Market Analysis Procedures (D) Working Group

May 30, 2023

To: Jo LeDuc, Chair of the Market Analysis Procedures (D) Working Group
    Randy Helder, Assistant Director of Market Regulation Regulatory Services, NAIC

From: Karen Veronikis, Chief of the Division of Market Analysis - Pennsylvania

RE: Pennsylvania Comments on Data for Market Analysis and Predicative Abilities of the Market Scoring Systems

Pennsylvania Comments:

An initial idea for our use of AI in Market Analysis would include RIRS and MATS. When an analyst is researching past exams there could be pages and pages of information between MATS and RIRS. It would be helpful and efficient if we had the availability to ask AI to pull all exams with information such as - penalty of $5000 or more, all exams with consent orders, list all exams that resulted in restitution, searching for exams that included unfair insurance practices or other egregious issues, and pulling all entries for a specific state.

Another idea could be asking AI to include findings of a company that is making questionable judgements or having more fines with a change of control, company, or senior leadership.

Pennsylvania would like to ensure that we have a way to watch for AI bias. If AI finds that a specific company name, type, location, etc. has repeated issues, it may start to ignore other company data and only focus on where there are rea. a̶ certain amount. We would also recommend that the use of AI be limited on the self-learning and instead require human reviews and instead require human reviews to better teach the algorithms. For example, humans build in "red flags", but you could have the system identify patterns for when there are fines. The system can suggest their found "red flags" be added to the list, but only if a human says it is a true red flag.

Thank you for the opportunity to share our comments.

Respectfully submitted,

Karen Veronikis