FERMA Webinar – 19th May 2020: Why risk managers should look at Artificial Intelligence now?

Speakers:

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FERMA "Artificial Intelligence Applied to Risk Management" – need to integrate risks generated by AI in the ERM framework.

1. General benefits for risk management
2. AI application Guide for risk managers
3. Developing an AI Roadmap

Why and How to implement AI in Risk Management?

Data is key! The 5 Vs of Data:

1. Volume
2. Velocity
3. Variety
4. Veracity – quality & trustworthiness
5. Value

Poll Question: Do you assess AI-related risks in your organisation?

a. Yes – 32%
b. No – 45%
c. I'm planning to – 24%

It is no surprise that most do not assess AI-related risks as we are currently in the deployment phase of AI.

Benefits & challenges:

1. **Data Processing:**
a. Usage of not only structured but also unstructured data in massive amounts, combination of datasets and updating patterns – it is difficult to get such data
b. We currently have a lack of social data, both qualitative and quantitative – this needs to change for us to better mitigate these risks.

2. **Improve efficiency:**
a. Reducing costs by automating day-to-day assistance and guidance in the risk management process. Transparency is key.

3. **Management complexity:**
a. Awareness of new exposures, increasing preventive risk advice, faster response time in critical solutions (especially relevant to COVID-19)

4. **Business decisions:**
a. Better decision-making through greater predictive insights to gain visibility on risks – also for top management. This is important for the Insurance Industry currently.

Poll Question: Do you plan to use AI tools to preform your risk and insurance activities?

a. Yes – 49%
b. No – 22%
c. I don't know – 28%

AI & robotics to respond to COVID-Crisis

Irina,

Commission White Paper on AI, A European Approach to excellence and trust. (19th February).

Interest in AI is growing all over the world.

The potential of AI is high.

The potential contribution to the global economy could be $16.7Trillion. – PwC study, 2017. However, some don't trust AI enough to use it to and tap into the potential of AI – thus, we need to create the right framework of trust.

Building on EU strengths:

- Excellent research
- World-leading in robotics
- Strong B2B domain
- Strong industrial and services sectors, such as automotive & healthcare & agri-food etc…

Ecosystem of Excellence- 6 key actions:

1. Join forces between the Member States and the EU with a coordinated plan on AI
2. Strengthen research & innovation – testing and experimentation sites
3. Improve skills & talent
4. Help SMEs, with digital innovation
5. Work together with the private sector – New PPP on AI, data and robotics
6. Promote AI in the public sector with the promotion of sector dialogues

The Ecosystem of trust:

"The specific characteristics of many AI technologies, including opacity, complexity, unpredictability and partially autonomous behaviour, may make it hard to verify compliance with, and may hamper the effective enforcement of, rules of existing EU law meant to protect fundamental rights" – such as GDPR.

Quote from the AI White Paper.

The proposal is to define 2 types of risks:

-high risks (defined based on the sector and/or the individual application

-low risks

A risk based approach is recommended.

<u>Possible requirements in the new regulation for the high risks:</u>

- Training data & the quality of data needs to be improved
- Data and record keeping (algorithms also need to be recorded)
- Information to be provided
- Robustness and accuracy
- Human oversight
- Specific requirements for biometric identification

The proposed framework would focus on high-risk applications with a proportionate regulatory intervention.

The regulation should also be easy to adapt based on the AI evolution.

<u>Identify AI-specific risks:</u>

- Machine learning has a probabilistic nature.
- Quality of data sets could be used to training.
- Is there are bias?

The EC needs a calibrated risk-based approach and input on:

- Do we need more than 2 levels of risk? Yes.
- How to specific high-risk areas?
- How flexible do we need to be?
- What are the most relevant areas for best practice?
- How to achieve legal certainty?

<u>Enforcement options:</u>

High risk:

- Ex-ante conformity assessments for applications
- Market surveillance schemes

Low risk:

- Voluntary labelling system

Only where this is strictly needed and minimising burden and there should be attention given to SMEs.

Poll Question: Do you believe that the proposed EU plan will encourage AI development in Europe?

    a.   Yes – 53%
    b.   No – 10%
    c.   Not sure – 37%

This is a good result but there are still some people who need to be convinced – this is a good start with 37%.

Application:

Eric,

COVID-19 Lessons / Digitalisation:

1. **Key role of technology and strategic autonomy:** does crisis strongly reinforce the case for technological excellence and strengthening strategic autonomy?
2. **Digitalisation & AI:** will the crisis through lockdown and major economic disruption accelerate the digitalisation, introduction of AI tools and transformation of many sectors of activity?
3. Is this a major opportunity for EU industry to provide new digital solutions and for all types of organisation to reorganise, greenify their process and become more efficient? What can we do to accompany / amplify this?

COVID-19 Lessons / Trust & Data:

1. **Privacy aspects:** does the need to deploy tracing tools change the way the public perceived AI in terms of privacy protection? Will that impact the approach to AI regulation?
2. **Bias and quality of training data set:** what have we learned?
3. **Data aspects:** What will be the impact of the COVID-19 crisis on data strategies?
4. **International cooperation:** does the currently crisis reinforce the need for international cooperation around AI and data governance?
5. Can we expect that the crisis will lead to a higher awareness of privacy-related issues globally? Or will it go the other way?

<u>AI Robotics VS COVID-19:</u>

We have collected ideas about deployable AI and Robotics Solutions and information on other initiatives.

Options for the next steps:

- Commission as a broker between providers and those in need of solutions
- Procurement actions – emergency fund
- Special R%D & innovation calls and top up calls for solutions that need further development and testing
- Connect solutions providers with private investors
- Leverage digital innovation hubs for supporting deployment for some of these solutions
- Make use of structural funds earmarked for response to the COVID-19 crisis with Member States