LAW360 Insurance Authority

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NAIC Expands Insurer AI Evaluation Pilot To Machine Learning

By **Abraham Gross**

Law360 (September 17, 2026, 5:35 PM EDT) -- The National Association of Insurance Commissioners is broadening the scope of a pilot program for evaluating insurer use of artificial intelligence, amid growing concerns about the technology from the AI industry itself.

The National Association of Insurance Commissioners says that a pilot program for evaluating insurer use of artificial intelligence has been running since March in 12 states: California, Colorado, Connecticut, Florida, Iowa, Louisiana, Maryland, Pennsylvania, Rhode Island, Vermont, Virginia and Wisconsin. (iStock.com/Boy Wirat)

The NAIC, which represents insurance regulation leaders from across the United States, released this month an updated version of its pilot AI evaluation tool. It provides 12 participating states with a broader set of questions to gather data about how insurers are using various predictive, agentic and generative models.

The documents being drafted by the NAIC provide insurance regulators with guidance, examples, definitions and structured questions to collect data on systems and models during market conduct exams and financial analyses of property and casualty, life and health insurers.

The pilot has been running since March in California, Colorado, Connecticut, Florida, Iowa, Louisiana, Maryland, Pennsylvania, Rhode Island, Vermont, Virginia and Wisconsin, according to the NAIC.

There are few other comparable efforts to regulate AI at scale in the U.S. Several states have issued regulations targeting certain AI risks more likely to pose a threat, and the White House issued an executive order in January that seeks to develop a "minimally burdensome national standard" for AI regulation.

A more comprehensive national framework has so far eluded policymakers.

"You see white papers from certain industries, but the NAIC is being very proactive here and sort of outpacing, obviously, what the federal government is doing," said Matthew Kohel of Saul Ewing LLP, who counsels companies on AI governance and compliance.

The fractured regulatory landscape has garnered increased scrutiny amid recent reports that certain AI models have strayed from their makers' instructions and expectations, including a July disclosure by OpenAI that two of its AI agents went rogue and hacked the servers of the open-source platform Hugging Face.

Additional incidents reported in recent days have prompted the leaders of OpenAI, Anthropic and xAI to call for a slowdown on AI development and additional guardrails on the technology, though fewer have suggested government regulation.

The latest draft of the NAIC tool expands the kinds of systems that regulators may inquire about. The group is also emphasizing that the document is a supplement intended to be used in conjunction with existing guidance and handbooks, according to a summary of the changes.

"Those changes were driven by regulator experience during the pilot and the feedback they received from using the document," a spokesperson for the NAIC said in an email. "Thus, the changes tend to clarify concepts within the document or redesign/update to ensure regulators are getting the information they need."

The latest version now includes questions related to generalized linear models, a type of machine learning that conducts statistical modeling to connect predictive variables to an outcome based on certain assumptions and probability distributions.

"As with other machine learning techniques, GLMs are not without risk of causing unfair discrimination or other adverse consumer outcomes and require effective governance over data quality, model development, validation, implementation, ongoing performance monitoring, and compliance with applicable laws and regulations," the draft states.

The NAIC spokesperson said the latest draft includes explanations of those models in case regulators receive inquiries while using the tool.

The pilot is ongoing through the end of September. The next meeting of the NAIC committee responsible for overseeing the program is scheduled for Oct. 8.

The GLM change is a concern for the industry because it significantly broadens the scope of what insurers would be expected to respond to and potentially increases the burden of compliance, according to Scott Kosnoff of Faegre Drinker Biddle & Reath LLP, who advises clients on AI risk management frameworks.

"GLMs have been around for a long, long time, and insurance companies have made heavy use of them in their operations — and to their way of thinking, the use of these GLMs for years and years has been non-controversial, and it hasn't led to consumer or other kinds of harm," he said.

He suggested that, short of removing the sections entirely, the NAIC draft could specify the exact kinds or use cases of GLMs that they find concerning, reducing burdens on insurers.

The latest draft illustrates that the NAIC is not limiting itself to a particular type of technology in its quest for information, according to Kohel of Saul Ewing.

"They're focused on protecting consumers against adverse outcomes, which I think is clearly a concern of legislators and regulators, but here, the NAIC is not so much concerned with the nature of technology itself," he said.

The latest NAIC draft also specifies that the supplement does not supersede existing guidelines for evaluating the financial health of insurance companies and conducting risk assessments.

The change underscores that AI evaluations are an extension of existing insurance regulations, said Fred Karlinsky, Chair of Greenberg Traurig's Global Insurance Regulatory and Transactions Practice Group, who consults with the NAIC on AI issues.

"This is a learning process and an evolution process, and this is not a standalone process. It's part of the overall regulatory ecosystem, which is why there's a notion that this is part of the financial and market reviews of companies," he said.

He added that the pilot reflects a spirit of cooperation between insurers and regulators so that regulators have the right base of knowledge when reviewing AI technologies, which can be a moving target.

"The regulated entities understand that they're regulated. They understand that the NAIC or the individual states are their regulators, whether they would like to just do things on their own or not — that train's left the station," he said.

Though the NAIC pilot may be the broadest effort yet to establish enforceable AI system standards across state lines, experts that spoke to Law360 disagreed about the extent such a project could inform AI regulation in other industries.

"It's clear to me, and it should be clear to others, that insurance is one of the most regulated industries out there, and frankly, I'm not sure if there's an application to other industries or not," said Karlinsky.

Kohel, however, noted common themes between the supplement and other AI guidelines and governance practices, like explainability, testing, risk assessment, oversight and management to uncover and prevent potential adverse impacts.

"You can apply a lot of these concepts to AI use in other industries, but also, more broadly, within companies that want to use AI for very specific purposes, where a decision could have a potentially negative impact on a consumer," he said.

As the pilot nears completion, Kosnoff said that a big question for the insurance industry is what the next step will be for regulators and whether they have the bandwidth and expertise to properly assess the answers to the supplement and make informed judgments.

"I think most people would say that the regulators are on the same sort of journey of learning and enlightenment with respect to AI and AI governance as are the companies that they're regulating, and they're asking a lot of good questions. But what will they do with the answers?" he said.

--Editing by Amy Rowe.