



What challenges will insurance providers face when covering generative AI risks?

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About us

Privcore's team with over four decades experience supports business and government to **make privacy core business** so they can deliver services with the trust and confidence of customers and citizens.

Privacy impact assessments	Data breach prevention and recovery
Privacy health checks and reviews	Privacy by design
Building privacy programs	Privacy aspects of AI and automation
Privacy maturity uplift	Training and presentations
Privacy and related research	Privacy policies and notices
Outsourced privacy officer services	Cookie policies and notices





Overview

- AI & Insurance cycles
- Insights from the previous insurance cycle (cyber)
- Silent AI risks
- Novel AI risks
- Which AI risks might not be insurable?
- What should we do?





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“...the heavy-tailed and dynamic nature of cyber losses may jeopardize both demand for and offering of cyber risk insurance.

Moreover, accurate estimation of heavy-tailed and time-varying risks is very challenging and requires significant amounts of data”

- Prof. Pavel Shevchenko & Prof. Stefan Trueck





Silent AI risks

Generative AI risks may exist within current insurance policy lines:

- Directors and Officers
- Professional Indemnity
- Business Interruption
- Technology E&O (Errors and Omissions)
- Media Liability (copyright)
- Employment Practices Liability



Here are just a few of the novel risks posed by Generative AI:

- Responses simulate logic, but don't actually use logic
- Fragility: hallucinations
- Jailbreaking guardrails is easy, mitigating jailbreaks is near-impossible
- Implicit systemic biases
- Lack of explainability





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Biggest challenges for insurance providers

Correlated claims (particularly class actions):

- Copyright infringement claims
- Privacy infringement claims
- Environmental harm claims
- Model collapse
- Supply-chain attacks affecting model performance
- AI Bubble bursting leaving insurers unable to recover losses from model developers



Address three structural challenges:

- Capture data on:
 - controls that work / fail
 - Harms that are suffered
 - Claims made on different insurance policies
- Support research on dynamic risk modeling
- Share data with academics, risk consultants, governments, insurers, industry groups, civil society, etc





Questions?

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