

Public Hearing on Opinion on Artificial Intelligence Governance and Risk Management

8 April 2025

EIOPA'S PAST WORK ON AI

2019

- EIOPA thematic review on Big Data Analytics in motor and health insurance ([link](#))

2020

- Discussion Note on the Supervision of Machine Learning algorithms (internal)

2021

- AI governance principles report developed by EIOPA's Stakeholder Group on Digital Ethics ([link](#))

2022

- EIOPA letter to co-legislators on the AI Act ([link](#))

2023

- Supervisory Statement on differential pricing practices ([link](#))

2024

- EIOPA's Report on the digitalisation of the European insurance sector ([link](#))

CONTEXT

- Artificial Intelligence (AI) is expected to **play a pivotal role in the digital transformation** of the insurance sector
- Based on **EIOPA's 2024 Digitalisation report** AI is used by 50% of respondent insurance undertakings in non-life insurance and by 24% in life insurance
- In July 2024 **the AI Act** was published in the Official Journal of the European Union:
 - The AI Act follows a risk-based approach, classifying AI systems according to different risk levels
 - Risk assessment and pricing in relation to natural persons for health and life insurance are considered as a high-risk AI systems
 - The remaining AI systems continue to operate without new requirements, with the exception of some transparency requirements the need to promote staff AI literacy, and the development of voluntary codes of conduct
- **Insurance sector legislation** continues to apply to the use of AI systems in insurance

SCOPE AND OBJECTIVE

- The Opinion provides guidance on the principles and requirements in insurance sector legislation that should be considered in relation **the use of AI systems in insurance** that are not prohibited AI practices or considered as high-risk AI systems under the AI Act
- The Opinion is based on the **definition of AI systems** of the AI Act
- The **objective is twofold**:
 - promote supervisory convergence amongst NCAs to ensure a responsible use of AI systems in insurance
 - provide clarity on the supervisory expectations on the interpretation of provisions of insurance legislation in the context of AI systems, including to reflect risk-based and proportionality considerations

RISK BASED APPROACH AND PROPORTIONALITY

Key legal provisions

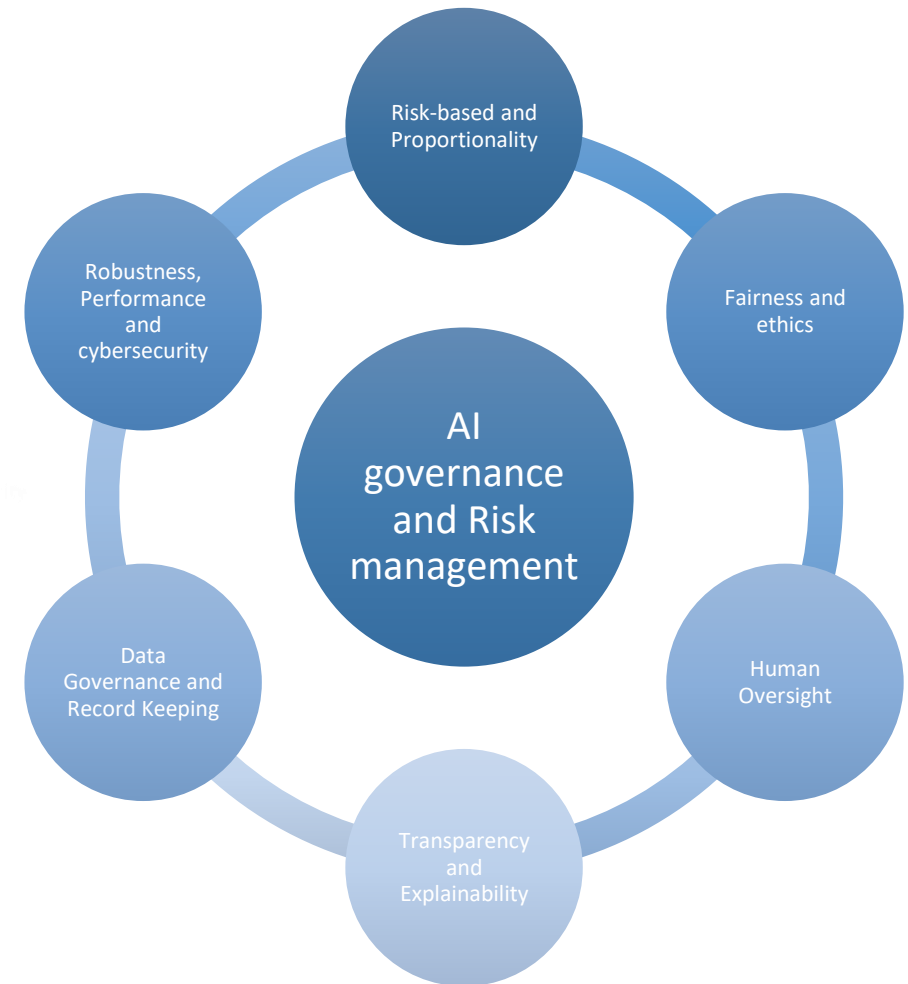
- Article 41 Solvency II Directive: insurance undertakings need to have in place an effective system of governance which provides for a sound and prudent management of the business, which shall be proportionate to the nature, scale, and complexity of the operations
- Article 25 Insurance Distribution Directive (IDD): requires undertakings to maintain, operate and review a process for the approval of insurance products which shall be proportionate and appropriate to the nature of the insurance product

Key elements

- Undertakings should assess the risk of the different AI use cases
- Develop proportionate measures, tailored to the specific AI use cases, that ensures the responsible use of AI

RISK MANAGEMENT SYSTEM

- The Opinion follows a **principles-based approach**, and it is in line with the underlying principles of the AI Act and other international initiatives in this area
- Undertakings should assess their risk and develop governance and risk management measures adequate and **proportionate to the characteristics of the use cases at hand**
- **Holistic approach to AI governance**: a responsible use of AI is achieved by a combination of measures and not by a single / stand-alone one
- Undertakings using AI systems within their organisation need to **define and document in the relevant policy document** the approach to the use of AI within the organisation and include relevant accountability frameworks



FAIRNESS AND ETHICS

Key legal provisions

- Article 17 IDD: insurance distributors shall always act honestly, fairly and professionally in accordance with the best interests of their customers
- EIOPA's 2023 Supervisory Statement on Differential Pricing Practices

Key elements

- Undertakings should adopt a customer-centric approach to the use of AI systems throughout its entire lifecycle to ensure that customers are treated fairly
- The outcomes of AI systems should also be regularly monitored and audited
- Adequate redress mechanisms should be in place

DATA GOVERNANCE

Key legal provisions

- Article 82 of the Solvency II Directive: that data shall be complete, accurate and appropriate for calculating the technical provisions
- Article 260(1)(a)(ii) of the Commission Delegated Regulation 2015/35: need to have in place policies regarding the sufficiency and quality of relevant data for underwriting and reserving processes
- Article 6(1) of the Commission Delegated Regulation 2017/2358: manufacturers test their insurance products appropriately, including scenario analyses where relevant

Key elements

- The data used to train and test AI systems is accurate, complete and representative
- Sound data governance should be applied throughout the AI system life cycle in data collection, data processing and post processing
- The same data quality standards should apply to the data purchased from third parties

DOCUMENTATION AND RECORD KEEPING

Key legal provisions

- Article 258(1)(i) Commission Delegated Regulation 2015/35: requires that insurance undertakings maintain adequate and orderly records of the insurance undertaking's business and internal organisation
- Article 9 Commission Delegated Regulation 2017/2358: requires that relevant actions taken by undertakings in relation to their product approval process are duly documented

Key elements

- Undertakings should keep appropriate records of the training and testing data and the modelling methodologies
- Documentation and record keeping should enable reproducibility and traceability

TRANSPARENCY AND EXPLAINABILITY

Key legal provisions

- Article 20(1) IDD: undertakings shall provide the customer with objective information about the insurance product in a comprehensible form to allow the customer to make an informed decision
- Article 258(h) Commission Delegated Regulation 2015/35: insurance undertakings shall establish information systems which produce complete, reliable, clear, consistent, timely and relevant information concerning the business activities

Key elements

- Undertakings should adopt the necessary measures to ensure that the outcomes of AI systems can be meaningfully explained
- Explanations should be adapted to specific AI use cases and the recipient stakeholder
- If the complexity of the AI system hinders the full transparency and explainability, the undertaking should put in place complementary risk management measures: particularly comprehensively secure and test (before release as well as on an ongoing basis) is necessary for those AI use cases that could have a high impact on customers or solvency

HUMAN OVERSIGHT

Key legal provisions

- Article 46 Solvency II Directive: insurance undertakings shall have in place effective internal control systems
- Article 258(2) Commission Delegated Regulation 2015/35: insurance undertakings should develop policies on internal control, internal audit and outsourcing
- Article 7 Commission Delegated Regulation 2017/2358: manufacturers should continuously monitor and review insurance products

Key elements

- Administrative, management or supervisory body (AMSB) members should be responsible for the use of AI within the organisation
- The compliance and audit functions and Data Protection Officer: should AI systems comply with all applicable laws and regulations
- The actuarial function is responsible for the controls on AI systems that fall under its responsibilities (e.g. technical provisions and underwriting policy)
- The undertaking may decide to create other organisational arrangements (e.g. Data Committees etc.)
- Relevant staff should be provided with relevant trainings

ACCURACY, ROBUSTNESS AND CYBERSECURITY

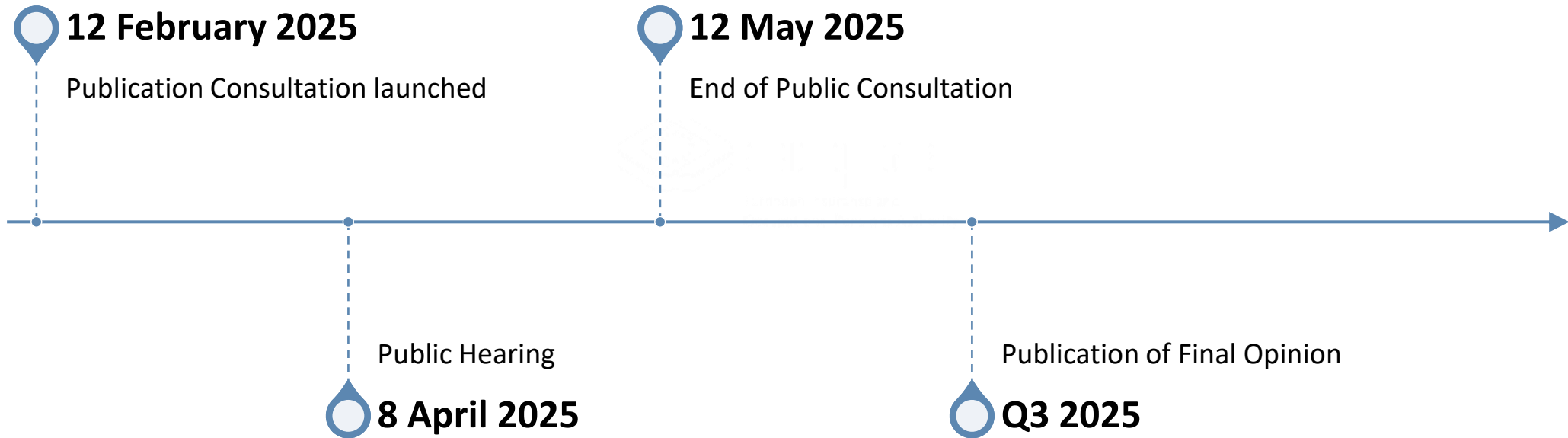
Key legal provisions

- Article 46 Solvency II Directive: insurance undertaking should put in place an effective internal control system.
- Article 258(1)(j) and (3) Commission Delegated Regulation 2015/35: the security, integrity and confidentiality of the information shall be safeguarded
- Articles 11 (4) and (6) DORA: lay down uniform requirements concerning the security of information and communication technologies (ICT) for the financial sector, including regarding business continuity plans

Key elements

- The AI system should perform consistently in throughout their lifecycle
- Undertaking should adopt metrics to measure the performance (accuracy, recall etc.) adapted to the AI use case
- AI systems should be resilient against attempts by unauthorised third parties, including by having adequate and up-to-date IT infrastructure as well as fall-back plans to ensure ICT business continuity

TIMELINE



THANK YOU!