



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 – 2022 Edition No. 1

Introduction

Welcome to IDMA's Regulatory Review, presented in support of IDMA's commitment to the robust education of the insurance data manager. Information presented here is compiled from discussions of the National Association of Insurance Commissioners (NAIC) and related regulatory actions, activities and discussions.

The NAIC concluded 2021 marking the 150-year anniversary of the association. Regulatory accomplishments were noted including oversight of the industry, solvency, stability and dedication to protection of consumer interests. Emphasizing the importance of looking forward, a new senior committee, the Innovation, Cybersecurity and Technology Committee was established. The committee will focus on innovation, industry use of data, emerging technologies and consumer protections.

Upcoming IDMA Events (Free and Open to All – Members and Non-Members)

Leverage Your Data to Unlock Innovation | January 26th | Live Webinar

RSVP @ <https://events.bizzabo.com/leverageyourdata>

Becoming and Effective Data Storyteller for Insurance Professionals | February 16th | Live Webinar

RSVP @ <https://events.bizzabo.com/lunchandlearn4>

Artificial Intelligence/Machine Learning Survey

- The NAIC conducted a survey of Private Passenger Auto insurers to obtain an overview of the use of Artificial Intelligence (AI) and Machine Learning (ML)
- Survey conducted under the regulatory authority of Connecticut, Illinois, Iowa, Louisiana, Nevada, North Dakota, Pennsylvania, Rhode Island and Wisconsin, national data was collected
- No insurer-specific or state-specific information released, analysis of results ongoing
- Survey sent to 200 insurers with premiums greater than \$75 million, 192 submissions received as of December, 168 using AI/ML, 24 not using
- Most common areas where AI/ML used along with percent of use of internally-developed versus externally developed models were:
 - Claims-60%/40%
 - Fraud detection-55%/45%
 - Marketing-44%/56%
- Less common were:
 - Rating-84%/16%
 - Underwriting-90%/10%
 - Loss prevention-73%/27%
- Next lines of business to survey will be homeowners and life insurance

Auto Insurance Refunds

- Extensive discussion on premium refunds related to changing driving habits during the pandemic
- Views and perspectives included:
 - Consumer Federation of America-Consumers deserve more regulatory attention, insurers had a \$29 billion windfall
 - American Academy of Actuaries-When insurers underestimate losses, they cannot go back to policyholders and ask for more premium, therefore refunds not given when losses are lower is consistent with the pricing methodology
 - American Property Casualty Insurance Association-Regulators and industry responded appropriately to ensure market stability and solvency
 - National Association of Mutual Insurance Companies-Roads are dangerous, auto is heavily regulated, repairs are costly, making driving conditions safer should be a priority
 - Center for Economic Justice-Severity may have been up however frequency was down, insurers also realized expense savings during the pandemic due to work at home saving, etc., should be passed to policyholders
 - Automotive Education & Policy Institute-Need more regulation, regulators should be more assertive, need more regulator assistance, need more data collection

Climate Change Disclosure

- The NAIC will redesign its Climate Risk Disclosure survey to more closely align with the Financial Stability Board's Task Force on Climate-Related Financial Disclosures survey, insurance-specific questions will be added to this financial-oriented survey, alignment will help reduce reporting redundancy, encourage more insurers to report
- Will remain voluntary, currently 15 insurers participating, representing 80% of the market

E-Commerce

- Three surveys circulated to regulators and interested parties, stakeholders
- Survey focuses:
 1. Identify laws that regulate electronic insurance transactions
 2. Accommodations, changes to electronic insurance transactions that were made due to COVID
 3. Identify laws or regulatory constructs that impede electronic transactions (directed to insurers)

NAIC 2022 Leadership

- President-Director Dean Cameron (ID)
- President-Elect-Director Chlora Lindley-Myers (MO)
- Vice President-Commissioner Andrew Mais (CT)
- Secretary-Treasurer-Commissioner Jon Godfread (ND)

Pandemic Risk Insurance Act

- The Pandemic Risk Insurance Act (PRIA) would establish a government-backed pandemic insurance fund similar to the Terrorism Risk Insurance Act to protect against losses from any future pandemic business disruption
- PRIA would require insurers to provide non-damage business interruption insurance coverage in their commercial insurance policies or arrange coverage through an affiliate

Parametric Insurance

- Being explored to fill coverage gaps
- Complement traditional indemnity policies
- Community-based insurance, a public/private partnership, communities purchase insurance based on community-specific needs, location, risks
- Guy Carpenter working with New York City to provide parametric solutions
- A tool to increase climate resilience in communities

Privacy Protections

- Final draft of the Privacy Protections Report concludes that while current NAIC model laws regarding protection of consumer privacy have been effective for the past 20-40 years, given the proliferation of data and the use of such data, the current model laws could/should be modernized to further protect the consumer of unintended consequences of the use, ownership and security of the data

Race and Insurance

- Need for data emphasized to identify and quantify existing disparities and evaluate effective measures to eliminate disparities
- Data collection principles document for the health sector finalized on December 20
- Will look to banking sector practices for guidance applicable to the insurance sector
- The Casualty Actuarial Society plans to release a white paper in early 2022 that will define discrimination and insurance

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.

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

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*Insurance Data Management Association, Inc. (IDMA)
545 Washington Blvd., 19th Floor, Jersey City, NJ 07310
Phone: (201) 469-3069
Fax: (201) 748-1690
Email: team@idma.org
Website: www.idma.org*