



FERMA

Anticipating changes
Shaping the future

AI Webinar Series n° 2:

HINDSIGHT TO FORESIGHT:

WHERE **AI** WILL TAKE
MANAGING RISKS

25 April 4 PM CET

Zoom



REGISTER NOW



FERMA

Anticipating changes
Shaping the future

Today's speakers:



MARCO LO GIUDICE

Head of Emerging Risks at Lloyd's



BARBARA MAYER

Risk Management Expert at SAP



SALMAN SIDDIQUI

Senior Director, Insurance Practice
Lead at Moody's



FERMA

Anticipating changes
Shaping the future



BARBARA MAYER

Risk Management Expert at SAP



FERMA

Anticipating changes
Shaping the future

Overview AI Risk Management (RM) Cases & Processes

Use Case RM

- It starts with ideation – someone has an idea – a new AI Use Case is created
- The self-assessment and risk classification is performed and stored auditable

AI Ethics Steering

- Any potential high-risk use case is assessed by the AI Steering Committee
- The AI Steering C. is a cross-functional board and evaluates the risks and chances of the use cases

GR&AS RM

- The 'normal' RM processes apply as well
- Product risks are captured in the risk management system
- General AI related risks are captured: new laws & regulations as well as risks that are system immanently associated with AI



FERMA

Anticipating changes
Shaping the future

AI Ethics Governance

AI Ethics Steering Committee

Senior leaders from design, data protection, corporate strategy, HR, sustainability, and legal with our AI researchers and operational specialists

- **Develops and enforces** our guiding principles
- **Assesses** high-risk use cases and provides guidance to use case owners

Provides Updates on Activities



AI Ethics Advisory Panel

SAP external experts with a public mandate from academia, politics, and industry

- **Provides input** on the guiding principles
- **Advises** on the operationalization of the guiding principles

Provides Updates on Activities



Trustworthy AI Workstream

Group of interested SAP employees who want to engage with Trustworthy AI and build expertise.

- **Establishes the means to implement** the necessary processes for ensuring compliance of SAP's AI development

Policy Provides Guidance





FERMA

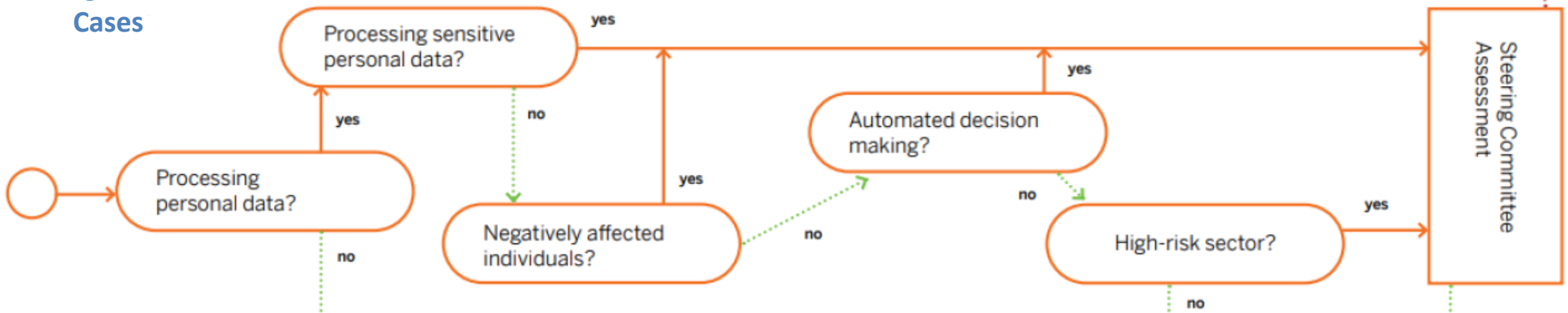
Anticipating changes
Shaping the future

Risk Management Use Cases

01. Red Line Cases



02. High-Risk Cases



03. Standard Cases





FERMA

Anticipating changes
Shaping the future

High-Risk Use Case Definitions

1. Processing personal data

Does the use case process any information relating to an identified or identifiable natural person for training purposes or during productive usage (excluding anonymized data and process of anonymizing)?

2. Processing protected personal data

Does the use case include the processing of protected personal data ("special categories of personal data") like information on sexual orientation, religion, biometric data (including face imaging)?

3. Negatively affected individuals

Could the use case negatively affect the well-being (health and safety) of individuals or intrude on/restrict an individual's fundamental rights/freedom?

4. Automated decision-making

Does the use case exhibit fully or partially automated decision-making (including cases of no human intervention and of human supervision, but excluding recommender systems)?

5. High risk sector

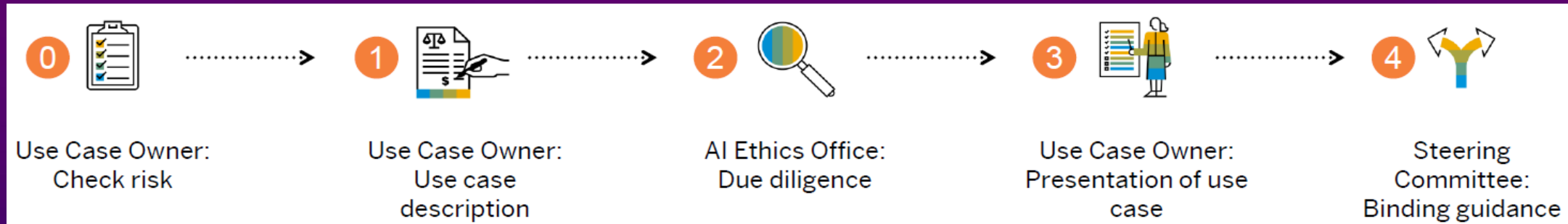
Does the use case belong to one of the following sectors: employment/HR, healthcare, law enforcement?

If the answer is Yes to question 1 and at least one of the questions 2-5, steering committee approval is necessary.

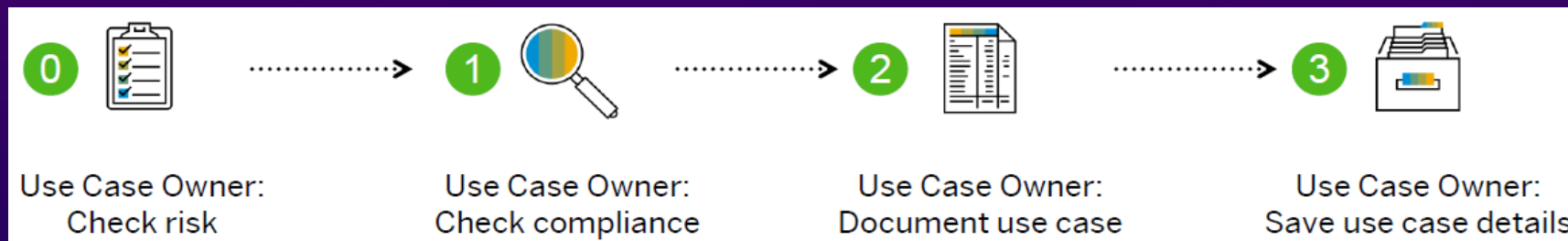


Process for Use Case Owners

02. High-Risk Case Process



03. Standard Case Process





Example: EU AIA risk – Description and ‘Best Practice’ on How to Determine Total Loss and Probability

EU Artificial Intelligence Act

Of course a law is not per se a risk, but like the EU GDPR this regulation bears costs of compliance and the risk of incompliance. The Official Journal publication is expected in May.

Formal entry into force is not expected before Jun 2024 with application expected two years later in Jun 2026, after which possible fines of up to 3% of global turnover for violations of the obligations or 1,5% for the supply of incorrect information are possible. Thus, the AI act bears the possible risk of non-compliance, prohibition of business models, higher compliance costs, and administrative burden.

Risk of Incompliance

Probability

Probability before mitigations:
likely

Probability after mitigations:
unlikely

Mitigations – see slides before
– establish strong governance!

Total Loss

- Do not over-use RBC!
- Use the ‘two daily rates’ best practice for GDPR as basis
= Global turnover / 365 * 2
- Adjust according to the amount of use cases in the HRAI area



FERMA

Anticipating changes
Shaping the future



SALMAN SIDDIQUI

Senior Director, Insurance Practice Lead at Moody's

MOODY'S

AI, Risk Management and Insurance

Moody's: A World Leader in Risk Assessment

Decode Risk, Unlock Opportunity

We help Banks, Insurers, Investors, Corporations and Governments...

What do we do?

Issue, Originate, Select, Underwrite

Identify, Measure, Monitor & Manage Risk

Verify, Comply, Plan & Report

Leveraging an unrivalled set of data, analytics & domain expertise across

How do we do this?

Credit Companies

Properties Securities

People Economies

ESG Climate

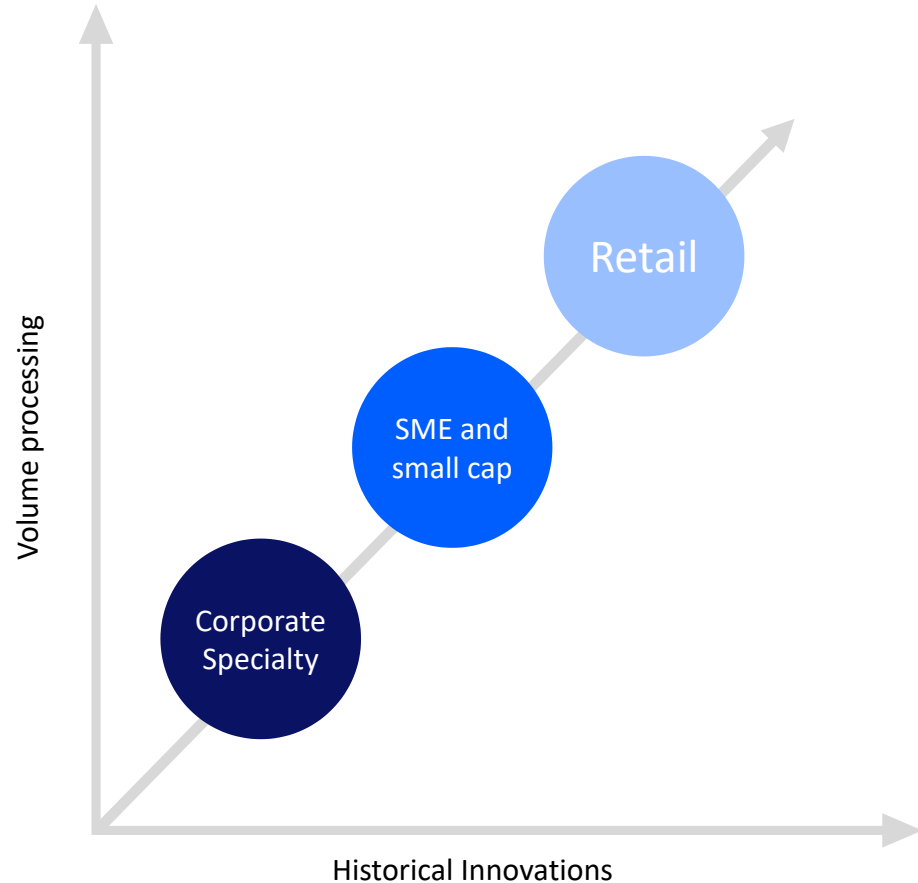
Providing our customers with

Actionable Insight

Operating Efficiency

Resilience & Adaptation

Historical Pace of Innovation in Insurance

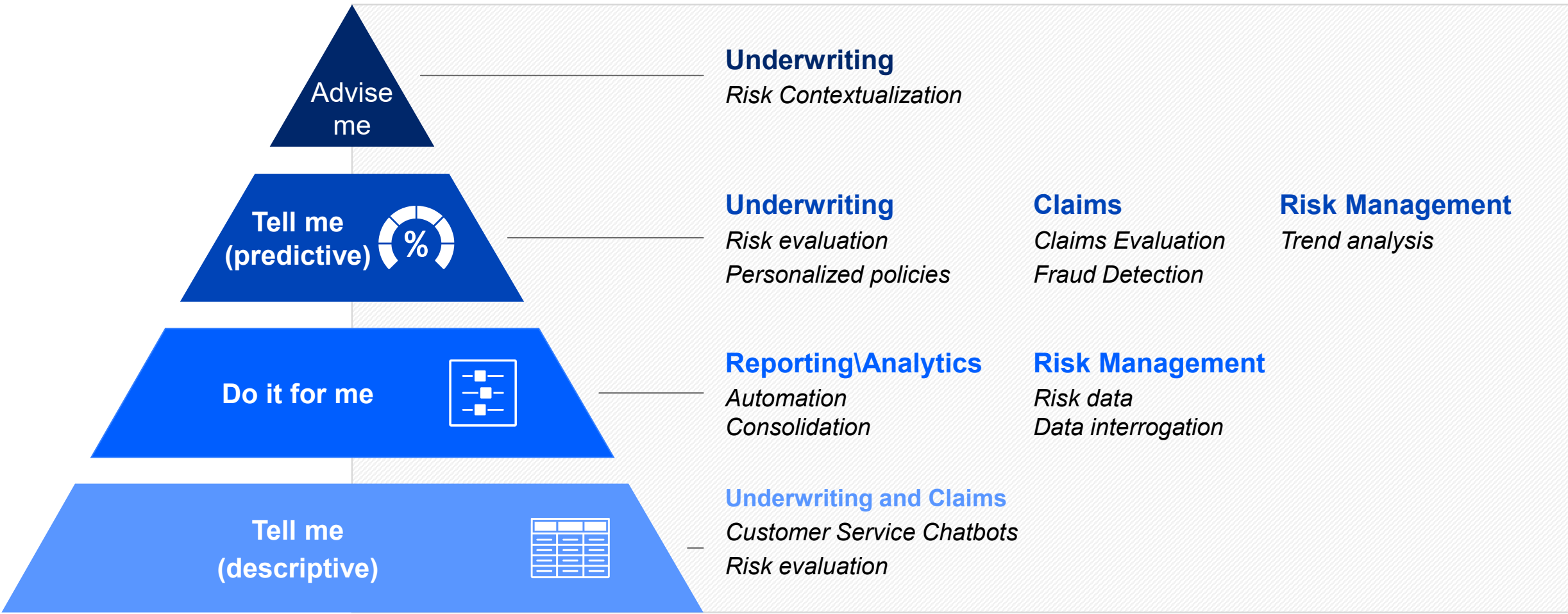


Innovation historically driven by homogeneity of risks and need for efficiency

- Generative AI implementation likely to take similar route
- Data standardization and robustness is key
- GenAI represents a major area for insurers to improve their value proposition to buyers

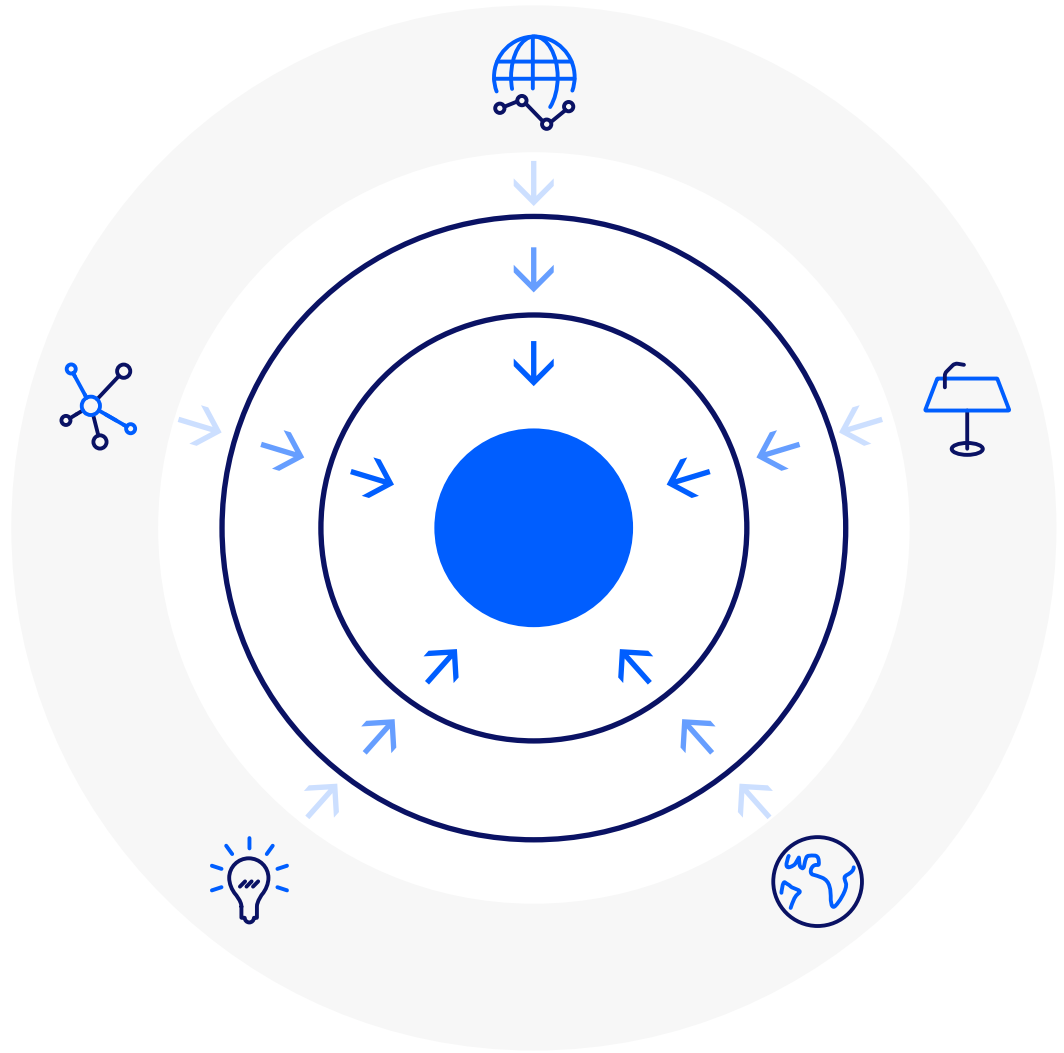
Insurance Market Observations

Useases for GenAI



Potential Impact on Buyers

-  Submissions Standardization and Simplification
-  Efficiency and Speed of Response
-  Less Differentiation?
-  Impact of Pricing?
-  New Risks Being Covered





FERMA

Anticipating changes
Shaping the future



MARCO LO GIUDICE

Head of Emerging Risks at Lloyd's

How will AI impact the risk landscape

Cyber

- **Short Term:** Cyber threats to increase
- **Medium term:** Equalise landscape
- **Catastrophes:** AI to modestly enhance ability of threat actors

Professional Liability

- Increasing prevalence of E&O policies to protect against allegations of algorithmic bias, IP infringements, and system failures as AI

Product Liability

- “AI Assurance” will be needed to help address potential liability

PVT

- AI powered disinformation, deepfakes, and demographic targeting may play a significant role in upcoming worldwide elections

Climate Risk

- Increased energy consumption through uptake in AI technologies
- AI induce climate litigation

The role of insurance in building resilience

The role of the Insurance Industry

Regulatory compliance and oversight requirements

Maintain trust and transparency between customers and insurers

Ensure that customers have the protection they need

Ensure that the size and extent of risk is understood

Educate the public/customers on the impacts and use of AI

Work alongside industry leaders to develop a more holistic view of AI

Work to adapt and incorporate efficiencies where safely possible

Innovation at Lloyd's



Engagement with Policymakers



Lloyd's Lab Accelerator Program



Insurtechs



FutureMinds



AI Panel Events





FERMA

Anticipating changes
Shaping the future

Q&A





FERMA

Anticipating changes
Shaping the future

Quick feedback

<https://forms.office.com/e/pspuim6Xan>





FERMA

Anticipating changes
Shaping the future

SAVE THE DATE

- **3rd webinar of our AI series: Meet with the experts, on Thursday 13 June**
- **Webinar on cyber reporting stack alongside WTW, on Thursday 16 May**

Stay tuned for more details!

