June 11, 2026

RULING LETTER NO.: CN-2026-382-D

TO ALL INSURERS, HEALTH SERVICES ORGANIZATIONS, INTERNATIONAL INSURERS, LICENSED REINSURERS, MANAGERS, PRODUCERS, AUTHORIZED REPRESENTATIVES, GENERAL AGENTS, AND ALL OTHER REGULATED ENTITIES OF THE OFFICE OF THE COMMISSIONER OF INSURANCE OF PUERTO RICO.

USE OF ARTIFICIAL INTELLIGENCE SYSTEMS IN THE INSURANCE INDUSTRY IN ACCORDANCE WITH THE NAIC MODEL BULLETIN: USE OF ARTIFICIAL INTELLIGENCE SYSTEMS BY INSURERS (ADOPTED ON DECEMBER 4, 2023), PURPOSE AND REGULATORY EXPECTATIONS REGARDING THE USE OF ARTIFICIAL INTELLIGENCE SYSTEMS; ANNUAL CERTIFICATION OF COMPLIANCE UNDER RULE 108 ON CYBERSECURITY

To Whom It May Concern:

The Office of the Commissioner of Insurance of Puerto Rico (OCI) recognizes the increasing use of artificial intelligence systems, predictive models, machine learning, generative artificial intelligence, and other automated technologies in the operations of insurers, health services organizations, general agents, producers, authorized representatives, managers, and other regulated entities.

These technologies offer significant opportunities to improve operational efficiency, consumer services, fraud detection, claim management, and other insurance business processes. However, they also pose risks related to decision accuracy, unfair discrimination, lack of transparency, security vulnerabilities, misuse of information, reliance on third parties, and outputs that are inconsistent with the provisions of the Insurance Code of Puerto Rico.

The OCI advises that any decision or action affecting consumers, insureds, claimants, applicants, vendors, or third parties will continue to be subject to the applicable provisions of the Puerto Rico Insurance Code, regardless of whether such decision was made directly by a person or was generated, supported, or recommended by an automated system.

These regulatory expectations will apply to any use of artificial intelligence across the insurance life cycle, including, but not limited to, product development and design, marketing, distribution, underwriting, risk rating, pricing, policy issuance and servicing, consumer services, fraud detection, claim management and adjustment, claim investigations, and other regulated activities.

Consequently, any regulated entity that uses artificial intelligence systems to support, influence, or make decisions concerning regulated activities must establish reasonable governance, oversight, and risk management mechanisms appropriate to the nature, complexity, and scope of the systems used.

Unfair Practices, Unfair Discrimination, and Consumer Protection

Regulated entities will continue to be fully liable for any decision or action that affects consumers, insureds, claimants, applicants, vendors, or third parties, regardless of whether such a decision was made directly by a person or through the use of artificial intelligence systems or automated technologies.

The use of artificial intelligence does not provide an exemption from complying with the applicable provisions of the Puerto Rico Insurance Code regarding unfair practices, unfair discrimination, marketing, underwriting, risk rating, premium determination, renewal, cancellation, claims, consumer services, or any other regulated activity.

Regulated entities must adopt reasonable controls to ensure that the systems used do not generate outputs that are:

a. Inaccurate or materially erroneous;
b. Arbitrary or capricious;
c. Unfairly discriminatory;
d. Deceptive or inconsistent with the representations made to the consumer;
e. Contrary to the provisions of the Puerto Rico Insurance Code; and
f. Incompatible with the regulatory standards applicable to claim management, investigation, adjustment, and resolution.

Regulated entities must maintain appropriate controls and oversight mechanisms to identify, assess, and correct potential biases, errors, distortions, or discriminatory outputs that may result from the use of predictive models, algorithms, or artificial intelligence systems.

Reasonable Controls

As an example, and without this being an exhaustive list, the OCI will consider as reasonable controls those processes and mechanisms designed to identify, prevent, monitor, and correct risks associated with the use of artificial intelligence systems, including, but not limited to:

a. Model validation processes prior to implementation.
b. Periodic reviews to assess the accuracy, performance, stability, and reliability of the generated outputs.
c. Human reviews to detect potential biases, unfair discrimination, or disproportionate impacts on consumer groups.
d. Appropriate human oversight of significant decisions related to underwriting, premium determination, renewal, cancellation, claims, or other decisions that could materially affect consumers or insureds.
e. Controls over the quality, integrity, currency, relevance, and provenance of the data used.
f. Updated inventories of artificial intelligence models, algorithms, and systems used by the entity.
g. Procedures for documenting, explaining, and justifying decisions supported or influenced by artificial intelligence systems.
h. Ongoing monitoring to identify model performance drifts, systemic errors, unexpected outputs, or decay in output accuracy.
i. Change management processes for the modification of models, algorithms, parameters, or data sources.
j. Internal audits, independent reviews, or equivalent mechanisms for periodic assessments.
k. Due diligence, oversight, and monitoring processes for external vendors supplying artificial intelligence models, data, or platforms.
l. Controls to protect non-public information, personal information, and other confidential data used by these systems.
m. Maintain written procedures for investigating, remedying, documenting, and correcting identified incidents, errors, or adverse outcomes.
n. Provide appropriate training programs for the staff tasked with implementing, overseeing, and using artificial intelligence systems.

The nature and scope of the adopted controls must be proportionate to the risk level posed by each system used, taking into account the significance of the supported or influenced decisions, the level of autonomy of the system, the potential impact on consumers and the insured, the sensitivity of the information used, and the extent of the associated operational, regulatory, financial, and reputational risks.

Corporate Governance and Responsibility

Senior management and the Board of Directors, or the equivalent governing body, must exercise effective oversight over the use of artificial intelligence within the entity.

Regulated entities must maintain proper documentation of the policies, procedures, or programs governing the use of artificial intelligence systems. These policies or programs must be integrated into the entity's existing frameworks for corporate governance, compliance, corporate risk management, information security, auditing, or internal controls.

The OCI requires regulated entities to maintain appropriate governance structures that include:

a. Executive oversight of risks associated with artificial intelligence.
b. Formal processes for the approval, acquisition, implementation, and monitoring of artificial intelligence systems.
c. Clearly defined responsibilities and lines of accountability.
d. Internal audits and independent review mechanisms.
e. Ongoing training for the staff responsible for these duties.
f. Mechanisms for monitoring, auditing, escalation, and reporting risks, incidents, or adverse outcomes related to artificial intelligence systems.

Risk Management and Model Validation

The adopted controls should address all phases of the life cycle of artificial intelligence systems, including their design, development, validation, implementation, use, ongoing monitoring, modification, updating, and decommissioning.
Regulated entities must establish appropriate processes to identify, assess, monitor, and mitigate risks related to the use of artificial intelligence.

These processes should address the following, as applicable:

a. Quality, integrity, relevance, and currency of the data used.
b. Model validation prior to implementation.
c. Ongoing monitoring of performance and outputs.
d. Periodic evaluations of accuracy and reliability.
e. Identifying and mitigating potential biases.
f. Evaluating deviations or decay of model performance (model drift).
g. Processes for correcting errors or unintended outputs upon identification.

h. Assessments of model robustness, reproducibility, verifiable traceability, and auditability, as appropriate given the nature and complexity of the system.
i. Periodic assessments of the effectiveness of the implemented controls.
j. Mechanisms for verifying that systems continue to meet the objectives for which they were developed or acquired.

Transparency, Explainability, and Justifiability

Regulated entities must maintain sufficient documentation to reasonably understand the purpose, operation, scope, and use of the artificial intelligence systems employed in regulated activities. They must also be able to explain and justify, in a reasonable and well-documented manner, any decisions that have a material impact on consumers or insureds.

Where appropriate, given the nature of the decision and the potential impact posed to consumers, regulated entities must maintain processes that allow for a reasonable explanation of the relevant factors considered by the artificial intelligence systems used to support significant regulatory decisions.

Where appropriate, given the nature of the transaction, product, service, or regulated decision, entities should consider reasonable disclosure or transparency mechanisms regarding the use of artificial intelligence systems.

Regulated entities must maintain sufficient documentation to show the purpose, scope, operation, limitations, and oversight of the systems used, as well as the reasonableness of the decisions supported by those systems.

Third Party Oversight

The responsibility for regulatory compliance shall not be delegated to external vendors, model developers, technology platforms, data vendors, or third-party contractors.

Regulated entities must conduct appropriate due diligence processes on all third parties that provide data, models, or artificial intelligence systems, and must maintain adequate mechanisms to oversee their performance and compliance.

Due diligence conducted on third parties should take into account, where applicable, the vendor’s technical capabilities, the quality and provenance of the data used, the implemented governance controls and information security and risk management measures, and the vendor’s ability to comply with regulatory requirements.

The OCI requires that contracts with third parties include appropriate provisions regarding audits, regulatory cooperation, information protection, data security, and access to documentation necessary for regulatory purposes.

Contracts with third parties shall include provisions regarding audit rights, access to independent audit reports, cooperation with regulatory investigations, and compliance with the applicable provisions of the Puerto Rico Insurance Code.

Rule 108 – "Cybersecurity Standards for the Insurance Industry"

The use of artificial intelligence must be incorporated into the technology and cyber risk management processes established by Rule 108.

Regulated entities must consider the risks associated with unauthorized access, data manipulation, disclosure of non-public information, third-party vulnerabilities, cyberattacks, misuse of generative models, and any other threats that may affect the confidentiality, integrity, or availability of protected information when using artificial intelligence systems, predictive models, algorithms, and other automated tools.

Examination and Oversight Authority

During financial examinations, market conduct examinations, regulatory investigations, or requests for information, the OCI may, as part of its regulatory authority, request documents relating to the following:

a. Inventories of artificial intelligence systems, predictive models, algorithms, and other automated tools used by the entity.
b. Applicable policies, procedures, programs, and governance structures.
c. Risk assessments.
d. Model validations.
e. Internal or external audits.
f. Performance monitoring.
g. Assessments of unfair discrimination, bias, or disproportionate impacts against consumers.
h. Information relating to the data sources used, their provenance, quality, integrity, currency, representativeness, and bias assessment and mitigation mechanisms.
i. Contracts with third parties.
j. Evidence of compliance with policies, procedures, protocols, and internal controls relating to artificial intelligence.
k. Evidence of compliance with Rule 108 and other applicable provisions of the Insurance Code of Puerto Rico.

l. Documentation related to incidents, errors, operational deviations, or adverse outcomes associated with artificial intelligence systems.
m. Any other information that the OCI reasonably deems necessary to assess the entity's regulatory compliance.

Compliance Reminder – Rule 108

The Office of the Commissioner of Insurance of Puerto Rico hereby reminds all entities subject to Rule 108 of their obligation to complete and file the Annual Certification of Compliance through the OCI Cybersecurity Portal no later than **June 30**.

Furthermore, regulated entities must ensure that their cybersecurity programs, technology risk management, third-party oversight, and governance controls adequately address the risks associated with the use of artificial intelligence, predictive models, generative artificial intelligence, and other emerging technologies.

Failure to comply with the provisions of Rule 108 may result in the corresponding regulatory actions pursuant to the Insurance Code of Puerto Rico and applicable regulations.

REFERENCE TO THE NAIC BULLETIN

In issuing this Ruling Letter, the OCI takes into account the regulatory principles and expectations contained in the NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers, adopted by the National Association of Insurance Commissioners (NAIC) on December 4, 2023, to the extent that such principles are consistent with the Puerto Rico Insurance Code, Rule 108, "Cybersecurity Standards for the Insurance Industry," and other applicable laws and regulations.

This Ruling Letter does not create any new, separate regulatory obligations; rather, it sets forth the OCI's oversight and compliance expectations regarding the use of artificial intelligence systems within the legal and regulatory framework currently in effect.

RESPONSIBLE AND PROPORTIONATE USE OF ARTIFICIAL INTELLIGENCE

The OCI acknowledges that not all artificial intelligence systems pose the same risk level. Consequently, the governance, oversight, validation, documentation, and control measures adopted by each entity must be proportionate to the nature, complexity, scope, and risk associated with the specific use of such systems.

When assessing the sufficiency of the implemented controls, the OCI may consider, among other factors, the nature of the decisions supported by the system, the level of autonomy of the technology used, the potential impact on consumers, the sensitivity of the processed information, the involvement of third parties, and the magnitude of the associated operational, regulatory, financial, or reputational risk.

Conclusion

The OCI acknowledges the potential of artificial intelligence and other emerging technologies to promote innovation, efficiency, and competition in the insurance industry. However, these technologies must be used responsibly, ethically, and in accordance with the applicable provisions of the Puerto Rico Insurance Code and regulations currently in effect.

Regulated entities must ensure that their governance structures, internal controls, risk management programs, cybersecurity programs, and third-party oversight mechanisms adequately identify, assess, monitor, and mitigate the risks associated with the use of artificial intelligence systems.

The OCI will continue to monitor the use of these technologies as part of its regulatory duties to protect consumers, promote fair and competitive markets, preserve the solvency of regulated entities, and strengthen public confidence in the insurance industry.

Effect

This Ruling Letter shall take effect immediately upon its issuance.

Thank you in advance for your attention and cooperation in complying with this regulatory requirement.

Very truly yours,

SIGNED

Suzette Del Valle-Lecároz, Esq.
Commissioner of Insurance