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| **To:** | Scott Sobel, AI Policy Advisor, Big Data and Artificial Intelligence (H) Working Group<br>Miguel Romero, Director, P&C Regulatory Services, Big Data and Artificial Intelligence (H) Working Group |
| **From:** | Lauren Cavanaugh, FCAS, MAAA, Partner, RRC<br>Liz Wortman, ACAS, MAAA, Actuarial Consultant, RRC<br>Scott Merkord, FCAS, MAAA, CPCU, Actuarial Consultant, RRC<br>Sandeep Patil, FSA, CERA, MAAA, Actuarial Consultant, RRC |
| **Date:** | September 5, 2025 |
| **Subject:** | RRC Comments regarding the AI Systems Evaluation Tool to identify and assess the AI-related risks of insurers |

**Background**

The Big Data and Artificial Intelligence (H) Working Group has released a draft version of an AI Systems Evaluation Tool to identify and assess the AI-related risks of insurers. The Working Group has requested commentary on the draft Evaluation Tool.

RRC appreciates the opportunity to offer our comments on the Artificial Intelligence Systems Evaluation Tool. We have provided comments on several of the Evaluation Tool's contents. Should you have any questions, we would be glad to discuss our comments with you and Working Group members.

We appreciate the Working Group's efforts to establish a framework and controls that promote responsible AI use and fair treatment of consumers in the insurance industry.

**General Commentary**

RRC supports the implementation of an AI Systems Evaluation Tool to provide an outline to both guide AI monitoring best practices and allow regulators to consistently evaluate AI models across different companies and states. Our overall assessment is that the scope outlined is open to broad interpretation and the Working Group should consider incorporating more details to ensure the instructions are specific enough for individual states to evaluate models in a coordinated way. To this end, we suggest including the following additional guidance:

1. Guidance regarding when this Evaluation Tool should be utilized. For example, should this evaluation tool be incorporated into most full-scope financial and/or market conduct exams? What other events could trigger the need to use the Evaluation Tool? Should a routine annual assessment be considered for those entities that use this technology?
2. Guidance regarding how individual states would coordinate in using the Evaluation Tool. For example, would the lead state on a multi-state exam be the requestor of the information? This will help to avoid multiple states making requests of the same insurer on the same topic.
3. Guidance regarding how states can assess the magnitude of the impact of models, in order to determine a threshold for when certain models may need to be investigated further.

**Exhibit A: Quantify Regulated Entity's Use of AI Systems**

RRC has interpreted the goal of Exhibit A as gathering an inventory of AI models and corresponding details about them to effectively regulate their usage. While the initial structure accomplishes this goal, we have suggestions to both streamline and clarify the process as well as the incorporation of additional pieces of information that may be relevant to gather.

Within the instructions, the definition of AI model, as written, reads as if it would include nearly all types of models (whether they involve AI or not). The Working Group should consider making this definition more specific to narrow the scope so that it focuses on the specific models that are of interest.

Additionally, insurers are likely to have many AI models in use for the categories listed. For instances in which this is the case, the last column ('Use Cases') may be difficult to complete. Further, some AI models will be used across multiple categories (e.g., marketing and underwriting). Instead of solely providing counts, the Working Group should consider requesting a detailed inventory of AI models, including model name, time period in use, description, use case, flag for vendor/internally maintained, and flags for impacts (consumer, financial, consumer complaints). Adding a flag for whether the model is supported, augmented, or automated may be useful as well.

We agree it is useful to include an ability to count the number of models with Consumer Impact and Material Financial Impacts. Additionally, another impact area to consider is impact on the risk management function.

To promote consistency, we recommend either defining a standard materiality threshold for financial impact or requiring insurers to disclose their criteria for materiality.

**Exhibit B: (Narrative) AI Systems Governance Risk Assessment Framework**

RRC has interpreted the goal of Exhibit B as a framework to better understand the governance and controls in place and assess the magnitude of risk that results from proper governance or lack thereof.

The table below details specific edits we believe would help with clarity and completeness.

| Item Reference Number | Current Wording | Suggested Revised Wording |
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| Identifying Information | *"Line of Business (complete one for each line of business):"* | Because multiple lines of business may use the same models, requiring a separate submission for each line of business may be redundant in certain cases. We suggest revising this line to align with the instructions in Exhibit B: (Checklist):<br>*"Include all companies and lines of business. If the governance differs by entity, line of business, or state, work with your domestic regulator to determine if multiple submissions are needed."* |
| Item #1, part d | *"Discuss the process by which the effectiveness of the framework is assessed and modified."* | *"Discuss the process by which the effectiveness of the framework and individual models are assessed and modified."* |

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| Item #2, part c | *"Generates or impacts information reported in financial statements."* | *"Generates or impacts information reported in financial statements either indirectly or directly."*<br>Additionally, adding clarifying examples, such as the following, would be helpful in articulating the intent of the form.<br>*"A model influencing management's decision on estimates of its carried loss reserves should be included here."* |
| Item #3 | *"Discuss the development, testing and implementation of AI systems that differ from established IT system and data handling protocols.*<br>*a. Discuss the basis for deviation from established practices."* | *"Discuss the development, testing, and implementation of AI systems that the Company has implemented. If appropriate, include details regarding where any systems differ from established IT systems and data handling protocols.*<br>a. *Discuss the basis for deviation from established practices."* |
| Item #4 | *"Provide the policy and discuss the use and oversight of AI system vendors, model design and testing:"* | We suggest adding an additional item:<br>*"d. Discuss the development of any forecasting and monitoring to ensure it is operating within expected ranges."* |
| Item #6 | *"Discuss the use of open-source AI in the organization:"* | We suggest adding a sub-question regarding any potential Material Financial Impact of open-source AI systems. |
| Item #7 | *"Discuss any AI system initiatives being developed and/or implemented within the next six months."* | We suggest adding a sub-question regarding the potential and current Material Financial Impact of AI systems initiatives. |
| Item #9 | | We suggest adding the following item and sub-questions:<br>*"9. Discuss the efforts to understand any data and cybersecurity risk considerations, including:*<br>*a. Discuss changes to the organization's security risk profile.*<br>*b. Discuss data control and protections, including:* |

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| | | i. *Encryption: Data processed by AI systems is encrypted both in transit and at rest.*<br>ii. *Data Segregation: Protections over the commingling of organizational data with other entities' data.*<br>iii. *Data Loss Prevention (DLP): Protections have been defined so that only appropriate information can be shared with the from AI systems.*<br>c. *Discuss performance of security and controls assessments, including:*<br>i. *Internal Assessments: Regular reviews of supporting equipment and systems, including vulnerability assessments and penetration testing.*<br>ii. *External Assurance: Obtaining and review SOC 2 Type II reports or equivalent assurance documentation in support of the vendor environment.*<br>iii. *Continuous Monitoring: Ongoing monitoring of AI systems for compliance with security policies and standards."* |

**Exhibit B: (Checklist) AI Systems Governance Risk Assessment Framework**

An additional question for the Working Group to consider including under item number 4, is requesting details around the approach used in determining the Model Drift.

Another item to consider requesting is details around the personnel/employees or vendors responsible for model governance and adherence to company policies.

**Exhibit C: AI Systems High-Risk Model Details**

RRC has interpreted the goal of Exhibit C as gathering more granular detail than requested in Exhibit A on models deemed high risk.

In order for the regulator to know for which AI system models to request this information, it would be appropriate to request a list of models in Exhibit A, rather than counts (as suggested earlier in this letter).

Additional components we suggest adding include: time period of use, utilization of external data, summary of the types of external data used (if applicable), list of other models relied upon (if applicable), known weaknesses of the AI system model, and outstanding required remediations of the AI system model.

Other items the Working Group may consider requesting are further detail around the types of algorithms or statistical approaches used (i.e. neural network, machine learning, natural language processing, etc.) and time spent building and training the model before deployment.

**Exhibit D: AI Systems Model Data Details**

RRC agrees with the general structure and purpose of Exhibit D. For clarity, we suggest defining the term "non-traditional" in the "Other" row. We suggest adding Age, Gender, Ethnicity/Race and Employment Status as rows.

Thank you for the opportunity to comment on this important topic. We can be reached at 609-255-9778/lauren.cavanaugh@riskreg.com or 217-663-2650/liz.wortman@riskreg.com for any questions.