



## **Testimony of American Property Casualty Insurance Association**

### **House Economic Matters Committee**

### **House Bill 1250- Consumer Protection and Product Liability – Chatbots**

**March 3, 2026**

#### **Unfavorable**

The American Property Casualty Insurance Association (APCIA) is a national trade organization whose members write approximately 71 % of the property and casualty insurance market in Maryland. The bill provides for oversight of and regulation of chatbots including the designers and operators who use them. APCIA appreciates the opportunity to provide written comments in opposition to HB 712 unless an exemption for insurers who are already regulated under the Insurance Code is included.

Maryland’s existing laws and regulations provide an adequate and robust regulatory framework to govern the use of artificial intelligence (AI) systems by insurers and such features as chatbots. While there may be a need to legislate the regulation of the use of chatbots by unregulated industries, that is not the case for insurance companies.

Specifically, the NAIC AI Bulletin, which Maryland has adopted establishes the following consumer protections:

- Insurers using AI systems for decision making shall implement and maintain a written program to make sure that AI systems are deployed responsibly consistent with existing laws and regulations. The bulletin also outlines the risk mitigation controls, as well as the development and use of verification and testing methods to identify the potential for unfair and illegal discrimination in outcomes stemming from the use of AI systems that the program should contain. The bulletin further prescribes supervision responsibilities for the use of AI systems to senior management or a committee within a company that is accountable to an insurer’s board.
- Directs insurers that use AI systems to develop and implement a governance framework to manage and oversee the development and use of these systems. It expects insurers’ frameworks to emphasize transparency, fairness, and accountability in the design and implementation of artificial intelligence, as well as policies and procedures, risk management and internal controls.
- Directs that insurers’ AI systems should record the risk management, mitigation, and framework for internal controls for AI systems. This includes supervision of predictive models, routine audits, as well as validation, testing, and retesting of AI system outputs. The bulletin further establishes the expectation that insurers should protect nonpublic information, including personally identifiable information, from unauthorized access.
- Requires that insurers’ artificial intelligence system programs address processes for acquiring, using, or relying on third-party data to develop AI systems, and AI systems developed by a third-party, including the establishment of protocols for insurers to conduct due diligence assessments of third parties and their data and/or AI systems. The bulletin further prescribes that third-party contracts provide audit rights or entitle insurers to receive audit reports on third-party AI systems.
- Provides for strong oversight and enforcement authority of the requirements of the bulletin and



its underlying laws to the State's insurance regulators. Specifically, it subjects insurers to inquiries and market conduct investigations into its development and use of AI, as well as its governance framework, risk mitigation and internal controls, policies, procedures, and other information including records pertaining to testing and retesting of AI systems.

The bulletin, combined with existing laws and regulations written specifically to apply to the insurance industry, comprises a comprehensive regime for the regulation of insurers' use of artificial intelligence that is overseen and enforced by an office with the expertise, experience and regulatory tools to effectively apply them.

Insurance is exclusively regulated by the MD Insurance Administration. It is important to note that existing MD law already contemplates the unique nature of insurance regulation. As drafted, this bill would enact a parallel and inconsistent set of standards that would conflict with the established laws and regulations set forth in MD law and potentially undermine the authority of the Insurance Commissioner.

Here is the MD adopted bulletin: <https://insurance.maryland.gov/Insurer/Documents/bulletins/24-11-The-Use-of-Artificial-Intelligence-Systems-in-Insurance.pdf>.

For these reasons, APCIA is requesting an exemption from the legislation.

Suggested language for exemption:

On page 11, insert after line 9:

**14-5113.**

**THIS SUBTITLE SHALL NOT APPLY TO ANY INSURER OR AFFILIATE OF AN INSURER OR TO ANY ARTIFICIAL INTELLIGENCE SYSTEM OR CHATBOT SYSTEM DEPLOYED BY OR ON BEHALF OF AN INSURER OR ITS AFFILIATE IN THE BUSINESS OF INSURANCE THAT IS REGULATED BY THE MARYLAND INSURANCE ADMINISTRATION. NOTHING IN THIS CHAPTER SHALL BE CONSTRUED TO DELEGATE REGULATORY OVERSIGHT OF THE BUSINESS OF INSURANCE TO ANY DEPARTMENT OR AGENCY OTHER THAN THE MARYLAND INSURANCE ADMINISTRATION.**

If the suggested exemption language is adopted, APCIA would remove its opposition to HB 1250 and urges the Committee and the patron to accept this amendment.

Nancy J. Egan, State Government Relations Counsel, Mid-Atlantic,

[Nancy.egan@APCIA.org](mailto:Nancy.egan@APCIA.org)

Cell: 443-841-4174