

Responsible AI: Insurance industry observations

Federal Advisory Committee on Insurance (FACI) 3rd Meeting

March 20, 2024



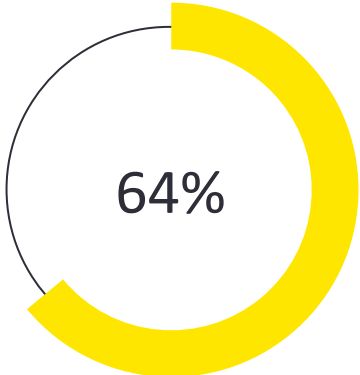
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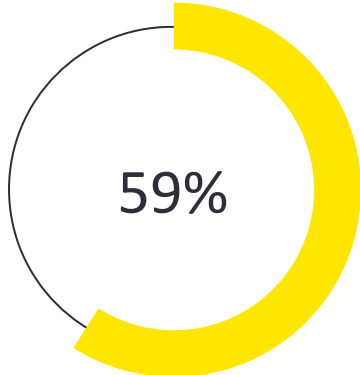
Insurance CROs are preparing for the full impact of AI

Our global survey of Chief Risk Officers (CROs) at insurers highlights that CROs are preparing for the full impact of artificial intelligence (AI) — both in the business and within their own operations.

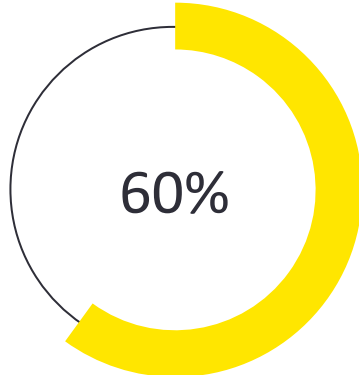
CROs also acknowledge that “data” is a priority for them as it is one of the foundational elements for the use of AI. Insurers are maturing their data capabilities through data lineage, data quality enhancements and data governance practices.



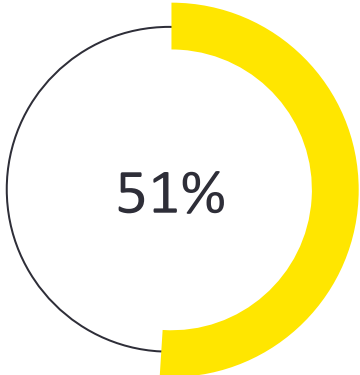
believe that AI (including machine learning) poses a significant risk for their companies over the next three years



have implemented, or are exploring, advance analytics, including AI, generative AI or machine learning, for fraud monitoring and surveillance primarily



are in the process of establishing firmwide AI governance and related roles and responsibilities, including setting up policies, procedures and controls, along with embedding risk personnel as part of exploration and deployment efforts

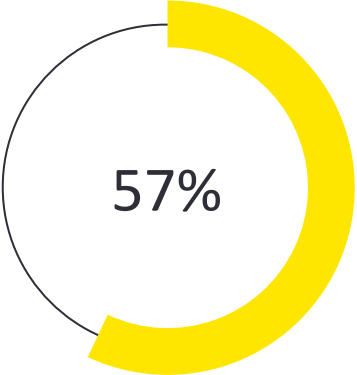


have acknowledged the talent need to cover risk management activities with specific skills in data science, AI/machine learning, model risk and data fluency

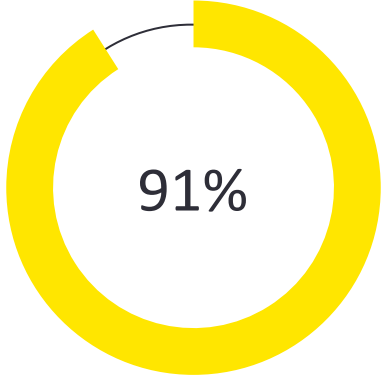


Insurance firms face multiple governance and control challenges that may impede AI adoption

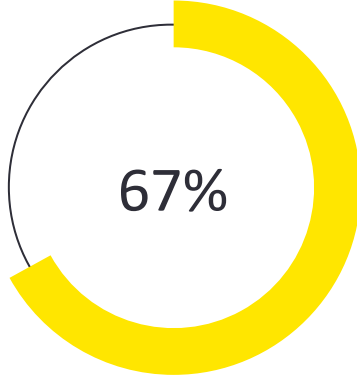
Firms acknowledge the need for AI-specific governance, but they are concerned that compliance with responsible AI practices may decrease innovation speed and increase costs.



believe that one or more significant, AI-specific risks present a barrier to adoption



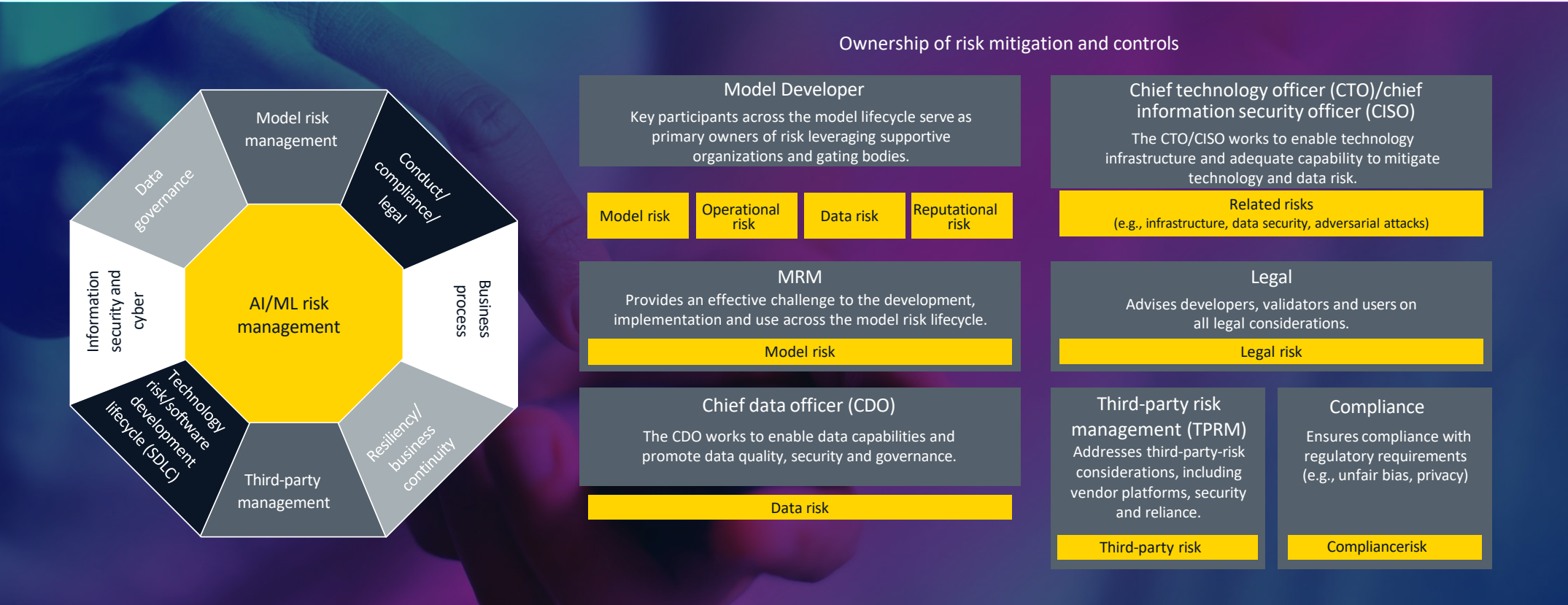
believe that guardrails are required for AI implementation and adoption



believe that regulatory ambiguity and volatility are barriers to AI adoption

Effective and responsible AI governance requires enterprise-wide coordination

- To responsibly govern AI in line with the expectations set by the Biden Administration Executive Order on AI, National Institute of Standards and Technology (NIST) and US financial services regulators, firms require an AI risk governance structure with clear roles and responsibilities and associated policies and procedures to enable a well-functioning AI risk management framework.
- Firms should update existing risk management frameworks and processes by enhancing with AI-specific risks and controls.



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