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Third-Party Data and Models (H) Working Group
Virtual Meeting
May 22, 2025

The Third-Party Data and Models (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met May 22, 2025. The following Working Group members participated: Jason Lapham, Chair (CO); Nicole Crockett, Vice Chair (FL); Alex Romero and Molly Nollette (AK); Charles Hale (AL); Lori Dreaver Munn (AZ); Chandara K. Phanachone (CA); George Bradner and Kristin Fabian (CT); Kathleen Nakasone (HI); Travis Grassel (IA); Weston Trexler and Shannon Hohl (ID); Shannon Whalen (IL); Craig VanAalst (KS); Caleb Malone (LA); Jackie Horigan and Caleb Huntington (MA); Raymond A. Guzman (MD); Sandra Darby (ME); Phil Vigliaturo (MN); Julie Lederer (MO); Tyler N. Erickson and Colton Schulz (ND); Christian Citarella (NH); Gennady Stolyarov and Brandon Rocchio (NV); Matt Walsh (OH); David Dahl and Ying Liu (OR); Michael McKenney, Michael Humphreys, and Shannen Logue (PA); Beth Vollucci (RI); Will Davis (SC); J'ne Elizabeth Byckovski (TX); Jessica Baggarley and Eric Lowe (VA); Rosemary Raszka and Mary Block (VT); and Timothy Cornelius and Coral Manning (WI).

1. Discussed its 2025 Work Plan

Lapham noted that this was the first open call for the Working Group since the 2024 Fall National Meeting. He reminded the group that it has changed from a Task Force to a Working Group as part of a multi-committee action plan adopted by the Innovation, Cybersecurity, and Technology (H) Committee at the Spring National Meeting to maintain consistent naming conventions across NAIC groups; however, the group's charges and work plan adopted at the end of last year have not changed.

Lapham reminded the Working Group that its goal is to develop and propose an optimal framework for the regulatory oversight of third-party data and predictive models, which may require new model laws or modifications to adopted model laws or regulations in 2025. He noted that the intention is not to build a ground-up framework but to examine how regulatory oversight should adapt to insurers' use of third-party data and models.

He stated that the second charge of the work plan is to monitor governmental oversight and regulation of third parties; however, in this meeting, the Working Group will be concentrating on the first charge, which is to develop and propose a framework for the regulatory oversight of third-party data and predictive models, as that will be the Working Group's main focus throughout this year.

Lapham stated that the 2024 plan to develop a general concept for a framework for overseeing third-party data and models, including those utilizing artificial intelligence (AI), needed to slow down so that other Innovation, Cybersecurity, and Technology (H) Committee groups could work on their initiatives such that both Working Groups can coordinate. The Working Group's goal is to continue work planned for 2024. The remaining first-step task was to discuss whether existing frameworks could regulate third-party data and models. The final 2024 step was to discuss goals for a future third-party framework.

The work plan for 2025 is to build the regulatory framework, and the likely output will be referrals to other groups to implement the plan.

 

2. Heard a Report on High-Level Regulatory Survey Results

Lapham stated that the key parts of the survey are to: 1) identify current state frameworks that are applicable when insurers purchase and use data or models from a third party; 2) identify issues the Working Group needs to solve; and 3) establish the definition of third party.

Regarding existing frameworks, states reported that they have broad authority in this area and are awaiting NAIC guidance for next steps. States report the most focus to date has been on four areas: 1) property/casualty (P/C) rating and underwriting, with an emphasis on personal lines; 2) licensed advisory organizations, rating organizations, etc.; 3) financial analysis/examination for all lines of business; and 4) Market Conduct Annual Statement (MCAS) questions about life accelerated underwriting.

Other types of reviews that were mentioned less frequently were P/C rating and underwriting for commercial lines; health rate filings when third-party models are used; accident/health and health/life claims third-party administrator (TPA) services; life and annuity principle-based reserving (PBR); market conduct (especially claims and underwriting); and life/disability insurance (DI)/long-term care (LTC) rates when third parties are mentioned in the actuarial memo.

States most frequently cited frameworks for overseeing third-party activity in areas including rate/form and P/C product filings, market conduct, actuarial, financial analysis, state bureaus, and the hurricane commission. Some states cited other areas such as data analytics, information technology (IT) exams, PBR exams, and title agent audits.

Many states have issued bulletins, P/C rate and form filing regulations, and System for Electronic Rates & Forms Filing (SERFF) P/C rate filing requirements with a focus on third parties. One state referred to a regulation on third-party data. Otherwise, states are currently relying on existing laws such as the *Unfair Trade Practices Act* (#880), the *Unfair Claims Settlement Practices Act* (#900), and general filing statutes. Some states have specific requirements for the licensure of advisory organizations.

The Working Group will focus on developing a framework to assess third-party data and models, similar to how the Big Data and Artificial Intelligence (H) Working Group will evaluate insurers' use of internally developed AI. However, the Working Group is concerned with third-party data and models in general, not limited to those within an AI system.

Lapham stated that the primary goal of a third-party data and models regulatory framework is to solve the following issues: 1) the inability to assess fairness of insurers' data and model use, including unfair discrimination and verification of model outputs; 2) limited governance and oversight of how third-party models and data are tested, controlled, and monitored; and 3) the inability to determine whether rates are excessive, inadequate, or unfairly discriminatory when third-party models or data are used.

3. Discussed the Definition of Third Party

Lapham noted that the survey asked how "third party" should be defined within the regulatory framework and explained that, while it seems like an obvious answer, "third party" refers to any source other than the insured or insurer; however, this definition may need further clarification.

He initiated discussion by asking whether the Working Group should: 1) focus on vendors that offer at least one model or dataset for insurance operations; 2) treat third-party vendors within an insurance group differently from

 

unaffiliated third parties; 3) define the scope of "insurance operations"; 4) exclude certain models, such as those used by human resources (HR) or internal AI systems; 5) set boundaries for how far regulatory oversight should extend; 6) place limits on the types of data to examine further; and 7) distinguish between data vendors, like Google, Facebook, or the U.S. government, where review methods may differ.

Stolyarov commented that a third party is anyone other than the insurer or the insured, and any information not provided directly from the insured or from the insurer's own records or experience with the policyholder is considered third-party information. Regarding how third-party data is treated, it is reasonable that differences should exist. He used the example of insurers being allowed to obtain information from governmental entities under certain conditions, such as a department of motor vehicles (DMV). Insurers can pull DMV reports, but only within a certain time frame.

Stolyarov said that governmental third-party data is subject to certain frameworks that may not be specified in private third-party data laws, so the framework should consider when the data is gathered. The validity of general statistical information about a location or weather phenomena, for example, would not be a concern, but the specific use of the information would be. On the other hand, some third-party data aggregators solely exist to crawl the web and gather information about individuals, but the way they compile or define that data may not meet consumer protection standards. As a result, such vendors should be considered separately.

Regarding Facebook, Stolyarov asked whether insurers mining Facebook posts should warrant specialized treatment or prohibition. He recommended a broad definition of a third party, with distinctions based on the type of information sources.

Schulz commented that "third party" versus "holding company/affiliate" is a key term to define within regulatory authority.

Lauren Pachman (National Association of Professional Insurance Agents—PIA) commented that Stolyarov's proposed definition would make independent agents into third parties and asked whether that was the intent.

McKenney commented that the term "third-party data" refers to first-party (policyholder) data that third parties have collected and suggested defining it as data from outside the insurance transaction used within that transaction.

Schulz agreed with McKenney's point that the Working Group should focus on third parties accessing first-party insurance transaction data.

Stolyarov agreed that agents represent the insurer, so the information they collect, whether from applicants or insurers, is not third-party data. This applies to both independent and exclusive agents. He clarified that third-party data should come from entities genuinely external to the insurance transaction but whose information informs insurer decisions like underwriting, rating, or risk segmentation.

J.P. Wieske (American InsurTech Council—AITC) warned against overly broad regulation, noting concerns from cybersecurity law about unintended oversight of unrelated services, like janitorial services hired by insurers. Wieske recommended creating sub-definitions within the definition of third parties to differentiate demographic and geographic data, and raised a question about the scope, especially in pricing decisions for specific policies. He recommended a graduated approach that starts with a broader model and gradually collects data over time to improve understanding of the market for the industry and regulators.

 

Scott Harrison (AITC) commented that AITC submitted a risk-based approach that Connecticut has successfully used for several years.

Birny Birnbaum (Center for Economic Justice—CEJ) asked whether the Working Group could expose the survey questions. Lapham said they could not be exposed because the survey was regulator-only.

Steve Clarke (Verisk) cautioned against sweeping statements about all activities and responded to Stolyarov's point about using Facebook data. He acknowledged valid uses of Facebook data in fraud investigations and special investigations unit (SIU) work and noted that some organizational activities may require different treatment. For example, Verisk, as a licensed advisory and rating organization, files extensive materials with insurance departments but also provides information to carriers that can be difficult to categorize. He recommended a flexible definition focused on the nature of the activity rather than the entity.

Lapham said that how third-party data or models are used in insurance can affect their definition. He said that the question of the definition will be exposed for a 30-day public comment period ending June 20.

4. Discussed Next Steps

Lapham said the next steps are to establish the definition of third party based on input from interested parties and discuss issues to be solved that regulators identify, including data that is not used within an AI context.

Stolyarov commented that the distinction matters greatly because most states have experience regulating traditional predictive or deterministic models, whereas AI models are more dynamic and require a different framework. He raised the point of considering the level of human involvement in the decision-making process.

Lapham agreed that the Working Group's charges encompass consideration of data used in a non-AI context.

Birnbaum said these questions are premature, as definitions are needed first for third-party data and vendors in all aspects that consumers may face. He recommended distinguishing either by data life cycle or data type.

Logue commented that the Big Data and Artificial Intelligence (H) Working Group questioned who is liable for data accuracy when working with third parties. She said that accountability and transparency are essential in these relationships.

Lapham reiterated that the clear next step is to consider the definition of third party.

Having no further business, the Third-Party Data and Models (H) Working Group adjourned.

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