

Third-Party Regulatory Framework

Property & Casualty Pricing and Underwriting

Exposed Draft, November 4, 2026

Revised from the July 8, 2026 draft. Changes are highlighted.

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Third-Party Data and Models (H) Working Group

What We'll Cover

- **What Changed Since July** – summary of the November revisions
- **Executive Summary** – purpose, scope, and the core accountability principle
- **Definitions** – pricing & underwriting models, data, and their vendors, plus the new "licensee" definition
- **Proposed Structure** – three parts: registry, filings, ongoing activities (attestation and material change notices)
- **Licensee Responsibilities** – what doesn't change for licensees
- **Key Takeaways** – where this goes next

What Changed: July 8 to November 4

Orange text marks new or revised wording on the slides that follow. Badges: NEW = added slide, UPDATED = revised slide.

Area	What changed in the November 4 draft
Terminology	"Insurers" is now "licensees" throughout. A new definition covers insurers, advisory organizations, rating organizations, and similar entities.
Executive summary	New language describes the direct value the framework offers to third parties themselves.
Registry	Tracks licensees that have been supplied (not "purchased") data/models. Regulator requests may reach the data/models themselves. Public information includes vendor names and may include intended uses.
Governance & disclosure	Governance is "expected to" (was "must") align with NAIC AI Principles and Model Bulletin. Model documentation adds intended use, approach, and outputs. Consumer disclosure is assigned by contract.
Confidentiality	NAIC-vendor data sharing agreement and state MOUs replace the "NAIC not subject to open records laws" language.
Filings	Regulator information requests moved here from the registry. Prohibition on use is subject to state notice-and-cure procedures. New state confidentiality and vendor-licensure suggestions.
Annual attestation	The legal-compliance attestation is removed. A new attestation covers records that let an independent party reconstruct material changes.
Material changes	"Material modification" is now defined. Vendors are expected to keep records of changes made between attestations.

1. Executive Summary

Purpose, scope, and the core accountability principle

One Phase of a Larger Framework

- This document is the first phase of a broader pending regulatory framework covering all third-party data and model vendors used across insurance functions with direct consumer impact.
- Working Group consensus narrowed initial focus to pricing and underwriting – the areas where third-party vendor models are most prevalent, most consequential, and where states already have filing experience.

- **Phase 1 – Now**
  - Property & Casualty Pricing & Underwriting
- **Future Phases Under Consideration**
  - Claims
  - Utilization Review
  - Marketing
  - Fraud Detection

Three Purposes of the Framework

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Ensure Compliance

- Establish a process for states to ensure licensees' use of third-party data and models complies with state insurance laws and regulatory standards including rate review authority and prohibitions against unfair discrimination.

Encourage Strong Governance

- Promote robust governance standards for the third-party data and models that licensees rely on.

Enable Regulator Visibility

- Give state regulators comprehensive awareness of the third parties and the products they supply to licensees that are material to P&C pricing and underwriting – plus direct access to their data and models.

Added: Value to Third Parties

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In addition to strengthening regulatory oversight, the framework offers direct value to third parties themselves:

- **Signals commitment** to shared standards and establishes participants as credible and identifiable actors
- **Practical access** to information-sharing and consultation channels, streamlining routine filings and regulatory inquiries in which third-party data or models are implicated
- **Reflects good governance** by proactively contributing to a process where responsibility is shared by all stakeholders that materially affect outcomes with significant consumer impact

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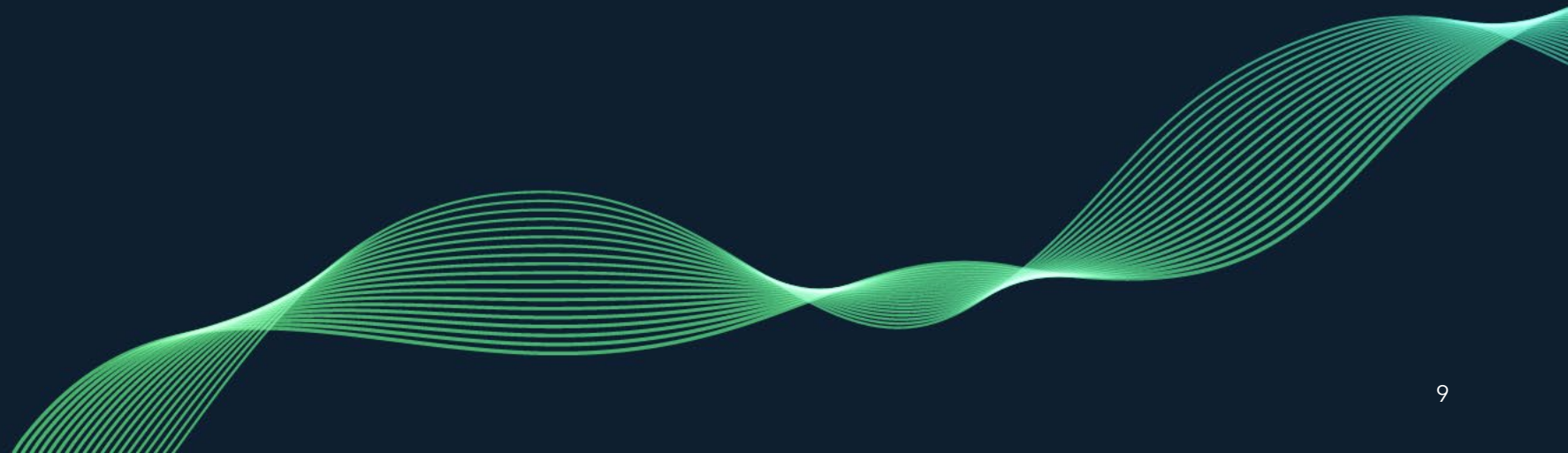
Licensees Remain Fully Responsible for Compliance

The Core Principle

Regulatory oversight of third-party vendors does not transfer, reduce, or dilute a licensee's own accountability for the data and models it uses – registration of a third party never relieves the licensee of its obligations.

2. Definitions

Pricing & underwriting models, data, and their vendors



Two Categories: Models & Data

MODEL

- **Pricing Model**
  - Relates losses, expenses & risk factors to develop rates, premiums, or rating factors.
- **Underwriting Model**
  - Relates risk characteristics & exposures to inform accept / decline / tier decisions.

DATA

- **Pricing Data**
  - Facts/information used as (or to select) input to a pricing model, including other vendors' model output.
- **Underwriting Data**
  - Facts/information used as (or to select) input to an underwriting model or decision.

Pricing Model & Vendor

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Pricing Model

- A simplified representation of how insurance losses, expenses, and risk factors relate to each other, constructed to develop rates, premiums, or rating factors for property and casualty risks.

Third-Party Pricing Model Vendor

- A person or entity, other than a licensee, that develops, maintains, or distributes a pricing model for use by licensees in ratemaking. The vendor does not itself assume the insurance risk associated with the model's output.

Underwriting Model & Vendor

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Underwriting Model

- A simplified representation of relationships between risk characteristics, exposures, and expected outcomes, designed to inform or automate a licensee's decisions to accept, decline, or modify the terms of a risk.

Third-Party Underwriting Model Vendor

- A person or entity, other than a licensee, that develops, maintains, or distributes an underwriting model for use by licensees that provides actionable guidance – an accept/decline recommendation, tier placement, or eligibility determination.

Pricing Data & Vendor

Pricing Data

- Facts or information from a source other than a licensee, used as input to a pricing model – or that informs the selection of such input – for developing rates, premiums, or rating factors. Includes output from other vendors' models.

Third-Party Pricing Data Vendor

- A person or entity, other than a licensee, that develops, maintains, collects, compiles, or distributes pricing data used by licensees or unlicensed persons in developing rates, premiums, or rating factors.

Underwriting Data & Vendor

Underwriting Data

- Facts or information from a source other than a licensee, used as input to an underwriting model – or that informs the selection of such input – for evaluating, accepting, declining, or modifying the terms of a risk.

Third-Party Underwriting Data Vendor

- A person or entity, other than a licensee, that develops, maintains, collects, compiles, or distributes underwriting data that serves as an input to an underwriting model or otherwise informs underwriting decisions. Note: a vendor may be both a data vendor and a model vendor.

Added: Definition of "Licensee"

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Licensee

- Any insurer, advisory organization, rating organization, or other similar organization engaged in pricing or underwriting property and casualty insurance that is required to be licensed or otherwise authorized under applicable state law and is subject to examination by the [department of insurance].

What This Changes

- Replaces "insurers" and "property and casualty insurers" throughout the framework
- Brings advisory organizations, rating organizations, and similar entities into the same terms as insurers

3. Proposed Structure

Three Components: registry, filings, on-going vendor requirements

Three Components of Oversight

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1. Vendor Registry

- Voluntary, NAIC-hosted multi-state registration

2. Rate & Underwriting Filings

- Third-party data/models filed alongside licensee filings

3. Ongoing Vendor Requirements

- **Annual Attestation** -- Senior leader certifies governance and record-keeping
- **Material Changes** -- Vendors notify the registry of significant modifications

Part 1: The Vendor Registry

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- **Voluntary registration** through a shared multi-state registry hosted by the NAIC.
- Functions as a **central repository**: corporate governance, data & model governance programs, and which licensees have been supplied each data set or model
- Registered **vendors commit to respond** within specified timeframes to regulator requests for information, including potentially the data and/or models themselves
- Registry indicates **registration type per state** (e.g., Data and Model Vendor, Insurance Support Organization, Advisory Organization)

What Vendors Must Document

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Corporate Governance

- Contact information, legal entity & ownership structure, responsible officers

Governance Programs

- Expected to be consistent with the NAIC AI Principles and Model Bulletin, including governance, roles, responsibilities & internal oversight

Model Documentation

- Purpose, intended use, modeling approach, assumptions, inputs, outputs, limitations, performance metrics, validation processes

Data Documentation

- Accuracy, completeness, timeliness, auditable lineage & quality controls, missing-data remediation process

Consumer Disclosure

- Vendor contracts with licensees should name the party responsible for disclosing data usage to consumers, explaining how they can access and correct their data records, and defining any limits on corrections

Regulator Access & Confidentiality

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Regulator & Public Access

- Regulators see which vendors supply data/models to licensees in their state, and which licensees use them
- Public: vendor names, and possibly non-confidential details such as intended use(s)
- Detailed information requests (Model Review Manual, Catastrophe Modeling Primer) moved to Part 2: Filings

Confidentiality Protections

- NAIC-vendor data sharing agreement covers registry submissions
- Confidential information is shared only with jurisdictions that attest they can protect it
- MOUs with participating states; each state's confidentiality and open records laws govern
- Jurisdictions share only with other MOU signatories
- States may need to enact or amend statutes
- ~~NAIC is not subject to open records laws~~ (removed)

Part 2: Rate & Underwriting Filings

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Licensees still file their own rates and underwriting rules under each state's existing laws – this proposed draft framework doesn't change that.

If a vendor's data/model is used:

- It must be filed – either within the licensee's own filing, or as a separate filing the vendor submits directly, as the regulator requires/allows. On request, vendors should provide information like that in the NAIC Model Review Manual and Catastrophe Modeling Primer (e.g., documentation, validation, fairness/bias testing, change logs).

If a vendor fails to provide requested information:

- The regulator may prohibit licensees from using that data/model for P&C pricing or underwriting in the state, subject to each state's notice and cure procedures.

If a state can't approve a third-party filing separately:

- Applies where a state is limited to evaluating a licensee's filing or rates. The filing is evaluated as part of the licensee's own filing – demonstrate the use of the data/model does not produce rates/underwriting that are excessive, inadequate, or unfairly discriminatory.

Part 2: Confidentiality & Licensure

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Same Protections for Vendors

- States are encouraged to give third-party data and model filings the same confidentiality and IP protections licensees get for confidential, proprietary, and trade-secret information
- Supports vendor access to the registry and submission of requested data and/or models

Suggested "Model & Data Vendor" Licensure

- Similar to advisory/rating organization requirements, with four changes:

  1) Require data and model governance, beyond organizational governance

  2) No examinations, or exams limited to data and model governance

  3) Require participation in the proposed registry

  4) Require an annual data and model governance attestation

- States may use alternative approaches to reach the same goal.

Part 3: Annual Attestation

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A. Governance Is Implemented & Effective

- The governance program is in place and working for the data and models used by licensees in P&C pricing and underwriting.

B. Records Allow Reconstruction of Changes

- Records are sufficient for an independent party to reconstruct all material changes to each model or dataset
- Retained until the model or dataset is no longer in use, and produced when a regulator asks
- ~~Former B: data and models comply with insurance laws in every state where used~~ (removed)

Part 3: Material Change Notifications

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Vendors must proactively notify the registry – regulators don't have to wait for the next annual cycle to learn about significant changes.

1. Vendor makes a material change

Modification to a dataset or model – including full decommissioning. "Material" means reasonably expected to significantly impact performance, capabilities, behavior, or risks.

2. Vendor submits notice to the registry

Filed as it happens, not held for the annual attestation cycle

3. Regulators may request documentation

If the change signals a significant shift in behavior, risk, or consumer impact

Records between attestations

Vendors are expected to keep records sufficient to reconstruct all material changes, retained until the model or dataset is no longer in use and produced on regulator request

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4. Licensee Responsibilities

What doesn't change for licensees

Licensee Responsibilities

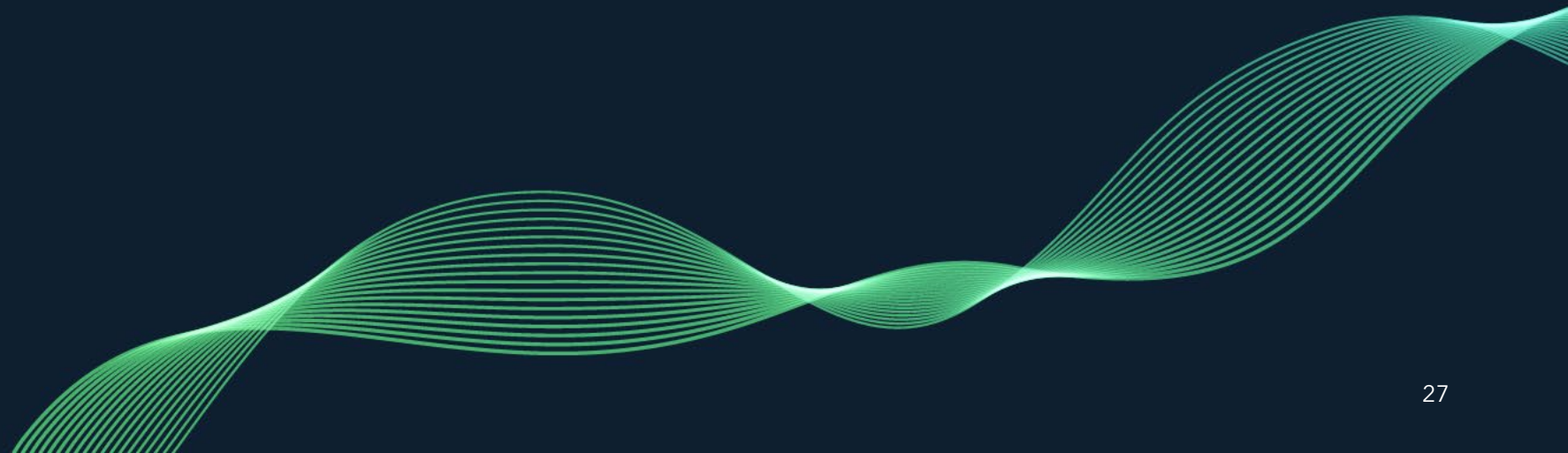
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Oversight of third-party vendors does not reduce licensee accountability. Licensees remain responsible for:

- **Assessing model suitability for their own data and business use cases**
- **Conducting licensee-level model validation, testing, and monitoring**
- **Ensuring third-party data is sufficiently complete, accurate & appropriate for its intended use**
- **Ensuring compliance with pricing, underwriting, unfair trade practices & discrimination law**
- **Maintaining licensee and regulator access to necessary model/data information**

5. Key Takeaways

Where this goes next



Key Takeaways

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Phase one of a larger effort

- Scoped to P&C pricing & underwriting; other functions may follow later

Three-part structure

- Voluntary registry, filing requirements, and on-going vendor requirements (annual attestation and change notices)

Licensee accountability is unchanged

- Third-party oversight supplements, but never replaces, licensee compliance

Built from stakeholder input

- Revised after comment letters
- November draft adds clearer confidentiality mechanics, state notice-and-cure steps, and record-keeping expectations

Thank you

Questions & Discussion

This framework is now officially exposed (November 4, 2026 version) – feedback and comment will continue to shape the framework before we consider adoption in the spring next year.

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