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Colorado Insurance Regulators Take Aim at Algorithms

Colorado Division of Insurance Crafts Legislation to Tackle Life-Insurance Algorithms

The **Colorado Division of Insurance** (DOI) is proposing new regulations to protect consumers from potential disparate treatment that may occur due to the use of life-insurance algorithms.

State regulators are pushing back against U.S. life insurers who rely on algorithms and predictive models to speed up life insurance applications. Regulators note that the proposed measures are to safeguard consumers from unfair discrimination that could arise from automated underwriting.

Colorado's framework mirrors other insurance industry efforts to regulate artificial intelligence (AI) and related technologies. These efforts include:

- Documenting governing principles aimed at transparency and accountability.
- Board of directors and senior management's responsibility and accountability for strategy and use of external consumer data and information sources (ECDIS) and the algorithms and predictive models using ECDIS.
- Establishing written policies and processes for design, development, testing, deployment, use, and ongoing monitoring.

- Maintaining a process for addressing consumer complaints and inquiries, one that provides sufficiently clear information to enable consumers to take meaningful action in response to adverse decisions.

States like Connecticut have championed similar legislation to put up guardrails on the use of algorithms.

Industry experts anticipate that insurers' use of algorithms and automated decision-making tools could lead to an increase in potential class-action lawsuits alleging unlawful discrimination.

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