

its ambitions. Commissioner Conway suggested an amendment to recommendations 4 and 5 to assess the cost prior to incorporating Al.

Birny Birnbaum (Center for Economic Justice CEJ) said the MIS is still working within a 20th century regulatory framework regarding the use and analysis of data. He said the recommendations do not move the framework much further along. He said recommendation 5 should be the highest priority. He noted that industry has aggressively used AI and predictive models for 30 years; they did so without any cost-benefit analysis because the benefits were obvious. He said the application of advanced analytics to more granular data will dramatically improve the ability of state insurance regulators to address issues in a timely and effective manner. He said AI requires granular data, and the current summary data in the MIS is not useful for AI. He said AI analytics is not very expensive once you have the data; it just requires the right skillset. He said he was not aware of any cost-benefit analysis because the collection initiative. He noted that AI techniques would reduce costs for state insurance regulators would spend less time identifying issues. He said the qualitative benefits outweigh any potential costs.

Andrew Pauley (National Association of Mutual Insurance Companies NAMIC) said if the Task Force adopts the recommendations, there will be pressure to move quickly on them; yet, the state insurance regulators are still looking into the industry usage of AI and establishing guardrails for industry. He said the report itself noted that incorporating AI would result in pursuing false positives that will not only be costly for the state insurance regulators and industry but could also result in missing real issues. He also cautioned that the accumulation of granular data will result in confidentiality and cybersecurity concerns. He said the accumulation of transactional data without proper guardrails is a concern. He said these types of concerns require a cost-benefit analysis. Commissioner Conway noted that Colorado passed a law to regulate insurers use of big data algorithms, which was fought aggressively by NAMIC. He said he could not accept NAMIC now saying that state insurance regulators should not use AI due to not having guardrails in place. He asked Mr. Pauley how AI has benefited industry. Mr. Pauley said industry and state insurance regulators have two different datasets. He said the industry has benefited consumers through timely responses, matching rates to risk, claims triaging, and combatting fraud. However, the incorporation of AI to regulate industry has not yet been shown to be superior to the current analytical tools. Mr. Pauley said the five recommendations are too broad and do not have discernible goals; the ramifications of adopting them should be considered. He said AI is evolving quickly, and the broad recommendations may be obsolete in a year, so he recommended a more deliberate step-by-step approach.

Commissioner Conway said the possibility of false positives is not concerning. Any new process would have false positives, and this would improve as market analysts learn more. He said one of the benefits of ML is that the tools would improve as time goes on and more data and results are input.

Director Severinghaus said the conversation is getting into the details, and she suggested that the Task Force first decide whether to adopt the recommendations and then develop the details and scope after the recommendations are adopted. Commissioner Conway agreed. Ms. Weyhenmeyer suggested adopting the recommendations as they are and asking the Market Information Systems Research and Development (D) Working Group to come up with recommendations for implementation. Commissioner Conway agreed and said he would like to adopt the recommendations and ask the Working Group to put together a work plan that includes an analysis of costs for recommendations 4 and 5.

Ms. Cloyd said she believes it is possible that some Task Force members may be in favor of the first two recommendations but not the last three recommendations. By splitting the vote, the Task Force could at least adopt a portion of the recommendations.