OECD-OJK Roundtable on Leveraging Technology for Risk Assessment and Risk Reduction in Insurance: Addressing emerging risks from technology adoption - the U.S. Perspective

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NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

NAIC Efforts on Addressing AI/ML Risks

- NAIC adopted the Principles on Artificial Intelligence (AI) in 2020, based largely on the OECD Guidelines.

- Since adopting the principles, the NAIC has focused on:
  - Surveys and understanding industry use of AI
  - Development of a Regulatory Bulletin and Regulatory Questions
  - Revision of Privacy Model Law

Survey Work on Industry Use of AI

- **Private Passenger Auto Survey**
  - 169 of 193 (88%) responding companies use or plan to use AI in some form
  - Of those that use it, most use for claims, marketing, fraud detection, rating, and underwriting
- **Homeowners**
  - 136 of 194 (70%) responding companies use or plan to use AI in some form
  - Of those that use it, most use for claims, underwriting and marketing, and fraud detection
- **Life**
  - 93 of 161 (58%) responding companies use or plan to use AI in some form
  - Of those that use it, most use for underwriting and marketing

- Considering next steps; work dovetails with the NAIC's Race and Insurance workstream looking at how AI can unfairly affect marketing.

Bulletin & Regulatory Questions

- Approved a principles-based Bulletin to including governance framework guidance on the responsible use of AI.
- The bulletin comprises four key sections, each addressing crucial aspects of AI usage by insurers.
- It emphasizes the importance of responsible governance, risk management policies, and procedures to ensure fair and accurate outcomes for consumers.

Privacy Model Law

- Industry's innovations on AI raise questions about privacy – attempting to address via a new Privacy Model Law based on existing related Model Law and Regulation.

- The model covers several topics including:
  - Consumer rights;
  - Consent;
  - Notifications;
  - Third-party service agreements;
  - Data retention;
  - Deletion policies, and,
  - Data sharing agreements.

SupTech

- AI is a tool that supervisors are using for:
  - Prudential supervision to improve solvency monitoring tools
  - Market conduct to review policy form submissions/new form filings

Insurance Specific Action is Imperative

- Important for insurance supervisors to develop insurance specific guidelines because AI is a tool that is evolving
- Insurance has nuances that are important to understand as insurance supervisors consider laws, regulations, and other policy actions
- Insurance supervisors close to consumers are in the best position to account for these nuances and act locally where it makes sense and nationally / internationally where that is also more appropriate.

Thank you!