

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
FINANCIAL SERVICES & MULTI-LINES ISSUES COMMITTEE
2025 NCOIL ANNUAL MEETING – ATLANTA, GEORGIA
NOVEMBER 14, 2025
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Financial Services and Multi-Lines Issues Committee met at the Whitley Hotel in Atlanta, Georgia on Friday, November 14, 2025 at 9:00 a.m.

New York Assemblyman Jarett Gandolfo, Chair of the Committee, presided.

Other members of the Committee present were:

Sen. Justin Boyd (AR)	Asm. Erik Dilan (NY)
Rep. Matt Lehman (IN)	Sen. Pamela Helming (NY)
Rep. Mike Meredith (KY)	Sen. Jerry Klein (ND)
Rep. Edmond Jordan (LA)	Rep. Tim Barhorst (OH)
Rep. Brenda Carter (MI)	Rep. Brian Lampton (OH)
Rep. Mike McFall (MI)	Sen. George Lang (OH)
Sen. Lana Theis (MI)	Sen. Mary Felzkowski (WI)
Sen. Jeff Howe (MN)	

Other legislators present were:

Rep. Carolyn Hall (AK)	Sen. Jeff Barta (ND)
Rep. Emil Bergquist (KS)	Asw. Catalina Cruz (NY)
Rep. Sean Tarwater (KS)	Rep. Brian Lorenz (OH)
Rep. Chad Aull (KY)	Rep. Greg Scott (PA)
Rep. Mike Clines (KY)	Rep. Barbara Dittrich (WI)
Rep. Daniel Grossberg (KY)	Rep. Matthew Morgan (TX)
Rep. Robert Foley (ME)	Rep. Try Wharton (TX)
Del. Mike Rogers (MD)	Sen. Cale Case (WY)
Rep. Mark Tedford (OK)	
Sen. Bill Gannon (NH)	
Rep. Garland Pierce (NC)	

Also in attendance were:

Will Melofchik, NCOIL CEO
Anne Kennedy, NCOIL General Counsel
Pat Gilbert, Director of Policy, Administration & Member Services, NCOIL Support Services, LLC

QUORUM

Upon a Motion made by Sen. Justin Boyd (AR) and seconded by Asm. Erik Dilan (NY), the Committee voted without objection by way of a voice vote to waive the quorum requirement.

MINUTES

Upon a Motion made by Sen. Pam Helming (NY) and seconded by Sen. Mary Felzkowski (WI), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's July 17, 2025 meeting.

CONSIDERATION OF RE-ADOPTION OF MODEL LAWS

Asm. Gandolfo stated that first on the agenda is the consideration of re-adoption of three model laws: the NCOIL Rebate Reform Model Act, adopted on March 8, 2020; the NCOIL E-Tilting Model Act, adopted on March 8, 2020; and the NCOIL Model Act Concerning Statutory Thresholds for Settlements Involving Minors, adopted on September 26, 2020. To date, no comments or proposed amendments have been submitted.

Hearing no questions or comments on the Models, upon a Motion made by Sen. Mary Felzkowski (WI), and seconded by Sen. George Lang (OH), the Committee voted without objection by way of a voice vote to re-adopt the Models.

DISCUSSION AND POTENTIAL CONSIDERATION OF PROPOSED AMENDMENTS TO NCOIL INSURANCE FRAUD MODEL ACT

Asm. Gandolfo stated that next on the agenda is a discussion and potential consideration of proposed amendments to the NCOIL Insurance Fraud Model Act. In Chicago in July, we heard a very compelling presentation from the Louisiana Insurance Commissioner, Tim Temple, detailing the state's aggressive efforts to combat insurance fraud. These include legislative expansions to the definition of fraud, increased staffing and funding for the Department of Public Safety's fraud unit, and heightened enforcement actions against insurers for post-claim underwriting and other violations. Today, we will hear about proposed amendments to the Model, sponsored by Rep. Gabe Firment (LA).

Kyle McCollum, Vice President of Strategy, Policy, and Government Affairs of the National Insurance Crime Bureau (NICB), thanked the committee and expressed NICB's strong support for the pending amendments to strengthen the Model. He also extended NICB's thanks to Rep. Firment for his leadership in sponsoring the amendments and to the Coalition Against Insurance Fraud for their great work on this effort. NICB sits at the intersection of the insurance industry, law enforcement, and departments of insurance across the country. Our membership includes more than 1,200 property and casualty insurance companies, vehicle rental companies, auto auctions, vehicle finance companies, self-insured organizations, and other strategic partners. Through advocacy, intelligence, education, and investigations, NICB works to detect and prevent insurance crime and fraud. The amendments pending today would help combat inflated and exaggerated billing, one of the oldest forms of cheating someone else out of money. Despite nearly all states having an insurance fraud statute on the books, inflated and exaggerated billing remains a loophole that fraudsters can still exploit. Over the past few years, NICB has witnessed a significant increase in questionable claims referrals to our organization related to inflated and exaggerated billing. From 2022 to 2024, we saw a 41% increase in questionable claims related to faked or exaggerated harms on auto policies. And a 62% increase in questionable claims related to fictitious losses. From 2022 to 2023, NICB saw a 15% increase in questionable claims related to inflated damages on roofing claims and a 46% increase in questionable claims related to fictitious losses. And finally, from 2022 to 2024, we saw a 53% increase in questionable claims related to inflated towing invoices.

The pending amendments to the Model would provide valuable guidance for states in combating these trends. If adopted, it would help ensure that anyone who knowingly presents a statement,

estimate, or invoice that, “misrepresents the scope of damages or cost of repairs,” may be found guilty of insurance fraud. This language is inspired by similar anti-fraud legislation that’s been enacted recently in Louisiana in 2024 and in Kentucky this year. We also applaud the proposed new drafting note that we have worked on that encourages states to expand the venues for insurance fraud prosecution. This will help ensure that resources are available and that cases can proceed. In short, the amendments will further strengthen the Model, protect consumers, and improve deterrence against insurance fraud. We encourage the committee to take up and adopt the amendments today.

Brent Walke, Director of Gov’t Relations at the Coalition Against Insurance Fraud stated that the Coalition is a consumer advocacy group, and our membership is quite diverse, from consumer groups to carriers to government agencies and other organizations like the NICB dedicated to fighting insurance fraud. Thirty years ago, the Coalition is actually the one who proposed this Model. Since then, it’s been adopted by several states and amended twice here since its first adoption. These proposed amendments will further strengthen the fight against insurance fraud. In the preamble of the Model, it says that insurance fraud is expensive, and it is. According to our research studies with the Coalition, insurance fraud costs every American \$308.6 billion. It also steals lives. Tragically, we’ve heard the tale of Alice Ross, the 71-year-old grandmother who was an innocent victim in a staged accident scheme. So, we have to confront insurance fraud head-on, and that’s exactly what this Model does. Adding a third element to the definition of “fraudulent insurance act” will help strengthen the recurring problematic issue of billing fraud and inflated estimates. The proposed drafting note also aims to remind states that in their jurisdictions, when it makes sense, to expand venue and clarify venue. In preparing to speak this morning, we spoke with the Louisiana Department of Insurance, and they tell us that the reason they passed this law in 2024 was that it does close prosecutorial loopholes, and it gets rid of that he said, she said, and it is the individual or the firm that actually creates the fraudulent estimate who should be held accountable. So, for those reasons, we thank you for this consideration, and we strongly support the passage of these amendments.

Asm. Gandolfo then recognized briefly Hilary Segura of the American Property Casualty Insurance Association (APCIA), who expressed her support of the proposed amendments.

Hearing no questions or comments, upon a Motion made by Sen. Lang and seconded by Rep. Brian Lampton (OH), the Committee voted without objection by way of a voice vote to adopt the amendments. Then, upon a Motion made by Sen. Justin Boyd (AR), and seconded by Rep. Matt Lehman (IN), the Committee voted without objection by way of a voice to re-adopt the Model, as amended. Asm. Gandolfo thanked everyone and noted that the Model would be placed on the Executive Committee’s agenda for final ratification.

CONTINUED DISCUSSION ON NCOIL MODEL ACT REGARDING INSURERS’ USE OF ARTIFICIAL INTELLIGENCE

Asm. Gandolfo then stated that next on the agenda is a continued discussion on the NCOIL Model Act Regarding Insurers’ Use of Artificial Intelligence. We also have an alternative proposal to discuss that was submitted by the American InsurTech Council.

Asm. Erik Dilan (NY), sponsor of the NCOIL Model, thanked everyone who has weighed in on this model since it was first introduced. This Model is meant to be a conversation starter. It’s based on a bill that has been reintroduced into Florida for next session, and it borrows from similar concepts on the health side of things with prior authorization that has been passed by several states. As I mentioned in July, I think we as policymakers should at least discuss

whether or not these concepts make sense across all lines of insurance. I think the concern that I had from Chicago is the information that we received from the industry was, “no, we don't want anything at all,” which I think could be short-sighted. I think it is incumbent upon all of us to try to get this to the best workable Model as possible so we can collectively bring it back to all of our states. I want to give kudos to the American InsurTech Council for stepping up and offering a different approach. I think we all need time to digest that but I do think that it's worth having the discussion on both proposals to see if it makes sense to come up with a framework for combining both proposals, do something different, or adopt each model independently.

J.P. Wieske, representing The American InsurTech Council, thanked the Committee for the opportunity to speak and stated that the Council is a group of over 125 small Insurtech's through our partnership with the InsurTech Alliance, as well as having members that are legacy insurers, sponsors that are legacy insurers, solutions providers, and AI providers. We brought forth this proposal because we have some concerns with the simple solution of just having a human in the loop. We think that the NCOIL model is potentially both too narrow and too wide. We think it's too wide because of its application from a claims perspective across multiple insurance lines, which deal with things differently, and the concerns in P&C and life are very different in the use of AI than they are with health. And even inside health, there are some significant differences. When I started as a claims analyst in 1993, the number of claims that were auto adjudicated was very small, and my company was experimenting with a small company. By the time I left, the claims department was one of the smaller departments, and IT had grown to be the largest department. Over 50% of the claims were auto adjudicated in 2003. Now we move to today. It is certainly true that in a lot of cases, from a health perspective, 90-plus percent of claims are auto adjudicated. The concern that I have is the cost that's going to be incurred by having a human in the loop. We understand the concerns when you're dealing with medical and other pieces and making those medical judgments. We do think that the way the insurers go through this process, those claims are treated differently and go through an entirely different process. But just adding a human in the loop is also not enough. And so, our proposal builds on the National Association of Insurance Commissioners (NAIC's) AI model bulletin that has been adopted by over 25 states. The idea is that we need to have a starting point for the regulation of AI, and it is not the last step. There's no intention for our bill to be necessarily the last step. We think the policy needs to develop. We're in an area where we've got a lot of promise around AI, and some of that is going to take a lot longer than the optimists believe is going to happen.

The AI policy needs to develop. If you take a look at our model, it's a multiple approach where we have requirements on the insurers to ensure that they have governance, that they're checking for bias and other things inside those models. This applies not just to claims. This also applies to the use of AI across multiple systems that insurers use. It's certainly used in rating. It's certainly used in customer service. It's certainly used in a variety of ways inside insurance companies. And our intent is not just to focus on claims. It's to focus holistically and include requirements that the insurers are going through this governance process, that the executive team is actually monitoring and ensuring compliance with their stated goals and rules for the use of AI. And then having a look in by the insurance departments to be able to verify. This is not an easy discussion, and we really appreciate the start of the conversation. As the saying goes, “to every problem there is a solution that's easy, elegant, and wrong.” We're concerned that focusing only on the human element is not enough and can be subverted and create other problems. We think the alternative approach we've suggested will provide good oversight. As you're able to look inside the companies, you'll be able to better understand how to regulate as we move forward, and we need to look at this as an evolutionary regulatory process rather than this being the endpoint.

Dave Almeida, Senior Director of State Gov't Affairs at Blood Cancer United (BCU), thanked the Committee for the opportunity to speak and stated that BCU's mission is to cure blood cancer and improve the quality of life of all patients and their families. We fund life-saving blood cancer research around the world, provide free information and support services for patients and their families, and are the voice of those seeking access to quality, affordable, coordinated care. The integration of AI into healthcare has slowly changed how health insurers and providers deliver care to patients. As we know, AI is increasingly being used by health insurers to automate a host of functions, including process utilization management like prior authorization requests. An NAIC survey earlier this year found that approximately 68% of health insurers are already using or planning to use AI for reviewing their prior authorization requests. While we believe that AI presents opportunities for plan efficiency, the unregulated use of AI could also exacerbate existing bias and discrimination, particularly for marginalized and disenfranchised communities who already experience disparate health outcomes and lack of access to insurance.

AI is moving fast. The speed of technological advances in AI is far outpacing the changes in state and federal insurance regulation, and oversight is needed to protect consumers. When used appropriately, AI has the potential to quickly analyze patient data and historical records to make evidence-based recommendations to overseeing physicians, expedite approvals, minimize delays in patient care, while reducing administrative burdens for both providers and insurers. BCU supports the development of a model law and urges you to continue on this path. While we understand this is a rapidly developing area, states are at the forefront of regulating the use of AI in insurance, and a model law will help create a regulatory floor across the states, promoting fairness and transparency for consumers and industry alike. We think the proposal from the American InsurTech Council is a step in the right direction to achieve this level playing field. As it relates to health, we would encourage a specific focus on plan use for AI utilization management practices, including prior authorization to ensure patients do not face additional roadblocks to receiving medically necessary care.

Matt Overturf, Ass't VP of State Affairs at the National Association of Mutual Insurance Companies (NAMIC), thanked the Committee for the opportunity to speak and stated that NAMIC maintains the position that the development of a model law as it pertains to property and casualty insurer use of AI is both premature and unnecessary. While legislative and regulatory guardrails may seem well-intentioned, they ignore how existing insurance code already applies to the use of AI and the existing consumer protections they provide. Further, efforts often mistakenly assume that the use of AI creates a higher degree of risk to consumers than human decision-making while ignoring how AI used in the furtherance of insurance-related activities can create consistency, remove potential subjectivity, and enhance efficiency. The strength of the existing insurance code is that it is focused on outcomes and consumer impacts, regardless of the tool used. According to the insurance code, if it's illegal for a human to do it, it is also illegal when using AI, a computer, a cell phone, or whatever technology comes next. So, for these reasons, NAMIC continues to urge caution for the development of a model law as it pertains to property and casualty insurer use of AI.

Sen. Felzkowski asked Mr. Wieske if we should legislate differently around health insurance and P&C for purposes of AI? Mr. Wieske stated that I think the nice thing about our proposal is the intent is to require governance inside the insurers and that they go through that process. And as NAMIC indicated, what's illegal is still illegal and what's wrong is still wrong but from our view, you want to ensure that everybody has a minimum standard that they're looking at the operations and that they're making sure they're compliant because the difference with AI, it's just another tool but the difference is that it can run amok really fast and it can accelerate where the problems come in. So, what we're suggesting is it is the same, at least at this level, and we're

only focusing on ensuring that there's a governance process and management and oversight over that process and that there is a reporting and a look in by the insurance departments to be able to make sure that they're complying with that. Down the road, there may have to be different rules for different lines so that may be true when you look at things like figuring out what the pricing of a house is that's destroyed, or a car, but in the short term, I think we're more focused on getting the governance right and seeing where the policy generally grows up with AI.

Rep. Lehman stated that we had a situation where I had an agent reach out to me that they were stopped mid-quote because the home was ineligible and they reached out to the underwriter who said, "between AI and other factors used for underwriting this doesn't qualify." So, when you tell me it's premature to regulate AI, but yet AI is actively being used in the underwriting process, help me understand the prematurity of regulation over the actual use of it. Mr. Overturf stated that if the existing insurance code was followed, I don't think it matters if it was AI or just a human or both. To Asm. Dilan's point earlier, the reason we're not necessarily offering anything in terms of amendments or an alternative is because at this point in the development of AI, we feel that it falls under the existing insurance code. If we identify gaps in the existing insurance code and regulatory structure that for some reason AI doesn't fit, then we should have that conversation but I don't think we're there yet, at least as it pertains to P&C.

Rep. Lehman stated I don't necessarily disagree and I don't want to take away this tool but my bigger concern is that AI was used to make a decision on an underwriting issue, not on a claim or anything, and then no explanation was offered other than "it was AI." A human in the past would finish the quote and then provide feedback but we're getting now this midway through the process of being told it's ineligible due to AI. So, to me, we're crossing a little bit over from the human touch. AI is intuitive, that's what we always hear. Intuition is the ability to make a decision based on data with no cognitive reasoning. So, you're not thinking about stuff. You're just doing it. So AI now is kind of taking over that piece and this is an issue for NAIC as well. How do you regulate technology? Mr. Overturf stated I think in that point, the underwriting guidelines are what they are so the human is going to follow the underwriting guidelines just like they're going to load that into the AI platform so it's more just building the efficiency of completing that process for a property that isn't eligible and stopping halfway through to not waste that time further down the line. It's just coming to that decision a bit quicker that ultimately would have been come to if you didn't have AI. You're coming to the same decision following the underwriting guidelines whether that's the person doing it or computer.

Mr. Wieske stated that the concern is making sure that it's not used as a sort of a cop-out and there's no sort of ability to point fingers back and forth. Mr. Overturf's exactly right - the insurer is responsible, but I think what we're trying to do is ensure that the insurer is taking responsibility and not pointing fingers, especially if it's a third party that's doing the work, and that they're doing the work up front to make sure that there is a process in place for making decisions.

Asm. Dilan stated I certainly feel like we should take our time and get this right, and that's a position I maintain. To Mr. Wieske, it looks like the biggest difference between the two models is yours sets up a governance structure that's a little bit broader that goes beyond claims. And mine is strictly related to claims but basically says that an insurance company can't deny a claim solely using AI and a human has to be involved. It looks like that's the biggest hang-up in this. Would you say that's accurate?

Mr. Wieske replied yes and stated that I think that distinction is important. As I talked about, there's 90% of claims in health auto-generated, and even inside health, there's significant differences across the way they operate. And some of the concern I have is if you look at

specific cases, for example, if you're dealing with excepted benefits generally, typically there's a policy limit, and the policy limit would require the claim to be denied, and that's not looked at by a human now because it has hit the maximum amount that the policy has indicated they're going to pay and having a human involved just adds cost to it. There are cases where, again because the model is broad and uses the term "algorithm," if you're looking at denying a claim because it's exactly the same as maybe a claim that's already been paid - it's a duplicate, same data service, same doctor, same procedure, same coding - and you now don't have the ability because you have to have a human take a look at that, that creates a different issue. If you have a diagnosis that is clearly not coverable under the policy, say again with fixed indemnity, that might be automatically denied and there's not a lot of sense in having a human look at it. Or in the case where you have something that is purely cosmetic with no secondary diagnosis that comes in on a claim and that would need to be denied because again that becomes an algorithm issue as well. So I think there are issues there that will add costs and not a lot of value to consumers. I can't speak for the insurers, but my guess is they would agree generically to say, "Look, we would expect that if you have a complicated medical decision that's attached here, there should be somebody looking at this and some oversight." Generally in the prior authorization world, it used to be a nurse could say "yes," but only a doctor could say "no." I think a lot of them are implementing similar policies for AI that AI might be able to say "yes," and then you have to have a human in the loop for the more complicated cases. I do have concerns that just adding a human in a loop doesn't solve the fundamental problems and doesn't provide oversight and it doesn't mean that even if the person is qualified, that they're going through a process and not just closing out the edits and denying it because that's what the AI is and that's what their expectations are.

Asm. Dilan continued stated I certainly don't know how insurance companies internally use AI to go through the various processes that they go through, which is why we kept it to claims because it was more narrow and it was more focused on the consumer protection element, which I'm interested in. But I know just in my daily use of AI as a practical measure, if I give AI a task, I certainly step in and review it for accuracy before I send it out into the world for applicable use. And I think that would be good practice for any insurance company to do as well. In your instance, it looks like the first human contact would be at the governance model structure but at what point through any of an insurer's processes, whether it be claims or underwriting, does a human look at any of the work that AI does?

Mr. Wieske stated you're exactly right because I will fully disclose that the first draft of this model was done by AI, as was the second draft and the third draft and then I edited it ultimately and still, not all of the language is probably right. But that's in part the idea of the governance process. When you're processing as an industry, again, to use health as an example, three billion claims a year, the expectation when you're doing governance, and similar to market conduct exams, when you look at the way they operate, they take a percentage of the claims to make sure that when humans are processing, they're processing correctly, and they're making a lot of mistakes. I was just meeting with the Georgia Department of Insurance and they had fined insurers \$20 million for noncompliance in a specific piece that they're going through. So in those cases, it's not like having a human is necessarily an infallibility. And so the idea that we've got is that you are monitoring and going through this process and the human in the loop is not just on a claim-by-claim decision, but the expectation is that you're looking at it holistically, and that even in the cases where you're approving claims or you're coming up with rating, you're coming up with pieces, that there is a process where a human is overseeing that. So, it's more focused on human oversight than sort of directly in the claims process requiring a human to be in the loop whenever there's an adverse determination. I think even if you go down that route, I think there's going to be problems, honestly, functionally, and there's going to have to be some

significant changes if the insurers are willing to offer them. I can't give you any of those because I'm not inside the operations. But having it apply just to claims is going to be really expensive for a lot of insurers from a cost perspective. Even if it's just that. And narrowing that scope and getting it line by line is going to be even harder. Because, again, you've got pricing issues inside, and valuation issues inside P&C, which is very different. You may have evaluation of case files inside life insurance, which may be different.

Mr. Overturf stated I can't speak to exactly when inside an insurance company a human is in the loop, but insurance companies still have claims departments and underwriting and rating departments, and then there's the compliance department. So, there are humans within those departments that are looking at these processes as they come in. As claims are filed, as claims are either paid or denied or whatever it is, they're there. When do they exactly see them, I'm not sure, but it's not like AI has replaced an insurance company's claims department or compliance department. And then on top of that, you have the market conduct statutes in every state where the Department of Insurance can go in and look at how an insurance company is conducting business in that state. There's no exception for AI. So, if they're doing something that violates the insurance code, they're going to find that. So that's why our position is the current existing insurance code is adequate until we identify a gap where it isn't. Asm. Dilan asked if as a matter of practice, there's still humans looking at basically every aspect of what you do? Mr. Overturf responded I would imagine so in some way, shape, or form.

Sen. Lang stated we know AI is coming. We know AI is going to save just about every industry considerable money. We know that if the insurance companies have a way to save money, there's many things they can do with that savings from increasing Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) to lowering costs to consumers. So, I believe in the long run, AI is going to be consumer-friendly. My question is how prevalent is AI usage in the insurance industry today? And we know for a fact, when it comes to underwriting and adjudicating a claim, there are going to be human errors. That's a fact. I believe there's also going to be AI errors. Today, is AI superior to humans? I don't know. I think it will be one day. It may not quite be ready for prime time yet, but one day, as it gets perfected, it will be. So, my question is, how prevalent is it today? And if a decision is made based on AI, not human interaction, is there a disclaimer to the applicant or the insured, depending on if they are applying for an insurance policy or going for a claim, that says this has been created by AI and if you would like a human intervention in this, please let us know? And if that's not the way it is today, would that be a potential amendment that would give everybody a level of comfort - let the AI have its way, but make sure it's clear to the affected individual that this was AI, and if you want to appeal, here's the process?

Mr. Overturf stated regarding the prevalence of AI, at least for NAMIC members, we represent some of the largest companies in the country and all the way down to some of the smallest. So, it varies. Some of these companies are very sophisticated. Some of them are less sophisticated. So, I think it varies depending on what makes sense for their business so I don't have a good answer as to how prevalent it is. I think it's developing. It's growing. As insurance companies continue to try to find ways to gain efficiencies, that's one of the areas that they're looking at. But, again, it's going to vary based on that individual company. And then, in terms of the disclosure, I don't know that there is currently a disclosure in terms of AI is doing it today. It's something we can take back and talk to our members about.

Mr. Wieske agreed with Mr. Overturf and stated I don't think there's a huge difference other than a sense of tactics in the way we sort of look at this issue. We think that the ideas are developing. And the AI bulletin that this proposal is based on is in over 25 states and this puts it

in law. There are a number of states that don't do bulletins consistently, so it provides this. It also provides some ability to enforce that AI bulletin around the governance procedures. That's sort of what we were thinking about when we put this together. The other piece is we do have some disclosures that are sort of required. It's nonspecific, but the insurer is required to disclose in the areas where they're using AI and to the consumer so the consumer is aware. I think there's really strong variance in the way it looks. This is coming and it's changing and our hope is that this is the first step. I don't think it's a huge step, if we're being honest about it, but I think over time, there's going to be some development. There's work on other ways to look at this. There's certification processes. There's other things that the private industry is doing. There's some discussion about a URAC-style accreditation as an alternative. That's expensive and problematic and may only be available to large carriers, at least until it develops over time. So, we think it's important to take a first step and that's how we were looking at it.

Sen. Lang stated that we do so many things with mandates on carriers that drive up costs. The carriers don't eat those costs. They pass it on to the consumer. I think AI is one of the things that has the tremendous amount of potential value to lower costs and give the carriers the opportunity to pass that cost on to the consumer.

Rep. Mark Tedford (OK) stated what I hear you saying is the real protection for the consumer is the code of conduct rules and that as long as the carriers are following those, it doesn't really matter whether those decisions are made by AI or a person. What I'm hearing is if we really want more protection for the consumers, it maybe should be through the code of conduct rules rather than restricting AI from making these decisions. Is that a fair assessment of what you're saying here? Mr. Overturf stated I think so. If we identify a gap, then we should fill that gap, or at least look to fill that gap. At this point in the development of AI and the utilization as it pertains to property casualty insurers, there hasn't been a gap identified yet so, yes, to your point, if we identify a gap there, then it should be looked at to be addressed, but until that is identified, we feel that the existing statutory and regulatory framework is adequate. Mr. Wieske stated and from our perspective, we're just asking for assurances that all the carriers are going through that process and that they have their own internal process and code of conduct that they've worked on to establish their rules around AI, that they've put it in place, they're consistently testing those rules, they're going through the processes they should be going through. But we know there's going to be carriers that, for one reason or another, that it may fall off, but they have some ability to sort of make sure that they do, in fact, have a code of conduct and are working through it.

Sen. Lana Theis (MI) stated in the 1990s, I used to process health insurance claims, and I've been sitting here trying to think of a single thing that couldn't have been done more accurately and more quickly with AI, and there's not one. It's going to be infinitely fast. So, whoever's doing that, find another job right now. But it's going to be trained off from the statute and the guidelines and whatever rules you're handing it, and then any conflicts associated with those are going to create problems. And so we're going to need to make sure that we're overseeing those. Is there anything that we can do in advance? Because we've got federal guidelines and state law where we're going to be able to review those and find out where those conflicts exist and would you bring those back to us so that we could address them? My second point is data capture. AI is, if nothing else, built for data capture. Do you see a way that we're going to actually be able to put guardrails on that so that that data doesn't move beyond the walls that it's supposed to be in?

Mr. Wieske stated regarding data capture, there is growing case law around pieces of it. Again, our governance structure is intended to say, look, if you're training it, you need to be training it on data that you have access to that makes sense and that is legal. I think in health there's certainly Health Insurance Portability and Accountability Act (HIPAA) privacy pieces, and what

you're seeing is pretty consistently that the HIPAA standard is a pretty good framework for health and that's a pretty high bar and a pretty high standard. When you're dealing with the other pieces, the NAIC is continuing to work through their privacy piece to better understand where to go with those. I think there's going to be some sensitivity to consumer data and I have some concerns when we take a look at some of this as we go through and we do some governance. And a couple of years ago we brought a data privacy piece here to NCOIL, and the concern we had was ultimately the bad data privacy law that resulted in Montana not having access to clinical trials for a good bit because the way they structured that law. Our concern, and where we're different than NAMIC is that there's going to be bad AI laws that are going to be introduced and potentially passed and create problems. And so we think an interim step makes some sense, and we think it can deal with both your issues. Those problems that you're talking about where there's conflicts, there should be a process inside the company that looks at those. That doesn't necessarily need a direct regulator oversight or other piece but it does mean that the company has to look at that and has to solve that. That's what we're looking at. They may be doing some of this but again, there are going to be outliers that don't do it on a regular process and they forget and that's where our concern is.

Mr. Overturf stated from our perspective, there are existing data privacy and cybersecurity laws that insurance companies already have to comply with. The data that is coming in is already coming in. Insurance companies already have that data on policyholders. They're taking in these policies. They're filing these claims and all those things so it's already kind of there. The AI is just making that a little bit more efficient. So there are laws there and if, again, we identify a gap where there's not something that's being addressed then we should have that conversation.

Sen. Justin Boyd (AR) stated AI is a form of automation, and so the initial thing that got me thinking is recently I was approved for a long-term disability policy, and the whole policy didn't show up. So, somebody somewhere else wound up with my name and Social Security number and stuff like that. So what mistake could happen with AI that gets magnified and sent out, whether it's a data breach or something I can't even think of right now, and then who's going to be accountable for that? Because if the insurance company just says, "Hey, we're new to the market, we had all these fancy tools, but we're out," then the consumers are going to be hurt by that. How do we ensure AI doesn't accidentally consider something? Yesterday, we had a discussion on genetic information, and maybe AI finds that it's been programmed to look for that, but it's also been programmed to not tell anybody. The final thing is, again, as a health care provider, there's lots of articles now on just, "hey, somebody reprogrammed it and said, hey, let's amp up the claims denials," which I get. But where else could that happen where that could affect the consumer? It's great for the insurance company, but it's bad for the consumer. And then finally, what if we're talking about life insurance and we're using AI underwriting and we all of a sudden approve some people who shouldn't be approved? Now who's paying for that? I just want to make sure that whatever models we have are prepared for those type challenges.

Mr. Wieske stated you haven't even gotten into the agentic AI piece where it's going beyond and it's actually taking independent decisions and not just going through a process and there are agentic AI bots that you can have as a person to work through as well which creates a whole different set of issues. I do think that the framework is really important here. There's no reason you can't do the same thing with AI that you do with a human regarding amping up the claims denials if you want to do that. You can just sort of create new rules and new edits that sort of go through and make it a little bit harder for claims to get approved. I think it may be a little bit easier but again, our approach is there's an expectation that there's governance and documentation around your AI processes that you're doing and you're using. And so as you're going through this, there are requirements that you're going through the testing, that you're

ensuring that you're meeting the targets and you're going through that process. You can have the same problems you've discussed with having humans do it and making a mistake because they've gotten old guidelines that they've put in paper in front of them from an underwriting standpoint. And pricing I think is going to be the biggest one where there is potentially some issues as there are hundreds of thousands of page rate filings that are coming into departments with numerous factors that clearly use some significant data to understand and micro-target increases. So, the idea that we're focused on is making sure that the companies are not just having a governance process and they're checking it regularly and making sure it's accurate and that they're documenting that as a matter of process. And again, I think some would say they're doing that already but there's always been a standard that if you were requiring insurers to do something in the insurance industry you don't have the ability to look at every single claim. The number of complaints that departments deal with are probably running around 11,000 a year roughly, depending on the size of the state. Some are bigger, some are smaller.

And so there's not a lot that are coming through the department that they can use as data points and you have to rely on something that allows you to look into the company and understand that they've got processes in play. We do the same thing on financials. The idea now is you want the accounting right, but it's not just the accounting. There needs to be a risk-focused exam to understand that the insurer understands where the risks are. This is sort of that same approach. There's an expectation that the insurer is making a risk-based look at all the ways they're using AI and making sure it's accurate and that that if they're using it in rating, it's predictive, and if they're using it in underwriting, that it doesn't lead to too many denials or that they're approving too many where there's going to be financial problems down the road. So, there's a lot of pieces there and there has to be a standard and we're just requiring it in law, which is where the big difference is. I think a lot of insurers would say we're already doing this, but requiring it and allowing the departments to look in creates a stronger standard from our perspective.

Rep. Matt Morgan (TX) stated I believe AI already is here. We just heard about it in underwriting and we've seen it in other places so it already exists. It's expanding, it's changing, and I think it will dynamically change how insurance is done across all the states, which is not necessarily a bad thing. So, I think every legislator up here wants to ensure that the insurance companies have the data they need to make good, accurate assessments of risk when it comes to underwriting and handling and what they're going to charge for their product. And I think it also goes to the other side of claims handling where more accurate and better information should lead to better results. There could be many instances where an AI could review a human's estimates on a car claim or a property claim and say, "Hey, you forgot these 10 line items", and add more to it to assist. And I think for us as legislators, it's just ensuring that there are those checks that go both ways, not looking just to deny, but looking to ensure complete accuracy across the board. And I think having whatever we can to ensure checks and balances are there and that it's an even playing field for everyone and that it's working to ensure accuracy on both sides is what's important and I think that is what Asm. Dilan was trying to get at earlier.

Mr. Overturf stated you all want insurance companies to have fair and accurate prices and process claims, but nobody wants that more than the insurance companies themselves, at least as it pertains to the NAMIC members and member companies. Mr. Wieske agreed.

Miranda Motter, Senior VP of State Affairs & Policy at America's Health Insurance Plans (AHIP), thanked the Committee for the opportunity to speak and stated I'm going to make sure that it's really clear that I say that health insurers are not using AI to deny prior authorizations when there are clinical issues at hand. I know that there was some conversation and statements about that. I just wanted to be very clear about that. The second thing I wanted to say is I would

encourage you all to look at the study that Mr. Almeida mentioned. The methodology that they used in terms of making some of the statements included one health insurer. So again, I just think it's really important to make sure that there's an understanding of where some of those statements are coming from and whether it's valid to just include one health insurer. The last thing I would say is we stand ready and look forward to working with members of this committee and the sponsor on this issue. I can't reiterate enough how important all the discussions were that took place at the NAIC on the AI model bulletin. Many of these discussions were had in depth with multiple stakeholders at the table, all focusing on the topics that were talked about today. Definitions, for example, what is actually included in the definition of AI? Is that automation? What are the standards to make sure that there's uniformity? And then last but certainly not least, the regulators concluded that regarding the underlying statutes that apply to insurers, it doesn't matter if insurers are using humans or if they're using AI. There are clear standards, there are regulations that they have to adhere to. And so they thought it was very important to reiterate those things and put some of those reminders in the bulletin. I know that one of their efforts this year is to make sure that in the states that have not adopted that bulletin that they move forward and really try to encourage that.

Asm. Gandolfo thanked everyone for their input and stated this is an issue that's not going away, and NCOIL does have a real opportunity to provide leadership for all the states here.

PRESENTATION ON RETENTION AND RECRUITMENT OF INSURANCE TALENT

Asm. Gandolfo stated next on the agenda is a presentation on the retention and recruitment of insurance talent. Talent retention and recruitment remain critical challenges and opportunities for the insurance industry. Attracting and retaining skilled professionals is essential to sustaining innovation, regulatory compliance, and consumer trust. Insurers, regulators, and stakeholders can work together to build a resilient talent pipeline.

Noelle Codispoti, Director of Emerging Insurance Program at the Risk & Insurance Education Alliance thanked the Committee for the opportunity to speak and stated that you may previously know us as the National Alliance for Insurance Education and may see the insurance education designations that we provide and continuing education through the Certified Insurance Counselor (CIC) and Certified Risk Manager (CRM) designations. We are generally and most importantly an education institution for insurance professionals. What I oversee is our emerging talent programs that are geared towards bringing in new entrants, both at the high school and university level. We started talking about a talent gap, at least as far as I can remember, back in 2009 when Deloitte released their first study, followed quickly with a white paper by McKinsey urging the industry to come together to solve the pending talent gap. The number from the Bureau of Labor Statistics that we've heard quite consistently over that time has been 400,000 available jobs or vacant jobs or job opportunities and that number hasn't largely changed, but what has changed is the date in which that 400,000 jobs was set to come due. And what the research suggests, what the numbers suggest, is that it's not that we are not actively bringing in new participants or that the folks who were slated to retire aren't retiring, but that generally we're not seeing the magnitude of the situation that continues to be upon us. We do have a higher median age workforce in our industry compared to the national average, 44 compared to 42, and 25% of insurance professionals are age 55 or over, and depending on when they decide to retire, that certainly generally would suggest that 25% is of retirement age.

We do have other factors impacting the need for talent. Generally, we have one of the lowest unemployment numbers of any industry, recently at 1.5% as determined by some recent employment studies. Voluntary turnover of 9%, which generally shows a really healthy turnover

as well. And 53% of insurers are planning to add staff, or I should say now that we're in November, were planning to add staff in 2025, and that number is largely unchanged for 2026. I left my job as an underwriter at the end of 2010 to focus largely on this issue. I was inspired by a session held by the Institutes Griffith Educational Foundation, which I'm sure know very well, that brought together 100 industry leaders to try to tackle this problem. And much of the tackling of the problem involved two solutions. One, educating more folks about careers in insurance at the earliest stage possible, and ensuring that we are providing them the opportunity to see how great our industry is. We have since been compounded by AI and automation and the evolving skill set. It is certainly reshaping the skills that our industry needs, and certainly putting a different focus on the available jobs that we are hiring for. The same Bureau of Labor Statistics data suggests that over the next several years through 2032 that there will be fewer underwriting and claims adjuster roles because of the advancements in AI and automation and what roles AI can do for those job roles.

Those are the two primary job roles that we've actually heard discussed today and the need for human interaction, but what it's also suggesting, because many of those roles are where we see our entry-level talent come in, it certainly presents to me a very real fear that the education and training that we're providing to entry-level talent isn't going to be the same. Only 14% of insurers are expected to reduce their staff this year, so we're seeing that number in comparison to the 53% on the previous slide that were expected to add to their staff. So, where are the roles going? They're all tech, automation, data analytics, but these are very hard roles to fill, not only in our industry, but in all of the industries across the board. So, what is it that we need to do? Because we've already had a talent issue. We already have a perception issue with what careers in insurance look like. So, how will we not only train those individuals, but recruit individuals who are now pursuing a different skill set?

Just to finalize that final bullet point there, insurance executives state that the data IT expertise is the hardest to recruit for. So, what do we need? We need smart policy that not only builds smart consumers, because at the end of the day, that is what you're talking about here as well. We're protecting consumers with the tools and advancements in AI and regulation, but those same protections come from education, knowing those policies, and knowing what's important to them. At the same time, that education builds a talent pipeline. It opens up the opportunity to know what careers exist, how individuals can come in and shape this industry, but also that great careers and the things that we do in insurance, like protect individuals, protect balance sheets, and really contribute to the overall society, is good and sustaining work. I would love to be sitting here one day talking about some model acts or laws related to insurance education or insurance employment across our states. Some of the things that are already happening from classroom to career, the organization I work for, the Risk and Insurance Education Alliance, rolled out the Certified Insurance Service Representative (CISR) high school program back in 2019 to help high school students earn a nationally recognized credential.

We also have states who have career and technical education, that's the (CTE) and financial literacy requirements. There are insurance pathways in some of our finance curriculum across states but many of those are opt-in pathways. We also see some great work being done at the community colleges. For example, Ivy Tech Community College in Indiana has an insurance certificate where students will also be able to earn the CISR designation coming up. But what I love about Indiana is they put so much focus on connecting the dots from high school through to their four-year institutions that it really is trying to capture insurance education at every part. They have the CISR high school program, which helps students then bring in nine credits to their associate's degree at Ivy Tech, and then students then can transfer their associate's degree at Ivy Tech to one of the main institutions, four-year institutions like Butler and Indiana

State. Community colleges also are putting a heavy emphasis on learners getting certifications, and at this point is one of the main ways that they're helping their institutions stand apart from others. So, career-ready certifications where they can leave the institution and go right into the job market, which certainly with the skyrocketing tuition prices, community colleges are becoming an increasingly important decision. Our program at the Risk and Insurance Education Alliance allows students to study five modules of information to give them a really broad cross-section of the insurance industry, starting with risk management, which is an everyday tool all of us need to use, introduction to both personal and residential. How much cooler would it have been if you knew what your auto policy might look like instead of the Pythagorean theorem? It's insurance literacy, its financial literacy, it's what makes good consumers but also builds trust as we are getting into changes in how we do underwriting, both in commercial and personal lines and health insurance. We also do a commercial property and casualty course and life and health. So not only does it allow us to introduce different aspects of the industry for a career perspective and provides literacy, but for those students who think they're going to own their own business or manage one day and have employees, the curriculum is transferable.

The students earn the same designation that you or I might earn if you took the CISR, and actually three years ago when I was here at NCOIL, someone at the table did actually have that designation from a previous career as an insurance agent. On this most recent academic year, we were in seven states and we saw 77 students across those states earn that designation while also providing 348 students the opportunity to learn more about insurance. So, from our perspective, what does the state of insurance retention and recruitment look like - I think we see low unemployment and good retention rates or voluntary attrition rates. You can't speak to an insurance professional, for the most part, that doesn't love their job and that has a storied past on how they got into it. What we need to do is ensure that this education is getting to our students in the best ways possible and adopting it at high schools can be challenging if it's not mandated by the state. By next year, I believe the number of states requiring financial literacy courses will be 29, which is up from six in 2019, but most of those financial literacy courses now are around investing and finances. Certainly, that took us a significant amount of time after 2008 financial crisis to get financial literacy into high schools but the next step is ensuring that insurance education is part of that which is not only for good consumers, but it opens up the opportunity for potential careers.

We have seen states implement AI literacy in their education models, K-12, which will help us at least in terms of the upscaling of jobs and the types of technical knowledge that will be required should our insurance companies, brokers, claims analysis, go towards AI and automation roles. We've also seen at the state level mandated work-based learning at the high school level before they are permitted to graduate, which is fantastic. Experience often leads to what you want to do. What we need to do is ensure that our agencies, our insurance companies, are the ones providing those opportunities too, because if it's other industries, we will lose out on the opportunity to recruit new entrants into the industry at the earliest possible point and hope that they just fall into it after they don't have a good experience in another career.

Rep. Tedford stated I hold my CIC and CRM designations, so I'm very familiar with this. In your presentation, it seemed that the labor statistics were more on the carrier side and not on the agency side. Do you have any statistics on what those numbers look like on the agency side as far as in the future growth in that industry or a reduction of staff? Ms. Codispoti replied the 400,000 open jobs is across all industry job roles that the Bureau of Labor Statistics tracks, and certainly there are some that they don't track. We have not seen a decline in the number of agents or agency roles from the Bureau of Labor Statistics, generally speaking, but they do

allow for you to dig into certain states and sometimes into certain counties to see what the attrition rates might be. So, I do not have information right now on that.

Rep. Tedford asked what percentage of your designees are in the agency side compared to carrier side? Ms. Codispoti responded I'm not the best person from the Risk and Insurance Alliance to comment on that, but as you're aware in holding the designations, our organization was created as a means to provide continuing education for insurance agents, and so the vast majority of our designees do continue to work in that space. It also happens to be the space that we see the most interest in bringing in high school interns. In fact, one of our best success stories is out of Laredo ISD in Texas, where IBC Insurance Agency actually guaranteed employment for any student in high school who earned their CISR. And today, the president there has run out of physical space for the number of students he's able to employ and has brought on several full-time employees and some that are going part-time and going to community college at the same time. So, we have seen the greatest interest from insurance agencies as it relates to providing opportunities for high school students.

Rep. Mike McFall (MI) stated on your second slide where you showed the jobs that will be in demand, those all look to me like things that could be replaced easily by AI. So, I'm a little curious as to why those would be listed as in demand and I'm always afraid that we're going to be setting people up to train people, and then once they come out of school or college, those jobs are no longer available. Ms. Codispoti stated I would say that as AI and technology are developing, you're still going to need system engineers, you're still going to need folks monitoring. There are still jobs and roles to train those. I don't think that in data analytics that AI is going to replace those at the same rate that they are replacing the underwriting and claims roles. But those are the jobs that are listed as most in demand for insurance companies today. And if you visit any insurance company job board, those are the ones that are there.

Rep. McFall stated it just surprises me because I went into a battery factory that's in my district, and it makes batteries for electric buses. There were about 10 people working there because it was mostly robots and they were very well paid, but there were just 10 people. Whereas before, there would have been probably dozens of people. And so I'm always curious as to when we start training people for future jobs. And I don't completely agree. I do think these are all replaceable. And insurance companies with their AI, is it their own AI that they're using or is it another company's AI because oftentimes that's farmed out as well, kind of like a salesforce where they're the ones that maintain it and they're the ones that do everything. So I'm just curious since those seem like weird jobs to me to list as new roles in demand. They might be in demand right now, but in a very short amount of time, I feel like they're not going to be in demand at all.

Ms. Codispoti stated that's a fair point because two years ago, underwriting claims adjuster roles were still projected to increase over the next several years and so technology is changing everything that we're talking about very seamlessly. There's a number of insurance companies right now that are developing their own AI. If we know one thing about big insurance companies is that they don't want InsurTechs to own the technology. They want to bring it in-house. They'll buy those folks up or bring the people in that will develop it. But those are the specialists that they're hiring for. And so, as quickly as that technology comes on, those job roles are changing. And so, the underlying principle still remains the same. We still have to educate on what insurance and risk management is. We have to educate on how AI and automation is changing roles, and it's changing it more rapidly than any other thing that has come in our space.

I remember an internship where I was faxing out quotes and binders, and by the time I came back full-time I got to change them into a PDF and email them. How long did it take for us to transition from a fax machine to email across the whole industry? It was a long process. We're not there anymore, but we are an industry that takes our good old time changing, and I think what we're seeing here is that we can't wait anymore. We can't drag our feet, and we've been talking about this talent issue since at least the Deloitte study in 2009 and what we do really well is talk about things in this industry rather than act on them. I think there's a lot of urgency, and your comments support that if we don't start acting now, where are we next year or three years from now when we're sitting in this room as it relates to talent? Do we want to take those chances? I don't think so. And we're grateful to the friends at the Griffith Foundation who come in and educate legislators on insurance. I think the same thing needs to happen quite regularly with the vast majority of young people so that they are prepared for whatever change is coming.

Sen. Felzkowski stated when you look at this, if you look at a practical aspect and if you're in the insurance industry, we're going to use AI a lot on personal lines because it's pretty cut and dry in your underwriting. But when it comes to the commercial aspect, I think it's going to be much harder because you're looking at credits. No two risks are alike. You're looking at financials. You're not going to be replacing your commercial underwriters with AI at the extent that you might be on the personal line side. And also, everyone in my office is either a CISR or a CIC, and I used to sit on the board of directors for CISR and it's a great program. And AI will replace some, but it's never going to replace the human element. And I don't see AI replacing insurance agents. And even people that are going online to purchase their insurance, once they go through a really bad claims process, they're coming back to the agency force and wanting to interact with that agent. They might only want to buy from us in person, and then they want to just communicate through e-mail or whatever and never walk in the agency again. But they still want that original interaction. We're seeing that once they have a bad claims experience, they're coming back, they still want that agent so you're not going to be replacing that personal contact with AI. I've been doing this 40 years and seeing the ups and downs and you're not going to be replacing people.

Ms. Codispoti stated I hope that's true and as a former underwriter, I really enjoyed my job and I love the human aspect of it. My concern lies with those companies or agencies and brokers who make decisions about cost savings because they believe that automation or AI can replace the human element. It's done solely on a cost perspective, and they make decisions in haste. I think those are the ones that will lose out and those that remain committed to understanding the insured, understanding the risk, and making sound decisions will win out.

Rep. Lehman stated I'm a CIC as well, but I want to give a shout-out to Ms. Codispoti. You mentioned Indiana, and I can kind of maybe answer Rep. Tedford's question. We're seeing the kids coming out of those programs going more to the carrier side, so I think you're seeing a lot more employment there and maybe the excess and surplus market brokers than you are the agencies because I think agencies are more focused on trying to recruit from people who are connected to our communities and things like that. So, it has been a fantastic program between Ivy Tech, Ball State, Butler, and Indiana State. If anyone has any questions on that, I'm more than happy to tell you about that. And I think as more of these models focus on the human touch, even with AI, you're not going to eliminate those jobs.

Asm. Gandolfo stated to Ms. Codispoti that one of her slides had the number of active students in the programs. Are those all states that mandate this type of curriculum in schools or individual districts did it voluntarily? Ms. Codispoti responded no state is mandating the curriculum, but there are states who have insurance pathways that have recommended learning objectives to

complete that pathway. So, Texas, Indiana, and Alabama are some of those states so where possible, we make sure that we're meeting 100% of those requirements. But in a lot of states, it's just a teacher wanting or a school wanting to give an opportunity for a student, or they have requirements on kids getting certifications. And not all schools in states that have requirements actually need to fulfill them. So, it is not a one-size-fits-all approach and it's really flexible to fit each school.

ADJOURNMENT

Hearing no further business, upon a motion made by Rep Lehman and seconded by Sen. Boyd, the Committee adjourned at 10:30 a.m.