Consultation on EIOPA's Opinion on AI governance and risk management

Summary of key messages from the AAE's response

23 May 2025

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Consultation Summary Note	View consultation paper	View impact assessment	View consultation page

Purpose of the consultation	EIOPA had issued an Opinion on Artificial Intelligence (AI) governance and risk management, providing guidance for supervisors and insurance undertakings on implementing sectoral provisions in light of AI usage and the AI Act. This Opinion clarified key principles and requirements in insurance legislation concerning AI systems, excluding those classified as prohibited or high-risk under the AI Act. It emphasised a principle-based and proportional approach, aligning with the AI Act and international initiatives to ensure responsible AI use in insurance. EIOPA sought stakeholder feedback on the adequacy of this guidance, particularly regarding its application within the existing regulatory framework.
Issuing Authority	EIOPA
Brief Overview of AAE Response	The AAE welcomed EIOPA's principle-based and proportionate approach to AI governance in insurance, supporting alignment with the AI Act and Solvency II. The AAE encouraged clearer differentiation between traditional actuarial models, such as GLMs, and AI systems, advocating that GLMs not be subject to the same governance burden. Moreover, we stressed the importance of fairness, transparency, human oversight, and strong risk management, particularly for AI applications in claims, pricing, and customer interactions. Our response highlighted the need for clarity on proportionality, data governance, and explainability, and recommended embedding AI within existing governance frameworks. The AAE also flagged the need to consider consumer vulnerability, emerging risks like generative AI, and the evolving nature of AI technology.
List of volunteers/contributors	Jerome Crugnola-Humbert Chair of SCrR WG, AAE Artificial Intelligence and Data Science Working Group and FMAs: IABe, HAS, SAI, IFoA.
Assigned Committees	AAE Insurance Committee and Risk Management Committee
Board Reviewers	Malcolm Kemp and Jette Lunding Sandqvist
Deadline	12 May 2025
Submission date	9 May 2025

Summary of main messages in AAE Response

The AAE response to EIOPA's consultation on AI governance and risk management in insurance addressed several critical aspects concerning the appropriate, ethical, and proportionate use of AI in actuarial and insurance practices.

General Overview

The AAE welcomed EIOPA's principle-based and proportionate approach, which aligns with the EU AI Act and existing supervisory frameworks such as Solvency II. We emphasised the importance of flexible regulation that accommodates the diversity of insurance business models and product lines across Europe. Our response underscored the need for clear and consistent guidance to support insurers in applying governance expectations proportionately and effectively. We also recommended greater clarity around the boundary between AI systems and traditional statistical models to support legal certainty and consistency in supervision. The AAE highlighted several emerging challenges associated with AI adoption, including model opacity, fairness, data governance, and explainability. We called for stronger accountability mechanisms, particularly through integration within existing risk management frameworks rather than treating AI governance as an isolated function. The importance of maintaining public trust through explainable AI and appropriate human oversight was repeatedly emphasised. We also noted the actuarial profession's strong alignment with these objectives, given its commitment to professional standards, transparency, and public interest.

Comments on the Insurance Sector and Actuarial Pricing Models

We supported the distinction between high-risk and non-high-risk AI systems as proposed in the AI Act and echoed in the Opinion. However, we cautioned that some AI use cases, while technically outside the high-risk category, could still have significant consumer or financial impact – such as in non-life pricing, claims automation, or access to essential services like motor or home insurance. We recommended further clarification from EIOPA to help assess when enhanced governance may still be warranted under a risk-based approach. We also asked EIOPA to provide clarity on the treatment of Generalised Linear Models (GLMs). While GLMs are not considered AI under the AI Act, confusion remains in the market. We reiterated that GLMs are longstanding tools in actuarial practice, offering transparency and full explainability. As such, they should not fall under the same governance expectations as more opaque, autonomous AI systems. We argued that regulatory frameworks should differentiate between traditional actuarial models and newer, more complex machine learning tools, to avoid unnecessary compliance burdens and to support continued innovation.

Summary of main messages in AAE Response

Ethics, Fairness, and Data Governance

The AAE strongly endorsed EIOPA's inclusion of fairness and ethics within the Opinion and suggested refining the language around bias to reflect practical realities. We advocated for realistic expectations in relation to bias mitigation – particularly where third-party or historical data is involved – and encouraged EIOPA to align its terminology with existing actuarial standards such as ESAP1. We also supported a clearer articulation of fairness principles, recommending that undertakings be given guidance on which definitions (e.g., equal opportunity or demographic parity) to apply.

Additionally, we called for specific guidance on model governance and lifecycle monitoring, including redress mechanisms, fairness testing, and performance monitoring throughout the model's operational use. We noted the increasing use of generative AI and called for future EIOPA workstreams to address the risks associated with such tools, including their use in fraud detection and customer interactions.

Governance, Oversight, and Transparency

We emphasised the importance of embedding AI risk management within existing governance systems, including risk management, actuarial, and compliance functions. We proposed clarifying the roles and accountability of different organisational functions, and suggested that actuaries are well-placed to support AI oversight due to their training in data integrity, risk assessment, and regulatory compliance. We also supported targeted training and proportional communication of AI policies to relevant staff, rather than blanket obligations across organisations.

On transparency and explainability, the AAE urged EIOPA to adopt a proportionate and context-sensitive approach. We noted that full explainability may not always be achievable, particularly in black-box models, and recommended framing explainability as an "obligation of means" rather than of results. We also called for clearer, harmonised definitions of explainability to support consistent application and compliance.