September 5, 2025

Commissioner Michael Humphreys
Chairperson, Big Data and Artificial Intelligence (H) Working Group
National Association of Insurance Commissioners

Re: Exposure Draft of AI Systems Evaluation Tool

Dear Commissioner Humphreys,

On behalf of the American Academy of Actuaries[1] (Academy), we appreciate the opportunity to offer some high-level comments on the exposure draft of the NAIC's Big Data and Artificial Intelligence (H) Working Group's (Working Group) AI Systems Evaluation Tool (Evaluation Tool). We believe that the development of a consistent Evaluation Tool will provide meaningful benefits for both regulators and the broader insurance industry.

Specifically, the four exhibits provide a structured yet flexible foundation for regulators to evaluate financial risks posed by AI usage for both consumers and insurers. The Academy has been closely engaged with the NAIC and with individual states as we all consider the implications of increasing AI use in the insurance and financial services industries. As we have noted previously, both in respect to the NAIC's AI model bulletin and in our more recent comments to the Working Group in response to your request for information on proposing a NAIC model law, one of the Academy's top priorities is to provide an actuarial perspective on the responsible use of AI in insurance, while promoting the critical role actuaries play in ensuring that AI applications remain transparent, fair, and aligned with sound risk management practices.

We particularly appreciate the Working Group's inclusion of:

- **Regulatory Consistency That Prioritizes State Flexibility.** A consistent approach to AI oversight is valuable, as it helps to minimize fragmentation and compliance burdens while offering an understood standard for consumers and industry alike. As drafted, the Evaluation Tool offers a common framework that allows for regulatory consistency while offering state-specific flexibility.
- **Support for Principle-Based Flexibility.** The tool's optional exhibits and tailorable checklists enable regulators to adapt oversight to a specific AI footprint and risk profile. We encourage the Working Group to maintain this principle-based flexibility, as AI holds significant potential to improve underwriting, claims, and consumer experience. At the same time, AI potentially increases risks of opacity and systemic bias. The principle-based, adaptable structure of the Evaluation Tool enables regulators to balance responsible innovation with appropriate oversight.
- **Consumer Protection and Fairness.** The Evaluation Tool offers regulators support in addressing issues of bias, fairness, and equitable treatment of policyholders. As has been discussed by the

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[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Working Group and others, finding methodologies that work to acknowledge and address the need to ensure that risk classification and ratemaking remain transparent and fair is a priority for regulators, industry, and actuaries.

The Academy also supports the Working Group's intention to deploy the Evaluation Tool on a pilot basis in 2026, with the intention of evaluating its use and making any appropriate changes and refinements based on the experience.

We appreciate the Working Group's continued collaborative efforts to consider a pragmatic and forward-looking approach to this evolving area. If you have any questions or would like to discuss these comments further, please contact Will Behnke, the Academy's Risk Management and Financial Reporting policy project manager (behnke@actuary.org).

Sincerely,

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