

Seminar on Reinsurance

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INSURING AI: THE ROLE OF INSURANCE IN ARTIFICIAL INTELLIGENCE REGULATION

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SITUATING AI GOVERNANCE

- AI as a technology has been in development since the **1950s**.
- ‘AI liability’ discussion only took off starting **2012**.
- AI Governance attempts only during the **last couple of years**.
- **Limited** discussion about insuring AI as a part of AI governance.
- The ‘**black-box**’ issue.



CONTEXT AND RELEVANCE

- The emergent technology of AI and our **commercial market**.
- So far, **only** a discussion about the appropriate liability regime and other *ex-ante* mechanisms.
- Insurance can enhance our ability to facilitate the **integration** of AI into commerce, as well as **address the harms** this process entails.



INTRODUCTORY REMARKS

- The Problem with AI's Insurability – lack of data and the black-box issue.
- Insurance and Technology – from the industrial revolution to cyberspace (forthcoming article).
- Existing Suggestions for Insuring AI – AV focused.



DISADVANTAGES OF INSURING AI

- Moral hazards.
- Cost allocation and premium estimation.
 - Known-unknowns and terrorism insurance.
 - The feasibility of AI insurance - calculation, distribution and profitability.
- Exceptions and exclusions.



ADVANTAGES OF INSURING AI

- Behavior channeling mechanism.
 - Risk-based pricing, insurance underwriting, contract design, claims management, **loss prevention service**.
 - Implementing private safety codes, research and education, and engagement with public regulation.
- Liability and predictability.
- Facilitating the safe integration of innovation into our commercial market.



INSURING AI AND AI GOVERNANCE

- Build upon **existing insurance infrastructure** to cover AI activities, starting with third-party policies.
- AI's **substitution** effect and a necessary adoption period.
- The insurance model is **not a stand-alone solution** – complementary mechanism to tort law, legislation and other regulation.



AN

can we make AI safer using insurance?



Insurance can be one tool to make AI safer, but it is not a complete solution on its own.



AI safety is a complex issue that involves a range of technical, ethical, and legal considerations. While insurance can provide financial protection in case of AI-related accidents or incidents, it does not address the root causes of these issues or prevent them from happening in the first place.

To make AI safer, a more comprehensive approach is needed that includes designing AI systems with safety in mind, rigorous testing and evaluation, transparent reporting and disclosure, and ongoing monitoring and regulation. Additionally, ethical considerations such as fairness, accountability, and transparency must be integrated into the development and deployment of AI.

Insurance can play a role in this broader framework by incentivizing companies to invest in AI safety measures and providing a financial safety net for those affected by AI-related incidents. However, insurance alone cannot guarantee the safety of AI, and other measures must also be taken to address the many challenges associated with this emerging technology.



QUESTIONS?

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