Unified AI Governance

"Trust-by-Design"

Shawn Tumanov, Data & AI Governance Executive

Shawn Tumanov is a strategic risk leader who partners with executives to enable business goals safely and efficiently. He is a trusted advisor with a proven track record of designing pragmatic risk frameworks that balance robust controls with innovation. Shawn is skilled at optimizing complex processes for efficiency and regulatory compliance, leveraging his unique perspective as a former bank regulator to build scalable programs that drive sustainable growth.

As an executive specializing in Data, Model, and AI Risk Governance, he builds effective enterprise frameworks to manage Risks. His career includes leading data and analytics at BMO and executive roles at Berkshire Hathaway (GEICO Insurance). With over 20 years in the financial sector, Shawn started his career as an examiner at the OCC. He holds an MBA and is a Certified Internal Systems Auditor (CISA). He also recently received Advanced AI Auditor (AAIA) certification and was recognized among Chicago's Top 25 Data Leaders of 2025.

The opinions and perspectives shared in this presentation are solely my own and do not represent the official stance of Berkshire Hathaway (BH), Government Employees Insurance Companies (GEICO), its affiliates of subsidiaries

Agenda

- "Trust by Design" as Competitive Advantage
- The Governance Challenge
- The Evolving Regulatory Map (NAIC, NYDFS,CO, CA)
- Pillars of Unified Governance Framework
- From Compliance to "Trust-By- Design"
- Q&A

"Trust by Design" as a Competitive Advantage?

Five-Year Ethics Premium: 7.8%
The listed 2025 World's Most Ethical Companies® Honorees outperformed a comparable index of global companies by 7.8 percent from January 2020 to January 2025.

2025 WORLD'S MOST ETHICAL COMPANIES® ETHISPHERE

Legend:
- 2025 ETHICS PREMIUM
- GLOBAL MARKET ALL CAP*

"The Ethics Premium illustrates how ethical businesses do better over the long-term, are **more sustainable**, and **more likely to be around** in 10 years. But more importantly, it proves conclusively that you don't have to choose between ethical behavior and strong, long-term financial performance"

Customers believe organizations are **not doing enough** about some key ethical issues: the share of customers who believe that organizations are being fully transparent about how they are using their personal data has fallen from 76% in 2019 to 62% today.

Trust by Design = Long-term Financial Performance.

The AI Governance Challenge

Insurers face a complex, fragmented, and rapidly evolving set of state-level regulations for AI use.

- The Problem: Separate governance for NY, CO and CA is operationally unsustainable.
- The Goal: Design for the "Strictest Standard" to ensure 50-state compliance.
- Key Drivers: Fairness (Bias), Transparency (Explainability), and Vendor Accountability.

NAIC Baseline

The AIS Program

Adopted by 20+ states. Requires a <u>written</u> Artificial Intelligence Systems (AIS) Program with a Risk Management Framework (RMF). It demands **Board reporting** and Senior Management **accountability**.

Scope: AI/ML and Predictive Models used in insurance lifecycle, u/w, claims, fraud, marketing.

The "Third-Party Vendor" Clause

You are **fully responsible** for Third-Party Data & Models. You cannot outsource liability for claims estimation or telematics scores. You must test vendor models.

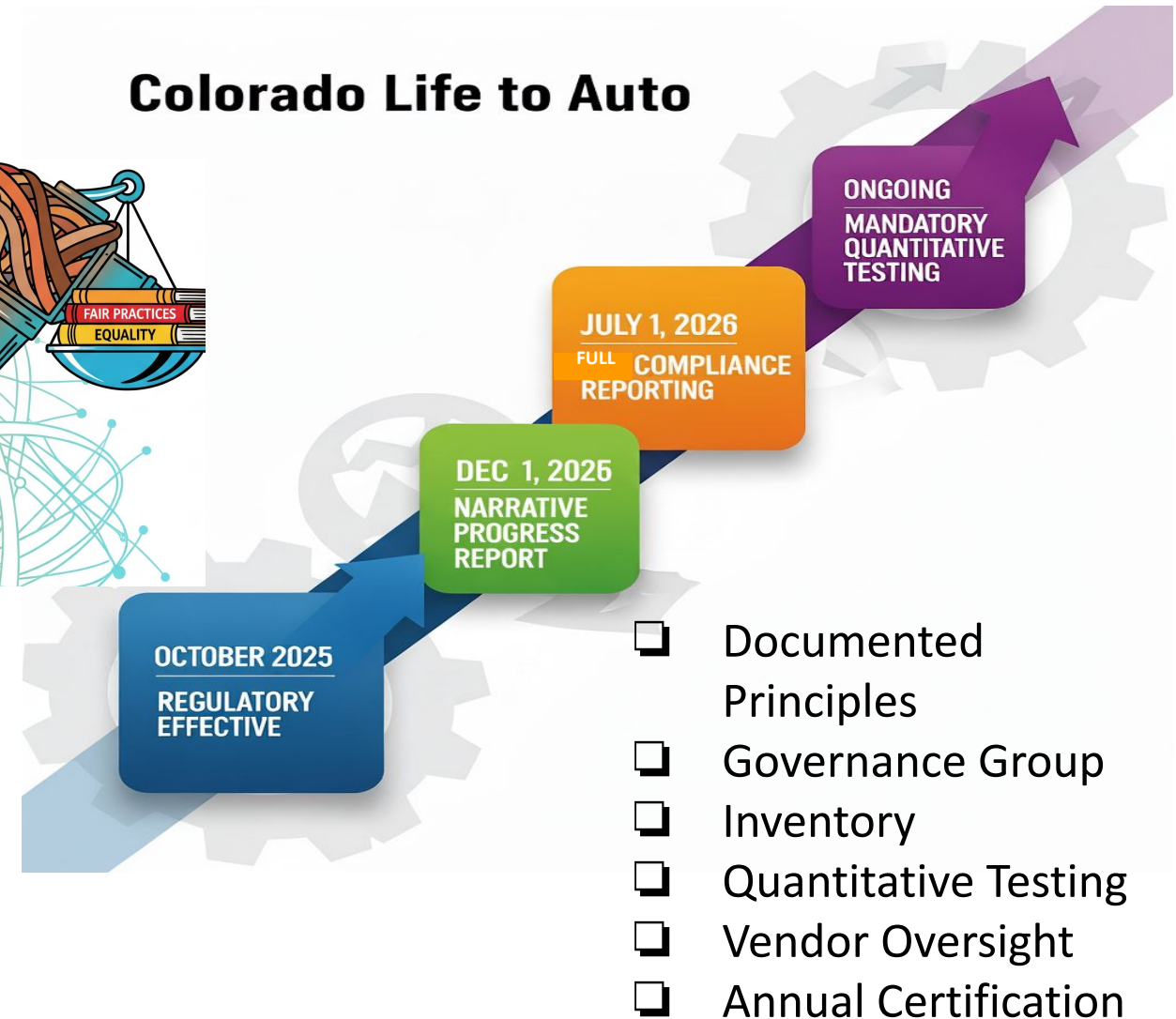# NYDFS and Colorado: Anti-Discrimination Hammer

NYDFS

The Focus: Unfair Discrimination & Disparate Impact.

ECDIS Requirement: If you use External Consumer Data (credit, occupation, social media), you must *prove* they aren't proxies for protected classes.

Two-Fold Testing:

- **Qualitative:** Explain the "logical relationship" to risk.

- **Quantitative:** Statistical testing for adverse effects.

Colorado Life to Auto

OCTOBER 2025
REGULATORY EFFECTIVE

DEC 1, 2025
NARRATIVE PROGRESS REPORT

JULY 1, 2026
FULL COMPLIANCE REPORTING

ONGOING MANDATORY QUANTITATIVE TESTING

FAIR PRACTICES
EQUALITY

- ❏ Documented Principles
- ❏ Governance Group
- ❏ Inventory
- ❏ Quantitative Testing
- ❏ Vendor Oversight
- ❏ Annual Certification

# Implications for Marketing & Pricing

Marketing Funnel

Regulations extend to the top of the funnel. AI used to target specific demographics for ads must be tested for bias.

Telematics & UBI

The "Proxy" Risk: Do your braking events correlate with race? Does "harsh braking" map to road conditions in minority neighborhoods?

You must now mathematically prove that your Usage-Based Insurance (UBI) scores are predictive of risk and not just proxies for location.

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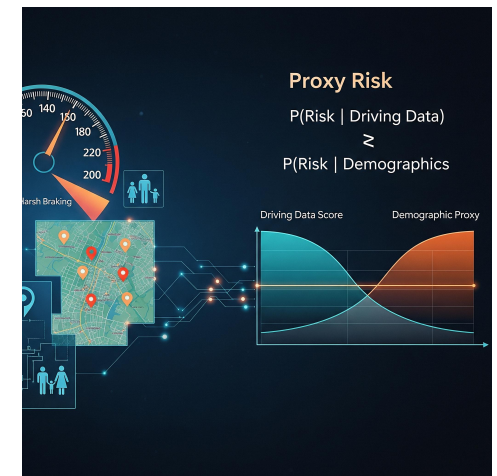
California: Privacy Angle

California approaches AI from a **Privacy** angle.

1. **Pre-use Notice:** You must inform consumers of AI use.
2. **Right to Access:** Explain "Why did I get this rate?"
3. **Right to Opt-Out:** Consumers can opt-out of "Profiling."

Strategic Conflict: If a driver opts out of profiling, can you still offer them a Telematics rate?
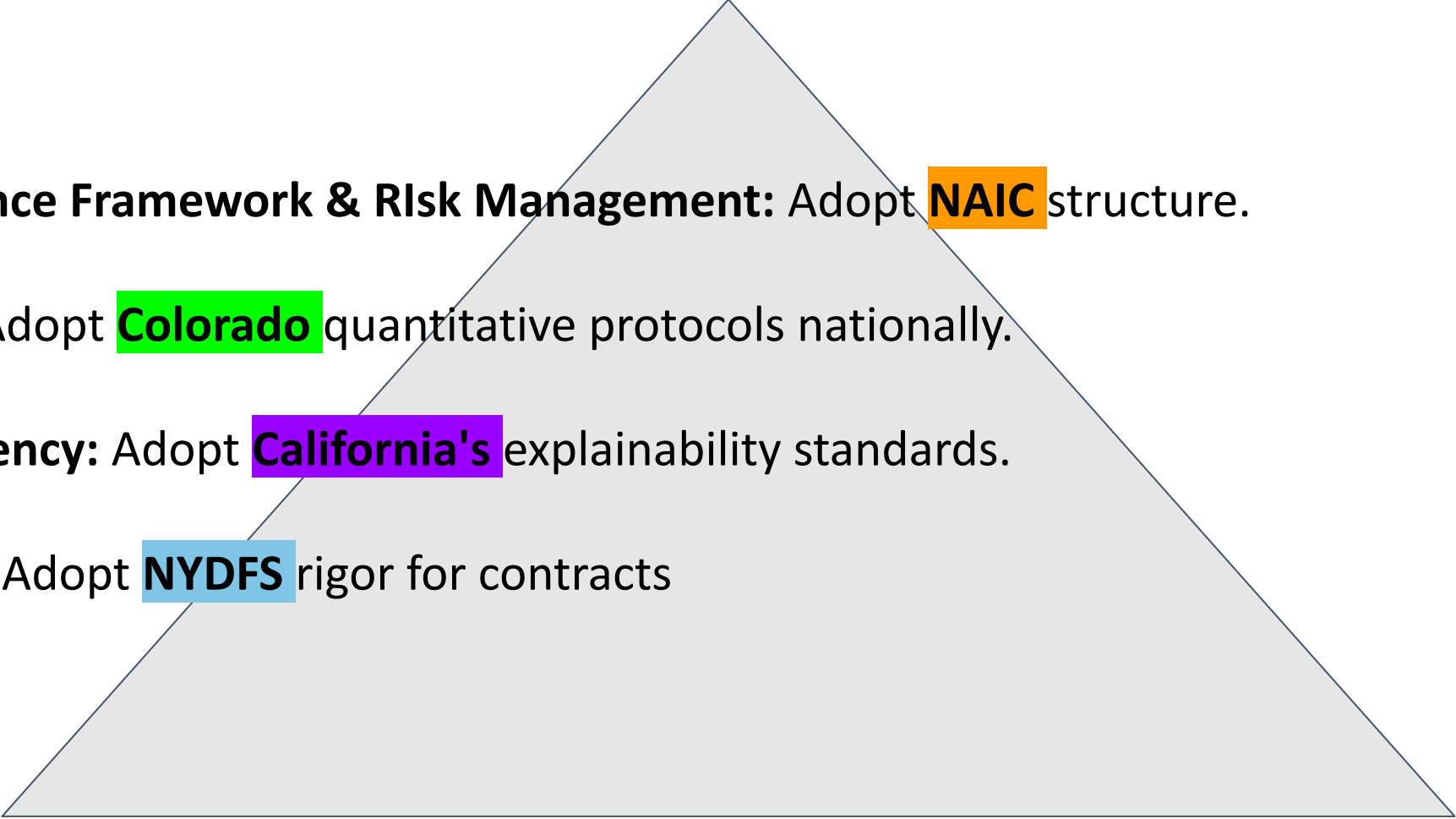
You need a non-AI fallback.

Building a Unified Framework

Don't build 50 programs. Build 1 robust framework.

- **Governance Framework & RIsk Management:** Adopt NAIC structure.

- **Testing:** Adopt Colorado quantitative protocols nationally.

- **Transparency:** Adopt California's explainability standards.

- **Vendors:** Adopt NYDFS rigor for contracts

Building a Unified Framework

Key AI Risk	Required Control	Regulatory Map
Algorithmic Bias Pricing Models	**Quantitative Testing:** Disparate impact analysis performed pre-deployment and annually thereafter.	CO Reg 10-1-1 NY Circular 7
Vendor Liability Third-Party Models	**Vendor Validation:** "Audit Rights" clauses in contracts and validation of vendor training data.	NAIC Model NY Circular 7
Transparency Consumer Denial	**Adverse Action Notices:** Clear, specific reasons for denial (no "black box" rejections).	CA ADMT NAIC Model
Proxy Discrimination ECDIS Data	**Proxy Variable Testing:** Proof that variables (e.g., credit) are not acting as proxies for race.	NY Circular 7 CO Reg 10-1-1
Lack of Oversight Governance Gap	**AI Committee:** Senior Management committee with mandatory annual board reporting.	NAIC Model

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From Compliance to "Trust- by Design"

"Trust"-by-Design is not a constraint; it's a catalyst.

"Cost Center" → "Trust Builder" transforms your market position.

- **Accelerated Innovation:** Pre-validated guardrails mean faster deployment. "Compliance by Design" equals "Approval by Default."
- **Brand Trust:** In an era of "Black Box" skepticism, transparency is a premium feature. Being the "Fair Carrier" wins customers.
- **Future-Proofing:** Adaptability to new regulations (like CO or EU AI Act) prevents costly retrofitting late

Immediate Action

1. **Inventory:** Inventory AI. Prioritize AI used in insurance lifecycle (Claims, Pricing, Fraud, Marketing).

2. **Risk Rank:** Classify them by likelihood x impact (High/Medium/Low).

3. **Map AI Controls**: Don't build 50 programs. Build 1 robust framework.

4. **Vendor:** Send letters to top 5 AI vendors asking for their bias testing results.

Questions?

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