

# Opposition to the Proposed “*Model Act Regarding Insurers’ Use of Artificial Intelligence*”

## From the InsurTech Coalition

### Introduction

The InsurTech Coalition and its member companies are deeply committed to responsible innovation in the insurance industry, innovation that is grounded in fairness, transparency, and consumer empowerment. Our goal is to partner with regulators and policymakers to build frameworks that enhance protection and drive value for all stakeholders.

It is in this spirit of collaboration that we offer our constructive criticism regarding the proposed *Model Act Regarding Insurers’ Use of Artificial Intelligence*. While well-intentioned, the Act as drafted risks confusing rather than clarifying, duplicates existing regulatory guardrails, and could divert focus from an outcome that truly matters — namely fair, transparent and timely claim handling.

### Existing Regulatory Foundations Reach AI Use Through Regulating Results

Insurers are already subject to comprehensive statutory and regulatory regimes that govern conduct, discrimination, claims handling, underwriting, and transparency — whether decisions are made by humans, algorithms or hybrids. Particularly, insurers’ claims determination processes are rigidly prescribed. The existing laws’ goals are to ensure timely appropriate **results**. Focusing on the decision making process alone is unlikely to yield a meaningful benefit.

### Specific Issues

A few issues presented by the draft for consideration:

- The draft relies on the unstated assumption that human professionals can or will provide clearly articulable reasons and accurate records of decisions. What does it mean for a human to document “the basis for the denial” of a claim - is it simply that the appropriate documentation is in a claim file? Would a human be able to identify all the information considered? An AI System is as capable as a human of identifying all relevant documentation considered in a claim decision and keep a record.

- Many states do not require that an adjuster hold a license and also provide for exemptions for licensing. Would this Act apply in instances in which a license is not required?
- There is no materiality or risk assessment involved. What level of judgment is required to determine that a claim is below a deductible or filed after a policy expired?
- If all customers receiving a claim determination are provided with the key reasons for a denial and how to appeal a decision, would the proposed Act be necessary?

We respectfully suggest that in light of existing laws and practice, the proposed Act would impose obligations on insurers that will have little benefit for consumers.

### **Laws Should Focus on Outcomes Instead of Tools**

We firmly believe regulation should be outcome-based, not tool-based. The appropriate question is: *if an insurer uses an AI System, does the insurer continue to treat consumers fairly and lawfully, and is there meaningful explanation to consumers?* Because existing laws already require that answer, our focus should remain on how companies deploy and govern AI — not necessarily on prescribing every detail of the tool itself regardless of its impact.

### **Risk of Fragmentation and Implementation Burden**

The InsurTech Coalition wishes to emphasize that we strongly support the goals of fairness, transparency, and consumer protection in the use of AI. Our member companies are committed to harnessing technology in ways that protect consumers and enhance trust in insurance. We share regulators' and legislators' intent to ensure AI systems are used ethically and without bias. When a law's requirements are unclear, even well-intentioned companies struggle to comply, and regulators struggle to enforce. The result is a lose-lose: consumers do not get the effective protections they deserve, and forward-looking innovation that could benefit those same consumers is discouraged.

### **Conclusion & Request**

The InsurTech Coalition respectfully urges legislators and regulators to pause and reconsider this draft Act. A more constructive path is to empower and fund regulators' use of technology to streamline, improve and lower the costs of their oversight of insurers. As regulatory costs decrease so too may the cost of insurance for consumers.

Thank you for your consideration of our perspective.