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Navigating AI in Insurance Risk Management: Innovation, Governance, and Resilience

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Start

AI Adoption Spans the Entire Risk Landscape in Insurance

Data volumes required for Solvency II, ORSA, SCR and ESG have exploded, driving 65% of European insurers using generative AI[1]. However, the gap between ambition and production runs across the risk function.

Faster Capital & Regulatory Modelling

Gen AI reads policy files and medical reports to draft risk assessments in minutes — SCOR and Swiss Re already run underwriting assistants in production.

Underwriting Risk

Early Warning Signals Across ALM

Rather than waiting for the quarterly cycle, AI watches market and counterparty signals to flag duration, liquidity and inflation exposures as they shift.

Financial Risk

Automated Underwriting & Pricing

Generative AI reads policy files and actuarial documentation to extract terms and draft pricing-risk assessments in minutes rather than weeks.

Underwriting Risk | Operational Risk

Fraud & Anomaly Detection

Models surface synthetic-identity patterns, operational-loss anomalies and IT-risk signals in real time, reducing losses and manual review.

Operational Risk

[1] European Insurance and Occupational Pensions Authority (EIOPA). Generative AI Market Survey: Outlook, Use Cases and Risk Management. February 2025.

AI Adoption Brings Both Familiar and New Challenges

Among the insurers using Gen AI, 64% of use cases remain at proof-of-concept[1] and only 32% have reached production. Meanwhile 59% of customers distrust AI-driven recommendations. Four structural barriers stand in way to enterprise impact.

01

Hallucinations & Explainability

Gen AI confidently produces plausible but false outputs — and its reasoning cannot be easily traced by risk, audit or supervisors.

EIOPA · 2025[1]

Hallucinations are the top-cited Gen AI risk, ahead of cyber and data protection.

02

Enterprise Governance

Oversight is inconsistent across business lines; validation techniques built for traditional models don't transfer to Gen AI inference.

IAIS · 2025[2]

Only 49% of insurers have a dedicated AI policy — double the 2023 share.

03

Data Privacy & Quality

Sensitive customer data, GDPR constraints and scarce industry-specific training data limit what models can safely learn from.

EIOPA · 2025[1]

Privacy, regulatory compliance and talent are the top three barriers.

04

Legacy & Third-Party Reliance

Aligning Gen AI with existing core systems requires costly adjustment, while off-the-shelf sourcing concentrates risk with a few Big Tech providers.

EU DORA · 2025[3]

Insurers must govern vendor concentration risk with tested exit strategies.

[1] European Insurance and Occupational Pensions Authority (EIOPA). Generative AI Market Survey: Outlook, Use Cases and Risk Management. February 2025.

[2] IAIS (2025), Application Paper on the Supervision of Artificial Intelligence, iais.org.

[3] Regulation (EU) 2022/2554 (Digital Operational Resilience Act), in force 17 Jan 2025, eur-lex.europa.eu.

Create Value, Face the Challenges

Challenge Area	Current State	Target State	Value Created
Hallucinations & Explainability	Black-box outputs; users must verify every result manually.	Explainable AI-compliant models; interpretable outputs for auditors & supervisors	Efficiency **Faster Solvency II validation; transparent, defensible decisions.**
Enterprise Governance	Ad-hoc AI model oversight; no AI policy aligned to Solvency II or EU AI Act	Enterprise AI Risk Policy; model lifecycle controls across business lines	Regulatory **Reduced regulatory exposure; fewer DNB / audit findings.**
Data Availability and Accuracy	GDPR exposure; scarce industry-specific training data.	Auditable data lineage; AI-ready risk data across domains.	Efficiency **Better model training and monitoring; faster reporting cycles.**
Legacy & Third-Party Reliance	Costly core-system alignment; concentration on few providers.	Flexible middleware; vendor controls under DORA.	Financial **Scalable automation; resilient, diversified sourcing; direct P&L and capital impact.**

Be Honest with Your AI Maturity

	1 Foundation	2 Build & Pilot	3 Scale & Optimise
Stream 1 Governance	EU AI Act Annex III classification of all risk models Stand up AI Risk Policy & model-risk committee, CRO-sponsored	Roll out validation standards across all risk types First AI supervisory self-assessment (DNB / EIOPA-ready)	Embed AI governance into the Three Lines of Defence Automate policy-compliance monitoring across the lifecycle
Stream 2 Data & Infrastructure	Data gap assessment; prioritise critical risk-data domains Select target risk-data platform architecture	Integrated risk data lake — financial & non-financial Data-lineage tooling and a feature store for ML models	Real-time pipelines for risk; full data compliance Self-serve data access for risk-model developers
Stream 3 Model Development	Inventory all AI / ML models Select an explainable-AI (XAI) framework and embed in standards	Pilot XAI on 2–3 existing risk models Next-gen capital & reserving models with explainability built-in	Generative AI for ORSA stress & scenario analysis Continuous monitoring with automated drift detection

Our Services

We offer long-term collaboration to ensure that our clients are up to date with evolving AI technologies, regulatory changes, and internal skill needs.

We facilitate the definition and implementation of the AI governance framework.

We deliver data availability and accuracy with our structured project and programme management services.

We embed AI model explainability by designing and implementing an AI-optimal operating model.

Meet Our Experts

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