

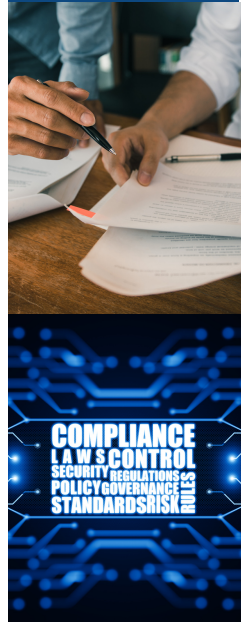
THE REGULATORY REVIEW

2023 Edition No. 3

An eBulletin dedicated to providing insurance regulatory information to IDMA members

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.

We welcome any suggestions for additional or different regulatory topics to be presented here. IDMA is built on a foundation of education and collaboration. With that in mind, we always value input and feedback from our membership.



Executive Editor
Aimee Siliato, FIDM
Co-Vice President,
Industry Relations,
IDMA

Insurance Data Management Association, Inc. (IDMA)
team@idma.org
www.idma.org

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Algorithms, Predictive Models, Artificial Intelligence–Draft Bulletin

- A draft model bulletin is being prepared by the NAIC for use by state insurance departments in providing guidance to insurers on department expectations as to how insurers will govern the use of these technologies.
- The bulletin advises insurers of information and documentation insurance departments may request during an investigation or examination.
- State laws will continue to take precedence over the model bulletin guidance, intended to be principles-based not prescriptive.
- The bulletin places responsibility on insurers to be accountable for third-party system compliance with guidance in the bulletin.

Artificial Intelligence (AI)/Machine Learning (ML)

- Evaluation of the Homeowners AI/ML survey results by NAIC staff underway
- Preliminary results include that of 194 respondents, 136 use AI/ML primarily in areas of:
 - Claims 54%,
 - Marketing 47%
 - Fraud detection 42%
- Objectives include evaluation of results, data analysis and potential for inaccuracies
- Survey conducted under the market conduct authority of ten states: Connecticut, Illinois, Iowa, Louisiana, Nevada, North Dakota, Pennsylvania, Rhode Island, Vermont and Wisconsin. Market conduct authority provides privacy protections for data submitted.
- The definition of AI/ML for purposes of the survey was “an automated process in which a system begins recognizing patterns without being specifically programmed to achieve a pre-determined result. This is different from a standard algorithm in that an algorithm is a process or set of rules executed to solve an equation or problem in a pre-determined fashion. Evolving algorithms are considered a subset of AI/ML”

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Cannabis Insurance White Paper

- Updated white paper on the cannabis market available on the NAIC website, update of 2019 paper
- Areas to consider going forward:
- Affordability
- Availability
- Capacity
- Rapid growth of the market
- Much business is in the non-admitted market, presenting challenges on data availability for analysis

Climate and Resiliency

- Events such as Hawaii wildfires put focus on potential need for parametric insurance, microinsurance, need for NFIP-like insurance for risks other than flood

Cybersecurity

- Event Response Plan draft available on NAIC website for comment
- Developed in collaboration with industry, interested parties and international regulators
- State law still takes precedence, not intended to be a law or regulation
- Intended to continue to be updated with input from contributors as events occur, processes and procedures evolve
- Suggested data collection template is part of the Event Response Plan

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Privacy Protections

- As work continues the development of a new data privacy model act, the Consumer Privacy Protections Model Act, many comments and complexities are arising.
- It is expected that an extension beyond the targeted December 2023 comment deadline will be necessary due to this.
- Aspects of the draft are considered burdensome including sharing of information, requirements for notice to consumers.
- Some see it as a patchwork of laws rather than an improvement over what currently exists, substantial rewrite is needed.
- Suggestion to build on what already exists such as Gramm-Leach-Bliley
- Regulators requested that going forward specific language be provided to address the conceptual concerns.

Race and Insurance

- DE&I state regulator course has been developed and is being taken by regulators and state insurance department staff, positive feedback on course content.
- Three units of the course are:
 - Understanding Diversity, Equity and Inclusion
 - Cultural Proficiency: Understanding, Awareness and Competency
 - Diversity, Equity and Inclusion in the Workplace
- Continuing action/objectives are:
 - Book clubs discussing DE&I literature
 - Participating in recruiting fairs such as the Gamma Iota Sigma insurance fraternity
- Discussion on what is the “next level of learning” in this space
- Property/Casualty DE&I areas of focus are:
 - Marketing and advertising
 - Access to insurance
 - Underwriting
 - Rating

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Responsible AI

- Along with the development of AI, responsibility and responsible application must be part of the process.
- AI should augment human decisions, not replace them.
- Human intervention, human supervision, governance is the foundation.
- Policyholder understanding is critical.
- How do you respond to unintended results?

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UPCOMING EVENT

Webinar:

Emerging Trends in Insurance Data Management

November 29th, 2023 | 12:30 – 1:30 ET

[Register for Free](#)



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EMERGING TRENDS IN INSURANCE DATA MANAGEMENT

Let's harness the power of data to shape a stronger insurance industry!



WEDNESDAY,
NOVEMBER 29, 2023



START AT
12:30 PM - 1:30 PM ET



ANNE MARIE SMITH
MODERATOR



BRIAN SEIFERT
MODERATOR



MARIA SNOW
MODERATOR



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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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