



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB1425

Introduced 1/31/2025, by Sen. Laura Fine

SYNOPSIS AS INTRODUCED:

New Act
5 ILCS 100/5-45.65 new

Creates the Artificial Intelligence Systems Use in Health Insurance Act. Provides that the Department of Insurance's regulatory oversight of insurers includes oversight of an insurer's use of AI systems to make or support adverse determinations that affect consumers. Provides that any insurer authorized to operate in the State is subject to review by the Department in an investigation or market conduct action regarding the development, implementation, and use of AI systems or predictive models and the outcomes from the use of those AI systems or predictive models. Provides that an insurer authorized to do business in Illinois shall not issue an adverse consumer outcome with regard to the denial, reduction, or termination of insurance plans or benefits that result solely from the use or application of any AI system or predictive model. Provides that any decision-making process for the denial, reduction, or termination of insurance plans or benefits that results from the use of AI systems or predictive models shall be meaningfully reviewed, in accordance with review procedures determined by Department rules, by an individual with authority to override the AI systems and determinations. Authorizes the Department to adopt emergency rules to implement the Act and to adopt rules concerning standards for full and fair disclosure of an insurer's use of AI systems. Makes a conforming change in the Illinois Administrative Procedure Act.

LRB104 09339 BDA 19397 b

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Artificial Intelligence Systems Use in Health Insurance Act.

6 Section 5. Definitions. In this Act:

7 "Adverse consumer outcome" means a decision by an insurer
8 that is subject to insurance regulatory standards enforced by
9 the Department that adversely impacts the consumer in a manner
10 that violates those standards or any claim denial as
11 determined by the use of an AI System.

12 "AI system" means a machine-based system that can, with
13 varying levels of autonomy, for a given set of objectives,
14 generate outputs such as predictions, recommendations, content
15 (such as text, images, videos, or sounds), or other outputs
16 influencing decisions made in real or virtual environments.

17 "AI systems program" means a written program for the
18 responsible use of AI systems that makes or supports decisions
19 related to regulated insurance practices to be developed,
20 implemented, and maintained by all insurers authorized to do
21 business in the State.

22 "Algorithm" means a clearly specified mathematical process
23 for computation and a set of rules that, if followed, will give

1 a prescribed result.

2 "Artificial intelligence" or "AI" means a branch of
3 computer science that uses data processing systems that
4 perform functions normally associated with human intelligence,
5 such as reasoning, learning, and self-improvement, or the
6 capability of a device to perform functions that are normally
7 associated with human intelligence, such as reasoning,
8 learning, and self-improvement. "Artificial intelligence" or
9 "AI" includes machine learning.

10 "Department" means the Department of Insurance.

11 "Machine learning" means a field within artificial
12 intelligence that focuses on the ability of computers to learn
13 from provided data without being explicitly programmed.

14 "Predictive model" means the processing of historic data
15 using algorithms or machine learning to identify patterns and
16 predict outcomes that can be used to make decisions or support
17 decision-making.

18 "Third party" means an organization other than the insurer
19 that provides services, data, or other resources related to
20 AI.

21 Section 10. Regulatory oversight of the use of AI systems.

22 (a) The Department's regulatory oversight of insurers
23 includes oversight of an insurer's use of AI systems to make or
24 support adverse determinations that affect consumers. Any
25 insurer authorized to operate in the State is subject to

1 review by the Department in an investigation or market conduct
2 action regarding the development, implementation, and use of
3 AI systems or predictive models and the outcomes from the use
4 of those AI systems or predictive models. The Department may
5 also request other information or documentation relevant to an
6 investigation or market conduct action, and an insurer must
7 comply with that request. The Department's inquiries may
8 include, but are not limited to, questions regarding any
9 specific model, AI system, or application of a model or AI
10 system. The Department may also make requests for information
11 and documentation relating to AI systems governance, risk
12 management, and use protocols; information and documentation
13 relating to the insurer's preacquisition and preutilization
14 diligence, monitoring, and auditing of data or AI systems
15 developed by a third party; and information and documentation
16 relating to implementation and compliance with the insurer's
17 AI systems program.

18 (b) An insurer authorized to do business in this State
19 shall not issue an adverse consumer outcome with regard to the
20 denial, reduction, or termination of insurance plans or
21 benefits that result solely from the use or application of any
22 AI system or predictive model. Any decision-making process
23 concerning the denial, reduction, or termination of insurance
24 plans or benefits that results from the use of AI systems or
25 predictive models shall be meaningfully reviewed, in
26 accordance with review procedures established by Department

1 rules, by an individual with authority to override the AI
2 systems and their determinations.

3 Section 15. Disclosure of AI System utilization. The
4 Department of Insurance may adopt rules that include standards
5 for the full and fair disclosure of an insurer's use of AI
6 systems that set forth the manner, content, and required
7 disclosures.

8 Section 20. Compliance with Act. All insurers authorized
9 to do business in Illinois shall comply with this Act
10 regarding any decisions impacting consumers that are made or
11 supported by advanced analytical and computational
12 technologies, including AI systems and machine learning, and
13 must comply with all applicable insurance laws and
14 regulations, including laws addressing unfair trade practices
15 and unfair discrimination. All decisions made and actions
16 taken by authorized insurers using AI systems must comply with
17 applicable federal and State laws, regulations, and rules.

18 Section 25. Rulemaking. The Department may adopt rules,
19 including emergency rules, to implement and administer this
20 Act.

21 Section 90. The Illinois Administrative Procedure Act is
22 amended by adding Section 5-45.65 as follows:

1 (5 ILCS 100/5-45.65 new)

2 Sec. 5-45.65. Emergency rulemaking; Artificial
3 Intelligence Systems Use in Health Insurance Act. To provide
4 for the expeditious and timely implementation of the
5 Artificial Intelligence Systems Use in Health Insurance Act,
6 emergency rules implementing the Artificial Intelligence
7 Systems Use in Health Insurance Act may be adopted in
8 accordance with Section 5-45 by the Department of Insurance.
9 The adoption of emergency rules authorized by Section 5-45 and
10 this Section is deemed to be necessary for the public
11 interest, safety, and welfare.

12 This Section is repealed one year after the effective date
13 of this amendatory Act of the 104th General Assembly.