

1. Consider Adoption of its Summer National Meeting Minutes

Attachment One

–Commissioner Kevin Gaffney (VT)

Draft Pending Adoption

Attachment One
Innovation, Cybersecurity, and Technology (H) Committee
11/19/24

Draft: 8/28/24

Innovation, Cybersecurity, and Technology (H) Committee
Chicago, Illinois
August 15, 2024

The Innovation, Cybersecurity, and Technology (H) Committee met in Chicago, IL, Aug. 15, 2024. The following Committee members participated: Kevin Gaffney, Chair (VT); Michael Conway, Co-Vice Chair, represented by Kate Harris (CO); Chlora Lindley-Myers, Co-Vice Chair, and Cynthia Amann (MO); Ricardo Lara (CA); Karima M. Woods and Sharon Shipp (DC); Michael Yaworsky and Alexis Bakofsky (FL); Gordon I. Ito (HI); Doug Ommen (IA); Ann Gillespie and KC Stralka (IL); Joy Y. Hatchette and Kory Boone (MD); Troy Downing (MT); Jon Godfread represented by Colton Schulz (ND); Judith L. French represented by Matt Walsh (OH); Michael Humphreys (PA); and Alexander S. Adams Vega represented by Iris M. Calvente Galindez (PR). Also participating were: Lori K. Wing-Heier (AK); Weston Trexler (ID); Amy L. Beard (IN); Tom Travis (LA); Christian Citarella (NH); Elizabeth Kelleher Dwyer and Matt Gendron (RI); Cassie Brown (TX); Jon Pike (UT); and Scott A. White (VA).

1. Adopted its June 28 Minutes

The Committee met June 28 and took the following action: 1) adopted its Spring National Meeting minutes; 2) received an update on its workstreams; and 3) heard presentations from consumer representatives on consumer protection proposals and privacy protections.

Commissioner Gaffney noted a modification to the June 28 minutes, adding Anoush Brangaccio (FL) to the participant list.

Commissioner Lara made a motion, seconded by Commissioner Ommen, to adopt the Committee's June 28 minutes (Attachment One). The motion passed unanimously.

2. Adopted its Task Force and Working Group Reports

A. Third-Party Data and Models (H) Task Force

Bakofsky reported that the Task Force was established this year to address the growing concerns among commissioners regarding the use of third-party data and models to ensure that state insurance regulators can confidently assure consumers, stakeholders, and state governors of the fair use of data and models by insurers.

The Task Force's initial action was the formulation and adoption of a 2024–2025 work plan, which is bifurcated into two distinct phases. The first phase involves a thorough research step to evaluate existing regulatory frameworks, assess their applicability to regulating third-party data and models, and establish objectives for a future regulatory framework. Upon completing this phase, the second phase will focus on constructing the third-party regulatory framework. The Task Force is committed to conducting meticulous research and maintaining an open and transparent process to ensure well-informed and judicious decision-making.

On July 30, the Task Force heard presentations about national and state-centric U.S. risk-based regulatory approaches and presentations to provide insights into regulatory decision-making and the role of experts in assisting state insurance regulators. The Task Force is taking a blended approach that is national and market-wide in terms of the framework but flexible such that a state can focus on the risks and models applicable in that state.

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The next steps include engaging with the European Union (EU) to gain insights into Solvency II's risk-based approach and identifying and inviting speakers to inform the Task Force about relevant frameworks outside of insurance regulation that could be beneficial in this context.

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

Commissioner Humphreys reported that the Working Group met July 29. The Working Group received an update on the health artificial intelligence (AI)/machine learning (ML) survey work, including piloting the survey with a few selected companies. The survey is intended to go live later this year, with plans to post the survey publicly no later than early October. The survey includes questions tailored to the use of AI in the operational functions of health insurers related to data usage, arrangements with third parties, and coordination with existing health provider governance standards. A selected group of companies that have completed the auto surveys have been targeted for follow-up regulator-only discussions to ask whether they have begun to use or have changed their use of AI/ML in their operations, including generative AI, since the auto survey was completed in 2021.

During that meeting, the Working Group also received a presentation from Dorothy Andrews (NAIC) on the Society of Actuaries' (SOA's) research on inference methods, which covered several topics, including the Bayesian Improved First Name and Surname Geocoding (BIFSG) method and examples of results from using this method. The Working Group also discussed the underlying data used by the BIFSG method, its limitations, and concerns about accuracy.

C. Cybersecurity (H) Working Group

Amann reported that the Working Group met Aug. 14 and took the following action: 1) adopted its July 9 minutes, which included the following action: a) adopted its May 20, March 27, and Spring National Meeting minutes; b) heard a presentation from both the Federal Bureau of Investigations (FBI) and 10-8 LLC about how they approach cybersecurity and have helped companies prepare, respond to, and recover from cybersecurity events; and 2) heard "The State of the Cyber Insurance Market: Trends, Challenges, and Opportunities," a panel discussion moderated by Commissioner Godfread, consisting of representatives of an insurer, a reinsurer, and a broker, who provided insights on the dynamic nature of cyber coverage, how it is morphing, and how cyber products differ from the typical insurance product. The panel discussed the challenge of education and awareness among consumers, industry, and state insurance regulators and how the education curve and the pace of technology changes are not always aligning.

D. E-Commerce (H) Working Group

Commissioner Downing reported that the Working Group met July 18. During this meeting, the Working Group: 1) heard a presentation from Canopy Connect on open insurance; and 2) discussed adding language to NAIC model laws to protect consumers' rights to control the usage of their information and about the work of the Privacy Protections (H) Working Group.

The Working Group also met April 4 to discuss its 2024 work plan and adopt the E-Commerce Modernization Guide.

The Working Group plans to meet in to hear a presentation from Pennsylvania on its Key Smart Launch Program.

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E. Privacy Protections (H) Working Group

Commissioner Beard reported that the Working Group met Aug. 14 and took the following action: 1) adopted its Spring National Meeting minutes; 2) heard an update from NAIC staff on federal privacy legislation; 3) heard a presentation from Consumers' Checkbook on legacy systems in the protection of consumers privacy; and 4) discussed its next steps, which included the announcement of a new chair draft revising Model #672. The chair draft was announced to Working Group members and interested state insurance regulators during the Aug. 5 regulator-only call. The draft was distributed to Working Group members and interested state insurance regulators the same day to give time to review the draft prior to exposure following the Summer National Meeting. The draft will be exposed Aug. 19 for a 30-day public comment period ending Sept. 18, and the Working Group will send drafting group guidelines to start the drafting group process.

Commissioner Beard said the Working Group also met June 12. During this meeting, the Working Group took the following action: 1) heard comments from Working Group members, interested state insurance regulators, and interested parties on whether to revise the existing *Privacy of Consumer Financial and Health Information Regulation* (#672) or continue with the *Insurance Consumer Privacy Protections Model Law* (#674); and 2) discussed the comments and voted to move forward with revising Model #672, emphasizing to all interested parties that there would be sufficient time to discuss the specific privacy protections and core principles to be included in the amendments to Model #672 in the future.

During its July 10 meeting, the Working Group emphasized the importance of transparency throughout the process and that the discussion around core privacy principles and protections would be open and collaborative regardless of the framework used. On July 9, Working Group leadership met with 20 consumer representatives to hear comments providing insights on the issues most important to consumers.

F. Technology, Innovation, and InsurTech (H) Working Group

Director Dunning reported that the Working Group met Aug. 13 and took the following action: 1) heard a presentation from McKinsey & Company on the U.S. insurance markets, including challenges in that marketplace that the InsurTech community will be able to assist insurers with, and how InsurTechs may be able to assist policyholders with more product innovation, customer experience, and streamlining manual processes in the insurance value chain; and 2) heard presentations from ClearCover, Lemonade, and Next Insurance, which are all part of the InsurTech Coalition.

G. AI Systems Evaluation and Training Collaboration Forum

Commissioner Ommen reported that following the adoption of the bulletin concerning the use of AI systems, a small group of state insurance regulators has been meeting to discuss AI evaluations, anticipating that a public discussion will commence soon after the Summer National Meeting and recognizing that this work will involve collaboration with the Market Regulation and Consumer Affairs (D) Committee. The Accelerated Underwriting (A) Working Group has completed the development of a tool as well as a regulatory outline, which, along with the Casualty Actuarial Statistical (C) Task Force work products, are likely to serve as a useful foundation for the Collaboration Forum's work. Commissioner Ommen noted the importance of developing proposed charges and said he looks forward to public engagement in the discussions.

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H. Data Call Collaboration Forum

Schultz reported that the Collaboration Forum started last year to discuss how to tackle technology and data that state insurance regulators have access to. The Collaboration Forum started with regulator-only discussions with NAIC staff, and it is anticipated to have more public discussions going forward as it develops charges. The work is in its early stages, and the Collaboration Forum looks forward to receiving public input.

I. SupTech Roundtable

Boone reported that the SupTech Roundtable was formed to review how technology can streamline and automate manual tasks in the workplace. Over the past few months, the group has been given demonstrations from Microsoft, Amazon, and Salesforce. During those demonstrations, the vendors showed their technologies and discussed the applicability of streamlining manual processes. For instance, Salesforce demonstrated its platform for case management, Slack, which could help state insurance regulators collaborate during a disaster response. Microsoft demonstrated its AI capabilities enabled in Word, PowerPoint, and Teams to summarize long documents and how to configure its AI bot to have different moods and limits on sources from which to pull data. This month, Google will provide a demonstration. Plans for future demonstrations include other big tech companies such as Adobe, DocuSign, and Oracle. The SupTech Roundtable is looking into how to utilize AI overlaid into the System for Electronic Rates & Forms Filing (SERFF).

Amann made a motion, seconded by Commissioner Lara, to adopt the following reports: Third-Party Data and Models (H) Task Force; Big Data and Artificial Intelligence (H) Working Group (Attachment Two); Cybersecurity (H) Working Group (Attachment Three); E-Commerce (H) Working Group (Attachment Four); Technology, Innovation, and InsurTech (H) Working Group (Attachment Five); Privacy Protections (H) Working Group (Attachment Six); AI Systems Evaluation and Training Collaboration Forum; and Data Call Collaboration Forum. The motion passed unanimously.

3. Heard a Presentation on Federal Regulatory Actions Related to the Use of AI

Paige Waters (Locke Lord LLP) presented a review of federal tools for regulating AI. She identified the regulatory tools, compared the federal agency tools with insurance regulatory tools, and identified additional regulatory tools that insurance regulators may want to explore. She initially observed that based on current federal AI initiatives, state insurance regulators are utilizing most of the available AI regulatory concepts, but given the rapid development of AI, insurance regulators likely will benefit from monitoring federal AI initiatives. She stated that there is currently no comprehensive federal law that universally regulates AI, which has resulted in piecemeal regulation. Both the federal and insurance regulation agencies rely heavily on existing laws, use principles-based methodologies, and call for a balanced approach between promoting innovation and protecting consumers.

Federal agencies regulating financial services are further along in the development of AI regulation. Frequently used tools to help in the financial regulation of AI include written guidance, corporate governance policies, and internal controls. She noted that the U.S. Securities and Exchange Commission (SEC) is using AI red-teaming to determine flaws or vulnerabilities in the use of AI and using examinations to regulate AI. The Consumer Financial Protection Bureau (CFPB) and the Federal Trade Commission (FTC) have been involved in enforcement actions where they have levied penalties and fines against regulated entities for violations of their AI regulations. She stated that federal agencies use two additional tools: the requirements to avoid conflicts of interest and disclosures and model forms. Regulated entities must make disclosures to consumers using AI products and annual

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disclosures on the amount of resources they are dedicating to AI risk management and how far along they are in their compliance.

One area where federal agencies are doing something slightly different than state insurance regulators is in creating offices of technology within federal agencies, for example, the Financial Industry Regulatory Authority (FINRA), which provide subject matter expertise to the regulated entities. Both state insurance regulators and federal regulators are well-served by continuing to monitor new technological developments, new laws enacted, and case law in order to keep up with the most effective methods in regulating the industry.

Commissioner Gaffney asked about the overlap of explainability and disclosure, what key differences Waters sees between federal and insurance regulators, which of those differences insurance regulators should keep in front of, and how they should be reconciled. Waters replied that keeping up with the changes in regulatory actions will help prevent falling through the cracks.

Commissioner Ommen commented that one area where the state insurance regulatory system takes action that the federal regulators do not is that under the Own Risk Solvency Assessment (ORSA), and more generally in financial analysis, state insurance regulators have routine exchanges with insurance companies and raise these issues as part of that interaction process. He asked whether Waters sees that at the federal level in her study. Waters responded that she believes the creation of the technological offices within federal agencies is designed to provide a forum for entities to voluntarily go to the regulators on compliance issues.

Commissioner Gaffney asked Waters about her perspective on executable testing requirements and metrics. Waters responded that testing is an area that many in the insurance industry have questions about. It is an easier conversation to the extent the industry has engaged its own data scientists to help them understand some of the testing requirements. While some of those testing requirements may have initially seemed onerous, the tests are not as onerous once data scientists are involved. The education and involvement of more technical expertise in those areas have helped.

4. Heard a Presentation on NIST AISIC Efforts to Develop a Framework for Governing AI

Dale Hall (Society of Actuaries—SOA) presented an overview of some of the research and activities the SOA has been focusing on regarding the development of a framework for governing AI. He noted that the SOA was selected earlier this year to be part of a U.S. group formed by the U.S. Department of Commerce (DOC) through the National Institute of Standards and Technology (NIST) called the AI Safety Institute Consortium (AISIC). Key AISIC initiatives include a working group focused on the capability evaluation of safe AI testing and auditing and a working group focused on safety and security. Hall noted that the SOA has ongoing interaction with the AISIC working groups and that the SOA provided comments on the implementation of a generative AI risk management framework. Hall concluded by stating that the U.S. actuarial profession is strongly engaged with the rapid evolution of AI, the actuarial profession has expertise in risk management and governance, there are professional development and education opportunities on the responsible use, building, and implementing AI models, and that the U.S. Actuarial Standards of Practice (ASOPs) and Code of Professional Conduct can provide additional guidance.

5. Heard a Presentation on IAA Efforts to Survey Global AI Governance Frameworks

Andrews reported on some of the findings from the International Actuarial Association's (IAA's) efforts to review AI governance frameworks from Australia, Canada, China, Europe, Singapore, the United Kingdom (UK), and the U.S. for similarities and differences and stated that the U.S. fares well compared to the other countries in regard

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to AI governance. She noted that Singapore does not significantly mention governance of third-party AI systems, and China does not significantly mention bias in its framework. She then focused on the EU AI Act because it is extensive, and reviewed the four levels of risk: 1) unacceptable risk (e.g., manipulation of human behavior/classification of people based on their social behavior); 2) high risk (e.g., recruitment); 3) limited risk (e.g., impersonation/chatbots); and 4) minimal or no risk (e.g., predictive maintenance). She discussed the sustainable development goals of the AI for Good Conference held May 30–31, which included promoting AI to advance health, climate, gender, inclusiveness, prosperity, sustainable infrastructure, and other global development priorities.

Andrews also discussed the launch of NIST’s Assessing Risks and Impacts of AI (ARIA) program to assess the societal risks and impacts of AI systems, where the goal is to help organizations and individuals determine whether a given AI technology will be valid, reliable, safe, secure, private, and fair. ARIA helps to operationalize the NIST framework’s risk management function by recommending that quantitative and qualitative techniques be used to analyze and monitor AI risks and impacts. ARIA will help assess risks and impacts by developing a new set of methodologies and metrics to quantify how well a system maintains safe functionality within societal contexts. NIST will be looking for external partners, and the NAIC will be on the list to learn more about what it is doing. Andrews mentioned the U.S. Department of the Treasury (Treasury Department’s) request for information (RFI) on the uses, opportunities, and risks of AI in the financial services sector to better understand how AI is being used within financial services, as well as the opportunities and risks. Andrews also discussed the bipartisan bill introduced by Rep. French Hill (R-AR) that proposes legislation to encourage financial firms to experiment with AI to develop products and services by providing some protection from regulation.

Commissioner Gaffney asked whether Andrews has seen disagreement or contention between countries. Andrews responded that the correlation versus causation issue would be significant, and model risk management to determine what constitutes algorithmic harm may not be fully flushed out.

Commissioner Gaffney asked whether Andrews had any further insights on NIST’s ARIA program, particularly how it obtains protected class information to perform outcomes testing. Andrews responded that because the ARIA program is new, very little information about it is available online.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/H CMTE/2024_Summer/H-Minutes/Minutes-H-Cmte081524.docx

2. Consider Adoption of its Task Force and Working Group Reports

A. Data Call Study Group

Attachment Two

–Commissioner Kevin Gaffney (VT)

2024 Fall National Meeting
Denver, Colorado

BIG DATA AND ARTIFICIAL INTELLIGENCE (H) WORKING GROUP

Sunday, November 17, 2024
9:00 – 10:00 a.m.

Meeting Summary Report

The Big Data and Artificial Intelligence (H) Working Group met Nov. 17, 2024. During this meeting, the Working Group:

1. Adopted its Nov. 12 minutes. During this meeting, the Working Group took the following action:
 - A. Adopted its July 29 minutes, which included the following action:
 - i. Adopted its Summer National Meeting minutes.
 - B. Heard a presentation on how artificial intelligence (AI) is used in insurance, including implementation challenges and lessons learned.
 - C. Received an update on the AI system’s evaluation workstream.
2. Received an update on the health AI/machine learning (ML) survey. The group of participating states issued the call letter to the surveyed companies Oct. 31 and launched the survey Nov. 11 with a response due date of Jan. 22, 2025. The responses will be compiled and analyzed by March 17, 2025, and a written report of the findings is targeted to be published March 24. Highlights of the differences in the types of questions between the health survey and the prior auto, home, and life surveys include: 1) a focus on the use of AI on pre-identified product lines and operational functions of health insurers; 2) questions specifically addressing areas of data usage; 3) arrangements with third parties; and 4) coordination of governance with existing health provider governance standards.
3. Received an update on the follow-up to the private passenger auto (PPA) AI/ML survey. In the first quarter of 2024, interested state insurance regulators started meeting individually with a selected subset of personal auto carriers originally responding to the PPA AI/ML survey to get an update on: 1) any changes in their use of AI; 2) the value of the guidance included in the *Model Bulletin on the Use of Artificial Intelligence Systems by Insurers* (AI Model Bulletin); 3) the development of and issues in establishing an effective governance program; 4) whether testing procedures have been developed; and 5) the challenges of using data and AI systems provided by third parties.
4. Heard a presentation from the Leukemia & Lymphoma Society (LLS) and NORC at the University of Chicago summarizing their report on health insurance companies’ use of AI to conduct utilization management. The report noted the potential benefits of using AI in utilization management and concerns arising from systems based on historically biased data. The presenters recommended that: 1) transparency to state insurance regulators and consumers should be provided as a crucial component of oversight; 2) human involvement should be embedded into AI processes; 3) health insurance plans should be held accountable; and 4) an appeals process as a right for consumers should be established.

5. Heard a presentation on use case applications of AI in insurance underwriting and claims, which highlighted how the use of generative AI can streamline the underwriting process by reducing the number of questions that need to be asked from policyholders, but noted that the data collection and synthesis of input data into an AI system could suffer from algorithmic bias and a lack of transparency, data privacy issues, and unfair underwriting outcomes. The use of generative AI in claims management could also be used to automate the analysis of documentation, images, and past claims history to expedite claims processing, but there are possible model accuracy and fairness issues. Additionally, using AI to detect possible fraudulent claims could result in unfair outcomes due to insufficient historical fraud cases.
6. Discussed its 2025 proposed charges. Following the adoptions of the NAIC Principles on Artificial Intelligence (AI Principles) in 2020 and the AI Model Bulletin in 2023, the Working Group will be pursuing a discussion on AI systems evaluations and shifting to a discussion on consumer outcomes. These discussions may lead to a gap analysis of how well the current regulatory framework holds up against the potential harms from the use of AI, whether additional regulatory filings and disclosures to consumers or regulators are needed, and whether certain AI development practices may be required or prohibited.

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Denver, Colorado

PRIVACY PROTECTIONS (H) WORKING GROUP

Sunday, November 17, 2024
11:45 a.m. – 12:45 p.m.

Meeting Summary Report

The Privacy Protections (H) Working Group met Nov. 17, 2024. During this meeting, the Working Group:

1. Adopted its Summer National Meeting minutes.
2. Approved a request for a time extension to draft revisions to the *Privacy of Consumer Financial and Health Information Regulation* (#672).
3. Heard an update on federal privacy legislation.
4. Heard a presentation on privacy principles proposed by NAIC consumer representatives.
5. Discussed next steps for drafting amendments to Model #672.

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CYBERSECURITY (H) WORKING GROUP

Monday, November 18, 2024
1:15 – 2:15 pm.

Meeting Summary Report

The Cybersecurity (H) Working Group met Nov. 18, 2024. During this meeting, the Working Group:

1. Adopted its Oct. 30 minutes. During this meeting, the Working Group took the following action:
 - A. Adopted its Oct. 8 minutes. During this meeting, the Working Group took the following action:
 - i. Adopted its Sept 4 minutes. During this meeting, the Working Group took the following action:
 - a. Adopted its Summer National Meeting minutes.
 - b. Adopted its Aug. 1 minutes. During this meeting, the Working Group took the following action:
 - 1) Heard an update on federal cybersecurity and cyber insurance activities.
 - ii. Heard a presentation from the FBI's Internet Crime Complaint Center (IC3) on cyber risk and threats reported voluntarily to its program.
 - B. Heard an update on the progression of the Cybersecurity Event Response Plan (CERP) portal and the insurance data security model (IDSM) survey.
 - C. Received a presentation on the NAIC's 2024 Cyber Insurance Report.
2. Heard comments on the confidential cybersecurity event repository and portal. This initiative, to develop a confidential cybersecurity event repository at the NAIC, is aimed at enhancing the cybersecurity event notification process within the U.S. insurance sector. The regulators intend for the portal to: 1) initially be focused on facilitating the transmission of event notices pursuant to the *Insurance Data Security Model Law* (#668); 2) be focused on the Model #668 reporting requirements, narrowing the information provided by the companies reporting to the regulators via the portal; and 3) include functionality allowing for the submission of updates to the initial notice to the department of insurance. The written comments submitted and the public comments provided during the meeting generally support the idea of a uniform notification method for state regulators. However, it is important to note that portal security, data confidentiality, and intentional sharing concerns were voiced. A motion was made to direct NAIC staff to work with regulators to explore and test the portal's security and confidentiality with efficient documentation, with a proposal to Working Group members to vote on before putting the portal into use.
3. Heard a presentation from Alvarez & Marsal titled "Incident Response Management and Lifecycle." The presentation highlighted best practices for surviving the firestorm of a cyber incident, the many ways a cyber threat might victimize a company, and some trends observed in recent years. As a service provider, Alvarez & Marsal prioritizes helping its customers understand that they cannot necessarily stop attacks, but they can be better prepared to respond to and recover from cybersecurity incidents. The presentation also provided a reminder that an incident response plan requires ongoing



enhancements in response to new technologies, increasing sophistication in attacks, and the evolving regulatory landscape.

4. Heard a brief update on lines of efforts being pursued by Working Group members. Shane Mead (KS) discussed the quick work made by the draft group under the Information Technology (IT) Examination (E) Working Group. Tasked with a two-part process, the draft group completed part one, to review and suggest edits to the existing Exhibit C. Part two of this process will be to identify where cybersecurity and the IT general controls overlap and, where appropriate, cybersecurity should be examined separately. Colton Schulz (ND) provided a short update on the data calls and definitions related work to help regulators understand the various data types and definitions, where they can be found and accessed, and what information is not available with the current data.

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Denver, Colorado

THIRD-PARTY DATA AND MODELS (H) TASK FORCE

Monday, November 18, 2024

2:30 – 3:30 p.m.

Meeting Summary Report

The Third-Party Data and Models (H) Task Force met Nov. 18, 2024. During this meeting, the Task Force:

1. Adopted its Summer National Meeting minutes.
2. Adopted its Sept. 11 minutes. During this meeting, the Task Force took the following action:
 - A. Heard a presentation from the European Insurance and Occupational Pensions Authority (EIOPA) on the supervisory review and requirements for Solvency II's internal models.
3. Heard current state solutions to third-party regulatory issues.
4. Heard a presentation from the National Association of Mutual Insurance Companies (NAMIC) on its recommendations for the Task Force.
5. Discussed the Task Force's next steps. NAIC staff will gather Task Force opinions about the scope and other items in the work plan. If the Task Force agrees, it will implement a two-step approach to:
 - A. Identify risks inherent in the market that state insurance regulators identify as being of greatest concern. This may be different by regions of the country.
 - B. Decide how to use existing or new regulatory tools to develop a third-party regulatory framework in a more robust way.

DATA CALL STUDY GROUP

Reporting directly to H Committee

PROBLEM STATEMENT - REGULATORS

- . Regulators need more detailed, higher quality, and more timely data
- . Allow for evidence-informed decisions
- . Enhance supervisory capabilities
- . Improve efficiency

PROBLEM STATEMENT - INDUSTRY

- . Insurers balk at additional data calls because the existing processes cause significant cost
 - . Different states run their own data calls at different, unpredictable times
 - . Data included and their definitions are inconsistent across states and data calls

RESOLUTION PROPOSITION

Regulators work with industry to improve existing processes while addressing data needs

- . Establish and use consistent data definitions
- . Establish standardized filing deadlines for ongoing market intelligence data filings
- . Minimize the need for ad hoc data calls and coordinate with other states when needed

HIGH-LEVEL WORK PLAN FOR THE SG

Phase 1A

- Regulators and NAIC staff inventory data definitions and data collected/stored by NAIC

Phase 1B

- Include representatives from trade associations and key insurers to assist regulators in shaping the market intelligence data filing(s)

Identify best committee structure for next steps

NEXT STEPS

Phase 2

- . Engineer the solution, pilot programs, etc.
- . Training for industry & regulators; support
- . Full Implementation

Phase 3

- . Data Governance Framework to keep data and the system current, address feedback

H COMMITTEE STUDY GROUP

Data Call Study Group:

- Phase 1A membership:
 - Lead regulators from Data Call Collaboration Forum and PCMI Data Call
 - Volunteer regulators to assist NAIC staff with inventory
 - SAPWG/Blanks WG, MCAS Blanks WG, Stat Data WG
- Phase 1B membership:
 - Additional interested regulators
 - Representatives from industry trade associations and key insurers per the data defined

QUESTIONS?



3. Consider Adoption of its 2025 Proposed Charges

Attachment Three

–Commissioner Kevin Gaffney (VT)

Draft: 11/14/24

Adopted by Executive (EX) Committee and Plenary, ____ __, 2024

Adopted by the Innovation, Cybersecurity, and Technology (H) Committee, ____ __, 2024

2025 Proposed Charges

INNOVATION, CYBERSECURITY, AND TECHNOLOGY (H) COMMITTEE

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

Ongoing Support of NAIC Programs, Products, or Services

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

2. The **Third-Party Data and Models (H) Task Force** will:
 - A. Develop and propose a framework for the regulatory oversight of third-party data and predictive models.
 - B. Monitor and report on state, federal, and international activities related to governmental oversight and regulation of third-party data and model vendors and their products and services. Provide recommendations to the Innovation, Cybersecurity, and Technology (H) Committee regarding responses to such activities.

3. The **Big Data and Artificial Intelligence (H) Working Group** will:
 - A. Research the use of big data and AI (including ML) in the business of insurance. Proactively communicate findings, and present recommendations to the Innovation, Cybersecurity, and Technology (H) Committee.
 - B. Monitor state, federal, and international activities on AI, including working with the Innovation, Cybersecurity, and Technology (H) Committee to: 1) respond to such activities, where appropriate, and 2) address potential impacts on existing state insurance laws or regulations.
 - C. Facilitate discussion to consider updates to the regulatory framework for the oversight of the use of AI by insured entities. Provide recommendations to the Innovation, Cybersecurity, and Technology (H) Committee in response to such activities.
 - a. Monitor and support adoption of the *Model Bulletin on the Use of Artificial Intelligence Systems by Insurers*.
 - b. Monitor and report on state, federal, and international activities related to governmental oversight and regulation of the use of AI in insurance and non-insurance industries.
 - c. Research, identify, and monitor the impacts of the use of AI systems by insurance companies to understand the potential benefits, value propositions, risks, and adverse consumer outcomes related to the use of AI systems.
 - D. Facilitate discussion related to AI systems evaluation including:
 - i. Identifying existing tools, resources, materials, and training that will assist and guide regulators in their review of AI systems used by licensees, including an insurer's AI program. This includes establishing a coordinated work plan and timeline for further development of those resources.
 - ii. Develop new regulatory tools or regulatory guidance to assist regulators in their review of AI systems used by licensees, including an insurer's AI program.
 - iii. Coordinate the development of review and enforcement tools, resources, guidelines, and training related to AI systems for regulators across the NAIC.
 - E. Facilitate and coordinate foundational and contextual educational content for regulators on topics related to the use of big data and AI techniques, tools and systems in the insurance industry.

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

Cybersecurity Charges

 - A. Monitor cybersecurity trends such as vulnerabilities, risk management, governance practices, and breaches with the potential to affect the insurance industry.
 - B. Facilitate communication across state insurance departments regarding cybersecurity risks and events.
 - C. Develop and maintain regulatory cybersecurity response guidance to assist state insurance regulators in the investigation of national insurance cyber events.
 - D. Monitor federal and international activities on cybersecurity engaging in efforts to manage and evaluate cybersecurity risk.
 - E. Coordinate NAIC committee cybersecurity work, including cybersecurity guidance developed by the Market Conduct Examination Guidelines (D) Working Group and the Information Technology (IT) Examination (E) Working Group.
 - F. Advise NAIC staff on the development of cybersecurity training for state insurance regulators.

- G. Work with the Center for Insurance Policy and Research (CIPR) to receive updates on cybersecurity research efforts, by the CIPR and others, and to analyze publicly available cybersecurity-related information.
- H. Support the states with implementation efforts related to the adoption of the *Insurance Data Security Model Law* (#668).
- I. Coordinate with NAIC staff to facilitate intelligence-driven cybersecurity tabletop exercises with states departments of insurance (DOIs) providing input on scope and timing as necessary.

Cyber Insurance Charges

- A. Monitor industry trends pertaining to cyber insurance, including meeting with subject matter experts (SMEs) and evaluating data needs of state insurance regulators. Considerations should include the availability and affordability/pricing of cyber insurance, disclosures, limits and sub-limits in policies, policy language and trends in requirements, underwriting practices, and the role of reinsurance in the cyber insurance market.
 - B. Coordinate with NAIC work groups addressing cyber insurance related issues, such as the Casualty Actuarial and Statistical (C) Task Force.
 - C. Monitor federal and international activities related to cyber insurance and financing mechanisms for cyber risk.
 - D. Coordinate with NAIC staff to conduct analysis pursuant to the NAIC's Cyber Insurance Report. Review the NAIC's *Property & Casualty Annual Statement Cybersecurity and Identity Theft Supplement* recommending changes and/or developing reports to supplement data development as necessary. Consider and develop a guide for states on cyber insurance data analysis best practices.
5. The **Privacy Protections (H) Working Group** will:
- A. Use state insurance privacy protections regarding the collection, data ownership and use rights, and disclosure of information gathered in connection with insurance transactions to draft a new/revised Privacy Protections Model Act to replace/update NAIC models such as Model #670 and/or Model #672.
 - B. Monitor state, federal, and international activities on privacy, engaging in efforts to manage and evaluate privacy.
6. The **SupTech/GovTech Subgroup** will:
- A. Facilitate technology, innovation, and SupTech/GovTech presentations from leading technology companies for state insurance regulators to provide them with insights into cutting-edge technology and innovation.
 - B. Facilitate technology, innovation, and SupTech/GovTech presentations from specialized vendors for state insurance regulators to assist in identifying vendor solutions that may benefit regulators.

SharePoint/Support Staff Hub/Member Meetings/H Cmte/2024 Fall/H-Charges2025/_033_H-Cmte-2025-Proposed-Charges-Exposure-Draft_Posted.docx

Draft: 11/14/2024

Adopted by Executive (EX) Committee and Plenary, ____ __, 2024

Adopted by the Innovation, Cybersecurity, and Technology (H) Committee, ____ __, 2024

2025 Proposed Charges

INNOVATION, CYBERSECURITY, AND TECHNOLOGY (H) COMMITTEE

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

Ongoing Support of NAIC Programs, Products, or Services

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

- A. Provide forums, resources and materials related to developments and emerging issues in innovation, cybersecurity, data privacy, and the uses of technology in the insurance industry in order to educate state insurance regulators on these developments and how they affect consumer protection, insurer and producer oversight, marketplace dynamics, and the state-based insurance regulatory framework.
- ~~B. Identify, track and report on developments and emerging issues related to cybersecurity, information and data security systems, including industry best practices for risk management, internal controls, and governance; and how state insurance regulators can best address cyber risks and challenges for insurance industry. Coordinate with various subject matter expert (SME) groups on insurer and producer internal cybersecurity. Consider best practices related to cybersecurity event tracking and coordination among state insurance regulators, and produce guidance related to regulatory response to cybersecurity events to promote consistent response efforts across state insurance departments. Work with the Center for Insurance Policy and Research (CIPR) to analyze cybersecurity related information from various data sources.~~
- ~~C. Monitor and advise on the cybersecurity insurance market, including rating, underwriting, claims, product development, and loss control. Report on the cyber insurance market, including data reported within the Cybersecurity Insurance and Identity Theft Coverage Supplement~~
- ~~D. Identify and provide forums, resources, and materials for the discussion of innovations and emerging technologies in the insurance sector, including the collection and use of data by insurers, producers, and state insurance regulators, as well as new products, services, and distribution platforms. Educate state insurance regulators on how these developments affect consumer protection, data privacy, insurer and producer oversight, marketplace dynamics, and the state-based insurance regulatory framework.~~
- ~~E. Discuss emerging technologies and innovations related to insurance and insurers, producers, state insurance regulators, licensees, or vendors, as well as the potential implications of these technologies for the state-based insurance regulatory structure including reviewing new products and technologies affecting the insurance sector and their associated regulatory implications.~~

- B. Consider and coordinate the development of regulatory guidance and examination standards related to innovation, cybersecurity, data privacy, the use of big data and artificial intelligence (AI) including machine learning (ML) in the business of insurance, and technology, including drafting and revising model laws, white papers, and other recommendations as appropriate.
- ~~F.C.~~ Oversee the work of the Data Call Study Group to study the enhancement of regulator access to high-quality and timely data allowing for evidence-informed decisions, enhanced supervisory capabilities, and improved efficiency.
- ~~G.D.~~ Track the implementation of and issues related to all model laws pertaining to innovation, technology, data privacy, and cybersecurity, including the *Insurance Data Security Model Law* (#668), the *NAIC Insurance Information and Privacy Protection Model Act* (#670), the *Privacy of Consumer Financial and Health Information Regulation* (#672), and the *Unfair Trade Practices Act* (#880) rebating language and providing assistance to state insurance regulators as needed.
- ~~H.E.~~ Coordinate and facilitate collaboration with and among other NAIC committees and task forces to promote consistency and efficiency in the development of regulatory policy, education, training, and enforcement materials and tools related to innovation; cybersecurity; data privacy; and the use of technologies, big data, and artificial intelligence (AI), including machine learning (ML), in the business of insurance. Evaluate and recommend certifications, continuing education (CE), and training for regulatory staff related to technology, innovation, cybersecurity, and data privacy.
- ~~I.F.~~ Follow the work of federal, state, and international governmental bodies to avoid conflicting standards and practices.

2. The **Third-Party Data and Models (H) Task Force** will:

- A. Develop and propose a framework for the regulatory oversight of third-party data and predictive models.
- B. Monitor and report on state, federal, and international activities related to governmental oversight and regulation of third-party data and model vendors and their products and services. Provide recommendations to the Innovation, Cybersecurity, and Technology (H) Committee regarding responses to such activities.

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

- A. Research the use of big data and AI (including ML) in the business of insurance. Proactively communicate findings, and present recommendations to the Innovation, Cybersecurity, and Technology (H) Committee.
- B. Monitor state, federal, and international activities on AI, including working with the Innovation, Cybersecurity, and Technology (H) Committee to: 1) respond to such activities, where appropriate and 2) address potential impacts on existing state insurance laws or regulations.

~~C. Oversee the completion of the work of the Collaboration Forum on Algorithmic Bias, including:~~

- ~~a. Monitor and support adoption of the Model Bulletin on the use of Artificial Intelligence Systems by Insurers.~~
- ~~b. Explore the creation of an independent synthetic data sets to support testing of predictive models for unfair discrimination, in collaboration with the Center for Insurance Policy and Research, as appropriate.~~
- ~~c. Finalize and maintain a glossary/lexicon to guide regulators as they engage in AI and technology related discussions.~~

C. Facilitate discussion to consider updates to the regulatory framework for the oversight of the use of AI by insured entities. Provide recommendations to the Innovation, Cybersecurity, and Technology (H) Committee in response to such activities.

- a. Monitor and support adoption of the Model Bulletin on the Use of Artificial Intelligence Systems by Insurers.

b. Monitor and report on state, federal, and international activities related to governmental oversight and regulation of the use of AI in insurance and non-insurance industries.

c. Research, identify, and monitor the impacts of the use of AI systems by insurance companies to understand the potential benefits, value propositions, risks and adverse consumer outcomes related to the use of AI systems.

D. Facilitate discussion related to AI systems evaluation, including:

i. Identify existing tools, resources, materials, and training that will assist and guide regulators in their review of AI systems used by licensees, including an insurer's AI program. This includes establishing a coordinated work plan and timeline for further development of those resources.

ii. Develop new regulatory tools or regulatory guidance to assist regulators in their review of AI systems used by licensees, including an insurer's AI program.

iii. Coordinate the development of review and enforcement tools, resources, guidelines, and training related to AI systems for regulators across the NAIC.

~~D. Oversee the work of the Data Call Study Group as they work with the public to improve existing data processes while addressing data needs across insurance lines of business.~~

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

~~4. The E-Commerce (H) Working Group will:~~

~~A. Examine e-commerce laws and regulations to aid in identifying updates to the E-Commerce Modernization Guide. This may include meeting with industry experts to understand industry trends that may impact laws and regulations.~~

~~5.4. The Cybersecurity (H) Working Group will:~~

~~Cybersecurity Charges~~

~~A. Monitor cybersecurity trends such as vulnerabilities, risk management, governance practices, and breaches with the potential to affect the insurance industry.~~

~~B. Facilitate communication across state insurance departments regarding cybersecurity risks and events.~~

~~C. Develop and maintain a regulatory cybersecurity response guidance to assist state insurance regulators in the investigation of national insurance cyber events.~~

~~D. Monitor federal and international activities on cybersecurity engaging in efforts to manage and evaluate cybersecurity risk.~~

~~E. Coordinate NAIC committee cybersecurity work, including cybersecurity guidance developed by the Market Conduct Examination Guidelines (D) Working Group and the Information Technology (IT) Examination (E) Working Group.~~

~~F. Advise NAIC staff on the development of cybersecurity training for state insurance regulators.~~

~~G. Work with the Center for Insurance Policy and Research (CIPR) to receive updates on cybersecurity research efforts, by the CIPR and others, and to analyze publicly available cybersecurity-related information.~~

~~H. Support the states with implementation efforts related to the adoption of the Insurance Data Security Model Law (#668).~~

~~I. Coordinate with NAIC staff to facilitate intelligence-driven cybersecurity tabletop exercises with states' departments of insurance (DOIs) providing input on scope and timing as necessary.~~

~~Cyber Insurance Charges~~

~~A. Monitor industry trends pertaining to cyber insurance, including meeting with subject matter experts (SMEs) and evaluating data needs of state insurance regulators. Considerations may also should include the availability and affordability/pricing of cyber insurance, disclosures, limits and sub-limits in policies,~~

policy language and trends in requirements, underwriting practices, and the role of reinsurance in the cyber insurance market.

- B. Coordinate with NAIC work groups addressing cyber insurance related issues, such as the Casualty Actuarial and [Statistical](#) (C) Task Force.
- C. Monitor federal and international activities related to cyber insurance and financing mechanisms for cyber risk.
- ~~C~~.D. [Coordinate with NAIC staff to conduct analysis pursuant to the NAIC's Cyber Insurance Report. Review the NAIC's Property & Casualty Annual Statement Cybersecurity and Identity Theft Supplement recommending changes and/or developing reports to supplement data development as necessary. Consider and develop a guide for states on cyber insurance data analysis best practices.](#)

~~6.5~~. The **Privacy Protections (H) Working Group** will:

- A. Use state insurance privacy protections regarding the collection, data ownership and use rights, and disclosure of information gathered in connection with insurance transactions to draft a new/revised Privacy Protections Model Act to replace/update NAIC models such as Model #670 and/or Model #672.
- B. Monitor state, federal, and international activities on privacy, engaging in efforts to manage and evaluate privacy.

6. The **SupTech/GovTech Roundtable Subgroup** will:

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

~~A.—~~

~~7.~~ The **Technology, Innovation, and InsurTech (H) Working Group** will:

- ~~A.— Monitor technology and innovation trends to identify services and products of importance to state insurance regulators.~~
- ~~B.— Facilitate technology, innovation, and InsurTech presentations to assist state insurance regulators in understanding related trends in the insurance industry.~~
- ~~C.— Develop opportunities for start-ups and InsurTechs to present to and receive feedback from state insurance regulators.~~

SharePoint/Support Staff Hub/Member Meetings/H Cmte/2024 Fall/H-Charges2025/_033_H-Cmte-2025-Proposed-Charges-Exposure-Draft.docx

4. Hear a Presentation from FireBreak Risk on the Use of Artificial Intelligence (AI) to Help Mitigate Wildfire Risk

Attachment Four

–Kate Stillwell, FireBreak Risk



AI-Powered Mitigation Data for Insurance



Presentation at NAIC Fall National Meeting
November 19, 2024



Kate Stillwell
co-founder

Most Homes Are Lost Due to Ember Cast

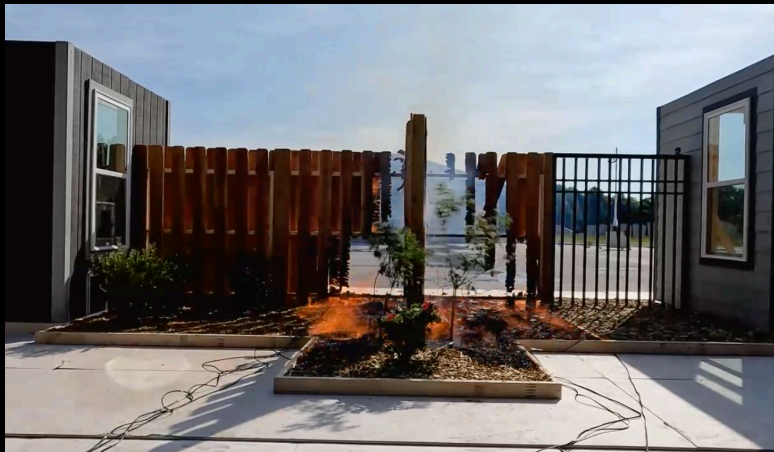


Ember storm in Wenatchee, WA during the 2015 Sleepy Hollow Fire. Photo: Don Seabrook / AP

That's Why Home Hardening Reduces Risk

Screenshots of IBHS video January 2023

Two otherwise-identical houses 15 ft. apart. Left one has ember zone combustibles (fence, shrubbery)



Fire is started at property line



Ignition path via wooden fence



Right side house does not burn



Camp Fire

JULY
2018

Fire-hardened homes are 40%
more likely to survive...

...even if only partially-hardened!

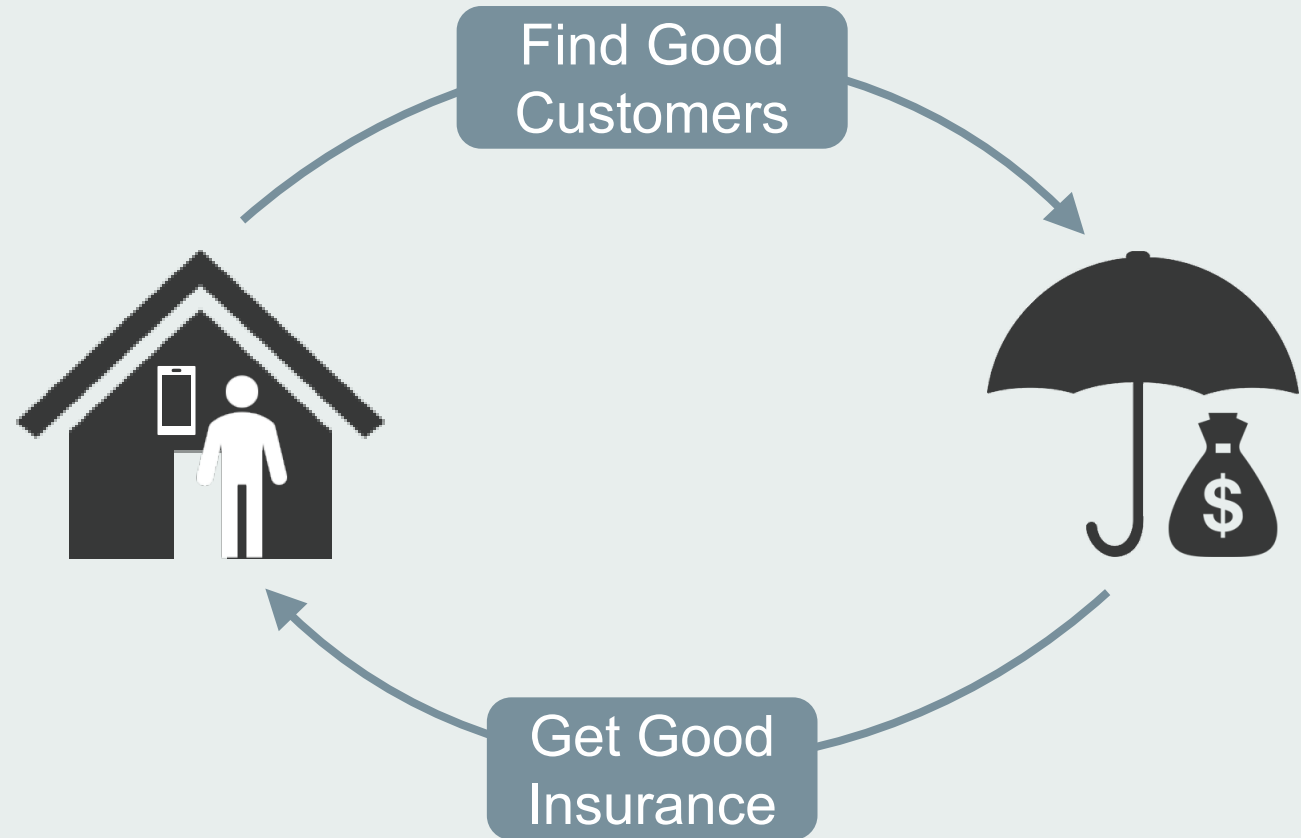
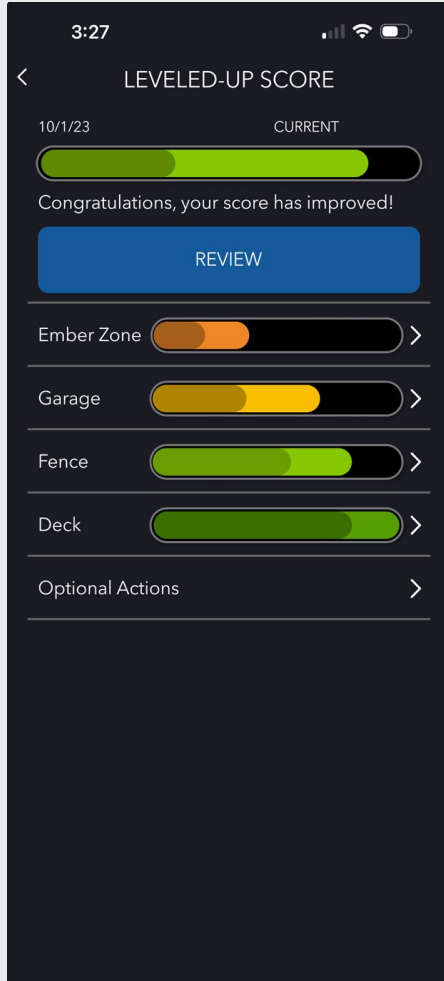
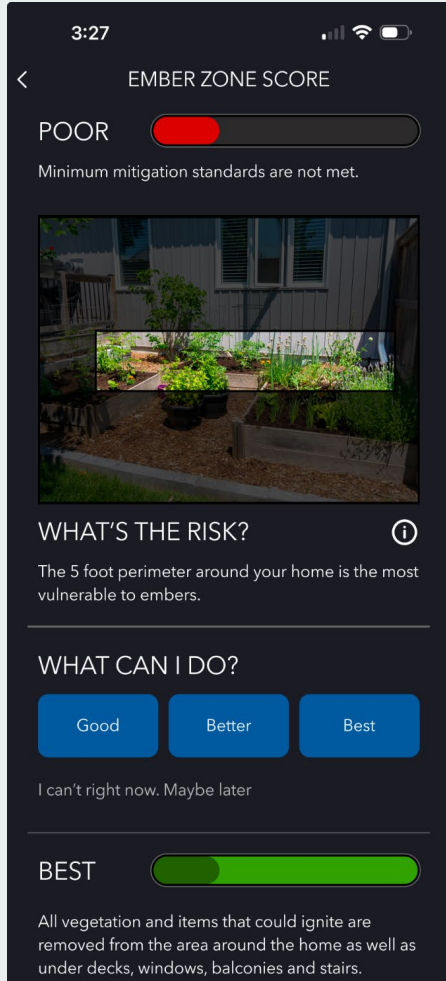


**FireBreak provides
original mitigation data...**

**so insurers can cover
more homes**

- Identify mitigated homes
- Provide mitigation discounts
- Offer insurance when it was previously “uninsurable” - filling gaps

Data-Powered Feedback Loop: Mitigation + Insurability



Data-Powered Feedback Loop: Mitigation + Insurability

- Residents self-inspect
- Top actions to mitigate
- Insurers license our software
- Identify mitigated homes
- Property attributes from user-provided data

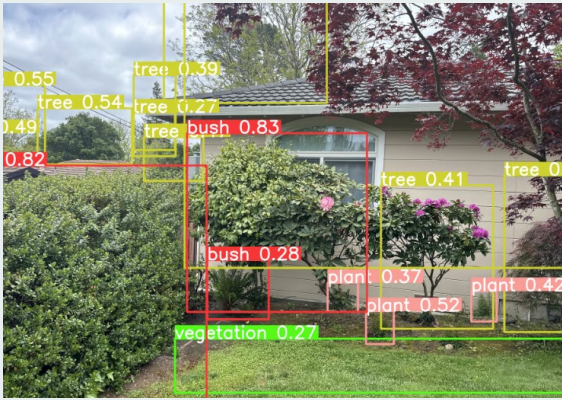


Data-Powered Feedback Loop: Mitigation + Insurability

- Residents self-inspect
- Top actions to mitigate
- Insurers license our software
- Identify mitigated homes
- Property attributes from **user-provided data**



AI-Powered Underwriting Data from Images



1. Detect Objects:

- Off-the-shelf models such as GroundingDINO
- Compare to custom-trained models such as YOLOWorld

2. Segmentation:

- Categorize objects using computer vision
- Rank risk level using in-house knowledge
- Use LLMs to append images with property attributes

3. Masking:

- In this example...
- Ember zone
 - Combustibles
 - Ignition paths

4. In-Paint:

- GenAI models need training.
- They seem to want in-paint with more combustibles!
- "What it should look like"
- Helps guide residents how to mitigate

Rigorous Rating Process

1. **Sort** each property attribute into one of 4 ratings
2. **Select Standard** for underwriting: existing or custom
3. **Mapping:** Each standard maps to a specific set of FireBreak ratings.
4. **Mitigation:** When a policyholder mitigates and re-inspects, we auto-update their ratings.

Property Attribute	Poor	Good	Better	Best
Eaves	Lorem ipsum dolor sit amet, consectetur adipiscing.	Quisque ut lobortis nibh, vel iaculis lacus.	Donec bibendum fermentum ex ac aliquet.	Nam pharetra in magna eu convallis.
Fence	Praesent sollicitudin vehicula diam, in auctor.	In hac habitasse platea dictumst.	Mauris vel viverra massa, sit amet congue nunc.	Integer vitae velit metus.
Deck	Aenean scelerisque euismod leo vel mattis.	Nam eleifend aliquam ipsum, in euismod elit vehicula ac.	Fusce mollis gravida tellus, eu tempus tellus eget.	Pellentesque bibendum placerat lacus ac hendrerit.
Gutter	Duis vulputate efficitur sapien, non pellentesque arcu pretium.	Etiam finibus rhoncus egestas. Integer finibus aliquam fermentum.	Morbi quis tortor cursus, auctor sem at, commodo tortor.	Vestibulum ante ipsum primis in faucibus orci luctus et ultrices posuere.
Vents	Donec a semper ex.	Ut id placerat dui.	Duis quis ex augue.	Suspendisse sit amet mattis.
Windows	Duis tempor nisl, sit amet lobortis lacus.	Nunc pellentesque vel ipsum vitae feugiat.	Praesent faucibus id est quis tempus.	Fusce ut massa pulvinar, accumsan risus in, gravida.
etc.				

Step 1: Rate Property Attributes

1. **Sort** each property attribute into one of 4 ratings
2. **Select Standard** for underwriting: existing or custom
3. **Mapping:** Each standard maps to a specific set of FireBreak ratings.
4. **Mitigation:** When a policyholder mitigates and re-inspects, we auto-update their ratings.

Property Attribute	Poor	Good	Better	Best
Eaves	Lorem ipsum dolor sit amet, consectetur adipiscing.	Quisque ut lobortis nibh, vel iaculis lacus.	Donec bibendum fermentum ex ac aliquet.	Nam pharetra in magna eu convallis.
Fence	Praesent sollicitudin vehicula diam, in auctor.	In hac habitasse platea dictumst.	Mauris vel viverra massa, sit amet congue nunc.	Integer vitae velit metus.
Deck	Aenean scelerisque euismod leo vel mattis.	Nam eleifend aliquam ipsum, in euismod elit vehicula ac.	Fusce mollis gravida tellus, eu tempus tellus eget.	Pellentesque bibendum placerat lacus ac hendrerit.
Gutter	Duis vulputate efficitur sapien, non pellentesque arcu pretium.	Etiam finibus rhoncus egestas. Integer finibus aliquam fermentum.	Morbi quis tortor cursus, auctor sem at, commodo tortor.	Vestibulum ante ipsum primis in faucibus orci luctus et ultrices posuere.
Vents	Donec a semper ex.	Ut id placerat dui.	Duis quis ex augue.	Suspendisse sit amet mattis.
Windows	Duis tempor nisl, sit amet lobortis lacus.	Nunc pellentesque vel ipsum vitae feugiat.	Praesent faucibus id est quis tempus.	Fusce ut massa pulvinar, accumsan risus in, gravida.
etc.				

Step 3: Mapping of Standards

1. **Sort** each property attribute into one of 4 ratings
2. **Select Standard** for underwriting: existing or custom
3. **Mapping:** Each standard maps to a specific set of FireBreak ratings.
4. **Mitigation:** When a policyholder mitigates and re-inspects, we auto-update their ratings.

Property Attribute	CDI - Safer From Wildfires	IBHS Wildfire Prepared Home	Custom Criteria
Eaves	Lorem ipsum dolor sit amet, consectetur adipiscing.	Quisque ut lobortis nibh, vel iaculis lacus.	Donec bibendum fermentum ex ac aliquet.
Fence	Praesent sollicitudin vehicula diam, in auctor.	In hac habitasse platea dictumst.	Mauris vel viverra massa, sit amet congue nunc.
Deck	Aenean scelerisque euismod leo vel mattis.	Nam eleifend aliquam ipsum, in euismod elit vehicula ac.	Fusce mollis gravida tellus, eu tempus tellus eget.
Gutter	Duis vulputate efficitur sapien, non pellentesque arcu pretium.	Etiam finibus rhoncus egestas. Integer finibus aliquam fermentum.	Morbi quis tortor cursus, auctor sem at, commodo tortor.
Vents	Donec a semper ex.	Ut id placerat dui.	Duis quis ex augue.
Windows	Duis tempor nisl, sit amet lobortis lacus.	Nunc pellentesque vel ipsum vitae feugiat.	Praesent faucibus id est quis tempus.
etc.			

Example Mapping to CDI Standard

Attribute	FireBreak Rating	CDI – Safer From Wildfires
Ember Zone	No vegetation within 5 feet	Cleared combustibles within 5 feet
	Vegetation contained in planters	
	Less-flammable vegetation	
Fence	Open fence	Non-combustible Fence
	Non-combustible fence	
	Coated/painted fence	
Deck	Coated or non-combustible, plus skirt	Cleared Combustibles from underneath
	Open space enclosed by skirt or mesh	
	Combustibles removed from underneath	
etc.		

E&S First-Adopters will accelerate admitted-market adoption

- Specialty MGAs
- Admitted Carriers
 - Missing data on mitigation status
 - Compliance for mitigation discounts and reporting
- Any use case
 - Wind
 - Flood
 - not just Fire



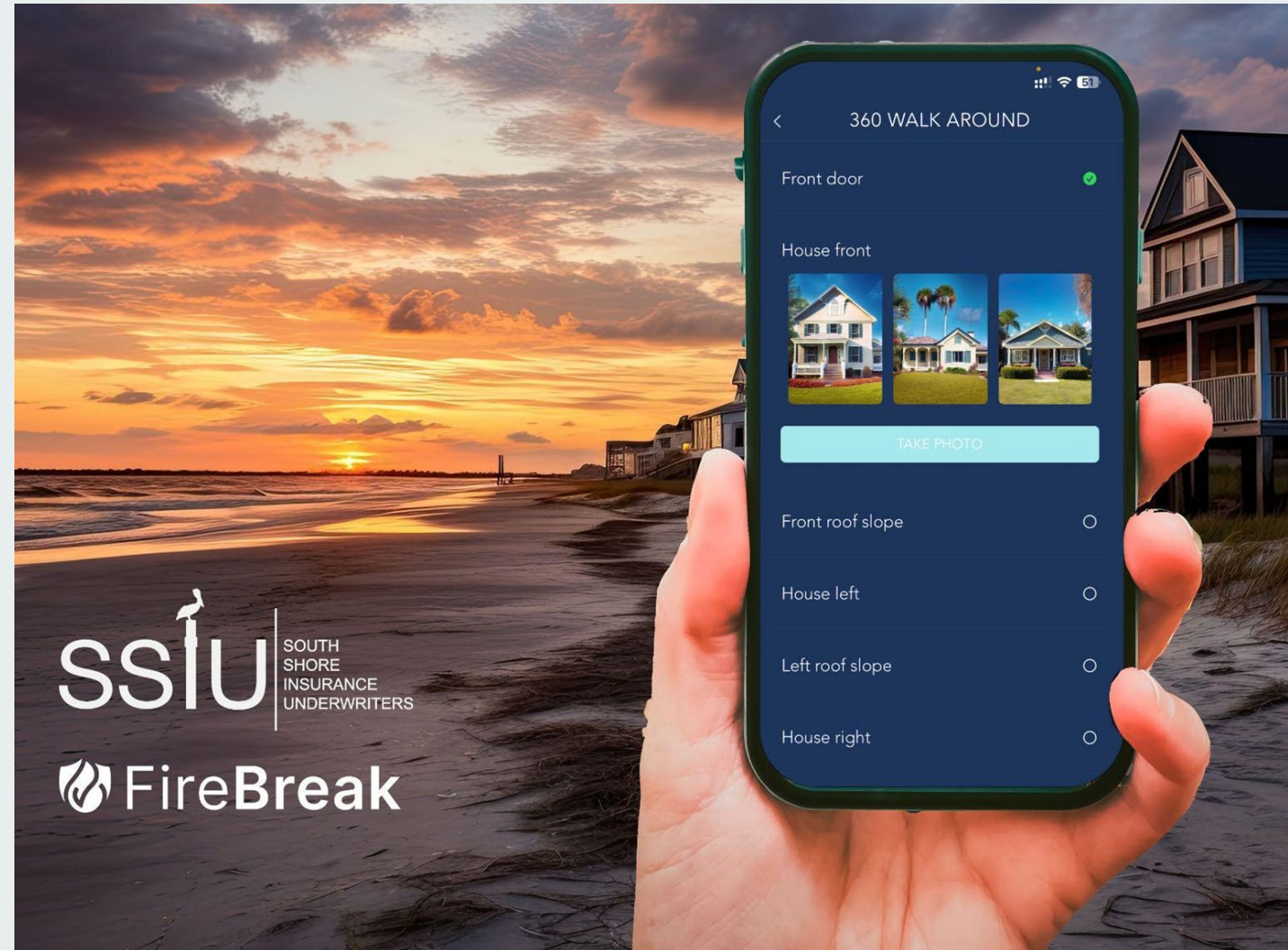
Admitted Carriers

Specialty
MGAs

PROOF POINT

First Insurer Clients already see value

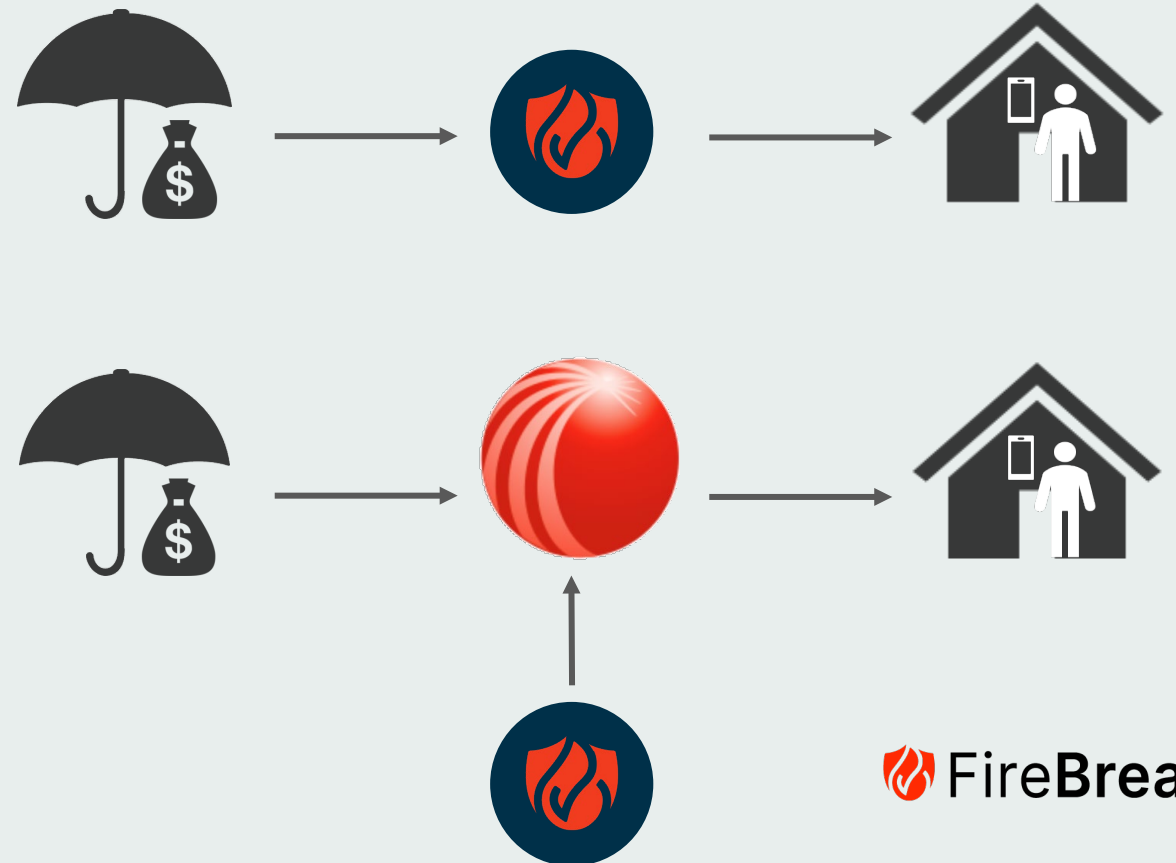
- Product is built
 - Launched in Beta
- Provides Underwriter Comfort
- Value proposition
 - **Efficiency:** 30x faster inspections
 - **Underwriting:** Reduced Risk
 - **Engagement:** Policyholders feel empowered



Working with FireBreak: Directly or via Data Vendors

First, set your underwriting criteria and data needs.
Then...

1. Co-Branded:
 - Customize inspection questions
 - Your policyholders self-inspect
 - Software subscription fees
2. Access our data through aggregators
 - Data licensing fees






AI-Powered Mitigation Data for Insurance



Presentation at NAIC Fall National Meeting
November 19, 2024



Kate Stillwell
kate@firebreakrisk.com

5. Hear a Presentation from InsurTech Coalition Members on the Responsible Use of AI

Attachment Five

–Jennifer Crutchfield, Clearcover

–Scott Fischer, Lemonade

Insur-Tech Coalition

Positive Uses of AI and Governance of It in the Insurtech Industry

Winter 2024 Meeting | November 18th, 2024

The voice of insurtech companies

InsurTech Coalition is a non-profit trade association founded and driven by insurtech companies to support insurance technology. We support and convene technology-driven insurance companies to influence public policy, create development opportunities, and foster an environment for new ideas and companies in the insurance market.





Case Study:
Positive Uses of
AI & Governance
of It

clearcover[®]
&
Lemonade

Clearcover Overview

Clearcover Insurance Company is a next-generation car insurance company challenging the status quo by **using advanced technology and an advantaged cost structure to deliver an affordable, convenient customer experience with superior value.**

The company operates in 19 states as a fully-licensed insurance carrier, and is **expanding to include a reciprocal exchange structure.**

Employees: ~300

Funds Raised: ~\$520M

Key Investors:



Clearcover has technology experiences customers want, leading to unmatched digital engagement

Our digital engagement leads the industry on key measures, driving high customer satisfaction and attracting new users.

93%

Mobile App Adoption
vs. ~40% industry avg.

98%

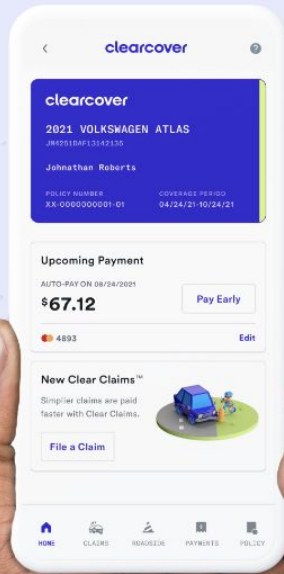
Physical Damage Claims
Adj. Virtually
vs. 30% industry avg.

91%

Online Bind
vs. ~25% industry avg.

60%

Claims Filed Via App
vs. 24% industry avg.



The Benefits of AI in Insurance

1

AI Enhances Fairness and Access

- Analyze data consistently, reducing potential human bias and improving fairness in decision-making processes.
- Personalized interactions, helping to serve consumers more effectively and meet unique needs.

2

Transparency and Consent Mechanisms

- Clearcover provides consumers with accessible information on how AI influences decisions that affect them, promoting transparency and trust.
- Consumers have options to inquire about AI-based decisions and pursue recourse if they feel an outcome is inaccurate or unfair.

3

Proactive Support and Assistance

- AI systems can anticipate needs, reaching out to consumers with helpful information or reminders (e.g., renewal notices or relevant alerts) that enhance the customer experience.

4

Enhanced Fraud Detection Benefits Everyone

- AI-driven fraud detection helps prevent losses due to fraudulent claims, contributing to a more stable insurance system.
- By identifying fraudulent claims early, AI protects the integrity of the insurance process, benefitting all policyholders.

5

Alignment with Existing Consumer Protections

- Current consumer protection laws, data privacy standards, and fair practices regulations apply equally to AI-based and traditional decision-making systems.
- AI decisions are subject to the same consumer protection standards, ensuring consistency with regulatory expectations.

6

Commitment to Ethical Use of AI

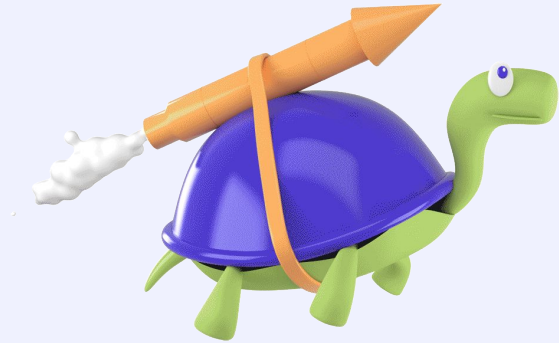
- Clearcover's AI policies are integrated into the lifecycle of every model, ensuring they operate in ways that align with both regulatory requirements and consumer interests.
- By adopting rigorous AI standards early on, Clearcover establishes itself as a leader in responsible AI use, providing a model for others in the industry.



Generative AI Solutions

TerranceBot (“Terry”)

Our 24/7 internal-facing LLM claims copilot.



Terry’s Capabilities (so far)

Summarizes individual claims

Provides answers to specific questions typically requiring years of industry knowledge

Suggests next steps for the claim

Suggests follow up questions an adjuster should ask

Pre-drafts claims letters to attorneys and claimants (for adjuster review)

1,540+
Summaries
Generated

1,830+
Questions
Answered

2,321
Hours Saved



Clearcover's AI Governance Framework

Our foundational framework and policies guide the ethical and compliant use of AI, focusing on **Transparency, Fairness & Accountability.**

NIST Standards

Fair and Ethical

Safe, secure data

Accountable, understandable,
and upfront

At a minimum follows and is
compliant with State and
Federal Insurance Laws

Predictable/Reliable

AI Human Judgement

Clearcover's AI systems
complement human expertise,
helping us make faster,
data-driven decisions while
human oversight ensures
nuanced and ethical judgment
in complex cases.

Model Testing

Depending on the model, we
use different testing or
monitoring methods to ensure
safety and accuracy.

For example: DiSCo Bot

- We utilize a third parties testing on top of our internal testing and monitoring
- We keep a close eye on several quality checks to ensure the model stays effective, including Hallucination Rates, Robotic Responses, Correct exit criteria, Correct Q&A



With great AI power comes great regulatory responsibility

We are committed to refining AI models, incorporating consumer feedback, and improving transparency to build a trusted relationship with both consumers and regulators.



Lemonade

AI Model Governance

Fall 2024



Northstar:

To provide every user with **equal opportunity** and lead the industry as a **trusted** insurance partner.

Our Northstar means...



Equal Opportunities

Similar risk profiles will get similar access to insurance products and opportunity to claim losses



Trusted

Models adhere to policies

Models are accountable

Gratefully borrowed from NIST



AI Responsibility Committee

Formed an AI Responsibility Committee

Made up of:

- Parent Company CEO
- Insurance Operations
- Data Science leaders
- Lemonade's Ethics & Fairness Advisor
- Legal

Responsibility to:

- Advise and report to insurance companies' Boards of Directors
- Establish guidelines and principles
- Collaborate with AI developers, data scientists, and product managers
- Review reporting on outcomes
- Enhance Responsible AI practices over time

AI Working Group

Formed an AI Working Group

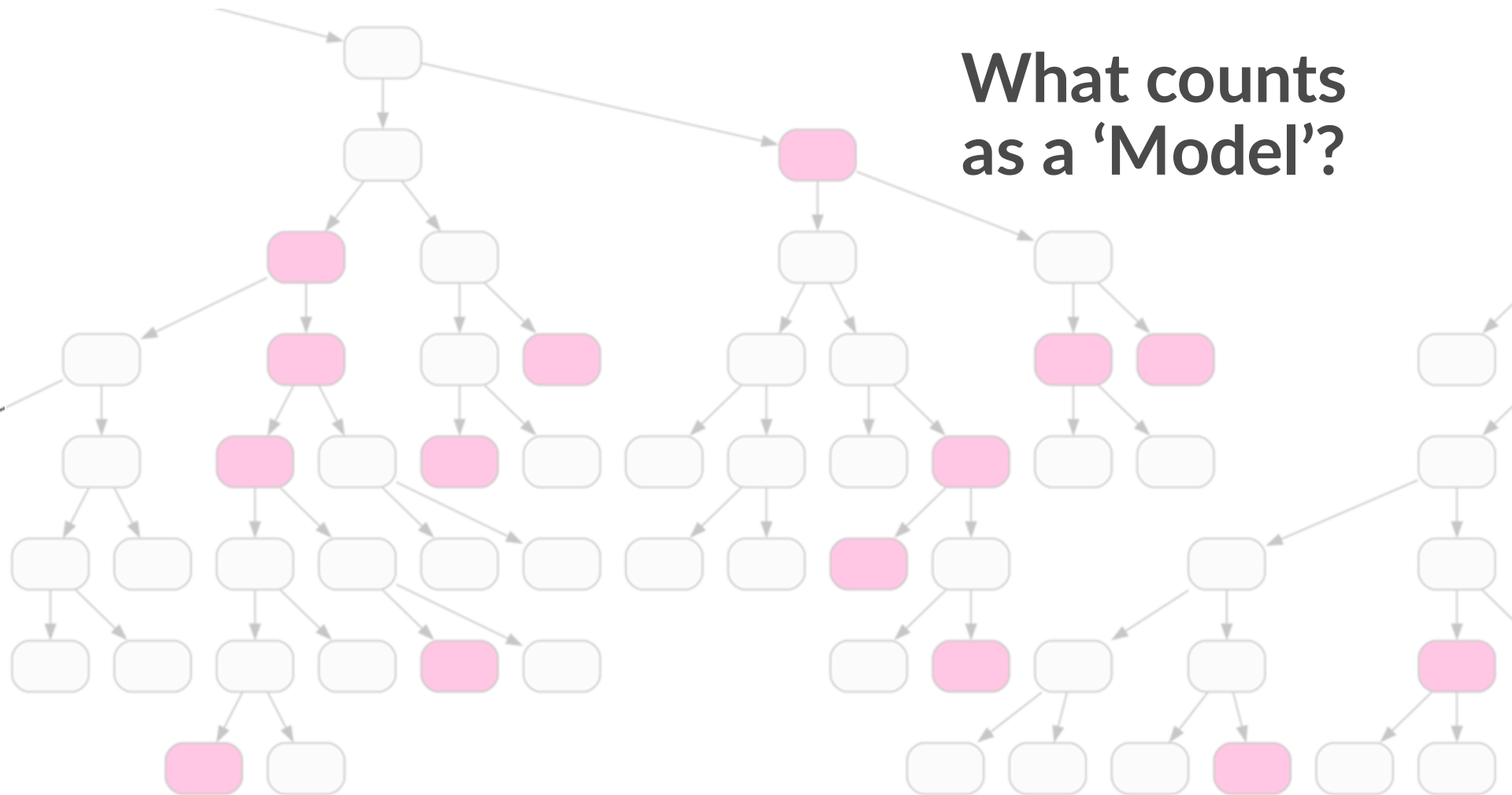
Larger Group:

- More insurance operators
- Compliance director
- Additional data science staff

Responsibility to:

- Assist AI Responsibility Committee in operationalizing its responsibilities
- Address issues in near-real time; escalate as appropriate
- Collaborate with model makers
- Review reporting on outcomes

What counts as a 'Model'?



Governance starts with data



High Sensitivity

Protected class
information



Medium Sensitivity

“New” data



Low Sensitivity

Attributes of insured
items or policies
issued

How we use a model determines its sensitivity level



High Sensitivity

Models that impact a customer's ability to access insurance or claims



Medium Sensitivity

Models with humans in the loop, any model with telematics



Low Sensitivity

Models that predict attributes of pets or property

AI Checklist

What do we require our scientists to consider and explain?

- **Define the Problem**
 - Why are we creating this model? Why use AI/ML?
 - Will humans be involved in any decisions made?
 - Begin the Model Card
- **Collect and Prepare Data**
 - What are the sources? Sampling? Labels?
 - Evaluate feature sensitivity
 - Including PII?
- **Evaluate the Model**
 - How effective are features? How important are features?
 - How does it perform against goals?
 - Are there areas of poor performance?
 - What happens if the model fails?
- **Deploy and Monitor**
 - Finalize the Model Card
 - Plan for error response
 - Monitoring

Model cards act as the model's 'nutrition label'

- Purpose & treatment
- Data sampled
- Features used
- Performance
- Key figures



Thank you!