

Responsible use of AI

Given the long tradition of the use of data and technology as an integral part of the insurance business model, the industry is also aware of the potential risks associated with the use of these technologies.

GFIA observes that the insurance industry is taking these risks seriously and **builds in the necessary precautions and procedures to address these risks properly**, including:

- Model risk management:

Because of the industry's reliance on often complex mathematical models for assessing and pricing risks, model risk management has been an important and well-developed practice within the insurance industry. Insurers have detailed governance procedures and reporting standards in place that are designed to manage any potential risk associated with these models. In the deployment of new AI applications and models, insurers are using these same techniques to retain control over the potential risks associated with these applications, and to curb potential undesired outcomes.

In addition to insurers' internal governance systems, there is an extensive regulatory and supervisory framework in place which already addresses key aspects such as privacy, cyber security, anti-discrimination and more general consumer protection aspects. The combination of these internal and external governance requirements, that are already prevalent in the insurance industry, make the sector better equipped and prepared than many other sectors when it comes to dealing with potential AI related risks, if they arise.

- Transparency and explainability:

Transparency and explainability are key elements to facilitate improved public understanding and trust regarding the use and application of AI. Ensuring clarity as to when AI is being used and for what purpose will not only help to enhance consumer trust in the technology but also facilitate its overall uptake by industry. The provision of meaningful, easy-to-understand information will also contribute positively to more informed choices for consumers.

The focus of transparency and explainability should be on providing meaningful information and clarity about the AI system and its decisions and recommendations. Explainability means ensuring that companies are able to explain how they use AI in their business processes.

At the same time, caution must be exercised to make sure the term explainability is not used as barrier for new AI applications on the market. As AI further develops and applications become more complex there will be a limit to the extent at which processes can be explained in a comprehensible way to individuals or supervisors. This would require a disproportionate amount of resources and increases the risk of insurers having to disclose trade sensitive information.

- Combatting illegal discrimination:

GFIA is strongly committed to combat illegal discrimination and financial exclusion in the insurance industry. There is a shared responsibility for all actors involved to comply with existing legal requirements, especially in an age where data becomes more and more available and important. Notwithstanding this responsibility and commitment by the sector, there will still be a need for insurers to differentiate on certain characteristics between policyholders. This differentiation is an essential part of risk-based underwriting which is one of the fundamental