Testimony of the National Association of Insurance Commissioners

(NAIC)

Before New York State

Standing Committee on Insurance, the

Senate Standing Committee on Science and Technology

Regarding: Use of Artificial Intelligence Systems in Underwriting and

Pricing of Insurance Policies

December 16, 2025

Chair Weprin, Chair Otis, and distinguished members of the Committees:

Thank you for the opportunity to provide testimony on behalf of the National Association of Insurance Commissioners (NAIC).[1] We appreciate the Assembly's leadership in convening this hearing to examine the uses of artificial intelligence systems in insurance underwriting and pricing, an issue of growing importance for regulators, insurers, and consumers across the country.

The NAIC represents the chief insurance regulators of the 50 states, the District of Columbia, and five US territories. State insurance regulators have overseen insurance markets for more than 150 years, adapting regulatory frameworks as new technologies and risks emerge while maintaining strong consumer protections, fair market conduct standards, and solvent markets.

From a national perspective, the use of artificial intelligence and machine learning tools is already widespread across insurance markets, and in more than just underwriting and pricing. Through a series of surveys conducted by the NAIC across multiple lines of business, regulators have found that large majorities of insurers report using these tools today, planning to use them, or actively exploring their use.

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[1] As part of our state-based system of insurance regulation in the United States, the National Association of Insurance Commissioners (NAIC) provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. For more information, visit www.naic.org.

Recent survey results show adoption or planned adoption rates of approximately 92 percent among health insurers, 88 percent among auto insurers, 70 percent among homeowners' insurers, and 58 percent among life insurers surveyed.[2] These surveys have helped regulators better understand where and how AI systems are being deployed, including in marketing, underwriting, pricing, claims handling, fraud detection, customer service, and back-office operational functions. According to the surveys, uses within underwriting and pricing include automated verification of policy characteristics, inspection image analysis, assisting with renewals and reinstatements, document summarization, rating class determination, rate relativity determination, risk scoring and assessment, telematics, retention modeling, and trend forecasting. Uses with claims settlements includes, helping with the determination of a loss settlement amount, document summarization, damage assessment, and detecting potentially fraudulent activity.

While these technologies can offer meaningful benefits, including increased efficiency and improved risk assessment, state regulators are focused on ensuring that their use complies with long-standing state laws [3]and regulations such as unfair

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[2] National Association of Insurance Commissioners, *Big Data and Artificial Intelligence Surveys* (Auto Insurance AI/ML Survey Report, Dec. 2022; Homeowners Insurance AI/ML Survey Report, Aug. 2023; Life Insurance AI/ML Survey Report, Dec. 2023; Health Insurance AI/ML Survey Report, May 2025), https://content.naic.org/insurance-topics/artificial-intelligence

[3] The NAIC is aware of recent federal actions addressing artificial intelligence, including proposals that would impose a broad federal moratorium on state legislative or regulatory authority over AI. In correspondence to Congress, the NAIC expressed concern that such an approach would undermine long-standing state insurance regulatory frameworks that already protect consumers, ensure solvency, and address unfair discrimination, and urged policymakers to preserve state authority while allowing regulators to continue adapting oversight as

trade practices and unfair claims settlement practices acts designed to protect consumers and preserve market solvency. In particular, regulators are attentive to issues such as transparency, accountability, appropriate human oversight, and the potential for unfair discrimination, including when AI systems rely on data that may reflect historical or systemic bias.

To address these concerns, the NAIC and its members have taken concrete steps to establish consistent regulatory expectations nationwide. In 2020, the NAIC adopted its *Principles of Artificial Intelligence* to guide the responsible use of AI systems. [4] Building on that work, in December 2023, the NAIC adopted a Model Bulletin on the Use of Artificial Intelligence Systems by Insurers, which reminds insurers that decisions or actions impacting consumers that are made or supported by AI must comply with all applicable insurance laws and regulations, sets expectations for insurer governance and risk management from the use of AI, and advises insurers of the type of information departments of insurance may request during an investigation or examination. More than half of the states have already adopted this bulletin or similar guidance, and additional states continue to evaluate implementation.

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technology evolves. See National Association of Insurance Commissioners, *Letter to Congress Regarding Federal AI Preemption* (2025), available at https://content.naic.org/sites/default/files/gov-affairs-oppose-ai-moratorium.pdf

[4] NAIC, *Model Bulletin on the Use of Artificial Intelligence Systems by Insurers* (Dec. 4, 2023), https://content.naic.org/sites/default/files/inline-files/2023-12-4%20Model%20Bulletin_Adopted_0.pdf

As this work continues, the NAIC is also continuing its discussions on the development of an AI Systems Evaluation Tool. The goal of this Tool is to provide regulators with a way to efficiently gather information that can be used to assess and evaluate potential risk of an insurer's use of AI in their operations evaluated during an examination or analysis related inquiry. The Tool was drafted to provide regulators with a resource for examining the risks of AI systems and the effectiveness of insurer governance programs.

In addition, the NAIC is hearing a range of views on whether additional model laws or regulations are needed at this time. Regulators are carefully considering how to balance strong consumer protections with the need for regulatory frameworks that are flexible, scalable, and able to keep pace with rapidly evolving technology.[5]

The NAIC remains committed to supporting state regulators as they oversee insurer use of artificial intelligence and serving as a resource for policymakers. We appreciate the opportunity to share this national perspective and look forward to continued engagement with the Committees as you examine these important issues.

Thank you for your attention and for the opportunity to testify.

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[5] NAIC Big Data and Artificial Intelligence (H) Working Group, *Big Data and Artificial Intelligence (H) Working Group*, *available at* https://content.naic.org/committees/h/big-data-artificial-intelligence-wg.

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