Bridging Tradition with Innovation: Navigating Artificial Intelligence Risks Effectively

Agenda

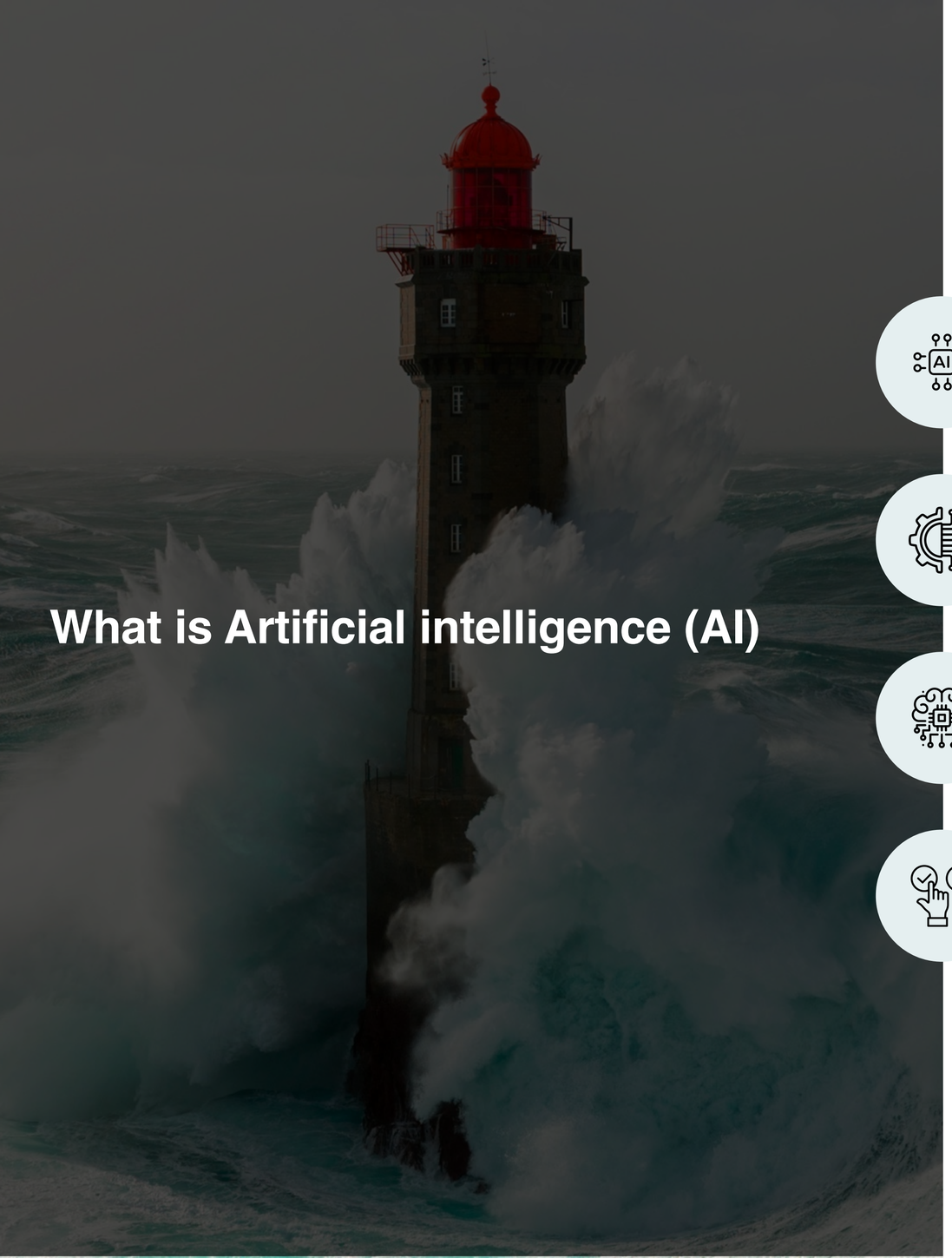
An outline of what we will be covering in this presentation…

What is Artificial intelligence and Use Cases

Approaches of Laws, Regulations and Standards

Risk management and approach of insurance when addressing AI risks

Limitations and Risks



What is Artificial intelligence (AI)

Artificial intelligence is technology that enables computers and machines to simulate human intelligence and problem-solving capabilities.

On its own or combined with other technologies such as sensors, geolocation, robotics AI can perform tasks that would otherwise require human intelligence or intervention.

AI is learning to do things that the human programmers did not explicitly, specifically tell them to do.

It is being used to replace decision-making, not just processing.

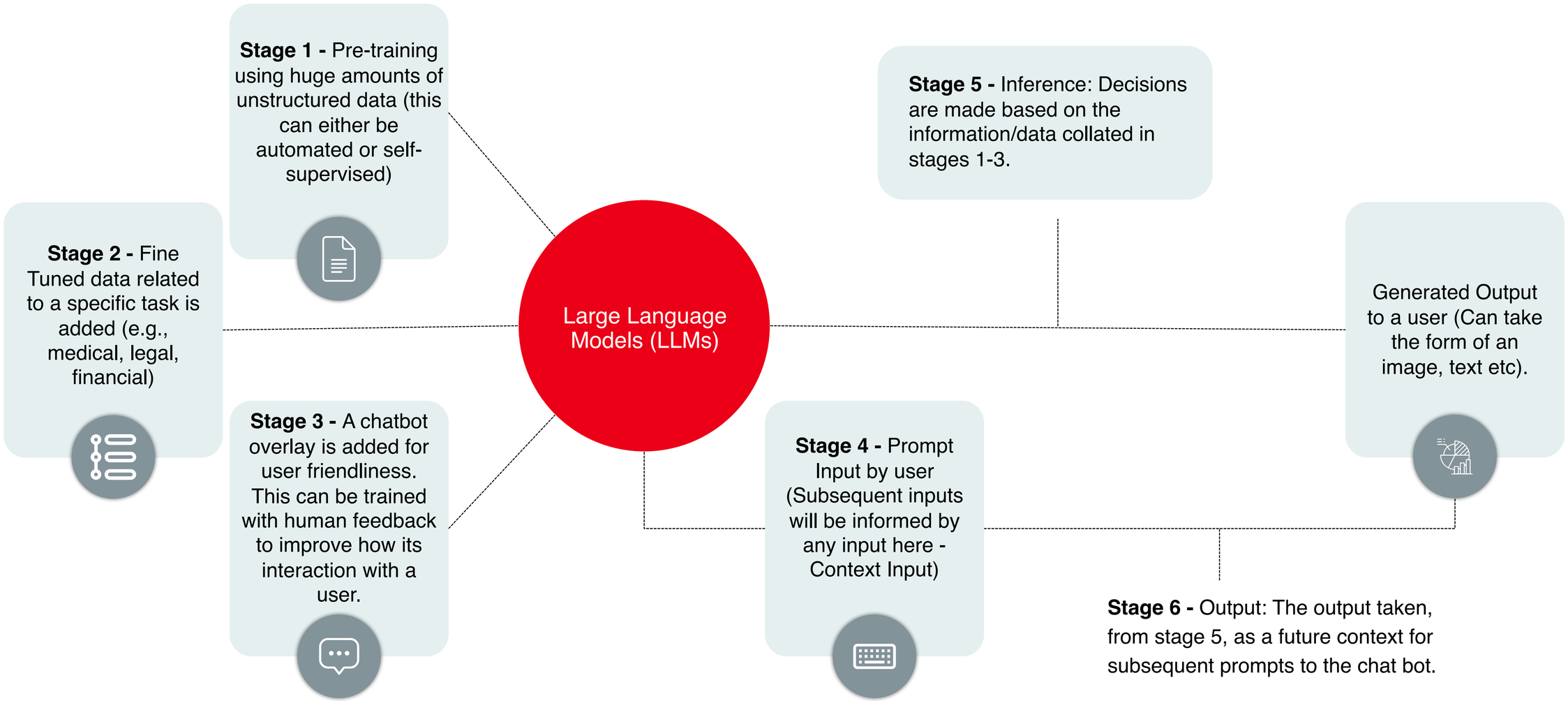
Source: among others IBM

Traditional AI vs. Generative – What is the Difference?

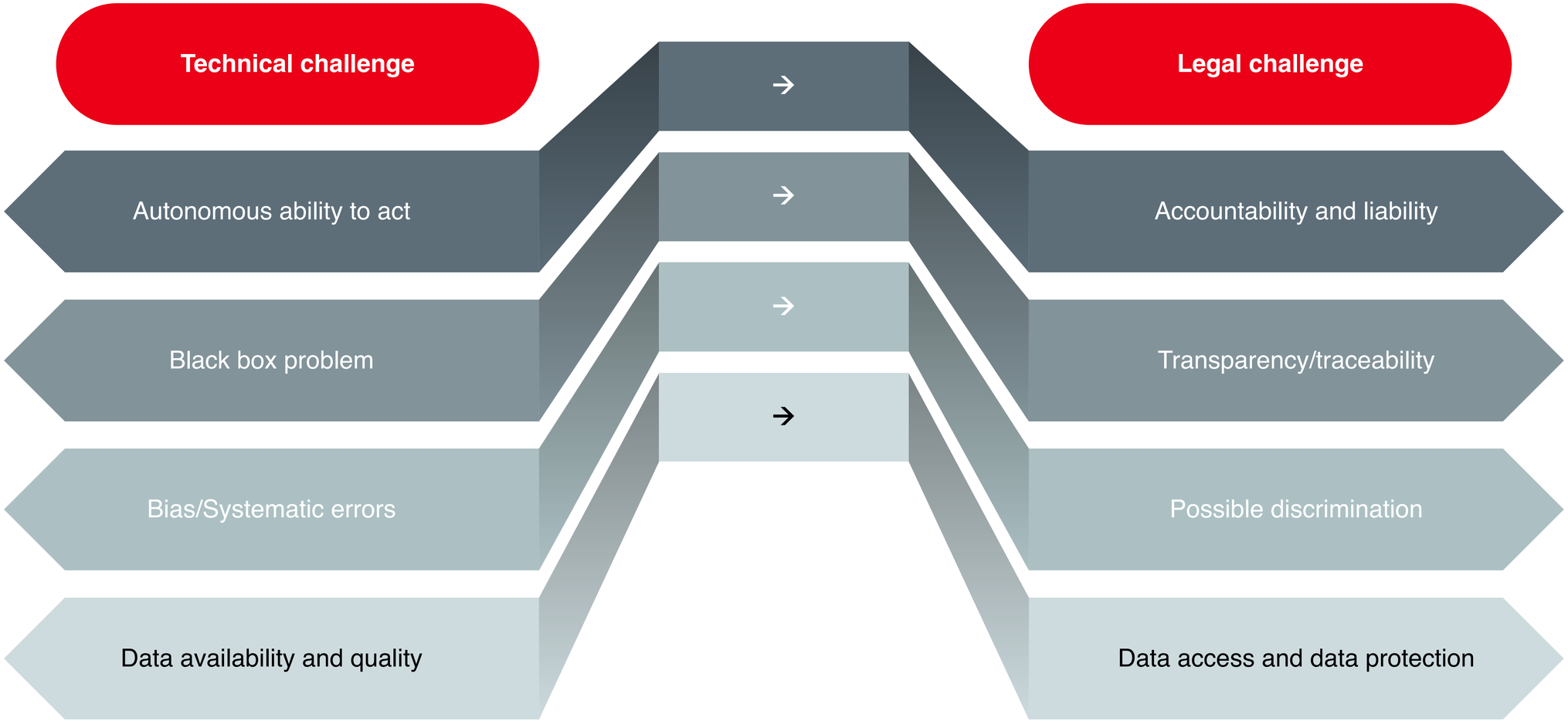
	AI as a Fortune Teller: Predictive AI	AI as a Creator: Generative AI
Objective	Analyzing data to predict future events by identifying patterns and trends in historical data to make informed predictions	The creation of new content, texts, images, codes by learning from existing data
Consider it as	Using information from the past to predict the future.	Using information to create new outputs
Use cases	• Predicting customer behavior • Identifying financial fraud • Forecasting weather patterns	• Writing content • Designing products • Generating realistic images and videos
Examples	Amazon Alexa; Apple's Siri; Retail chatbots	Anthropic's PortraitPro, OpenAI's ChatGPT

Source: National Association of Professional Employer Organization

Deep dive into how Large Language Models (LLMs) work



The key technical and legal challenges of AI



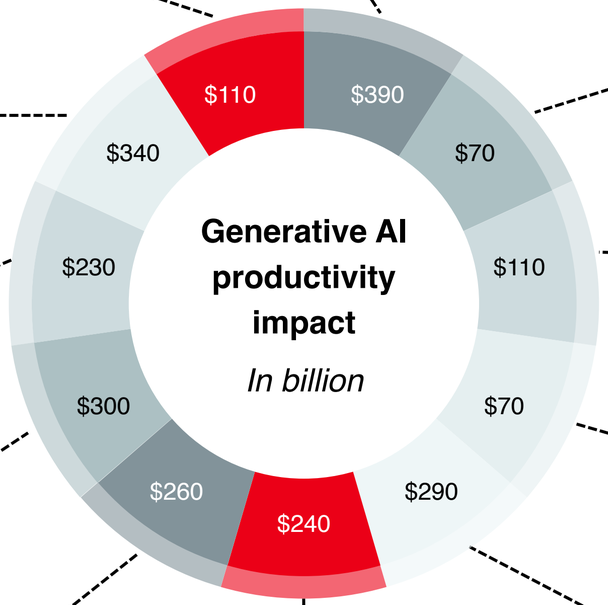
Souce: Eidgenössisches Departement für Wirtschaft, Bildung und Forschung WBF

RETAIL
- Providing assistance during product search and offering personalized recommendations

PHARMACEUTICALS AND MEDICAL PRODUCTS
- Automating drug development enhancing drug discovery

AGRICULTURE
- Predicting demand and supply

BANKING
- Offering personalized finance management advice
- Predicting credit risk and advancing credit scoring



MEDIA AND ENTERTAINMENT
- Creating animation and visual effects

EDUCATION
- Creating personalized teaching materials and lesson plans

INSURANCE
- Analyzing claim data to prevent fraud
- Improving risk assessments
- Providing personalized product and service offerings

TRAVEL AND LOGISTICS
- Optimizing traffic management systems

ADVANCED MANUFACTURING
- Analyze data from sensors and machinery

HEALTHCARE
- Providing recommendations for follow-up and lifestyle advice

ENERGY
- Optimise the use of renewable energy sources

Source: National Association of Professional Employer Organization

Drones as a facilitator in the insurance industry

Insurance = assess, prevent and mitigate risk

Drones gather visual material (photos, video), and data about a property, but the real benefit of drones for insurance comes from the gains in safety and efficiency

Drones allow easy access to some of the isolated and dangerous areas to effectively collect aerial data and assess loss after a man-made or natural disaster through cutting-edge imagery analytics

Companies can move from dangerous, hands-on, time-intensive property inspections, to a quick, safe, and much faster process that allows their work force to keep both feet firmly planted on the ground

SPOILER ALERT: The insurance industry has not always been viewed as ‘early adopters’ of new technologies: However, these emerging technologies has great potential to completely transform how insurance companies and policy holders mitigate risk

The current laws and frameworks related to AI

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AI Laws and Frameworks

NIST AI RMF

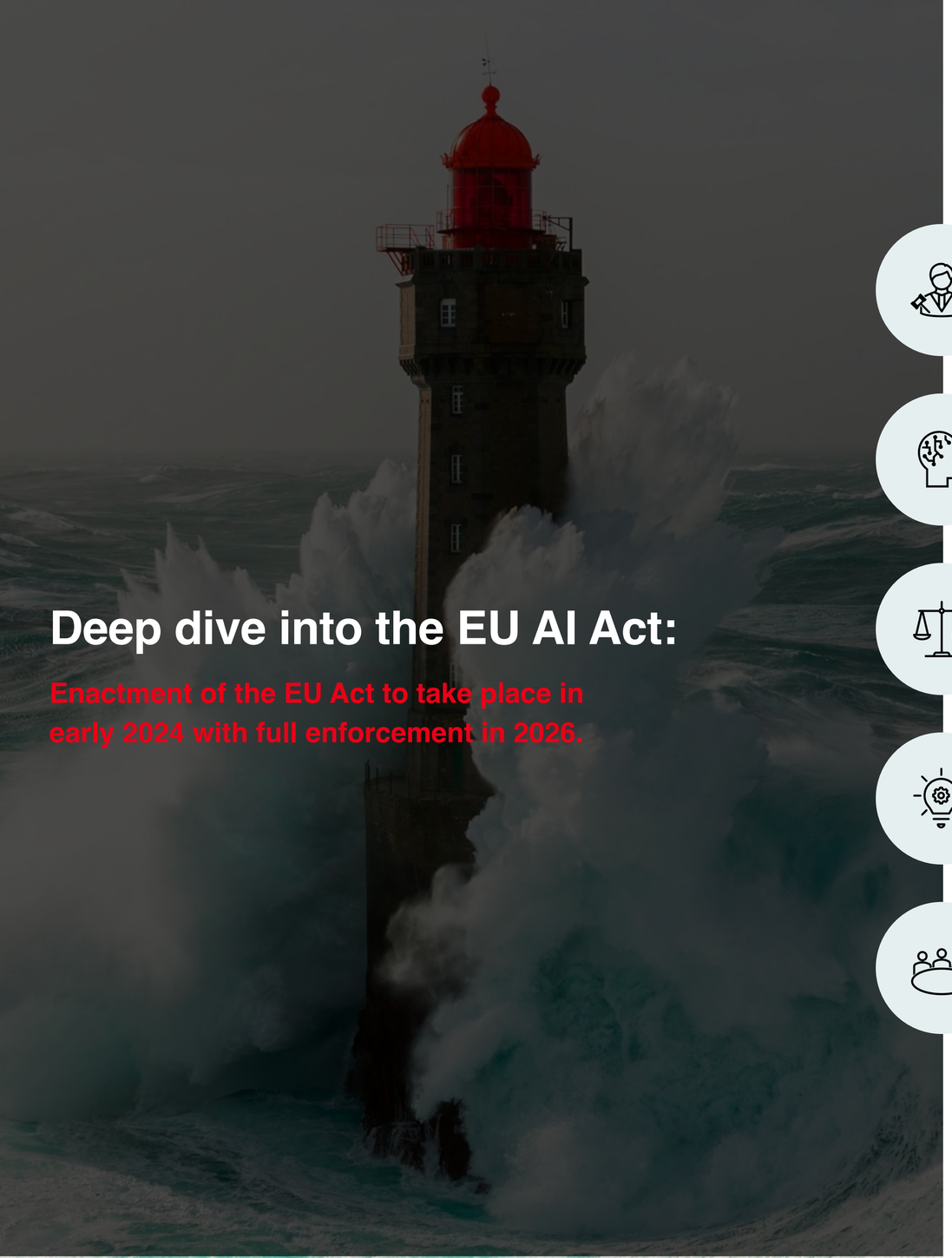
- Determines the characteristics of trustworthy systems
- Provides guidance for organisations to design and manage trustworthy and responsible AI
- Details a set of guidelines and recommendations that organisations can use for assessing and managing AI risks

EU AI Act

- This proposed act is in the legislative process
- Takes a detailed and perspective view on AI. For example, it classifies uses by degrees of risk.
- Builds on current EU regulations such as GDPR

Authorities pursuant to Executive Order 14110

- Comprehensive inventory and reporting
- Definitions and inclusion of AI cases
- Promotion of coordination and transparency



Deep dive into the EU AI Act:

Enactment of the EU Act to take place in early 2024 with full enforcement in 2026.

- The AI Act aims to be the worlds first legislation focused on AI
- The Act takes a risk-based approach to AI
- Incorporates legislations such as the Digital Services Act and GDPR
- Promotes innovation
- Citizens of EU member states have the right to file complaints against AI systems with an EU AI office tasked monitoring AI implementations.

How can organizations make better AI decisions?

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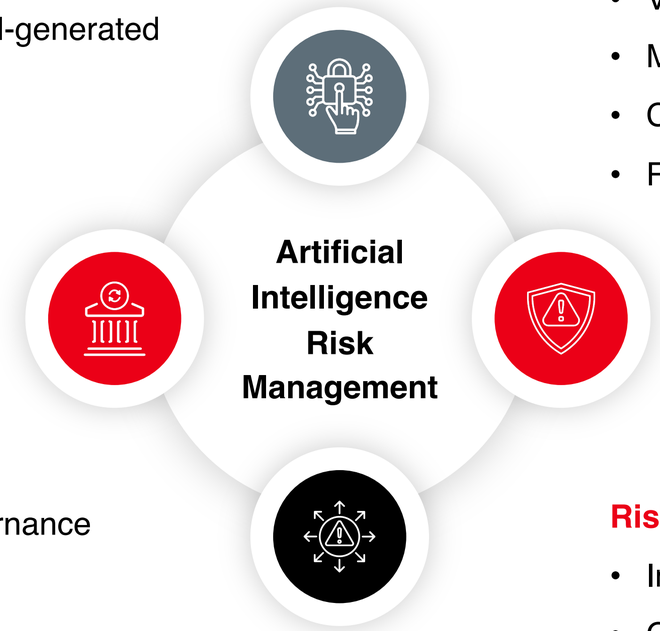
Identify, Access and Quantify AI Use

- Manage access to generative AI in accordance with your organization's policies
- Understand copyright ownership of AI-generated materials
- Use actuarial modelling
- Follow industry and AI trends



Mitigate

- B2B contractual limitation of liability
- Vendor risk management
- Maintain human oversight
- Check deliverable before distribution
- Require NDA from recipients if you want trade secret protection

Human Capital

- AI Executive Sponsorship & AI Governance Committee
- Consider bias at every point
- Identify AI Talent & Expertise
- AI “hallucinations” must be monitored by human beings prior to and during AI usage

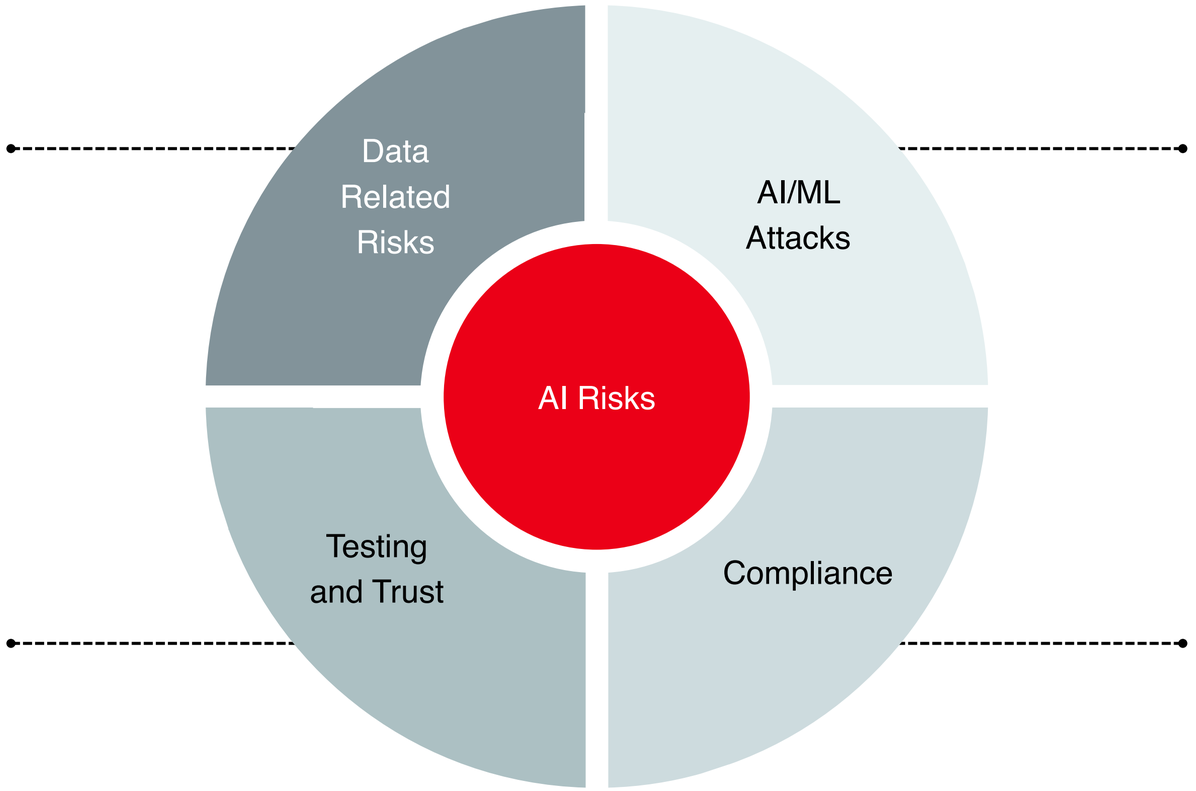
Risk Transfer

- Insurance (see above AI coverage matrix)
- Captive or self-insurance
- Alternative risk transfer (parametric, insurance- linked securities)

AI Risks

- Learning Limitations
- Data Qualities

- Incorrect Output
- Lack of Transparency
- Bias



- Data Privacy Attacks
- Training Data Poisoning
- Adversarial Inputs
- Model Extraction

- Policy Non-Compliance

Artificial Intelligence: Are you aware of the gaps in coverage?

	Media Liability	Tech Errors & Omissions / PI	Product Liability	General Liability	Intellectual Property	Cyber Liability	Crime	D&O
AI Peril								
Discrimination/bias								
Bodily Injury								
Privacy and Security Breaches								
Market Manipulation								
Deepfake								
Business Interruption								
Breach of Director's or Officers' Duties								

● Generally Available ● Limited ● Excluded, unless customized contingent liability added

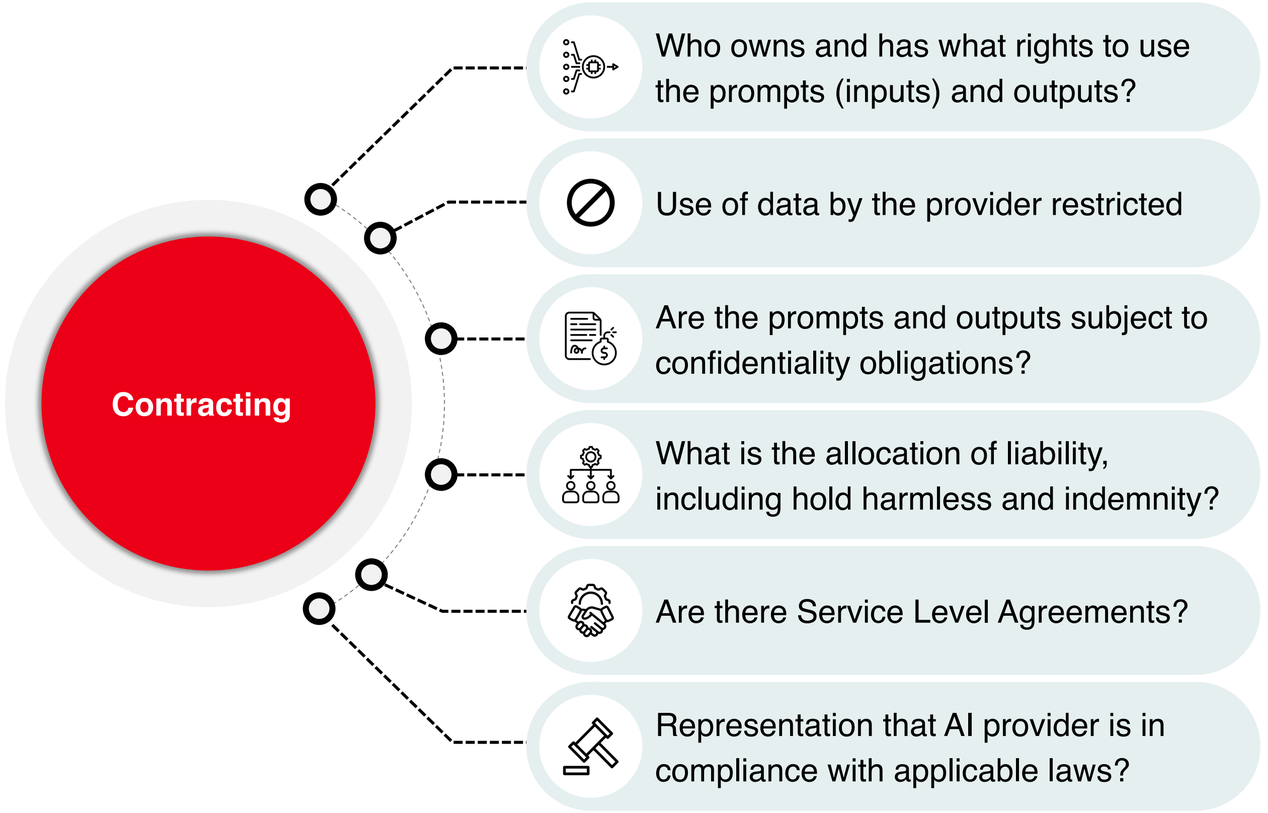
Artificial Intelligence: Insurance Coverage Gap Analysis

	Media Liability	Tech Errors & Omissions / PI	Product Liability	General Liability	Intellectual Property	Cyber Liability	Crime	D&O
AI Peril								
Third-Party Damages Liability for Faulty Product or Service	🔴	🟢	🔵	🔵	🔴	🔴	🔴	🔴
Copyright, Trademark or Service Mark Infringement	🟢	🔵	🔵	🔵	🟢	🔵	🔴	🔴
Patent Infringement	🔵	🔴	🔴	🔴	🟢	🔴	🔴	🔴
Discrimination/bias	🔵	🔵	🔴	🔴	🔴	🔵	🔴	🔴
Defamation, Libel, Slander	🟢	🔴	🔴	🔵	🔴	🔴	🔴	🔴
Bodily Injury	🔴	🔴	🟢	🟢	🔴	🔵	🔴	🔴
Tangible Property Damage	🔴	🔴	🟢	🟢	🔴	🔵	🔴	🔴
Privacy and Security Breaches	🔴	🔵	🔴	🔴	🔴	🟢	🔴	🔴
Loss of Finanical Assets	🔴	🔴	🔴	🔴	🔴	🔴	🟢	🔴
Market Manipulation	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔵
Deepfake	🔴	🔵	🔴	🔴	🔴	🔵	🔵	🔴
Robotics	🔴	🟢	🟢	🔵	🔴	🔴	🔴	🔴
Product Recall	🔴	🔴	🔵	🔵	🔴	🔴	🔴	🔴
Business Interruption	🔴	🔴	🔴	🔴	🔴	🟢	🔴	🔴
Breach of Director's or Officers' Duties	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🟢

🟢 Generally Available 🔵 Limited 🔴 Excluded, unless customized contingent liability added

Takeaways: Bridging the known with the unknown

Do you have an AI Governance Framework with Board/Management oversight, which includes specific use cases, restrictions and authorization policies?	Are you confirming whether any key vendors are utilizing AI, and if so, what safeguards are in place to prevent errors? Have you conducted pre-contract diligence?	Disclosure – are notices provided to consumers on the use of AI?
How do you prevent unintended bias when utilizing AI?	Does a human need to verify accuracy before AI takes action?	Are AI actions logged so potential errors can be reviewed and remediated?



Thank You

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