

THE REGULATORY REVIEW

2024 Edition No. 1

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.



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Artificial Intelligence (AI) – Model Bulletin Adopted

- A model bulletin was adopted by the NAIC to provide guidance for state insurance departments and to inform insurers of department expectations as to how insurers govern the use of these technologies.
- The bulletin advises insurers of information and documentation insurance departments may request during an investigation or examination. This includes standards for AI programs such as validation, testing and retesting of AI systems, compliance with laws that address unfair trade practices and unfair discrimination.
- Insurers are expected to develop, implement and maintain a written program for the responsible use of AI systems.
- State laws will continue to take precedence over the model bulletin guidance, which is intended to be principles-based not prescriptive.
- AI program documentation should address the insurer's processes for acquiring, using or relying on third-party data.

Artificial Intelligence (AI)/Machine Learning (ML) – Surveys

- Analysis of the Homeowners and Automobile AI/ML survey results by NAIC staff continues For Homeowners Marketing, of survey respondents:
 - 26% use the technology to automate
 - 55% to augment
 - 19% to support
- For Homeowners Pricing & Underwriting, of survey respondents:
 - 47% use the technology to automate
 - 14% to augment
 - 38% to support

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Artificial Intelligence (AI)/Machine Learning (ML)–Surveys (Continued)

- For Automobile Marketing, of survey respondents:
 - o 52% use the technology to automate
 - o 30% to augment
 - o 17% to support
- For Automobile Pricing & Underwriting, of survey respondents:
 - o 38% use the technology to automate
 - o 31% to augment
 - o 26% to support

Consumer Perspectives

- Presentations from the Center for Economic Justice and United Policyholders consumer representative organizations
 - o Need more timely data to help and protect consumers
 - o Statistical agents can do this with current data
 - o Catastrophe models have not produced rate stability
 - o Need more meaningful market monitoring regulation, telematics is an example
 - o Loss mitigation and prevention are requirements of the long-term solution
 - o Cutting coverage is not the solution
 - o Community risk pools and enhanced resources for state insurance regulators to evaluate catastrophe risk models are part of the solution
- Strategic solutions include a federal public catastrophe reinsurance program modeled after TRIA, federal government provides stable, low-cost catastrophe reinsurance, oversight remains with the states

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Climate and Resiliency

- National Climate Resilience Strategy document adopted
- Provides guidance for regulators to work together to strengthen climate resilience, identify and reduce coverage gaps
- Data call for Homeowners insurance market being developed to help better access markets, affordability, availability, coverage and underwriting practices, expected that the top 80% of national homeowners insurers will be the respondents

Cybersecurity

- Cybersecurity Event Response Plan draft comment period closed in November, comments being analyzed
- Presentation from CyberCube:
 - Cyber attackers are most likely to access systems via shared technology dependencies such as cloud service providers
 - In any given year the insurance industry will suffer \$434mm in losses
 - Ransomware and data theft are the sources of the largest losses to the insurance industry

Diversity and Inclusion

- Presentation from Dr. Nicole Price, CEO of Lively Paradox, professional training and coaching business
 - Key take-aways
 - You may know about issues but you have to act
 - Have to understand emotionally not just intellectually
 - Do what you say, live according to your values
 - Our role as leaders is to clarify, notice difference
 - Make people feel safe or they won't speak out

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NAIC 2024 Leadership

- President-Commissioner Andrew N. Mais (CT)
- President-Elect-Commissioner Jon Godfread (ND)
- Vice President-Commissioner Scott A. White (VA)
- Secretary-Treasurer-Superintendent Elizabeth Kelleher Dwyer (RI)

NAIC Foundation

- The foundation continues to establish scholarship opportunities for students, internships at state insurance departments.
- Currently working with Alabama Department of Insurance and Troy University in Alabama.

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.
- An extension beyond the targeted December 2023 comment deadline is necessary.

Race and Insurance

- Diversity, Equity & Inclusion (DE&I) state regulator course developed by the NAIC continues to increase participation and positive feedback. Dialogue with insurers continues to take place for feedback and ongoing development of the course.
- Property/Casualty DE&I areas of focus currently are:
 - o Bias in marketing
 - o Access to insurance
 - o Algorithmic bias
 - o Claims handling

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Comments and Feedback

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

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