

Data, AI, and Implications for Insurance

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Robust and high-quality datasets underpin Artificial Intelligence (AI). New proposals for the regulation of AI in the EU and elsewhere add complexity to the management of data for these purposes, particularly for the insurance industry. The latest session of DataTalk considered AI, data frameworks, and new regulation and legislation with a focus on the implications for the insurance industry. In collaboration with the IIF Insurance team, participants discussed how recent regulation is shaping their views of AI, treatment of data, and the path forward. This note provides a summary of the discussion, respecting that the conversation was conducted under The Chatham House Rule and comments are unattributed.

Balancing security, privacy, and efficiency is best achieved through activity-based regulation. Regulations based on access to sensitive data may be less appropriate than regulating the use of that data. Regulating the use of personal data can and must strike a balance between security and the delivery of quality products and services. Focusing on the intended use of, rather than the access to, data can engender better outcomes while still promoting innovation.

Common principles already guide internal controls across the industry; regulators could promote similar principles for ease of coordination. Most companies already maintain internal management procedures for the ethical use of AI. Clear communication of key principles in new policies would further improve these internal practices. Presently, companies' internal controls are increasingly focused on managing the array of overlapping and sometimes conflicting regulations between agencies and jurisdictions, rather than developing more sophisticated ethical standards. For insurers in particular, internal controls focus on fairness and nondiscrimination, transparency, explainability, and accountability. International data frameworks should center around these same principles.

Duplicative regulation remains a concern, emphasizing the need for coordination. Given the widespread nature of data generation and usage, regulations pertaining to data are under the purview of multiple agencies. Layers of regulation on the same datasets or technologies present challenges for insurance firms, which already contend with compliance requirements from financial, health, and consumer protection authorities. Additional complications arise from the designation of firms or industries as high risk without clear guidance on what constitutes a high-risk activity. Greater coordination between regulators could promote efficiency and lower costs that would ultimately benefit consumers.

Ambiguity and fragmentation between different data management regimes continues. The new EU AI Act seeks to establish comprehensive standards for the use of AI across a range of industries. However, as a standalone piece of legislation, it also creates the potential for fragmentation in data management. This act may conflict with frameworks in other regions or ones defined by various global standard setters, such as the OECD. Rising data localization requirements present further challenges, as robust testing may necessitate sharing models and data between lines of business. The EU AI Act raises the aforementioned concerns about high-risk designation among insurers.

Coordination between regulators on cross-sectoral matters, such as the use of AI, should be encouraged. Participants noted the encouraging work being done by the European Insurance and Occupational Pensions Authority (EIOPA) and International Association of Insurance Supervisors (IAIS) FinTech workstreams in this area. Continued learning about practices and uses within industry should remain a regulator priority.

We look forward to continuing the DataTalk series in September, when we will discuss the work of the Cross Border Privacy Rules Forum and data transfers, with a focus on financial data.