



*2023 Fall National Meeting  
Orlando, Florida*

**BIG DATA AND ARTIFICIAL INTELLIGENCE (H) WORKING GROUP**

Friday, December 1, 2023  
9:00 – 10:00 a.m.

**Meeting Summary Report**

The Big Data and Artificial Intelligence (H) Working Group met Friday, Dec. 1, 2023. During this meeting, the Working Group:

1. Adopted its Summer National Meeting minutes.
2. Receive an update on the Life AI/ML Survey Report by Commissioner Kevin Gaffney (VT). The survey was conducted under the market examination authorities of 14 requesting states (CO, CT, IL, IA, LA, MN, NE, ND, OR, PA, RI, VT, VA, WI) and completed by active insurers either having at least \$250 million in national life insurance premium for 2021 and have covered at least 10,000 lives by issuing term insurance in 2021 or is an identified InsurTech company.
3. Received an update on the Federal and International Insurance Regulation of AI by Shana Oppenheim and Ryan Workman of the NAIC.

Draft: 11/20/23

Cybersecurity (H) Working Group  
Virtual Meeting  
November 16, 2023

The Cybersecurity (H) Working Group met Nov. 16, 2023. The following Working Group members participated: Cindy Amann , Co-Chair and Kim Dobbs, Jo LeDuc, and Brad Gerling (MO); Gille Ann Rabbin, Co-Chair and Hesham El-Meligy and Joanne Berman (NY); C.J. Metcalf, Co-Vice Chair, (ND), Michael Peterson, Co-Vice Chair (VA); Julie Jette (AK); Chris Erwin (AR); George Bradner, Wanchin Chou, Anthony Francini, Qing He, Jennifer Miner, Kurt Swan, and Kenneth Roulier (CT); Tim Li (DE); Paula Shamburger and Tia Taylor (GA); Lance Hirano (HI); Daniel Mathis and Logan Thomsen (IA); Shane Mead (KS); Jackie Horigan (MA); Kathryn Callahan and Mary Kwei (MD); Jeff Hayen, Isaac Kane, Joe Keith, Jason Tippet, and Danielle Torres (MI); Troy Smith (MT); Tracy Biehn (NC); Colton Schulz (ND); Martin Swanson (NE); Don Layson and Matt Walsh (OH); Mary Block and Karla Nuissi (VT); Tarik Subbagh (WA); Also participating were: Yada Horace (AL); Philip Gates (CO); Anoush Brangaccio, Kun Chen, and Ronald Wayne (FL); Victoria Hastings (IN); Jackie Horigan (MA); Daniel Lawson and Vaness Sullivan (ME); David Bettencourt (NH); Mike , Sebastian Conforto, and Jodi Franz(PA); Joseph Rapczak, Matt Gendron, and Patrick Smock (RI); Allan McVey (WV); and Lela Ladd (WY).

1. Adopted its Summer National Meeting Minutes

Schultz made a motion, seconded by Mead, to adopt the Working Group’s March 7 minutes. (*see NAIC Proceedings – Spring 2023, Cybersecurity Insurance (H) Working Group, Attachment xx*). The motion passed unanimously.

2. Discussed the Comments Received and Heard an Update on the Cybersecurity Event Response Plan (CERP) Drafting Group

Amann said the comments received (Attachment X) have been taken into consideration and drafted into the draft document being reviewed today.

The Working Group welcomes comments, either written comments or verbal comments during this call. Amann asked Miguel Romero (NAIC), to walk through the draft and provide high-level comments on what has changed. Text was added to the end of the Introduction section of the document to remind state insurance regulators of other reporting requirements in a state, for example, the state's Attorney General (AG) or other overlapping laws. A sentence was added at the end of the section to support and encourage using the Lead State concept, where possible and appropriate.

Based on the comments received, a sentence was added to the end of the first paragraph in the “Forming a Team and Communicating with Consumers” section to address the need for communication to be coordinated and consistent with the messaging provided by the affected licensee prior to any consumer communication so that the consumer will receive the correct information.

An “Overview of Lead State Concept” section was added to the CERP document. This section introduces the lead state concept, as well as some reference resources included in the text from the *NAIC’s Financial Condition Examiners Handbook* and the *NAIC’s Market Regulation Handbook*. This section does not provide the state using the CERP a mandate, but it might be beneficial to DOIs.

At the end of the “Understanding and Receiving Notifications” section, language was added to make it clear that licensees have the responsibility of updating and supplementing previous notifications about material changes to previously provided information to the extent possible. A sentence addressing events that originated with a vendor.

A new section, “Data Minimization,” was added to the CERP. This section explains data minimization and adds confidentiality language in response to comments from interested parties. The comments reflected that confidentiality is not just about trade secrets but includes other confidential information that must be protected. The section also addresses that DOIs should limit the collection of information to that which is adequate and directly relevant, as well as necessary to accomplish a specific purpose.

Amann stressed that this document is meant to provide sufficient information to state insurance regulators, whether they are well-versed regarding cybersecurity or those who are new to cybersecurity oversight. While there are still details to be addressed in the current draft of the CERP, the Working Group has incorporated industry comments received to date. The plan is to have a couple of states pilot using the CERP and provide feedback. In 2024 the Working Group will hear from experts and other bodies to discuss their role in responding to security events. NAIC staff are to talk to some of the NAIC Working Groups for their input regarding how the lead state concept might best be added to this document.

Cate Paolino (National Association of Mutual Insurance Companies—NAMIC) stressed that the lead state concept is important because it helps to increase consistency. Romero asked Paolino and other interested parties to provide input regarding the lead state concept and to provide any thoughts as to whether there is any inconsistency in the use of the lead state concept.

Kristen Wolfford (American Council of Life Insurers—ACLI) said ACLI encourages additional language stating that the DOIs should speak through the licensee's head contact. Additionally, ACLI believes there should be consideration of adding language that indicates that the most accurate information is provided by establishing a clear avenue and making sure that the DOIs are not providing forms directly to outside counsel or third-party mitigation firms. Information could still be conveyed to the outside counsel but should occur through the licensee to be sure privilege is being preserved while everyone is abreast of what is transpiring.

Shelby Schoensee (American Property Casualty Insurance Association—APCIA) said that APCIA is supportive of the lead state concept.

Bob Ridgeway (America’s Health Insurance Plans—AHIP) said it is important for state insurance regulators to consider that there are other state law requirements where licensees may need to do further reporting. Most, if not all, states have an attorney general’s law that calls for a breach to be reported to the attorney general. Some licensees may also have to respond to the Gramm Leach Bliley Act (GLBA) requirements. Health insurers have at least three layers of reporting which include 1) HIPAA; 2) the Critical Infrastructure Act of 2022; and 3) the Federal Trade Commission’s (FTC) recent health breach notification rule.

Ridgeway said some of AHIP’s members are concerned they would be penalized if they did not get all the reporting to the DOI in full. He reminded his members that the *NAIC Insurance Data Security Model Law* (#668), as well as the amended versions in various states, partial reports are expected because state insurance regulators acknowledge that a licensee will not have all the information when providing the initial notification.

AHIP is also concerned that the confidentiality provided in Model #668 may not give full protection to information that a state insurance regulator shares with a third-party consultant. AHIP has requested some additional language to be added to the CERP to emphasize state insurance regulators are conscious that providing information to third-party consultants will not increase confidentiality risks.

Peterson said there are efforts at the NAIC level, as well as the U.S. and international level, among financial regulators to solve the problem of the one-to-many relationship between states and insurers when it comes to investigating breaches. The most prominent effort existing among the Financial Stability Board (FSB) is the Format for Incident Reporting Exchange (FIRE) concept.

Peterson said the lead state concepts come from group examinations, which come from threats to enterprise risk insolvency. He said the Working Group is going to work on solving these problems in the CERP's guidance.

Amann said the Working Group welcomes further comments. She said the important thing for state insurance regulators to remember is that the first step for a licensee following a breach is to identify and mitigate the issue.

NAIC staff is to clarify and provide more language around communication between private law firms and state insurance regulators.

### 3. Heard a Presentation on the NIST Cybersecurity Framework

John Boyens (National Institute of Science and Technology—NIST) said NIST's mission is to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life.

NIST has over 3,400 federal employees and about 3,500 guest researchers from around the world.

Both the congressional and executive branches of the government depend on NIST for their technical excellence. The National Security Agency (NSA) uses NIST standards and guidelines as their foundation and then adds more rigorous controls beyond NIST.

Around 2013, there was an executive order that charged NIST with developing a framework for cybersecurity for critical infrastructure. NIST hosted five or six workshops around the country and sent two requests for information (RFI). They collected a lot of information and worked with the private sector industry and academia to build the cybersecurity framework.

NIST's biggest challenge when building the cybersecurity framework was to build it at a level that was not so high-level that it was useless while not being so prescriptive that it would not work across all of the critical infrastructure sectors.

NIST started working on the second phase of the cybersecurity framework, CSF 2.0, in February 2022 and has held three workshops to date. NIST has also had multiple concept papers or drafts of some of the content. The latest version of CSF 2.0 was exposed for a comment period ending Nov. 4. NIST is still getting comments submitted to them. NIST is organizing those comments and has not started the adjudication process but hopes to do so soon.

The financial sector created its own profile, which contains a "Govern" function. A category inside the "Govern" function addresses the internal mechanisms of the supply chain. CSF 2.0 is technology neutral. Many categories were taken out of the "Identify" function and put into the "Govern" function.

Boyens said there are no implementation examples or informative references in the framework core. These two aspects are being moved online, as NIST wants the community to be able to add to the informative references.

Many of the “Govern” sub-categories are things that organizations must do internally before they start pushing their supply chain risk management requirements down their supply chain.

Boyens said NIST is hoping to release the final draft sometime in 2024. Amann encouraged the Working Group members to read the submitted comments. She said these comments provide an idea of how quickly cybersecurity is infiltrating all aspects of business.

A question in the chat asked if NIST works with the Federal Risk and Authorization Management Program (FedRAMP), and if so, what is the involvement. Boyens said NIST helped stand up FedRAMP from their standards. NIST set up the first instance of what the requirements would be for FedRAMP and got their accreditation program set up. Currently, NIST is working on the controls that go into FedRAMP since they are processing, storing, and using federal government data. FedRAMP is required to meet standards and guidelines that NIST produces, so those controls that go into FedRAMP come from NIST.

#### 4. Heard an Update on Federal Activities Related to Cybersecurity

Shana Oppenheim (NAIC) said Senator John Hickenlooper (D-CO) and Senator Shelley Moore Capito (R-WV) have introduced the Insure Cybersecurity Act of 2023. This bill is aimed at helping to better insure small businesses against cyberattacks. The Act would direct the National Telecommunications and Information Administration (NTIA) to create a dedicated working group to develop recommendations for insurers, agents, brokers, and customers to improve communications regarding cybersecurity insurance coverage. It would also direct the publications of easily understandable resources on cybersecurity insurance. The bill was supposed to be marked up this week but was indefinitely postponed.

The executive office of the president's office of the National Cyber Director issued a request for information on cyber regulation harmonization in July. The Office of National Cyber Director (ONCD) is seeking input from stakeholders to understand any existing challenges with regulatory overlap and inconsistencies to explore a framework for reciprocal recognition by regulators of compliance with common baseline cybersecurity requirements. This effort may be intended to harmonize state and federal requirements on examination guidance.

The U.S. Securities and Exchange Commission (SEC) proposed a cybersecurity regulation in July. A final rule was adopted, requiring publicly listed companies to comply with numerous incident reporting requirements and government disclosure requirements. The rules require registrants to disclose material cybersecurity incidents that they experience and to disclose material information about their cybersecurity, risk management, and governance annually. The commission has also adopted rules requiring foreign private issuers to make comparable disclosures.

The Government Accountability Office (GAO) released a cybersecurity program audit guide in September. This guide provides auditors with methodologies, techniques, and audit procedures needed to evaluate the components of an agency's cybersecurity program and system. The guide also includes risk management and incident response.

The GAO issued a critical infrastructure protection national security strategy in September addressing the protection of critical infrastructures, such as water and electricity, from cyberattacks as a national priority. They recommended monitoring federal cyber initiatives and assessing the agency's current information-sharing methodologies to help address cybersecurity challenges.

Having no further business, the Cybersecurity (H) Working Group adjourned.

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Draft: 11/29/23

E-Commerce (H) Working Group  
Virtual Meeting  
November 20, 2023

The E-Commerce (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met November 20, 2023. The following Working Group members participated: Judith L. French, Co-Chair (OH); Troy Downing, Co-Chair (MT); Michael Humphreys, Vice-Chair (PA); Jully Pae (CA), George Bradner (CT), Johanna Nagel (IA); Cathy Abbott (KS); Tom Travis (LA); Cynthia Amann (MO); Matt Fischer (ND); Elizabeth Kelleher Dwyer (RI); and Charles Malone (WA).

1. Considered Adoption of Its Sept. 7 Minutes

Amann made a motion, seconded by Malone to adopt the Working Group's Sept. 7, 2023, meeting minutes (Attachment xx). The motion passed unanimously.

2. Discussed the Draft E-Commerce Modernization Guide and its Adoption

Director French reminded the Working Group that the draft document (Attachment 2) was exposed for a 30-day public comment period that ended on Oct. 9. She stated that after receiving comments, the Working Group chairs and NAIC staff worked together to create the draft document included in this meeting's materials. Director French explained that the draft document is now called the *E-Commerce Modernization Guide* (Guide). She further stated that in the interest of giving Working Group members, interested regulators, and interested parties a chance to review the document, the Working Group has decided to consider adopting the Guide early next year, once the Working Group has reformed and has had the chance to review the draft.

Olivea Myers (NAIC) provided the Working Group with a brief overview of what has changed in the Guide since the comment period ended. Myers noted that the document's name had changed from a framework to the *E-Commerce Modernization Guide* to better fit with the purpose of the Guide. She further explained that the document was then called a framework which tends to be a bit more descriptive of the system of regulation, something this document did not do. Myers stated that the document further evolved into the *E-Commerce Modernization Guide* because its main purpose is to enumerate different modernization tools and to provide guidance regarding e-commerce topics for states that may consider updating applicable laws and regulations within their state. Myers explained that the Working Group received comments from the American Council of Life Insurers (ACLI), the Insured Retirement Institute (IRI), and Northwestern Mutual. She explained that these changes are incorporated within the document. Myers stated that a bullet format was used to incorporate the comments received. Finally, Myers stated due to feedback that was received at the Sept. 7 meeting, NAIC staff removed the use of artificial intelligence(AI), advertising approval, and use of telematics from the document as other committees and task forces are addressing these topics at the NAIC.

Amann mentioned that the Working Group should be mindful of overlap between the work of the Privacy Protections (H) Working Group and the E-Commerce (H) Working Group. Amann explained that she will keep up with what both groups are working on so that there is unified guidance in the Guide and the *Insurance Consumer Privacy Protection Model Law #674*. Director French asked Amann if she saw any inconsistencies between the Guide and the model law. Amann responded that there were none.

Dave Leifer (ACLI) stated that the document has improved and that the new title was a positive change. He stated that there does not seem to be a lot of mention of the state insurance regulator or company experience in the document. Leifer provided examples such as producer licensing exams being administered online and online company filings that have been allowed to be completed electronically due to the COVID-19 pandemic. Leifer explained that the ACLI's view on opt-in/opt-out of electronic communication, including e-signatures or e-delivery, is that there should not be one that is preferential over the other. He explained that every consumer should have the right to choose which one they prefer.

Sarah Wood (IRI) stated that she appreciates the work the Working Group has completed thus far and that the current Guide and its new name are helpful. Wood stated that this work is crucial to develop uniform and meaningful guidance. Wood stated that the members of the IRI would still like the Working Group to develop a model bulletin or guidance to address the issues enumerated in the Guide further. Wood stated that the IRI is working on identifying specific recommendations she can share with the Working Group, including issues regarding annuity replacement disclosures.

### 3. Discussed Its Next Steps

Director French explained the next steps for the Working Group. She explained that the current plan is to have another meeting early next year to consider adoption of the Guide. Director French explained that some steps for the Working Group to consider are to possibly receive presentations from industry experts related to commercial line specific modernization ideas, receive presentations from states identifying future areas to add to the publication, and create a reference library of language that states have used in adopting modernization.

### 4. Discussed Other Matters

Commissioner Downing asked the Working Group to see if anyone had any sense of urgency to consider adoption of the Guide this year. Director French stated that the Working Group did not want to go too long into next year to adopt the Guide, and the plan is to consider adoption of the Guide early next year.

Having no further business, the E-Commerce (H) Working Group adjourned.

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Draft: 9/26/2023

E-Commerce (H) Working Group  
Virtual Meeting  
September 7, 2023

The E-Commerce (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met Sept. 7, 2023. The following Working Group members participated: Judith L. French, Co-Chair (OH); Troy Downing, Co-Chair (MT); Michael Humphreys, Vice Chair (PA); Jully Pae (CA); Dana Sheppard (DC); Johanna Nagel (IA); Craig VanAalst (KS); Jo LeDuc (MO); Martin Swanson (NE); Colton Schulz (ND); Matt Gendron (RI); Amy Ondell (SD); and Charles Malone (WA).

1. Discussed the Updated Framework

Director French briefly went over what the Working Group has accomplished thus far. She explained that in 2021, the Working Group issued a survey asking what laws were implemented during the COVID-19 pandemic that allowed electronic commerce, transactions, and communication to take place when in-person methods were not possible. She stated that the Working Group also sent a survey to insurers and stakeholders asking them to identify technologies or any other forms of electronic commerce that may have impeded their ability to conduct business electronically. Director French explained that an initial document was created, called a framework, and exposed for a public comment period that ended March 23. She stated that Working Group leadership worked with NAIC staff to create the current draft framework that was included in the materials for this meeting. She stated that the document is a summary of the input the Working Group received and does not take a position on whether a state should amend its regulatory requirements, as that will remain a decision for each state to make. Instead, Director French stated that this framework will be a resource for states to consider when reviewing their rules or regulations. She explained that the Working Group's intent is to adopt the framework by the end of the year and that the Working will expose the updated framework for further comment.

Commissioner Downing agreed that the framework is nonprescriptive in nature and that it lays out what issues there might be regarding electronic commerce. He also agreed that the exposure of the document is a good next step.

Sarah Wood (Insured Retirement Institute—IRI) stated that she appreciated the work on the updated framework and that it is helpful. She asked if a work plan was being developed to produce guidance or a bulletin after the framework is adopted. Director French stated that right now, there is no plan for further guidance once the framework has been adopted, but she did state that she did not want to completely foreclose that possibility. Director French further stated that the thought of the Working Group is that the framework is to serve as guidance to the states. Commissioner Downing agreed with Director French's statements regarding the Working Group's plan to solely produce the framework at this time. Director French told Wood that if she sees the need for something additional later on, she should express that need to the Working Group.

Wood stated that members of the IRI would like to see something more explicit about what is acceptable when it comes to modernization but that she would be happy to provide more details on that. Director French said that Wood's perspective was helpful and that she is looking forward to receiving comments on the draft framework from the IRI. Miguel Romero (NAIC) stated that he could see a possibility that the framework could be adopted this year and then have possible updates next year or the year after, especially after industry and the public get a chance to understand what this publication is.

Birny Birnbaum (Center for Economic Justice—CEJ) stated that the document is more of a brainstorming document than a framework. Birnbaum believes that this is a good start, but the document needs to be winnowed down to the things that state insurance regulators think are relevant. He also stated that the document needs to provide guidance for state insurance regulators to address those issues. Birnbaum stated that there are items in the framework that do not need to remain on the list. He stated that the use of artificial intelligence (AI) does not need to be on the list because it is being addressed elsewhere in the NAIC. Birnbaum also suggested that the items that are useful to state insurance regulators should be prioritized and expanded upon in this framework.

Schulz responded to Birnbaum's point about prioritization, stating that there is prioritization built and considered in the framework. Birnbaum responded by stating that it is not clear to him that the current framework represents a prioritization as he reads through the document; rather, it seems to list a set of issues. Birnbaum further stated that if the intent is to prioritize certain items, it would be good to state explicitly that those are "priority items" and the other ones are not. Schulz stated that the items in the framework are numbered, and that provides proper prioritization guidance. Birnbaum stated that he reads the document as a list of items and not necessarily a hierarchy of items. Director French stated that the Working Group will consider that in determining what the final document will look like. Romero stated that the benefit of the comment period could allow the Working Group to consider what is in and out of scope for the framework and what the document needs in order to be a useful resource for state insurance regulators.

Director French thanked everyone for their input. Commissioner Downing stated that he appreciates the input received during the meeting, and he looks forward to completing the framework.

Having no further business, the E-Commerce (H) Working Group adjourned.

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Draft: 9/28/23

Innovation in Technology and Regulation (H) Working Group  
Virtual Meeting  
August 29, 2023

The Innovation in Technology and Regulation (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met Aug. 29, 2023. The following Working Group members participated: Jason Lapham, Chair (CO); Dana Popish Severinghaus and C.J. Metcalf, Co-Vice Chairs (IL); Matt Walsh, Co-Vice Chair (OH); Sarah Bailey (AK); Erick Wright (AL); Letty Hardee (AR); Lucy Jabourian (CA); Anthony Francini (CT); Dana Sheppard (DC); Tim Li (DE); Travis Grassel (IA); Weston Trexler (ID); Rachel M. Davison (MA); Sandra Darby (ME); Chad Arnold (MI); Cynthia Amann (MO); Colton Schulz (ND); Connie Van Slyke (NE); Cass Brulotte (NM); Brian Fjeldheim (OR); Eric Lowe (VA); Ned Gaines (WA); Rebecca Rebholz and Timothy Cornelius (WI); and Juanita Wimmer (WV).

1. Adopted its April 27 Minutes

The Working Group met April 27 and took the following action: 1) discussed an overview of its 2023 work plan; 2) discussed the development of a SupTech Forum; 3) discussed the development of an InsurTech Forum; and 4) heard a presentation from the Aite-Novarica Group on ChatGPT.

Gaines made a motion, seconded by Grassel, to adopt the Working Group's April 27 minutes (Attachment XX). The motion passed unanimously.

2. Heard Updates from the GIA and the ITNY

Lapham opened the next agenda item, first discussing the initial intention of the Working Group. He said the Working Group initially intended to launch an InsurTech Forum at the 2023 Insurance Summit. The Working Group commissioned a volunteer group to design the program, which was later opened to InsurTech companies. However, the program did not receive enough interest to proceed as planned. Instead, the Working Group decided to pivot to meeting with InsurTech groups to learn about what they are doing and later revisit the Working Group's own programming ideas.

Lapham next thanked the volunteers who helped design the initial forum idea: Walsh, Metcalf, Shannen Logue (PA), Arnold, Kory Boone (MD), Chris Aufenthie (formerly ND) Gary Sullivan (American Property Casualty Insurance Association—APCIA), and Chanda Brady (formerly American Council of Life Insurers—ACLI).

Lapham next welcomed the speakers for the call, Dan Israel (Global Insurance Accelerator—GIA) and David Gritz (InsurTech NY—ITNY). Israel and Gritz started by introducing themselves and discussing the programming each organization offers, with both running programs that assist startups in working through the business life cycle from concept to connecting with expert resources and sources of capital.

Lapham asked Israel and Gritz about trends among InsurTechs. Gritz talked about life insurance companies increasingly providing wellness programs and running into issues regarding the rules limiting factors that can be considered related to life insurance policies. He said startups occasionally struggle to propose or explain their ideas, given their lack of experience working with state insurance regulators. He said proactive engagement with InsurTechs can help them understand regulatory expectations. Israel discussed the diligent search requirement needed for surplus line writers to offer certain coverages, which can be challenging for InsurTechs to complete in

a way that meets state insurance regulator expectations. State insurance regulators setting clear expectations for InsurTechs could be beneficial to aid in addressing that difficulty.

Lapham next asked about roadblocks. Israel pointed to the lack of access to data to allow InsurTechs to prove their ideas, given that many carriers are reluctant to share their data. Gritz agreed that access to data is a challenge, and he specifically addressed that claims data can make it difficult to determine the profitability of new products or ideas. Both Gritz and Israel discussed that access to capital is a new challenge, with Israel noting that reinsurers have grown conservative in the current business cycle.

Lapham next asked about what state insurance regulators can do to support InsurTechs, noting that there is a learning curve for proper discussions. Israel noted that the GIA has a great relationship with the Iowa Insurance Division, which meets with the founders involved in the GIA's programs and helps them receive questions they may not have otherwise considered. He said state insurance regulators need to show up and provide a good message letting InsurTechs know they want to see their products but that they want those products to be brought in a way that preserves the protection of policyholders. The ITNY tries to facilitate panels to allow founders to hear from state insurance regulators. Israel and Gritz encouraged state insurance regulators to get involved and learn about what the InsurTech community can offer and learn about how technology is being used in other industries to understand the potential for value in the insurance industry.

Lapham next asked if there were any aspects of InsurTechs that were often misunderstood. Israel noted that many InsurTech founders do not come from the insurance industry; therefore, at times, they struggle to bring good ideas to life. Thus, the GIA tries to help the InsurTech community understand the highly regulated space they are entering. Gritz noted that time matters more to InsurTechs. Waiting an extra month can be a significant event to InsurTechs that could result in a founder not taking a salary for a month. Additionally, many InsurTechs are not risk-bearing entities, with many wanting to be a producer or underwriter. Gritz also suggested that state insurance regulators take a holistic view of InsurTechs, including consideration of their reinsurance stack, as opposed to narrowly focusing on their capital at the legal entity level.

Lapham next asked about success stories and examples of InsurTechs that were unsuccessful. Gritz talked about InsurTechs that have written policies for less than a year that could be adjusted as the number of employees in a company fluctuates but that run into difficulties where such a product is prohibited. At times, InsurTechs have been able to engage with state insurance regulators to articulate why rules should be changed and have had some success. One other idea that has not succeeded has been related to direct-to-consumer life insurance sales, where some companies have found that although it is possible to innovate, there remains an important need for people to be involved in helping consumers navigate their choices. Israel talked about InsurTechs being successful in cyber insurance, helping companies understand their cyber risk exposure, leading to customized cyber insurance coverage. Another unsuccessful idea was the use of telematics, which is still used but has not solved enough of a problem for consumers to lead to meaningful adoption.

Lapham closed the discussion with a question about examples of InsurTechs and state insurance regulators working together. Israel and Gritz talked about positive experiences with state and international regulators. Grassel noted that the Iowa Insurance Division continues to learn from its engagement with regulators, and he noted the importance of relations to help drive InsurTechs forward. Lapham agreed that conversations are important and can help regulators appreciate the constraints InsurTechs operate under.

Brulotte asked how state insurance regulators and InsurTechs can balance competing objectives with regulators trying to protect consumers and InsurTechs trying to derive profit. Israel noted that mentoring groups such as his try to bring in mentors who represent all aspects of the insurance life cycle. If InsurTechs reduce expenses for

carriers, that can likely lead to consumer benefits. Israel noted that InsurTechs can also help improve the service provided. Gritz noted that InsurTechs may help find areas where new products are needed to help address underserved markets and can help innovate, leading to beneficial pricing changes.

Having no further business, the Innovation in Technology and Regulation (H) Working Group adjourned.

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