



Public Consultation on National Implementation of EU Harmonised Rules on Artificial Intelligence (AI Act)

July 2024

1. Introduction

The Society of Actuaries in Ireland (“the Society”) is the professional body representing the actuarial profession in Ireland. The Society welcomes the opportunity to engage with the Department of Enterprise, Trade and Employment (“DETE”) through this consultation process. The response has been prepared by a cross section of members of the Society and does not purport to reflect the views of industry.

We believe that a skilled workforce is essential for achievement of excellence in AI regulation. The journey from understanding the AI Act to achieving actual compliance will present significant challenges, demanding a broad range of skills. These include experience with complex models, a deep understanding of the commercial and regulatory environments, effective stakeholder communication, and managing ethical issues. All of these competencies are already central to the actuarial profession, which numbers over 2,000 members in Ireland.

Our responses are presented below according to the questions asked by the DETE in the Consultation Paper.

At an overall level the Society supports a sector-based approach to the implementation of the AI Act that will facilitate an integrated approach by financial services firms operating in Ireland.

Key points

There are a number of key points in our responses to the questions below which it is worth summarising:

- The Central Bank of Ireland (CBI) should be heavily involved, if not entirely responsible, for the implementation of the AI Act in respect of financial services firms operating in Ireland. We therefore advocate either a sector-based approach, or a centralised model that delegates responsibility to the Central Bank of Ireland for sector-specific issues relating to financial services.
- Proportionality is key in regulating AI so that the approach is neither too lax (damaging public trust) nor too rigorous (hampering economic competitiveness or consumer benefits). The Central Bank has extensive experience in regulating financial services in Ireland in a proportionate manner.
- There already exists financial services legislation which overlaps with the aims of the AI Act or with some of its requirements (i.e. The Consumer Protection Code, Solvency II in the case of insurance companies, etc). We believe that the Central Bank of Ireland is well placed to successfully manage any issues that may arise as a consequence.

2. Responses to Specific Questions

2.1. Question 1

For national implementation of the Act, different approaches to the designation of competent authorities could be considered, ranging from a centralised model to a more distributed, sector-based approach. Selecting an approach will likely involve trade-offs. For example, a distributed approach may provide better access to sectoral expertise, but may pose coordination challenges. What considerations should the Department have regard to when devising the configuration of national competent authorities for implementation?

Response:

The Central Bank of Ireland (CBI) should be heavily involved, if not entirely responsible, for the implementation of the AI Act in respect of financial services firms operating in Ireland. We therefore advocate either a sector-based approach, or a centralised model that delegates responsibility to the Central Bank of Ireland for sector-specific issues relating to financial services.

Existing regulation in financial services has already been mostly sector specific for good reason, given its critical role in society. Putting it under the umbrella of a one-size-fits-all centralised body could make AI regulation and supervision in financial services move too slowly or lack focus.

Complying with the AI Act will be a very nuanced discipline for companies. Specialist expertise will be needed to ensure compliance and to supervise compliance. There are many horizontal regulations to be considered alongside the AI Act (GDPR, DORA, Digital Services Acts, and industry specific legislation such as Solvency II, IDD, etc. in the case of insurers.) Many companies are adopting integrated assurance approaches (coordination of risk, compliance and internal audit functions) to ensure they can adequately cover the increasingly vast array of regulations that insurers must adhere to. It is imperative that AI Act governance should form part of this same integrated assurance programme and not become a standalone effort.

Noting that such integrated assurance programmes are typically designed towards managing regulatory relations with the CBI, and that the CBI possess industry specific capabilities (including actuarial, IT and compliance) it will likely make sense that the CBI acts as the National Competent Authority for both existing legislation and the AI Act simultaneously. Appointing another body, other than the CBI, could result in inconsistent supervision, duplication of supervision, increased costs in terms of regulatory fees, and increased costs in terms of staff deployed to manage relations with different regulators. Ultimately these costs will all pass to consumers.

A clear split of responsibilities would be desirable with a centralised body focusing on generic, cross-sectoral aspects of AI while the CBI focuses on the specific considerations in insurance and the wider financial sector. This would also enable the CBI to coordinate with the European Insurance and Occupational Pensions Authority ("EIOPA") to make sure that there is a level playing field for insurance in the EU (and similarly to coordinate with other EU regulatory bodies within financial services).

We also suggest that the CBI and the Data Protection Commission find a formal arrangement to increase their collaboration in respect of insurance supervision in order to avoid duplication of effort under GDPR / AI Act.

2.2. Question 2

The EU has adopted a series of Regulations in recent years designed to protect consumers, strengthen the internal market, and ensure that the EU remains at the forefront of innovation and the adoption of advanced technologies. Are there potential synergies between the implementation of AI Act and the implementation of other EU Regulations applying to Digital markets, services, and infrastructure?

Response:

For insurers, the Digital Services Act, GDPR, DORA, Consumer Protection Code, Insurance Distribution Directive, Solvency II, Differential Pricing Regulations are all relevant along with voluntary codes of conduct such as 'The Right to be Forgotten'.

Ensuring a consistent supervisory approach by the CBI will help ensure proportionate supervision and eliminate unnecessary duplication.

We note that (non-binding) sector-specific guidance on artificial intelligence has already been issued by the European Insurance and Occupational Pensions Authority ("EIOPA") in 2021:

[EIOPA publishes report on artificial intelligence governance principles - European Union \(europa.eu\)](#)

These governance principles cover a wide range of topics from fairness, non-discrimination and transparency to explainability, human oversight, data governance in an insurance context. They are consistent with the premises and requirements of the AI Act. Also, they developed toolkits for an AI use case impact assessment framework (Appendix B) and non-discriminatory regulatory framework in insurance (Appendix C).

EIOPA also recognised the generic developments in AI affecting all sectors (see e.g. Section XI. Conclusions) but at the same time they advocate for sector-specific guidance due to the characteristics and regulated nature of the insurance sector.

2.3. Question 3

Harnessing Digital - The Digital Ireland Framework establishes the goal for Ireland to be a digital leader at the heart of European and global digital developments. In support of this goal, Ireland is a member of the D9+ Group, an informal alliance of Digital Ministers from the digital frontrunner EU Member States. It also calls for Ireland to be a "centre of regulatory excellence" in Europe. The AI Act will set out a requirement to promote innovation, having regard to SMEs, including start-ups, that are providers or deployers of AI systems. How can Ireland's implementation of the AI Act bolster Ireland's position as a leading Digital Economy, increasing investment and accelerating innovation in AI? What would excellence in AI regulation look like?

Response

Ireland is a technology hub with European headquarters of big tech companies and also a vibrant insurtech sector (facilitated by organisations such as www.insurtechireland.org or [InsTech.ie Home](http://InsTech.ie)). However, due to the growing concern over the risks of AI systems, effective regulation is essential to

enable further growth in this domain. Due to the complexities of both AI and the insurance domain, we believe that sector-specific regulation is essential.

The AI Act includes specific provisions on innovation. It is proposed to include “Artificial Intelligence and its application in financial services” in the CBI Innovation Sandbox Programme.

Given the pace of technological innovation, the most effective approach is likely to be a principle-based one coupled with in depth reviews, very much like the Central Bank’s approach to regulation post the 2008 financial crisis. The Central Bank has experience and a solid reputation in this regard, which could be leveraged to support Ireland’s efforts to become an EU centre of excellence for responsible AI in financial services. Given AI development has accelerated recently, the CBI may need to source or bolster specialist expertise, in the same way that financial services firms are having to pivot to hire people proficient in this area.

2.4. *Question 4*

AI - Here for Good: National Artificial Intelligence Strategy for Ireland sets out how Ireland can be an international leader in using AI to benefit our economy and society, through a people-centred, ethical approach to its development, adoption, and use. In recognition of the wide-ranging effect AI will have on our lives, this Strategy considers AI from several perspectives: Building public trust in AI; Leveraging AI for economic and societal benefit; and Enablers for AI. How can Ireland’s implementation of the AI Act drive support and accelerate progress from each of these perspectives while meeting our regulatory obligations?

Response:

The Society is giving specific consideration to this topic and the role that actuaries can play in advancing this strategic goal. Actuaries have a long history of ensuring that companies make safe, ethical decisions based on complex models and that the underlying assumptions, dependencies and limitations of the models are clear to decision makers. The profession has the potential to play a significant role in this regard.

With regards to AI benefiting society, we consider that AI has the ability to benefit the users of financial services in a number of ways such as enhanced fraud detection and making advice more accessible (which is especially relevant for those consumers with lower economic resources).

There is also potentially a specific role that insurers can play in enabling AI in risk prevention to the benefit of their end consumers. For example:

- Telematics in car insurance;
- Early warning indicators in the case of extreme weather events in property insurance;
- Biometric data in the case of wearable tech and the preventive impact this could have on health and life insurance;
- Computer vision for automatic loss assessment and faster claims payout;
- Parametric insurance (e.g. based on weather indices);
- Embedded insurance (insurance purchased as part of buying another product such as phone)

These are just a few examples of where insurers could go beyond just providing financial protection but into risk mitigation for consumers, and convenience. However, there are many ethical constraints and considerations in the use of AI in such technology.

The list and complexity of use cases is probably beyond what can be considered in this consultation. However, insurers would benefit from a framework where innovative firms can gain clarity (quickly) on how such innovations would be viewed by Ireland's AI Act regulator in the insurance domain.

Effective regulation is required to serve the public good and to help reduce inequality across regions. Proportionality is key in regulating AI so that the approach is neither too lax (damaging public trust) nor too rigorous (hampering economic competitiveness or consumer benefits).

END