Auto Casualty, Workers' Comp

AI Governance for Workers’ Compensation and Auto Insurers in 2027

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Throughout 2026, lawmakers and insurance regulators have increasingly turned their attention to how artificial intelligence (AI) is governed, particularly with decisions affecting consumers. Many proposed AI bills failed to advance this year, but the volume of legislative and regulatory activity sends a clear signal that regulators expect insurers to understand, oversee, and remain accountable for AI-supported activities.

Workers’ compensation and auto insurers may face increasing compliance risk if regulators apply existing insurance, claims handling, and consumer protection requirements to AI-enabled processes.

The Emerging Regulatory Playbook

Through all the proposed and enacted legislative and regulatory changes this year, clear themes on regulatory directions have emerged across jurisdictions. For organizations already implementing AI-enabled solutions, these trends provide a roadmap regarding regulatory expectations.

- Human accountability remains with the insurer
- Existing insurance laws continue to apply regardless of whether a decision is supported by AI
- Governance, testing, monitoring, and documentation are increasingly expected
- Oversight obligations extend to third-party vendors and technology providers

The emerging trends that are surfacing connect AI oversight to existing insurance laws and identify information regulators request during examinations and investigations.

Payers need to be prepared for less focus on the technology itself and more focus on how organizations govern, oversee, and remain accountable for its use. Specifically, AI-enabled tools can be used to support decision-making, but the final decision requires human judgment, and decisions cannot be delegated solely to any single

tool or database.

There are already three states that provide a preview for the regulatory future:

Colorado

Colorado has taken a leading position in regulating automated decision-making technologies. In 2024, the state enacted Senate Bill 24-205, creating consumer protections for the use of AI in consequential decisions. Two years later, lawmakers revisited that framework through Senate Bill 26-189, updating the law and refining requirements governing the use of automated decision-making technology significantly affecting consumers.

Although the legislation is not specific to workers' compensation or auto claims, it reflects a broader regulatory trend of focusing on the governance and oversight of AI usage. The law expressly includes insurance activities such as underwriting, pricing, coverage, and claims adjudication, which demonstrates how AI governance is increasingly intersecting with traditional insurance operations. The law was signed in May 2026, but its core obligations for automated decision-making technology take effect January 1, 2027.

South Carolina

South Carolina recently provided an example for this emerging approach. In Bulletin Number 2026-07, the Department of Insurance directed insurers to establish and maintain a written Artificial Intelligence Systems Program governing the use of AI across regulated insurance activities, including claims administration.

The bulletin holds insurers responsible for outcomes generated through AI systems, including solutions developed or supplied by third-party vendors. It also sets expectations relating to governance, testing, documentation, monitoring, risk management, and vendor oversight. It connects AI oversight to existing insurance laws and identifies information regulators request during examinations and investigations.

Washington

On October 18, 2026, the Washington Office of the Insurance Commissioner put into effect amendments to claims administration regulations addressing insurer use of AI in claims handling.

These rules set a clear precedent that the concern does not sit with the AI or technology, but rather whether a qualified person reviews, applies judgment to, and can explain the output before a decision is finalized. The rule does not prohibit the use of estimating platforms, benchmarking databases, or automated workflows, and industry-standard tools remain part of defensible claims handling. It also allows that using multiple databases or automated tools is not the concern, and cross-referencing data sources can strengthen a defensible investigation.

Looking Ahead

The 2026 legislative season did not produce a single nationwide framework for AI regulation. Instead, regulators continued establishing expectations through legislation, regulatory bulletins and existing insurance authority.

Existing insurance authority is shaping AI governance before dedicated AI laws do. Established insurance, claims handling, market conduct, and consumer protection authority are already being used to build expectations for how these technologies are deployed and overseen.

The future of AI regulation in insurance won’t arrive through a law titled “Artificial Intelligence Act.” Instead, it will emerge through familiar regulatory principles applied to evolving technologies. Understanding that distinction will be as important as tracking new AI bills.

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