

**COMMENTS OF THE AMERICAN PROPERTY CASUALTY INSURANCE ASSOCIATION
ON
NIST AI RISK MANAGEMENT: INITIAL DRAFT 3/17/22**

The American Property Casualty Insurance Association (APCIA) represents nearly 1200 insurers and reinsurers providing coverage throughout the U.S. and the world. We appreciate the work of NIST on this important topic and hope for harmonization on AI risk management principles as well as recognition of the necessary differences in sectoral standards and regulation.

The NIST Document Should Better Set Forth the Benefits of AI.

While benefits are mentioned very briefly, the vast majority of the document focuses on perceived issues and problems and proposed approaches. This fundamental absence of a discussion of AI benefits could result in policymakers and others failing to recognize the balance that is essential to maximizing the benefits of AI as well as addressing any demonstrated problems.

For example, in our sector, AI has enabled better risk assessment, better customer service consistent with changing expectations, better fraud prevention and more expeditious resolution of insurance claims. These kinds of benefits should be included in any future draft of the document.

Any Discussion and Definition of Fairness Should Recognize Legislated Standards.

The insurance sector is heavily regulated by the states. State insurance codes include legal standards for virtually every consumer interaction, from pricing to claims resolution. Reference to these kinds of sectoral legal standards would help the NIST report readers to better understand what “fairness” is in the relevant context.

Risk Based Pricing Is Fundamental to Understanding Insurers’ Use of AI.

Insurance is the transfer of risk from the policyholder to the insurer in exchange for a premium that reflects the risk being transferred. Whether AI is being used or not, the same standards apply. So, in the context of insurance, any discussion regarding the proper use of AI should uphold the fundamental role of risk-based activities that in turn support competition, innovation, and solvency--the ultimate insurance consumer protections.

Transparency Also Deserves Sectoral Treatment.

We all agree with the goal of transparency, but the concept becomes complicated when follow up issues are considered such as how much transparency is useful, to whom, and at what cost? These concepts should be considered in more detail in the future draft. In the insurance context, transparency is already provided for and is also subject to on-going discussion by state policymakers and the industry.

Consistency Among Standards Is Desirable.

Consistency among standards is desired, especially for companies that are, or may be, subject to different, or even worse conflicting, standards. We hope that NIST will continue to work with other standard setters to help avoid unproductive inconsistencies among standards for companies that may be subject to them.

Conclusion

APCIA appreciates the thoughtful way by which NIST is approaching this important topic. We are pleased to provide some comments at this stage and look forward to further engagement in the future.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D. Snyder', with a long horizontal stroke extending to the right.

David F. Snyder,
Vice President