NAIC Big Data Working Group Update

September 26, 2017

Regulators are hard at work considering insurers' use of big data and analytics. The Big Data (Ex) Working Group, chaired by Oregon Commissioner Laura Cali Robison, adopted three charges for 2017. Briefly, these charges are to: (a) consider any necessary changes to the existing regulatory framework; (b) propose a mechanism to provide resources, and allow states to share resources, to facilitate the review of complex underwriting, rating, and claims models; and (c) assess data and tools required for regulators to appropriately monitor the marketplace. For each charge, the working group will first address property and casualty insurance before moving to life and health. The working group's first and current focus is on charge b. A small group of regulators has drafted a proposed structure to help the states review complex rating models for automobile and home insurance. This proposal contemplates that the NAIC would hire a predictive analytics team with predictive modeling, insurance, and actuarial expertise to help the states review complex rating models. It further envisions the appointment of five to 10 state regulatory actuaries to a predictive analytics working group, which would, among other things, develop a checklist of data that companies must provide with their rate filings. Industry groups have correctly voiced concerns about this proposal, including that it would improperly delegate regulatory authority to the NAIC. No decision was made regarding the proposal after much discussion at the working group's recent meeting in Philadelphia. Notably, although the proposed framework is intended to address the review of automobile and home insurance rating models, Commissioner Cali has stated that it could be modified to fit other lines of business. Although the working group has considerable work remaining on its 2017 charges, Commissioner Cali repeatedly noted that it will formulate additional charges for 2018.

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