



Electronically Submitted to maromero@naic.org

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TO: The NAIC Innovation, Cybersecurity and Technology (H) Committee

Re: Exposure Draft of the Model Bulletin on the Use of Algorithms, Predictive Models and Artificial Intelligence Systems by Insurers

On behalf of our members, the Insured Retirement Institute (IRI)¹ writes to share comments on the Exposure Draft of the Model Bulletin on the Use of Algorithms, Predictive Models and Artificial Intelligence Systems by Insurers. We commend the NAIC taking on such an important topic for the industry, and we share the NAIC's goal of ensuring that decisions impacting consumers that are made or supported by advanced analytical and computational technologies, including artificial intelligence (AI) systems, comply with all existing applicable insurance laws and regulations. We offer the following comments below, however, to ensure that the guidance provided in the Bulletin is workable and practical for insurers.

First, our members have some concerns around the expectations for third-party AI systems and contracts with such third parties. Third-party vendors may be unwilling to provide proprietary information regarding their data or models directly to insurance companies, and we believe recognition of this issue within the Bulletin is important. We agree that third-party AI systems should be included in an insurer's governance framework, however, to the extent that a state regulator requests proprietary information that a third party is unwilling to provide, the Bulletin should provide compliance pathways for insurers. For example, an insurer could demonstrate compliance if the third-party vendor provides requested information directly to the state regulator, or the vendor could attest or certify to an industry standard or report as a demonstration of its compliance. Having the Bulletin acknowledge different ways that an insurer could fulfil its obligations in this manner would be helpful. Additionally, narrower contractual requirements are needed, particularly around the insurer's ability to audit third parties. These terms will likely be difficult to negotiate due to the nature of the proprietary information utilized

¹ The Insured Retirement Institute (IRI) is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, and distributors such as broker-dealers, banks and marketing organizations. IRI members account for more than 95 percent of annuity assets in the U.S., include the top 10 distributors of annuities ranked by assets under management, and are represented by financial professionals serving millions of Americans. IRI champions retirement security for all through leadership in advocacy, awareness, research, and the advancement of digital solutions within a collaborative industry community.

by third party vendors, and we'd urge the Committee to consider alternative pathways for compliance for insurers when it comes to third party AI systems.

Generally, we believe these issues around the third-party vendors need to be addressed as highlighted above. We also urge the Committee to continue approaching this issue in a thoughtful manner so as not to create an environment where only one or two vendors are available while others that may otherwise be compliant are shut out from use by the industry.

Second, we wanted to offer some general comments regarding the different types of AI technologies to ensure that the Bulletin appropriately considers the risk of these different types. For example, we believe that there is a difference between predictive models that are trained on defined, labeled data (supervised by humans), and AI technologies that cannot be fully supervised (i.e., ChatGPT) and may or may not lead to a specific outcome. It would be appropriate to differentiate between these different models and perhaps create a standard that is separate for each modeling type. We'd be happy to collaborate further with the Committee on how to address this issue, but we wanted to at least raise it for consideration at this time.

We appreciate the Committee's consideration of these comments, and we look forward to working with the Committee on this important issue. Please do not hesitate to reach out with any questions or concerns, or if there's anything else with which we can assist.

Sincerely,

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