November 19, 2021

Mike Kreidler, Chair   Via Email: rhelder@naic.org
NAIC Market Information Systems (D) Task Force
Attn: Randy Helder, NAIC Assistant Director – Market Regulation
1100 Walnut St, Suite 1500
Kansas City, MO 64106

RE: Recommendations for Incorporating Artificial Intelligence in NAIC Market
        Information Systems

Dear Commissioner Kreidler and Members of the Task Force:

Thank you for this opportunity to comment on the recommendations to incorporate artificial intelligence (AI) into existing market information systems.

With more than $215 billion in premium, Texas is the nation's third largest insurance market and the eighth largest in the world. To properly regulate our vast marketplace, Texas uses the NAIC's existing market information systems to their full extent. These systems are simply databases of information. We appreciate all efforts to make those databases more efficient and robust, in order to create meaningful data for analysis in other, secondary software (i.e. Tableau).

Indeed, the working group's ongoing efforts to use clean data and make improvements to RIRS demonstrate it has already begun implementing the first of the five AI recommendations. The AI statement is both educational and informative for the lay person without any statistical, AI, or computer science knowledge. We appreciate that information and work.

AI is a very broad, complex, and rapidly moving sub-field or branch of computer science, without well-defined parameters. The intent appears to be to implement these recommendations in sequential order as a multi-year project, all while the field of AI will likely outpace the project. The recommendations propose to implement statistical techniques, through collection of additional data and additional study, in hopes of an eventual identification of a potential, viable AI proof-of-concept. There is no NAIC feedback on these recommendations. There is no articulation or identification of: responsibility for implementation; costs associated with implementation; feedback on using statistical techniques within existing systems; or, whether it will eventually lead to an AI proof-of-concept.

Because the existing systems are databases with significant limitations and limited data, Texas is concerned the recommendations may result in "exploratory" AI preparations over a lengthy period to reach some unknown and undefined concept. We anticipate significant time and resources will be expended on that exploration for both regulators and NAIC staff.

Also, the scope of these recommendations may overlap with the role and scope of the proposed, new Innovation, Technology and Cybersecurity (H) committee. Specifically, Charge C for the Big Data and Artificial Intelligence (H) Working Group states it must:

> ***Assess data needs and required tools for state insurance regulators to appropriately monitor the marketplace***, and evaluate the use of big data and intelligent algorithms, including AI in underwriting, rating, claims and marketing practices. This assessment shall include gaining a better understanding of currently available data and tools, as well as ***recommendations for additional data and tools, as appropriate***. Based on this assessment, ***propose a means to include these tools into existing and/or new regulatory oversight and monitoring processes***.

(emphasis added). This charge seemingly indicates that the (H) working group should be engaging in any such AI explorations and recommend any AI tools for regulators to monitor the marketplace.

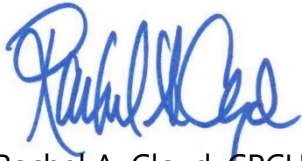For these reasons, TDI proposes the task force to consider:

- asking the NAIC to provide detailed, written feedback on the recommendations, including articulation and identification of:
  - system capabilities to use statistical techniques
  - additional data needs
  - timing of implementation of each recommendation
  - costs associated with each recommendation
  - who will be responsible for implementation of each recommendation
  - competing priorities of the NAIC

- seeking clarification on what appears to be an intersection between the (H) working group and the (D) working group, and clarification on which group should explore AI tools to perform market analysis and oversight, and determine any additional data needs; and

- recommending pursuit of a very narrow and well-defined proof-of-concept, including a cost-benefit analysis and data needs.

Any proposed AI proof-of-concept, whether it is based on existing systems/databases or is a new mechanism to improve market analysis, should be narrow and well defined to prevent unnecessary and aimless expenditure of time and resources for all states.

Again, TDI appreciates the work of the working group and task force. We hope our comments are productive in reaching precise AI goals to improve all states' regulatory efforts.

Thank you for your time, attention, and consideration.

Respectfully,

Rachel A. Cloyd, CPCU
Litigation Director, Enforcement Division
Texas Department of Insurance
Direct: (512) 676-6349 | Fax: (512) 490-1020
rachel.cloyd@tdi.texas.gov