exhibit C to "High-Risk AI Systems Details" which Mathis suggested was reasonable and so the Working Group accepted this change.

Mathis stated that the ACLI suggested to edit the sentence in the Instructions to "unfair trade practices, unfair claims settlement practices, corporate governance annual disclosures, confidentiality, financial reporting, and ratemaking principles." This change would align the authority language with the Model Bulletin's language. Mathis acknowledged the alignment to the Model Bulletin's language. Block pointed out that the revision eliminated the reference to financial reporting being an applicable category of laws referenced in the text. Mathis discussed the property and casualty rating law and whether that should remain. Nelson referenced leaving the laws in the text as compliance with those laws would be in scope of what a market conduct exam could evaluate for compliance for which Ommen agreed with. Trexler asked if a more general reference to rating and not specific to property and casualty rating would be more appropriate. The working group agreed to add reference to the additional laws suggested by the ACLI, but would leave in the financial reporting law and would make the rating law reference more general. Ellsworth expressed concern with the lack of a reference to unfair discrimination, but Theisen pointed out that would be in scope of the Unfair Trade Practices reference.

Mathis stated that the ACLI suggested to edit the sentence in the Instructions to "Specifically, Exhibit C should only be requested for specific regulatory purposes regarding direct Consumer Impact." Mathis suggested this be revisited later when the discussion shifted to addressing Exhibit C specific feedback. Mathis made the point that

Exhibit C would only be used in instances where regulators wanted more specific information on a given model and not as generally as would be expected for Exhibits A and B.

Motter (America's Health Insurance Plans—AHIP) raised concern on the language on when regulators might deem that further inquiry is necessary. Romero referenced a point made earlier by Block that the Tool is expected to be used in the context of exams and so the existing resources would be where such guidance on determining when further inquiry is necessary would provide appropriate guidance to guide examiner inquiries and also pointed out that some of this would be a training discussion that might not be appropriate to lead to further revisions to the Tool.

Mathis stated that the ACLI suggested to edit the sentence in the Instructions to "Regulators are advised to coordinate with the domestic regulator of the company. To the extent that the…regulators should accept a company's prior submission if it was done so in the past 12 months absent specific regulator purposes." Nelson expressed concern with the language on coordination given the way market conduct exams are operated but thought the rest of the suggested edit might be reasonable. Mathis noted that in all of the Handbooks there is a concept of discussing what has been submitted previously to see if those submissions might still be adequate. Bumpus raised concern on simple reliance without understanding the information previously submitted and noted it may not continue to be applicable or appropriate given rapidly changing company operations. Gyger expressed concern generally stating that the ACLI's membership was concerned about the potential volume of requests to be received so appreciated any revision that could be made that would help decrease that possibility. Mathis suggested the revision should reflect the regulator's desire to exercise judgment in accepting or not accepting prior submissions. Lapham and Block agreed with the idea expressed by Mathis. Lowe expressed concern with the idea of deadlines constraining a regulator's ability to request information and wanted to preserve the importance of judgment regulator's need to exercise. Mathis, Darby, Theisen, and Trexler discussed whether a reference to a 12-month timeline is a necessary reference which is also referenced in Exhibit A. Following the discussion, the Working Group agreed to this edit: "… and the regulators may accept prior submissions if the prior response is still current and applicable."

Stephani raised a concern about how coordination would take place given the differing practices on financial and market conduct exams. She suggested that coordination be further considered particularly as the pilot continues to be designed.

Mathis stated that the ACLI suggested to add a paragraph to the confidentiality section. Mathis said that he felt there was already language to address confidentiality adequately noting that confidentiality protections will get addressed when information is requested but he was open to discussion among the Working Group. Block had a concern about citing a model law that not every state has adopted; rather it should be based on the confidentiality law in the particular state that is doing the exam. She agreed that the discussion prior in the document about confidentiality and states needing to rely on their own confidentiality statutes is the appropriate reference. Gendron (RI) agreed. He confirmed that as long as confidentiality is stated to be maintained then that is sufficient. Lowe also agreed.

Snyder expressed that confidentiality is one of the most important issues for the APCIA member companies as long as the tool is being used under either market conduct or financial examination authority which generally include the necessary confidentiality protections. But if the Tool is used for example in the context of reviewing a

rate filing there does not exist that confidentiality in many states. It is very important to insurance companies to maintain the confidentiality under the examination authority. Mathis stated that likely falls in line with the earlier discussion on the pilot where it is the intention to focus on the examination context. Romero proposed to strengthen the existing wording to cite examination or other authority as appropriate to strengthen and add clarity. Trexler agreed but when possible the regulators should cite model laws that apply. Block recommended that "forms and filing reviews" should be removed from the paragraph. Gyger pointed out that the reference to "product review and form filing" should be removed from the first sentence. The Working Group agreed to the following: "Regulators should cite all relevant confidentiality statutes or other specific protections related to documents, materials or other information in the possession or control of regulators that are obtained by or disclosed to the regulators or any other person in the course of a market conduct inquiry and all information reported or provided to the regulator pursuant to cited examination or other authority."

Mathis stated that the CAI proposed edits to the Materiality and Risk Assessment paragraph to clarify that Exhibit C includes reliance on the company's assessment of which AI Systems are "high-risk" and other minor edits. Mathis proposed that the Working group accept this wording: "Exhibit C of this tool relies on company assessments of the risks and materiality of its AI system(s), including the company's assessment of which AI system is "high risk". As part of evaluating company responses, regulators may request information on how a responding company assesses the concepts of AI risk and materiality to assist in the regulatory review." The Working Group agreed.

Mathis stated an additional suggested edit from the CAI regarding confidentiality to add the language "to ensure that the information received from insurers is granted the highest level of confidentiality available under state law." Romero clarified it was not the intent of the working group to accept this edit.

Mathis stated that NAMIC suggested to add the text: "The Exhibits contained in this tool include questions relevant to both financial examinations and market conduct examination, and regulators should therefore only utilize the Exhibits and sections of the Exhibits that are pertinent and relevant to the exam being conducted." Mathis stated that NAMIC also suggested to add this text: "If information requested through the Tool has already been provided to this department or any other state department of insurance, the company's response should so state and reference when and how the information was provided." Mathis suggested that the working group has already covered these issues and to not accept these edits. Trexler agreed that he is in favor of not making these changes. The working group agreed.

Mathis stated that NAMIC suggested removal of identifying reputational risk because they disagreed about there being reputational risk to using AI. Mathis suggested that this concern is already covered. The working group agreed to make no changes.

Mathis stated that the ACLI suggested to remove the top row of the table "Which Exhibit to Use?" NAMIC clarified their suggestion to this Exhibit. Gyger confirmed that tracking complaints would be addressed in Exhibit B but was removed from Exhibit A. Mathis confirmed that was the case. Ellsworth asked to confirm that the consumer complaints section was primarily moved to Exhibit B and suggested that it be considered in the governance framework. Romero confirmed there still exists the desire to collect information on consumer complaints but that this Tool may not be the best place to ask for that information. Theisen confirmed the working group has discussed this issue. Snyder expressed concern that the responses inadvertently undermine the confidentiality authority. Mathis confirmed that gathering information on consumer complaints falls under the market conduct context and

preserves the confidentiality. Richardson (AZ) agreed to remove the reputational risk phrase from this table. NAMIC clarified their suggestion to this table to be consistent with the edits made to Exhibit A. Mathis suggested the Working Group accept removing the reference to consumer complaints from the top row and the "X" in the Exhibit A column and adding another row titled "Review Company Practices Related to Consumer Complaints" with an "X" in the Exhibit B column. The working group agreed. Theisen confirmed that the potential adverse impact to consumers and the additional complaints that could occur are of interest, so should remain in Exhibit B.

Theisen stated that by previewing the tools to industry, the working group hopes this process is helpful for industry to anticipate what the regulators may ask regarding these new and emerging risks and confirmed that regulators' duties are to evaluate risk, and that it is mutually beneficial for consistency across jurisdictions to discuss these conversations.

Theisen suggested the working group accept the edits proposed by ACLI to capitalize "AI Systems" and "Adverse Consumer Outcome." The working group agreed.

Theisen suggested the working group accept the additional edits proposed by ACLI that in the company instructions, it is reasonable to provide approximate counts or to provide model inventories or other ways that provide this type of information, particularly in situations where an AI System is used for more than one operation. The working group agreed.

Theisen suggested the working group accept the edits suggested by APCIA to focus on AI used in regulated insurance practices during the initial pilot phase to provide a better balance between the regulatory burden and the identification of potentially adverse consumer or financial impacts. Snyder clarified that back office operations are not regulated but that the focus should be on what the regulators are focused on. Mathis stated that the concern is on insurance operations.

Theisen suggested the working group accept the edit suggested by APCIA to strike "etc." in the Purpose section of Exhibit A. The working group agreed.

Theisen stated that APCIA suggested that Exhibit A should be limited to high-risk AI use cases. Theisen stated that the purpose of Exhibit A was to assess an inventory of AI, where the purpose of later exhibits are focused on high risk AI systems, the determination of high risk and the governance of AI systems. The working group agreed.
Habayeb (Monitaur) suggested that the counts in Exhibit A be replaced by a simpler "yes/no" usage type questions and that it is challenging to determine consumer impact. He proposed a total volume question by function and collapsing the consumer impact and materiality columns into a high-risk determination column. Bumpus (VA) opposed this suggestion as this would not capture the level of granularity desired. Trexler expressed that a count of 0 would imply "no" and a count greater than 0 would imply "yes" and suggested the word "material" be added to the third column but removed from the fourth column. Romero clarified that "materiality" is not as an established term for consumer impact purposes and proposed changing the third column to ask whether an insurer has AI Systems that automate, augment, or support decision-making. Trexler expressed that the column as is would provide a sense of any consumer impact. Cornelius (WI) asked whether "materiality" is defined and expressed concern that if this is not defined then it would introduce ambiguity. Romero clarified that Tool relies on the company's assessment of materiality. Nelson (MO) suggested that there needs to be some sort of modifier whether the impact is material or a clarification regarding whether an AI System has a direct impact. Block

suggested consistency with the Bulletin and clarifying that the concern should be on number of models with potential "adverse consumer impact." Gyger said the ACLI recommended adding the phrase "adverse consumer impact (to the column headers)." Trexler (ID) asked whether the idea is that if a company responds they have AI Systems models with adverse or material consumer impact, then these models would be further questioned in Exhibit C. Romero confirmed that the purposed of Exhibit A is to capture all models. Motter (AHIP) expressed that it is important to distinguish direct vs. indirect impact but recommended clarification of the intent. Ommen stated the working group will refine the operationalization of the Tool. Theisen agreed there should be clarification but this discussion will need to come after the pilot experience. Clay McClure (BCBSA) recommended using the term "material" rather than "direct" as the preferred term. Ellsworth expressed the hope that the questions on Exhibit A can serve as a screener as an incentivization of considering material impacts proactively. Romero suggested the working group accept adding this text to the company instructions to Exhibit A: "For purposes of responding to information requests related to this Exhibit, those models that augment or automate decision-making related to consumers are considered to have direct consumer impact," and to add definitions for "augment" and "support" from the AI/ML surveys. The working group agreed.

Theisen stated that the APCI suggested that the "Other" row be deleted, but Theisen rather proposed that if a company operation is not listed in the named categories, to ask the insurer to include the use and description. Block and Darby agreed. The working group agreed to change the "Other" category text to "Other (if applicable)." NAMIC stated that the existing categories are extensive, such that they recommend removing the "Other" category. Mathis stated that "Other" is a standard category used in Financial and Market Conduct Handbooks and is listed to prevent follow-up questions to the company if the information is not initially captured in this category. NAMIC asked whether it would be teneable to limit the "Other" category to insurer core practices. Mathis stated that other, non-core operations could possibly be related to areas of concern. Gyger asked if a regulator is using the Tool for a financial exam, whether the intent is to ask about "other" use cases in a financial context and if a regulator is using the Tool for a market conduct exam, then the regulator would ask about "other" use cases in a market conduct context. Mathis responded that Exhibit A is the universe of the governance (combining market conduct and financial examination). As the regulator moves into the other Exhibits, the regulator would have specified whether it is for what type of exam it is. The goal is that this would avoid the silo of having to report two different reporting systems. Snyder suggested more specificity to provide some guidance regarding the expectation on what should be included in the "other" category. Bumpus expressed the concern that a company should know where AI Systems may have a material risk in other categories, which should then be captured in this category. Mathis explained that the use of Microsoft CoPilot could be entered into the "other" category, or special, non-recurring/non-day-to-day operations could go into the "other" category. Snyder suggested that "other" be specified by the regulator. The working group noted that concern.

Theisen stated that the APCI asked to clarify "producer services" and opened it up to the working group to provide a clarification. Block clarified that this describes tools provided to producers to help them do their work such as to help them decide the product to sell to a consumer, and agreed providing more context would help. Theisen recommended the working group accept the phrase: "producer services (AI tools provided to producers in the sale of insurance)." Gyger suggested to specify these examples. The working group agreed to leaving the category as "producer services" and adding example text: "E.g. AI Systems that support producers, AI Systems that provide suggestions for products."

Draft Pending Adoption

Motter suggested deleting the categories of legal compliance, producer services, and reserves & evaluations, and requested additional clarification. In addition, under consumer services, add "consumer-facing AI tools." Mathis suggested to group the categories into financial vs. market conduct groups but Theisen said that would entail a lot of edits. Lapham clarified that producer services should refer to AI Systems having direct consumer impact. The edit was made to add example text to the "Customer Service" category: "E.g. Consumer facing AI Systems, AI Systems that support customer service functions, etc.," however Block was reluctant to use the term "consumer-facing AI" within this example text.

Theisen stated that the edits suggested by CAI to the purpose in Exhibit A that mentions the use of Exhibits B and C that adds the condition of whether the regulator is the lead state/group-wide supervisor and there is risk for material adverse financial impact, and that defines materiality, have been previously discussed. Further, their proposed edits of adding the term "material" to each column, adding "with regard to insurer core operations listed above" to the "Legal/Compliance" category, and striking reinsurance and the other categories, have also been previously discussed.

Theisen stated that Allen (CA) suggested an edit to add the term "eligibility" to the "Underwriting" category. The working group agreed.

Theisen stated that Stojsih (DFIS) suggested to replace "or" with "and" in the request for CoCode and Group Code. Mathis preferred "and". Walker questioned whether there is a need to then request the legal company name and legal group name. Theisen suggesting using the term "and/or." Mathis expressed the need to reference the group code. The working group agreed to replace the word "or" with "and."

Theisen stated that Lederer (MO) suggested considering including an alternate, checklist version of Exhibit A where the insurer could indicate whether or not AI Systems are being used in each operations or program area (marketing, underwriting, etc.). This would be a qualitative version of Exhibit A, versus the quantitative version in the current draft. Theisen was reluctant to make this change until the Tool is piloted to gather experience. NAMIC suggested that a company could be able to provide ranges of the number of AI models instead of the exact number of models. Theisen was not opposed to that suggestion as an alternative. Lowe categorically opposed ranges since the intent is to quantify the number of models, however an inventory of models is fine. Theisen suggested the working group leave the column headers as they are. Gyger asked whether submitting an inventory is included in the instructions. Mathis confirmed. Snyder agreed with an effort for a company to be able to provide an inventory.

Theisen stated that NAMIC suggested removal of the "Premium Quotes & Diuscounts" category because there is already a category for ratemaking below. However, she stated the working group agreed to keep the rows as is.

The Working Group then transitioned to discussing the idea that states would use the Tool during a pilot process. Ommen started the discussion with a review of the discussions leading up to the pilot stating that a second draft of the tool was released on November 19 and that after incorporating the edits discussed and agreed to during the meeting, that the tool would be used during a series of pilot examinations. However, he said that even during the pilot that the Working Group would continue to coordinate and communicate updates on the development of the tool to regulators serving on the D and E Committee. At the conclusion of the pilot, states will have learned important lessons which will then lead to continued refinements of the tool.

He said that the pilot states continue to discuss the structure of the pilot, but that the pilot will be a coordinated effort allowing states to share experiences as they use the tool. He added that the pilot will include a mix of financial and market conduct examinations with regulators bringing a mix of experience and background to support the pilot. He also said that he anticipated pilot states working with companies to get their perspective on participating in the pilot. Ommen drew a contrast to his work on annuity best interest reviews where each review generated insights to help regulators issue additional guidance in support of the regulator discussion. Ommen also anticipated holding a kickoff meeting to start the pilot so that states could discuss how to best coordinate their work and opened the discussion for input from regulators.

Mathis offered that the pilot states currently number 10 with a key first step would be to meet among the pilot groups to ensure states proceed in a coordinated manner starting with Exhibit A and sharing experiences from using it as available. Block agreed that a kick off meeting would be really useful to ensure proper coordination. Block noted that Vermont is not planning to call special exams anticipating that the tool would be incorporated into already planned exams. She also said that ongoing sharing of experience will be important to help improve the Tool leading to an iterative process. Sullivan asked if the kick off call would be open to all states with Ommen stating that he would anticipate that would be available for all to listen in on to benefit from the lessons. Block added that no confidential information would be shared on calls with calls instead focusing on the experience of using the tool which Ommen agreed with. Lapham emphasized that that participating states should use the tool on a mix of market and financial exams to ensure that the experience of using the tool is broad enough.

Stephanie asked if there would be plans to report back on progress made resulting from the pilot and asked if the participating pilot states would be reported out to the public. Ommen said that after an organizing meeting, the list of participating states would be finalized and he anticipated releasing the list of states. He would envision quarterly discussions among pilot states given the limited number of companies on which this tool will be used. And thus, he doesn't know if it'll be helpful to have many interim progress reports. Mathis added that he would anticipate some public report out but it may be challenging to preplan progress reports given how insights may be intermittent. But he also added that early experience in the pilot may inform revisions to later parts of the tools for instance noting that the use of Exhibit A may inform the use of subsequent Exhibits which could lead to adjustments to the Tool. Ommen said that the practical experience using the Tool would help shift Tool discussions out of the abstract and would lead to good Tool improvements. Ommen also suggested that companies could use the Tool valuable in helping them prepare their systems of governance encouraging the practice of self-auditing whether or not in the pilot to help prepare for later inquiries that will come. Mathis said this was the intent of drafting the full toolkit to understand the broader vision for the Tool. Block said that she anticipates eventually releasing another version of the tool as a critical mass of changes is made based on the pilot experience.

Snyder thanked the Working Group for the thoughtful discussion. He noted that traditional pilots are voluntary for companies and regulators but that he understood this may differ from that practice. He asked if there could be encouragement that the tool not be used widely in advance of the pilot given the lack of review by the other Committees within the NAIC. Ommen said that the NAIC's Model Bulletin gives regulators a foundation of consistency that this Tool and related Pilot help to continue to build on. Ommen did say that consistency is a goal of this work. Snyder emphasized that patience and caution would be important which Ommen agreed with.

Gyger asked regulators to think about encouraging consistent implementation of the Pilot and asked if timeline details could be provided and that regulators consider making the pilot voluntary and that there be no compliance

penalties for participation in the pilot. Gyger was also concerned about the possibility of duplicative inquiries. Gyger also said that companies would be most interested in receiving inquiries through their domestic regulator. Lastly, Gyger asked about Exhibits B, C, and D and if further discussion would be available and if there would be further opportunities for comment. Ommen noted that since Commissioner Humphreys is not available, he was reluctant to express too much on next steps but that he may suggest the drafting group lead efforts to incorporate remaining input leading to a version 3 of the Tool. He acknowledged some comments may need to be parked pending further discussion.

Miranda Motter (America's Health Insurance Plans—AHIP) expressed appreciation for the discussion held during the meeting. She referenced a letter that eight of the trade associations did come together and submit in addition to those red lines that each of us individually submitted requesting more specification around the pilot before the pilot's work begins and further asked that an updated Tool be provided allowing for further comment before use of the Tool during the Pilot acknowledging the helpful revisions that were made during the Working Group's meeting. She also asked that the regulators align the use of the tool with the examination cycle.

Richardson suggested that the regulators describe the pilot further in exam call letters and agreed that participation in the pilot be optional. She noted that some companies subject to the use of the Tool may not follow the NAIC and may thus be unaware of the intention of the tool. On compliance, Richardson noted that she would have concern with idea Gyger had raised about the lack of a possibility of compliance findings during pilot exams suggesting that such an idea be narrowed to not having compliance issues strictly related to Tool inquiries and not more broadly.

Darby suggested that in addition to ensuring the pilot includes a mix of financial and market conduct examinations that the pilot group take steps to ensure they include a mix of lines of business.

Ommen did acknowledge a further version of the tool was likely but that he would leave to the Chair to decide if further comment would be allowed and as to whether further meetings would be scheduled to allow for discussion on the remaining sections of the Tool. Block did note that she did not think it appropriate to consider eliminating Exhibits prior to the pilot but did not expect any Exhibit would be eliminated. Sherman suggested that future comments continue to focus on suggested edits being provided in red lined format.

3. Discussed Other Matters

Commissioner Ommen stated that the Working Group is aware of the draft Executive Order intended to eliminate state laws related to AI and is working to digest it. Regulation of insurance has been explicitly delegated to the states by the McCarran-Ferguson Act and the Working Group is confident that state insurance commissioners' coordinated efforts to supervise U.S. insurers and their use of tools like AI is necessary, effective, and consistent with federal law. Any attempt to prevent state regulators from supervising the industry and protecting consumers would negatively impact the sector and represent a significant departure from the successful, collaborative regulatory model that has served the U.S. so well for more than 150 years.

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

Draft: 12/4/25

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Big Data and Artificial Intelligence (H) Working Group
Virtual Meeting
November 19, 2025
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The Big Data and Artificial Intelligence (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met Nov. 19, 2025. The following Working Group members participated: Michael Humphreys, Chair, (PA); Doug Ommen, Co-Vice Chair (IA); Mary Block, Co-Vice Chair (VT); Alex Romero (AK); Jimmy Gunn (AL); Tom Zuppan and Lori Dreaver Munn (AZ); Ken Allen (CA); Jason Lapham (CO); Wanchin Chou (CT); Richie Frederick (FL); Shannon Hohl (ID); Jack Engle (IL); Jake Vermeulen (IN); Dominique Jones and Saima Shila (LA); Mary Kwei (MD); Sandra Darby (ME); Caleb Huntington (MA); Kate Stojsih (MI); Colton Schulz (ND); Connie Van Slyke (NE); Christian Citarella (NH); Gennady Stolyarov (NV); Matt Walsh (OH); Jamille Jaffurs (OK); John Haworth (OR); Elizabeth Kelleher Dwyer and Mattew Gendron (RI); Andreea Savu (SC); Amy Ondell (SD); Carter Lawrence and Emily Marsh (TN); Leah Gillum and Jamie Walker (TX); Scott A. White and Eric Lowe (VA); Nathan Houdek (WI); and Joylynn Fix (WV). Also participating were: Daniel Mathis and Amanda Theisen (IA); and Diana Sherman (PA).

1. Adopted its Sept. 29 Minutes

The Working Group met Sept. 29 and took the following action: 1) adopted its Summer National Meeting minutes; 2) heard an update on the proposed National Council of Insurance Legislators (NCOIL) artificial intelligence (AI) model act; 3) discussed next steps regarding the consideration of an AI model law; and 4) discussed next stops regarding the development of the AI systems evaluation tool.

Haworth made a motion, seconded by Munn, to adopt the Working Group's Sept. 29 minutes (Attachment Two-B). The motion passed unanimously.

2. Heard a Preview of its Discussion at the Fall National Meeting

Commissioner Ommen introduced the working group to version 2.0 of the AI evaluation tool previewed the Fall national agenda. The first half hour at the Fall meeting will be spent discussing the updates to the tool, and most of the remaining meeting time will be devoted to a detailed discussion of each exhibit. The final half hour will focus discussion on the overall instructions and clarify the usage and intent of the tool. The outcome of this discussion will be to forward a third version of the tool which the NAIC hopes to have piloted in early 2026.

3. Discussed Feedback, Reactions, and Revisions to the AI Systems Evaluation Tool

Commissioner Humphreys next updated the working group on the AI Systems Evaluation Tool. He said the working group would proceed with a line-by-line review of the tool, including stakeholder-proposed edits. Humphreys asked stakeholders to provide any feedback in the form of redlined revisions to the word document version of the tool and to submit such redlined revisions to Miguel Romero (NAIC) by December 2nd.

LaCosta Wix (America's Health Insurance Plans - AHIP) requested further information regarding the third version of the AI evaluation tool that would be forwarded and asked who would receive the third version of the tool after the Fall National Meeting. Commissioner Humphreys stated that everyone would receive the third version of the tool.

Peter Kochenburger, a law professor, and NAIC Consumer Representative, asked about the status of the AI model law, especially as it pertains to any follow-up discussions to be had at the Fall national meeting. The seeming absence of this agenda item, Kochenburger believes, would delay the development of specific consumer rights, particularly the right to review and correct the information used, and potential; transparency requirements. Commissioner Humphreys clarified that no decisions had been made on where to take the model law discussions. Humphreys mentioned a desire to poll NAIC members specifically on consumer protections like the disclosure and transparency pieces.

David Snyder (American Property Casualty Insurance Association—APCIA) stated that the industry representatives are united in saying that they do not think that there is a need for a model law, but rather that working with the NAIC for further guidance is essential. He followed up by asking if the pilot of the AI evaluation tool would be mandatory or voluntary. Commissioner Humphreys stated that there is no authority for the NAIC to bind the states to any mandatory piloting of the AI systems evaluation tool, and that it is up to those states that decide to participate in piloting the tool. He further stated that, in Pennsylvania, they would look to work with companies on a case-by-case basis. The real-time application of the tool in the various states and the interactions between regulators and companies will allow the Working Group to receive essential feedback on how to improve the tool moving forward. Snyder then asked if there would be a plan to discuss the tool with the Innovation, Cybersecurity, and Technology (H) Committee. Commissioner Humphreys said that he would anticipate continuing to work on the tool at the Working Group level, including taking into account feedback from the pilot, before taking action on subsequent versions of the tool.

Commissioner Humphreys then asked Mathis to discuss any changes made in the overall instructions related to the tool. Mathis stated that there are several changes on pages one and two of the document. These changes were made to clarify that the tool is intended to work with existing resources, such as the *Market Regulation Handbook*. In clarifying the tool's use cases, it was specified that a regulator could use part or all of the tool in their AI evaluations. The Working Group's vision is that Exhibit A will be the most frequently used part of the tool. Mathis further stated that the way this tool will work in practice is that the regulator will continue to decide who is subject to an examination or other regulatory inquiry, and that decision is based on processes described in the respective handbooks to support market conduct, financial examinations, and other processes. It was also mentioned that to make the template useful for all regulators, it is broader than some states will need.

Mathis also spoke about collaboration with other committees, whereby the development of this tool will be informative to the other companion committees as a referral, suggesting how they can consider updating the use of, or the evaluation of, AI if it is appropriate. Regarding feedback on materiality and risk assessments, Mathis stated that some clarifications were made to the instructions that the current tool drives its inquiries based on company assessments, and that regulators can always request additional information to understand those assessments. Mathis also noted that the tool was updated to clarify that confidentiality will be afforded by the examination or other regulatory authority under which the tool is used. Mathis closed by stating that numerous definitions were changed to better reflect the definitions located in the model bulletin.

Theisen led the Working Group through the changes made to Exhibit A of the AI systems evaluation tool. Theisen stated that Exhibit A is designed to help a regulator quantify a regulated entity's use of AI systems. She also stated that updates to terminology were made to clarify and align with the bulletin when appropriate. It was also updated to be able to facilitate group submissions, and it has been updated to allow tailoring to specific companies. The way that the tool investigates a company's line of business was also changed. She acknowledged that no changes were made to the fields that ask for information on the number of models in use because regulators want to understand the extent to which AI is being used by a company. She asked if stakeholders could continue providing input on how to ask for that piece of information. She also acknowledged that the information requests related

to consumer complaints were removed based on input received, but that the regulators think this information is important, and so they may continue to evaluate how that information should be gathered.

Sherman discussed the changes to Exhibit B of the AI systems evaluation tool. She stressed that Exhibit B is designed to support a regulator's inquiries and understanding of a company's governance practices. Sherman stated that further clarification of the tool and exhibit's purpose was added, along with an additional statement to encourage collaboration in order to gather information between the jurisdictions. However, she also stated that the financial impact questions were not removed or narrowed down. She further stated that two questions were removed from the exhibit, clarifying that revisions to better specify the intent of the tool were made, and several questions were removed from the checklist form. While the information requests were still seen as pertinent, the regulators received input that the information should generally be requested specifically for higher-risk models, as is contemplated in Exhibits C and D of the tool.

Block walked the Working Group through the changes made to Exhibits C and D of the AI systems evaluation tool. She stated that Exhibit C was designed to help regulators ask questions about high-risk models. She stated that changes were made to ensure that the discussion of risk is based on the company's assessments, and another change was made to allow for group submissions. Additionally, a question was added regarding the AI system's implementation date to provide further context on the age of the model being evaluated, and a compliance question was further clarified.

Block then discussed Exhibit D, stating that the section focuses more on data. She further elaborated that the changes made were intended for the exhibit, and a change was made to allow for group submissions. Also, clarifications were made to the data request. Additionally, some specific data elements, such as age, gender, and ethnicity or race, were added, and more additions were made to examine the use of genetic information, pre-existing conditions, and diagnostic data in the biometric data section of Exhibit D.

Snyder asked questions pertaining to the communication between the Working Group, Market Regulation and Consumer Affairs (D) Committee, and Financial Condition (E) Committee. Commissioner Humphreys assured the Working Group that the Committees and their related groups have received updates pertaining to the progress of the AI systems evaluation tool and would continue to receive updates. Commissioner Humphreys also noted that the drafting group that led discussions to update the tool was composed of regulators with both market and financial backgrounds.

Snyder acknowledged that the APCIA would submit feedback on the confidentiality language and then asked a follow-up question about the intent to use the tool for personal line items or if it would solely be used for commercial purposes. Sherman stated that, from a financial perspective, the questions would remain applicable regardless of the lines of business in question. Romero reiterated Mathis's earlier point that the *Market Regulation Handbook* and the *Financial Condition Examiners Handbook* dictate who is subject to an exam and the process therein, so all scoping decisions are still driven by those handbooks and their guidance.

Wix recommended that the Working Group send the AI systems evaluation tool to the other Committees prior to officially piloting it. Wix also asked whether the Working Group would take votes on each issue as they are raised by stakeholders. Commissioner Ommen stated that the Working Group will likely not field votes on every item; however, if there are any outstanding controversial items, the Working Group will take votes pertaining to those. Wix also asked about how companies will be selected and whether multistate companies will potentially have multiple legal entities under examination by different commissioners at once. Commissioner Ommen answered that the advantage of an evaluation tool like this is not just to equip regulators to start applying this process, but also to enable companies to review the documents and voluntarily begin a self-audit.

3

Eric Ellsworth (Checkbook Health) asked how the Working Group may address who's in charge when an AI issues some determination, consumer recourse, and generally who knows what, and the authority of information in an AI system versus a human process. He also asked how comments of that nature should be provided to the Working Group. Commissioner Humphreys stated that it would be best to circle back to that question later and that line-by-line feedback would be the most beneficial and appropriate.

Commissioner Humphreys encouraged all interested parties to examine the new version of the AI systems evaluation tool, take the feedback that was heard during the meeting, and send any additional redlined edits to the Working Group by to Dec. 2. Lastly, he reiterated that the pilot can be looked at as another way to identify potential regulatory gaps and help inform the discussion about a possible model law.

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

SharePoint/NAIC Support Staff Hub/Committees/H CMTE/2025_Fall/WG-BDAI/2025 1119 Interim-Meeting_Open/Minutes-BDAIWG111925-Final.docx

Draft: 10/8/25

Big Data and Artificial Intelligence (H) Working Group
Virtual Meeting
September 29, 2025

The Big Data and Artificial Intelligence (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met Sept. 29, 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); Molly Nollette (AK); Richard Fiore (AL); Lori Dreaver Munn (AZ); Ken Allen (CA); Michael Conway and Jason Lapham (CO); Wanchin Chou (CT); Stuart Jones (FL); Weston Trexler (ID); Jack Engle (IL); Victoria Hastings (IN); Caleb Malone (LA); Caleb Huntington (MA); Raymond Guzman (MD); Sandra Darby (ME); Kate Stojsih (MI); Jacqueline Olson (MN); Brad Gerling (MO); Jacqueline Obusek (NC); Colton Schulz (ND); Connie Van Slyke (NE); Christian Citarella (NH); Brandon Rocchio (NV); Judith L. French and Matt Walsh (OH); Teresa Green (OK); John Haworth (OR); Matthew Gendron (RI); Andreea Savu (SC); Haelly Pease (SD); Carter Lawrence (TN); Rachel Cloyd (TX); Eric Lowe and Michael Peterson (VA); Nathan Houdek and Timothy Cornelius (WI); and Joylynn Fix (WV).

1. Adopted its Spring National Meeting Minutes

Schulz made a motion, seconded by Munn, to adopt the Working Group's Aug. 12 minutes (*see NAIC Proceedings – Summer 2025, Innovation, Cybersecurity, and Technology (H) Committee, Attachment One*). The motion passed unanimously.

2. Heard an Update on the Proposed NCOIL AI Model Act

Taylor Walker (NAIC) provided an update on the proposed National Council of Insurance Legislators (NCOIL) artificial intelligence (AI) model act. She stated that during its July 17 meeting, the NCOIL Financial Services & Multi-Lines Issues Committee introduced a draft model act titled "NCOIL Model Act Regarding Insurers' Use of Artificial Intelligence," dated June 17. The draft requires human oversight when insurers use AI in their claims handling decisions, specifically when denying or adjusting a claim. The model is sponsored by New York Assembly member Erik Dilan (D-NY-54) and Oklahoma state Rep. Forrest Bennett (D-OK-92). The draft model is based on Florida Senate Bill 794 and Florida House Bill 1555, which were introduced this year but did not pass. During the NCOIL meeting, the model sponsors noted that several states have begun considering and passing legislation to address concerns in the AI space, especially about unchecked AI use in health insurance claims and prior authorization requests.

Walker summarized the key provisions of the draft model. The focus and scope are on claims handling across all lines of insurance. Decisions to deny claims must be made by a qualified human professional, defined as "an individual under the state insurance code who has the authority to address or deny a claim or a portion of a claim, and may exercise such authority over a particular claim." Steps that the qualified human professional must independently take before denying a claim include: 1) analyzing the claim facts and policy terms; 2) reviewing the AI-generated outputs for accuracy; and 3) reviewing previous human-made decisions on the claim. AI cannot be the sole basis for claim denials or adjustments. Insurers are required to maintain detailed records of human reviews and decisions. They must maintain documentation on the basis for the denial, including information provided by the algorithm or AI system. Denial notices must provide a point of contact and a process for claimants to get more information from an insurer and must clearly state in their denial that AI was not the sole basis for that denial.

Insurers using AI must document in their claims handling manual how AI systems are used in the claims process and how the insurer complies with NCOIL's model act requirements. Industry opposition is strong at this point. The American Council of Life Insurers (ACLI), National Association of Mutual Insurance Companies (NAMIC), American Property Casualty Insurance Association (APCIA), and AHIP submitted a joint letter, publicly posted on NCOIL's website, objecting to the model and arguing that: 1) a one-size-fits-all approach is inappropriate given that insurance lines use AI in different ways; 2) existing technology-neutral laws and regulations are sufficient to govern AI use; and 3) NCOIL should assess whether there are specific risks of adverse outcomes that are not already covered by current federal and state laws and regulations. The American Medical Association (AMA) spoke in support of the model, citing the need for patient protections, particularly in health insurance, where AI has been used to deny coverage without, or with limited, human oversight. NCOIL will continue discussions on this model at its November meeting. The NAIC does not typically comment on NCOIL proposals.

Commissioner Humphreys asked whether there was much conversation at the meeting or if it was primarily just to introduce the proposal and take initial feedback. Walker responded that there was initial feedback. She said that industry and/or trades noted their concerns, summarized from their written comments, but a number of other groups spoke in favor of the need for a model act.

3.   Discussed Next Steps Regarding the Consideration of an AI Model Law

Commissioner Humphreys noted that the Working Group met in regulator-to-regulator session Sept. 9. During this meeting, the Working Group discussed written feedback received from the request for information (RFI). He summarized that the RFI was issued not to come to a foregone conclusion to pursue a model law, but rather to determine whether existing laws and regulations are sufficient, and if not, which concepts should be considered in a model law if it were to be pursued, and whether governance requirements should be tailored to different products or different types and sizes of companies.

Commissioner Humphreys said the Working Group received 33 comment letters, which are posted on the Working Group's web page. The Working Group also met at the Summer National Meeting and heard comments from interested parties summarizing their feedback on the RFI.

Commissioner Humphreys stated that the purpose of this meeting is to open up the conversation to decide whether to pursue a model law or wait for feedback from piloting the AI Systems Evaluation Tool. He noted that four hours will be set aside for the Working Group to discuss the tool at the Fall National Meeting.

The next steps on an AI model law could include transparency disclosures to provide more information on what AI systems and data are used and how. A model law could also focus on just health insurance, as many states are currently looking at health insurance AI models. Some of the feedback suggested that instead of pursuing a model law, states should be encouraged to adopt the NAIC's *Model Bulletin on the Use of Artificial Intelligence Systems by Insurers* (AI Model Bulletin).

Schulz stated that North Dakota is working on a version of the AI Model Bulletin, but it is interested in a gap analysis of what the AI Model Bulletin does not have that an AI model law could address.

Block stated that Vermont has been considering the idea of policyholder disclosures on the data used in AI systems. She said that Vermont has a generic disclosure statute that allows the commissioner to create disclosure regulations. She said it would be easier if there was a model law to reference.

Commissioner Ommen commented that there is some interest in talking about disclosures; however, moving forward on an AI model law is premature, given the bulletin's expectations on principles of governance and the

work developing the AI Systems Evaluation Tool, which puts regulators in a good place to better understand what is needed to inform a decision.

Schulz commented that regulators are expressing interest in some sort of standardization and disclosure templates if those could be made available. Commissioner Conway said it is important to move forward with some action relating to a model law or regulation to prevent other regulatory bodies at the state and federal levels from stepping in. He said it is vital for state insurance regulators to fill that void. He said disclosures are a logical first step, but the Working Group should go further.

Commissioner Humphreys asked Miguel Romero (NAIC) to poll the Working Group members on what form disclosures could look like and how they could build toward developing additional tools or guidance for next year. He stated that the U.S. Congress (Congress) debated H.R.1, which restricts what a state could do in the AI space. State regulators were a strong voice in convincing Congress to strike the moratorium. To continue the conversation, the Working Group will take an internal survey focused on transparency as the next step.

Peter Kochenburger (Southern University Law Center—SULC) commented that there is a lack of consumer disclosures on rights, expectations, and treatment by AI systems in underwriting and claims. He said the next step should be to address consumer policy and rights. He said that starting with transparency is a good way to proceed because there is currently virtually no transparency, as the only transparency given to insurance consumers is that afforded by the 1970s Fair Credit Reporting Act, which covers a limited amount of consumer data that is now being used for underwriting.

4. Discussed Next Steps Regarding the Development of the AI Systems Evaluation Tool

Commissioner Ommen stated that the Working Group has been working on a draft of the AI systems evaluation tool, which is designed to provide state insurance regulators with an immediate resource for examining AI systems through five optional exhibits that can be incorporated into market conduct or financial examinations, as more permanent solutions are being developed. The goal is to provide regulators with an efficient and standardized information collection tool that can be used to assess and evaluate risks and the guidance needed to align regulator expectations on the information needed from companies during an examination or analysis-related inquiry.

The tool allows state insurance regulators to progressively investigate AI governance, testing protocols, high-risk models, data sources, and financial implications while serving as a checklist for insurers. This tool and each exhibit are optional and offered to help regulators assess risk as they see fit to use them. Regulators may tailor questions as needed. The Working Group exposed a draft of the tool on July 7 for a 60-day public comment period ending Sept. 5. The Working Group received 20 comment letters, which are being reviewed. The comment letters have been posted to the Working Group's web page.

The Working Group is planning an interim meeting around the week of Nov. 17 to walk through the changes for the second version of the tool, and will again meet for a half day at the Fall National Meeting in open session to talk through the edits. At the Fall National Meeting, the Working Group also plans to have a 90-minute breakout session for groups to get together and go through the tool in greater depth, then, after a short break, another 90 minutes will be devoted to a full group discussion working toward the third version of the tool to pilot in early 2026.

Commissioner Humphreys noted that Pennsylvania is already using versions of these tools in financial exams and analyses. The idea is not to have regulator-only breakout groups but rather to have regulators, industry representatives, and consumer representatives at each breakout table to develop those conversations.

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

SharePoint/NAIC Support Staff Hub/Committees/H CMTE/2025_Fall/WG-BDAI/2025 0929 Interim-Meeting_Open/Minutes-BDAIWG092925-Final.docx

Draft: 12/12/25

Cybersecurity (H) Working Group
Hollywood, Florida
December 10, 2025

The Cybersecurity (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met in Hollywood, FL, Dec. 10, 2025. The following Working Group members participated: Michael Peterson, Chair (VA); Colton Schulz, Vice Chair (ND); Julia Jette (AK); Mark Fowler and Richard Fiore (AL); Chris Erwin (AR); Lori Munn (AZ); Damon Diederich (CA); Wanchin Chou (CT); Tim Li (DE); Elizabeth Nunes and Matt Kilgallen (GA); Kathleen Nakasone (HI); Daniel Mathis (IA); Ryan Gillespie (IL); Eric Turek and Shane Mead (KS); Dominique Jones (LA); Danielle Torres (MI); Kim Dobbs (MO); Gregory Maus (MN); Jacqueline Obusek (ND); Josh Hilliard and Christian Citarella (NH); Roger Hayashi (NV); Gille Ann Rabbin (NY); Matt Walsh (OH); Dave Buono (PA); Todd Lovshin (WA); Rebecca Rebholz and Christina Keeley (WI); and Lela D. Ladd (WY).

1. Adopted its Sep. 25 Meeting Minutes

The Working Group met on Sep. 25 and took the following action: 1) adopted its Summer National Meeting minutes; and 2) adopted the IDSM Compliance Guide and Chief Financial Regulator Forum response.

Mathis made a motion, seconded by Torres, to adopt the Working Group's Sep. 25 minutes (Attachment Three-A). The motion passed unanimously.

2. Discussed the Cybersecurity Event Notification Portal and Heard Comments from Interested Parties

Peterson provided an overview on the Working Group's progress toward achieving convergence in implementation and operation of the *Insurance Data Security Model Law* (#668). Two major work products completed so far are the Cybersecurity Event Response Plan and the IDSM Compliance Enforcement Guide. These tools are designed to align states responses and enforcement practices under the IDSM, reducing regulatory complexity and marginal costs for industry. He explained that the portal is intended to streamline cybersecurity event notifications, reducing administrative burden and marginal costs for insurers operating in multiple states. Petersons described how Sections 4 and 5 of MDL #668 impose low marginal costs, but Sections 6 and 7 create significant challenges, which the portal aims to address.

Peterson explained that following the Working Group's motion for the NAIC to explore the development of the portal at the 2024 Fall National Meeting in Denver, the project management office has implemented a new process in order to ensure as much buy in and support as possible. He described the portal being planned as a modest, push system, where a licensee experiencing a cybersecurity event would select the states for whom they want to send their notifications. The system would only allow regulators from states selected to view any information submitted in the form.

Ladd and Peterson discussed the limitation of the portal to only those states that have adopted MDL #668, the idea being the data security law effects insurance specifically, opening the portal to other agencies would be a long and challenging process.
Torres suggested the portal could be helpful for companies and regulators. She emphasized that it has to be a secure option that allows for correspondence between the states and the insurers, to ensure all necessary information is available.

Draft Pending Adoption

Kirsten Wolfford (American Counsel of Life Insurers) encouraged further adoption of MDL #668 and uniformity across the insurance jurisdictions and stressed the importance of confidentiality and security of the portal.

Kristin Abott (American Property Casualty Insurance Association) supported the centralized portal concept and requested opportunities for feedback on prototypes and operational details as the project develops.

John Meetz (Wholesale and Specialty Insurance Association) whose submitted comments were joined by the Council of Insurance Agents and Brokers (CIAB) agreed with previous comments and raised questions about reconciling varying state notification requirements. Meetz and Peterson discussed the regulatory access to the portal as being role based access granted only to the states included in the notification selections made by the licensee's submitting.

Lindsey Stephani (National Association of Mutual Insurance Companies) supported efficiency gains but expressed concerns about the level of sensitive information in the portal, suggesting it could be targeted by cyber threat actors for its contents.

Schulz described how North Dakota built a SharePoint form connected to a Microsoft list, which allowed them to control who had access to the notifications received. Prior to the SharePoint form, he explained that the state was using a relatively unsecured shared email.

Stephani and Peterson discussed the intake form's intended level of detail to be included by the licensees, specifically related to answering questions 10 and 11 of the Section 6B.

The discussion closed with the Working Group deciding to revise the form for input received.

3. <u>Heard a Presentation on the 2025 Cybersecurity Insurance Report</u>

Chou explained that the cyber supplement changed for the year 2024, reporting data for primary, excess, and endorsement coverage instead of stand-alone and packaged policies. l

4. <u>Discussed Other Matters</u>

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

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Draft: 10/27/25

Cybersecurity (H) Working Group
Virtual Meeting
September 25, 2025

The Cybersecurity (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met Sept. 25, 2025. The following Working Group members participated: Michael Peterson, Chair (VA); Colton Schulz, Vice Chair (ND); Julia Jette (AK); Richard Fiore (AL); Leo Liu (AR); Bud Leiner (AZ); Damon Diederich (CA); Wanchin Chou (CT); Matt Kilgallen (GA); Daniel Mathis (IA); C.J. Metcalf (IL); Shane Mead (KS); Nina Hunter (LA); Danielle Torres (MI); Kim Dobbs and Jo A. LeDuc (MO); Josh Hilliard and Christian Citarella (NH); Ned Gaines and Roger Hayashi (NV); Gille Ann Rabbin (NY); Matt Walsh and Don Layson (OH); Todd Lovshin (WA); Rebecca Rebholz and Christina Keeley (WI); and Lela D. Ladd (WY). Also participating was: Matt Gendron (RI).

1. Adopted its Summer National Meeting Minutes

Diederich made a motion, seconded by Chou, to adopt the Working Group's Aug. 11 minutes (*see NAIC Proceedings – Summer 2025, Innovation, Cybersecurity, and Technology (H) Committee, Attachment Two*). The motion passed unanimously.

2. Adopted the IDSM Compliance Guide and the Chief Forum Referral Response

Peterson provided an update on the revisions made to the compliance guide to incorporate the comments and feedback provided by stakeholders during the 30-day public comment period that ended Sept. 15. He explained that the comments fit within the following three categories: 1) clarity and operational utility; 2) being related to Health Insurance Portability and Accountability Act of 1996 (HIPAA) exemption; or 3) exam authority. The creation of the new section on how to use the guide, found on page one, was introduced as a substantive way to address the first and third categories. To address the HIPAA exemption discussion, the guide's language was revised to provide more general language.

To clarify further, Peterson explained that this guide is for departments of insurance (DOIs) that have passed the *Insurance Data Security Model Law* (#668). The compliance guide references Section 7 of Model #668, which points to the general exam authority found in the *Financial Condition Examiners Handbook* and *Market Regulation* Handbook, as the source of powers. Peterson explained that a HIPAA exemption exists within the guide to suggest that licensees subject to HIPAA requirements are required to have an information security program. Exempting them from the Model #668 requirements found within the compliance guide does not provide exemptions from the existing HIPAA regulatory environment.

Peterson emphasized that the guide continues the regulatory tradition of leveraging work effectively while communicating well. Rather than attempting to direct or structure new guidance, the compliance guide points the regulator to the existing information needed to affect a good examination structure.

Schulz said he appreciated the stakeholders who provided comments and feedback during the second round of reviews of the drafted referral response and the accompanying Model #668 compliance guide. He asked each stakeholder to be mindful of time, noting that several were prepared to respond during the meeting.

Torres inquired about how the compliance guide related to the Cybersecurity Event Notification Portal project and whether the compliance guide intended to represent compliance with Section 4, Information Security Program, of Model #668. Torres suggested that most of the questions and comments from the state had to deal with cybersecurity incidents and how those would be conducted under this guide. Peterson explained that the Working Group adopted the Cybersecurity Event Response Plan (CERP) in 2024 to provide individual states with a plan should they want to conduct a separate investigation after an incident in accordance with their version of Model #668. He added that this guide is more about benefitting those who recently passed Model #668 and less about prescribing specific steps. Torres and Peterson discussed the potential updates to related documentation, such as the CERP, which must be updated as new technologies are put in place to ensure they remain accurate and relevant.

Mead suggested that comments aimed to provide clarity, consistency, and standardization. Mead suggested that the compliance guide should account for the varying security standards, noting that the examination environment differs for states depending on which version of the TeamMate+ products they use. The TeamMate+ products in the gold cloud environment differ from those within the FedRAMP cloud.

Lindsey Klarkowski (National Association of Mutual Insurance Companies—NAMIC) suggested that the guide and the supporting documents should make clear that a review is generally triggered by a financial examination conducted by the domestic state, a market conduct examination, or a specific infraction requiring investigation. She said she appreciated the guide's new "How to Use this Guide" section and its explicit references to ensure that a DOI in a state that has not adopted Model #668 is not expected to review Model #668 standards.

Kirsten Wolfford (American Council of Life Insurers—ACLI) expressed appreciation for the ACLI's comments being included in the revisions to the documentation and discussed looking at developing examiner training and guidance to help examiners who might be less familiar with Model #668. She discussed the edits about addressing future alignment with standards set forth by the National Institute of Standards and Technology (NIST) and hoped to see more steps like it in the future.

Ladd made a motion, seconded by Mead, to adopt the Compliance Guide. The motion passed unanimously.

Addressing a question submitted privately in Webex chat, Peterson explained that legal safeguards are ensured in the context of submitting information to the NAIC and that Section 8 of Model #668 provides substantial confidentiality protections.

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

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Draft: 12/14/25

Third-Party Data and Models (H) Working Group
Hollywood, Florida
December 9, 2025

The Third-Party Data and Models (H) Working Group of the Innovation, Cybersecurity and Technology (H) Committee met in Hollywood, FL, Dec. 9, 2025. The following Working Group members participated: Jason Lapham, Chair (CO); Nicole Crockett, Vice Chair (FL); Alex Romero and Molly Nollette (AK); Richard Fiore (AL); Lori Dreaver Munn (AZ); Ken Allen and Chandara K. Phanachone (CA); Qing He and Kristin Fabian (CT); Grant Shintaku (HI); Doug Ommen (IA); Eric Fletcher and Weston Trexler (ID); Shannon Whalen (IL); Josh Carlson (KS); Matthew Stewart (LA); Jackie Horrigan (MA); Mary Kwei (MD); Sandra Darby (ME); Phil Vigliaturo (MN); Jo A. LeDuc and Brad Gerling (MO); Colton Schulz (ND); Christian Citarella (NH); Gennady Stolyarov (NV); Matt Walsh (OH); TK Keen (OR); Michael McKenney (PA); Beth Vollucci (RI); Andreea Savu (SC); Nicole Elliott (TX); Jessica Baggarley and Eric Lowe (VA); Mary Block and Rosemary Raszka (VT); and Timothy Cornelius (WI).

1. Adopted its Oct. 29, Sept. 26, and Summer National Meeting Minutes

Lapham stated that the Working Group met Oct. 29 and Sept. 26. During its Oct. 29 meeting, the Working Group discussed goals for a third-party regulatory framework and plans of action. During its Sept. 26 e-vote, the Working Group adopted third-party working definitions.

The Working Group also met Sept. 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 third-party definitions and the potential framework.

McKenney made a motion, seconded by Schulz, to adopt the Working Group's Oct. 29 (Attachment Four-A), Sept. 26 (Attachment Four-B), and Aug. 13 (*see NAIC Proceedings – Summer 2025, Innovation, Cybersecurity, and Technology (H) Committee, Attachment Three*) minutes. The motion passed unanimously.

2. Exposed the Risk-Based Third-Party Data and Models Regulatory Framework

Lapham stated that following the Working Group's Sept. 25 regulator-to-regulator discussion and Oct. 29 open meeting, a small drafting group consisting of regulators from Colorado, Florida, Iowa, Pennsylvania, and Vermont was assembled. That group produced the first draft of the Risk-Based Third-Party Data and Models Regulatory Framework, which was distributed for this meeting. As with any new proposed product developed at the NAIC, Lapham said he expects healthy debate and discussion about this draft framework and anticipates numerous opportunities for comment, both written and oral, throughout much of 2026.

Lapham then summarized the framework. He stated that the framework would apply across all lines of business (e.g., property/casualty [P/C], health, life, etc.) and require third parties to register with the state if they meet the definition of a third-party data and model vendor and their data and model are to be used in an insurer's functions with direct consumer impact. To receive registered status, the third party would provide information about their governance program and agree to provide regulators with access to their data and models. Third parties would be afforded state confidentiality or trade secret status in the same way states apply their laws to insurers. In addition to registration, states may utilize a discretionary filing process if they wish to receive filings of data and models.

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At its core, this framework aims to achieve two things: 1) ensure regulators have timely access to third-party data and models; and 2) confirm that third parties maintain strong governance practices to protect insurers and consumers.

Considering proportionality, Lapham said the framework was built with balance in mind. Instead of a full licensure process (which involves extensive reporting and periodic examinations), the drafting group proposed a registration process. This approach gives regulators the information they need while not requiring a third party to become a licensed entity in each state. Also, the framework's scope is proposed to be limited to insurance functions that directly impact consumers. For now, that includes pricing, underwriting, claims, utilization reviews, marketing, and fraud detection. This list may evolve, especially as the group aligns its work with the Big Data and Artificial Intelligence (H) Working Group's definition of core operations.

Lapham explained how registration would work. He stated that vendors would register, share details about their governance programs, and agree to provide regulators with access to relevant data and models. Once governance was approved, the vendor would be officially registered by the state. From that point, insurers can use those models and data in the specific insurance company functions, unless a specific model or dataset is disapproved. For operations without direct consumer impact, existing insurer requirements apply as usual, and this framework would not apply.

Lapham stated that the governance standards are outlined in the framework and would be developed over time. The proposal currently says the following would be provided for models: documentation of purpose, assumptions, inputs, limitations, performance metrics, and validation processes. The following would be provided for data: accuracy, completeness, timeliness, representativeness, auditable lineage, and quality controls.

In addition to the governance requirements, the framework also includes a discretionary filing mechanism so regulators can request information when needed about data or models, without reviewing every dataset or model.

Lapham emphasized that insurers remain fully responsible for compliance. Registration of third parties would not relieve insurers of obligations. Insurers must validate model suitability, secure contractual access to necessary information, and meet all rating, underwriting, and other requirements—even when using third-party tools.

McKenney noted that Wanchin Chou (CT) recommended that a due date, perhaps the same due date as the financial statement, be placed on the requirements for an annual attestation.

Interested parties said the emphasis on governance is appropriate and it might be helpful to consider the following: 1) recognition by other states after one state has gone through the entire registration and approval process, for efficiency sake, recognizing that states would continue to exert their full regulatory authority; 2) states need the expertise to review models and states without expertise could defer to those states with expertise; 3) definitions are needed, including what "fairness" means in governance and what a "marketing model" is; 4) a third-party auditor concept; 5) how to ease the burden for small start-ups and to keep costs low such as with a single point of registration filing; 6) more explanation about what regulators want to see with data (e.g., whether it is raw data that may have privacy concerns); and 7) whether regulators need the scope to include more than rating and underwriting and apply to more than homeowners and personal auto.

McKenney said some third parties sell data but not models. He said there may be a need for regulators to look at that data and understand the accuracy and governance.

Cornelius made a motion, seconded by Trexler, to expose the Risk-Based Third-Party Data and Model Regulatory Framework for a 60-day public comment period ending Feb. 6, 2026. Block asked parties to suggest paths forward rather than just red-lined changes to the document, especially regarding efficiency and all states' registration collaboration.

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

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Draft: 11/11/25

Third-Party Data and Models (H) Working Group
Virtual Meeting
October 29, 2025

The Third-Party Data and Models (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met Oct. 29, 2025. The following Working Group members participated: Jason Lapham, Chair (CO); Nicole Crockett, Vice Chair (FL); Molly Nollette (AK); Charles Hale (AL); Tom Zuppan (AZ); Ken Allen and Chandara K. Phanachone (CA); Kurt Swan (CT); Doug Ommen and Jordan Esbrook (IA); Weston Trexler and Shannon Hohl (ID); Shannon Whalen (IL); Caleb Malone (LA); Jackie Horigan (MA); Raymond A. Guzman (MD); Sandra Darby (ME); Brad Gerling (MO); Colton Schulz (ND); Christian Citarella (NH); Gennady Stolyarov and Brandon Rocchio (NV); Kevin Yan (NY); Matt Walsh (OH); Michael McKenney (PA); Beth Vollucci and Matthew Gendron (RI); Nicole Elliott (TX); Jessica Baggarley (VA); and Rosemary Raszka (VT).

1. Discussed Goals for a Third-Party Regulatory Framework and Plans of Action

Lapham stated that the Working Group adopted the working definitions of "third-party data and model vendor," "third party," and "licensee" by e-vote on Sept. 26. He noted that the definitions meet the immediate purpose of the Working Group, which is to have an understanding of the scope of the third-party regulatory framework focused on an organization or entity that is providing data, models, or outputs to an insurer. The definitions exclude government-related entities, such as census and motor vehicle record data providers. The Working Group plans to focus on the data and model outputs that insurers use in pricing, underwriting, claims, marketing, and fraud detection. Specifically excluded are entities that are already licensed, such as rating and advisory organizations and third-party administrators, as those licensees have specific roles defined in state law and are subject to the respective regulatory requirements.

Lapham continued to state that once the framework is established, each state will need to decide on how or whether to transition property/casualty (P/C) advisory or rating organizations into the broader third-party data and models regulatory framework. The definition excludes advisory and rating organizations; thus, some companies that are licensed as rating or advisory organizations may need to be transitioned to the new third-party vendor category in the future.

The Working Group wants to keep in mind certain principles developed in the framework. Three of those principles are: 1) risk proportionality, where oversight requirements scale with the materiality of the third party's role and impact on consumers; 2) transparency with safeguards, so that insurers and regulators receive sufficient information to assess risk and compliance while protecting interested parties; and 3) accountability, where the ultimately responsibility remains with insurers for outcomes derived from the use of third-party models and data.

Lapham reminded the Working Group that the main goal of the framework is for regulators to have access to third-party data and models to appropriately regulate insurers' use of these resources. Ancillary goals may include model and data governance, data accuracy, and third-party/insurer communication. Given access to third-party data and models and their governance programs, the scope of concern will need to be determined. For example, the financial integrity of a third party and potential impact on insurer solvency may not be within scope at this stage. The Working Group will evaluate the need for information based on the impact of third-party data and models on the regulation of insurers.

Lapham stated that the next discussion topic was whether a framework would revolve around a registration process or a licensure process. If it revolves around a registration process, the question is whether it would grant

regulators authority to not only have access to the necessary information, but to receive it in a timely manner. If it revolves around a licensure process, the question is whether licensure requirements would be beyond the Working Group's goals. Lapham stated that a registration process could work. Alternatively, a licensure process that would not involve requirements applicable to insurers or other licensed entities could serve as authorization for a third-party data and model vendor to provide products and services to insurers.

Citarella stated that this is being done in New Hampshire because there is not currently a law that fits the role of modeling vendors that provide scores for carriers. Vendors are permitted to file through the System for Electronic Rates & Forms Filing (SERFF) for carriers to reference without characterization as to who they are. This method seems to be working, and the modeling vendors appear to value being approved and authorized. Citarella stated, however, that he has concerns going forward about whether third-party data collection and processing have been, or can be, sufficiently reviewed. Lapham agreed that there should be a better structure to consider third parties and the means by which regulators have access to the necessary information.

Kris DeFrain (NAIC) clarified that Citarella was referring to models used to support P/C rate filings, but other types of models are filed in SERFF as well.

Stolyarov stated that Nevada uses SERFF similarly to New Hampshire, in that non-licensed entities have the option to register as SERFF users and submit models for rating or underwriting purposes, which an insurer can then reference. SERFF is not available for models that are solely used to handle claims or engage in fraud detection. If the modeling entity does not file in SERFF, then an insurer will need to submit the model documentation in SERFF under a chain of confidentiality protections. Consumers should have the ability to challenge the accuracy of data supplied by a third-party vendor. There should always be a process to validate or challenge third-party data. Lapham confirmed that those reasons are why it may make sense to tackle P/C rate making and rate filings first.

Commissioner Ommen agreed that those are examples of practical ways that regulators perform their responsibilities and pointed out that one of the issues is how governance can be evaluated in a rate filing approach.

Dave Snyder (American Property Casualty Insurance Association—APCIA) commented that the APCIA hopes regulators will balance the need for information with the additional capabilities that third-party vendors provide to both smaller and larger companies. Furthermore, the APCIA hopes that there would be a role for auditing a third party, and a certification based on auditing might be an additional option to be considered.

Lapham returned to the open question of licensure versus registration. He questioned whether it would be more appropriate and robust to have a licensing process; however, he noted the option of requiring the registration of data and model vendors operating in a particular space, as well as information about model and data governance standards and the communication required between the insurer and the third party. He suggested that model governance standards might include requiring documentation that would detail the purpose of the model, design assumptions, input data, limitations, and performance metrics. Data governance standards might include verification of model accuracy, timeliness, and completeness. Third parties might need to provide information such as sources of all data, an auditable data lineage, and quality control. The Working Group could also focus on transparency between the third party and the insurer, such as requiring that a sufficient level of information is shared between third parties and insurers to ensure that data and models are used appropriately, that the models are in fact fit for purpose, and that insurers are aware of the data lineage and quality controls.

Once the registration process is decided and developed, the next steps will focus on specific insurance company operations. Then, all third-party data and model vendors in scope would register and provide the necessary information in a registration-type process while the Working Group begins with one or a few insurance company

operations and builds out that framework. P/C rating and underwriting may make sense as the initial operations in scope. For major medical carriers, the focus is more likely to be on utilization management and prior authorization, not rates or application fraud. Issues around disability and long-term care (LTC) may also rank as a high priority.

Horigan asked whether the modelers or the insurance company would register a model with regulators. Lapham replied that the third party would work through the registration process to receive authorization.

Scott Harrison (American InsurTech Council—AITC) commented that there already seems to be a process in place for entities to file their models and asked whether the Working Group had considered this. Lapham replied that the procedure may be ad hoc, and utilizing SERFF still does not address some of the more fundamental issues with respect to third parties.

McKenney raised a concern that if all third-party models were filed, then regulators would not have time to review them.

Harrison asked whether the states already have de facto authority to deny P/C rating models. Lapham said that they do, but added that the purpose of the third-party framework is to be able to obtain the information necessary to perform reviews more efficiently.

Lapham stated that the next steps are that Working Group members from three states will begin to draft a third-party framework in line with the principles. The Working Group expects to have a document to share before the Fall National Meeting. Then, will start discussions about a registration or licensure process.

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

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Draft: 10/9/2025

Third-Party Data and Models (H) Working Group
E-Vote
September 26, 2025

The Third-Party Data and Models (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee conducted an e-vote that concluded Sept. 26, 2025. The following Working Group members participated: Jason Lapham, Chair (CO); Nicole Crockett, Vice Chair (FL); Charles Hale (AL); Alex Romero (AK); Lori Dreaver Munn (AZ); Chandara Phanachone (CA); Shannon Hohl (ID); Jordan Esbrook (IA); Julie Holmes (KS); Caleb Malone (LA); Jackie Horigan (MA); Marie Grant (MD); Sandra Darby (ME); Phil Vigliaturo (MN); Jo A. LeDuc (MO); Colton Schulz (ND); Christian Citarella (NH); Brandon Rocchio (NV); Matt Walsh (OH); Shannen Logue (PA); Beth Vollucci (RI); Jessica Baggarley (VA); and Rosemary Raszka (VT).

1. Adopted the Third-Party Working Definitions

The Working Group conducted an e-vote to consider adoption of the Third-Party data and model vendor working definitions.

Third-Party Data and Model Vendor

"Third-Party" means any organization, operating independently of any government entity and not otherwise defined as a Licensee, that engages with an insurer to provide data, models, and/or model outputs to the insurer for pricing, underwriting, claims, marketing, and/or fraud detection functions.

"Licensee" means any insurer, producer, advisory or rating organization, third-party administrator, or other similar organization engaged in the business of insurance that is required to be licensed or otherwise authorized to perform insurance-related functions under applicable state law and is subject to examination by the [department of insurance].

The motion passed unanimously with one abstention.

Lapham noted that additional changes to the working definitions should be expected as the framework develops.

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