American Property Casualty Insurance Association

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Testimony of

American Property Casualty Insurance Association (APCIA)

House Economic Matters Committee

House Bill 1331 - Consumer Protection - Artificial Intelligence

March 4, 2025

<u>**Support with Amendments**</u>

The American Property Casualty Insurance Association (APCIA) is the primary national trade organization representing nearly 71.4 percent of the Maryland property casualty insurance market. APCIA appreciates the opportunity to provide written testimony in regard to House Bill 1331.

House bill 1331 addresses the regulation of Artificial Intelligence by defining it as well as regulating those deploying and developing this technology and its impact in Maryland. APCIA is asking for an amendment to the bill to remove certain language. The insurance industry, including property and casualty insurers, is committed to ensuring that algorithms are free from unfair discrimination. We are seeking to have the insurance industry removed from the scope of the legislation for the following reasons:

1. The business of insurance is regulated by the states, overseen by Insurance commissioners in each of the 50 states and the District of Columbia. The National Association of Insurance Commissioners (NAIC) is a non-governmental body comprised of state insurance commissioners and staff.

2. The NAIC establishes recommended minimum standards for capital standards and other prudential requirements that are largely uniform when adopted across the states. Including insurance within the scope of the draft legislation would subject insurance companies, operating in the Maryland, to entirely separate and possibly conflicting requirements on the use of algorithms and predictive models. These additional requirements would impact affordability and availability of products in Maryland negatively impacting Maryland residents.

3. Maryland insurance regulation law includes robust oversight- and regulations under which insurers currently operate. These include privacy protections, safeguarding health information and restrictions on unfair discrimination. The existing regulatory system already applies to the use of AI as well as to more traditional means of implementing the business of insurance. The Maryland insurance regulators are well-equipped to address any illegal use of algorithms, machine learning and artificial intelligence by insurers with a full range of enforcement tools, including fines, license revocation and investigations.

4. The NAIC has established a committee to address data issues with the highest priority on the use of AI, algorithms, machine-learning and accelerated underwriting. The goal of which is to create a uniform approach to regulating these activities so that consumers are protected equally and fairly across all jurisdictions rather than having a patchwork of protections from state to state.

5. Most importantly, the nation's insurance regulators through the NAIC have drafted the AI Model Bulletin, which Maryland has adopted. That bulletin reiterates appliable law and includes the key components of responsible AI including notice, governance, transparency and anti-discrimination provisions but does so in a way to support the competition and solvency of Maryland's insurance sector. There is simply no need

for more or different regulation by another government agency, as the issue has been fully addressed in the insurance context.

6. With the adoption of the AI Model Bulletin in Maryland regulation, the insurance commissioner is already has the power to examine insurers' use of algorithms and predictive models. The inclusion of insurance within the scope of this legislation could seriously impair or impede those activities.

7. Protecting insurance consumers includes maintaining a robust and competitive insurance market. The Insurance Commissioner and staff are uniquely qualified to maintain the appropriate balance between the imposition of regulatory burdens and consumer protection to create the conditions for a healthy insurance market within the Commonwealth.

We therefore request the following language:

THIS CHAPTER SHALL NOT APPLY TO ANY ENTITY, OR ANY HIGH-RISK ARTIFICIAL INTELLIGENCE SYSTEM DEVELOPED OR DEPLOYED BY AN ENTITY FOR USE IN THE BUSINESS OF INSURANCE, IF SUCH ENTITY IS REGULATED AND SUPERVISED BY THE MARYLAND INSURANCE ADNMINSTRATION OR A COMPARABLE FEDERAL REGULATING BODY AND SUBJECT TO EXAMINATION BY SUCH ENTITY UNDER ANY EXISTING STATUTES, RULES OR REGULATIONS PERTAINING TO UNFAIR TRADE PRACTICES AND UNFAIR DISCRIMINATION AS DEFINED IN THE CODE OF MARYLAND , OR PUBLISHED GUIDANCE, ADOPTED BY THE MARYLAND INSURANCE ADMINISTRATION THAT APPLY TO THE USE OF ARTIFICIAL INTELLIGENCE SYSTEMS. NOTHING IN THIS CHAPTER OR THIS ACT SHALL BE CONSTRUED TO DELEGATE EXISTING REGULATORY OVERSIGHT OF THE BUSINESS OF INSURANCE TO ANY DEPARTMENT OR AGENCY OTHER THAN THE MARYLAND INSURANCE ADMINISTRATION"

APCIA respectively requests this amendment on House Bill 1331.

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