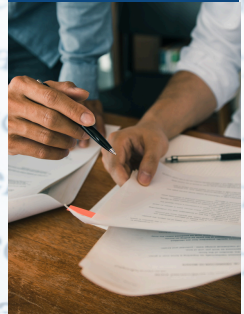


# THE REGULATORY REVIEW

## 2024 Edition No. 2

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)–European Union (EU) AI Act

- ·March 13, 2024, the EU Parliament voted in favor of enacting the AI Act, a comprehensive regulatory regime that will form the basis of AI governance and regulation across the EU and internationally.
- ·Must comply if involved in activities in the EU.
- ·Other countries are beginning to align their own approaches to the AI Act.
- ·Non-compliance can result in fines of up to 35 million euro or 7% of global revenue, whichever is higher.

### Consumer Perspectives–Homeowners, Catastrophe Insurance

- ·Homeowners insurance information from the Center for Economic Justice, a consumer advocacy organization, based on its own study (results are preliminary, still being analyzed)
  - High concentration of uninsured homes in Houston and Miami, also the states of Mississippi, New Mexico, Louisiana.
  - High concentration of uninsured homes by ethnicity:
    - > Black
    - > Native American
    - > Hispanic
  - Recommendations:
    - > Collect more data to analyze for inequality, must be timely and granular.
    - > Enhance mitigation practices to reduce risk.
- Suggested consumer guidance for catastrophe preparedness under current conditions:
  - Seek help from a professional broker/agent who can provide information, guidance, relationship.
  - Reduce risk/mitigate.
  - Understand deductible options.
  - Find out your risk score, correct errors.
  - Consider all types of insurer options.
  - Supplement as feasible.

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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.
- Will incorporate data from existing NAIC efforts, such as collecting more granular data from insurance companies related to climate-intensified wildfires, floods, hailstorms, tornados.

### Cybersecurity

- Cybersecurity Event Response Plan (CERP) adopted
- Intended to support a Department of Insurance (DOI) in its response following a notification or otherwise of a cybersecurity event at a regulated insurance entity.
- Data collection template is included in the plan, suggested data elements include:
  - Date of the event
  - How it was discovered
  - Period during which information was compromised
  - Number of consumers affected
  - Efforts being taken to remediate the situation
  - Steps taken to notify consumers

### Diversity and Inclusion

- Presentation from Dr. Leroy D. Nunery II, President of Evolution Advisor on the topic of the Role of Insurance in Closing Wealth Gaps.
  - Financial inclusion is critical.
  - Not only driven by income equality but also wealth creation.
  - Consumers need more understanding of products.

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### Homeowners Data Call

- NAIC multi-state Property/Casualty Market Intelligence call issued to collect homeowners data for more than 80% of the US property market by premium volume.
- ZIP-code level data for premiums, policies, claims, losses, limits, deductibles, non-renewals, coverage types.
- Anonymized data will be provided to the Federal Insurance Office (FIO).
- FIO will no longer pursue its own data call.
- Results of the call will be used to assess climate-related exposures and their effects on affordability and availability of insurance.
- Responses due June 6.

### NAIC Foundation

- The foundation continues to establish scholarship opportunities for students, internships at state insurance departments.
- December 2023, \$2500 scholarship awarded to a student for the spring 2024 semester and the student will be eligible to participate in the internship program at the Alabama Department of Insurance.

### Privacy Protections

- Work has paused on the development of a new NAIC privacy model law as more information and education regarding issues to be addressed is obtained.

### Race and Insurance

- Diversity, Equity & Inclusion (DE&I) state regulator course developed by the NAIC continues to increase participation and positive feedback.
- Property/Casualty focus on potential bias in the product life cycle specifically credit-based insurance scores.

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### Strategy 2024

- NAIC strategic priorities for 2024:
  - Climate risk and resiliency
  - Economic oversight-cash flows, transparency, modernize the NAIC Securities Valuation Office (SVO)
  - Artificial Intelligence
  - Closing the insurance protection gap

### Third-Party Data and Predictive Models

- Presentation from Florida Hurricane Commission regarding evaluation of hurricane and flood model. Some criteria are:
  - Models must pass all defined standards.
  - Hurricane and flood models are being reviewed.
  - Only long-term models have been reviewed.
  - No reviews of short-term, expert opinion or open platform models have been conducted.
- NAIC charges for 2024 includes:
  - Proposing a framework for the regulatory oversight of third-party data and predictive models.
  - Monitoring state, federal and international activities related to governmental oversight and regulation of third-party data and model vendors, along with recommendations for responses to those activities.

### Workers Compensation

- Work focused on impact of mental health issues in the workplace.

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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](mailto:fyassine@idma.org) or [team@idma.org](mailto:team@idma.org)*

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