

Artificial Intelligence (AI) Regulatory Update in Insurance: A Bird's Eye View of the Colorado and NAIC AI frameworks



Side by side comparison of the NAIC vs CDOI

		NAIC	Both	CDOI
Regulatory feature	Specific insurance product application			✓
	Written framework requirements		✓	
	Governance duties		✓	
	Internal design for assessing unfair outcomes		✓	
	Detection of methods		✓	
	Validation methods		✓	
	Quantitative testing			✓
	Calculations			✓
	Bias report card		✓	
	Addressing and remediating potential or future unfair discrimination/bias		✓	
	Testing timeline			✓
	Third party oversight		✓	
	Compliance with regulation timeline			✓



High level overview

Artificial intelligence (AI) is transforming the insurance industry. AI techniques are deployed across many stages of the insurance life cycle, including product development, marketing, sales and distribution, underwriting and pricing, policy servicing, claim management, and fraud detection. States are developing different methods to ensure their consumers are treated fairly under the use of these AI models and predictive algorithms.

The NAIC's Model Bulletin on the "Use of AI Systems by Insurers" was developed to put in place a framework for states to utilize to help oversee

insurers using these systems and make sure they are complying with existing relevant insurance laws and regulations.

The NAIC says it encourages the development and use of innovation and AI systems that contribute to safe and stable insurance markets but stresses that it expects that decisions made and actions taken by insurers will comply with all applicable federal and state laws.

While the NAIC has adopted this model bulletin, it is in no way a model law; it is not created to be adopted by state legislatures as it creates no new statutes. The model bulletin was adopted by the full NAIC membership on December 4 at its Fall National Meeting. The bulletin instead provides guidance with general principals which include no deadlines, no submission requirements, and no testing.

This principles-based NAIC approach is very different than the CDOI's recently adopted Regulation 10-1-1 *Governance and Risk Management Framework Requirements for Life Insurers' Use of External Consumer Data and Information Sources, Algorithms, and Predictive Models*.¹ The NAIC bulletin does not offer anything similar to the proposed testing regulation *Proposed Algorithm and Predictive Model Quantitative Testing Regulation*.² Colorado's regulatory framework was created under a much-debated 2021 state law and mandates a broad and effective approach to addressing, outcome-testing, and remediating for unfair discrimination in insurance.³



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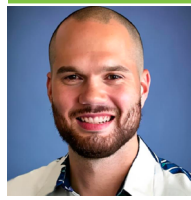


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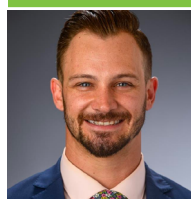
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Endnotes:

1. Colorado Division of Insurance [CDOI Regulation 10-1-1 Governance and Risk Management Framework Requirements for Life Insurers effective November 14, 2023](#).
2. Colorado Division of Insurance [CDOI Proposed Algorithm and Predictive Model Quantitative Testing Regulation September 28, 2023](#).
3. Colorado Division of Insurance [Colorado Senate Bill SB21-169 2021](#).
4. [NAIC material including the clean version of the AI Bulletin](#) December 4, 2023.

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