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NAIC Third-Party Framework

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Center for
**Regulatory
Strategy
US**

Purpose & scope | NAIC's proposed Risk-Based Regulatory Framework for Third-Party Data & Model Vendors



Background

The **Third-Party Data and Models Working Group**, in which this framework is being developed, was established under the NAIC's Innovation, Cybersecurity and Technology Committee.

The over-arching purpose of the Working Group is to explore regulatory oversight of third-party data and predictive models used by insurers. It was developed by insurance regulators from **Colorado, Florida, Iowa, Pennsylvania, and Vermont.**²

In addition, this Working Group separately coordinates with those of the Big Data & AI Working Group (which has oversight for the concept of an AI Model Law, along with supporting regulatory artifacts).



Why regulators are taking action

- ✓ Rapid growth in insurer use of **external data, models, artificial intelligence (AI), machine learning (ML) and cybersecurity vendors.**
- ✓ **Model-driven decisions** increasingly have direct consumer impact
- ✓ Limited regulator visibility into third-party tools embedded in insurer operations. **Regulators have recognized limitations in existing oversight** - particularly their ability to assess outcomes like unfair discrimination and adequacy of rates when third-party tools are embedded in insurer operations.
- ✓ Oversight is achieved through **vendor registration, regulatory access requirements, and a state-specific discretionary filing** process.
- ✓ **Goal: transparency, accountability, and consumer protection** without stifling innovation.¹

Key expectations & requirements



Scope of application of proposed framework

- Applicable across **Property & Casualty (P&C), Life, and Health** insurance lines
- Initial framework scope **limited to insurance functions that directly impact consumers – for now**
 - These include pricing, underwriting, claims, utilization reviews, marketing, and fraud detection
- Scope **may evolve** with NAIC Big Data & AI Working Group definitions

Proposed registration (not licensure)

- Third-party vendors would be required to **register with a state DOI** before use by insurers
- Registration **avoids full licensure and routine examinations**
 - *“This approach gives regulators the information, they will need not require a third-party to become a licensed entity in each state.” - Chair of the working group*
- **Designed as a proportionate, risk-based oversight mechanism**
- Proposed status progression:
 - Application → Governance approved upon positive assessment by regulator → Registered

Governance program documentation expectations

- Data governance and provenance controls
- Roles, responsibilities, and internal oversight
- Process for identification and remediation of missing or incomplete data
- Agreement to access by regulators, upon request, to provide:
 - 1. Model data documentation**
 - 2. Input and output specifications; validation, performance, and any fairness and bias testing results; change logs and audit trails³**



Regulatory oversight tools proposed

- **Proposed vendor registration** and annual renewal
- **Annual senior-officer governance attestation** that the governance program is implemented, effective, and applied to all data used by licensed insurers, complies with applicable insurance laws and regulations and adheres to third-party data vendor governance program
- Material **change notification requirements**, including decommissioning of a model
- Regulators may conduct **targeted evaluations** if concerns arise about performance, fairness, or governance
- Failure to provide access may result in model or data disallowance in the state

NOTE: Insurer accountability remains unchanged

- **Insurers remain fully responsible** for compliance with insurance laws
- **Validate suitability of models and data** for their own books of business
- Ensure contractual **access to vendor documentation**
- Meet rating, underwriting, unfair trade, and unfair discrimination requirements

Bottom line:

*The NAIC's Third-Party Data and Model Regulatory Framework is an early regulatory architecture aimed at ensuring that **models and data supplied by external vendors—especially those that directly impact consumers—meet standards of transparency, governance, and fairness.** It is expected to evolve as states refine definitions and proportional oversight mechanisms. There is no time frame for completion.*



Discretionary filing mechanism

- States may **require direct filing of specific data or models** when and where risk warrants
 - Direct filing includes model summary and intended use and business purpose, methodology, inputs and outputs, validation, explainability, and change management updates
- Triggers include potential consumer harm, novel or opaque model methodologies, complaints, market conduct indicators, or emerging risks
- Allows **targeted oversight** without universal model review⁴



Industry feedback

- Broad **support for light-touch, proportional approach**
- Concerns about **cost and impact on smaller vendors**
- **Strong governance** in place emphasized as key to success
- Concern about state expertise in managing registrations
- Interest in interstate recognition or reciprocity

Next steps for insurers: Call to action before February 6th



Key dates and immediate action:

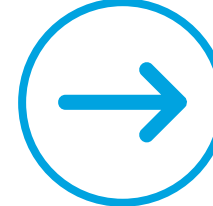
- Exposure draft was issued **Dec. 9, 2025⁵**
- Comments due **Feb. 6, 2026**



NAIC ask:

Chair of Working Group (Colorado) is interested in **practical comments** on how we accomplish this goal

Chair indicated this approach by stakeholders would be helpful during concluding remarks at the NAIC fall meeting in Hollywood, CA



Prepare for additional updates:

Framework expected to **evolve throughout 2026**

No explicit timetable, but a clear priority of the NAIC



Engage your stakeholders:

- Align with key vendors on documentation, testing, audit trails
- Prepare for regulatory questions on use cases, governance, controls

More opportunities for stakeholder involvement: Third Party Data & Models Working Group call [scheduled](#) for February 26.



Endnotes:

1. National Association of Insurance Commissioners (NAIC), “[Risk-Based Regulatory Framework for Third-Party Data and Model Vendors](#),” December 9, 2025.
2. NAIC, [Third-Party Data and Models \(H\) Working Group – Meeting Summary Report](#), December 9, 2025.
3. NAIC, “[Risk-Based Regulatory Framework for Third-Party Data and Model Vendors](#),” December 9, 2025.
4. NAIC, [Third-Party Data and Models \(H\) Working Group – Meeting Summary Report](#), December 9, 2025.
5. Ibid.

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