1. Consider Adoption of its Nov. 19 Minutes

Attachment A

Commissioner Doug Ommen (IA)

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Draft: 12/4/25

Big Data and Artificial Intelligence (H) Working Group
Virtual Meeting
November 19, 2025

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 X). 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.

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

2. Discuss Edits to the Artificial Intelligence (AI) Systems Evaluation Tool and Hear Feedback from Interested Parties

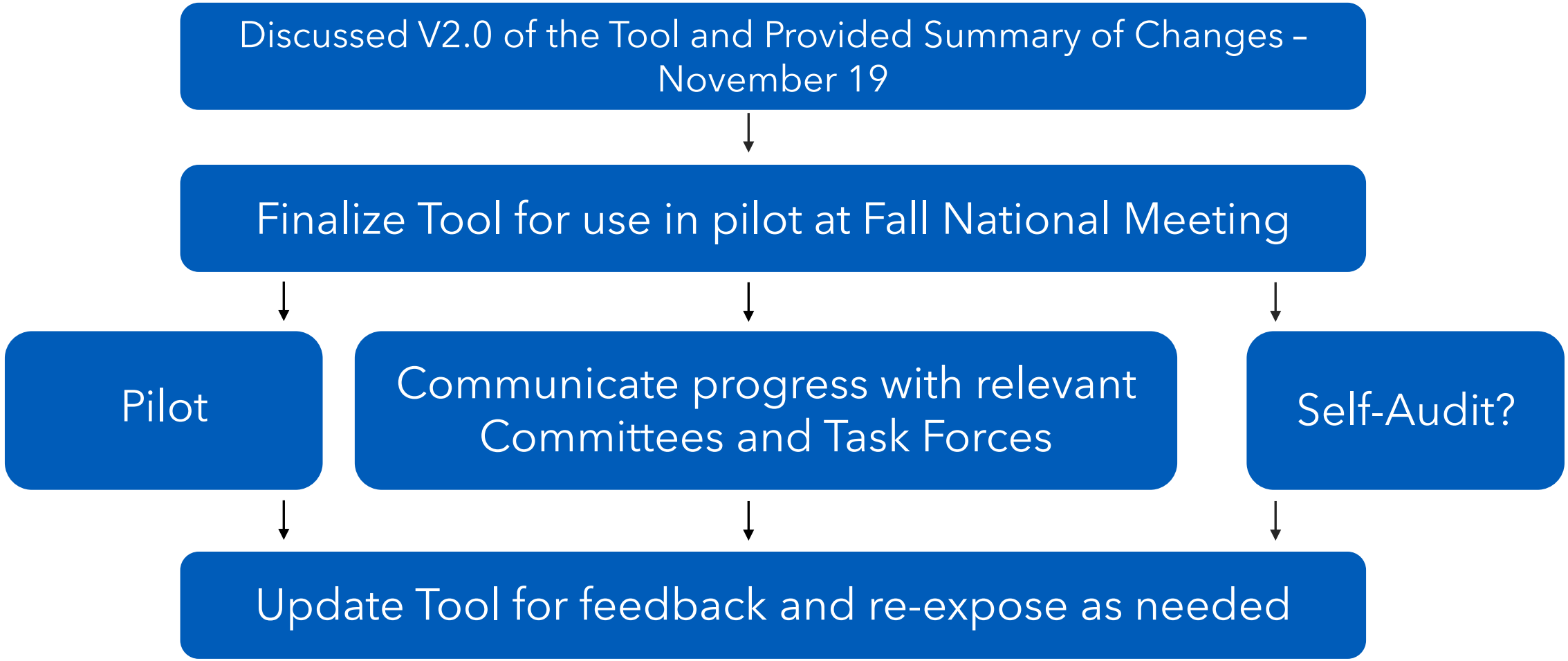
Attachment B

Commissioner Doug Ommen (IA)

Discussion Plan

Subject	Start Time	End Time	Duration (in minutes)	Discussion Leader
Roll Call/Minutes Adoption	8:00	8:10	10	Cmsr. Ommen (IA)
Objectives / Recap of Work	8:10	8:30	20	Cmsr. Ommen (IA)
Exhibit A	8:30	9:15	45	Amanda Theisen (IA)
Break 1	9:15	9:25	10	
Exhibit B	9:25	10:10	45	Diana Sherman (PA)
Exhibit C	10:10	10:30	20	Mary Block (VT)
Exhibit D	10:30	10:50	20	Mary Block (VT)
Break 2	10:50	11:00	10	
Overall Instructions	11:00	11:55	55	Dan Mathis (IA)
Other Matters/Adjournment	11:55	12:00	5	Cmsr. Ommen (IA)

AI Systems Evaluation Tool – Development Plan



AI Systems Evaluation Tool – Pilot Specifics

- States will use tool on a mix of financial and market exams
  - Participating states can decide on extent of use within their state using it on a mix of financial and market related inquiries
  - Participating states may decide to use all or part of the tool, as appropriate
  - Participating states will decide which companies will receive tool related requests
  - Requested information will be subject to confidentiality protections as specified by inquiring state
- States will share insights on experiences with tool to pilot group
- States that use the tool may use all or part of the tool
- Participating states will be asked to convene to decide on remaining pilot specifics

Artificial Intelligence Systems Evaluation
Optional Supplemental Exhibits for State Regulators

Background:
The rapid expansion of big data and adoption of Artificial Intelligence and Machine Learning (AI systems) is significantly transforming insurance practices. These technologies can offer substantial benefits to both insurance companies and consumers by facilitating the development of innovative products, improving customer interface and enhancing service, simplifying and automating processes, and promoting efficiency and accuracy. However, without robust governance and effective controls, the use of AI systems may lead to adverse consumer outcomes or compromise the financial soundness of an insurance company. Insurers are responsible for managing the risks associated with the development and implementation of AI systems and must demonstrate to regulators that adequate oversight mechanisms are in place and are functioning effectively.

Intent:
The NAIC's Innovation, Cybersecurity and Technology (H) Committee charged the Big Data and AI Working Group (BDAIWG) to create tool(s) that would enable regulators to identify and assess AI systems' related risks on an on-going basis with a scope that considers both financial and consumer risks evolving specifically from company's use of AI systems to the extent such risks can be parsed from the comprehensive structure.

This document and related tools are designed to supplement existing market conduct, product review, form filing, financial analysis, and financial examination review procedures. As this tool supplements existing NAIC resources, regulators should continue to consider existing NAIC resources as authoritative but may consider drawing from this tool to assist in understanding and assessing a company's use of AI systems.

These optional exhibits allow regulators to determine the extent of AI systems usage for a company and whether additional analysis is needed focusing on financial and consumer risk.

Sections of the Tool include:

- **Exhibit A: Quantify Regulated Entity's Use of AI Systems**
- **Exhibit B: AI Systems Governance Risk Assessment Framework (Two Options: Narrative or Checklist)**
- **Exhibit C: AI Systems High-Risk Model Details**
- **Exhibit D: AI Systems Model Data Details**

Instructions:
Information obtained from the Exhibit submission may supplement guidance and tools used during an existing market conduct, product review, form filing, financial analysis, and financial examination review, to enhance the regulator's understanding of the AI systems utilization and assessment of risk across an insurance company in performing the analysis and examination reviews. Effective assessment requires regulators to maintain a fluent understanding and application of the applicable laws including those pertaining to unfair trade practices, confidentiality, and financial reporting.

Regulators using the tool may wish to first use Exhibit A and based on the information provided, determine if further inquiry is necessary. It may be possible that company responses indicate that while the company responding is using AI, its use of AI is so limited or low in inherent risk as to not require further inquiry as contemplated by subsequent exhibits.

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.

The tool responses will be considered by regulators when identifying the inherent risks of the insurer. They should also affect the planned examination or inquiry approach, as well as the nature, timing and extent of any further procedures performed.

Materiality and Risk Assessment

Exhibit C of this tool relies on company assessments of risk and materiality. As part of evaluating company responses, regulators may request information on how a responding company assesses both concepts to assist in the regulatory review.

Confidentiality

Regulators using any of the tools should be prepared to cite examination or other authority, as appropriate when requesting information from insurers.

Which Exhibit to Use?

Risk Identification or Assessment	A	B	C	D
Identify Reputational Risk and Consumer Complaints	**X**	**X (Checklist)**		
Assess Company Financial Risk – Number of models implemented recently	**X**	**X (Checklist)**		
Identify Adverse Consumer Outcomes – AI Systems and data use by operational area	**X**	**X**	**X**	**X**
Evaluate Actions Taken Against Company's Use of High-Risk AI Systems (as defined by the company)			**X**	
Evaluate Robustness of AI Controls		**X**	**X**	
Determine the types of data used by operational area				**X**

Exhibit A: Quantify Regulated Entity's Use of AI Systems

Purpose: To obtain information pertaining to the number of AI models that are new, updated, etc. that will help facilitate risk assessment. Based on the responses from the company, regulators may ask for additional information related to governance (Exhibits B), high-risk models (Exhibit C), and data types (Exhibit D) where there is risk for adverse consumer outcomes or material adverse financial impact.

Company Instructions: Provide the most current counts and use cases of the following as requested. Note that "AI System" is defined as a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI systems are designed to operate with varying levels of autonomy (supportive, augmented, automated). "Adverse Consumer Outcome" and "Use Case" are as defined below. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Company Legal Name or Group Name: _____

NAIC Code or Group Code: _____

Company Contact Name: _____ Email: _____

Describe the Line of Business for Which This Response Applies: _____

Date Form Completed ("as of") Date: _____

Use of AI System in Operations or Program Area	Number of AI System Model(s) Currently in Use	Number of AI System Model(s) with Consumer Impact	Number of AI System Model(s) with Material Financial Impact	Number of AI System Model(s) Implemented in Past 12 Months	AI System Use Case(s)
Marketing					E.g., UC1: Identify potential consumers interested in product.

Premium Quotes & Discounts					
Underwriting					
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits					
Claims/Adjudication*					
Customer Service					
Utilization Management/Utilization Review/Prior Authorization					
Fraud/Waste & Abuse					
Investment/Capital Management					
Legal/Compliance					
Producer Services					
Reserves/Valuations					
Catastrophe Triage					
Reinsurance					
Other (remove or change to “additional” per the use of “Other” above)					
**Includes Salvage/Subrogation*					

Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework

Purpose: To obtain the Company AI Governance Framework, including the risk identification, mitigation, and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third-party AI systems and data. Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI Systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Date Form Completed ("as of") Date: _____

1. Provide the Governance Framework pertaining to the use of AI systems. Click or tap here to enter text.
    a. What role maintains the framework? Click or tap here to enter text.
    b. Discuss the governance structure, Board reporting and frequency. Click or tap here to enter text.
    c. Discuss the process by which the framework is integrated throughout the organization, assessed and remediated. Click or tap here to enter text.
    d. Discuss the process by which the effectiveness of the framework and individual models are assessed and modified. Click or tap here to enter text.
    e. Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment. Click or tap here to enter text.
    f. Discuss the integration of the AI systems in the Own Risk and Solvency Assessment (ORSA) and Enterprise Risk Management (ERM) assessments. Click or tap here to enter text.
    g. Suggested additional question: How does the insurance company assess autonomy, reversibility, and reporting impact risk of AI systems?

2. Discuss the uses of AI system that:
    a. Generates a financial transaction directly or indirectly. Click or tap here to enter text.
    b. Generates consumer impact directly or indirectly. Click or tap here to enter text.
    c. Generates or impacts information reported in financial statements either directly or indirectly. Click or tap here to enter text.
    d. Generates or impacts risk and or control assessment. Click or tap here to enter text.
    e. *Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.* Discuss the basis for deviation from established practices. Click or tap here to enter text.

3. Provide the policy and discuss the use and oversight of AI system vendors, model design and testing:
    a. Discuss the transparency and testing procedures performed on internally-developed AI systems. Click or tap here to enter text.
    b. Discuss the transparency and testing procedures performed on third-party vendor-supplied AI systems. Click or tap here to enter text.
    c. Discuss the testing and verification that has occurred including frequency, scope and methodology. Click or tap here to enter text.

4. Provide the policy and discuss the use and oversight of AI systems by professional service providers including actuarial, claim, MGA, audit, and/or other professional services. Click or tap here to enter text.
    a. Discuss the testing and verification that has occurred, frequency, scope, and methodology. Click or tap here to enter text.

    Click or tap here to enter text.Click or tap here to enter text.
5. Discuss additional RAF design and evaluation pertaining to AI systems. Click or tap here to enter text.
    a. Discuss the unit(s) responsible for the RAF, assessment approach and frequency, and involvement with the program area to the extent it differs from that discussed above. Click or tap here to enter text.

Exhibit B: (Checklist) AI Systems Governance and Risk Assessment Framework

Purpose: To obtain the Company AI Systems Governance Framework, including the risk identification, mitigation and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third party AI systems and data" potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity. Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Date Form Completed ("as of") Date: _____

Ref	AI Systems Use Questions for Company	Company Response
1	Has the company adopted a written AIS Program? If yes, when was it adopted and what is the frequency of review for updating?	
2	Was the Board of Directors or management involved in the adoption of an AIS Program?	
	2a. What is the role of the Board of Directors or management in the AI Systems Governance Framework?	
3	**Reference the processes and procedures of the Company AI Governance Framework that addresses the following:**	

	How the Insurance Company…	Page #	If not specified in governance, provide details below:
	3a. Assesses, mitigates, and evaluates residual AI system risks of unfair trade practices		
	3c. Ensures AI systems are compliant with state and federal laws and regulations		
	Evaluates risk of adverse consumer outcomes		
	3e. Considers data privacy and protection of consumer data used in AI systems		
	3f. Ensures AI systems are suitable for their intended use and should continue to be used as designed		
	3h. Ensures AI system risks are considered within Enterprise Risk Management (ERM)		
	3i. Ensures AI system risks are considered within the Own Risk and Solvency Assessment (ORSA)		
	3j. Ensures AI system risks are considered in software development lifecycle (SDLC)		
	3k. Ensures AI system risk impact on financial reporting is considered		
	3l. Trains employees about AI system use and defines prohibited practices (if any)		
	3m. Quantifies AI system risk levels		
	3n. Provides standards and guidance for procuring and engaging AI system vendors		
	3o. Ensures consumer complaints resulting from AI systems are identified, tracked, and addressed		
	3p. Ensures consumer awareness in use of AI systems through disclosures, policies, and procedures for consumer notification		

Exhibit C: AI Systems High-Risk Model Details

Purpose: To obtain detailed information on high-risk AI system models, such as models making automated decisions, that could cause adverse consumer, financial, or financial reporting impact. AI system risk criteria is set by the insurance company. To assist in identifying models for which this information is requested, regulators may request information on the company's risk assessment and a model inventory if such information has not otherwise already been provided.

Company Instructions: Fill in the details for each of the AI system model(s) requested. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Date Form Completed ("as of") Date: _____

Model name	
Model type	
Model Implementation Date	
Model development (internal or third party – include vendor name)	
Model risk classification	
Model risk(s) and limitation(s)	
AI type (automate, augment, support)	
Testing model outputs (drift, accuracy, bias, unfair trade practices, performance degradation, etc.)	
Last date of model testing	
Use cases and purpose of model	

Discuss how the model affects the financial statements, risk assessment or controls.	
Discuss how the model is reviewed for compliance with state and federal laws Replace with "Discuss how the model is reviewed for compliance with the unfair trade practices act and unfair claims settlement laws."	
Discuss if the company has had any actions taken against them for use of this model. Actions may include but are not limited to informal agreements, voluntary compliance plans, administrative complaints, ongoing monitoring, cease and desist, remediation, restitution, fines, penalties, investigations, consent orders or other regulatory agency actions.	

Exhibit D: AI Systems Model Data Details

Purpose: To obtain detailed information of the source(s) and type(s) of data used in AI system model(s) to identify risk of adverse consumer impact, financial, or financial reporting impact.

Company Instructions: Provide details below for the data used in AI system model(s). If any of the data elements listed are used in the training or test data as part of the development of AI model(s), provide information on whether the data element is sourced internally or whether the data element is sourced from a third party, in which case provide the name of the third-party vendor. Leave blank if a data source is not used in the development of AI system model(s) for the insurance operation. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Line of Business (complete one for each line of business): _____

Date Form Completed ("as of") Date: _____

(1) **Type of Data Element Used in AI System Model(s)**	(2) **Type of AI System Model(s) (E.g., Predictive vs. Generative AI)**	(3) **Describe How the Company Uses the Data Throughout Their Insurance Operations (include operational practices by line of insurance)**	(4) **Internal Data Source**	(5) **Third Party Data Source / Vendor Name**
Aerial Imagery				
Age, Gender, Ethnicity/Race				

Consumer or Other Type of Insurance/Risk Score				
Crime Statistics				
Criminal Convictions (Exclude Auto-Related Convictions)				
Driving Behavior				
Education Level (Including school aptitude scores, etc.)				
Facial or Body Detection / Recognition / Analysis				
Geocoding (including address, city, county, state, ZIP code, lat/long, MSA/CSA, etc.)				
Geo-Demographics (including ZIP/county-based demographic characteristics)				
Household Composition				
Image/video Analysis				
Income				
Job History				
Loss Experience				
Medical, including Biometrics, genetic information, pre-existing conditions, diagnostic data, etc.				
Natural Catastrophe Hazard (Fire, Wind, Hail, Earthquake, Severe Convective Storms)				
Online social media, including characteristics for targeted advertising				
Personal Financial Information				
Telematics/Usage-based insurance				
Vehicle-Specific Data including VIN characteristics				

Voice Analysis				
Weather				
Other: Non-Traditional Data Elements (Please provide examples)				

DEFINITIONS AND APPENDIX

Where available, for the purposes of this evaluation terms are defined in accordance with the NAIC Model Bulletin on the Use of AI Systems by Insurers (https://content.naic.org/sites/default/files/2023-12-4%252520Model%252520Bulletin_Adopted_0.pdf):

"Adverse Consumer Outcome" refers to an AI System decision (output) by an insurance company that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards.

"Algorithm" means a clearly specified mathematical process for computation; a set of rules that, if followed, will give a prescribed result.

"AI System" is a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI Systems are designed to operate with varying levels of autonomy.

"Artificial Intelligence (AI)" refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence.

"Consumer Impact" refers to a decision by an Insurer that is subject to insurance regulatory standards enforced by the Department.

"Degree of Potential Harm to Consumers" refers to the severity of adverse economic impact that a consumer might experience as a result of an Adverse Consumer Outcome.

"Externally Trained Models" Transferred learnings from pre-trained models developed by a third party on external reference datasets.

"Generative Artificial Intelligence (Generative AI)" refers to a class of AI Systems that generate content in the form of data, text, images, sounds, or video, that is similar to, but not a direct copy of, pre-existing data or content.

"Inherent Risk" Refers to an assessment of risk before considering risk-mitigation strategies or internal controls.

"Internally Trained Models" Models developed from data internally obtained by the company.

"Machine Learning (ML)" Refers to a field within artificial intelligence that focuses on the ability of computers to learn from provided data without being explicitly programmed.

"Material Financial Impact" Material financial impact refers to costs or risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limits prescribed by Federal or State laws and regulations.

"Model Drift" refers to the decay of a model's performance over time arising from underlying changes such as the definitions, distributions, and/or statistical properties between the data used to train the model and the data on which it is deployed.

"Neural Network Models" Include but not limited to: Single/multi-layer perceptrons/fully connected networks (MLPs/FCs), Deep Learning (DL), Convolutional Neural Networks (CNNs), Recurrent Neural Networks (RNNs), Long Short-Term Memory Neural Networks (LSTMs), Sequence Models, Large Language Models (LLMs), and Reinforcement Learning Models (RLs).

"Predictive Model" refers to the mining of historic data using algorithms and/or machine learning to identify patterns and predict outcomes that can be used to make or support the making of decisions.

"Residual Risk" Refers to an assessment of risk after considering risk-mitigation strategies or controls.

"Third Party" for purposes of this bulletin means an organization other than the insurance company that provides services, data, or other resources related to AI.

"Validation Method" The source of the reference data used for validation, whether Internal, External, or Both.

"Use Case" A description of a specific function in which a product or service is used.

Operations

Marketing - Examples: market research, target advertising, market/coverage expansion, customer segment target marketing, demand modeling, agent/broker incentive plans, up/cross-selling.

Underwriting - Examples: Policy/coverage acceptance, company placement/tiering, schedule rating, decisions based on telematics/UBI, report ordering, retention modeling, inspections, anomaly detection.

Ratemaking/Pricing - Examples: Development of overall/base rates, expense/loss loadings, estimation of trends and loss development, development of manual rating factors, tiering criteria, insurance credit scoring, territory boundary definitions, numeric/categorical level groupings and interactions, individual risk rating, telematics/UBI, price optimization, schedule rating factors.

Claims - Examples: Claim assignment, triage/fast-tracking, individual/bulk claim reserving including loss estimation, imaging/video analysis, fraud detection, litigation, estimation of closure rates, salvage/subrogation, examination/report ordering.

Customer Service - Examples: Agent/broker/internet/customer service interaction (chatbots), online/smart phone apps, loss prevention/risk mitigation advice, payment plans, complaints.

Other: Cyber Security, Fraud Detection, Strategic Operations, Reserving, Investments, Capital Management, Financial Reporting, Reinsurance, Legal, Legal Exposure, Reputation Risk.

Artificial.Intelligence.Systems.Evaluations.version.8¡6
Optional.Supplemental.Exhibits.for.State.Regulators
Members, Interested Regulators, and Interested Parties Suggested Revisions

Themes

- Clarity of Definitions
  - Need to define key terms such as bias, materiality, high-risk AI systems, and performance degradation.
  - Replace "bias" with "unfair discrimination" or provide explicit definitions to distinguish statistical bias from regulatory unfairness.
- Scope and Coordination
  - Tool is too broad; overlaps with market conduct exams or financial inquiries.
  - Coordinate with D and E committees
  - Limit scope to consumer impacts rather than financial risk
  - Several interested parties commented to exclude GLMs from scope
- Governance and Oversight
  - Should ensure that insurers have clear accountability structures and policies for third-party AI
  - Difficulty in health insurance around "sources of truth" (Eric Ellsworth) in automated prior authorization
- Testing and Model Validation
  - Importance of model testing protocols but requested clearer prioritization and definitions.
  - Should require end-to-end testing not just model-level checks, to ensure automated processes function correctly.
- Regulatory Burden and Practicality
  - Tool could create duplicative requests or excessive burden for insurers.
  - Should streamline exhibits.
  - Limit to material risk.
- Confidentiality and Data Use
  - Need to protect confidentiality.
  - Foundation models lack training data provenance, making Exhibit D difficult to complete.
- Consumer Protection and Outcomes
  - Focus on adverse consumer outcomes, transparency, and fairness.

- Regulators should ensure redress mechanisms are accessible.

Background

The rapid expansion of big data and adoption of Artificial Intelligence and Machine Learning (AI systems) is significantly transforming insurance practices. These technologies can offer substantial benefits to both insurance companies and consumers by facilitating the development of innovative products, improving customer interface and enhancing service, simplifying and automating processes, and promoting efficiency and accuracy. However, without robust governance and effective controls, the use of AI systems may lead to adverse consumer outcomes unintended consumer harm or compromise the financial soundness of an insurance company. Insurers are responsible for managing the risks associated with the development and implementation of AI systems and must demonstrate to regulators that adequate oversight mechanisms are in place and are functioning effectively.

Comments:

Brian Bayerle (ACLI)

- "AI Systems" is a defined term, and should be capitalized throughout the document.
- The NAIC AI Bulletin addresses consumer outcomes, so financial items should be excluded from the tool.

Wilson-Bilik, Mary Jane (Committee of Annuity Insurers—CAI)

may lead to adverse consumer outcomes or ~~compromise the~~adverse financial ~~soundness of~~impacts to an insurance company. Insurers are responsible for managing the risks associated with the development and implementation of AI systems and must be able to demonstrate to regulators that ~~adequate~~appropriate

- risk-based oversight mechanisms are in place and are functioning effectively.

Intent

The NAIC's Innovation, Cybersecurity and Technology (H) Committee charged the Big Data and AI Working Group (BDAIWG) to create tool(s) that would enable regulators to identify and assess AI systems' related risks on an on-going basis with a scope that considers both financial and consumer risks evolving specifically from company's use of AI systems to the extent such risks can be parsed from the comprehensive structure.

This document (NAIC staff edit) are designed to supplement existing market conduct, product review, form filing, financial analysis, and financial examination review procedures. As this tool supplements existing NAIC resources, regulators should continue to consider existing NAIC resources as authoritative but may consider drawing from this tool to assist in understanding and assessing a company's use of AI systems.

These optional exhibits allow regulators to determine the extent of AI systems usage for a company and whether additional analysis is needed focusing on financial and consumer risk.

Sections of the Tool include:

- Exhibit A: Quantify Regulated Entity's Use of AI Systems
- Exhibit B: AI Systems Governance Risk Assessment Framework (Two Options: Narrative or Checklist)
- Exhibit C: AI Systems High-Risk Model Details
- Exhibit D: AI Systems Model Data Details

Comments:

Brian Bayerle (ACLI) • The tool should be focused on "direct" impacts. "Indirect" impacts would very quickly lead to unwieldy reporting as it would bring in AI embedded in common products. • Suggest striking Exhibit D entirely; additional commentary below.
Dave Snyder (APCI) on behalf of member Company 2 • Exhibits A, C, and D should be limited to high-risk AI Systems. The level of detail an insurance company is required to provide through these exhibits is very burdensome for an AI System that is not high risk. There should be a proportionality component to the use of these exhibits. • For example, we may not be able to provide the detail required in Exhibit D for an AI System we license through a third-party vendor or that is used by a third-party claim administrator or other third party service provider.
Wilson-Bilik, Mary Jane (Committee of Annuity Insurers—CAI)

- This ~~document and related tools are~~tool is designed to supplement existing market conduct, ~~product review, form filing,~~ financial analysis, and financial examination review procedures for reviewing AI Systems. As this tool supplements existing NAIC resources, regulators should continue to consider existing

  ~~These~~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 domestic and lead state regulators and/or group-wide supervisors in the use of this tool to evaluate financial risk from AI Systems.

- The optional exhibits in this tool allow regulators to determine the extent of AI systems usage for a

  - **Exhibit B: AI Systems Governance Risk Assessment Framework (Two Options: Narrative or Checklist) [Recommend limiting Exhibit B to just the Checklist]**
  - **Exhibit C: High-Risk AI Systems ~~High-Risk Model~~ Details**
  - **Exhibit D: AI Systems ~~Model~~ Data Details [Recommend deletion of Exhibit D]**

Instructions

Information obtained from the Exhibit submission may supplement guidance and tools used during an existing market conduct, product review, form filing, financial analysis, and financial examination review, to enhance the regulator's understanding of the AI systems utilization and assessment of risk across an insurance company in performing the analysis and examination reviews. Effective assessment requires regulators to maintain a fluent understanding and application of the applicable laws including those pertaining to unfair trade practices, confidentiality, and financial reporting.

Regulators using the tool may wish to first use Exhibit A and based on the information provided, determine if further inquiry is necessary. It may be possible that company responses indicate that while the company responding is using AI, its use of AI is so limited or low in inherent risk as to not require further inquiry as contemplated by subsequent exhibits.

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.

The tool responses will be considered by regulators when identifying the inherent risks of the insurer. They should also affect the planned examination or inquiry approach, as well as the nature, timing and extent of any further procedures performed.

Materiality and Risk Assessment

Exhibit C of this tool relies on company assessments of risk and materiality. As part of evaluating company responses, regulators may request information on how a responding company assesses both concepts to assist in the regulatory review.

Confidentiality

Regulators using any part of this toolof the tools (NAIC staff edit) should be prepared to cite examination or other authority, as appropriate when requesting information from insurers.

Which Exhibit to Use?

Risk Identification or Assessment	A	B	C	D
Identify Reputational Risk and Consumer Complaints	**X**	**X (Checklist)**		
Assess Company Financial Risk – Number of models implemented recently	**X**	**X (Checklist)**		
Identify Adverse Consumer Outcomes – AI Systems and data use by operational area	**X**	**X**	**X**	**X**
Evaluate Actions Taken Against Company's Use of High-Risk AI Systems (as defined by the company)			**X**	
Evaluate Robustness of AI Controls		**X**	**X**	
Determine the types of data used by operational area				**X**

Comments:

Brian Bayerle (ACLI)

- applicable laws including those pertaining to unfair trade practices, unfair claims settlement practices, corporate governance annual disclosure, confidentiality, property and ~~financial reporting.~~casualty rating.
    - Updated to align with applicable laws cited in the NAIC AI Bulletin.
- inquiry as contemplated by subsequent exhibits. Specifically, Exhibit C should only be requested for specific regulatory purposes regarding direct Consumer Impact.
    - Suggest a narrower initial request of companies, with additional Exhibits only to be provided for specific regulatory purposes where additional information is warranted.
- ~~If~~Regulators are advised to coordinate with the domestic regulator of the company. To the extent that the information requested ~~through the tool~~ has already been provided to this department or any other state department of insurance, ~~the~~ regulators should accept a company's ~~response should so state and reference when and how the information~~prior submission if it was ~~provided.~~done so in the past 12 months absent specific regulator purposes.
    - Suggest stressing coordination between regulators.
    - Suggest strengthening this language to allow previously submitted requests.
- Confidentiality protections as outlined in the NAIC Corporate Model Governance Act (Model #305) and the Market Conduct Surveillance Model Law (Model #693) shall apply to any response received pursuant to requests made through this tool. If a request does not fall within the auspices of either law, applicable confidentiality protections should be applied to any response received pursuant to the request. Regulators using any of the tools should cite examination or other authority, as appropriate when requesting information from insurers. 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, product review, and form filing review and all information reported or provided to the regulator pursuant to cited examination or other authority.
    - Confidentiality protections should be strengthened.
- Remove top row of "Which Exhibit to Use?" table for consistency since consumer complaint tracking removed from Exhibit A.

Wilson-Bilik, Mary Jane (Committee of Annuity Insurers—CAI)

- Information obtained from the Exhibit(s) submission existing market conduct~~, product review, form filing~~,

pertaining to unfair trade practices, confidentiality, and financial reporting. Non-domestic/non-lead state regulators should scope their use to potential adverse consumer impacts only. Domestic and lead state regulators and/or group-wide supervisors may use this tool to evaluate potential adverse consumer impacts and/or financial risk from AI Systems.

- CAI members strongly suggest adding a materiality threshold to Exhibit A in order to reduce the burdensome nature of the request. Materiality would rely on the company's reasonable assessment of the magnitude of the risks of using the AI System and the frequency of their occurrence.

~~The tool~~ An insurer's responses to this tool will be considered by regulators when identifying the inherent risks of the ~~insurer. They should~~insurer's use of AI Systems. The responses may also ~~affect~~be factored into the planned examination or inquiry approach, as well as the nature, timing and extent of any further Materiality and Risk Assessment

Exhibit C of this tool relies on company assessments of ~~risk~~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 ~~both~~the concepts of AI risk and materiality to assist in the regulatory review.

Confidentiality

Regulators using any of the ~~tools~~Exhibits to this tool should ~~be prepared to~~ cite examination or other authority, as appropriate, when requesting information from insurers to ensure that the information received from insurers is granted the highest level of confidentiality available under state law.

Lindsey Stephani (Klarkowski) (NAMIC)

~~which may vary from an annual to a quarterly basis as risk assessment warrants.~~ The Exhibits contained in this tool include questions relevant to both financial examinations and market conduct examinations, and regulators should therefore only utilize the Exhibits and sections of the Exhibits that are pertinent and relevant to the exam being conducted. Effective assessment requires regulators to maintain a fluent

- NAMIC suggests adding this language to memorialize the expectation and intent that regulators use only the areas of the exhibits that are relevant and pertinent to the exam being conducted (i.e., financial or market conduct) because the tool includes aspects of both types of exam content. NAMIC suggests adding verbiage to clarify that the intent of providing where and when insurers have already produced

this information is to avoid states creating duplicative production, and that states are expected to coordinate with other states to the extent allowed for in the law.

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. The expectation is that states will then coordinate with one another (in accordance with confidentiality laws) to avoid duplicative production of information.

-
    - NAMIC suggests adding verbiage to clarify that the intent of providing where and when insurers have already produced this information is to avoid states creating duplicative production, and that states are expected to coordinate with other states to the extent allowed for in the law.
- The following refers to the table on "Which Exhibit to Use?"

Commented [LK4]: NAMIC suggests clarifying that this table provides information on the topics that each exhibit covers, and that the regulator should use only those exhibits pertinent and relevant to the exam being conducted.

Commented [LK5]: NAMIC suggests removal of "Identify reputational risk," because we disagree about there being reputational risk to using AI. From a carrier perspective, there is a reputational risk to not using AI because it indicates a carrier is not keeping pace with technology or its competitors.

Commented [LK6]: Because consumer complaint tracking was removed from Exhibit A, NAMIC suggests this should be also deleted for consistency.

Exhibit A: Quantify Regulated Entity's Use of AI Systems

Purpose: To obtain information pertaining to the number of AI models that are new, updated, etc. that will help facilitate risk assessment. Based on the responses from the company, regulators may ask for additional information related to governance (Exhibits B), high-risk models (Exhibit C), and data types (Exhibit D) where there is risk for adverse consumer outcomes or material adverse financial impact.

Company Instructions: Provide the most current counts and use cases of the following as requested. Note that "AI System" is defined as a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI systems are designed to operate with varying levels of autonomy (supportive, augmented, automated). "Adverse Consumer Outcome" and "Use Case" are as defined below. . Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Company Legal Name or Group Name: _____
NAIC Code or Group Code: _____
Company Contact Name: _____ Email: _____
Describe the Line of Business for Which This Response Applies: _____
Date Form Completed ("as of") Date: _____

Columns:

Use of AI System in Operations or Program Area	Number of AI System Model(s) Currently in Use	Number of AI System Model(s) with Consumer Impact	Number of AI System Model(s) with Material Financial Impact	Number of AI System Model(s) Implemented in Past 12 Months	AI System Use Case(s)

Operations (rows):

Use of AI System in Operations or Program Area
Marketing
Premium Quotes & Discounts
Underwriting
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits
Claims/Adjudication*
Customer Service
Utilization Management/Utilization Review/Prior Authorization
Fraud/Waste & Abuse
Investment/Capital Management
Legal/Compliance
Producer Services
Reserves/Valuations
Catastrophe Triage
Reinsurance
Other (remove or change to "additional" per the use of "Other" above)
**Includes Salvage/Subrogation*

Comments:

Brian Bayerle (ACLI)

- The tool uses the terms "AI Systems", "AI models" and "AI System models", of which only AI systems is defined. Request clarity on the different terms, potentially with additional definitions.
- "Adverse Consumer Outcome" is a defined term, and should be capitalized throughout the document.
- In Company Instructions, it is reasonable to provide approximate counts, particularly in situations where an AI System is used for more than one operation.
- Suggest clarifying that algorithms that do not make autonomous decisions should be out of scope of this tool as they are not AI applications.
- Much of the information requested may already be part of the model inventories suggested by the NAIC AI Bulletin.

Dave Snyder (APCI) on behalf of member Company 1

- We strongly recommend focusing on AI used in regulated insurance practices during the initial pilot phase. This will provide a better balance between the regulatory burden and the identification of potentially adverse consumer or financial impacts.

Dave Snyder (APCI) on behalf of member Company 2

- In the "Purpose": Use of "etc." creates ambiguity about the types of models being subject to this exhibit.
- This exhibit should be limited to High-Risk AI Use Cases – change the first column title. If that is not tenable, then this should be limited to AI Systems with consumer impact or material financial impact.
- The scope section above states that these tools are intended to "supplement existing market conduct, product review, form filing, financial analysis, and financial examination review procedures." Some of these rows are broader than that, including the "other" row and "legal/compliance" row, and should be eliminated.
- The "Other" Row should be deleted. If it's not a category important enough to specify, we should not be required to report on it. Otherwise, this exhibit becomes too broad and unclear what AI Systems are in scope.
- What are "producer services?" This should be clearer and more precise.

Wilson-Bilik, Mary Jane (Committee of Annuity Insurers—CAI)

- Purpose: To obtain information pertaining to the number of AI models that are new, updated, etc. that will help facilitate risk assessment. Based on the responses from the company, regulators may ask for additional information related to governance (Exhibits B), high-risk models (Exhibit C), and data types (Exhibit D) ~~where~~when: 1. there is risk for adverse consumer outcomes ~~or~~in their jurisdiction or 2. if they are the lead state/group-wide supervisor and there is a risk for material adverse financial impact from use of AI Systems.
- Materiality: Insurers should only account for AI Systems that are "material". An AI System is material if, in the insurer's reasonable judgment, the System's outputs could have a significant adverse impact on a decision impacting consumers or on the company's financial risk.

- Use of a “materiality” standard would exempt out reporting on the use of widely available tools, such as Microsoft Co-Pilot.

Use of Material AI System(s) in Operations or Program Area	Number of Material AI System ~~Model~~(s) Currently in Use	Number of Material AI System ~~Model~~(s) with Consumer Impact	Number of Material AI System ~~Model~~(s) with Material Financial Impact	Number of Material AI System ~~Model~~(s) Implemented in Past 12 Months

- The CAI has revised the column headings to conform to the defined terms in the tool. CAI members strongly recommend using “Material AI System” as the benchmark unit for the responses, as opposed to the total number of models that may comprise any AI System.

~~Legal/~~Compliance with regard to insurer core operations listed above
Producer Services
Reserves/Valuations
Catastrophe Triage
~~Reinsurance~~
~~Other (remove or change to “additional” per the use of “Other” above)~~

- CAI members believe that use of the term “other” is too broad and should be narrowed to particular categories of insurance operations.

Ken Allen (CA)

- "Underwriting/Eligibility" - If possible, and if a majority agree, whether here or in the definition of "underwriting" that is stated at the end of the document, while the term "acceptance" is used, I'd also like the term "eligibility" incorporated as many insurers have underwriting guidelines that identify which risks are specifically eligible or ineligible.

Kate Stojsih (DIFS)

- Consider Co Code and Group Code

Julie Lederer (MO)

- Consider 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. It could look something like this:
  -

Use of AI System in Operations or Program Area	Are AI System Model(s) Currently in Use in this Operations or Program Area?	AI System Use Case(s)
Insurer Core Operations		
Marketing		
Premium Quotes & Discounts		
Underwriting		
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits		

Lindsey Stephani (Klarkowski) (NAMIC)

-

~~Number of~~ AI System Model(s) Currently in Use	~~Number of~~ AI System Model(s) with Consumer Impact	~~Number of~~ AI System Model(s) with Material Financial Impact	~~Number of~~ AI System Model(s) Implemented in Past 12 Months

  - As NAMIC raised in our initial comments, the burden of producing this information would be significantly reduced if carriers could simply acknowledge that they use AI in these categories rather than manually counting the number of AI systems used in each category. Further, some models may fit in more than one category; so, requesting a quantification of models may result in overestimation of the number of models company-wide.

- NAMIC suggests removal of “Premium Quotes & Diuscounts” category because there is already a category for ratemaking below. If the Working Group opposes our suggested deletion, we respectfully request detail on how the Working Group views this category as different from ratemaking.
- Due to the specificity and breadth of the categories included in Exhibit A, NAMIC requests deletion of “other” or “additional.” (last category)

Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework

Purpose: To obtain the Company AI Governance Framework, including the risk identification, mitigation, and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third-party AI systems and data. Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI Systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____
NAIC Group or Company Code: _____
Company Contact Name: _____ Email:_____
Date Form Completed ("as of") Date: _____

1. Provide the Governance Framework pertaining to the use of AI systems. Click or tap here to enter text.
a. What role maintains the framework? Click or tap here to enter text.
b. Discuss the governance structure, Board reporting and frequency. Click or tap here to enter text.
c. Discuss the process by which the framework is integrated throughout the organization, assessed and remediated. Click or tap here to enter text.
d. Discuss the process by which the effectiveness of the framework and individual models are assessed and modified. Click or tap here to enter text.
e. Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment. Click or tap here to enter text.
f. Discuss the integration of the AI systems in the Own Risk and Solvency Assessment (ORSA) and Enterprise Risk Management (ERM) assessments. Click or tap here to enter text.
g. Suggested additional question: How does the insurance company assess autonomy, reversibility, and reporting impact risk of AI systems?

2. Discuss the uses of AI system that:
a. Generates a financial transaction directly or indirectly. Click or tap here to enter text.
b. Generates consumer impact directly or indirectly. Click or tap here to enter text.
c. Generates or impacts information reported in financial statements either directly or indirectly. Click or tap here to enter text.
d. Generates or impacts risk and or control assessment. Click or tap here to enter text.

e. Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols. Discuss the basis for deviation from established practices. Click or tap here to enter text.

3. Provide the policy and discuss the use and oversight of AI system vendors, model design and testing:
a. Discuss the transparency and testing procedures performed on internally-developed AI systems. Click or tap here to enter text.
b. Discuss the transparency and testing procedures performed on third-party vendor-supplied AI systems. Click or tap here to enter text.
c. Discuss the testing and verification that has occurred including frequency, scope and methodology. Click or tap here to enter text.

4. Provide the policy and discuss the use and oversight of AI systems by professional service providers including actuarial, claim, MGA, audit, and/or other professional services. Click or tap here to enter text.
a. Discuss the testing and verification that has occurred, frequency, scope, and methodology. Click or tap here to enter text.

Click or tap here to enter text.Click or tap here to enter text.
5. Discuss additional RAF design and evaluation pertaining to AI systems. Click or tap here to enter text.
a. Discuss the unit(s) responsible for the RAF, assessment approach and frequency, and involvement with the program area to the extent it differs from that discussed above. Click or tap here to enter text.

Comments:

Brian Bayerle (ACLI)

- Suggest allowing the company flexibility on how to handle this request. Additional questions may be posed by the regulator as appropriate after this submission.
- Suggest coordination and acceptance of previously submitted reports.
- Regarding 1d - Assessment of individual models goes beyond the scope of this question.
- Regarding 1e - Suggest striking ORSA as it is a financial item.
- Regarding 1e - Request clarification on this question. Does this refer to the AIS Program, or specific AI Systems. The NAIC AI Bulletin notes the AIS Program could be independent of the ERM.
- Regarding 1f - Request clarification of this question.
- Regarding 2b - “Transparency Procedure” is a new term of art and require definition or clarification if retained.
- Regarding 3a - “Risk Management and Internal Controls” is the terminology used in the NAIC AI Bulletin, and suggest this question align with that concept. “RAF” is not defined and would require definition if retained.

Dave Snyder (APCI) on behalf of member Company 1

- Including "indirect" impacts will lead to inconsistent interpretation by companies, which leads to inconsistent data. This will make it difficult for regulators to draw conclusions or make comparisons between companies.
- These information requested in question 2.e is extremely detailed and varies from case to case. Providing this level of detail for each AI system would result in a significant regulatory burden. We strongly recommend deleting 2.e.

Dave Snyder (APCI) on behalf of member Company 2

- Our major concern with these exhibits is that they may create de-facto legal requirements where they do not otherwise exist. For example, an insurer is not legally required to include AI Risk in its ORSA but including this question implies that it is.
- Question 2 - We should delete "indirectly" from these because this is too broad, especially given the definition of AI systems.
- Question 2c - We do not know what this means.
- Question 4 - This should be removed because it implies that testing is legally required.
- Question 4 - We should remove "the policy." An insurance company may not have a direct policy document on how they handle this. For example, an insurer may handle this through contractual provisions.
- Question 4 - Again, creates de facto legal standard.

Wilson-Bilik, Mary Jane (Committee of Annuity Insurers—CAI)

Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework (RAF)

Purpose: To obtain the Company AI Governance Framework , including the risk identification, mitigation, and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third-party AI systems and data. ~~Market and financial regulators should coordinate to gain access to~~Non-domestic/non-lead state regulators should scope their use to potential adverse consumer impacts only. Domestic and lead state regulators and/or group-wide supervisors may use this tool to evaluate potential adverse consumer impacts and/or financial risk from AI Systems. Market and financial regulators should coordinate when requesting this information, so that insurers need provide only one set of

- answers to the regulators' questions regarding the relevant section of the policies governing the use of AI Systems.

- CAI members strongly recommend that the narrative form of Exhibit B be eliminated. Having two forms that can be used by states at their discretion will require insurers to be prepared to address overlapping (but not identical) questions on the same topic, leading to potential confusion and a burden on resources.

a. What role maintains the ~~framework~~Governance Framework? Click or tap here to enter text.
b. Discuss the governance structure, Board reporting and frequency~~.~~ [of what?]. Click or tap here to enter text.
c. Discuss the process by which the ~~framework~~Governance Framework is integrated throughout the organization, assessed and remediated. Click or tap here to enter text.
d. Discuss the process by which the effectiveness of the ~~framework~~Governance Framework and individual models are assessed and modified. Click or tap here to enter text.
e. Discuss the divisional, operational and cross functional responsibility for governance, and how consistency and alignment are maintained. Click or tap here to enter text.

- CAI members request clarity on how the use of the terms "Governance Risk Assessment Framework" and "Governance Framework pertaining to AI Systems" relate to the existing framework of the NAIC Model AI Bulletin that calls for a written AIS Program that includes a "governance framework" and the documentation of the insurer's risk management and internal controls for AI Systems.

f. Discuss the integration of the AI systems in the Own Risk and Solvency Assessment (ORSA) and Enterprise Risk Management (ERM) assessments~~.~~, as applicable. Click or tap here to enter text.

- CAI members recommend defining the meaning of "autonomy, reversibility and reporting impact risk of AI systems."

2. Discuss the uses of each AI system that:
    a. Generates a material financial transaction directly or indirectly. Click or tap here to enter text.
    b. Generates a material consumer impact directly or indirectly. Click or tap here to enter text.
    c. Generates or impacts material information reported in financial statements either directly or indirectly. Click or tap here to enter text.

e. *Discuss the development, testing, and implementation of material AI systems*

3. Provide the policy for, and discuss the use and oversight of, ~~-~~material AI system vendors, model design and testing:
    a. Discuss the transparency and testing procedures performed on internally-developed AI systems. Click or tap here to enter text.
    b. Discuss the transparency and testing procedures performed on third-party vendor-supplied AI systems. Click or tap here to enter text.
    c. Discuss the testing and verification that has occurred including frequency, scope and methodology~~-~~ for testing and verification. Click or tap here to enter text.

4. Provide the policy for, and discuss the use and oversight of, material AI systems by professional service providers including actuarial, claim, MGA, audit, and/or other professional services. Click or tap here to enter text.
    a. Discuss the testing and verification that has occurred, including the frequency, scope, and methodology for testing and verification.

Ken Allen (CA)

- Question 5 – The initial instance of "Risk Assessment Framework (RAF)" was struck above, so providing the initial acronym instance here.

Julie Lederer (MO)

- What type of answer is expected for item 1.e ("Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment."). This item is broad.
- What does "reversibility" mean in item 1.g?
- The broadness of item 2 might make it hard for the insurer to complete this item. For example, item 2.c asks for the uses of AI systems that generate or impact information reported in financial statements. Anything that affects the insurer could affect information reported in the financial statements.
- Does "RAF" in item 5 stand for "Risk Assessment Framework"? I recommend defining the acronym.
- What type of information is the insurer expected to provide for item 5? Is this asking how the insurer's use of AI is integrated into its broader ERM framework? What does "involvement with the program area" mean here?

Lindsey Stephani (Klarkowski) (NAMIC)

- e. Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment.
    - NAMIC requests an edit for clarity on 1.e., as it is currently unclear what information is being requested.
- NAMIC requests narrowing the scope of 2.b., or narrowly tailoring the request to what the Working Group is most concerned about with respect to consumer impact. Asking for AI system uses that have direct or "indirect" impact on consumers could arguably include all AI systems a company is using. Adding a materiality threshold may help narrow the scope.

Exhibit B: (Checklist) AI Systems Governance and Risk Assessment Framework

Purpose: To obtain the Company AI Systems Governance Framework, including the risk identification, mitigation and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third party AI systems and data" potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity. Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____
NAIC Group or Company Code: _____
Company Contact Name: _____ Email: _____
Date Form Completed ("as of") Date: _____

Ref	AI Systems Use Questions for Company		Company Response
1	Has the company adopted a written AIS Program? If yes, when was it adopted and what is the frequency of review for updating?		
2	Was the Board of Directors or management involved in the adoption of an AIS Program?		
	2a. What is the role of the Board of Directors or management in the AI Systems Governance Framework?		
3	**Reference the processes and procedures of the Company AI Governance Framework that addresses the following:**		
	How the Insurance Company…	Page #	If not specified in governance, provide details below:
	3a. Assesses, mitigates, and evaluates residual AI system risks of unfair trade practices		
	3c. Ensures AI systems are compliant with state and federal laws and regulations		
	Evaluates risk of adverse consumer outcomes		
	3e. Considers data privacy and protection of consumer data used in AI systems		
	3f. Ensures AI systems are suitable for their intended use and should continue to be used as designed		
	3h. Ensures AI system risks are considered within Enterprise Risk Management (ERM)		
	3i. Ensures AI system risks are considered within the Own Risk and Solvency Assessment (ORSA)		
	3j. Ensures AI system risks are considered in software development lifecycle (SDLC)		
	3k. Ensures AI system risk impact on financial reporting is considered		
	3l. Trains employees about AI system use and defines prohibited practices (if any)		
	3m. Quantifies AI system risk levels		
	3n. Provides standards and guidance for procuring and engaging AI system vendors		
	3o. Ensures consumer complaints resulting from AI systems are identified, tracked, and addressed		
	3p. Ensures consumer awareness in use of AI systems through disclosures, policies, and procedures for consumer notification		

Comments:

Dave Snyder (APCI) on behalf of member Company 2

- limited scope exam. The references to, and questions about, elements of an AI Governance and Risk Assessment Framework Exhibit B do not create a requirement that an AI Governance and Risk Assessment Framework include such elements. The abs any particular element does not necessarily mean the AI Governance and Risk Assessment Framework is inadequate.
  - This is a suggestion to mitigate the risk that a regulator considers the absence of an element listed in this Exhibit as a flaw or violation of law.
- Question 3c - Using the word "ensure" throughout implies that each row is required in an AI governance system.
- Questions 3l & 3n - Another de facto legal standard.

Wilson-Bilik, Mary Jane (Committee of Annuity Insurers—CAI)

- **Exhibit B: (Checklist) AI Systems Governance and Risk Assessment Framework (RAF)**

  Purpose: To obtain the ~~Company~~Company's AI Systems Governance Framework, including the risk identification, mitigation and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third party AI systems and data", including the potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity. ~~Market and financial regulators should coordinate to gain access to~~Non-domestic/non-lead state regulators should scope their use to potential adverse consumer impacts only. Domestic and lead state regulators and/or group-wide supervisors may use this tool to evaluate potential adverse consumer impacts and/or financial risk from AI Systems. Market and financial regulators should coordinate when requesting this information, so that insurers need provide only one set of answers to the regulators' questions regarding the relevant section of the policies governing the use of AI systems.
- See comment above on improving the consistency of the tool's concepts and terminology with that of the NAIC's Model AI Bulletin. For instance, do "AI Systems Governance Framework" and "AI Systems Governance and Risk Assessment Framework" as used in the tool have the same meaning as the "AIS Program" in the NAIC Model AI Bulletin? If so, CAI members strongly suggest using the Model Bulletin terminology. If not, please explain the difference in the terms' meaning.
- 3d. Evaluates the risk of adverse consumer outcomes
- 3i. Ensures AI system risks are considered within the Own Risk and Solvency Assessment (ORSA~~)~~), as applicable.

- 3p. Ensures consumer awareness in the use of AI systems

Kate Stojsih (DIFS)

- Consider rewording the Purpose for clarity. Additionally, there appears to be an extraneous quotation mark.

Julie Lederer (MO)

- Item 3 seems to presuppose that the NAIC has provided written guidance on what should be in an AI governance framework.

Lindsey Stephani (Klarkowski) (NAMIC)

- Purpose: To obtain the Company AI Systems Governance Framework, including the risk identification, mitigation ~~classification, and mitigation of~~ and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third party AI systems and data" ~~potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity.~~ Market and financial regulators should coordinate to gain access to the
  - This was removed from the narrative version and should therefore be removed from the checklist for consistency.

Exhibit C: AI Systems High-Risk Model Details

Purpose: To obtain detailed information on high-risk AI system models, such as models making automated decisions, that could cause adverse consumer, financial, or financial reporting impact. AI system risk criteria is set by the insurance company. To assist in identifying models for which this information is requested, regulators may request information on the company's risk assessment and a model inventory if such information has not otherwise already been provided.

Company Instructions: Fill in the details for each of the AI system model(s) requested. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____
NAIC Group or Company Code: _____
Company Contact Name: _____ Email: _____
Date Form Completed ("as of") Date: _____

Model name
Model type
Model Implementation Date
Model development (internal or third party – include vendor name)
Model risk classification
Model risk(s) and limitation(s)
AI type (automate, augment, support)
Testing model outputs (drift, accuracy, bias, unfair trade practices, performance degradation, etc.)
Last date of model testing
Use cases and purpose of model
Discuss how the model affects the financial statements, risk assessment or controls.
Discuss how the model is reviewed for compliance with state and federal laws Replace with "Discuss how the model is reviewed for compliance with the unfair trade practices act and unfair claims settlement laws."
Discuss if the company has had any actions taken against them for use of this model. Actions may include but are not limited to informal agreements, voluntary compliance plans, administrative complaints, ongoing monitoring, cease and desist, remediation, restitution, fines, penalties, investigations, consent orders or other regulatory agency actions.

Comments:

Brian Bayerle (ACLI)

- Request clarification on what "AI type (automate, augment, support)" means and how they differ.
- Request clarification on this question "Discuss how the model affects risk assessment or controls."

Elaine Gibbs (Bell Analytics)

Testing model outputs (e.g., model drift, accuracy, unfair discrimination~~bias~~, ~~unfair trade practices, performance degradation,~~ etc.)

Wilson-Bilik, Mary Jane (Committee of Annuity Insurers—CAI)

Exhibit C: High-Risk AI Systems ~~High-Risk Model~~ Details
Purpose: To obtain detailed information on high-risk AI ~~system models~~Systems, such as ~~models~~AI Systems making automated decisions~~,~~ that could cause adverse consumer, financial, or financial reporting impact. AI ~~system~~System risk criteria is set by the insurance company. To assist in identifying ~~models~~AI Systems for which this information is requested, regulators may request information on the company's risk assessment and a model inventory if such information has not otherwise already been provided. Company Instructions: Fill in the details for each of the AI ~~system model~~System(s) requested. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below. Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam. Non-domestic/non-lead state regulators should scope their use to potential adverse consumer impacts only. Domestic and lead state regulators and/or group-wide supervisors may use this tool to evaluate potential adverse consumer impacts and/or financial risk from AI Systems.

~~Model~~AI System name
Model type used in the AI System
Model Implementation Date
Model development (internal or third party – include vendor name)
Model risk classification (high, medium, low)

Discuss how the model ~~affects~~impacts the ~~financial statements,~~ risk assessment or controls of financial statements.
~~Discuss how the model is reviewed for compliance with state and federal laws Replace with "~~Discuss how the model is

- Testing model outputs (drift, accuracy, bias, unfair trade practices, performance degradation, etc.)

- CAI member recommend referring to the NIST AI Risk Management Framework and the NAIC Model AI Bulletin here.

- Use cases and purpose of model
- Discuss how the model ~~affects~~impacts the ~~financial statements,~~ risk assessment or controls of financial statements.
- ~~Discuss how the model is reviewed for compliance with state and federal laws Replace with "~~Discuss how the model is reviewed for compliance with the unfair trade practices act and unfair claims settlement laws~~."~~.

- CAI members request clarification on whether various questions in the tool should refer to AI Systems or to models and how the two terms (AI Systems/models) relate to each other, especially in light of how the terms are used in the NAIC's Model AI Bulletin. In other words, which term (model or system) is most precise and appropriate given the goals of the specific inquiry.

Ken Allen (CA)

- "Model Name" - Would this field incorporate Model Version Number, or should there be a separate box for Model Version?
- "Driving Behavior" - Is this duplicative of "Telematics/Usage Based Insurance" below?

Kate Stojish (DIFS)

- Consider including a header row above the question section, similar to other exhibits. For example, Exhibit B (Checklist) includes a header row with "Ref," "AI Systems Use Questions for Company," and "Company Response."

Julie Lederer (MO)

- What type of information is the insurer expected to put in the "Testing model outputs" box? The parenthetical includes a variety of terms, but it's not clear what regulators are looking for here. Is this asking for information on how the model was validated?

Lindsey Stephani (Klarkowski) (NAMIC)

- ~~Testing model outputs (drift, accuracy, bias, unfair trade practices, performance degradation, etc.)~~
    - The testing content was removed from Exhibit B and should also be removed from Exhibit C for consistency.

Exhibit D: AI Systems Model Data Details

Purpose: To obtain detailed information of the source(s) and type(s) of data used in AI system model(s)s (NAIC staff edit) to identify risk of adverse consumer impact, financial, or financial reporting impact.

Company Instructions: Provide details below for the data used in AI system model(s)s (NAIC staff edit). If any of the data elements listed are used in the training or test data as part of the development of AI systemsmodel(s) (NAIC staff edit), provide information on whether the data element is sourced internally or whether the data element is sourced from a third party, in which case provide the name of the third-party vendor. Leave blank if a data source is not used in the development of AI system model(s) for the insurance operation. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____
NAIC Group or Company Code: _____
Company Contact Name: _____ Email: _____
Line of Business (complete one for each line of business): _____
Date Form Completed ("as of") Date: _____

Columns:

(1) Type of Data Element Used in AI System(s)	(2) Type of AI System(s) (E.g., Predictive vs. Generative AI)	(3) Describe How the Company Uses the Data Throughout Their Insurance Operations (include operational practices by line of insurance)	(4) Internal Data Source	(5) Third Party Data Source / Vendor Name

Rows:

Type of Data Element Used in AI System Model(s)
Aerial Imagery
Age, Gender, Ethnicity/Race
Consumer or Other Type of Insurance/Risk Score
Crime Statistics
Criminal Convictions (Exclude Auto-Related Convictions)
Driving Behavior
Education Level (Including school aptitude scores, etc.)
Facial or Body Detection / Recognition / Analysis
Geocoding (including address, city, county, state, ZIP code, lat/long, MSA/CSA, etc.)
Geo-Demographics (including ZIP/county-based demographic characteristics)
Household Composition
Image/video Analysis
Income
Job History
Loss Experience
Medical, including Biometrics, genetic information, pre-existing conditions, diagnostic data, etc.
Natural Catastrophe Hazard (Fire, Wind, Hail, Earthquake, Severe Convective Storms)
Online social media, including characteristics for targeted advertising
Personal Financial Information
Telematics/Usage-based insurance
Vehicle-Specific Data including VIN characteristics
Voice Analysis
Weather
Other: Non-Traditional Data Elements (Please provide examples)

Comments:

Brian Bayerle (ACLI)

- Recommend striking Exhibit D in its entirety. Questions on data should be handled with a separate exercise. Much of these questions relate to privacy, and are better suited to be addressed by the Privacy Protections (H) Working Group. If retained, limit only to high-risk models. Further, as it would be extremely burdensome for companies to complete, this should be simplified.

Dave Snyder (APCI) on behalf of member Company 2

- The Purpose here seems broader than the Purpose defined in Exhibit A, which also discussed Exhibit D. In Exhibit A, it says Exhibit D is intended to review data elements "where there is risk for adverse consumer outcomes or material adverse financial impact," which is narrower and preferable. Or, this should be limited to High-Risk AI Systems as well. For example, we may not know this information for a third-party model that is not high risk. We wouldn't get into that level of detail with the vendor.
- Column (3) – Is this still limited to use in AI Systems? If not, it should be.

Wilson-Bilik, Mary Jane (Committee of Annuity Insurers—CAI)

- **Exhibit D: AI Systems ~~Model~~ Data Details**

  Purpose: To obtain detailed information of the source(s) and type(s) of data used in AI ~~system model~~System(s) to identify risk of adverse consumer impact, financial, or financial reporting impact.

  Company Instructions: Provide details below for the data used in AI ~~system model~~System(s). If any of the data elements listed are used in the training or test data as part of the development of AI ~~model~~System(s), provide information on whether the data element is sourced internally or whether the data element is sourced from a third party, in which case provide the name of the third-party vendor. Leave blank if a data source is not used in the development of AI ~~system model~~System(s) for the insurance operation. Include all companies and lines of business. If the governance

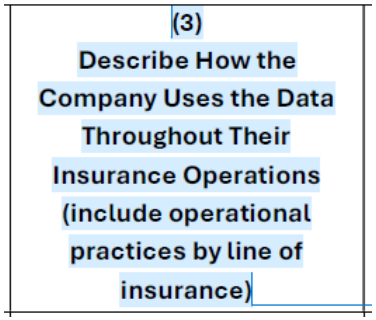
- CAI members request further explanation of why this data is being requested and how this information will be used in a regulatory examination. How will the data be analyzed and what will it be enforced against? The types of data elements listed are open-ended and overexpansive as currently drafted.

(1) Type of Data Element Used in AI System ~~Model~~(s)	(2) Type of AI System ~~Model~~(s) (E.g., Predictive vs. Generative AI)	(3) Describe How the Company Uses the Data Throughout Their Insurance Operations (include operational practices by line of insurance)	(4) Internal Data Source	(5) Third Party Data Source / Vendor Name

Julie Lederer (MO)

- What is meant by a "predictive" AI model (versus a generative AI model) in column 2? There are predictive models that aren't AI models. Should a definition of "predictive AI model" be added to the definitions section?

Lindsey Stephani (Klarkowski) (NAMIC)

- NAMIC requests removal of Exhibit D, because it is overly broad in scope, and its focus is largely on data and third party data, which the NAIC has not yet come to consensus on how third party vendors might be regulated. Therefore, we view the inclusion of this Exhibit as premature. Further, because this Tool is going through a pilot, we suggest that the need for an exhibit like this may be revisited down the line.
- 

    - Notwithstanding our comments more generally relative to Exhibit D, NAMIC suggests that this column be removed, as it is beyond the scope of AI systems, and asks about data used throughout insurance operations.
- NAMIC requests edit for clarification - "Risk Score" is listed as a "type of data element used in AIS models," but risk scores are often outputs from predictive models.

- “Medical” is rather broad, and we therefore ask for narrowing of this particular category.

DEFINITIONS AND APPENDIX

Where available, for the purposes of this evaluation terms are defined in accordance with the NAIC Model Bulletin on the Use of AI Systems by Insurers (https://content.naic.org/sites/default/files/2023-12-4%252520Model%252520Bulletin_Adopted_0.pdf):

“Adverse Consumer Outcome” refers to an AI System decision (output) by an insurance company that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards.

“Algorithm” means a clearly specified mathematical process for computation; a set of rules that, if followed, will give a prescribed result.

“AI System” is a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI Systems are designed to operate with varying levels of autonomy.

“Artificial Intelligence (AI)” refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence.

“Consumer Impact” refers to a decision by an Insurer that is subject to insurance regulatory standards enforced by the Department.

“Degree of Potential Harm to Consumers” refers to the severity of adverse economic impact that a consumer might experience as a result of an Adverse Consumer Outcome.

“Externally Trained Models” Transferred learnings from pre-trained models developed by a third party on external reference datasets.

“Generative Artificial Intelligence (Generative AI)” refers to a class of AI Systems that generate content in the form of data, text, images, sounds, or video, that is similar to, but not a direct copy of, pre-existing data or content.

“Inherent Risk” Refers to an assessment of risk before considering risk-mitigation strategies or internal controls.

“Internally Trained Models” Models developed from data internally obtained by the company.

“Machine Learning (ML)” Refers to a field within artificial intelligence that focuses on the ability of computers to learn from provided data without being explicitly programmed.

“Material Financial Impact” Material financial impact refers to costs or risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limits prescribed by Federal or State laws and regulations.

“Model Drift” refers to the decay of a model’s performance over time arising from underlying changes such as the definitions, distributions, and/or statistical properties between the data used to train the model and the data on which it is deployed.

“Neural Network Models” Include but not limited to: Single/multi-layer perceptrons/fully connected networks (MLPs/FCs), Deep Learning (DL), Convolutional Neural Networks (CNNs), Recurrent Neural Networks (RNNs), Long Short-Term Memory Neural Networks (LSTMs), Sequence Models, Large Language Models (LLMs), and Reinforcement Learning Models (RLs).

“Predictive Model” refers to the mining of historic data using algorithms and/or machine learning to identify patterns and predict outcomes that can be used to make or support the making of decisions.

“Residual Risk” Refers to an assessment of risk after considering risk-mitigation strategies or controls.

“Third Party” for purposes of this bulletin means an organization other than the insurance company that provides services, data, or other resources related to AI.

“Validation Method” The source of the reference data used for validation, whether Internal, External, or Both.

“Use Case” A description of a specific function in which a product or service is used.

Comments:

Brian Bayerle (ACLI)

- Suggest edit the definition of “Consumer Imapct” to align with direct consumer outcomes.
- Suggest restoring this definition from the prior draft for clarification:
    - “Generalized Linear Models (GLMs)” Includes Ordinary Least Squares (OLS), Elastic Net/LASSO/Ridge Regression, Logistic Regression, and Generalized Additive Models (GAMs). GLMs are not considered to be machine learning models for this evaluation.

- Request clarification of the term “perceptron”.

Dave Snyder (APCI) on behalf of member Company 2

- “AI System” - This definition should exclude simple rules-based if/then processes. We sometimes call those rules engines. Those processes are not AI but could be inadvertently included within the broad scope of this language.
- “Generative AI” - I don’t believe this term appears elsewhere in the exhibits.

Wilson-Bilik, Mary Jane (Committee of Annuity Insurers—CAI)

- **“AI System”** is a machine-based system that is not rules-based and that can,
- CAI members strongly urge the narrowing of the definition of “AI System” to exclude rules-based systems that have been used by insurers for decades. We do not believe such rules-based systems should be in scope for this tool.
- **“Externally Trained Models”** ~~Transferred learnings from~~refers to models that were pre-trained ~~models developed~~ by a third party ~~on~~using external reference datasets.

"Inherent Risk" ~~Refers~~refers to an assessment of risk that is undertaken before considering risk-mitigation strategies or internal controls.

"Internally Trained Models" ~~Models developed from~~refers to company models that are trained on data internally obtained by the company.

"Machine Learning (ML)" ~~Refers~~refers to a field within artificial intelligence that focuses on the ability of computers to learn from provided data without being explicitly programmed.

"Material Financial Impact" ~~Material financial impact~~ refers to ~~costs~~costs or risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limits prescribed by Federal or State laws and regulations.

"Model Drift" refers to the decay of a model's performance over time arising from underlying changes in data properties, such as the definitions, distributions, and/or statistical properties, that leads to a gap between the data used to train the model and the data on which it is deployed.

"Neural Network Models" ~~Include but not limited to: Single/multi-layer perceptrons~~ refers to machine learning models that mimic the complex functions of the human brain. These models consist of interconnected nodes or neurons that process data, learn patterns and enable tasks such as pattern recognition and decision-making. They include but are not limited to: single/multi-layer perceptions/fully connected networks (MLPs/FCs), Deep Learning (DL), Convolutional Neural Networks (CNNs), Recurrent Neural Networks (RNNs), Long Short-Term Memory Neural Networks (LSTMs), Sequence Models, Large Language Models (LLMs), and Reinforcement Learning Models (RLs).

"Predictive Model" refers to the mining of historic data using algorithms and/or machine learning to identify patterns and predict outcomes that can be used to make or support the making of decisions.

"Residual Risk" ~~Refers~~ refers to an assessment of risk after considering risk-mitigation strategies or controls.

"Third Party" for purposes of this ~~bulletin~~tool means an organization other than the insurance company that provides services, data, or other resources related to AI.

"Validation Method" ~~The~~refers to the source of the reference data used for validation, whether Internal, External, or Both.

- **"Use Case"** ~~A~~refers to a description of a specific function in which a product or service is used.

Ken Allen (CA)

- Underwriting - Examples: Policy/coverage acceptance or eligibility, company placement/tiering, schedule rating, decisions based on telematics/UBI, report ordering, retention modeling, inspections, anomaly detection.
    - If possible, and if a majority agree, whether here or in the definition of "underwriting" that is stated at the end of the document, while the term "acceptance" is used, I'd also like the term "eligibility" incorporated as many insurers have underwriting guidelines that identify which risks are specifically eligible or ineligible

Julie Lederer (MO)

- The revised definition of "consumer impact" seems too broad because it could encompass many things that do not entail a consumer impact. For example, the decision to pay a dividend to the parent is a "decision by an insurer that is subject to insurance regulatory standards enforced by the Department," but this decision has minimal consumer impact. The original definition seemed better.

Lindsey Stephani (Klarkowski) (NAMIC)

- NAMIC suggests language in the definitions section to specifically remove both predictive models and GLMs from the scope of "AI Systems".
- **"Adverse Consumer Outcome"** refers to an AI System decision (output) by an insurance company that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards.
  - NAMIC requests an edit for clarity -The last part of this definition means an adverse consumer outcome is a regulatory violation. We do not believe that is the intention of the Working Group, and instead think that "Adverse Consumer Outcome" is meant to capture things like a nonrenewal which may adversely impact the consumer but is not necessarily a regulatory violation.
- NAMIC suggests that the definition of "AI System" is too vague, and we encourage the Working Group to include examples of what is, and what is not, in scope for purposes of the Tool. Given that predictive models in of themselves are not AI models, and that GLMs were previously noted as not in scope, NAMIC believes they should be noted as "not considered AI Systems."
- NAMIC requests an edit of "Consumer Impact" for clarity - As written, the definition is broad and currently captures decisions that do not impact consumers specifically.
- ~~**"Generalized Linear Models (GLMs)"** Including Ordinary Least Squares (OLS), Elastic Net/LASSO/Ridge Regression, Logistic Regression, and Generalized Additive Models (GAMs) are not considered to be machine learning models for this evaluation.~~
  - NAMIC requests inclusion of the GLM definition, given our suggested changes to the AI Systems definition. GLMs and predictive models should be explicitly out of scope for this Tool.

Operations

Marketing - Examples: market research, target advertising, market/coverage expansion, customer segment target marketing, demand modeling, agent/broker incentive plans, up/cross-selling.

Underwriting - Examples: Policy/coverage acceptance, company placement/tiering, schedule rating, decisions based on telematics/UBI, report ordering, retention modeling, inspections, anomaly detection.

Ratemaking/Pricing - Examples: Development of overall/base rates, expense/loss loadings, estimation of trends and loss development, development of manual rating factors, tiering criteria, insurance credit scoring, territory boundary definitions, numeric/categorical level groupings and interactions, individual risk rating, telematics/UBI, price optimization, schedule rating factors.

Claims - Examples: Claim assignment, triage/fast-tracking, individual/bulk claim reserving including loss estimation, imaging/video analysis, fraud detection, litigation, estimation of closure rates, salvage/subrogation, examination/report ordering.

Customer Service - Examples: Agent/broker/internet/customer service interaction (chatbots), online/smart phone apps, loss prevention/risk mitigation advice, payment plans, complaints.

Other: Cyber Security, Fraud Detection, Strategic Operations, Reserving, Investments, Capital Management, Financial Reporting, Reinsurance, Legal, Legal Exposure, Reputation Risk.

Comments:

Dave Snyder (APCI) on behalf of member Company 2

- "Ratemaking/Pricing" - Some of this could be solely used in underwriting such as territory boundary definitions. We should not include those terms in the definition of rating/pricing.
- "Other: Fraud Detection" - Fraud detection is in "other" and "claims handling"

Wilson-Bilik, Mary Jane (Committee of Annuity Insurers—CAI)

- **Other:** Cyber Security, Fraud Detection, Strategic Operations, Reserving, Investments, Capital Management, Financial Reporting, ~~Reinsurance, Legal,~~ Legal Exposure, Reputation Risk.

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December 2, 2025

Michael Humphreys
Chair, NAIC Big Data and AI (H) Working Group

Re: AI Systems Evaluation Tool 2.0

Dear Chair Humphreys:

Thank you for the ongoing collaboration on the AI Systems Evaluation Tool proposal. The American Council of Life Insurers (ACLI) recognizes the need for regulators to have an understanding of company AI usage in the business of insurance and is committed to helping regulators work towards a targeted, streamlined, outcome-focused framework for the tool that minimizes unnecessary complexity and protects confidentiality.

ACLI offers the following overarching feedback on the AI Systems Evaluation Tool and attached are our redlined suggestions to Version 2.0.

Considerations on the Working Group Process:

ACLI encourages regulators to more thoroughly develop the AI Systems Evaluation Tool prior to a pilot. A thoroughly vetted AI Systems Evaluation Tool will render the pilot more effective.

The accelerated timeline for Version 2.0 feedback reduced the opportunity for deliberate review and meaningful contributions. As such, our members appreciated hearing at the last meeting of the Working Group that Version 3.0 will be exposed. Furthermore, we request a comment period for Version 3.0 and request an adequate time for thoughtful review before the pilot begins.

Observations on the Pilot Approach:

To ensure clarity and consistency in the pilot program, several considerations are important. Companies should have clear visibility into which states are participating, and states should agree to implement the pilot in a consistent manner rather than allowing variations by jurisdiction. Additionally, companies would appreciate greater transparency regarding each state's planned number and type of examinations within

the pilot and the anticipated timelines. Importantly, participation should be voluntary for both regulators and companies. As exams have real-world implications for companies, companies who participate in the pilot should not be subject to any punitive compliance measures in the pilot phase, nor should findings during the pilot be used independently by regulators in subsequent examinations in a manner that would unfairly prejudice participating companies.

Additionally, the pilot should adopt an approach that would explicitly limit the duplication of requests from multiple states and explicitly clarify confidentiality protections for participating companies.

Overall Concerns about Scope:

As you know, market conduct and financial examinations serve distinct purposes, follow different processes, and operate under separate timelines, compliance outcomes, and statutory authorities. Designing a single tool that functions for both types of examinations continues to present significant challenges both in review of the tool design and in envisioning operationalization of the tool. The tool as currently drafted is more befitting an analysis of the potential impact of AI Systems on consumers rather than on a company's financial condition. Therefore, should regulators decide to keep both market conduct and financial exams within the scope of the pilot, we suggest a separate evaluation tool be developed for financial examinations that focuses on the impact the use of AI Systems has on a company's overall operations and financial strength.

Paired with other items such as the AI Model Bulletin, a Systems Evaluation Tool that is narrowed in focus would increase consumer confidence in insurers' use of AI Systems while promoting a clear and unified standard for governance.

To do this in practice, ACLI presents the following edits (redlined from the exposed draft) to Version 2.0 featuring a focused version of Exhibit A among other key changes. We recommend initial regulatory requests be limited to Exhibit A. For any follow-up requests, we suggest Exhibit B have flexibility for the company to submit either the narrative or the checklist, and request Exhibit C in limited cases. Additionally, our members recommend the complete elimination of Exhibit D as it creates an overly burdensome manual process with some data elements requested that are unclear and very broad. Information on the data elements in Exhibit D may be better addressed by the NAIC Privacy Protections (H) Working Group.

Thank you for the opportunity to provide feedback on Version 2.0. We welcome the opportunity to for additional discussion at the December 7th meeting.

Sincerely,

cc: Scott Sobel, NAIC; Miguel Romero, NAIC

AMERICAN COUNCIL OF LIFE INSURERS (ACLI)

Artificial Intelligence Systems Evaluations
Optional Supplemental Exhibits for State Regulators

Background:
The rapid expansion of big data and adoption of Artificial Intelligence and Machine Learning (AI ~~s~~Systems) is significantly transforming insurance practices. These technologies can offer substantial benefits to both insurance companies and consumers by facilitating the development of innovative products, improving customer interface and enhancing service, simplifying and automating processes, and promoting efficiency and accuracy. However, without robust governance and effective controls, the use of AI ~~s~~Systems may lead to adverse consumer outcomes ~~or compromise the financial soundness of an insurance company~~. Insurers are responsible for managing the risks associated with the development and implementation of AI ~~s~~Systems and must demonstrate to regulators that adequate oversight mechanisms are in place and are functioning effectively.

Intent:
The NAIC's Innovation, Cybersecurity and Technology (H) Committee charged the Big Data and AI Working Group (BDAIWG) to create tool(s) that would enable regulators to identify and assess AI ~~s~~Systems' related risks on an on-going basis with a scope that considers ~~both financial and~~direct consumer risks evolving specifically from company's use of AI ~~s~~Systems to the extent such risks can be parsed from the comprehensive structure.

This document and related tools are designed to supplement existing market conduct, product review, and form filing~~, financial analysis, and financial examination review~~ procedures. As this tool supplements existing NAIC resources, regulators should continue to consider existing NAIC resources as authoritative but may consider drawing from this tool to assist in understanding and assessing a company's use of AI ~~s~~Systems.

These optional exhibits allow regulators to determine the extent of AI ~~s~~Systems usage for a company and whether additional analysis is needed focusing on ~~financial and~~direct consumer risk.

Sections of the Tool include:

- **Exhibit A: Quantify Regulated Entity's Use of AI Systems**
- **Exhibit B: AI Systems Governance Risk Assessment Framework (Two Options: Narrative or Checklist)**
- **Exhibit C: AI Systems High-Risk Model Details**
- ~~**Exhibit D: AI Systems Model Data Details**~~

Commented [A1]: "AI Systems" is a defined term, and should be capitalized throughout the document.

Commented [A2]: The NAIC AI Bulletin addresses consumer outcomes, so financial items should be excluded from the tool.

Commented [A3]: The tool should be focused on "direct" impacts. "Indirect" impacts would very quickly lead to unwieldy reporting as it would bring in AI embedded in common products.

Commented [A4]: Suggest striking Exhibit D entirely; additional commentary below.

Instructions:
Information obtained from the Exhibit submission may supplement guidance and tools used during an existing market conduct review, product review, and form filing~~, financial analysis, and financial examination review~~, to enhance the regulator's understanding of the AI ~~s~~Systems utilization and assessment of risk across an insurance company in performing the analysis and examination reviews. Effective assessment requires regulators to maintain a fluent understanding and application of the applicable laws including those pertaining to unfair trade practices, unfair claims settlement practices, corporate governance annual disclosure, confidentiality, property and ~~financial reporting.~~casualty rating.

Regulators using the tool ~~may wish~~are advised to first use Exhibit A and based on the information provided, determine if further inquiry is necessary. It may be possible that company responses indicate that while the company responding is using AI, its use of AI is so limited or low in inherent risk as to not require further inquiry as contemplated by subsequent exhibits. Specifically, Exhibit C should only be requested for specific regulatory purposes regarding direct Consumer Impact.

~~If~~Regulators are advised to coordinate with the domestic regulator of the company. To the extent that the information requested ~~through the tool~~ has already been provided to this department or any other state department of insurance, ~~the~~ regulators should accept a company's ~~response should so state and reference when and how the information~~prior submission if it was ~~provided.~~done so in the past 12 months absent specific regulator purposes.

The tool responses will be considered by regulators when identifying the inherent risks of the insurer. They should also affect the planned examination or inquiry approach, as well as the nature, timing and extent of any further procedures performed.

Materiality and Risk Assessment

Exhibit C of this tool relies on company assessments of risk and materiality. As part of evaluating company responses, regulators may request information on how a responding company assesses both concepts to assist in the regulatory review.

Confidentiality
Confidentiality protections as outlined in the NAIC Corporate Model Governance Act (Model #305) and the Market Conduct Surveillance Model Law (Model #693) shall apply to any response received pursuant to requests made through this tool. If a request does not fall within the auspices of either law, applicable confidentiality protections should be applied to any response received pursuant to the request.
Regulators using any of the tools should ~~be prepared to~~ cite examination or other authority, as appropriate when requesting information from insurers. 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, product review, and form filing review and all information reported or provided to the regulator pursuant to cited examination or other authority.

Commented [A5]: Updated to align with applicable laws cited in the NAIC AI Bulletin.

Commented [A6]: Suggest a narrower initial request of companies, with additional Exhibits only to be provided for specific regulatory purposes where additional information is warranted.

Commented [A7]: Suggest stressing coordination between regulators.

Commented [A8]: Suggest strengthening this language to allow previously submitted requests.

Commented [A9]: Confidentiality protections should be strengthened.

Which Exhibit to Use?

Risk Identification or Assessment	A	B	C	D
~~Identify Reputational Risk and Consumer Complaints~~	~~X~~	~~X (Checklist)~~		
~~Assess Company Financial Risk – Number of models implemented recently~~	~~X~~	~~X (Checklist)~~		
Identify Direct Adverse Consumer Outcomes – AI Systems and data use by operational area	**X**	**X**	**X**	~~**X**~~
Evaluate Actions Taken Against Company's Use of High-Risk AI Systems (as defined by the company)			**X**	
Evaluate Robustness of AI Controls		**X**	**X**	
~~**Determine the types of data used by operational area**~~				~~**X**~~

Commented [A10]: Suggest striking Exhibit D entirely; additional commentary below.

Commented [A11]: Remove for consistency since consumer complaint tracking removed from Exhibit A.

Commented [A12]: As the scope of the tool is AI, questions regarding data should be removed. Data questions are better suited to privacy questionnaires.

Exhibit A: Quantify Regulated Entity's Use of AI Systems

Purpose: To obtain information pertaining to the number of AI models that are new, updated, etc. that will help facilitate risk assessment. Based on the responses from the company, regulators may ask for additional information related to governance (Exhibits B), and high-risk models (Exhibit C~~), and data types (Exhibit D~~) where there is risk for direct ~~a~~Adverse ~~c~~Consumer ~~o~~Outcomes ~~or material adverse financial impact~~.

Company Instructions~~: Provide the most current~~: For AI Systems that have a direct Consumer Impact, provide approximate counts and use cases of the following as requested~~. Note that "AI System" is defined as a machine~~. The scope of this exhibit does not include algorithmic based ~~system~~systems that ~~can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing~~do not make autonomous decisions ~~made in real or virtual environments. AI systems are designed to operate with varying levels of autonomy (supportive, augmented, automated).~~ ~~"Adverse Consumer Outcome" and "Use Case" are as defined below.~~ ~~.~~Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with ~~your domestic~~the lead regulator conducting the examination to determine if multiple submissions are needed. ~~See definitions below.~~ As an alternative, a company may supply the inventories compiled under the Model Bulletin to satisfy this exhibit.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam. Not all categories may be applicable to all lines of business.

Company Legal Name or Group Name: _____

NAIC Code or Group Code: _____

Company Contact Name: _____ Email: _____

Describe the Line of Business for Which This Response Applies : _____

Date Form Completed ("as of") Date: _____

Use of AI System in Operations or Program Area	~~Number of AI System Model(s) Currently in Use~~	Approximate Number of AI System Model(s) with Direct	~~Number of AI System Model(s) with Material~~	Approximate Number of AI System Model(s) Implemented			AI System Use Case(s)

Commented [A13]: The tool uses the terms "AI Systems", "AI models" and "AI System models", of which only AI systems is defined. Request clarity on the different terms, potentially with additional definitions.

Commented [A14]: "Adverse Consumer Outcome" is a defined term, and should be capitalized throughout the document.

Commented [A15]: It is reasonable to provide approximate counts, particularly in situations where an AI System is used for more than one operation.

Commented [A16]: Definitions in the Appendix do not need to be referenced in the document.

Commented [A17]: Suggest clarifying that algorithms that do not make autonomous decisions should be out of scope of this tool as they are not AI applications.

Commented [A18]: Much of the information requested may already be part of the model inventories suggested by the NAIC AI Bulletin.

Commented [A19]: Overly broad category; suggest removing.

		Consumer Impact	~~**Financial Impact**~~	**in Past 12 Months with Direct Consumer Impact**			
~~**Insurer Core**~~**Insurance Operations**							
Marketing							E.g., UC1: Identify potential consumers interested in product.
Premium Quotes & Discounts							
Underwriting							
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits							
Claims/Adjudication*							
~~Customer Service~~							
Utilization Management/Utilization Review/Prior Authorization							
Fraud ~~/Waste & Abuse~~							
~~**Other**~~							
~~Investment/Capital Management~~							
~~Legal/Compliance~~							
~~Producer Services~~							

Commented [A20]: Suggest striking as it does not have a direct effect on consumer outcomes.

~~Reserves/Valuations~~							
~~Catastrophe Triage~~							
~~Reinsurance~~							
~~Other (remove or change to "additional" per the use of "Other" above)~~							
**Includes Salvage/Subrogation*							
1.							
2.							
3.							

Commented [A21]: Suggest striking as it does not relate to consumer impacts.

Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework

Purpose: To obtain the Company AI Governance Framework, including the risk identification, mitigation, and management framework and internal controls for AI ~~s~~Systems; and the process for acquiring, using, or relying on third-party AI ~~s~~Systems and data. Market ~~and financial~~ regulators should coordinate to gain access to the relevant section of the policies governing the use of AI Systems.

Company Instructions: Provide responses to the questions regarding governance of AI ~~s~~Systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. ~~See definitions below.~~ The company may complete the narrative or the checklist to fulfill this request.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam. If governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. The regulator should accept either version (narrative or checklist) provided by the company. To the extent that the information requested has already been provided to this department or any other state department of insurance, regulators should accept a company's prior submission if it was done so in the past 12 months absent specific regulator purposes.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

1. Date Form Completed ("as of") Date: _____
   Provide the Governance Framework pertaining to the use of AI ~~s~~Systems. Click or tap here to enter text.
   a. What role maintains the framework? Click or tap here to enter text.
   b. Discuss the governance structure, Board reporting and frequency. Click or tap here to enter text.
   c. Discuss the process by which the framework is integrated throughout the organization, assessed and remediated. Click or tap here to enter text.
   d. Discuss the process by which the effectiveness of the framework ~~and individual models are~~ is assessed and modified. Click or tap here to enter text.
   e. ~~Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment. Click or tap here to enter text.~~ Discuss whether and how ~~the integration of~~ the AI ~~s~~Systems is integrated into the ~~Own Risk and Solvency Assessment (ORSA) and~~ Enterprise Risk Management (ERM) assessments. Click or tap here to enter text.

Commented [A22]: Suggest allowing the company flexibility on how to handle this request. Additional questions may be posed by the regulator as appropriate after this submission.

Commented [A23]: Suggest coordination and acceptance of previously submitted reports.

Commented [A24]: Assessment of individual models goes beyond the scope of this question.

Commented [A25]: Suggest striking as this is already addressed in other questions.

Commented [A26]: Suggest striking ORSA as it is a financial item.

Commented [A27]: Request clarification on this question. Does this refer to the AIS Program, or specific AI Systems. The NAIC AI Bulletin notes the AIS Program could be independent of the ERM.

f. Suggested additional question: How does the insurance company assess autonomy, reversibility, and reporting impact risk of AI ~~s~~Systems?

~~2. Discuss the uses of AI system that:~~

~~a. Generates a financial transaction directly or indirectly. Click or tap here to enter text.~~

~~b. Generates consumer impact directly or indirectly. Click or tap here to enter text.~~

~~c. Generates or impacts information reported in financial statements either directly or indirectly. Click or tap here to enter text.~~

~~d. Generates or impacts risk and or control assessment. Click or tap here to enter text.~~

~~*Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.* Discuss the basis for deviation from established practices. Click or tap here to enter text.~~

~~3.~~2. Provide the policy and discuss the use and oversight of AI system vendors, model design and testing:

a. ~~Discuss the transparency and testing procedures performed on internally-developed AI systems.~~ Click or tap here to enter text.

b. Discuss the transparency and testing procedures performed on third-party vendor-supplied AI ~~s~~Systems. Click or tap here to enter text.

c. Discuss the testing and verification that has occurred including frequency, scope and methodology. Click or tap here to enter text.

~~4. Provide the policy and discuss the use and oversight of AI systems by professional service providers including actuarial, claim, MGA, audit, and/or other professional services.~~ Click or tap here to enter text.

~~Discuss the testing and verification that has occurred, frequency, scope, and methodology.~~ Click or tap here to enter text.

~~Click or tap here to enter text.Click or tap here to enter text.~~

~~5.~~3. Discuss additional Risk Assessment Framework (RAF) design and evaluation pertaining to AI ~~s~~Systems. Click or tap here to enter text.

a. Discuss the unit(s) responsible for the RAF, assessment approach and frequency, and involvement with the program area to the extent it differs from that discussed above. Click or tap here to enter text.

Commented [A28]: Request clarification of this question.

Commented [A29]: Suggest striking as this question is mostly duplicative of Exhibit A. To the extent regulators want to ask about system protocols, that should be the specific ask.

Commented [A30]: Suggest striking as this question relates to vendors.

Commented [A31]: "Transparency Procedure" is a new term of art and require definition or clarification if retained.

Commented [A32]: "Professional Service Provider" is a new term of art and require definition if retained.

Commented [A33]: Suggest striking question as it is unclear.

Commented [A34]: "Risk Management and Internal Controls" is the terminology used in the NAIC AI Bulletin, and suggest this question align with that concept. "RAF" is not defined and would require definition if retained.

Exhibit B: (Checklist) AI Systems Governance and Risk Assessment Framework

Purpose: To obtain the Company AI Systems Governance Framework, including the risk identification, mitigation and management framework and internal controls for AI ~~s~~Systems; and the process for acquiring, using, or relying on third party AI ~~s~~Systems and data"~~ potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity. Market and financial~~. Market regulators should coordinate to gain access to the relevant section of the policies governing the use of AI ~~s~~Systems.

Company Instructions: Provide responses to the questions regarding governance of AI ~~s~~Systems within your company's operations. Include all companies and lines of business. If ~~the~~ governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below. If governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below. The regulator should accept either version (narrative or checklist) provided by the company. To the extent that the information requested has already been provided to this department or any other state department of insurance, regulators should accept a company's prior submission if it was done so in the past 12 months absent specific regulator purposes.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Date Form Completed ("as of") Date: _____

Ref	AI Systems Use Questions for Company	Company Response
1	Has the company adopted a written AIS Program? If yes, when was it adopted and what is the frequency of review for updating?	
2	Was the Board of Directors or management involved in the adoption of an AIS Program?	

3	What is the role of the Board of Directors or management in the AI Systems Governance Framework?		
3	**Reference the processes and procedures of the Company AI Governance Framework that addresses the following:**		
	How the Insurance Company…	Page #	If not specified in governance, provide details below:
	3a. Assesses, mitigates, and evaluates residual AI system risks of unfair trade practices		
	3c. Ensures AI ~~s~~Systems are compliant with state and federal laws and regulations		
	Evaluates risk of direct ~~a~~Adverse ~~c~~Consumer ~~o~~Outcomes		
	3e. Considers data privacy and protection of consumer data used in AI ~~s~~Systems		
	3f. Ensures AI ~~s~~Systems are suitable for their intended use and should continue to be used as designed		
	3h. Ensures AI system risks are considered within Enterprise Risk Management (ERM)		
	3i. Ensures AI system risks are considered within the Own Risk and Solvency Assessment (ORSA)		
	3j. Ensures AI system risks are considered in software development lifecycle (SDLC)		
	~~3k. Ensures AI system risk impact on financial reporting is considered~~		
	3l. Trains employees about AI system use and defines prohibited practices (if any)		
	3m. Quantifies AI system risk levels		
	3n. Provides standards and guidance for procuring and engaging AI system vendors		
	~~3o. Ensures consumer complaints resulting from AI systems are identified, tracked, and addressed~~		

Commented [A35]: The NAIC AI Bulletin addresses consumer outcomes, so financial items should be excluded from the tool.

Commented [A36]: Remove for consistency since consumer complaint tracking removed from Exhibit A.

	~~3p. Ensures consumer awareness in use of AI systems through disclosures, policies, and procedures for consumer notification~~		

Commented [A37]: Suggest striking as this is only a requirement in a few states.

Exhibit C: AI Systems High-Risk Model Details

Purpose: To obtain detailed information on high-risk AI ~~s~~System models~~, such as models making automated decisions,~~ that could cause ~~adverse consumer, financial, or financial reporting impact~~direct Adverse Consumer Outcomes. The scope of this exhibit does not include algorithmic based systems that do not make autonomous decisions. AI ~~s~~System risk criteria is set by the insurance company. To assist in identifying models for which this information is requested, regulators may request information on the company's risk assessment and a model inventory if such information has not otherwise already been provided.

Company Instructions: Fill in the details for each of the AI system model(s) requested. Include all companies and lines of business. If ~~the~~ governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam. The regulator should accept either version provided by the company. To the extent that the information requested has already been provided to this department or any other state department of insurance, regulators should accept a company's prior submission if it was done so in the past 12 months absent specific regulator purposes.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Date Form Completed ("as of") Date: _____

Model name	
Model type	
Model Implementation Date	
Model development (internal or third party – include vendor name)	
Model risk classification	
Model risk(s) and limitation(s)	
AI type (automate, augment, support)	

Commented [A38]: Request clarification on what these terms mean and how they differ.

~~Testing model outputs (drift, accuracy, bias, unfair trade practices, performance degradation, etc.)~~	
~~Last date of model testing~~	
Use cases and purpose of model	
Discuss how the model affects ~~the financial statements,~~ risk assessment or controls.	
Discuss how the model is reviewed for compliance with state and federal laws Replace with "Discuss how the model is reviewed for compliance with ~~the~~applicable unfair trade practices act and unfair claims settlement laws."	
Discuss if the company has had any actions taken against them for use of this model. Actions may include but are not limited to informal agreements, voluntary compliance plans, administrative complaints, ongoing monitoring, cease and desist, remediation, restitution, fines, penalties, investigations, consent orders or other regulatory agency actions.	

Commented [A39]: Suggest striking as testing is not required. If retained, "bias" should be replaced with "Unfair Discrimination."

Commented [A40]: Request clarification on this question.

Exhibit D: AI Systems Model Data Details

Purpose: To obtain detailed information of the source(s) and type(s) of data used in AI system model(s) to identify risk of adverse consumer impact, financial, or financial reporting impact.

Company Instructions: Provide details below for the data used in AI system model(s). If any of the data elements listed are used in the training or test data as part of the development of AI model(s), provide information on whether the data element is sourced internally or whether the data element is sourced from a third party, in which case provide the name of the third-party vendor. Leave blank if a data source is not used in the development of AI system model(s) for the insurance operation. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Line of Business (complete one for each line of business): _____

Date Form Completed ("as of") Date: _____

(1) Type of Data Element Used in AI System Model(s)	(2) Type of AI System Model(s) (E.g., Predictive vs. Generative AI)	(3) Describe How the Company Uses the Data Throughout Their Insurance Operations (include operational practices by line of insurance)	(4) Internal Data Source	(5) Third Party Data Source / Vendor Name
Aerial Imagery				
Age, Gender, Ethnicity/Race				

Commented [A41]: Recommend striking Exhibit D in its entirety. Questions on data should be handled with a separate exercise. Much of these questions relate to privacy, and are better suited to be addressed by the Privacy Protections (H) Working Group.

If retained, limit only to high-risk models. Further, as it would be extremely burdensome for companies to complete, this should be simplified.

Commented [A42]: If Exhibit D is retained, remove this column as it does not relate to AI. This reads as requesting every piece of data used in insurance operations regardless if AI is involved.

Commented [A43]: If Exhibit D is retained, this should be a separate category as we are allowed to use age and gender.

~~Consumer or Other Type of Insurance/Risk Score~~				
~~Crime Statistics~~				
~~Criminal Convictions (Exclude Auto-Related Convictions)~~				
~~Driving Behavior~~				
~~Education Level (Including school aptitude scores, etc.)~~				
~~Facial or Body Detection / Recognition / Analysis~~				
~~Geocoding (including address, city, county, state, ZIP code, lat/long, MSA/CSA, etc.)~~				
~~Geo-Demographics (including ZIP/county-based demographic characteristics)~~				
~~Household Composition~~				
~~Image/video Analysis~~				
~~Income~~				
~~Job History~~				
~~Loss Experience~~				
~~Medical, including Biometrics, genetic information, pre-existing conditions, diagnostic data, etc.~~				
~~Natural Catastrophe Hazard (Fire, Wind, Hail, Earthquake, Severe Convective Storms)~~				
~~Online social media, including characteristics for targeted advertising~~				
~~Personal Financial Information~~				
~~Telematics/Usage-based insurance~~				

Commented [A44]: If Exhibit D is retained, genetic information should be a separate column as many states have specific rules that may be separate from those rules for medical information.

~~Vehicle-Specific Data including VIN characteristics~~				
~~Voice Analysis~~				
~~Weather~~				
~~Other: Non-Traditional Data Elements (Please provide examples)~~				

DEFINITIONS AND APPENDIX

Where available, for the purposes of this evaluation terms are defined in accordance with the NAIC Model Bulletin on the Use of AI Systems by Insurers (https://content.naic.org/sites/default/files/2023-12-4%252520Model%252520Bulletin_Adopted_0.pdf):

"Adverse Consumer Outcome" refers to an AI System decision (output) by an insurance company that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards.

"Algorithm" means a clearly specified mathematical process for computation; a set of rules that, if followed, will give a prescribed result.

"AI System" is a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI Systems are designed to operate with varying levels of autonomy.

"Artificial Intelligence (AI)" refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence.

"Consumer Impact" refers to a decision by an Insurer that directly impacts a consumer outcome that is subject to insurance regulatory standards enforced by the Department.

Commented [A45]: Suggest edit to this definition to align with direct consumer outcomes.

"Degree of Potential Harm to Consumers" refers to the severity of adverse economic impact that a consumer might experience as a result of an Adverse Consumer Outcome.

"Externally Trained Models" Transferred learnings from pre-trained models developed by a third party on external reference datasets.

"Generalized Linear Models (GLMs)" Includes Ordinary Least Squares (OLS), Elastic Net/LASSO/Ridge Regression, Logistic Regression, and Generalized Additive Models (GAMs). GLMs are not considered to be machine learning models for this evaluation.

Commented [A46]: Suggest restoring this definition from the prior draft for clarification.

"Generative Artificial Intelligence (Generative AI)" refers to a class of AI Systems that generate content in the form of data, text, images, sounds, or video, that is similar to, but not a direct copy of, pre-existing data or content.

“Inherent Risk” Refers to an assessment of risk before considering risk-mitigation strategies or internal controls.

“Internally Trained Models” Models developed from data internally obtained by the company.

“Machine Learning (ML)” Refers to a field within artificial intelligence that focuses on the ability of computers to learn from provided data without being explicitly programmed.

~~**“Material Financial Impact”** Material financial impact refers to costs or risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limits prescribed by Federal or State laws and regulations.~~

“Model Drift” refers to the decay of a model’s performance over time arising from underlying changes such as the definitions, distributions, and/or statistical properties between the data used to train the model and the data on which it is deployed.

“Neural Network Models” Include but not limited to: Single/multi-layer perceptrons/fully connected networks (MLPs/FCs), Deep Learning (DL), Convolutional Neural Networks (CNNs), Recurrent Neural Networks (RNNs), Long Short-Term Memory Neural Networks (LSTMs), Sequence Models, Large Language Models (LLMs), and Reinforcement Learning Models (RLs).

“Predictive Model” refers to the mining of historic data using algorithms and/or machine learning to identify patterns and predict outcomes that can be used to make or support the making of decisions.

“Residual Risk” Refers to an assessment of risk after considering risk-mitigation strategies or controls.

“Third Party” for purposes of this bulletin means an organization other than the insurance company, or its affiliates, that provides services, data, or other resources related to AI.

“Validation Method” The source of the reference data used for validation, whether Internal, External, or Both.

“Use Case” A description of a specific function in which a product or service is used.

Operations

Marketing - Examples: market research, target advertising, market/coverage expansion, customer segment target marketing, demand modeling, agent/broker incentive plans, up/cross-selling.

Commented [A47]: The NAIC AI Bulletin addresses consumer outcomes, so financial items should be excluded from the tool.

Commented [A48]: Request clarification of this term.

Underwriting - Examples: Policy/coverage acceptance, company placement/tiering, schedule rating, decisions based on telematics/UBI, report ordering, retention modeling, inspections, anomaly detection.

Ratemaking/Pricing - Examples: Development of overall/base rates, expense/loss loadings, estimation of trends and loss development, development of manual rating factors, tiering criteria, insurance credit scoring, territory boundary definitions, numeric/categorical level groupings and interactions, individual risk rating, telematics/UBI, price optimization, schedule rating factors.

Claims - Examples: Claim assignment, triage/fast-tracking, individual/bulk claim reserving including loss estimation, imaging/video analysis, fraud detection, litigation, estimation of closure rates, salvage/subrogation, examination/report ordering.

Customer Service - Examples: Agent/broker/internet/customer service interaction (chatbots), online/smart phone apps, loss prevention/risk mitigation advice, payment plans, complaints.

~~**Other:** Cyber Security, Fraud Detection, Strategic Operations, Reserving, Investments, Capital Management, Financial Reporting, Reinsurance, Legal, Legal Exposure, Reputation Risk.~~

Commented [A49]: Suggest striking as it does not relate to consumer impacts. If retained, strike "Reputation Risk".

American Property Casualty Insurance Association (APCIA)

Comments on Version 2 of the NAIC AI Systems Evaluation Tool

Company 1

- **We recommend removing traditional statistical models, such as GLMs, from the scope of the tool.** These modeling methods were developed prior to the computer age. These models have been widely used in the insurance industry for over 20 years and are already known and well-understood by most regulators. A focus on more recent machine learning models and generative AI systems will likely be more useful to regulators during the initial pilot phase of this tool, as well as greatly reducing the initial regulatory burden on regulators and companies.
- **We recommend restricting the scope to focus on AI Systems usage within regulated insurance practices.** This would improve the balance of the regulatory burden with the identification of potential adverse consumer impacts. It would also strengthen the alignment of the AIS Evaluation Tool with the NAIC Bulletin on the Use of AI Systems by Insurers.
- **We recommend removing language regarding "indirect" impacts.** Attempting to account for indirect impact, rather than first focusing on direct impacts, will cause confusion and result in inconsistent data provided to regulators. This will make it difficult for regulators to draw conclusions or make comparisons between companies. This approach will also allow regulators to become more knowledgeable and develop a consistent, informed approach before considering "indirect" impacts.
- **We recommend removing the word "bias" and replacing it with "unfair discrimination."** Most instances of the word "bias" were removed in version 2, but still appear in Exhibit C. Please see the attached, red-lined document.
- **We recommend that the intended use of the tool be clarified.** While some additional guidance has been provided in the latest version 2, it is still unclear whether adoption of the tool will result in the need for companies to provide largely duplicative information to multiple regulators. For example, does the NAIC intend to provide clear guidance that the Evaluation Tool would be used in coordinated examinations by regulators?

Please see the attached, red-lined document for some additional suggested edits.

Artificial Intelligence Systems Evaluations
Optional Supplemental Exhibits for State Regulators

Background:
The rapid expansion of big data and adoption of Artificial Intelligence and Machine Learning (AI systems) is significantly transforming insurance practices. These technologies can offer substantial benefits to both insurance companies and consumers by facilitating the development of innovative products, improving customer interface and enhancing service, simplifying and automating processes, and promoting efficiency and accuracy. However, without robust governance and effective controls, the use of AI systems may lead to adverse consumer outcomes or compromise the financial soundness of an insurance company. Insurers are responsible for managing the risks associated with the development and implementation of AI systems and must demonstrate to regulators that adequate oversight mechanisms are in place and are functioning effectively.

Intent:
The NAIC's Innovation, Cybersecurity and Technology (H) Committee charged the Big Data and AI Working Group (BDAIWG) to create tool(s) that would enable regulators to identify and assess AI systems' related risks on an on-going basis with a scope that considers both financial and consumer risks evolving specifically from company's use of AI systems to the extent such risks can be parsed from the comprehensive structure.

This document and related tools are designed to supplement existing market conduct, product review, form filing, financial analysis, and financial examination review procedures. As this tool supplements existing NAIC resources, regulators should continue to consider existing NAIC resources as authoritative but may consider drawing from this tool to assist in understanding and assessing a company's use of AI systems.

These optional exhibits allow regulators to determine the extent of AI systems usage for a company and whether additional analysis is needed focusing on financial and consumer risk.

Sections of the Tool include:

- **Exhibit A: Quantify Regulated Entity's Use of AI Systems**
- **Exhibit B: AI Systems Governance Risk Assessment Framework (Two Options: Narrative or Checklist)**
- **Exhibit C: AI Systems High-Risk Model Details**
- **Exhibit D: AI Systems Model Data Details**

Instructions:
Information obtained from the Exhibit submission may supplement guidance and tools used during an existing market conduct, product review, form filing, financial analysis, and financial examination review, to enhance the regulator's understanding of the AI systems utilization and assessment of risk across an insurance company in performing the analysis and examination reviews. Effective assessment requires regulators to maintain a fluent understanding and application of the applicable laws including those pertaining to unfair trade practices, confidentiality, and financial reporting.

Regulators using the tool may wish to first use Exhibit A and based on the information provided, determine if further inquiry is necessary. It may be possible that company responses indicate that while the company responding is using AI, its use of AI is so limited or low in inherent risk as to not require further inquiry as contemplated by subsequent exhibits.

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.

The tool responses will be considered by regulators when identifying the inherent risks of the insurer. They should also affect the planned examination or inquiry approach, as well as the nature, timing and extent of any further procedures performed.

Materiality and Risk Assessment

Exhibit C of this tool relies on company assessments of risk and materiality. As part of evaluating company responses, regulators may request information on how a responding company assesses both concepts to assist in the regulatory review.

Confidentiality

Regulators using any of the tools should be prepared to cite examination or other authority, as appropriate when requesting information from insurers

Which Exhibit to Use?

Risk Identification or Assessment	A	B	C	D
Identify Reputational Risk and Consumer Complaints	**X**	**X (Checklist)**		
Assess Company Financial Risk – Number of models implemented recently	**X**	**X (Checklist)**		

Risk Identification or Assessment	A	B	C	D
Identify Adverse Consumer Outcomes – AI Systems and data use by operational area	X	X	X	X
Evaluate Actions Taken Against Company's Use of High-Risk AI Systems (as defined by the company)			X	
Evaluate Robustness of AI Controls		X	X	
Determine the types of data used by operational area				X

Exhibit A: Quantify Regulated Entity's Use of AI Systems

Purpose: To obtain information pertaining to the number of AI models that are new, updated, etc. that will help facilitate risk assessment. Based on the responses from the company, regulators may ask for additional information related to governance (Exhibits B), high-risk models (Exhibit C), and data types (Exhibit D) where there is risk for adverse consumer outcomes or material adverse financial impact.

Company Instructions: Provide the most current counts and use cases of the following as requested. Note that "AI System" is defined as a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI systems are designed to operate with varying levels of autonomy (supportive, augmented, automated). "Adverse Consumer Outcome" and "Use Case" are as defined below. . Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Company Legal Name or Group Name: _____

NAIC Code or Group Code: _____

Company Contact Name: _____ Email:

_____

Describe the Line of Business for Which This Response Applies :

_____

Date Form Completed ("as of") Date: _____

Use of AI System in Operations or Program Area	Number of AI System Model(s) Currently in Use	Number of AI System Model(s) with Consumer Impact	Number of AI System Model(s) with Material Financial Impact	Number of AI System Model(s) Implemented in Past 12 Months			
Insurer Core Operations							
Marketing							E.g., UC1: Identify potential consumers interested in product.
Premium Quotes & Discounts							
Underwriting							
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits							
Claims/Adjudication*							

Commented [A1]: We recommend deleting this column, as it is redundant with information in other Exhibits.

Given the broad definition of AI, if the scope is not limited in some way (e.g. high-risk AI Systems) this column will become incredibly large. Also, there is no connection between the information in the use case column and the other columns. For example, we can list the individual use cases, but there is no further indication as to whether the specific use case has a consumer impact, material financial impact, etc.

Customer Service							
Utilization Management/Utilization Review/Prior Authorization							
Fraud/Waste & Abuse							

Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework

Purpose: To obtain the Company AI Governance Framework, including the risk identification, mitigation, and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third-party AI systems and data. Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI Systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

1. Date Form Completed ("as of") Date: _____
   Provide the Governance Framework pertaining to the use of AI systems. Click or tap here to enter text.
   a. What role maintains the framework? Click or tap here to enter text.
   b. Discuss the governance structure, Board reporting and frequency. Click or tap here to enter text.

c. Discuss the process by which the framework is integrated throughout the organization, assessed and remediated. Click or tap here to enter text.
d. Discuss the process by which the effectiveness of the framework and individual models are assessed and modified. Click or tap here to enter text.
e. Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment. Click or tap here to enter text.
f. Discuss the integration of the AI systems in the Own Risk and Solvency Assessment (ORSA) and Enterprise Risk Management (ERM) assessments. Click or tap here to enter text.
g. Suggested additional question: How does the insurance company assess autonomy, reversibility, and reporting impact risk of AI systems?

2. Discuss the uses of AI system that:
   a. Generates a financial transaction directly. Click or tap here to enter text.
   b. Generates consumer impact directly. Click or tap here to enter text.
   c. Generates or directly impacts information reported in financial statements. Click or tap here to enter text.
   d. Generates or impacts risk and or control assessment. Click or tap here to enter text.
   e. Click or tap here to enter text.

3. Provide the policy and discuss the use and oversight of AI system vendors, model design and testing:
   a. Discuss the transparency and testing procedures performed on internally-developed AI systems. Click or tap here to enter text.
   b. Discuss the transparency and testing procedures performed on third-party vendor-supplied AI systems. Click or tap here to enter text.
   c. Discuss the testing and verification that has occurred including frequency, scope and methodology. Click or tap here to enter text.

4. Provide the policy and discuss the use and oversight of AI systems by professional service providers including actuarial, claim, MGA, audit, and/or other professional services. Click or tap here to enter text.
   a. Discuss the testing and verification that has occurred, frequency, scope, and methodology. Click or tap here to enter text.

   Click or tap here to enter text.Click or tap here to enter text.
5. Discuss additional RAF design and evaluation pertaining to AI systems. Click or tap here to enter text.
   a. Discuss the unit(s) responsible for the RAF, assessment approach and frequency, and involvement with the program area to the extent it differs from that discussed above. Click or tap here to enter text.

Commented [A3]: Including "indirect" impacts will lead to inconsistent interpretation by companies, which leads to inconsistent data. This will make it difficult for regulators to draw conclusions or make comparisons between companies.

Commented [A4]: These information requested in question 2.e is extremely detailed and varies from case to case. Providing this level of detail for each AI system would result in a significant regulatory burden. We strongly recommend deleting 2.e.

Exhibit B: (Checklist) AI Systems Governance and Risk Assessment Framework

Purpose: To obtain the Company AI Systems Governance Framework, including the risk identification, mitigation and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third party AI systems and data" potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity. Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email:

_____

Date Form Completed ("as of") Date: _____

Ref	AI Systems Use Questions for Company	Company Response
1	Has the company adopted a written AIS Program? If yes, when was it adopted and what is the frequency of review for updating?	

2	Was the Board of Directors or management involved in the adoption of an AIS Program?		
3	What is the role of the Board of Directors or management in the AI Systems Governance Framework?		
3	**Reference the processes and procedures of the Company AI Governance Framework that addresses the following:**		
	How the Insurance Company…	Page #	If not specified in governance, provide details below:
	3a. Assesses, mitigates, and evaluates residual AI system risks of unfair trade practices		
	3c. Ensures AI systems are compliant with state and federal laws and regulations		
	Evaluates risk of adverse consumer outcomes		
	3e. Considers data privacy and protection of consumer data used in AI systems		
	3f. Ensures AI systems are suitable for their intended use and should continue to be used as designed		
	3h. Ensures AI system risks are considered within Enterprise Risk Management (ERM)		
	3i. Ensures AI system risks are considered within the Own Risk and Solvency Assessment (ORSA)		
	3j. Ensures AI system risks are considered in software development lifecycle (SDLC)		
	3k. Ensures AI system risk impact on financial reporting is considered		
	3l. Trains employees about AI system use and defines prohibited practices (if any)		
	3m. Quantifies AI system risk levels		

	3n. Provides standards and guidance for procuring and engaging AI system vendors		
	3o. Ensures consumer complaints resulting from AI systems are identified, tracked, and addressed		
	3p. Ensures consumer awareness in use of AI systems through disclosures, policies, and procedures for consumer notification		

Exhibit C: AI Systems High-Risk Model Details

Purpose: To obtain detailed information on high-risk AI system models, such as models making automated decisions, that could cause adverse consumer, financial, or financial reporting impact. AI system risk criteria is set by the insurance company. To assist in identifying models for which this information is requested, regulators may request information on the company's risk assessment and a model inventory if such information has not otherwise already been provided.

Company Instructions: Fill in the details for each of the AI system model(s) requested. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email:

_____

Date Form Completed ("as of") Date: _____

Model name	
Model type	
Model Implementation Date	
Model development (internal or third party – include vendor name)	
Model risk(s) and limitation(s)	
AI type (automate, augment, support)	
Testing model outputs (drift, accuracy, unfair discrimination, unfair trade practices, performance degradation, etc.)	
Last date of model testing	
Use cases and purpose of model	
Discuss how the model affects the financial statements, risk assessment or controls.	
Discuss how the model is reviewed for compliance with state and federal laws Replace with “Discuss how the model is reviewed for compliance with the unfair trade practices act and unfair claims settlement laws.”	
Discuss if the company has had any actions taken against them for use of this model. Actions may include but are not limited to informal agreements, voluntary compliance plans,	

administrative complaints, ongoing monitoring, cease and desist, remediation, restitution, fines, penalties, investigations, consent orders or other regulatory agency actions.	

Exhibit D: AI Systems Model Data Details

Purpose: To obtain detailed information of the source(s) and type(s) of data used in AI system model(s) to identify risk of adverse consumer impact, financial, or financial reporting impact.

Company Instructions: Provide details below for the data used in AI system model(s). If any of the data elements listed are used in the training or test data as part of the development of AI model(s), provide information on whether the data element is sourced internally or whether the data element is sourced from a third party, in which case provide the name of the third-party vendor. Leave blank if a data source is not used in the development of AI system model(s) for the insurance operation. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email:

_____

Line of Business (complete one for each line of business): _____ Date Form Completed ("as of") Date: _____				
(1) **Type of Data Element Used in AI System Model(s)**	**(2)** **Type of AI System Model(s) (E.g., Predictive vs. Generative AI)**	**(3)** **Describe How the Company Uses the Data Throughout Their Insurance Operations (include operational practices by line of insurance)**	**(4)** **Internal Data Source**	**(5)** **Third Party Data Source / Vendor Name**
Aerial Imagery				
Age, Gender, Ethnicity/Race				
Consumer or Other Type of Insurance/Risk Score				
Crime Statistics				
Criminal Convictions (Exclude Auto-Related Convictions)				
Driving Behavior				
Education Level (Including school aptitude scores, etc.)				
Facial or Body Detection / Recognition / Analysis				
Geocoding (including address, city, county, state, ZIP code, lat/long, MSA/CSA, etc.)				

Geo-Demographics (including ZIP/county-based demographic characteristics)				
Household Composition				
Image/video Analysis				
Income				
Job History				
Loss Experience				
Medical, including Biometrics, genetic information, pre-existing conditions, diagnostic data, etc.				
Natural Catastrophe Hazard (Fire, Wind, Hail, Earthquake, Severe Convective Storms)				
Online social media, including characteristics for targeted advertising				
Personal Financial Information				
Telematics/Usage-based insurance				
Vehicle-Specific Data including VIN characteristics				
Voice Analysis				
Weather				
Other: Non-Traditional Data Elements (Please provide examples)				

Commented [A5]: IA suggested edit.

DEFINITIONS AND APPENDIX

Where available, for the purposes of this evaluation terms are defined in accordance with the NAIC Model Bulletin on the Use of AI Systems by Insurers (https://content.naic.org/sites/default/files/2023-12-4%252520Model%252520Bulletin_Adopted_0.pdf):

"Adverse Consumer Outcome" refers to an AI System decision (output) by an insurance company that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards.

"Algorithm" means a clearly specified mathematical process for computation; a set of rules that, if followed, will give a prescribed result.

"AI System" is a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI Systems are designed to operate with varying levels of autonomy.

"Artificial Intelligence (AI)" refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence.

"Consumer Impact" refers to a decision by an Insurer that is subject to insurance regulatory standards enforced by the Department.

"Degree of Potential Harm to Consumers" refers to the severity of adverse economic impact that a consumer might experience as a result of an Adverse Consumer Outcome.

"Externally Trained Models" Transferred learnings from pre-trained models developed by a third party on external reference datasets.

"Generative Artificial Intelligence (Generative AI)" refers to a class of AI Systems that generate content in the form of data, text, images, sounds, or video, that is similar to, but not a direct copy of, pre-existing data or content.

"Inherent Risk" Refers to an assessment of risk before considering risk-mitigation strategies or internal controls.

"Internally Trained Models" Models developed from data internally obtained by the company.

“Machine Learning (ML)” Refers to a field within artificial intelligence that focuses on the ability of computers to learn from provided data without being explicitly programmed.

“Material Financial Impact” Material financial impact refers to costs or risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limits prescribed by Federal or State laws and regulations.

“Model Drift” refers to the decay of a model’s performance over time arising from underlying changes such as the definitions, distributions, and/or statistical properties between the data used to train the model and the data on which it is deployed.

“Neural Network Models” Include but not limited to: Single/multi-layer perceptrons/fully connected networks (MLPs/FCs), Deep Learning (DL), Convolutional Neural Networks (CNNs), Recurrent Neural Networks (RNNs), Long Short-Term Memory Neural Networks (LSTMs), Sequence Models, Large Language Models (LLMs), and Reinforcement Learning Models (RLs).

“Predictive Model” refers to the mining of historic data using algorithms and/or machine learning to identify patterns and predict outcomes that can be used to make or support the making of decisions.

“Residual Risk” Refers to an assessment of risk after considering risk-mitigation strategies or controls.

“Third Party” for purposes of this bulletin means an organization other than the insurance company that provides services, data, or other resources related to AI.

“Validation Method” The source of the reference data used for validation, whether Internal, External, or Both.

“Use Case” A description of a specific function in which a product or service is used.

Operations

Marketing - Examples: market research, target advertising, market/coverage expansion, customer segment target marketing, demand modeling, agent/broker incentive plans, up/cross-selling.

Underwriting - Examples: Policy/coverage acceptance, company placement/tiering, schedule rating, decisions based on telematics/UBI, report ordering, retention modeling, inspections, anomaly detection.

Ratemaking/Pricing - Examples: Development of overall/base rates, expense/loss loadings, estimation of trends and loss development, development of manual rating factors, tiering criteria, insurance credit scoring, territory boundary definitions, numeric/categorical level groupings and interactions, individual risk rating, telematics/UBI, price optimization, schedule rating factors.

Claims - Examples: Claim assignment, triage/fast-tracking, individual/bulk claim reserving including loss estimation, imaging/video analysis, fraud detection, litigation, estimation of closure rates, salvage/subrogation, examination/report ordering.

Customer Service - Examples: Agent/broker/internet/customer service interaction (chatbots), online/smart phone apps, loss prevention/risk mitigation advice, payment plans, complaints.

Other: Cyber Security, Fraud Detection, Strategic Operations, Reserving, Investments, Capital Management, Financial Reporting, Reinsurance, Legal, Legal Exposure, Reputation Risk.

Company 2

Artificial Intelligence Systems Evaluations
Optional Supplemental Exhibits for State Regulators

Background:
The rapid expansion of big data and adoption of Artificial Intelligence and Machine Learning (AI systems) is significantly transforming insurance practices. These technologies can offer substantial benefits to both insurance companies and consumers by facilitating the development of innovative products, improving customer interface and enhancing service, simplifying and automating processes, and promoting efficiency and accuracy. However, without robust governance and effective controls, the use of AI systems may lead to adverse consumer outcomes, or compromise the financial soundness of an insurance company. Insurers are responsible for managing the risks associated with the development and implementation of AI systems and must demonstrate to regulators that adequate oversight mechanisms are in place and are functioning effectively.

Intent:
The NAIC's Innovation, Cybersecurity and Technology (H) Committee charged the Big Data and AI Working Group (BDAIWG) to create tool(s) that would enable regulators to identify and assess AI systems' related risks on an on-going basis with a scope that considers both financial and consumer risks evolving specifically from company's use of AI systems to the extent such risks can be parsed from the comprehensive structure.

This document and related tools are designed to supplement existing market conduct, product review, form filing, financial analysis, and financial examination review procedures. As this tool supplements existing NAIC resources, regulators should continue to consider existing NAIC resources as authoritative but may consider drawing from this tool to assist in understanding and assessing a company's use of AI systems.

These optional exhibits allow regulators to determine the extent of AI systems usage for a company and whether additional analysis is needed focusing on financial and consumer risk.

Sections of the Tool include:

- **Exhibit A: Quantify Regulated Entity's Use of High-Risk AI Systems**
- **Exhibit B: AI Systems Governance Risk Assessment Framework (Two Options: Narrative or Checklist)**
- **Exhibit C: AI Systems High-Risk Model Details**
- **Exhibit D: High-Risk AI Systems Model Data Details**

Commented [A6]: Exhibits A, C, and D should be limited to high-risk AI Systems. The level of detail an insurance company is required to provide through these exhibits is very burdensome for an AI System that is not high risk. There should be a proportionality component to the use of these exhibits.

For example, we may not be able to provide the detail required in Exhibit D for an AI System we license through a third-party vendor or that is used by a third-party claim administrator or other third party service provider.

Instructions:
Information obtained from the Exhibit submission may supplement guidance and tools used during an existing market conduct, product review, form filing, financial analysis, and financial examination review, to enhance the regulator's understanding of the high-risk AI systems utilization and assessment of risk across an insurance company in performing the analysis and examination reviews. Effective assessment requires regulators to maintain a fluent understanding and application of the applicable laws including those pertaining to unfair trade practices, confidentiality, and financial reporting.

Regulators using the tool may wish to first use Exhibit A and based on the information provided, determine if further inquiry is necessary. Regulators should only use Exhibit A to gather information about high-risk AI Systems used by an insurance company. It may be possible that company responses indicate that further inquiry is not required as contemplated by subsequent exhibits.

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.

The tool responses will be considered by regulators when identifying the inherent risks of the insurer. They should also affect the planned examination or inquiry approach, as well as the nature, timing and extent of any further procedures performed.

Materiality and Risk Assessment

Exhibits A, C, and D of this tool relies on company assessments of high-risk and materiality. For example, a high-risk AI System may include an AI System that makes automated decisions, has a consumer impact, or has a material financial impact. As part of evaluating company responses, regulators may request information on how a responding company assesses both concepts to assist in the regulatory review.

Confidentiality

Regulators using any of the tools should be prepared to cite examination or other authority, as appropriate when requesting information from insurers.

Which Exhibit to Use?

Risk Identification or Assessment	A	B	C	D
Identify Reputational Risk	X	X (Checklist)		
Assess Company Financial Risk – Number of high-risk models implemented recently	X	X (Checklist)		
Identify Adverse Consumer Outcomes – AI Systems and data use by operational area	X	X	X	X
Evaluate Actions Taken Against Company's Use of High-Risk AI Systems (as defined by the company)			X	
Evaluate Robustness of AI Controls		X	X	
Determine the types of data used by operational area				X

Exhibit A: Quantify Regulated Entity's Use of High-Risk AI Systems

Purpose: To obtain information pertaining to the number of high-risk AI Systems that are new or updated. that will help facilitate risk assessment. Based on the responses from the company, regulators may ask for additional information related to governance (Exhibits B), high-risk models (Exhibit C), and data types (Exhibit D) where there is risk for adverse consumer outcomes or material adverse financial impact.

Company Instructions: Provide the most current counts and use cases of high-risk AI Systems as requested. Note that "AI System" is defined as a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations,

Commented [A7]: Use of "etc." creates ambiguity about the types of models being subject to this exhibit.

content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI systems are designed to operate with varying levels of autonomy (supportive, augmented, automated). “Adverse Consumer Outcome” and “Use Case” are as defined below. . Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Company Legal Name or Group Name: _____

NAIC Code or Group Code: _____

Company Contact Name: _____ Email:

_____

Describe the Line of Business for Which This Response Applies :

_____

Date Form Completed (“as of”) Date: _____

Use of High-Risk AI System in Operations or Program Area		Number of High-Risk AI System Model(s) with Consumer Impact	Number of High-Risk AI System Model(s) with Material Financial Impact	Number of High-Risk AI System Model(s) Implemented in Past 12 Months			High-Risk AI System Use Case(s)

Commented [A8]: This exhibit should be limited to High-Risk AI Use Cases. If that is not tenable, then this should be limited to AI Systems with consumer impact or material financial impact.

Commented [A9]: Should delete this column because of the limitations of use of this exhibit described in the next comment.

Insurer Core Operations							
Marketing							E.g., UC1: Identify potential consumers interested in product.
Premium Quotes & Discounts							
Underwriting							
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits							
Claims/Adjudication*							
Customer Service							
Utilization Management/Utilization Review/Prior Authorization							
Fraud/Waste & Abuse							
Investment/Capital Management							
Reserves/Valuations							
Catastrophe Triage							

Commented [A10]: The scope section above states that these tools are intended to "supplement existing market conduct, product review, form filing, financial analysis, and financial examination review procedures." Some of these rows are broader than that, including the "other" row and "legal/compliance" row, and should be eliminated.

Reinsurance							
**Includes Salvage/Subrogation*							

Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework

Purpose: To obtain the Company AI Governance Framework, including the risk identification, mitigation, and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third-party AI systems and data. Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI Systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

6. Date Form Completed ("as of") Date: _____
   Provide the Governance Framework pertaining to the use of AI systems. Click or tap here to enter text.
   a. What role maintains the framework? Click or tap here to enter text.
   b. Discuss the governance structureClick or tap here to enter text.
   c. Discuss the process by which the framework is integrated throughout the organization, assessed and remediated. Click or tap here to enter text.

d. Discuss the process by which the effectiveness of the framework and individual models are assessed and modified. Click or tap here to enter text.

e. Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment. Click or tap here to enter text.

7. Discuss the uses of AI system that:
   a. Generates a financial transaction directly. Click or tap here to enter text.
   b. Generates consumer impact directly. Click or tap here to enter text.
   c. Generates or impacts information reported in financial statements . Click or tap here to enter text.

   d. *Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.* Discuss the basis for deviation from established practices. Click or tap here to enter text.

8. Discuss the use and oversight of AI system vendors and model design:

9. Discuss the use and oversight of AI systems by professional service providers including actuarial, claim, MGA, audit, and/or other professional services. Click or tap here to enter text.

   Click or tap here to enter text.Click or tap here to enter text.Click or tap here to enter text.

10. Discuss additional RAF design and evaluation pertaining to AI systems. Click or tap here to enter text.
    a. Discuss the unit(s) responsible for the RAF, assessment approach and frequency, and involvement with the program area to the extent it differs from that discussed above. Click or tap here to enter text.

Commented [A13]: Our major concern with these exhibits is that they may create de-facto legal requirements where they do not otherwise exist. For example, an insurer is not legally required to include AI Risk in its ORSA but including this question implies that it is.

Commented [A14]: We should delete "indirectly" from these because this is too broad, especially given the definition of AI systems.

Commented [A15]: We do not know what this means.

Commented [A16]: This should be removed because it implies that testing is legally required.

Commented [A17]: We should remove "the policy." An insurance company may not have a direct policy document on how they handle this. For example, an insurer may handle this through contractual provisions.

Commented [A18]: Again, creates de facto legal standard.

Exhibit B: (Checklist) AI Systems Governance and Risk Assessment Framework
Purpose: To obtain the Company AI Systems Governance Framework, including the risk identification, mitigation and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third party AI systems and data" potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts

to maintain compliance and the integrity of financial reporting and control integrity. Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam. The references to, and questions about, elements of an AI Governance and Risk Assessment Framework in this Exhibit B do not create a requirement that an AI Governance and Risk Assessment Framework include such elements. The absence of any particular element does not necessarily mean the AI Governance and Risk Assessment Framework is inadequate.

Commented [A19]: This is a suggestion to mitigate the risk that a regulator considers the absence of an element listed in this Exhibit as a flaw or violation of law.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email:

_____

Date Form Completed ("as of") Date: _____

Ref	AI Systems Use Questions for Company	Company Response
1	Has the company adopted a written AIS Program? If yes, when was it adopted and what is the frequency of review for updating?	
2	Was the Board of Directors or management involved in the adoption of an AIS Program?	
3	What is the role of the Board of Directors or management in the AI Systems Governance Framework?	

3	**Reference the processes and procedures of the Company AI Governance Framework that addresses the following:**		
	How the Insurance Company…	Page #	If not specified in governance, provide details below:
	3a. Assesses, mitigates, and evaluates residual AI system risks of unfair trade practices		
	3c. Ensures AI systems are compliant with state and federal laws and regulations		
	Evaluates risk of adverse consumer outcomes		
	3e. Considers data privacy and protection of consumer data used in AI systems		
	3f. Ensures AI systems are suitable for their intended use and should continue to be used as designed		
	3k. Ensures AI system risk impact on financial reporting is considered		
	3n. Provides standards and guidance for procuring and engaging AI system vendors		

Commented [A20]: Using the word "ensure" throughout implies that each row is required in an AI governance system.

Commented [A22]: Another de fact legal requirement.

Exhibit C: AI Systems High-Risk Model Details

Purpose: To obtain detailed information on high-risk AI System models, such as models making automated decisions, that could cause adverse consumer, financial, or financial reporting impact. AI system risk criteria is set by the insurance company. To assist in

identifying models for which this information is requested, regulators may request information on the company's risk assessment and a model inventory if such information has not otherwise already been provided.

Company Instructions: Fill in the details for each of the AI system model(s) requested. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Date Form Completed ("as of") Date: _____

Model name	
Model type	
Model Implementation Date	
Model development (internal or third party – include vendor name)	
Model risk classification	
Model risk(s) and limitation(s)	
AI type (automate, augment, support)	
Testing model outputs (drift, accuracy, bias, unfair trade practices, performance degradation, etc.)	
Last date of model testing	
Use cases and purpose of model	

Discuss how the model affects the financial statements, risk assessment or controls.	
Discuss how the model is reviewed for compliance with state and federal laws Replace with “Discuss how the model is reviewed for compliance with the unfair trade practices act and unfair claims settlement laws.”	
Discuss if the company has had any actions taken against them for use of this model. Actions may include but are not limited to informal agreements, voluntary compliance plans, administrative complaints, ongoing monitoring, cease and desist, remediation, restitution, fines, penalties, investigations, consent orders or other regulatory agency actions.	

Exhibit D: High-Risk AI Systems Model Data Details

Purpose: To obtain detailed information of the source(s) and type(s) of data used in high risk AI system model(s) to identify risk of adverse consumer impact, financial, or financial reporting impact.

Company Instructions: Provide details below for the data used in high-risk AI system model(s). If any of the data elements listed are used in the training or test data as part of the development of high-risk AI model(s), provide information on whether the data element is sourced internally or whether the data element is sourced from a third party, in which case provide the name of the third-party vendor. Leave blank if a data source is not used in the development of high-risk AI system model(s) for the insurance operation. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email:

_____

Line of Business (complete one for each line of business):

_____

Date Form Completed ("as of") Date: _____

Commented [A23]: The Purpose here seems broader than the Purpose defined in Exhibit A, which also discussed Exhibit D. In Exhibit A, it says Exhibit D is intended to review data elements "**where** there is risk for adverse consumer outcomes or material adverse financial impact," which is narrower and preferable. Or, this should be limited to High-Risk AI Systems as well. For example, we may not know this information for a third-party model that is not high risk. We wouldn't get into that level of detail with the vendor.

(1) Type of Data Element Used in AI System Model(s)	(2) Type of AI System Model(s) (E.g., Predictive vs. Generative AI)	(3) Describe How the Company Uses the Data Throughout Their Insurance Operations (include operational practices by line of insurance)	(4) Internal Data Source	(5) Third Party Data Source / Vendor Name
Aerial Imagery				
Age, Gender, Ethnicity/Race				
Consumer or Other Type of Insurance/Risk Score				
Crime Statistics				
Criminal Convictions (Exclude Auto-Related Convictions)				
Driving Behavior				
Education Level (Including school aptitude scores, etc.)				
Facial or Body Detection / Recognition / Analysis				
Geocoding (including address, city, county, state, ZIP code, lat/long, MSA/CSA, etc.)				
Geo-Demographics (including ZIP/county-based demographic characteristics)				
Household Composition				
Image/video Analysis				
Income				

Commented [A24]: Is this still limited to use in AI Systems? If not, it should be.

Job History				
Loss Experience				
Medical, including Biometrics, genetic information, pre-existing conditions, diagnostic data, etc.				
Natural Catastrophe Hazard (Fire, Wind, Hail, Earthquake, Severe Convective Storms)				
Online social media, including characteristics for targeted advertising				
Personal Financial Information				
Telematics/Usage-based insurance				
Vehicle-Specific Data including VIN characteristics				
Voice Analysis				
Weather				
Other: Non-Traditional Data Elements (Please provide examples)				

Commented [A25]: IA suggested edit.

DEFINITIONS AND APPENDIX

Where available, for the purposes of this evaluation terms are defined in accordance with the NAIC Model Bulletin on the Use of AI Systems by Insurers (https://content.naic.org/sites/default/files/2023-12-4%252520Model%252520Bulletin_Adopted_0.pdf):

"Adverse Consumer Outcome" refers to an automated AI System decision (output) by an insurance company that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards.

"Algorithm" means a clearly specified mathematical process for computation; a set of rules that, if followed, will give a prescribed result.

"AI System" is a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI Systems are designed to operate with varying levels of autonomy.

"Artificial Intelligence (AI)" refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence.

"Consumer Impact" refers to an automated decision by an Insurer that is subject to insurance regulatory standards enforced by the Department.

"Generative Artificial Intelligence (Generative AI)" refers to a class of AI Systems that generate content in the form of data, text, images, sounds, or video, that is similar to, but not a direct copy of, pre-existing data or content.

"Inherent Risk" Refers to an assessment of risk before considering risk-mitigation strategies or internal controls.

"Machine Learning (ML)" Refers to a field within artificial intelligence that focuses on the ability of computers to learn from provided data without being explicitly programmed.

"Material Financial Impact" Material financial impact refers to costs or risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limits prescribed by Federal or State laws and regulations.

Commented [A26]: This definition should exclude simple rules-based if/then processes. We sometimes call those rules engines. Those processes are not AI but could be inadvertently included within the broad scope of this language.

Commented [A27]: I don't believe this term appears elsewhere in the exhibits.

Commented [A28]: Same comment.

"Residual Risk" Refers to an assessment of risk after considering risk-mitigation strategies or controls.

"Third Party" for purposes of this bulletin means an organization other than the insurance company that provides services, data, or other resources related to AI.

"Use Case" A description of a specific function in which a product or service is used.

Operations

Marketing - Examples: market research, target advertising, market/coverage expansion, customer segment target marketing, demand modeling, agent/broker incentive plans, up/cross-selling.

Underwriting - Examples: Policy/coverage acceptance, company placement/tiering, schedule rating, decisions based on telematics/UBI, report ordering, retention modeling, inspections, anomaly detection.

Ratemaking/Pricing - Examples: Development of overall/base rates, expense/loss loadings, estimation of trends and loss development, development of manual rating factors, tiering criteria, individual risk rating, price optimization, schedule rating factors.

Commented [A29]: Some of this could be solely used in underwriting such as territory boundary definitions. We should not include those terms in the definition of rating/pricing.

Claims - Examples: Claim assignment, triage/fast-tracking, individual/bulk claim reserving including loss estimation, imaging/video analysis, litigation, estimation of closure rates, salvage/subrogation, examination/report ordering.

Customer Service - Examples: Agent/broker/internet/customer service interaction (chatbots), online/smart phone apps, loss prevention/risk mitigation advice, payment plans, complaints.

Other: Cyber Security, Fraud Detection, Strategic Operations, Reserving, Investments, Capital Management, Financial Reporting, Reinsurance, Legal, Legal Exposure, Reputation Risk.

Commented [A30]: Fraud detection is in "other" and "claims handling"

Company 3

1. Exhibit D – Model Data Details (Primary Concern)

- ***Scope of Data Disclosure Is Too Broad:***
    - *Exhibit D still requires reporting of all data elements used in any AI model's training or testing, including internal and third-party sources and vendor names.*

- *This open-ended approach creates significant burden and may not be feasible, especially for externally trained models where insurers lack full visibility into third-party data.*
- *The instruction for regulators to "customize this tool to limit information requested to more targeted inquiries" is insufficient, as it does not meaningfully narrow the overall scope or reduce the breadth of required disclosures.*

- ***Recommendation:***
  Limit Exhibit D disclosures to:
  - *Data elements that are actually used in the final deployed model (i.e., features that materially influence model outputs).*
  - *Models that directly train on the reported data (excluding data elements present only in pre-training or unrelated datasets).*
  - *Recognize and accommodate cases where insurers do not have access to third-party training data, allowing for reasonable attestation or exception language.*
- ***Risk-Based Reporting:***
  - *Operationalize the risk-based focus by restricting Exhibit D requirements to high-risk models and data elements most relevant to consumer or financial risk.*

2. Additional Outstanding Issues

- ***Scope and Risk Alignment***
  - *The tool references high-risk models but still requests broad information across all AI systems and operational areas.*
  - ***Recommendation:***
    - *Further limit the scope to high-risk systems only, with incremental implementation and clear criteria for what constitutes "high-risk."*
- ***Administrative Burden & Duplication***
  - *Exhibit A retains detailed and overlapping operational categories, increasing complexity and workload.*
  - ***Recommendation***
    - *Streamline Exhibit A by combining overlapping categories and allowing group-wide or inventory-based responses where appropriate.*

- ***Governance Framework Subjectivity***
    - *Exhibit B retains both narrative and checklist options, with several subjective/open-ended questions.*
    - ***Recommendation:***
        - *Move toward a standardized checklist format and clarify or remove subjective questions to ensure consistency and reduce interpretive burden.*

November 21, 2025

Commissioner Michael Humphreys

Chair, NAIC Big Data and Artificial Intelligence (AI) (H) Working Group

Re: AI Systems Evaluation Tool 2.0 – Comments on Exhibit C, Testing Model Outputs

Dear Commissioner Humphreys,

Thank you for the opportunity to provide additional thoughts on the AI Systems Evaluation Tool 2.0 ahead of the upcoming working session at the NAIC Fall National Meeting.

Bell Analytics works with a range of carriers on testing and monitoring AI models and related external consumer data for performance and unfair discrimination. In this work, we've seen firsthand how complex and nuanced decisions relating to model testing can be. We welcome this tool as step towards clear industry standards on testing scope.

However, the list of "testing model outputs" within Exhibit C is difficult to parse as a practitioner. Below, our team submits several proposed tweaks for the consideration of your Working Group. Our intent is not to comment on the concepts included, but rather the language used to describe them.

Proposed redline:

Testing model outputs (e.g., model drift, accuracy, unfair discriminationbias, ~~unfair trade practices, performance degradation,~~ etc.)

Description of possible changes:

- Consider ordering concepts based on regulatory priority
- Begin list of testing outputs with "e.g." – Under the assumption that these are suggested, but not required, tests and the relevant outputs may change by model based on use case and the carrier's own risk assessment
- Update "drift" to "model drift" – Model Drift is a defined term in the document
- Remove or define "bias" –
    - Bias has a variety of meanings relevant to this context, from unrepresentative training data to unfair discrimination
        - Bias, the statistical term of art, means either: (1) training data is skewed, so is not fully representative of the target population, or (2) there exist

systematic errors in the model's predictions, indicating the model is underfit (e.g., not specific enough). The Model Bulletin gestures towards these statistical definitions of bias, using the term distinctly from "unfair discrimination," pairing it in the phrase "errors and biases," and using it in context of data assessment

        - Bias is also commonly used interchangeably with "unfair discrimination." In version 1.0 of the tool, questions in the checklist form of Exhibit B suggest an intended meaning in this document closer to unfair discrimination than the broader, statistical definition described above
    - If the Working Group intends the broader, statistical definition of bias, testing outcomes related to "accuracy" cover this concern
    - If the Working Group intends the unfair discrimination definition of bias, we recommend using that word instead for clarity
    - Otherwise, a definition of bias within the document would be helpful
- Replace "bias" with "unfair discrimination" – See above
- Remove "unfair trade practices" –
    - In our experience, testing for unfair trade practices typically involves assessing performance (i.e., accuracy and model drift) and unfair discrimination. These concepts are already addressed
    - If there are additional tests anticipated under this term, we recommend delineating those concepts further or using a term like "additional output assessing unfair trade practices" to clarify that this is a catchall and not a separate scope of tests beyond those already mentioned
- Remove or define "performance degradation" – Model Drift is defined in the document as "decay of a model's performance." If "performance degradation" is meant to capture a different concept than Model Drift, consider expanding the language or including a definition. Otherwise, we suggest removing for redundancy

We're happy to engage further on this topic if the Commissioner or anyone from the Working Group desires.

Respectfully,

Elaine Gibbs

CEO and co-founder

epg@bell-analytics.com

EVERSHEDS SUTHERLAND

THE Committee OF Annuity Insurers
www.annuity-insurers.org

November 30, 2025

Chair Michael Humphreys (PA)
Co-Vice Chair Mary Block (VT)
Co-Vice Chair Doug Ommen (IA)
2025 NAIC Big Data and AI (H) Working Group NAIC
Central Office
1100 Walnut Street
Suite 1500
Kansas City, Missouri 64106

Sent via email to: ssobel@naic.org

RE: AI Systems Evaluation Tool

Dear Chair Humphreys and Co-Vice Chairs Ommen and Block:

The Committee of Annuity Insurers (CAI or Committee)[1] is pleased to submit to the NAIC Big Data and Artificial Intelligence (H) Working Group (BDAI WG) a redlined copy of Version 2 of the draft AI Systems Evaluation Tool ("AI Tool") in order to facilitate the BDAI WG's continued work in refining the AI Tool.

In addition to certain editorial comments, the primary substantive changes proposed by the Committee are:

- Strengthening the language on confidentiality;
- Clarifying the scope of non-lead states', and lead states' use of the AI Evaluation Tool;
- Adding a materiality definition and threshold to Exhibit A so that insurers do not have to count and describe inconsequential uses of AI that may numbers in the hundreds, if not thousands;
- Deleting the narrative version of Exhibit B, and thereby solely using the checklist version;
- Clarifying that Exhibit C relies on the company's definition of what is a "high-risk" AI System;
- Narrowing the category "Legal/Compliance" in Exhibit A to refer to the use of AI Systems by legal and compliance with regard to the insurer's core operations identified earlier in Exhibit A;
- Clarifying the language requiring market conduct and financial examiners to coordinate when requesting the same information;
- Asking for clarification of certain terminology, noting the inconsistent use of terms such as AI Systems and models relative to how the terms are used in the NAIC Model AI Bulletin;
- Asking for clarification on why the data in Exhibit D is being requested and how it will be used by regulators in an AI exam; and
- Clarifying some definitions.

[1] The Committee of Annuity Insurers is a coalition of life insurance companies that issue annuities. It was formed in 1981 to address legislative and regulatory issues relevant to the annuity industry and to participate in the development of public policy with respect to securities, state regulatory and tax issues affecting annuities. The CAI's current 32 member companies represent approximately 80% of the annuity business in the United States. More information is available at https://www.annuity-insurers.org/.

We hope you find these comments useful as you continue to make improvements to the AI Tool. While CAI members acknowledge the desire to finalize this tool promptly, CAI members believe it is crucial to take the time to get it right and ask the BDAI WG to clarify how the AI Tool will be used during the pilot program in order to ensure its smooth rollout.

Sincerely,

For The Committee of Annuity Insurers

Eversheds Sutherland (US) LLP

By:

_____

Mary Jane Wilson- Bilik
Partner

Cc: Stephen E. Roth, Eversheds Sutherland

Comments from the Committee of Annuity Insurers 11.30.25

Artificial Intelligence Systems Evaluations
Optional Supplemental Exhibits for State Regulators

Background:
The rapid expansion of big data and adoption of Artificial Intelligence and Machine Learning (AI systems) is significantly transforming insurance practices. These technologies can offer substantial benefits to both insurance companies and consumers by facilitating the development of innovative products, improving customer interface and enhancing service, simplifying and automating processes, and promoting efficiency and accuracy. However, without robust governance and effective controls, the use of AI systems may lead to adverse consumer outcomes or ~~compromise the~~adverse financial ~~soundness of~~impacts to an insurance company. Insurers are responsible for managing the risks associated with the development and implementation of AI systems and must be able to demonstrate to regulators that ~~adequate~~appropriate risk-based oversight mechanisms are in place and are functioning effectively.

Intent:
The NAIC's Innovation, Cybersecurity and Technology (H) Committee charged the Big Data and AI Working Group (BDAIWG) to create tool(s) that would enable regulators to identify and assess AI systems' related risks on an on-going basis with a scope that considers both financial and consumer risks evolving specifically from company's use of AI systems to the extent such risks can be parsed from the comprehensive structure.

This ~~document and related tools are~~tool is designed to supplement existing market conduct, ~~product review, form filing,~~ financial analysis, and financial examination review procedures for reviewing AI Systems. As this tool supplements existing NAIC resources, regulators should continue to consider existing NAIC resources as authoritative but may consider drawing from this tool to assist in understanding and assessing a company's use of AI systems.

~~These~~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 domestic and lead state regulators and/or group-wide supervisors in the use of this tool to evaluate financial risk from AI Systems.

The optional exhibits in this tool allow regulators to determine the extent of AI systems usage for a company and whether additional analysis is needed focusing on financial and consumer risk.

Sections of the ~~Tool~~tool include:

- **Exhibit A: Quantify Regulated Entity's Use of AI Systems**
- **Exhibit B: AI Systems Governance Risk Assessment Framework (Two Options: Narrative or Checklist) [Recommend limiting Exhibit B to just the Checklist]**
- **Exhibit C: High-Risk AI Systems ~~High-Risk Model~~ Details**
- **Exhibit D: AI Systems ~~Model~~ Data Details [Recommend deletion of Exhibit D]**

Comments from the Committee of Annuity Insurers 11.30.25

Instructions:

Information obtained from the Exhibit(s) submission may supplement guidance and tools used during an existing market conduct~~, product review, form filing~~, financial analysis, and financial examination review, to enhance the regulator's understanding of the AI systems utilization and assessment of risk across an insurance company in performing the analysis and examination reviews. Effective assessment requires regulators to maintain a fluent understanding and application of the applicable laws including those pertaining to unfair trade practices, confidentiality, and financial reporting. Non-domestic/non-lead state regulators should scope their use to potential adverse consumer impacts only. Domestic and lead state regulators and/or group-wide supervisors may use this tool to evaluate potential adverse consumer impacts and/or financial risk from AI Systems.

Regulators using the tool may wish to first use Exhibit A and based on the information provided, determine if further inquiry is necessary. It may be possible that company responses indicate that while the company responding is using AI, its use of AI is so limited or low in inherent risk as to not require further inquiry as contemplated by subsequent exhibits.

Commented [CAI1]: CAI members strongly suggest adding a materiality threshold to Exhibit A in order to reduce the burdensome nature of the request. Materiality would rely on the company's reasonable assessment of the magnitude of the risks of using the AI System and the frequency of their occurrence.

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.

~~The tool~~ An insurer's responses to this tool will be considered by regulators when identifying the inherent risks of the ~~insurer. They should~~insurer's use of AI Systems. The responses may also ~~affect~~be factored into the planned examination or inquiry approach, as well as the nature, timing and extent of any further procedures performed.

Materiality and Risk Assessment

Exhibit C of this tool relies on company assessments of ~~risk~~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 ~~both~~the concepts of AI risk and materiality to assist in the regulatory review.

Confidentiality

Regulators using any of the ~~tools~~Exhibits to this tool should ~~be prepared to~~ cite examination or other authority, as appropriate, when requesting information from insurers to ensure that the information received from insurers is granted the highest level of confidentiality available under state law.

Comments from the Committee of Annuity Insurers 11.30.25

Which Exhibit to Use?

Risk Identification or Assessment	A	B	C	D
Identify Reputational Risk and Consumer Complaints	**X**	**X (Checklist)**		
Assess Company Financial Risk – Number of models implemented recently	**X**	**X (Checklist)**		
Identify Adverse Consumer Outcomes – AI Systems and data use by operational area	**X**	**X**	**X**	**X**
Evaluate Actions Taken Against Company's Use of High-Risk AI Systems (as defined by the company)			**X**	
Evaluate Robustness of AI Controls		**X**	**X**	
Determine the types of data used by operational area				**X**

Comments from the Committee of Annuity Insurers 11.30.25

Exhibit A: Quantify Regulated Entity's Use of AI Systems

Purpose: To obtain information pertaining to the number of AI models that are new, updated, etc. that will help facilitate risk assessment. Based on the responses from the company, regulators may ask for additional information related to governance (Exhibits B), high-risk models (Exhibit C), and data types (Exhibit D) ~~where~~when: 1. there is risk for adverse consumer outcomes ~~or~~in their jurisdiction or 2. if they are the lead state/group-wide supervisor and there is a risk for material adverse financial impact from use of AI Systems.

Company Instructions: Provide the most current counts and use cases of the following as requested. Note that "AI System" is defined as a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI systems are designed to operate with varying levels of autonomy (supportive, augmented, automated). "Adverse Consumer Outcome" and "Use Case" are as defined below. ~~.~~Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Materiality: Insurers should only account for AI Systems that are "material". An AI System is material if, in the insurer's reasonable judgment, the AI System's outputs could have a significant adverse impact on a decision impacting consumers or on the company's financial risk.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Company Legal Name or Group Name: _____

NAIC Code or Group Code: _____

Company Contact Name: _____ Email: _____

Describe the Line of Business for Which This Response Applies : _____

Date Form Completed ("as of") Date: _____

Commented [CAI2]: CAI members believe there is limited regulatory value in counting AI Systems and urge the BDAI Working Group to focus on the areas of use of AI Systems rather than simplistic counts.

Commented [CAI3]: Use of a "materiality" standard would exempt out reporting on the use of widely available tools, such as Microsoft Co-Pilot.

Comments from the Committee of Annuity Insurers 11.30.25

Use of Material AI System(s) in Operations or Program Area	Number of Material AI System ~~Model~~(s) Currently in Use	Number of Material AI System ~~Model~~(s) with Consumer Impact	Number of Material AI System ~~Model~~(s) with Material Financial Impact	Number of Material AI System ~~Model~~(s) Implemented in Past 12 Months			AI System Use Case(s)
Insurer Core Operations							
Marketing							E.g., UC1: Identify potential consumers interested in product.
Premium Quotes & Discounts							
Underwriting							
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits							
Claims/Adjudication*							
Customer Service							
Utilization Management/Utilization Review/Prior Authorization							
Fraud/Waste & Abuse							
Other							
Investment/Capital Management							

Commented [CAI4]: The CAI has revised the column headings to conform to the defined terms in the tool. CAI members strongly recommend using "Material AI System" as the benchmark unit for the responses, as opposed to the total number of models that may comprise any AI System.

~~Legal/~~Compliance with regard to insurer core operations listed above							
Producer Services							
Reserves/Valuations							
Catastrophe Triage							
~~Reinsurance~~							
~~Other (remove or change to "additional" per the use of "Other" above)~~							
**Includes Salvage/Subrogation*							
1.							
2.							
3.							

Commented [CAI5]: CAI members believe that use of the term "other" is too broad and should be narrowed to particular categories of insurance operations.

Comments from the Committee of Annuity Insurers 11.30.25

Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework (RAF)

Purpose: To obtain the Company AI Governance Framework, including the risk identification, mitigation, and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third-party AI systems and data. ~~Market and financial regulators should coordinate to gain access to~~Non-domestic/non-lead state regulators should scope their use to potential adverse consumer impacts only. Domestic and lead state regulators and/or group-wide supervisors may use this tool to evaluate potential adverse consumer impacts and/or financial risk from AI Systems. Market and financial regulators should coordinate when requesting this information, so that insurers need provide only one set of answers to the regulators' questions regarding the relevant section of the policies governing the use of AI Systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

1. Date Form Completed ("as of") Date: _____
   Provide the Governance Framework pertaining to the use of AI systems. Click or tap here to enter text.
   a. What role maintains the ~~framework~~Governance Framework? Click or tap here to enter text.
   b. Discuss the governance structure, Board reporting and frequency~~.~~ [of what?]. Click or tap here to enter text.
   c. Discuss the process by which the ~~framework~~Governance Framework is integrated throughout the organization, assessed and remediated. Click or tap here to enter text.
   d. Discuss the process by which the effectiveness of the ~~framework~~Governance Framework and individual models are assessed and modified. Click or tap here to enter text.
   e. Discuss the divisional, operational and cross functional responsibility for governance, and how consistency and alignment are maintained. Click or tap here to enter text.

Commented [CAI6]: CAI members strongly recommend that the narrative form of Exhibit B be eliminated. Having two forms that can be used by states at their discretion will require insurers to be prepared to address overlapping (but not identical) questions on the same topic, leading to potential confusion and a burden on resources.

Commented [CAI7]: CAI members request clarity on how the use of the terms "Governance Risk Assessment Framework" and "Governance Framework pertaining to AI Systems" relate to the existing framework of the NAIC Model AI Bulletin that calls for a written AIS Program that includes a "governance framework" and the documentation of the insurer's risk management and internal controls for AI Systems.

f. Discuss the integration of the AI systems in the Own Risk and Solvency Assessment (ORSA) and Enterprise Risk Management (ERM) assessments~~.~~, as applicable. Click or tap here to enter text.

g. Suggested additional question: How does the insurance company assess autonomy, reversibility, and reporting impact risk of AI systems?

Commented [CAI8]: CAI members recommend defining the meaning of "autonomy, reversibility and reporting impact risk of AI systems."

2. Discuss the uses of each AI system that:
   a. Generates a material financial transaction directly or indirectly. Click or tap here to enter text.
   b. Generates a material consumer impact directly or indirectly. Click or tap here to enter text.
   c. Generates or impacts material information reported in financial statements either directly or indirectly. Click or tap here to enter text.
   d. Generates or impacts risk and/ or control assessment. Click or tap here to enter text.

   e. *Discuss the development, testing, and implementation of material AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.* Discuss the basis for deviation from established practices. Click or tap here to enter text.

3. Provide the policy for, and discuss the use and oversight of, ~~-~~material AI system vendors, model design and testing:
   a. Discuss the transparency and testing procedures performed on internally-developed AI systems. Click or tap here to enter text.
   b. Discuss the transparency and testing procedures performed on third-party vendor-supplied AI systems. Click or tap here to enter text.
   c. Discuss the testing and verification that has occurred including frequency, scope and methodology~~-~~ for testing and verification. Click or tap here to enter text.

4. Provide the policy for, and discuss the use and oversight of, material AI systems by professional service providers including actuarial, claim, MGA, audit, and/or other professional services. Click or tap here to enter text.
   a. Discuss the testing and verification that has occurred, including the frequency, scope, and methodology for testing and verification. Click or tap here to enter text.

~~Click or tap here to enter text.Click or tap here to enter text.~~

5. Discuss additional RAF design and evaluation pertaining to AI systems. Click or tap here to enter text.
   a. Discuss the unit(s) responsible for the RAF, assessment approach and frequency, and involvement with the program area to the extent it differs from that discussed above. Click or tap here to enter text.

Comments from the Committee of Annuity Insurers 11.30.25

Exhibit B: (Checklist) AI Systems Governance and Risk Assessment Framework (RAF)

Purpose: To obtain the ~~Company~~Company's AI Systems Governance Framework, including the risk identification, mitigation and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third party AI systems and data", including the potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity. ~~Market and financial regulators should coordinate to gain access to~~Non-domestic/non-lead state regulators should scope their use to potential adverse consumer impacts only. Domestic and lead state regulators and/or group-wide supervisors may use this tool to evaluate potential adverse consumer impacts and/or financial risk from AI Systems. Market and financial regulators should coordinate when requesting this information, so that insurers need provide only one set of answers to the regulators' questions regarding the relevant section of the policies governing the use of AI systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Date Form Completed ("as of") Date: _____

Ref	AI Systems Use Questions for Company	Company Response
1	Has the company adopted a written AIS Program? If yes, when was it adopted and what is the frequency of review for updating?	
2	Was the Board of Directors or management involved in the adoption of an AIS Program?	

Commented [CAI9]: See comment above on improving the consistency of the tool's concepts and terminology with that of the NAIC's Model AI Bulletin. For instance, do "AI Systems Governance Framework" and "AI Systems Governance and Risk Assessment Framework" as used in the tool have the same meaning as the "AIS Program" in the NAIC Model AI Bulletin? If so, CAI members strongly suggest using the Model Bulletin terminology. If not, please explain the difference in the terms' meaning.

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3	What is the role of the Board of Directors or management in the AI Systems Governance Framework?		
3	**Reference the processes and procedures of the Company AI Governance Framework that addresses the following:**		
	How the Insurance Company…	Page #	If not specified in governance, provide details below:
	3a. Assesses, mitigates, and evaluates residual AI system risks of unfair trade practices		
	3c. Ensures AI systems are compliant with state and federal laws and regulations		
	3d. Evaluates the risk of adverse consumer outcomes		
	3e. Considers data privacy and protection of consumer data used in AI systems		
	3f. Ensures AI systems are suitable for their intended use and should continue to be used as designed		
	3h. Ensures AI system risks are considered within Enterprise Risk Management (ERM)		
	3i. Ensures AI system risks are considered within the Own Risk and Solvency Assessment (ORSA~~)~~), as applicable.		
	3j. Ensures AI system risks are considered in software development lifecycle (SDLC)		
	3k. Ensures AI system risk impact on financial reporting is considered		
	3l. Trains employees about AI system use and defines prohibited practices (if any)		
	3m. Quantifies AI system risk levels		
	3n. Provides standards and guidance for procuring and engaging AI system vendors		

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	3o. Ensures consumer complaints resulting from AI systems are identified, tracked, and addressed		
	3p. Ensures consumer awareness in the use of AI systems through disclosures, policies, and procedures for consumer notification		

Comments from the Committee of Annuity Insurers 11.30.25

Exhibit C: High-Risk AI Systems ~~High-Risk Model~~ Details	
Purpose: To obtain detailed information on high-risk AI ~~system models~~Systems, such as ~~models~~AI Systems making automated decisions~~,~~ that could cause adverse consumer, financial, or financial reporting impact. AI ~~system~~System risk criteria is set by the insurance company. To assist in identifying ~~models~~AI Systems for which this information is requested, regulators may request information on the company's risk assessment and a model inventory if such information has not otherwise already been provided. Company Instructions: Fill in the details for each of the AI ~~system model~~System(s) requested. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below. Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam. Non-domestic/non-lead state regulators should scope their use to potential adverse consumer impacts only. Domestic and lead state regulators and/or group-wide supervisors may use this tool to evaluate potential adverse consumer impacts and/or financial risk from AI Systems. Group or Company Legal Name: _____ NAIC Group or Company Code: _____ Company Contact Name: _____ Email: _____ Date Form Completed ("as of") Date: _____	
~~Model~~AI System name	
Model type used in the AI System	
Model Implementation Date	
Model development (internal or third party – include vendor name)	
Model risk classification (high, medium, low)	
Model risk(s) and limitation(s)	

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AI type (automate, augment, support)	
Testing model outputs (drift, accuracy, bias, unfair trade practices, performance degradation, etc.)	
Last date of model testing	
Use cases and purpose of model	
Discuss how the model ~~affects~~impacts the ~~financial statements,~~ risk assessment or controls of financial statements.	
~~Discuss how the model is reviewed for compliance with state and federal laws Replace with "~~Discuss how the model is reviewed for compliance with the unfair trade practices act and unfair claims settlement laws~~."~~.	
Discuss if the company has had any actions taken against them for use of this model. Actions may include but are not limited to informal agreements, voluntary compliance plans, administrative complaints, ongoing monitoring, cease and desist, remediation, restitution, fines, penalties, investigations, consent orders or other regulatory agency actions.	

Commented [CAI10]: CAI member recommend referring to the NIST AI Risk Management Framework and the NAIC Model AI Bulletin here.

Commented [CAI11]: CAI members request clarification on whether various questions in the tool should refer to AI Systems or to models and how the two terms (AI Systems/models) relate to each other, especially in light of how the terms are used in the NAIC's Model AI Bulletin. In other words, which term (model or system) is most precise and appropriate given the goals of the specific inquiry.

Comments from the Committee of Annuity Insurers 11.30.25

Exhibit D: AI Systems ~~Model~~ Data Details

Purpose: To obtain detailed information of the source(s) and type(s) of data used in AI ~~system model~~System(s) to identify risk of adverse consumer impact, financial, or financial reporting impact.

Company Instructions: Provide details below for the data used in AI ~~system model~~System(s). If any of the data elements listed are used in the training or test data as part of the development of AI ~~model~~System(s), provide information on whether the data element is sourced internally or whether the data element is sourced from a third party, in which case provide the name of the third-party vendor. Leave blank if a data source is not used in the development of AI ~~system model~~System(s) for the insurance operation. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Line of Business (complete one for each line of business): _____

Date Form Completed ("as of") Date: _____

(1) **Type of Data Element Used in AI System ~~Model~~(s)**	(2) **Type of AI System ~~Model~~(s) (E.g., Predictive vs. Generative AI)**	(3) **Describe How the Company Uses the Data Throughout Their Insurance Operations (include operational practices by line of insurance)**	(4) **Internal Data Source**	(5) **Third Party Data Source / Vendor Name**

Commented [CAI12]: CAI members request further explanation of why this data is being requested and how this information will be used in a regulatory examination. How will the data be analyzed and what will it be enforced against? The types of data elements listed are open-ended and overexpansive as currently drafted.

Aerial Imagery				
Age, Gender, Ethnicity/Race				
Consumer or Other Type of Insurance/Risk Score				
Crime Statistics				
Criminal Convictions (Exclude Auto-Related Convictions)				
Driving Behavior				
Education Level (Including school aptitude scores, etc.)				
Facial or Body Detection / Recognition / Analysis				
Geocoding (including address, city, county, state, ZIP code, lat/long, MSA/CSA, etc.)				
Geo-Demographics (including ZIP/county-based demographic characteristics)				
Household Composition				
Image/video Analysis				
Income				
Job History				
Loss Experience				
Medical, including Biometrics, genetic information, pre-existing conditions, diagnostic data, etc.				
Natural Catastrophe Hazard (Fire, Wind, Hail, Earthquake, Severe Convective Storms)				

Commented [MR13]: IA suggested edit.

Online social media, including characteristics for targeted advertising				
Personal Financial Information				
Telematics/Usage-based insurance				
Vehicle-Specific Data including VIN characteristics				
Voice Analysis				
Weather				
Other: Non-Traditional Data Elements (Please provide examples)				

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DEFINITIONS AND APPENDIX

Where available, for the purposes of this evaluation, terms are defined in accordance with the NAIC Model Bulletin on the Use of AI Systems by Insurers (https://content.naic.org/sites/default/files/2023-12-4%252520Model%252520Bulletin_Adopted_0.pdf):

"Adverse Consumer Outcome" refers to an AI System decision (output) by an insurance company that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards.

"Algorithm" means a clearly specified mathematical process for computation; a set of rules that, if followed, will give a prescribed result.

"AI System" is a machine-based system that is not rules-based and that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI Systems are designed to operate with varying levels of autonomy.

Commented [CAI14]: CAI members strongly urge the narrowing of the definition of "AI System" to exclude rules-based systems that have been used by insurers for decades. We do not believe such rules-based systems should be in scope for this tool.

"Artificial Intelligence (AI)" refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence.

"Consumer Impact" refers to a decision by an Insurer that is subject to insurance regulatory standards enforced by the Department.

"Degree of Potential Harm to Consumers" refers to the severity of adverse economic impact that a consumer might experience as a result of an Adverse Consumer Outcome.

"Externally Trained Models" ~~Transferred learnings from~~refers to models that were pre-trained ~~models developed~~ by a third party ~~on~~using external reference datasets.

"Generative Artificial Intelligence (Generative AI)" refers to a class of AI Systems that generate content in the form of data, text, images, sounds, or video, that is similar to, but not a direct copy of, pre-existing data or content.

Comments from the Committee of Annuity Insurers 11.30.25

“Inherent Risk” ~~Refers~~refers to an assessment of risk that is undertaken before considering risk-mitigation strategies or internal controls.

“Internally Trained Models” ~~Models developed from~~refers to company models that are trained on ~~-~~data internally obtained by the company.

“Machine Learning (ML)” ~~Refers~~refers to a field within artificial intelligence that focuses on the ability of computers to learn from provided data without being explicitly programmed.

“Material Financial Impact” ~~Material financial impact~~ refers to ~~costs~~costs or risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limits prescribed by Federal or State laws and regulations.

“Model Drift” refers to the decay of a model’s performance over time arising from underlying changes in data properties, such as the definitions, distributions, and/or statistical properties, that leads to a gap between the data used to train the model and the data on which it is deployed.

“Neural Network Models” ~~Include but not limited to: Single/multi-layer perceptrons~~ refers to machine learning models that mimic the complex functions of the human brain. These models consist of interconnected nodes or neurons that process data, learn patterns and enable tasks such as pattern recognition and decision-making. They include but are not limited to: single/multi-layer perceptions/fully connected networks (MLPs/FCs), Deep Learning (DL), Convolutional Neural Networks (CNNs), Recurrent Neural Networks (RNNs), Long Short-Term Memory Neural Networks (LSTMs), Sequence Models, Large Language Models (LLMs), and Reinforcement Learning Models (RLs).

“Predictive Model” refers to the mining of historic data using algorithms and/or machine learning to identify patterns and predict outcomes that can be used to make or support the making of decisions.

“Residual Risk” ~~Refers~~ refers to an assessment of risk after considering risk-mitigation strategies or controls.

“Third Party” for purposes of this ~~bulletin~~tool ~~-~~means an organization other than the insurance company that provides services, data, or other resources related to AI.

“Validation Method” ~~The~~refers to the source of the reference data used for validation, whether Internal, External, or Both.

Comments from the Committee of Annuity Insurers 11.30.25

"Use Case" ~~A~~refers to a description of a specific function in which a product or service is used.

Operations

Marketing - Examples: market research, target advertising, market/coverage expansion, customer segment target marketing, demand modeling, agent/broker incentive plans, up/cross-selling.

Underwriting - Examples: Policy/coverage acceptance, company placement/tiering, schedule rating, decisions based on telematics/UBI, report ordering, retention modeling, inspections, anomaly detection.

Ratemaking/Pricing - Examples: Development of overall/base rates, expense/loss loadings, estimation of trends and loss development, development of manual rating factors, tiering criteria, insurance credit scoring, territory boundary definitions, numeric/categorical level groupings and interactions, individual risk rating, telematics/UBI, price optimization, schedule rating factors.

Claims - Examples: Claim assignment, triage/fast-tracking, individual/bulk claim reserving including loss estimation, imaging/video analysis, fraud detection, litigation, estimation of closure rates, salvage/subrogation, examination/report ordering.

Customer Service - Examples: Agent/broker/internet/customer service interaction (chatbots), online/smart phone apps, loss prevention/risk mitigation advice, payment plans, complaints.

Other: Cyber Security, Fraud Detection, Strategic Operations, Reserving, Investments, Capital Management, Financial Reporting, ~~Reinsurance, Legal,~~ Legal Exposure, Reputation Risk.

Commented [SR15]: Do we need a margin note as to why this is being deleted?

CALIFORNIA DEPARTMENT OF INSURANCE

Artificial Intelligence Systems Evaluations
Optional Supplemental Exhibits for State Regulators

Commented [MR1]: Note for stakeholders - CA DOI's input is highlighted via comments related to each change proposed.

Background:
The rapid expansion of big data and adoption of Artificial Intelligence and Machine Learning (AI systems) is significantly transforming insurance practices. These technologies can offer substantial benefits to both insurance companies and consumers by facilitating the development of innovative products, improving customer interface and enhancing service, simplifying and automating processes, and promoting efficiency and accuracy. However, without robust governance and effective controls, the use of AI systems may lead to adverse consumer outcomes ~~unintended consumer harm~~ or compromise the financial soundness of an insurance company. Insurers are responsible for managing the risks associated with the development and implementation of AI systems and must demonstrate to regulators that adequate oversight mechanisms are in place and are functioning effectively.

Intent:
The NAIC's Innovation, Cybersecurity and Technology (H) Committee charged the Big Data and AI Working Group (BDAIWG) to create tool(s) that would enable regulators to identify and assess AI systems' related risks on an on-going basis with a scope that considers both financial and consumer risks evolving specifically from company's use of AI systems to the extent such risks can be parsed from the comprehensive structure.

This document and related tools are designed to supplement existing market conduct, product review, form filing, financial analysis, and financial examination review procedures. As this tool supplements existing NAIC resources, regulators should continue to consider existing NAIC resources as authoritative but may consider drawing from this tool to assist in understanding and assessing a company's use of AI systems.

These optional exhibits allow regulators to determine the extent of AI systems usage for a company and whether additional analysis is needed focusing on financial and consumer risk.

Sections of the Tool include:

- **Exhibit A: Quantify Regulated Entity's Use of AI Systems**
- **Exhibit B: AI Systems Governance Risk Assessment Framework (Two Options: Narrative or Checklist)**
- **Exhibit C: AI Systems High-Risk Model Details**
- **Exhibit D: AI Systems Model Data Details**

Instructions:
Information obtained from the Exhibit submission may supplement~~ing~~ guidance and tools used during an existing market conduct, product review, form filing, financial analysis, and financial examination review, ~~may~~ to enhance the regulator's understanding of the AI systems utilization and assessment of risk across an insurance company in performing the analysis and examination reviews. ~~The pace of innovation will vary, and the insurers' AI philosophy is to be contemplated when considering the frequency of updates which may vary from an annual to a quarterly basis as risk assessment warrants.~~ Effective assessment requires regulators to maintain a fluent understanding and application of the applicable laws including those pertaining to unfair trade practices, confidentiality, and financial reporting.

Regulators using the tool may wish to first use Exhibit A and based on the information provided, determine if further inquiry is necessary. It may be possible that company responses indicate that while the company responding is using AI, its use of AI is so limited or low in inherent risk as to not require further inquiry as contemplated by subsequent exhibits.

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.

The tool responses will be considered by regulators when identifying the inherent risks of the insurer. They should also affect the planned examination or inquiry approach, as well as the nature, timing and extent of any further procedures performed.

Materiality and Risk Assessment

Exhibit C of this tool ~~The tools that follow~~ relies~~y~~ on company assessments of risk and materiality ~~and risk assessment~~. As part of evaluating company responses, regulators may request information on how a responding company assesses both concepts to assist in the regulatory review.

Confidentiality

Regulators using any of the tools should be prepared to cite examination or other authority, as appropriate when requesting information from insurers.

Which Exhibit to Use?

Risk Identification or Assessment	A	B	C	D
Identify Reputational Risk and Consumer Complaints	**X**	**X (Checklist)**		
Assess Company Financial Risk – Number of models implemented recently	**X**	**X (Checklist)**		
Identify Adverse Consumer Outcomes – AI Systems and data use by operational area	**X**	**X**	**X**	**X**
Evaluate Actions Taken Against Company's Use of High-Risk AI Systems (as defined by the company)			**X**	
Evaluate Robustness of AI Controls		**X**	**X**	
Determine the types of data used by operational area				**X**

Exhibit A: Quantify Regulated Entity's Use of AI Systems

Purpose: To obtain information pertaining to the number of AI models that are new, updated~~, retired~~, etc. that will help facilitate risk assessment. Based on the responses from the company, regulators may ask for additional information related to governance (Exhibits B), high-risk models (Exhibit C), and data types (Exhibit D) where there is risk for adverse consumer outcomes or ~~consumer complaints~~material adverse financial impact.

Company Instructions: Provide the most current counts and use~~s~~ cases of the following as requested. Note that "AI System" is defined as a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI systems are designed to operate with varying levels of autonomy (supportive, augmented, automated). "Adverse Consumer Outcome" and "Use Case" are as defined below. ~~Adverse Consumer Impact Outcome refers to a decision by an Insurer that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards~~is an AI system decision (output) ~~initiated by a company that impacts the consumer. Use Case is defined as a textual description of how external entities (actors) interact with an AI System to achieve a specific goal. See definitions below.~~. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Company Legal Name or Group Name: _____

NAIC Code or Group Code: _____

Company Contact Name: _____ Email: _____

Describe the Line of Business for Which This Response Applies ~~(complete one for each line of business)~~:

_____

Date Form Completed ("as of") Date: _____

~~Period Defining the Last 12 Months: _____~~

~~Period Defining the Next 6 Months: _____~~

Use of AI System in Operations or Program Area	Number of AI System Model(s) Currently in Use	Number of AI System Model(s) with Consumer Impact	Number of AI System Model(s) with Material Financial Impact	Number of AI System Model(s) Implemented in Past 12 Months	~~Number of Consumer Complaint(s) Resulting from AI Systems in the Past 12 Months by Program Area~~	~~Number of AI System Model(s) Planned to be Implemented within the Next 6 Months~~	AI System Use Case(s)
Insurer Core Operations							
Marketing							E.g., UC1: Identify potential consumers interested in product.
~~Producer Services~~							
Premium Quotes & Discounts							
Underwriting/Eligibility							
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits							
Claims/Adjudication*							
~~Legal/Compliance~~							
Customer Service							
Utilization Management/Utilization Review/Prior Authorization							
Fraud/Waste & Abuse							
Other							
Investment/Capital Management							
Legal/Compliance							
Producer Services							

Commented [AK2]: If possible, and if a majority agree, whether here or in the definition of "underwriting" that is stated at the end of the document, while the term "acceptance" is used, I'd also like the term "eligibility" incorporated as many insurers have underwriting guidelines that identify which risks are specifically *eligible* or *ineligible*.

Reserves/Valuations							
~~Product Performance~~							
Catastrophe Triage							
~~Strategic Operations (HR, Reinsurance, etc.)~~Reinsurance							
Other (remove or change to "additional" per the use of "Other" above)							
**Includes Salvage/Subrogation*							

~~Consumer Complaints~~

1. ~~What is the total number of consumer complaints resulting from a process that relied on AI system(s) in past 12 months?~~	
2. ~~Discuss the company's policies and procedures for consumer disclosure and/or notification on the use of AI.~~	
3. ~~Discuss the company's policies and procedures for identifying and tracking consumer complaints resulting from the use of AI.~~	

Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework

Purpose: To obtain the Company AI Governance Framework, including the risk identification, mitigation, and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third-party AI systems and data. ~~the identification, classification, and mitigation of potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity.~~ Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI S~~s~~ystems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

~~Purpose: To obtain information pertaining to financial reporting, IT systems and data, and Risk Assessment Framework (RAF). The following questions may be used in dialogue with the insurance company or requested in written response.~~

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

~~Line of Business (complete one for each line of business): _____~~

1. Date Form Completed ("as of") Date: _____
   Provide the Governance Framework pertaining to the use of AI systems. Click or tap here to enter text.
   a. What role maintains the framework? Click or tap here to enter text.
   b. Discuss the governance structure, Board reporting and frequency. Click or tap here to enter text.
   c. Discuss the process by which the framework is integrated throughout the organization, assessed and remediated. Click or tap here to enter text.

d. Discuss the process by which the effectiveness of the framework and individual models ~~is~~ are assessed and modified. Click or tap here to enter text.
e. Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment. Click or tap here to enter text.
f. Discuss the integration of the AI systems in the Own Risk and Solvency Assessment (ORSA) and Enterprise Risk Management (ERM) assessments. Click or tap here to enter text.
~~f.~~g. Suggested additional question: How does the insurance company assess autonomy, reversibility, and reporting impact risk of AI systems?

2. Discuss the uses of AI system that:
   a. Generates a financial transaction directly or indirectly. Click or tap here to enter text.
   b. Generates consumer impact directly or indirectly. Click or tap here to enter text.
   c. Generates or impacts information reported in financial statements either directly or indirectly. Click or tap here to enter text.
   d. Generates or impacts risk and or control assessment. Click or tap here to enter text.

~~3.~~ *Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.* ~~Discuss the development, testing and implementation of AI systems that differ from established IT system and data handling protocols.~~
   ~~a.~~e. Discuss the basis for deviation from established practices. Click or tap here to enter text.

~~4.~~3. Provide the policy and discuss the use and oversight of AI system vendors, model design and testing:
   a. Discuss the transparency and testing procedures performed on internally-developed AI systems. Click or tap here to enter text.
   b. Discuss the transparency and testing procedures performed on third-party vendor-supplied AI systems. Click or tap here to enter text.
   c. Discuss the testing and verification that has occurred including frequency, scope and methodology. Click or tap here to enter text.

~~5.~~4. Provide the policy and discuss the use and oversight of AI systems by professional service providers including actuarial, claim, MGA, audit, and/or other professional services. Click or tap here to enter text.
   a. Discuss the testing and verification that has occurred, frequency, scope, and methodology. Click or tap here to enter text.

~~6. Discuss the use of open-source AI in the organization:~~
   ~~a. Discuss in what capacity, if any, the company utilizes open-source AI by license or freeware.~~

~~i. Provide the number of licenses used in each functional area and policy managing its use and application.~~ Click or tap here to enter text.

~~b. Discuss prohibitions, if any, for the utilization of open-source AI by staff in preparing work products or performing tasks that affect consumer or financial reporting.~~

~~7. Discuss any AI system initiatives being developed and/or implemented within the next six months.~~

~~a. Discuss the objectives of each initiative(s).~~

~~b. Provide information on the investment to date for each initiative and amount projected to implement the initiative(s).~~ Click or tap here to enter text.

~~8.~~5. Discuss additional Risk Assessment Framework (RAF) design and evaluation pertaining to AI systems. Click or tap here to enter text.

a. Discuss the unit(s) responsible for the RAF, assessment approach and frequency, and involvement with the program area to the extent it differs from that discussed above. Click or tap here to enter text.

Commented [AK3]: The initial instance of "Risk Assessment Framework (RAF)" was struck above, so providing the initial acronym instance here.

Exhibit B: (Checklist) AI Systems Governance and Risk Assessment Framework

Purpose: To obtain the Company AI Systems Governance Framework, including the risk identification, mitigation ~~classification, and mitigation of~~ and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third party AI systems and data" potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity. Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Date Form Completed ("as of") Date: _____

Ref	AI Systems Use Questions for Company	Company Response
1	Has the company adopted a written ~~n~~ AI S Program ~~Governance Policy~~? If yes, when was it adopted and what is the frequency of review for updating?	
2	Was the Board of Directors or management involved in the adoption of an AI ~~Governance Policy~~S Program?	
~~(new)~~3	What is the role of the Board of Directors or management in the AI Systems Governance Framework?	
3	**Reference the processes and procedures of the Company AI Governance Framework that addresses the following:**	

	How the Insurance Company...	Page #	If not specified in governance, provide details below:
	3a. Assesses, mitigates, and evaluates residual AI system risks of unfair trade practices		
	~~3b. Ensures AI systems are used ethically~~		
	3c. Ensures AI systems are compliant with state and federal laws and regulations		
	~~3d. Assesses, mitigates, and evaluates residual adverse consumer outcomes from the use of AI systems~~Evaluates risk of adverse consumer outcomes		
	3e. Considers data privacy and protection of consumer data used in AI systems		
	3f. Ensures AI systems are suitable for their intended use and should continue to be used as designed		
	~~3g. Monitors and measures the benefits of AI systems~~		
	3h. Ensures AI system risks are considered within Enterprise Risk Management (ERM)		
	3i. Ensures AI system risks are considered within the Own Risk and Solvency Assessment (ORSA)		
	3j. Ensures AI system risks are considered in software development lifecycle (SDLC)		
	3k. Ensures AI system risk impact on financial reporting is considered		
	3l. Trains employees about AI system use and defines prohibited practices (if any)		
	3m. Quantifies AI system risk levels		
	3n. Provides standards and guidance for procuring and engaging AI system vendors		
	3o. Ensures consumer complaints resulting from AI systems are identified, tracked, and addressed		

	3p. Ensures consumer awareness in use of AI systems through disclosures, policies, and procedures for consumer notification		
~~4~~	~~**Training, testing, and implementing AI systems:**~~		
	~~**Question for the Insurance Company**~~		~~**Insurance Company Response**~~
	~~4a. Discuss the process by which AI systems are developed, tested, and implemented?~~ ~~Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.~~ ~~a) Discuss the basis for deviation from established practices~~		
	~~4b. Discuss steps taken to detect, mitigate, and manage bias within each AI system methods and predictions?~~		
	~~4c. Discuss the determination for frequency of model testing to detect performance drift, data drift, and concept drift?~~		
	~~4d. Discuss the determination for frequency of model testing for bias and/or unfair trade practices~~		
	~~4e. Discuss the determination for frequency for model accuracy testing~~		
	~~4f. Discuss the determination for frequency of a high-risk (potential to cause adverse consumer outcomes) model testing~~		
	~~4g. Discuss the process by which performance thresholds are established, tested, and addressed~~		
	~~4h. Discuss the procedures to verify a 'human in the loop' is consistently and meaningfully contributing to the decision?~~		
	~~4i. Discuss the process for evaluating the effectiveness of using a human in the loop~~		
~~5~~	~~**Internal Data and AI System Other Purposes:**~~		
	~~**Explain the company's process for utilizing data and/or AI systems models for the below scenarios:**~~		~~**Insurance Company Response**~~

	~~5a. Any differences in the company's IT practices for AI system development as opposed to established IT systems development~~	
	~~5b. The extent to which the data and/or AI systems are representative of the population the model is being applied to~~	
	~~5c. Additional purposes the model outputs or inputs from other models are used for~~	
	~~5d. Testing internal data or AI systems for bias and/or unfair trade practices~~	
	~~5e. Testing internal data or AI systems for accuracy~~	
	~~5f. Ensuring internal data and/or AI systems are not outdated and the model is using the most current version of data available~~	
	~~5g. Whether the data and/or AI systems were constructed for the purpose of its intended use~~	
	~~5h. Details if model outputs or insights are sold~~	
~~**6**~~	~~**External Data and AI System Practices:**~~	
	~~**Explain the company's process for utilizing data and/or AI systems models for the below scenarios:**~~	~~**Insurance Company Response**~~
	~~6a. Any differences in the company's Vendor Management practices for AI system development as opposed to established Vendor Management Practices~~	
	~~6b. Testing third-party data and/or AI systems for unfair trade practices or bias~~	
	~~6c. Testing third-party data or AI systems for accuracy~~	
	~~6d. Ensuring third party data or AI systems are not outdated or that the vendor is using the most current version of data available~~	

Exhibit C: AI Systems High-Risk Model Details

Purpose: To obtain detailed information on high-risk AI system models, such as models making automated decisions, that could cause adverse consumer, financial, or financial reporting impact. AI system risk criteria is set by the insurance company. To assist in identifying models for which this information is requested, regulators may request information on the company's risk assessment and a model inventory if such information has not otherwise already been provided.

Company Instructions: Fill in the details for each of the AI system model(s) requested. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

~~Line of Business (complete one for each line of business): _____~~

Date Form Completed ("as of") Date: _____

Model name	
Model type	
Model Implementation Date	
Model development (internal or third party – include vendor name)	
Model risk classification	
Model risk(s) and limitation(s)	
AI type (automate, augment, support)	

Commented [AK4]: Would this field incorporate Model Version Number, or should there be a separate box for Model Version?

Testing model outputs (drift, accuracy, bias, unfair trade practices, performance degradation, etc.)	
Last date of model testing	
Use cases and purpose of model	
Discuss how the model affects the financial statements, risk assessment or controls.	
Discuss how the model is reviewed for compliance with state and federal laws Replace with "Discuss how the model is reviewed for compliance with the unfair trade practices act and unfair claims settlement laws."	
Discuss if the company has had any actions taken against them for use of this model. Actions may include but are not limited to informal agreements, voluntary compliance plans, administrative complaints, ongoing monitoring, cease and desist, remediation, restitution, fines, penalties, investigations, consent orders or other regulatory agency actions.	

Exhibit D: AI Systems Model Data Details

Purpose: To obtain detailed information of the source(s) and type(s) of data used in AI system model(s) to identify risk of ~~consumer~~ adverse consumer impact~~, unfair trade practices~~, financial, or financial reporting impact.

Company Instructions: Provide details below for the data used in AI system model(s). If any of the data elements listed are used in the training or test data as part of the development of AI model(s), provide information on whether the data element is sourced internally ~~from policyholder insurance experience~~ or whether the data element is sourced from a third party, in which case provide the name of the third-party vendor. Leave blank if a data source is not used in the development of AI system model(s) for the insurance operation. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Line of Business (complete one for each line of business): _____

Date Form Completed ("as of") Date: _____

(1) **Type of Data Element Used in AI System Model(s)**	(2) **Type of AI System Model(s) (E.g., Predictive vs. Generative AI)**	(3) **Describe How the Company Uses the Data Throughout Their Insurance Operations (include operational practices by line of insurance)**	(4) **Internal Data Source**	(5) **Third Party Data Source / Vendor Name**
Aerial Imagery				

Age, Gender, Ethnicity/Race				
Consumer or Other Type of Insurance/Risk Score				
Crime Statistics				
Criminal Convictions (Exclude Auto-Related Convictions)				
Driving Behavior				
Education Level (Including school aptitude scores, etc.)				
Facial or Body Detection / Recognition / Analysis				
Geocoding (including address, city, county, state, ZIP code, lat/long, MSA/CSA, etc.)				
Geo-Demographics (including ZIP/county-based demographic characteristics)				
Household Composition				
Image/video Analysis				
Income				
Job History~~Stability~~				
Loss Experience				
Medical, including Biometrics, genetic information, pre-existing conditions, diagnostic data, etc.				
Natural Catastrophe Hazard (Fire, Wind, Hail, Earthquake, Severe Convective Storms)				
~~Occupation~~				
Online social media, including characteristics for targeted advertising				
Personal Financial Information				
Telematics/Usage-based insurance~~BI~~				

Commented [AK5]: Is this duplicative of "Telematics/Usage Based Insurance" below?

Commented [MR6]: IA suggested edit.

Vehicle-Specific Data, including VIN characteristics				
Voice Analysis				
Weather				
Other: Non-Traditional Data Elements (Please provide examples)				

DEFINITIONS AND APPENDIX

Where available, for the purposes of this evaluation terms are defined in accordance with the NAIC Model Bulletin on the Use of AI Systems by Insurers (https://content.naic.org/sites/default/files/2023-12-4%252520Model%252520Bulletin_Adopted_0.pdf):

"Adverse Consumer Outcome" refers to an AI System decision (output) by an insurance company that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards.

"Algorithm" means a clearly specified mathematical process for computation; a set of rules that, if followed, will give a prescribed result.

"AI System" is a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI Systems are designed to operate with varying levels of autonomy.

"Artificial Intelligence (AI)" refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence.

"Consumer Impact" refers to a decision by an Insurer that is subject to insurance regulatory standards enforced by the Department ~~an AI system decision (output) initiated by a company that impacts the consumer~~.

"Degree of Potential Harm to Consumers" refers to the severity of adverse economic impact that a consumer might experience as a result of an Adverse Consumer Outcome.

"Externally Trained Models" Transferred learnings from pre-trained models developed by a third party on external reference datasets.

~~**"Generalized Linear Models (GLMs)"** Including Ordinary Least Squares (OLS), Elastic Net/LASSO/Ridge Regression, Logistic Regression, and Generalized Additive Models (GAMs) are not considered to be machine learning models for this evaluation.~~

"Generative Artificial Intelligence (Generative AI)" refers to a class of AI Systems that generate content in the form of data, text, images, sounds, or video, that is similar to, but not a direct copy of, pre-existing data or content.

"Inherent Risk" Refers to an assessment of risk before considering risk-mitigation strategies or internal controls.

"Internally Trained Models" Models developed from data internally obtained by the company.

"Machine Learning (ML)" Refers to a field within artificial intelligence that focuses on the ability of computers to learn from provided data without being explicitly programmed.

"Material Financial Impact" Material financial impact refers to costs or risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limits prescribed by Federal or State laws and regulations.

"Model Drift" refers to the decay of a model's performance over time arising from underlying changes such as the definitions, distributions, and/or statistical properties between the data used to train the model and the data on which it is deployed.

"Neural Network Models" Include but not limited to: Single/multi-layer perceptrons/fully connected networks (MLPs/FCs), Deep Learning (DL), Convolutional Neural Networks (CNNs), Recurrent Neural Networks (RNNs), Long Short-Term Memory Neural Networks (LSTMs), Sequence Models, Large Language Models (LLMs), and Reinforcement Learning Models (RLs).

"Predictive Model" refers to the mining of historic data using algorithms and/or machine learning to identify patterns and predict outcomes that can be used to make or support the making of decisions.

"Residual Risk" Refers to an assessment of risk after considering risk-mitigation strategies or controls.

"Third Party" for purposes of this bulletin means an organization other than the insurance company that provides services, data, or other resources related to AI.

"Validation Method" The source of the reference data used for validation, whether Internal, External, or Both.

"Use Case" A description of a specific function in which a product or service is used.

Operations

Marketing - Examples: market research, target advertising, market/coverage expansion, customer segment target marketing, demand modeling, agent/broker incentive plans, up/cross-selling.

Underwriting - Examples: Policy/coverage acceptance or eligibility, company placement/tiering, schedule rating, decisions based on telematics/UBI, report ordering, retention modeling, inspections, anomaly detection.

Commented [AK7]: Same comment as above.

Ratemaking/Pricing - Examples: Development of overall/base rates, expense/loss loadings, estimation of trends and loss development, development of manual rating factors, tiering criteria, insurance credit scoring, territory boundary definitions, numeric/categorical level groupings and interactions, individual risk rating, telematics/UBI, price optimization, schedule rating factors.

Claims - Examples: Claim assignment, triage/fast-tracking, individual/bulk claim reserving including loss estimation, imaging/video analysis, fraud detection, litigation, estimation of closure rates, salvage/subrogation, examination/report ordering.

Customer Service - Examples: Agent/broker/internet/customer service interaction (chatbots), online/smart phone apps, loss prevention/risk mitigation advice, payment plans, complaints.

Other: Cyber Security, Fraud Detection, Strategic Operations, Reserving, Investments, Capital Management, Financial Reporting, Reinsurance, Legal, Legal Exposure, Reputation Risk.

ERIC ELLSWORTH, INDEPENDENT CONSUMER ADVOCATE

Comments for Big Data/AI meeting

We appreciate the excellent work of this working group in understanding insurers' adoption and use of AI tools. We were especially pleased to see a strong focus on governance issues within the regulatory roadmap exposed during the last working group call.

We wish to share a few concerns and potential areas of discussion for the working group, many of which touch on issues that arise when insurers operationalize AI or other process automation tools. We believe effective oversight of process automation should ensure not only that individual tools such as AI systems do not harm consumers, but that the automated processes as a whole (inclusive of interfaces between insurers and third parties or interfaces between automated systems and customer service representatives) do not harm consumers.

The specific concerns below are described in terms of on health insurance, but have applicability across other lines as well.

Areas of concern:

1 - ***Defining and overseeing the applicable "sources of truth" as insurers incorporate AI and other quantitative models and automation into prior authorization and/or claims adjudication workflows***

- Automating prior auth and claims adjudication workflows in requires medical necessity and prior auth policies that were originally written as documents for humans to read and interpret to be converted into databases, rules engines and potential AI inference systems.

- Many common business arrangements result in multiple different parties creating and managing databases of rules and policies that apply to the same member, resulting in there being multiple "sources of truth" regarding which medical necessity and prior auth rules apply to a patient's medical care.

- Such "source of truth" include:
  - Written medical necessity policies
  - Written prior auth policies
  - The payers' existing claims adjudication systems, which codify medical necessity policies via rules programmed into the claims engine

        - Databases of medical necessity and prior auth policies used to develop automated prior auth adjudication systems
        - Platforms used for prior auth review, which read the databases of medical necessity policies and create rules and/or AI inference engines to apply these rules.
    - For example, when an insurer contracts with a third party to manage prior authorization and an insurer manages primary claims adjudication, there will be three distinct copies of the medical necessity rules – one in the prior authorization platform, and the other in the primary claims adjudication system, and one published to providers in human readable form (of note, provider-insurer contracts generally reference the latter). If the rules used when a prior auth request is processed by the automated platform are not the same as those in the claims engine or the written documents, the patients may receive adverse claims decisions that don't match what they would otherwise have gotten. A person inside the insurer who fields an inquiry from the patient or their doctor may also lack clarity on which rules apply, or may not even be aware that there is an alternate set of rules. These arrangements can leave patients trapped in limbo, with no clarity on which "source of truth" formed the basis of a decision.

2 ***Governance of and testing of the automated processes, conversion of textual policies***

Key Questions:

- *Who is checking that the various databases and rules are faithful to the insurers' original coverage policies and do not subject patients to disparate decisions or rules in different systems?*
- *Are there governance mechanisms to ensure that revisions to medical necessity or prior auth policies synchronized across all systems?*
- *Is the "source of truth" for any decision that is rendered well-defined and documented?*
- *How do insurers' personnel access and oversee the data and rules within third party systems?*
- *How are records of the decisions made within the third-party platforms shared with the insurers? If an insurer discontinues working with a platform vendor, are historical records maintained by the insurer?*
- *Do the insurers have governance structures in place that ensure that consumers don't fall through the cracks between systems?*

- *When a consumer gets an adverse decision, is there a clear path between the insurers and third parties for redress and resolution?*
- *For example, are there mechanisms within the insurer to ensure that issues raised by their beneficiaries that require involvement of the third party platform are resolved in a timely way?*

3 Data quality of external inputs and insurers' inputs

- Automated prior auth process rely on inputs form EHRs. EHR data has many known data quality problems. Additionally, depending on the structure of the prior auth automation, the rules may fail to ask for clinical information that a human reviewer might have noted in a complete human review.
- Data quality limitations in insurers data used
  - Insurers manage multiple sets of rules for different lines of business or market segments and ensuring accuracy across multiple copies of rules. It is known within the industry that data quality issues are likely when plans are first "installed" for each employer (or non-employer) group.
  - System integrations required and whether these are fully tested and upgrades are synchronized and "regression tested". Without clear regression testing mechanisms, various "sources of truth" are likely to get out of sync, leading to conflicting

Background

Prior authorization requirements by insurers stipulate that the insurer must review and approve a provider's proposed use of a particular medical service before it is performed, or the insurer will not pay for the use of that service.

The insurer's prior authorization approval criteria typically extend its existing medical necessity policies for a particular healthcare service by requesting information on other clinical factors that may affect the appropriateness of the use of that service.

Historically, insurers have had highly manual processes for review of prior authorization, with qualified human personnel reviewing patient records. The need for manual reviews, rather than automated processes used for standard claims adjudication, arises because until recently the relevant clinical information was difficult to include in standard claims submissions. These manual processes are burdensome for both providers and insurers, and since many insurers have weak process management capabilities (e.g. lack of robust ticketing tracking systems for requests, use of faxing to transmit records), they lead to a great deal of frustration for providers, patients and even insurers themselves. These

processes also rely on human interpretation of both patient clinical information and insurer rules. As more patient data becomes accessible in digital form, insurers are adopting tools to automate prior authorization and other payment-related processes. Although the use of AI is a component of these processes, it is not the only method for automating and streamlining these review processes.

With or without the use of AI, payers will be required by CMS-0057F to make prior auth requirements available through a standard FHIR API. In preparing to meet these requirements, insurers will begin setting up IT systems that hold rules about prior authorization as well as the underlying medical necessity rules. These rules will then be incorporated into the software that makes the FHIR Prior Auth API available for use.

In recent calls by the Workgroup for Electronic Data Interchange (an industry working group chartered under HIPAA) regarding prior authorization and adoption of the 2024 CMS Final Rule on the Prior Auth API, the speakers noted that at present many payers maintain their prior authorization and medical necessity rules in document form. Sometimes these documents are tracked via document management systems, sometimes with spreadsheets. A survey conducted by WEDI in Jan-Feb 2025 found that over half of surveyed insurers are concerned about digitizing prior authorization policies; this concern ranks second only to overall interoperability strategy (see attached WEDI survey results, page 11) among barriers to adoption of Prior Authorization and other FHIR APIs.

No matter how these documents are managed now, to meet the requirements of CMS-0057F and support process automation these document-based policies must be converted into machine-readable formats based on diagnosis codes (e.g. ICD10), service codes (e.g. HCPCS/CPT), and other clinical parameters that may use codesets such as LOINC or may not correspond to widely used codesets.

Existing policies are written in complex clinical terminology that conveys the intent of the policy and addresses the nuances doctors face in managing these types of patients. Doctors can read these policies (though they are highly burdensome to obtain), discern the intent, and address those considerations when writing Letters of Medical Necessity or otherwise corresponding with the insurer. Converting these documents to machine-readable code-driven form is a complex task, and the coded versions may easily leave out or incorrectly represent some nuances.

Additionally, when automated processes are created, the work of converting nuanced clinical documents into rules is aimed at maximizing the number of claims that can be moved through the process. As such, the rules are tested using common cases, and uncommon cases are often lightly tested or not tested at all. While prioritization of testing

towards the most common cases is a sensible business practice, it can leave out those with less common conditions or demographic attributes. In fact, clinical information that changes a case from common to rare, such as certain disabilities or immune disorders, may not even be captured in an automated system if such conditions were never considered in the development and testing of the system. This lack of testing increases the risk that patients with less common clinical needs will be face problems when using these automated systems.

Additionally, the details of how insurers set up processes to move from automated to manual review can have an outsized impact on people with less common medical needs, unusual financial or care arrangements, or other vulnerable populations. Most automated systems are set up to handle common cases quickly and send uncommon or "hard" cases off to a different process. However, if the primary automated system was not explicitly designed to ensure that there are easy ways to get data in or out for human review processes, then human reviewers can easily face difficulties consider or use additional data that does not easily flow through the primary automated system. Since most reviewers are measured by the number of cases they handle in a given time period, systems that require extra work for uncommon medical needs can create adverse incentives for reviewers, encouraging them to seek the fastest resolution of the cases regardless of the merits of the clinical situation. Effective oversight should ensure that the hand-offs to and from the automated system does not create adverse or discriminatory incentives.

Robust testing of models as deployed in production (not just in model development and testing), is essential for ensuring that real-world use of these models provide consumers with fair and efficient experiences and accessible redress mechanisms. A few key forms of testing we believe are critical:

- Integration testing
  Do systems or components correctly interact with each other across the range of patient scenarios where they are being used?
- End-to-end testing
  Do all systems, processes and models that are involved in a particular customer journey (e.g. requesting a prior authorization, checking disputing an incorrect piece of information) work together?

The ultimate goal is for consumers to have confidence that insurers' automated processes deliver accurate and fair consumer experience, and support efficient and non-burdensome redress mechanisms. To meet these goals, insurers must have strong internal governance systems and commitment of resources. We encourage regulators to develop oversight

mechanisms that hold insurers accountable for the quality of their governance and the appropriate commitment of resources to testing that models and the associated process work in day-to-day operations.

Actions regulators could consider

We suggest a few forms of testing for regulators to consider:

Accuracy of model inputs and "sources of truth"

1. Require insurers to test concordance of rules expressed in documents (i.e. PDFs exposed on websites) vs third party systems (medical necessity policy databases, prior auth review systems, prior auth API systems).
2. Require insurers to cross-test "standard patients" in prior auth versus standard claims adjudication versus human review.
3. Require and review evidence of integration testing when third party systems are incorporated into existing workflows, both at the time of these systems are deployed and in an ongoing way
4. Include and monitor uptime requirements for integrations between internal and external systems, to ensure that these systems are functioning and working
5. Require evidence of change control processes that keep all sources of truth in sync between disparate systems.

Transparency of rules

6. Require insurers to establish clearly which source of truth is legally binding for patients, and clarify this source of truth in provider and patient facing materials.
7. Require insurers to provide easy access to the rules that apply to a particular patient for prior authorization and claims submission in a complete and human-comprehensible form. Patients or providers should be look up these rules via a plan identifier (public information) rather than a member ID (private information).

Governance

8. Require that insurers demonstrate governance mechanisms for that monitor, incentive and provide accountability for the correct interoperation of internal and external/3rd party systems that may affect a beneficiaries experience, including assigning responsibility for the above forms of testing.

9. Require governance structures that define accountability for AI/ML models performing properly when integrated into production systems. For example, some companies have a "model owner" who remains accountable for the model's correct

performance even when that model or software has been handed off to operational teams.

10. Require that teams implementing, testing, and operating automated systems do explicit testing of hand-offs between automated workflows and human review processes, with a focus on ensuring that these hand-offs do not create adverse or discriminatory incentives. For example, if an insurers' review personnel who wishes to override a claim or prior auth denial must perform more extra work than allowing the denial to proceed (e.g. manually requesting records, features or data that are not supported in the work flow system), this constitutes adverse incentives for overriding a denial.

Recourse Process

11. Require insurers to define and test processes for beneficiaries who wish to challenge a decision made by an automated workflow system, including ensuring that staff communicating with beneficiaries can access third party systems and relevant personnel in a timely way.
12. Require that insurers have a tracking system for consumers who challenges decisions, and accountability mechanisms to ensure that cases are resolved in a timely way.

We appreciate the willingness of the Big Data/AI working group to consider these recommendations, and we welcome the opportunity to engage further on this subject.

FLORIDA OFFICE OF INSURANCE REGULATION

From: Crockett, Nicole
Sent: Wednesday, November 19, 2025 1:21 PM
Subject: AI Systems Evaluation Tool - Florida Suggestions

Good Afternoon Miguel,

Florida has taken a close look at the latest version of the AI Systems Evaluation Tool. The following questions arose during that review. These areas were identified as those that are not currently disclosed in the Tool and therefore, Florida requests the Working Group considers incorporating these suggestions. One final question is around the matter raised on the last drafting call in relation to the timing of the pilot program.

1. What monitoring systems detect drift or errors in AI models over time?
2. How are consumers informed when AI is used in claims or underwriting decisions?
3. Does the insurer have an internal or external audit program for any or all of its AI systems or models?
4. Does the insurer have an internal or external audit program for any or all of its third-party vendor AL systems or models? If not, is there a provision in the contract with the third-party vendor that discusses routine audits on AI systems or models used?
5. How are results from an audit utilized, documented, and implemented to improve the quality of the insurer's operations [could be specific like claims-handling operations] and to ensure bias or discrimination does not exist?
    a. For claims-handling, i.e. cancellations or non-renewals

Florida is curious if the Working Group has considered a timeline in relation to the Pilot program. For those states not currently using the Tool or pieces of the tool:

1) Does the Pilot program begin after finalizing the tool in December following the Hollywood meeting? Would that begin in January 2026?

2) When is the Pilot program expected to close? A start and end date would be beneficial for our team so we can plan accordingly as the Tool becomes implemented within our examinations.

3) How often will participating states meet to share their experiences with the Tool? Will there be ongoing sessions scheduled separate from the working sessions already in place?

Florida truly appreciates the Big Data AI Working Group's work thus far and for considering Florida's recommendations as the tool evolves.

Many thanks,

Nicole Altieri Crockett, PIR
Market Research Director
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MICHIGAN DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Artificial Intelligence Systems Evaluations
Optional Supplemental Exhibits for State Regulators

Background:
The rapid expansion of big data and adoption of Artificial Intelligence and Machine Learning (AI systems) is significantly transforming insurance practices. These technologies can offer substantial benefits to both insurance companies and consumers by facilitating the development of innovative products, improving customer interface and enhancing service, simplifying and automating processes, and promoting efficiency and accuracy. However, without robust governance and effective controls, the use of AI systems may lead to adverse consumer outcomes ~~unintended consumer harm~~ or compromise the financial soundness of an insurance company. Insurers are responsible for managing the risks associated with the development and implementation of AI systems and must demonstrate to regulators that adequate oversight mechanisms are in place and are functioning effectively.

Intent:
The NAIC's Innovation, Cybersecurity and Technology (H) Committee charged the Big Data and AI Working Group (BDAIWG) to create tool(s) that would enable regulators to identify and assess AI systems' related risks on an on-going basis with a scope that considers both financial and consumer risks evolving specifically from a company's use of AI systems to the extent such risks can be parsed from the comprehensive structure.

Commented [SK1]: Possible typo.

This document and related tools are designed to supplement existing market conduct, product review, form filing, financial analysis, and financial examination review procedures. As this tool supplements existing NAIC resources, regulators should continue to consider existing NAIC resources as authoritative but may consider drawing from this tool to assist in understanding and assessing a company's use of AI systems.

These optional exhibits allow regulators to determine the extent of AI systems usage for a company and whether additional analysis is needed focusing on financial and consumer risk.

Sections of the Tool include:

- **Exhibit A: Quantify Regulated Entity's Use of AI Systems**
- **Exhibit B: AI Systems Governance Risk Assessment Framework (Two Options: Narrative or Checklist)**
- **Exhibit C: AI Systems High-Risk Model Details**
- **Exhibit D: AI Systems Model Data Details**

Instructions:
Information obtained from the Exhibit submission may supplement~~ing~~ guidance and tools used during an existing market conduct, product review, form filing, financial analysis, and financial examination review, ~~may~~ to enhance the regulator's understanding of the AI systems utilization and assessment of risk across an insurance company in performing the analysis and examination reviews. ~~The pace of innovation will vary, and the insurers' AI philosophy is to be contemplated when considering the frequency of updates which may vary from an annual to a quarterly basis as risk assessment warrants.~~ Effective assessment requires regulators to maintain a fluent understanding and application of the applicable laws including those pertaining to unfair trade practices, confidentiality, and financial reporting.

Regulators using the tool may wish to first use Exhibit A and based on the information provided, determine if further inquiry is necessary. It may be possible that company responses indicate that while the company responding is using AI, its use of AI is so limited or low in inherent risk as to not require further inquiry as contemplated by subsequent exhibits.

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.

The tool responses will be considered by regulators when identifying the inherent risks of the insurer. They should also affect the planned examination or inquiry approach, as well as the nature, timing and extent of any further procedures performed.

Materiality and Risk Assessment

Exhibit C of this tool ~~The tools that follow~~ relies~~y~~ on company assessments of risk and materiality ~~and risk assessment~~. As part of evaluating company responses, regulators may request information on how a responding company assesses both concepts to assist in the regulatory review.

Confidentiality

Regulators using any of the tools should be prepared to cite examination or other authority, as appropriate when requesting information from insurers.

Which Exhibit to Use?

Risk Identification or Assessment	A	B	C	D
Identify Reputational Risk and Consumer Complaints	**X**	**X (Checklist)**		
Assess Company Financial Risk – Number of models implemented recently	**X**	**X (Checklist)**		
Identify Adverse Consumer Outcomes – AI Systems and data use by operational area	**X**	**X**	**X**	**X**
Evaluate Actions Taken Against Company's Use of High-Risk AI Systems (as defined by the company)			**X**	
Evaluate Robustness of AI Controls		**X**	**X**	
Determine the types of data used by operational area				**X**

Exhibit A: Quantify Regulated Entity's Use of AI Systems

Purpose: To obtain information pertaining to the number of AI models that are new, updated~~, retired~~, etc. that will help facilitate risk assessment. Based on the responses from the company, regulators may ask for additional information related to governance (Exhibits B), high-risk models (Exhibit C), and data types (Exhibit D) where there is risk for adverse consumer outcomes or ~~consumer complaints~~material adverse financial impact.

Company Instructions: Provide the most current counts and use~~s~~ cases of the following as requested. Note that "AI System" is defined as a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI systems are designed to operate with varying levels of autonomy (supportive, augmented, automated). "Adverse Consumer Outcome" and "Use Case" are as defined below. ~~Adverse Consumer Impact Outcome refers to a decision by an Insurer that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards~~is an AI system decision (output) ~~initiated by a company that impacts the consumer. Use Case is defined as a textual description of how external entities (actors) interact with an AI System to achieve a specific goal. See definitions below.~~. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Company Legal Name or Group Name: _____

NAIC Code or Group Code: _____

Company Contact Name: _____ Email: _____

Describe the Line of Business for Which This Response Applies ~~(complete one for each line of business)~~:

_____

Date Form Completed ("as of") Date: _____

~~Period Defining the Last 12 Months: _____~~

~~Period Defining the Next 6 Months: _____~~

Commented [SK2]: Consider Co Code **and** Group Code

Use of AI System in Operations or Program Area	Number of AI System Model(s) Currently in Use	Number of AI System Model(s) with Consumer Impact	Number of AI System Model(s) with Material Financial Impact	Number of AI System Model(s) Implemented in Past 12 Months	~~Number of Consumer Complaint(s) Resulting from AI Systems in the Past 12 Months by Program Area~~	~~Number of AI System Model(s) Planned to be Implemented within the Next 6 Months~~	AI System Use Case(s)
Insurer Core Operations							
Marketing							E.g., UC1: Identify potential consumers interested in product.
~~Producer Services~~							
Premium Quotes & Discounts							
Underwriting							
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits							
Claims/Adjudication*							
~~Legal/Compliance~~							
Customer Service							
Utilization Management/Utilization Review/Prior Authorization							
Fraud/Waste & Abuse							
Other							
Investment/Capital Management							
Legal/Compliance							
Producer Services							

Reserves/Valuations							
~~Product Performance~~							
Catastrophe Triage							
~~Strategic Operations (HR, Reinsurance, etc.)~~Reinsurance							
Other (remove or change to "additional" per the use of "Other" above)							
**Includes Salvage/Subrogation*							

~~Consumer Complaints~~

1. ~~What is the total number of consumer complaints resulting from a process that relied on AI system(s) in past 12 months?~~	
2. ~~Discuss the company's policies and procedures for consumer disclosure and/or notification on the use of AI.~~	
3. ~~Discuss the company's policies and procedures for identifying and tracking consumer complaints resulting from the use of AI.~~	

Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework

Purpose: To obtain the Company AI Governance Framework, including the risk identification, mitigation, and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third-party AI systems and data. ~~the identification, classification, and mitigation of potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity.~~ Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI S~~s~~ystems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

~~Purpose: To obtain information pertaining to financial reporting, IT systems and data, and Risk Assessment Framework (RAF). The following questions may be used in dialogue with the insurance company or requested in written response.~~

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

~~Line of Business (complete one for each line of business): _____~~

1. Date Form Completed ("as of") Date: _____
   Provide the Governance Framework pertaining to the use of AI systems. Click or tap here to enter text.
   a. What role maintains the framework? Click or tap here to enter text.
   b. Discuss the governance structure, Board reporting and frequency. Click or tap here to enter text.
   c. Discuss the process by which the framework is integrated throughout the organization, assessed and remediated. Click or tap here to enter text.

d. Discuss the process by which the effectiveness of the framework and individual models ~~is~~ are assessed and modified. Click or tap here to enter text.
e. Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment. Click or tap here to enter text.
f. Discuss the integration of the AI systems in the Own Risk and Solvency Assessment (ORSA) and Enterprise Risk Management (ERM) assessments. Click or tap here to enter text.
~~f.~~g. Suggested additional question: How does the insurance company assess autonomy, reversibility, and reporting impact risk of AI systems?

2. Discuss the uses of AI system that:
   a. Generates a financial transaction directly or indirectly. Click or tap here to enter text.
   b. Generates consumer impact directly or indirectly. Click or tap here to enter text.
   c. Generates or impacts information reported in financial statements either directly or indirectly. Click or tap here to enter text.
   d. Generates or impacts risk and or control assessment. Click or tap here to enter text.

~~3.~~ *Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.* ~~Discuss the development, testing and implementation of AI systems that differ from established IT system and data handling protocols.~~
   ~~a.~~e. Discuss the basis for deviation from established practices. Click or tap here to enter text.

~~4.~~3. Provide the policy and discuss the use and oversight of AI system vendors, model design and testing:
   a. Discuss the transparency and testing procedures performed on internally-developed AI systems. Click or tap here to enter text.
   b. Discuss the transparency and testing procedures performed on third-party vendor-supplied AI systems. Click or tap here to enter text.
   c. Discuss the testing and verification that has occurred including frequency, scope and methodology. Click or tap here to enter text.

~~5.~~4. Provide the policy and discuss the use and oversight of AI systems by professional service providers including actuarial, claim, MGA, audit, and/or other professional services. Click or tap here to enter text.
   a. Discuss the testing and verification that has occurred, frequency, scope, and methodology. Click or tap here to enter text.

~~6. Discuss the use of open-source AI in the organization:~~
   ~~a. Discuss in what capacity, if any, the company utilizes open-source AI by license or freeware.~~

~~i. Provide the number of licenses used in each functional area and policy managing its use and application.~~ Click or tap here to enter text.

~~b. Discuss prohibitions, if any, for the utilization of open-source AI by staff in preparing work products or performing tasks that affect consumer or financial reporting.~~

~~7. Discuss any AI system initiatives being developed and/or implemented within the next six months.~~

~~a. Discuss the objectives of each initiative(s).~~

~~b. Provide information on the investment to date for each initiative and amount projected to implement the initiative(s).~~ Click or tap here to enter text.

~~8.~~5. Discuss additional RAF design and evaluation pertaining to AI systems. Click or tap here to enter text.

a. Discuss the unit(s) responsible for the RAF, assessment approach and frequency, and involvement with the program area to the extent it differs from that discussed above. Click or tap here to enter text.

Exhibit B: (Checklist) AI Systems Governance and Risk Assessment Framework

Purpose: To obtain the Company AI Systems Governance Framework, including the risk identification, mitigation ~~classification, and mitigation of~~ and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third party AI systems and data" potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity. Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Date Form Completed ("as of") Date: _____

Ref	AI Systems Use Questions for Company	Company Response
1	Has the company adopted a written ~~n~~ AI S Program ~~Governance Policy~~? If yes, when was it adopted and what is the frequency of review for updating?	
2	Was the Board of Directors or management involved in the adoption of an AI ~~Governance Policy~~S Program?	
~~(new)~~3	What is the role of the Board of Directors or management in the AI Systems Governance Framework?	
3	**Reference the processes and procedures of the Company AI Governance Framework that addresses the following:**	

Commented [SK3]: Consider rewording for clarity. Additionally, there appears to be an extraneous quotation mark.

	How the Insurance Company...	Page #	If not specified in governance, provide details below:
	3a. Assesses, mitigates, and evaluates residual AI system risks of unfair trade practices		
	~~3b. Ensures AI systems are used ethically~~		
	3c. Ensures AI systems are compliant with state and federal laws and regulations		
	~~3d. Assesses, mitigates, and evaluates residual adverse consumer outcomes from the use of AI systems~~Evaluates risk of adverse consumer outcomes		
	3e. Considers data privacy and protection of consumer data used in AI systems		
	3f. Ensures AI systems are suitable for their intended use and should continue to be used as designed		
	~~3g. Monitors and measures the benefits of AI systems~~		
	3h. Ensures AI system risks are considered within Enterprise Risk Management (ERM)		
	3i. Ensures AI system risks are considered within the Own Risk and Solvency Assessment (ORSA)		
	3j. Ensures AI system risks are considered in software development lifecycle (SDLC)		
	3k. Ensures AI system risk impact on financial reporting is considered		
	3l. Trains employees about AI system use and defines prohibited practices (if any)		
	3m. Quantifies AI system risk levels		
	3n. Provides standards and guidance for procuring and engaging AI system vendors		
	3o. Ensures consumer complaints resulting from AI systems are identified, tracked, and addressed		

	3p. Ensures consumer awareness in use of AI systems through disclosures, policies, and procedures for consumer notification		
~~4~~	~~**Training, testing, and implementing AI systems:**~~		
	~~**Question for the Insurance Company**~~		~~**Insurance Company Response**~~
	~~4a. Discuss the process by which AI systems are developed, tested, and implemented?~~ ~~Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.~~ ~~a) Discuss the basis for deviation from established practices~~		
	~~4b. Discuss steps taken to detect, mitigate, and manage bias within each AI system methods and predictions?~~		
	~~4c. Discuss the determination for frequency of model testing to detect performance drift, data drift, and concept drift?~~		
	~~4d. Discuss the determination for frequency of model testing for bias and/or unfair trade practices~~		
	~~4e. Discuss the determination for frequency for model accuracy testing~~		
	~~4f. Discuss the determination for frequency of a high-risk (potential to cause adverse consumer outcomes) model testing~~		
	~~4g. Discuss the process by which performance thresholds are established, tested, and addressed~~		
	~~4h. Discuss the procedures to verify a 'human in the loop' is consistently and meaningfully contributing to the decision?~~		
	~~4i. Discuss the process for evaluating the effectiveness of using a human in the loop~~		
~~5~~	~~**Internal Data and AI System Other Purposes:**~~		
	~~**Explain the company's process for utilizing data and/or AI systems models for the below scenarios:**~~		~~**Insurance Company Response**~~

	~~5a. Any differences in the company's IT practices for AI system development as opposed to established IT systems development~~	
	~~5b. The extent to which the data and/or AI systems are representative of the population the model is being applied to~~	
	~~5c. Additional purposes the model outputs or inputs from other models are used for~~	
	~~5d. Testing internal data or AI systems for bias and/or unfair trade practices~~	
	~~5e. Testing internal data or AI systems for accuracy~~	
	~~5f. Ensuring internal data and/or AI systems are not outdated and the model is using the most current version of data available~~	
	~~5g. Whether the data and/or AI systems were constructed for the purpose of its intended use~~	
	~~5h. Details if model outputs or insights are sold~~	
~~6~~	~~**External Data and AI System Practices:**~~	
	~~**Explain the company's process for utilizing data and/or AI systems models for the below scenarios:**~~	~~**Insurance Company Response**~~
	~~6a. Any differences in the company's Vendor Management practices for AI system development as opposed to established Vendor Management Practices~~	
	~~6b. Testing third-party data and/or AI systems for unfair trade practices or bias~~	
	~~6c. Testing third-party data or AI systems for accuracy~~	
	~~6d. Ensuring third party data or AI systems are not outdated or that the vendor is using the most current version of data available~~	

Exhibit C: AI Systems High-Risk Model Details

Purpose: To obtain detailed information on high-risk AI system models, such as models making automated decisions, that could cause adverse consumer, financial, or financial reporting impact. AI system risk criteria is set by the insurance company. To assist in identifying models for which this information is requested, regulators may request information on the company's risk assessment and a model inventory if such information has not otherwise already been provided.

Company Instructions: Fill in the details for each of the AI system model(s) requested. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

~~Line of Business (complete one for each line of business): _____~~

Date Form Completed ("as of") Date: _____

Model name	
Model type	
Model Implementation Date	
Model development (internal or third party – include vendor name)	
Model risk classification	
Model risk(s) and limitation(s)	
AI type (automate, augment, support)	

Commented [SK4]: Consider including a header row above this question section, similar to other exhibits. For example, Exhibit B (Checklist) includes a header row with "Ref," "AI Systems Use Questions for Company," and "Company Response."

Testing model outputs (drift, accuracy, bias, unfair trade practices, performance degradation, etc.)	
Last date of model testing	
Use cases and purpose of model	
Discuss how the model affects the financial statements, risk assessment or controls.	
Discuss how the model is reviewed for compliance with state and federal laws Replace with "Discuss how the model is reviewed for compliance with the unfair trade practices act and unfair claims settlement laws."	
Discuss if the company has had any actions taken against them for use of this model. Actions may include but are not limited to informal agreements, voluntary compliance plans, administrative complaints, ongoing monitoring, cease and desist, remediation, restitution, fines, penalties, investigations, consent orders or other regulatory agency actions.	

Exhibit D: AI Systems Model Data Details

Purpose: To obtain detailed information of the source(s) and type(s) of data used in AI system model(s) to identify risk of ~~consumer~~ adverse consumer impact~~, unfair trade practices~~, financial, or financial reporting impact.

Company Instructions: Provide details below for the data used in AI system model(s). If any of the data elements listed are used in the training or test data as part of the development of AI model(s), provide information on whether the data element is sourced internally ~~from policyholder insurance experience~~ or whether the data element is sourced from a third party, in which case provide the name of the third-party vendor. Leave blank if a data source is not used in the development of AI system model(s) for the insurance operation. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Line of Business (complete one for each line of business): _____

Date Form Completed ("as of") Date: _____

(1) **Type of Data Element Used in AI System Model(s)**	(2) **Type of AI System Model(s) (E.g., Predictive vs. Generative AI)**	(3) **Describe How the Company Uses the Data Throughout Their Insurance Operations (include operational practices by line of insurance)**	(4) **Internal Data Source**	(5) **Third Party Data Source / Vendor Name**
Aerial Imagery				

Age, Gender, Ethnicity/Race				
Consumer or Other Type of Insurance/Risk Score				
Crime Statistics				
Criminal Convictions (Exclude Auto-Related Convictions)				
Driving Behavior				
Education Level (Including school aptitude scores, etc.)				
Facial or Body Detection / Recognition / Analysis				
Geocoding (including address, city, county, state, ZIP code, lat/long, MSA/CSA, etc.)				
Geo-Demographics (including ZIP/county-based demographic characteristics)				
Household Composition				
Image/video Analysis				
Income				
Job History~~Stability~~				
Loss Experience				
Medical, including Biometrics, genetic information, pre-existing conditions, diagnostic data, etc.				
Natural Catastrophe Hazard (Fire, Wind, Hail, Earthquake, Severe Convective Storms)				
~~Occupation~~				
Online social media, including characteristics for targeted advertising				
Personal Financial Information				
Telematics/Usage-based insurance~~BI~~				

Commented [MR5]: IA suggested edit.

Vehicle-Specific Data, including VIN characteristics				
Voice Analysis				
Weather				
Other: Non-Traditional Data Elements (Please provide examples)				

DEFINITIONS AND APPENDIX

Where available, for the purposes of this evaluation terms are defined in accordance with the NAIC Model Bulletin on the Use of AI Systems by Insurers (https://content.naic.org/sites/default/files/2023-12-4%252520Model%252520Bulletin_Adopted_0.pdf):

"Adverse Consumer Outcome" refers to an AI System decision (output) by an insurance company that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards.

"Algorithm" means a clearly specified mathematical process for computation; a set of rules that, if followed, will give a prescribed result.

"AI System" is a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI Systems are designed to operate with varying levels of autonomy.

"Artificial Intelligence (AI)" refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence.

"Consumer Impact" refers to a decision by an Insurer that is subject to insurance regulatory standards enforced by the Department ~~an AI system decision (output) initiated by a company that impacts the consumer~~.

"Degree of Potential Harm to Consumers" refers to the severity of adverse economic impact that a consumer might experience as a result of an Adverse Consumer Outcome.

"Externally Trained Models" Transferred learnings from pre-trained models developed by a third party on external reference datasets.

~~**"Generalized Linear Models (GLMs)"** Including Ordinary Least Squares (OLS), Elastic Net/LASSO/Ridge Regression, Logistic Regression, and Generalized Additive Models (GAMs) are not considered to be machine learning models for this evaluation.~~

"Generative Artificial Intelligence (Generative AI)" refers to a class of AI Systems that generate content in the form of data, text, images, sounds, or video, that is similar to, but not a direct copy of, pre-existing data or content.

"Inherent Risk" Refers to an assessment of risk before considering risk-mitigation strategies or internal controls.

"Internally Trained Models" Models developed from data internally obtained by the company.

"Machine Learning (ML)" Refers to a field within artificial intelligence that focuses on the ability of computers to learn from provided data without being explicitly programmed.

"Material Financial Impact" Material financial impact refers to costs or risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limits prescribed by Federal or State laws and regulations.

"Model Drift" refers to the decay of a model's performance over time arising from underlying changes such as the definitions, distributions, and/or statistical properties between the data used to train the model and the data on which it is deployed.

"Neural Network Models" Include but not limited to: Single/multi-layer perceptrons/fully connected networks (MLPs/FCs), Deep Learning (DL), Convolutional Neural Networks (CNNs), Recurrent Neural Networks (RNNs), Long Short-Term Memory Neural Networks (LSTMs), Sequence Models, Large Language Models (LLMs), and Reinforcement Learning Models (RLs).

"Predictive Model" refers to the mining of historic data using algorithms and/or machine learning to identify patterns and predict outcomes that can be used to make or support the making of decisions.

"Residual Risk" Refers to an assessment of risk after considering risk-mitigation strategies or controls.

"Third Party" for purposes of this bulletin means an organization other than the insurance company that provides services, data, or other resources related to AI.

"Validation Method" The source of the reference data used for validation, whether Internal, External, or Both.

"Use Case" A description of a specific function in which a product or service is used.

Operations

Marketing - Examples: market research, target advertising, market/coverage expansion, customer segment target marketing, demand modeling, agent/broker incentive plans, up/cross-selling.

Underwriting - Examples: Policy/coverage acceptance, company placement/tiering, schedule rating, decisions based on telematics/UBI, report ordering, retention modeling, inspections, anomaly detection.

Ratemaking/Pricing - Examples: Development of overall/base rates, expense/loss loadings, estimation of trends and loss development, development of manual rating factors, tiering criteria, insurance credit scoring, territory boundary definitions, numeric/categorical level groupings and interactions, individual risk rating, telematics/UBI, price optimization, schedule rating factors.

Claims - Examples: Claim assignment, triage/fast-tracking, individual/bulk claim reserving including loss estimation, imaging/video analysis, fraud detection, litigation, estimation of closure rates, salvage/subrogation, examination/report ordering.

Customer Service - Examples: Agent/broker/internet/customer service interaction (chatbots), online/smart phone apps, loss prevention/risk mitigation advice, payment plans, complaints.

Other: Cyber Security, Fraud Detection, Strategic Operations, Reserving, Investments, Capital Management, Financial Reporting, Reinsurance, Legal, Legal Exposure, Reputation Risk.

Missouri Department of Commerce and Insurance

From: Lederer, Julie
Sent: Tuesday, December 2, 2025 5:42:03 PM
Subject: RE: NAIC BDAIWG - Reminder to submit redline comments on the AI Systems Evaluation Tool by Dec. 2

Hi Scott,

Thank you for sending a revised version of the AI systems evaluation tool and for keeping regulators updated throughout the project. I won't be at the meeting on December 7 so wanted to provide comments in advance.

1. **Regarding Exhibit A**: Consider 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. It could look something like this:

Use of AI System in Operations or Program Area	Are AI System Model(s) Currently in Use in this Operations or Program Area?	AI System Use Case(s)
Insurer Core Operations		
Marketing		
Premium Quotes & Discounts		
Underwriting		
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits		

2. **Regarding Exhibit B (narrative)**:
    a. What type of answer is expected for item 1.e ("Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment."). This item is broad.
    b. What does "reversibility" mean in item 1.g?
    c. The broadness of item 2 might make it hard for the insurer to complete this item. For example, item 2.c asks for the uses of AI systems that generate or impact information reported in financial statements. Anything that affects the insurer could affect information reported in the financial statements.
    d. Does "RAF" in item 5 stand for "Risk Assessment Framework"? I recommend defining the acronym.
    e. What type of information is the insurer expected to provide for item 5? Is this asking how the insurer's use of AI is integrated into its broader ERM framework? What does "involvement with the program area" mean here?

3. **Regarding Exhibit B (checklist):**
    a. Does “AIS” in items 1 and 2 stand for “AI Systems”? I recommend defining the acronym.
    b. Item 3 seems to presuppose that the NAIC has provided written guidance on what should be in an AI governance framework.

4. **Regarding Exhibit C:** What type of information is the insurer expected to put in the “Testing model outputs” box? The parenthetical includes a variety of terms, but it’s not clear what regulators are looking for here. Is this asking for information on how the model was validated?

5. **Regarding Exhibit D:** What is meant by a “predictive” AI model (versus a generative AI model) in column 2? There are predictive models that aren’t AI models. Should a definition of “predictive AI model” be added to the definitions section?

6. **Regarding the definitions:** The revised definition of “consumer impact” seems too broad because it could encompass many things that do not entail a consumer impact. For example, the decision to pay a dividend to the parent is a “decision by an insurer that is subject to insurance regulatory standards enforced by the Department,” but this decision has minimal consumer impact. The original definition seemed better.

I appreciate the chance to provide comments.

Sincerely,

Julie

Julie Lederer, FCAS, MAAA
Property and Casualty Actuary
Missouri Department of Commerce & Insurance

NAMIC
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

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December 2, 2025

Commissioner Humphreys (PA), Chair
NAIC Big Data and Artificial Intelligence (H) Working Group
c/o Miguel Romero, Director, P&C Regulatory Services
via email: maromero@naic.org

Re: NAMIC Initial Redlines on Version 2 of the AI Systems Evaluation Tool

Dear Commissioner Humphreys and Members of the Working Group:

On behalf of the National Association of Mutual Insurance Companies (NAMIC)[1], we thank you for the continued engagement and request for feedback on the AI Systems Evaluation Tool. With respect to Version 2 of the Tool, we look forward to the December 7, 2025, meeting where further discussion on potential edits will take place. Ahead of that meeting, and at the Big Data and Artificial Intelligence Working Group's request, we submit the attached initial redlines and explanations for the Working Group's consideration.

We are happy to answer any questions on our suggested redlines, and we look forward to providing additional feedback at the December 7th meeting.

Sincerely,

Lindsey Stephani

Lindsey Stephani (Klarkowski)
Policy Vice President – Data Science, Artificial Intelligence, and Cybersecurity
NAMIC

[1] The National Association of Mutual Insurance Companies consists of over 1,300 member companies, including six of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies write $383 billion in annual premiums and represent 61 percent of homeowners, 48 percent of automobile, and 25 percent of the business insurance markets. Through its advocacy programs NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

Artificial Intelligence Systems Evaluations
Optional Supplemental Exhibits for State Regulators –
NAMIC Initial Redlines

Background:
The rapid expansion of big data and adoption of Artificial Intelligence and Machine Learning (AI systems) is significantly transforming insurance practices. These technologies can offer substantial benefits to both insurance companies and consumers by facilitating the development of innovative products, improving customer interface and enhancing service, simplifying and automating processes, and promoting efficiency and accuracy. However, without robust governance and effective controls, the use of AI systems may lead to adverse consumer outcomes ~~unintended consumer harm~~ or compromise the financial soundness of an insurance company. Insurers are responsible for managing the risks associated with the development and implementation of AI systems and must demonstrate to regulators that adequate oversight mechanisms are in place and are functioning effectively.

Commented [LK1]: NAMIC suggests language in the definitions section to specifically remove both predictive models and GLMs from the scope of "AI Systems".

Intent:
The NAIC's Innovation, Cybersecurity and Technology (H) Committee charged the Big Data and AI Working Group (BDAIWG) to create tool(s) that would enable regulators to identify and assess AI systems' related risks on an on-going basis with a scope that considers both financial and consumer risks evolving specifically from company's use of AI systems to the extent such risks can be parsed from the comprehensive structure.

This document and related tools are designed to supplement existing market conduct, product review, form filing, financial analysis, and financial examination review procedures. As this tool supplements existing NAIC resources, regulators should continue to consider existing NAIC resources as authoritative but may consider drawing from this tool to assist in understanding and assessing a company's use of AI systems.

These optional exhibits allow regulators to determine the extent of AI systems usage for a company and whether additional analysis is needed focusing on financial and consumer risk.

Sections of the Tool include:

- **Exhibit A: Quantify Regulated Entity's Use of AI Systems**
- **Exhibit B: AI Systems Governance Risk Assessment Framework (Two Options: Narrative or Checklist)**
- **Exhibit C: AI Systems High-Risk Model Details**
- **Exhibit D: AI Systems Model Data Details**

Instructions:

Information obtained from the Exhibit submission may supplementing guidance and tools used during an existing market conduct, product review, form filing, financial analysis, and financial examination review, may to enhance the regulator's understanding of the AI systems utilization and assessment of risk across an insurance company in performing the analysis and examination reviews. The pace of innovation will vary, and the insurers' AI philosophy is to be contemplated when considering the frequency of updates which may vary from an annual to a quarterly basis as risk assessment warrants. The Exhibits contained in this tool include questions relevant to both financial examinations and market conduct examinations, and regulators should therefore only utilize the Exhibits and sections of the Exhibits that are pertinent and relevant to the exam being conducted. Effective assessment requires regulators to maintain a fluent understanding and application of the applicable laws including those pertaining to unfair trade practices, confidentiality, and financial reporting.

Regulators using the tool may wish to first use Exhibit A and based on the information provided, determine if further inquiry is necessary. It may be possible that company responses indicate that while the company responding is using AI, its use of AI is so limited or low in inherent risk as to not require further inquiry as contemplated by subsequent exhibits.

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. The expectation is that states will then coordinate with one another (in accordance with confidentiality laws) to avoid duplicative production of information.

The tool responses will be considered by regulators when identifying the inherent risks of the insurer. They should also affect the planned examination or inquiry approach, as well as the nature, timing and extent of any further procedures performed.

Materiality and Risk Assessment

Exhibit C of this tool The tools that follow reliesy on company assessments of risk and materiality and risk assessment. As part of evaluating company responses, regulators may request information on how a responding company assesses both concepts to assist in the regulatory review.

Confidentiality

Regulators using any of the tools should be prepared to cite examination or other authority, as appropriate when requesting information from insurers.

Commented [LK2]: NAMIC suggests adding this language to memorialize the expectation and intent that regulators use only the areas of the exhibits that are relevant and pertinent to the exam being conducted (i.e., financial or market conduct) because the tool includes aspects of both types of exam content.

Commented [LK3]: NAMIC suggests adding verbiage to clarify that the intent of providing where and when insurers have already produced this information is to avoid states creating duplicative production, and that states are expected to coordinate with other states to the extent allowed for in the law.

Which Exhibit to Use?

Risk Identification or Assessment	A	B	C	D
~~Identify Reputational Risk~~ and ~~Consumer Complaints~~	X	X (Checklist)		
Assess Company Financial Risk – Number of models implemented recently	X	X (Checklist)		
Identify Adverse Consumer Outcomes – AI Systems and data use by operational area	X	X	X	X
Evaluate Actions Taken Against Company's Use of High-Risk AI Systems (as defined by the company)			X	
Evaluate Robustness of AI Controls		X	X	
Determine the types of data used by operational area				X

Commented [LK4]: NAMIC suggests clarifying that this table provides information on the topics that each exhibit covers, and that the regulator should use only those exhibits pertinent and relevant to the exam being conducted.

Commented [LK5]: NAMIC suggests removal of "Identify reputational risk," because we disagree about there being reputational risk to using AI. From a carrier perspective, there is a reputational risk to not using AI because it indicates a carrier is not keeping pace with technology or its competitors.

Commented [LK6]: Because consumer complaint tracking was removed from Exhibit A, NAMIC suggests this should be also deleted for consistency.

Exhibit A: Quantify Regulated Entity's Use of AI Systems

Purpose: To obtain information pertaining to the number of AI models that are new, updated~~, retired~~, etc. that will help facilitate risk assessment. Based on the responses from the company, regulators may ask for additional information related to governance (Exhibits B), high-risk models (Exhibit C), and data types (Exhibit D) where there is risk for adverse consumer outcomes or ~~consumer complaints~~material adverse financial impact.

Company Instructions: Provide the most current counts and use~~s~~ cases of the following as requested. Note that "AI System" is defined as a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI systems are designed to operate with varying levels of autonomy (supportive, augmented, automated). "Adverse Consumer Outcome" and "Use Case" are as defined below. ~~Adverse Consumer Impact Outcome refers to a decision by an Insurer that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards~~is an AI system decision (output) initiated by a company that impacts the consumer. ~~Use Case is defined as a textual description of how external entities (actors) interact with an AI System to achieve a specific goal. See definitions below.~~ Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Company Legal Name or Group Name: _____

NAIC Code or Group Code: _____

Company Contact Name: _____ Email: _____

Describe the Line of Business for Which This Response Applies ~~(complete one for each line of business)~~:

_____

Date Form Completed ("as of") Date: _____

~~Period Defining the Last 12 Months: _____~~

~~Period Defining the Next 6 Months: _____~~

Commented [LS7]: NAMIC suggests language in the definitions section to specifically remove from scope of "AI System" both predictive models and GLMs.

Use of AI System in Operations or Program Area	~~Number of~~ AI System Model(s) Currently in Use	~~Number of~~ AI System Model(s) with Consumer Impact	~~Number of~~ AI System Model(s) with Material Financial Impact	~~Number of~~ AI System Model(s) Implemented in Past 12 Months	~~Number of Consumer Complaint(s) Resulting from AI Systems in the Past 12 Months by Program Area~~	~~Number of AI System Model(s) Planned to be Implemented within the Next 6 Months~~	AI System Use Case(s)
Insurer Core Operations							
Marketing							E.g., UC1: Identify potential consumers interested in product.
~~Producer Services~~							
~~Premium Quotes & Discounts~~							
Underwriting							
Ratemaking/Rate Classification/ Schedule Rating/ Premium Audits							
Claims/Adjudication*							
~~Legal/Compliance~~							
Customer Service							
Utilization Management/Utilization Review/Prior Authorization							
Fraud/Waste & Abuse							
Other							
Investment/Capital Management							
Legal/Compliance							
Producer Services							

Commented [LK8]: As NAMIC raised in our initial comments, the burden of producing this information would be significantly reduced if carriers could simply acknowledge that they use AI in these categories rather than manually counting the number of AI systems used in each category. Further, some models may fit in more than one category; so, requesting a quantification of models may result in overestimation of the number of models company-wide.

Commented [LK9]: NAMIC suggests removal of this category because there is already a category for ratemaking below. If the Working Group opposes our suggested deletion, we respectfully request detail on how the Working Group views this category as different from ratemaking.

Reserves/Valuations							
~~Product Performance~~							
Catastrophe Triage							
~~Strategic Operations (HR, Reinsurance, etc.)~~Reinsurance							
~~Other (remove or change to "additional" per the use of "Other" above)~~							
**Includes Salvage/Subrogation*							

~~Consumer Complaints~~

1. ~~What is the total number of consumer complaints resulting from a process that relied on AI system(s) in past 12 months?~~	
2. ~~Discuss the company's policies and procedures for consumer disclosure and/or notification on the use of AI.~~	
3. ~~Discuss the company's policies and procedures for identifying and tracking consumer complaints resulting from the use of AI.~~	

Commented [LK10]: Due to the specificity and breadth of the categories included in Exhibit A, NAMIC requests deletion of "other" or "additional."

Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework

Purpose: To obtain the Company AI Governance Framework, including the risk identification, mitigation, and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third-party AI systems and data. ~~the identification, classification, and mitigation of potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity.~~ Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI Ssystems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

~~Purpose: To obtain information pertaining to financial reporting, IT systems and data, and Risk Assessment Framework (RAF). The following questions may be used in dialogue with the insurance company or requested in written response.~~

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

~~Line of Business (complete one for each line of business): _____~~

1. Date Form Completed ("as of") Date: _____
   Provide the Governance Framework pertaining to the use of AI systems. Click or tap here to enter text.
   a. What role maintains the framework? Click or tap here to enter text.
   b. Discuss the governance structure, Board reporting and frequency. Click or tap here to enter text.
   c. Discuss the process by which the framework is integrated throughout the organization, assessed and remediated. Click or tap here to enter text.

d. Discuss the process by which the effectiveness of the framework and individual models ~~is~~ are assessed and modified. Click or tap here to enter text.

e. Discuss the divisional, operational and cross functional responsibility for governance, consistency and alignment. Click or tap here to enter text.

f. Discuss the integration of the AI systems in the Own Risk and Solvency Assessment (ORSA) and Enterprise Risk Management (ERM) assessments. Click or tap here to enter text.

~~f.~~g. Suggested additional question: How does the insurance company assess autonomy, reversibility, and reporting impact risk of AI systems?

2. Discuss the uses of AI system that:
   a. Generates a financial transaction directly or indirectly. Click or tap here to enter text.
   b. Generates consumer impact directly or indirectly. Click or tap here to enter text.
   c. Generates or impacts information reported in financial statements either directly or indirectly. Click or tap here to enter text.
   d. Generates or impacts risk and or control assessment. Click or tap here to enter text.

~~3. *Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.* Discuss the development, testing and implementation of AI systems that differ from established IT system and data handling protocols.~~

~~a.~~e. Discuss the basis for deviation from established practices. Click or tap here to enter text.

~~4.~~3. Provide the policy and discuss the use and oversight of AI system vendors, model design and testing:
   a. Discuss the transparency and testing procedures performed on internally-developed AI systems. Click or tap here to enter text.
   b. Discuss the transparency and testing procedures performed on third-party vendor-supplied AI systems. Click or tap here to enter text.
   c. Discuss the testing and verification that has occurred including frequency, scope and methodology. Click or tap here to enter text.

~~5.~~4. Provide the policy and discuss the use and oversight of AI systems by professional service providers including actuarial, claim, MGA, audit, and/or other professional services. Click or tap here to enter text.
   a. Discuss the testing and verification that has occurred, frequency, scope, and methodology. Click or tap here to enter text.

~~6. Discuss the use of open-source AI in the organization:~~
   ~~a. Discuss in what capacity, if any, the company utilizes open-source AI by license or freeware.~~

Commented [LK11]: NAMIC requests an edit for clarity on 1.e., as it is currently unclear what information is being requested.

Commented [LK12]: NAMIC requests narrowing the scope of 2.b., or narrowly tailoring the request to what the Working Group is most concerned about with respect to consumer impact. Asking for AI system uses that have direct or "indirect" impact on consumers could arguably include all AI systems a company is using. Adding a materiality threshold may help narrow the scope.

i. Provide the number of licenses used in each functional area and policy managing its use and application. Click or tap here to enter text.

b. Discuss prohibitions, if any, for the utilization of open-source AI by staff in preparing work products or performing tasks that affect consumer or financial reporting.

7. Discuss any AI system initiatives being developed and/or implemented within the next six months.

a. Discuss the objectives of each initiative(s).

b. Provide information on the investment to date for each initiative and amount projected to implement the initiative(s).Click or tap here to enter text.

8.5. Discuss additional RAF design and evaluation pertaining to AI systems. Click or tap here to enter text.

a. Discuss the unit(s) responsible for the RAF, assessment approach and frequency, and involvement with the program area to the extent it differs from that discussed above. Click or tap here to enter text.

Exhibit B: (Checklist) AI Systems Governance and Risk Assessment Framework

Purpose: To obtain the Company AI Systems Governance Framework, including the risk identification, mitigation ~~classification, and mitigation of~~ and management framework and internal controls for AI systems; and the process for acquiring, using, or relying on third party AI systems and data" ~~potential risk of adverse consumer outcomes, development of models, human-in-the-loop supervision, and information about efforts to maintain compliance and the integrity of financial reporting and control integrity.~~ Market and financial regulators should coordinate to gain access to the relevant section of the policies governing the use of AI systems.

Company Instructions: Provide responses to the questions regarding governance of AI systems within your company's operations. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Date Form Completed ("as of") Date: _____

Ref	AI Systems Use Questions for Company	Company Response
1	Has the company adopted a written~~n~~ AI S Program~~Governance Policy~~? If yes, when was it adopted and what is the frequency of review for updating?	
2	Was the Board of Directors or management involved in the adoption of an AI ~~Governance Policy~~S Program?	
~~(new)~~3	What is the role of the Board of Directors or management in the AI Systems Governance Framework?	
3	**Reference the processes and procedures of the Company AI Governance Framework that addresses the following:**	

Commented [LK13]: This was removed from the narrative version and should therefore be removed from the checklist for consistency.

	How the Insurance Company…	Page #	If not specified in governance, provide details below:
	3a. Assesses, mitigates, and evaluates residual AI system risks of unfair trade practices		
	~~3b. Ensures AI systems are used ethically~~		
	3c. Ensures AI systems are compliant with state and federal laws and regulations		
	~~3d. Assesses, mitigates, and evaluates residual adverse consumer outcomes from the use of AI systems~~Evaluates risk of adverse consumer outcomes		
	3e. Considers data privacy and protection of consumer data used in AI systems		
	3f. Ensures AI systems are suitable for their intended use and should continue to be used as designed		
	~~3g. Monitors and measures the benefits of AI systems~~		
	3h. Ensures AI system risks are considered within Enterprise Risk Management (ERM)		
	3i. Ensures AI system risks are considered within the Own Risk and Solvency Assessment (ORSA)		
	3j. Ensures AI system risks are considered in software development lifecycle (SDLC)		
	3k. Ensures AI system risk impact on financial reporting is considered		
	3l. Trains employees about AI system use and defines prohibited practices (if any)		
	3m. Quantifies AI system risk levels		
	3n. Provides standards and guidance for procuring and engaging AI system vendors		
	3o. Ensures consumer complaints resulting from AI systems are identified, tracked, and addressed		

	3p. Ensures consumer awareness in use of AI systems through disclosures, policies, and procedures for consumer notification		
4	**~~Training, testing, and implementing AI systems:~~**		
	~~Question for the Insurance Company~~		**~~Insurance Company Response~~**
	~~4a. Discuss the process by which AI systems are developed, tested, and implemented?~~ ~~Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.~~ ~~a) Discuss the basis for deviation from established practices~~		
	~~4b. Discuss steps taken to detect, mitigate, and manage bias within each AI system methods and predictions?~~		
	~~4c. Discuss the determination for frequency of model testing to detect performance drift, data drift, and concept drift?~~		
	~~4d. Discuss the determination for frequency of model testing for bias and/or unfair trade practices~~		
	~~4e. Discuss the determination for frequency for model accuracy testing~~		
	~~4f. Discuss the determination for frequency of a high-risk (potential to cause adverse consumer outcomes) model testing~~		
	~~4g. Discuss the process by which performance thresholds are established, tested, and addressed~~		
	~~4h. Discuss the procedures to verify a 'human in the loop' is consistently and meaningfully contributing to the decision?~~		
	~~4i. Discuss the process for evaluating the effectiveness of using a human in the loop~~		
5	**~~Internal Data and AI System Other Purposes:~~**		
	~~Explain the company's process for utilizing data and/or AI systems models for the below scenarios:~~		**~~Insurance Company Response~~**

	5a. Any differences in the company's IT practices for AI system development as opposed to established IT systems development	
	5b. The extent to which the data and/or AI systems are representative of the population the model is being applied to	
	5c. Additional purposes the model outputs or inputs from other models are used for	
	5d. Testing internal data or AI systems for bias and/or unfair trade practices	
	5e. Testing internal data or AI systems for accuracy	
	5f. Ensuring internal data and/or AI systems are not outdated and the model is using the most current version of data available	
	5g. Whether the data and/or AI systems were constructed for the purpose of its intended use	
	5h. Details if model outputs or insights are sold	
6	**External Data and AI System Practices:**	
	Explain the company's process for utilizing data and/or AI systems models for the below scenarios:	**Insurance Company Response**
	6a. Any differences in the company's Vendor Management practices for AI system development as opposed to established Vendor Management Practices	
	6b. Testing third-party data and/or AI systems for unfair trade practices or bias	
	6c. Testing third-party data or AI systems for accuracy	
	6d. Ensuring third party data or AI systems are not outdated or that the vendor is using the most current version of data available	

Exhibit C: AI Systems High-Risk Model Details

Purpose: To obtain detailed information on high-risk AI system models, such as models making automated decisions, that could cause adverse consumer, financial, or financial reporting impact. AI system risk criteria is set by the insurance company. To assist in identifying models for which this information is requested, regulators may request information on the company's risk assessment and a model inventory if such information has not otherwise already been provided.

Company Instructions: Fill in the details for each of the AI system model(s) requested. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

~~Line of Business (complete one for each line of business):~~ _____

Date Form Completed ("as of") Date: _____

Model name	
Model type	
Model Implementation Date	
Model development (internal or third party – include vendor name)	
Model risk classification	
Model risk(s) and limitation(s)	
AI type (automate, augment, support)	

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~~Testing model outputs (drift, accuracy, bias, unfair trade practices, performance degradation, etc.)~~	
Last date of model testing	
Use cases and purpose of model	
Discuss how the model affects the financial statements, risk assessment or controls.	
Discuss how the model is reviewed for compliance with state and federal laws Replace with "Discuss how the model is reviewed for compliance with the unfair trade practices act and unfair claims settlement laws."	
Discuss if the company has had any actions taken against them for use of this model. Actions may include but are not limited to informal agreements, voluntary compliance plans, administrative complaints, ongoing monitoring, cease and desist, remediation, restitution, fines, penalties, investigations, consent orders or other regulatory agency actions.	

Commented [LK14]: The testing content was removed from Exhibit B and should also be removed from Exhibit C for consistency.

Exhibit D: AI Systems Model Data Details

Purpose: To obtain detailed information of the source(s) and type(s) of data used in AI system model(s) to identify risk of ~~consumer~~ adverse consumer impact~~, unfair trade practices~~, financial, or financial reporting impact.

Company Instructions: Provide details below for the data used in AI system model(s). If any of the data elements listed are used in the training or test data as part of the development of AI model(s), provide information on whether the data element is sourced internally ~~from policyholder insurance experience~~ or whether the data element is sourced from a third party, in which case provide the name of the third-party vendor. Leave blank if a data source is not used in the development of AI system model(s) for the insurance operation. Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed. See definitions below.

Regulator Instructions: Regulators should customize this tool to limit information requested to more targeted inquiries for use in a limited scope exam.

Group or Company Legal Name: _____

NAIC Group or Company Code: _____

Company Contact Name: _____ Email: _____

Line of Business (complete one for each line of business): _____

Date Form Completed ("as of") Date: _____

(1) **Type of Data Element Used in AI System Model(s)**	(2) **Type of AI System Model(s) (E.g., Predictive vs. Generative AI)**	(3) **Describe How the Company Uses the Data Throughout Their Insurance Operations (include operational practices by line of insurance)**	(4) **Internal Data Source**	(5) **Third Party Data Source / Vendor Name**
Aerial Imagery				

Commented [LK15]: NAMIC requests removal of Exhibit D, because it is overly broad in scope, and its focus is largely on data and third party data, which the NAIC has not yet come to consensus on how third party vendors might be regulated. Therefore, we view the inclusion of this Exhibit as premature. Further, because this Tool is going through a pilot, we suggest that the need for an exhibit like this may be revisited down the line.

Commented [LK16]: Notwithstanding our comments more generally relative to Exhibit D, NAMIC suggests that this column be removed, as it is beyond the scope of AI systems, and asks about data used throughout insurance operations.

Age, Gender, Ethnicity/Race				
Consumer or Other Type of Insurance/Risk Score				
Crime Statistics				
Criminal Convictions (Exclude Auto-Related Convictions)				
Driving Behavior				
Education Level (Including school aptitude scores, etc.)				
Facial or Body Detection / Recognition / Analysis				
Geocoding (including address, city, county, state, ZIP code, lat/long, MSA/CSA, etc.)				
Geo-Demographics (including ZIP/county-based demographic characteristics)				
Household Composition				
Image/video Analysis				
Income				
Job HistoryStability				
Loss Experience				
Medical, including Biometrics, genetic information, pre-existing conditions, diagnostic data, etc.				
Natural Catastrophe Hazard (Fire, Wind, Hail, Earthquake, Severe Convective Storms)				
Occupation				
Online social media, including characteristics for targeted advertising				
Personal Financial Information				
Telematics/Usage-based insuranceBI				

Commented [LK17]: NAMIC requests edit for clarification - "Risk Score" is listed as a "type of data element used in AIS models," but risk scores are often ***outputs*** from ***predictive models***.

Commented [MR18]: IA suggested edit.

Commented [LK19]: "Medical" is rather broad, and we therefore ask for narrowing of this particular category.

Vehicle-Specific Data, including VIN characteristics				
Voice Analysis				
Weather				
Other: Non-Traditional Data Elements (Please provide examples)				

DEFINITIONS AND APPENDIX

Where available, for the purposes of this evaluation terms are defined in accordance with the NAIC Model Bulletin on the Use of AI Systems by Insurers (https://content.naic.org/sites/default/files/2023-12-4%252520Model%252520Bulletin_Adopted_0.pdf):

"Adverse Consumer Outcome" refers to an AI System decision (output) by an insurance company that is subject to insurance regulatory standards enforced by the Department that adversely impacts the consumer in a manner that violates those standards.

"Algorithm" means a clearly specified mathematical process for computation; a set of rules that, if followed, will give a prescribed result.

"AI System" is a machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, content (such as text, images, videos, or sounds), or other output influencing decisions made in real or virtual environments. AI Systems are designed to operate with varying levels of autonomy. For purposes of this Evaluation Tool, Generalized Linear Models and Predictive Models are not considered AI Systems.

"Artificial Intelligence (AI)" refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence.

"Consumer Impact" refers to a decision by an Insurer that is subject to insurance regulatory standards enforced by the Department ~~an AI system decision (output) initiated by a company that impacts the consumer~~.

"Degree of Potential Harm to Consumers" refers to the severity of adverse economic impact that a consumer might experience as a result of an Adverse Consumer Outcome.

"Externally Trained Models" Transferred learnings from pre-trained models developed by a third party on external reference datasets.

~~**"Generalized Linear Models (GLMs)"** Including Ordinary Least Squares (OLS), Elastic Net/LASSO/Ridge Regression, Logistic Regression, and Generalized Additive Models (GAMs) are not considered to be machine learning models for this evaluation.~~

"Generative Artificial Intelligence (Generative AI)" refers to a class of AI Systems that generate content in the form of data, text, images, sounds, or video, that is similar to, but not a direct copy of, pre-existing data or content.

Commented [LK20]: NAMIC requests an edit for clarity - The last part of this definition means an adverse consumer outcome is a regulatory violation. We do not believe that is the intention of the Working Group, and instead think that "Adverse Consumer Outcome" is meant to capture things like a nonrenewal which may adversely impact the consumer but is not necessarily a regulatory violation.

Commented [LK21]: NAMIC suggests that the definition of "AI System" is too vague, and we encourage the Working Group to include examples of what is, and what is not, in scope for purposes of the Tool. Given that predictive models in of themselves are not AI models, and that GLMs were previously noted as not in scope, NAMIC believes they should be noted as "not considered AI Systems."

Commented [LK22]: NAMIC requests an edit for clarity - As written, the definition is broad and currently captures decisions that do not impact consumers specifically.

Commented [LK23]: NAMIC requests inclusion of the GLM definition, given our suggested changes to the AI Systems definition. GLMs and predictive models should be explicitly out of scope for this Tool.

"Inherent Risk" Refers to an assessment of risk before considering risk-mitigation strategies or internal controls.

"Internally Trained Models" Models developed from data internally obtained by the company.

"Machine Learning (ML)" Refers to a field within artificial intelligence that focuses on the ability of computers to learn from provided data without being explicitly programmed.

"Material Financial Impact" Material financial impact refers to costs or risks that significantly affect, or would reasonably be expected to have significant effect, on the debt and financial obligation limits prescribed by Federal or State laws and regulations.

"Model Drift" refers to the decay of a model's performance over time arising from underlying changes such as the definitions, distributions, and/or statistical properties between the data used to train the model and the data on which it is deployed.

"Neural Network Models" Include but not limited to: Single/multi-layer perceptrons/fully connected networks (MLPs/FCs), Deep Learning (DL), Convolutional Neural Networks (CNNs), Recurrent Neural Networks (RNNs), Long Short-Term Memory Neural Networks (LSTMs), Sequence Models, Large Language Models (LLMs), and Reinforcement Learning Models (RLs).

"Predictive Model" refers to the mining of historic data using algorithms and/or machine learning to identify patterns and predict outcomes that can be used to make or support the making of decisions.

"Residual Risk" Refers to an assessment of risk after considering risk-mitigation strategies or controls.

"Third Party" for purposes of this bulletin means an organization other than the insurance company that provides services, data, or other resources related to AI.

"Validation Method" The source of the reference data used for validation, whether Internal, External, or Both.

"Use Case" A description of a specific function in which a product or service is used.

Operations

Marketing - Examples: market research, target advertising, market/coverage expansion, customer segment target marketing, demand modeling, agent/broker incentive plans, up/cross-selling.

Underwriting - Examples: Policy/coverage acceptance, company placement/tiering, schedule rating, decisions based on telematics/UBI, report ordering, retention modeling, inspections, anomaly detection.

Ratemaking/Pricing - Examples: Development of overall/base rates, expense/loss loadings, estimation of trends and loss development, development of manual rating factors, tiering criteria, insurance credit scoring, territory boundary definitions, numeric/categorical level groupings and interactions, individual risk rating, telematics/UBI, price optimization, schedule rating factors.

Claims - Examples: Claim assignment, triage/fast-tracking, individual/bulk claim reserving including loss estimation, imaging/video analysis, fraud detection, litigation, estimation of closure rates, salvage/subrogation, examination/report ordering.

Customer Service - Examples: Agent/broker/internet/customer service interaction (chatbots), online/smart phone apps, loss prevention/risk mitigation advice, payment plans, complaints.

Other: Cyber Security, Fraud Detection, Strategic Operations, Reserving, Investments, Capital Management, Financial Reporting, Reinsurance, Legal, Legal Exposure, Reputation Risk.

TRUSSED AI

From: Ajay Dankar <ajay.dankar@trussed.ai>
Sent: Monday, December 1, 2025 12:02 AM
To: Romero, Miguel <MARomero@naic.org>; Sobel, Scott <SSobel@naic.org>; Andrews, Dorothy <DLAndrews@naic.org>; Theisen, Amanda <amanda.theisen@iid.iowa.gov>
Subject: Re: Big Data and Artificial Intelligence (H) Working Group - AI Systems Evaluation Tool Update

Dear Members of the NAIC Big Data and AI Working Group:

By way of introduction, Trussed AI provides AI governance and compliance platforms to insurers and other regulated entities. We are writing to share technical context for the AI Systems Evaluation Tool pilot regarding an architectural limitation in current foundation models that may affect regulatory oversight.

Technical Limitation

Current-generation foundation models (e.g., OpenAI's GPT, Anthropic's Claude, Meta's Llama) generally do not provide detailed training data provenance and cannot deterministically trace a generated output back to specific documents in their training corpus. This inherent architectural limitation may affect explainability, evidence collection, and auditability -- areas that are central to insurance regulatory oversight.

Industry Mitigation Approach

To address this limitation, insurers incorporating such models into regulated workflows are exploring architectural compensating controls. One approach is to ensure that regulated or high-impact workflows rely on enterprise-controlled data sources with full lineage. For example, insurers can deploy retrieval-augmented generation (RAG) pipelines so that model outputs are grounded in governed datasets whose provenance is versioned, logged, and reviewable by examiners during routine audits.

Request for Clarification

As the NAIC and state regulators pilot the AI Systems Evaluation Tool, how should insurers document these data governance layers when completing the evaluation? Does the pilot framework accommodate insurers describing such architectural mitigations as compensating controls for model-level provenance limitations?

In addition, because foundation model providers do not disclose itemized training data provenance, insurers may be unable to complete Exhibit D, Column 1 with the level of specificity intended with respect to a vendor's pre-training corpus. Insurers can, however, fully document the data elements they control -- including the governed datasets used in downstream RAG pipelines, fine-tuning, retrieval layers, and operational workflows.

We appreciate the Working Group's efforts to develop practical evaluation frameworks and welcome the opportunity to provide additional technical input as the pilot progresses.

Ajay Dankar

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