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THE Committee OF Annuity Insurers
www.annuity-insurers.org

February 6, 2026

2026 NAIC Third-Party Data and Models (H) Working Group
NAIC Central Office
1100 Walnut Street
Suite 1500
Kansas City, Missouri 64106

Sent via email to: kdefrain@naic.org

RE: Risk-Based Regulatory Framework for Third-Party Data and Model Vendors

Dear Chair Jason Lapham:

The Committee of Annuity Insurers ("CAI" or the "Committee")[1] appreciates the opportunity to submit comments to the NAIC Third-Party Data and Models (H) Working Group ("TPDM Working Group" or the "Working Group") on the December 9, 2025 exposure draft of its Risk-Based Regulatory Framework for Third-Party Data and Model Vendors (the "Draft Framework").

The TPDM Working Group is charged with developing and proposing "a framework for the regulatory oversight of third-party data and predictive models." The Committee recognizes how the Draft Framework reflects that purpose and endeavors to advance regulatory oversight of the third-party data and predictive models used by insurers carrying out their insurance business, with the goal of protecting consumers. However, as currently presented, the Draft Framework would create significant uncertainties for insurers regarding their current use of third-party vendors and likely will disincentivize vendors from developing solutions for the insurance industry in the future. As our comments below explain, we believe an approach that aligns the interests of insurers with those of consumers and with the responsibilities and priorities of regulators could result in a framework that is workable and enforceable.

COMMENTS:

1. **The Framework should support insurers and consumers alike by providing regulatory oversight that promotes value for the insurance industry while fostering innovation that benefits consumers.**

   As currently proposed, the Draft Framework would create a burdensome and uncertain compliance process that will impose unnecessary costs and barriers to entry for innovators looking to improve how insurers conduct their insurance business and how consumers interact with their insurers. The Committee recognizes that legitimate consumer harms can result from the use of complex models and novel datasets that insurers do not adequately vet and oversee and agrees that consumer wellbeing should be prioritized and protected. But regulatory oversight should not come at the expense of stifling innovation that improves insurance operations and customer experience.

   For the Draft Framework to be workable, it should be reframed to preserve the benefits consumers have gained from innovations in insurance operations involving vendor-supported

[1] The Committee of Annuity Insurers is a coalition of life insurance companies that issue annuities. It was formed in 1981 to address legislative and regulatory issues relevant to the annuity industry and to participate in the development of public policy with respect to state regulatory, securities and tax issues affecting annuities. The CAI's current 33 member companies represent approximately 80% of the annuity business in the United States. More information is available at https://www.annuity-insurers.org/.

models and datasets, and it should also tangibly benefit insurers by providing consistent regulatory recognition for those data and model vendors that register with state insurance regulators. The Working Group has failed to explain why a regulatory framework directed at vendors is necessary, when insurers will continue to remain responsible and accountable for the results of using third-party models and datasets, especially considering how such excessive new regulatory requirements will likely disincentivize vendors from prioritizing innovation in the insurance space.

If insurance regulators are intending to engage in a supervisory role relating to third-party vendors by overseeing and evaluating their models and datasets, as well as their governance capabilities, insurers should be able to rely on vendor registration and filing approvals by regulators to use these vendors, thus alleviating operational costs, such as due diligence costs, that insurers would otherwise incur in connection with their own risk management processes.

The Committee recommends that the vendor registration and filing process outlined in the Draft Framework be reframed to allow insurers to rely on regulators' approval of a vendor's registration or filing for their vendor management purposes.

2. The Working Group should detail what legal authorities it would need to create or intends to rely on to effectuate the regulatory oversight concepts and processes included in the Framework.

While Committee members understand that the Draft Framework is a conceptual draft, the Working Group should identify the legal or regulatory authorities that support the enforceability and enforcement of their proposed oversight, or that will need to be developed to implement the kinds of oversight practices and processes contained in the Draft Framework.

The Committee requests that the Working Group transparently address whether they envision operationalizing this Draft Framework through model law(s), regulation(s) or formal guidance in the form of a bulletin.

3. The Working Group should consider whether a voluntary registration and filing process would better protect consumers and support insurers.

The regulatory aims of the Draft Framework could be reoriented toward incentivizing vendor compliance with governance standards by means of a program that encourages voluntary registration and filing. Vendors would benefit from having successfully obtained registration (which would be recognized in all other states on a reciprocal basis), while insurers would benefit from being able to rely on the registration process. Given the many operational risks and lost opportunities for insureds and potential disadvantages to consumers that could arise from the regulatory processes outlined in the Draft Framework, the use of a voluntary vendor registration process may help advance regulator's visibility into and oversight of the third-party models and datasets used by insurers and actually incentivize vendor participation in the regulatory process.

The Committee recommends that the Working Group consider establishing a voluntary program for the registration of vendors of models and datasets.

4. The Framework must explain the consequences of non-compliance for insurers and the methods of enforcing its proposed oversight of vendors.

The exposed conceptual draft is unclear as to who would be sanctioned or under what legal authority regulators would enforce violations of the Draft Framework when vendors do not register or fail to maintain their registration status. The Draft Framework reiterates that ultimate responsibility rests with insurers, but insofar as the Draft Framework's regulatory obligations are directed toward vendors, as opposed to insurers, it is unclear why or how insurers could be sanctioned for a vendor's non-compliance, especially if multiple insurers use the same third-party vendor. We would expect that insurers who use reasonable efforts to adhere to their

enterprise risk management procedures, especially related to procurement of third-party models and datasets, would be shielded from liability for a vendor's technical non-compliance with registration requirements or filing requests. Because no clear legal authorities are cited or outlined in the Draft Framework, the intent of regulators with regard to enforcement is left vague.

The Committee requests that the Working Group provide clear legal authority and guidance on how the Draft Framework will be enforced and what the consequences of vendor non-compliance with registration and filing requirements will be for insurers.

5. As a foundational principle, the Framework must provide for regulatory coordination and streamlined vendor registration with an appeals process.

The risk and burden of asking and/or requiring vendors to follow the registration and filing process outlined in the Draft Framework in all 50 states is unworkable and introduces unnecessary complexity for vendors and insurers alike. The Framework should either allow vendors registered in one state to receive reciprocal registration in other states that have adopted the Framework or should set up a centralized clearinghouse or coordinated review mechanism housed at the NAIC and staffed by experts to manage the process.

Fundamentally, the Draft Framework creates the real possibility that a vendor's governance, models or datasets will be determined to be insufficient to warrant registration in some jurisdictions, but not others, based on subjective criteria. Similarly, multiple layers of discretionary filing requests and subjective reviews could result in a filed model or dataset ultimately being disapproved for use in some jurisdictions, but not in others. This inconsistent treatment could require that varying versions of a model or dataset be placed on the market, leading to inconsistent results. Either of these possibilities create unworkable operational risk for insurers and confusion for consumers.

One way to relieve this operational risk is to create a centralized clearinghouse, similar to the Interstate Compact,[2] where approval by the clearinghouse results in reciprocal registration for the vendors in each state that is a member of the clearinghouse. The benefit of this approach would be uniformity, speed, interstate cooperation, streamlined registration and compliance managed by an expert staff. The Interstate Compact was supported by the development and widespread adoption of a model law. To ensure coordinated regulatory oversight, either through a new central body or across the states, a similarly robust process to draft, enact and advance a model law or bulletin would likely be necessary.

The Committee recommends that the Working Group consider developing a centralized clearinghouse similar to the Interstate Compact that would solve the need for uniformity, speed and expertise in the review of third-party vendor registrations and models and dataset filings.

Irrespective of whether a clearinghouse mechanism is adopted, it is critical that transparency and due process be built into the registration and filing process so that disapproval determinations are transparent and vendors can appeal any adverse findings through an appeals mechanism. Standards for what would trigger a discretionary review should also be articulated in writing.

The Committee strongly urges the Working Group to ensure that the decisions regarding vendor registration and filing approvals are transparent and can be appealed through an appeals mechanism that is neutral and fair.

[2] The Interstate Insurance Product Regulation Compact (Compact) established a multi-state public body, the Commission, which has been operational since 2006 and now is comprised of 46 states. Each state has enacted Compact legislation and is an official member of the Commission, usually represented by the Insurance Commissioner in the state. The Compact has implemented close to 100 uniform product standards through an open, transparent rulemaking process.

6. The Framework should minimize disruptions to currently accepted industry practices and operations.

Committee members are concerned about how the Draft Framework will impact their relationships with longstanding vendors whose models and datasets have been subject to existing regulatory oversight and examination by insurance regulators without any issue. The unfair and deceptive trade practices laws, for instance, are fundamentally results based, and insurers have designed controls to ensure that the technologies they use, regardless of the stage of the insurance lifecycle, do not result in negative consumer impacts or harms. And they understand they can be held accountable for the results of their business processes in market conduct examinations.

The Draft Framework's mandatory registration and discretionary filing processes forces regulatory oversight of insurers' vendors to be untethered from the actual results of insurer use of their models and datasets. Vendors that have a long track record of providing solutions that safely, reliably and fairly benefit insurance customers, as well as insurers, should not have their models and datasets already on the market be subjected to the same assessments as new unproven predictive models or datasets.

The Committee requests that the Working Group consider integrating a grandfathering concept or safe harbor into the Draft Framework for those models and datasets already used in insurers' operations that have been previously subject to regulatory examination. Such grandfathering will minimize disruptions in the availability of these solutions due to uncertain or inconsistent regulatory actions.

The Working Group should also consider whether there are types of services that are so critical to consumer safety that they should be exempted from compliance with the Draft Framework in order to prevent an interruption of service. For instance, carveouts in the definition of "model" or "dataset" for those vendor-provided models and datasets that assist in identifying instances of fraud and stolen identities are examples of services where an outright exemption from the regulatory framework may be warranted. Any disruption in such critical services due to regulatory review and scrutiny could significantly harm not only insurer operations, but also consumer safety.

The Committee requests that the Working Group exempt vendors involved in critical services such as fraud, know your customer and stolen identity detection from the Draft Framework.

7. The Working Group should clarify key definitions, concepts and standards in the Draft Framework to ensure the scope is workable and can be applied consistently across jurisdictions and existing regulations.

The Working Group in its prior meetings has acknowledged the potential overlaps between its mandate and those of other (H) Committee working groups and between the Draft Framework and other work products of the (H) Committee and its working groups. These overlaps can be extremely problematic if there are inconsistencies in the scope and definitions of these work products. For instance, the Draft Framework lacks a clear definition for "model" or "predictive model" that creates uncertainty about how the Draft Framework will be operationalized in relation to the NAIC's Model Bulletin on the Use of AI Systems by Insurers ("Model Bulletin"). The Model Bulletin addresses insurer responsibility for overseeing third-party vendors of "AI Systems," and its definition of "AI System" includes many, but not necessarily all, third-party predictive models intended to be regulated under this Working Group's Draft Framework. While we understand that the regulatory targets for this Draft Framework are the vendors themselves, as opposed to insurers, any inconsistencies between the definition of "AI Systems" or "Predictive Model" in the Model Bulletin and definitions of "model" or "predictive model" in the eventual regulatory framework for vendor oversight will create unnecessary logistical confusion and undermine regulatory goals. Likewise, the Big Data and Artificial Intelligence (H) Working Group's proposed AI Systems Evaluation Tool uses the definitions of "Predictive Models" and "AI

Systems" that were provided for in the Model Bulletin, which could have collateral impacts on compliance with the processes in the Draft Framework, given the complexities of various arrangements involving third-party models and datasets.

The Committee urges the Working Group to develop a definition of "model" that is consistent with the Model Bulletin and other work products of the (H) Committee and its working groups.

Another critical operational concern that Committee members have identified with the Draft Framework is the ongoing requirement for vendors to notify and potentially respond to regulator information requests following "material changes" or "material modifications" to models or datasets. There is not yet an accepted industry standard for what constitutes a material change to a predictive model or a dataset, so if a regulatory obligation is going to be triggered by such a material change, the baseline for determining what are "material changes" and "material modifications" to models and datasets must be established.

The Committee strongly recommends that the Working Group establish a threshold definition or indicia of what constitutes a "material change" or "material modification" to a model or dataset that would trigger additional filings and review under the Draft Framework in order to ensure consistent interpretation and enforcement.

The Draft Framework also states that regulators will carry out different reviews and assessments as part of a discretionary third-party model filing and approval process, including requiring a direct filing of the model with a regulator that may require a "Completeness Review." There may also be discretionary evaluations of a model's accuracy, reliability, fairness and fitness for use, as well as of the configuration of the model that will be assessed by insurance regulators. The Committee is of the view that the Working Group should be consulting technical experts to develop written protocols for the various assessments that the discretionary filing and review process may require and then should provide those protocols to interested parties for review and comment before adoption. Technical experts should also be consulted to prepare the evaluative standards and metrics that regulators will apply in their approval process. Those critical elements should be completed before the Framework is adopted and should be consistent across jurisdictions.

The Committee requests that written protocols be developed in consultation with technical experts for the various assessments, evaluative standards and metrics that regulators will apply under the Draft Framework and that such protocols be provided to interested parties for review and comment before adoption. The Committee also requests that the standards for these complex assessments and evaluations be developed using a transparent process that includes industry review and comment before any registration process is implemented.

8. The Draft Framework should clarify the standard of compliance that will be expected of vendors and insurers from regulators when enforcing the Framework.

The Draft Framework proposes a complex and potentially intrusive series of regulatory registrations and approvals at both the vendor-level and the model or dataset-level that can vary at the discretion of the state regulator. Many vendors are not accustomed to directly interfacing with multiple state-based insurance regulators and likely will resist such a registration process unless it is simplified and uniform. While insurers often contract for vendors to support their responses to regulatory inquiries or to meet their regulatory obligations, the new registration and filling processes are likely to dissuade many highly-qualified vendors from supporting the insurance industry. This is especially true in light of the proposed ongoing notification requirements and annual attestations. There is also no specification of the level of effort that vendors must use in response to regulatory inquiries.

The Committee requests that the Working Group expressly state that "reasonable efforts" by vendors to comply with registration requirements and discretionary filing requests or requests for supplemental information are sufficient to be granted approvals.

Thank you for the opportunity to comment on the Draft Framework. We hope that you find these comments helpful. Please do not hesitate to contact us if you have any questions and/or would like to discuss our comments further.

For The Committee of Annuity Insurers

Eversheds Sutherland (US) LLP

By:



Mary Jane Wilson- Bilik
Partner

Cc: Stephen E. Roth, Eversheds Sutherland (US) LLP
Jeremy Bloomstone, Eversheds Sutherland (US) LLP

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From: Wilson-Bilik, Mary Jane <MJWilson-Bilik@eversheds-sutherland.us>
Sent: Thursday, January 29, 2026 2:24 PM
To: CAI - AI Working Group <CAI-AiWorkingGroup@eversheds-sutherland.us>
Cc: Bloomstone, Jeremy <JeremyBloomstone@eversheds-sutherland.us>; Roth, Stephen <SteveRoth@eversheds-sutherland.us>
Subject: Draft CAI Comment Letter on NAIC Third-Party Data/Models Draft Framework - Comments requested by COB Tuesday, February 3, 2026

Hi everyone,

As we discussed on our call last week, we are attaching a draft CAI comment letter on the Draft Framework for registration of vendors, their models and data sets proposed by the NAIC's Third-Party Models and Data (H) Working Group in early December 2025. Comments are due to the Working Group on Friday, February 6. So we are asking that you provide us with any comments or questions you may have on the attached draft letter by COB **Tuesday, February 3.**

We very much appreciate your involvement with the CAI AI Working Group and look forward to your comments on the attached. If you would like to discuss your comments with us directly, please feel free to contact me either by email (mjwilson-bilik@eversheds-sutherland.com) or phone (202.302.4988) or contact Jeremy Bloomstone (jeremybloomstone@eversheds-sutherland.com).

Best,
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From: Roth, Stephen <SteveRoth@eversheds-sutherland.us>
Sent: Wednesday, January 14, 2026 6:44 PM
To: CAI - AI Working Group <CAI-AiWorkingGroup@eversheds-sutherland.us>
Cc: Wilson-Bilik, Mary Jane <MJWilson-Bilik@eversheds-sutherland.us>; Bloomstone, Jeremy <JeremyBloomstone@eversheds-sutherland.us>
Subject: Discussion Draft Outline of CAI Comment Letter on NAIC Third-Party Data/Models Draft Framework - Next CAI Working Group Call Wednesday January 21 at 1 pm ET

Hi everyone,

This follows up on the January 8th call of the Committee of Annuity Insurer's AI Working Group. During that call there was a consensus that the CAI should submit a comment letter on the NAIC TPDM Working Group's exposure of a Draft Framework for regulating third-party vendors of datasets and models. As a next step, we have prepared and attached for your review and consideration a discussion draft outline of a CAI comment letter.

During the January 8 call, we received very helpful input on issues and concerns with the Draft Framework, possible alternative concepts and elements that a framework could include, and related points that a CAI comment letter could make. The attached discussion draft outline reflects that input and includes additional thoughts. The draft asserts that the Draft Framework is excessive and burdensome and should be refocused to benefit both insurers and consumers. It requests the creation of a national clearinghouse to streamline the registration process, the addition of an appeals process and standards for the rejection of a vendor's registration, clarification of terminology such as "material changes" to a model, a reframing to a voluntary framework and pilot program, the addition of exceptions and possible grandfathering, an explanation of insurer liability for a vendor's error, and clarification of how

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the Framework will be integrated into the insurance regulatory framework (thru a model law, regulation, bulletin, guidance).

We would appreciate your review and comment on the points included in the draft, including whether you believe all of the included points should be made, whether the points made are stated clearly, as well as whether there are other points that the CAI should make. We are scheduling a call of this Working Group next **Wednesday, 1/21 at 1 pm ET** to give everyone an opportunity to discuss the draft outline and to provide further input. Following that call, we will prepare a more complete draft of the comment letter reflecting member consensus of the points that the CAI comment letter should make.

We will be sending out an invitation to a call of this Working Group for Wednesday, January 21 at 1 pm ET. In the meantime, if you have comments or questions you would like to discuss before next Wednesday's call, please reach out to MJ Wilson-Bilik (mjwilson-bilik@eversheds-sutherland.com) or Jeremy Bloomstone (jeremybloomstone@eversheds-sutherland.com).

Best,

Steve

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From: Roth, Stephen
Sent: Tuesday, December 23, 2025 12:25 PM
To: CAI - AI Working Group <CAI-AiWorkingGroup@eversheds-sutherland.us>
Cc: Wilson-Bilik, Mary Jane <MJWilson-Bilik@eversheds-sutherland.us>
Subject: NAIC Third Party Data/Models Draft Framework - CAI Call Scheduled 1/8 @ 3 pm ET

Hello everyone,

During the recent NAIC 2025 Fall National Meeting, the H Committee's Third-Party Data and Models Working Group exposed a draft conceptual "risk-based" regulatory framework (attached) that would extend insurance regulators' oversight to third-party data and model vendors whose models or data are used by insurers to carry out insurance functions with direct consumer impact. While most industry stakeholders have been focused on the H Committee's Big Data and AI Working Group's AI Systems Evaluation Tool, we wanted to bring this development to the attention of the CAI's AI Working Group, as it similarly has the potential to impact how annuity insurers innovate with different forms of AI, including predictive models and external datasets.

*We are scheduling a call of the CAI's AI Working Group on **Thursday, January 8 at 3 pm ET** to discuss the exposure and to hear from CAI members whether it would be helpful for the Committee of Annuity Insurers to submit comments on this exposure. Comments are due February 6, 2026.*

Summary of the Regulatory Framework:

The regulatory framework has two fundamental oversight processes:

1. Mandatory vendor-level registrations for third-party vendors that provide models and datasets to entities already licensed by insurance regulators; and
2. A discretionary filing process for specific third-party models or datasets that regulators determine must be evaluated and approved before use in their state.

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These regulatory oversight processes could create operational costs, conflicts and uncertainties for insurers, as multiple layers of state regulatory review could result in certain models or datasets, even those offered by registered and trusted vendors, no longer being available for use by insurers on a jurisdiction-by-jurisdiction basis.

Observations about the Scope and Nature of the Framework:

- *No Definition of Model* – the framework does not include a definition of "Model" and so the scope of this regulatory approach remains uncertain.
- *Focus on Governance* **–** the framework requires vendors to develop and disclose detailed and comprehensive governance programs as part of the registration process, and annually attest to their adherence to the disclosed program.
- *Unprecedented Transparency* – the framework proposes requiring vendors to respond to regulator requests for detailed information relating to the solutions and services they offer to insurers.
- *Standards for Regulatory Review of Models and Datasets*– the framework presents various types of reviews (e.g. completeness, technical, actuarial, and compliance) that regulators can use to evaluate whether to approve, conditionally approve or disapprove models and datasets for use in that jurisdiction. It is unclear what would be involved in these various types of reviews.
- *Reiterating Insurer Responsibility* – the framework makes clear that regardless of the proposed regulatory oversight that insurance regulators would exercise over third-party vendors, the accountability and responsibility for compliance obligations will ultimately rest with insurers.

The Executive Summary also has a "Consumer Protection" heading and states that "vendors should disclose data usage, allow consumers to access and correct records, and define any limitations of corrections." However, the draft Regulatory Framework which follows the Executive Summary does not contain this element.

Although the regulatory target of this proposed framework is third-party vendors, as opposed to insurers directly, this framework likely will have a significant impact on insurers who rely on third-party vendors for predictive models, data sets and AI solutions in their core business functions. While this framework is an early-stage draft and is highly conceptual in its approach, the seeds are being planted for potentially burdensome regulations that would introduce additional compliance and oversight obligations and risks on insurers.

We would like to discuss the possibility of engaging on this issue given the potential repercussions this regulatory scheme could have for CAI's members. Therefore, as noted above, we are scheduling a call of the CAI's AI Working Group on **Thursday, January 8 at 3 pm ET** to discuss the regulatory framework in more detail and to receive input from members as to whether the CAI should provide comments by the February 6th deadline to submit written feedback to the Working Group. We will circulate a Zoom calendar invitation early next year.

If before the January 8th call you have a chance to review the exposed draft and have reactions or responses you think could guide CAI's posture on this issue, we would welcome your feedback.

In the meantime, we wish you a joyous holiday season and happy new year!

Regards,

Steve