



IDMA's The Regulatory Review

An eBulletin dedicated to providing insurance regulatory information to IDMA members

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To: IDMA Members
From: Aimee Siliato, Vice President of Marketing, IDMA
Subject: *The Regulatory Review* eBulletin – 2020, Edition #1

Introduction

Welcome to another edition of IDMA's Regulatory Review, presented in support of IDMA's ongoing commitment to robust education of the insurance data manager. The information in The Review is derived from NAIC activities and other discussions on current industry challenges and developments.

With 2019 concluded and 2020 beginning, the regulatory focus is on a mix of topics that are underway, continuing from previous years, combined with focus on new topics. Work continues on the predictive analytics white paper, state's adoption of the cybersecurity model law and climate change issues (with the NAIC survey of insurers entering its tenth year). Key topics for 2020 include the use of artificial intelligence, privacy protections and successful conclusion of the third and final year of the NAIC strategic plan, State Ahead. There are many questions and issues to be addressed. IDMA looks forward to these discussions and assisting our membership in navigating through them.

Disclaimer

The content presented here is not intended to be all-inclusive. Please visit www.naic.org and click on Committees for more information or consult your company's regulatory/compliance staff. Any opinions or observations expressed here are strictly those of Ms. Siliato's and do not necessarily represent the opinions or observations of any company, member of IDMA or of IDMA leadership. The independent review of this material by you and/or your company should be considered in any use of this material.

Ongoing Comments and Feedback

IDMA welcomes your feedback on this communication. Please feel free to send comments to Farouk Yassine, IDMA Executive Director, at fyassine@idma.org or team@idma.org.

2020 NAIC Budget

The NAIC 2020 budget reflects a reduction in net assets of \$7.2 million, primarily for funding *State Ahead* strategic initiatives. See [2019 Edition, No. 3 of the Regulatory Review](#) for additional information on key areas of spending relative to the strategic plan, including cybersecurity, climate change, innovation and cloud migration. Plan implementation enters its third year of a 3-year plan.

Innovation

As discussion about the role and growth of startups in the insurance industry continues, it was suggested that resources be developed to help startups understand the differences between insurance and other financial services such as banking. The NAIC's Center for Insurance Policy and Research (CIPR) was seen as the proper entity to provide this guidance, leveraging work and material already existing on the topic.

In addition in several NAIC forums, consumer representatives called for regulatory oversight of vendors used by insurance companies in the property/casualty insurance space and vendors operating independently. Creating accountability and transparency around these entities is necessary in the era of big data, it was stated, given these entities are not licensed by the state as insurance companies and advisory organizations are.

Artificial Intelligence

A draft of guiding principles for AI, prepared by the North Dakota Insurance Department, is being exposed for comment. The draft sets out high-level principles for fairness, ethics, accountability compliance, transparency, security and risk management when using AI in the insurance process. Triaging claims using AI was cited as an example of where fairness and transparency are important consumer concerns. At these initial stages of discussion, the draft is well-received. Finalization is targeted for spring 2020. The North Dakota draft is based on the Organisation for Economic Cooperation and Development (OECD) Artificial Intelligence Principles, incorporates industry comments and has had positive reaction from NAIC consumer representatives. The draft is posted on the NAIC website at www.naic.org.

Climate Change

The tenth annual survey of 1250 insurers regarding what they are doing about climate risk was completed. The survey asks 8 yes/no questions of property/casualty insurers who cover approximately 70% of the domestic market.

Topics addressed include:

- having a plan to reduce emissions
- having a climate change policy
- having a process for identifying climate change-related risks
- impact of climate change on investment portfolio
- actions taken to the risks climate change poses to the insurer's business

Results are posted on the California Insurance Department website and are publically available.

Privacy Protections

A newly-formed working group is charged with reviewing state insurance privacy protections and making recommended changes, as needed, to existing NAIC model laws such as the NAIC Insurance Information and Privacy Protection Model Act (#670) and the Privacy of Consumer Financial and Health Information Regulation (#672). Given that some of the models are almost 40 years old some feel they are not technologically accurate among other concerns. Review of data security is excluded from the charges of this group. Recommended changes, if any, are expected to be completed by August 2020.

Technology Products and Services Catalog

The NAIC published a catalog of its data and information products and services. Included in the Data Collection and Aggregation section are overviews of:

- Ad Hoc Data Collection
- Financial Data Repository
- Fraud
- Market Conduct Annual Statement
- State Producer Licensing Database

Cybersecurity Model Law

The number of states adopting the model continues to increase with New Hampshire's recent adoption, joining Michigan, South Carolina, Ohio, Mississippi, Alabama, Delaware, and Connecticut.

Workers' Compensation Standardized Data Request for Market Conduct Examinations

The NAIC adopted a data request template for voluntary use by states to determine if a company follows appropriate procedures with respect to the issuance and/or termination of worker compensation policies within the scope of a market conduct examination. The template will be incorporated into the NAIC Market Regulation Handbook.

Cannabis Industry

A white paper titled "Regulatory Guide: Understanding the Market for Cannabis Insurance" was adopted by the NAIC. The findings show there are considerable gaps in insurance coverage for the cannabis industry, exposing those who engage with the industry. The white paper also explores other issues such as how rates are set, legal and regulatory authority at the federal, state and local levels, cannabis operations and best practices.

Private Flood Insurance

A call for private flood insurance data was adopted. Proposed Annual Statement changes will split residential from commercial private flood coverages as well as standalone from endorsements and first dollar from excess. These actions are intended to allow regulators to better understand the growth of the private flood insurance market. A document entitled "Considerations for State Insurance Regulators in Building the Private Flood Insurance Market" provides guidance on actions regulators might take to facilitate the growth of the private flood market in their states.

NAIC Leadership

The 2020 NAIC leadership team, effective January 1, is:

- **President:** Director Raymond G. Farmer (South Carolina)
- **President-Elect:** Commissioner David Altmaier (Florida)
- **Vice President:** Director Dean L. Cameron (Idaho)
- **Secretary-Treasurer:** Director Chlora Lindley-Myers (Missouri)

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