insurance europe

Insight Briefing

Intelligent moves

The European insurance industry's views on artificial intelligence

Artificial intelligence (AI) has the potential to transform the modern world, but it also comes with challenges for policymakers, businesses and individuals.

Insurance Europe welcomes the work done by the European Commission high-level expert group on AI, in particular its acknowledgement of the need for a principles-based approach to regulation and the avoidance of unnecessarily prescriptive EU rules.

AI in insurance

AI applications in the insurance sector are already improving customer service, increasing efficiency, providing greater insight into customers' needs and preventing fraudulent transactions. AI is expected to help insurers to predict risk with greater accuracy and to use enhanced foresight to rapidly deploy new products in response to emerging risks. Insurance customers are embracing this innovation in insurance, as it responds to their needs and makes their interactions with insurers more convenient.

Many applications of AI depend on the availability of high-quality data to achieve their results. In insurance, AI typically uses a variety of data sources (eg images, location data, sensor data) to provide real-time insurance policies or conduct instant claims-handling.

Insurance Europe therefore supports EU action to promote and support the development and uptake of AI, notably by facilitating the access to and use of the data that is essential for AI systems.

Three challenges

A major challenge faced by insurers when developing AI systems is the restricted access to data from the public sector.

For maximum societal benefit, such datasets should be available free and in machine-readable format. The non-personal data for some AI applications is also sometimes concentrated in the hands of a few entities, resulting in restricted or expensive access to data that could improve AI systems and better serve customers. This raises questions over how access to this data should be governed. Technical issues of interoperability and standardisation of data also need addressing.

Secondly, insurers would like to see a holistic approach to regulation.

The EU legal framework already covers areas relevant to AI, such as fundamental rights, privacy and data protection, as well as product safety and liability. This is then complemented by national regulatory frameworks. To support the development and uptake of AI, and to avoid unnecessary regulatory burdens, a horizontal, proportionate and principles-based AI regulatory framework is needed that builds on existing EU and national regulatory frameworks. And existing legislation should be reviewed to see if it creates barriers to AI; for example, further guidance on the application of the General Data Protection Regulation (GDPR) would be welcome.

A third challenge concerns the current lack of effective collaboration between authorities with responsibilities in the

No new AI civil liability regime

New EU rules for AI are only required if there are gaps in existing legislation. This is why European (re)insurers do not support the creation of a civil liability regime for the use of AI. The existing liability regime — the Product Liability Directive in conjunction with national tort law — works for emerging technologies such as AI. This has been recognised by the European Commission.

Furthermore, developing any kind of strict liability and compulsory insurance scheme for AI would not work, as the conditions for mandatory insurance (which include sufficient similarity in the risks being covered and sufficient data on the risks) are not met. Neither is there a need for any kind of compensation fund, as the insurance industry is fully able to provide protection for AI creators and operators.

field of digitalisation. There is a need for all national authorities, whether they are responsible for conduct of business, prudential regulation, competition or data protection, to work closely together and ensure consistency in applying the rules to further develop the digital single market.

A principles- and risk-based AI framework

The insurance industry supports the deployment of ethical, trustworthy and human-centric AI via an appropriate, risk-based and proportionate regulatory framework. The scope of the framework should be targeted only at those AI applications with proven high risk and significant effects on the rights of individuals, as not all uses of AI pose major risks or directly impact consumers.

In the context of financial services legislation, and insurance in particular, principles such as transparency, fairness, accountability and ethics are to some extent already addressed by rules on conduct of business and disclosure, while rules on advice apply whether the recommendation is provided by a human or an AI actor.

Transparency and explainability

Transparency and explainability are key elements in facilitating public understanding of and trust in the use of AI. Both transparency and explainability should cover disclosing the use of AI and whether and how it is used in decision-making. Too detailed disclosure requirements may, however, create confusion or make AI systems more vulnerable to attack. The aim should be to provide meaningful information and facilitate public understanding of algorithmic outcomes, rather than to disclose the algorithm itself.

Fairness

To enhance trust and confidence in the use of AI, it is also important that there is — and is perceived to be — fairness in AI applications and that such applications do not unfairly discriminate against certain groups of customers.

This does not, however, mean that there cannot be differences in treatment based on relevant risk factors, which is a central aspect of the insurance business model. Differentiating between groups that present higher risks and groups that present lower ones in a risk pool is central to how insurance works; differentiation is not discrimination.

Accountability

Accountability in the context of ethics and AI refers to the expectation that companies ensure the proper functioning of their AI systems. The insurance regulatory framework, Solvency II, addresses internal governance mechanisms and ensures proper oversight of the adoption and application of AI systems.

Ethics

Likewise, many of the ethical considerations related to AI are already contained in the GDPR. These include: lawfulness, fairness and transparency; purpose limitation; data minimisation; accuracy; storage limitation; integrity and confidentiality; and accountability.

For more on Insurance Europe's views on AI, please visit the digitalisation section of www.insuranceeurope.eu or contact Fabienne Zwagemakers, policy advisor, public affairs (zwagemakers@insuranceeurope.eu, tel: +32 2 896 48 30).