

# AI Regulation and Risk Management

Presented by:

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February 2025

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# CEFLI Reminders

## The Presentation Deck

- The presentation deck is available now, on this page: <https://cefli.org/webinars/>

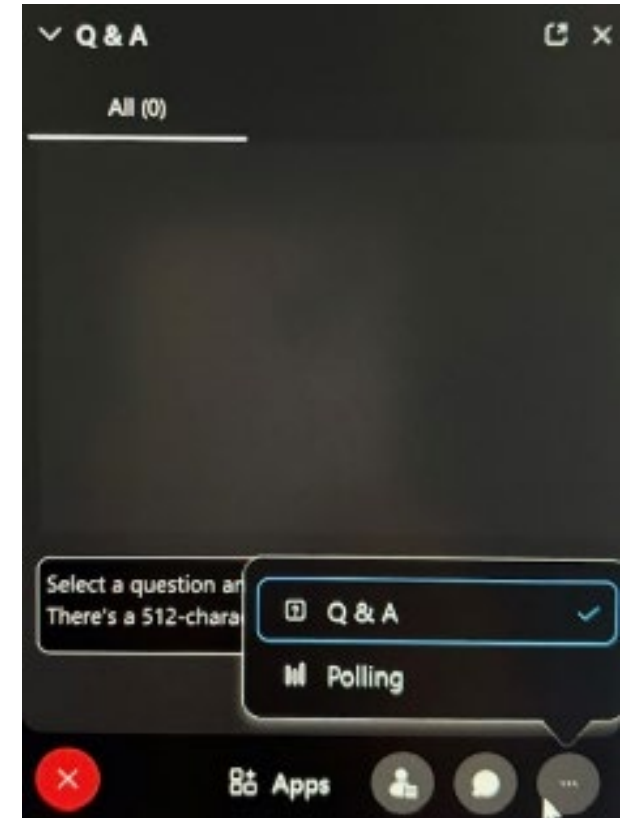
## Post-Event Communication

We will email the following information to you in the next few days:

- A link to the recording
- A copy of the slides
- A Certificate of Attendance template (to those who attended the live event)

## Questions Welcomed!

- Please use the **Q&A Function** (not the Chat function).
- Type your questions into the Q&A area at any time. We'll save some time at the end to cover questions at that time.



# Presenters



## **Danielle M. D'Addesa**

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Protective Life

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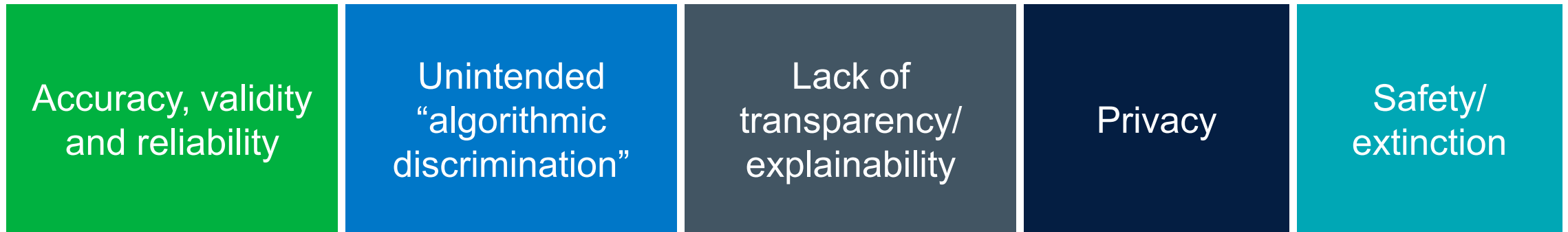
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# Potential Concerns About AI

Many regulators, policymakers and consumer advocates have expressed concern about:



- In addition, the use of generative AI raises concerns about confidentiality and infringement of intellectual property rights
- As a result, insurers that use AI may be exposed to regulatory, litigation and reputational risk



# Insurance Regulatory Response

- NAIC model bulletin regarding insurers' use of AI systems
- Colorado regulation regarding life insurers' use of external consumer data and information sources (ECDIS)
- New York circular letter regarding insurers' use of AI systems and ECDIS in underwriting and pricing



# Big Changes at the Federal Level

- On January 20, 2025, President Trump revoked Biden's executive order on safe, secure and trustworthy AI as part of the new administration's effort to "end Federal implementation of unlawful and radical DEI ideology."
- On January 23, 2025, Trump signed an executive order declaring, "It is the policy of the United States to sustain and enhance America's global AI dominance in order to promote human flourishing, economic competitiveness, and national security."
- In addition, Trump's order directs relevant officials to identify any actions taken pursuant to Biden's executive order that would be inconsistent with, or present obstacles to, the goal of enhanced global AI dominance.



# Colorado's AI Law

- On May 17, 2024, Colorado Governor Jared Polis signed Senate Bill 24-205, making Colorado the first state to require developers and deployers of high-risk AI systems to exercise reasonable care to prevent algorithmic discrimination.
- Developers and deployers of high-risk AI systems are afforded a rebuttable presumption that they used reasonable care to prevent algorithmic discrimination if they satisfy the requirements of the statute.
- Developers must provide substantial disclosures to deployers, the public and the Colorado Attorney General.



# Colorado's AI Law

- Deployers must implement a risk management policy and program, conduct impact assessments, comply with extensive transparency requirements and more.
- The new law applies to AI systems that make (or are a substantial factor in making) consequential decisions regarding education, employment, lending/financial services, essential government services, healthcare, housing, legal services and insurance.
  - However, insurers subject to Colorado's ECDIS law and regulations are deemed to be in full compliance.
- Colorado AG is vested with exclusive enforcement authority, and there is no private right of action.
- The law goes into effect on February 1, 2026.





# Risk Management Goal: Have a Good Story to Tell

- Organizations that use AI and algorithmic models to make important decisions should strive to have a good story to tell.
- The story should demonstrate that the organization...
  - Appreciates the concerns associated with AI;
  - Takes those concerns seriously; and
  - Has exercised reasonable care in identifying, managing and mitigating the risk of negative impacts.



# Basic Risk Management Framework

A risk management framework should be an extension of the organization's ERM and compliance programs

✓ High level principles	✓ Training and supervision
✓ Cross-functional, multi-disciplinary governance committee	✓ Monitoring/auditing, testing* and corrective action
✓ Written policies and procedures	✓ Appropriate involvement by senior management and Board
✓ Clear assignment of responsibility and accountability	✓ Documentation

\* Testing will be required in CO and NY, is encouraged by NAIC





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Trusted by industry and regulators alike, Scott helps clients capitalize on opportunities and address regulatory and legal issues related to artificial intelligence, big data and algorithms.

- Scott helps clients stay on top of the emerging standards and regulations that will govern AI. There's a lot going on, at every level.
- Scott helps clients implement a risk management framework and minimize their risk of regulatory, litigation and reputational exposure. Effective risk management calls for a holistic, multi-disciplinary approach throughout the AI life cycle.
- Working with the firm's data consulting subsidiary, Scott uses his first-hand knowledge of evolving regulatory standards to help clients assess their algorithms for unintended discrimination. It's important, cutting-edge work.
- At the request of the NAIC, Scott has briefed the nation's top insurance regulators regarding AI on multiple occasions, including in closed-door sessions. Most recently, he has briefed insurance regulators on how insurers can employ AI risk management and governance to mitigate their regulatory, litigation and reputation risk.

