



## 2026 Annual Conference



# AI Governance Frameworks in Captive Insurance: Compliance, Liability and Data Privacy

*Regulatory expectations first. Practical technology controls next.*

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Views expressed are the presenters' personal/professional opinions and do not represent official positions of their organizations.

# Panelists



**Bhargavi Vepuri**

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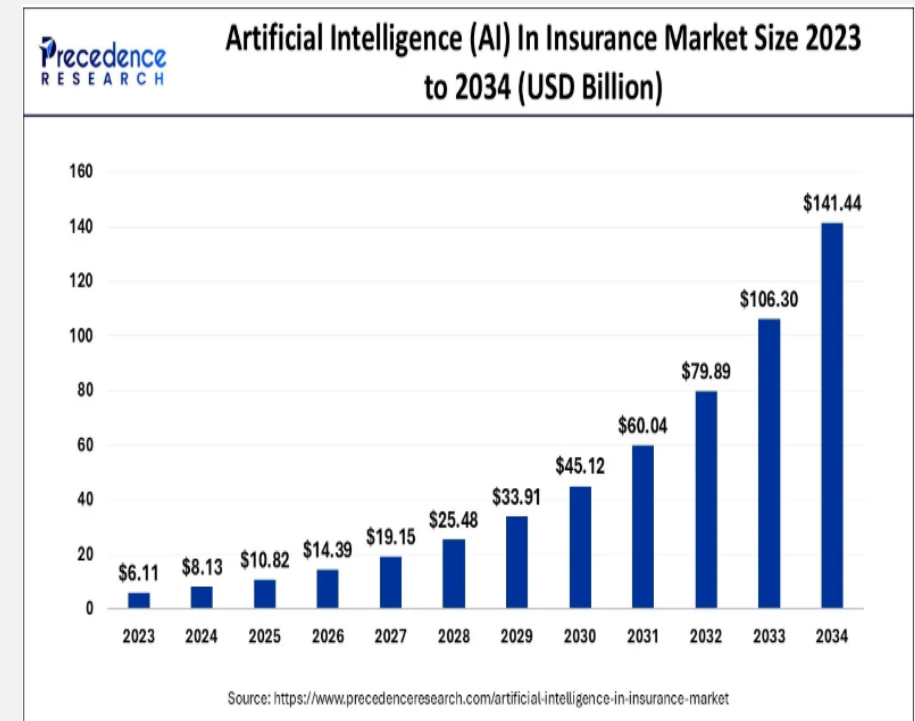
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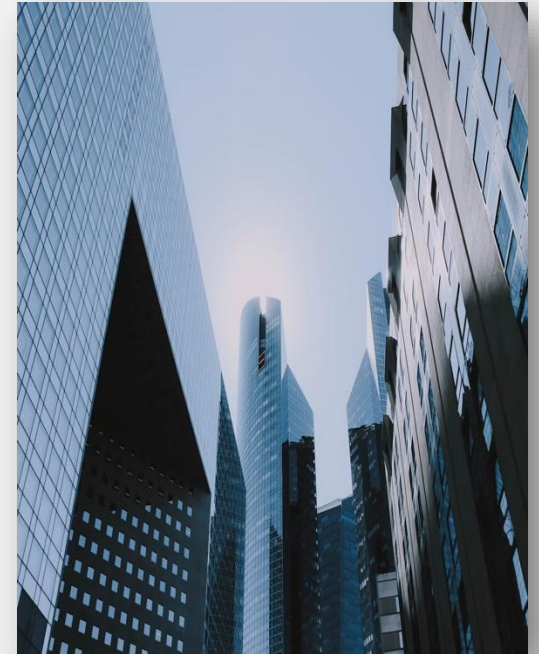
# Setting the Stage: The AI Shift in Captive Insurance

- Adoption surging: 55% of insurers use generative AI
- Embedded across underwriting, claims, marketing, and fraud detection
- From pilots to enterprise-wide deployment
- Regulators zero in on fairness and transparency
- Market growth hinges on regulatory and legislative action



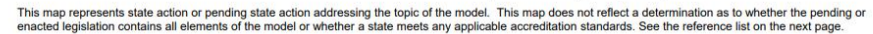
# Why AI Governance Matters in Captive Insurance

- AI can influence regulated decisions and consumer outcomes
- Expanded data use increases privacy and security exposure
- Model errors can create operational, legal, and reputational harm
- Third-party tools can obscure data use, limitations, and changes
- Regulators increasingly expect evidence of governance and oversight





- AK, AR, CT, DE, DC, HI, IL, IA, KY, MD, MA, MI, MS,  
NE, NV, NH, NJ, NC, OK, PA, RI, VT, VA, WA, WI,  
WV.



# Expansion of the NAIC AI Model Bulletin

## Key Expectations:

- Written AI governance (AIS) programs
- Risk management and testing
- Documentation of AI systems
- Accountability and ownership
- Oversight of third-party AI vendors
- Ability to provide information during examinations



# Expansion of the NAIC AI Evaluation Tool Pilot

- The NAIC's **AI Systems Evaluation Tool Pilot** became a major development during 2026 and is being tested by **12 states** through September 2026.
- The pilot is intended to help insurance regulators assess insurer AI governance, testing, controls, and oversight programs during examinations. Regulators are developing structured frameworks for reviewing insurer AI systems.



## Pilot Participation States

1. California
2. Colorado
3. Connecticut
4. Florida
5. Iowa
6. Louisiana
7. Maryland
8. Pennsylvania
9. Rhode Island
10. Vermont
11. Virginia
12. Wisconsin



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

8/10/2026

# Texas AI Insurance Bulletin Guidance

The Texas Department of Insurance issued **Commissioner's Bulletin B-0003-26** in June 2026.

TDI states that:

- AI-supported decisions must comply with all existing insurance laws.
- AI use remains subject to unfair trade practice and unfair discrimination requirements.
- Expectations extend to third-party vendors.
- TDI may request governance, risk management, privacy, and internal control documentation during examinations.



# Increasing Focus on Human Oversight and Vendor Risk

## Human Oversight

- States such as: California, Colorado, New York, and Texas have moved toward requiring human review of AI-supported decisions rather than allowing fully automated insurance outcomes.

## Third-Party Vendors

- Regulators expect insurers to:
- Understand vendors models and limitations
- Monitor vendor changes
- Retain oversight of AI-supported decisions

# From Regulatory Expectations to Governance

The handoff point from policy to implementation

**Regulatory  
Guidance**

**Internal  
Governance**

**Risk-Based  
Oversight**

**Documented  
Controls**

**Evidence of  
Operation**

# Governance Must Live in the Architecture

A policy is necessary, but the system has to enforce it

**Decision boundaries**

**Validation controls**

**Human review points**

**Evidence capture**

**Monitoring and escalation**

*AI governance becomes real when controls are built into the workflow.*

# Decide What AI is Allowed to Do

Separate recommendation from authority

## Recommend

**AI suggests or  
summarizes**

Human or system decides

## Automate

**AI can act inside  
defined boundaries**

Only for lower-risk approved  
cases

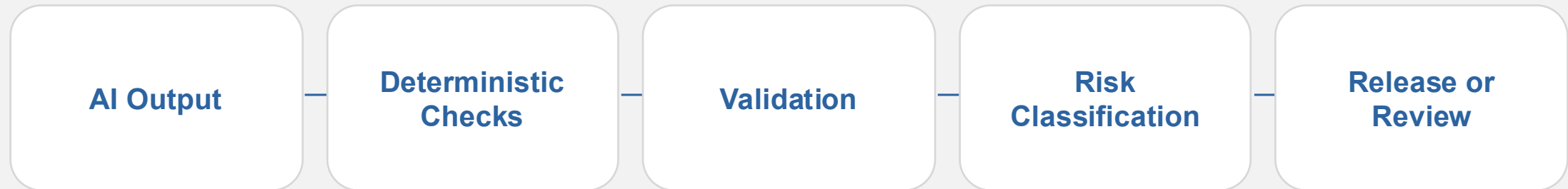
## Escalate

**AI cannot complete  
the action**

Route to human review

# Validate Before Execution

Put a control point between an AI output and a business action



# Human Oversight Should Match the Risk

Not every AI output needs the same level of review

## LOWER RISK

Automated path with  
monitoring

## MEDIUM RISK

Conditional review or  
sampling

## HIGHER RISK

Human approval  
before action

# Explainability and auditability by design



Build the evidence trail while the workflow runs

Can we explain what happened, why it happened, and who approved it?

Inputs Used

Validation Result

Risk or  
Confidence

Exception  
Reason

Reviewer Action

# Third-party AI Needs Technical Guardrails Too

Legal review and contracts are important, but the integration also needs controls

## Control the integration

- Secure interfaces
- Limit data exposure
- Control access
- Validate outputs before use

## Operate the service

- Monitor quality and failures
- Track vendor-supported decisions
- Detect changes and drift
- Keep evidence for review

# Expect Implementation Challenges

Most governance problems show up in the workflow, not in the policy document

## Common challenges

- Data quality
- Legacy system gaps
- Model drift and false positives
- Cross-team coordination

## A practical response

- Start with one clear use case
- Define risk and ownership
- Validate before action
- Monitor and retain evidence

# Closing Takeaways

Two perspectives, one practical approach to responsible AI

## Tim Stanfield | Regulatory / Legal

- Know where AI is used and who is accountable
- Maintain documented governance and vendor oversight
- Be ready to explain controls and AI-supported decisions

## Bhargavi Vepuri | Technology Implementation

- Define what AI is allowed to do
- Validate before execution and match review to risk
- Capture evidence, monitor outcomes, and escalate when needed

**Responsible AI works when governance expectations are enforced in the systems that use AI.**

# Questions?



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