SIFM Society of Insurance Financial Management

SIFM AI Roundtable

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SIFM Quarterly Conference

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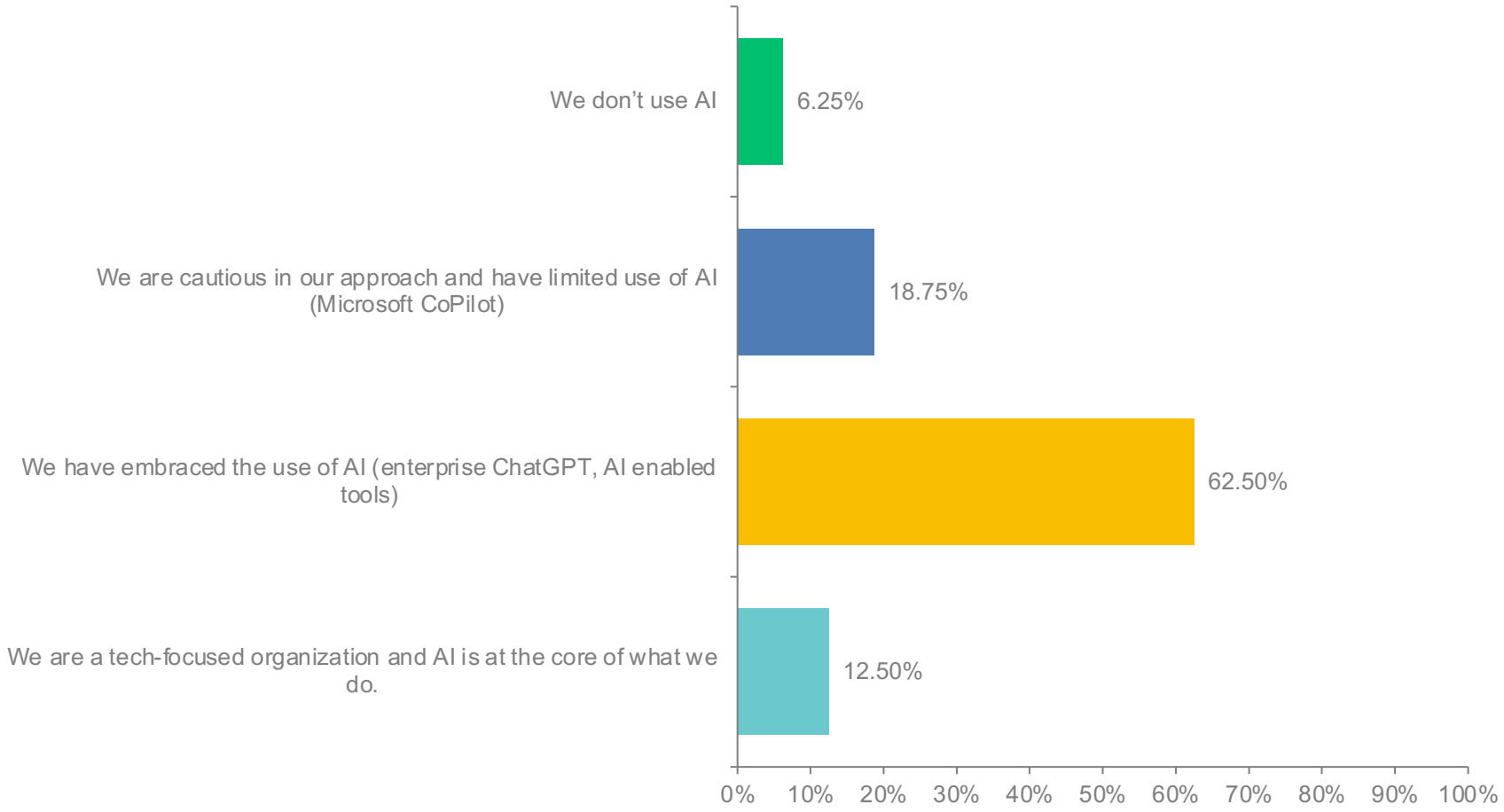
Which best describes your organization's current AI maturity?



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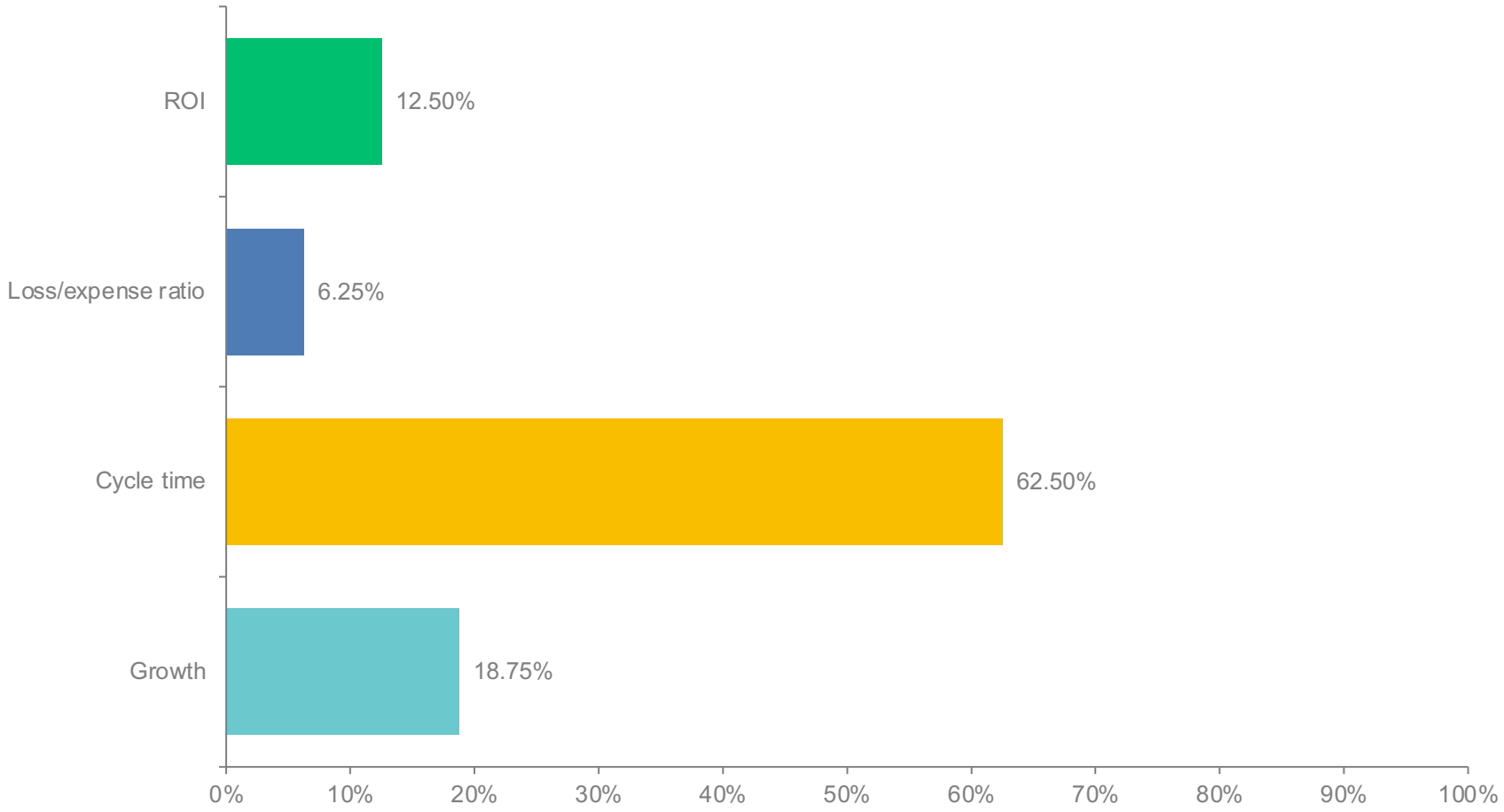
Which AI use cases have the most tangible business value?



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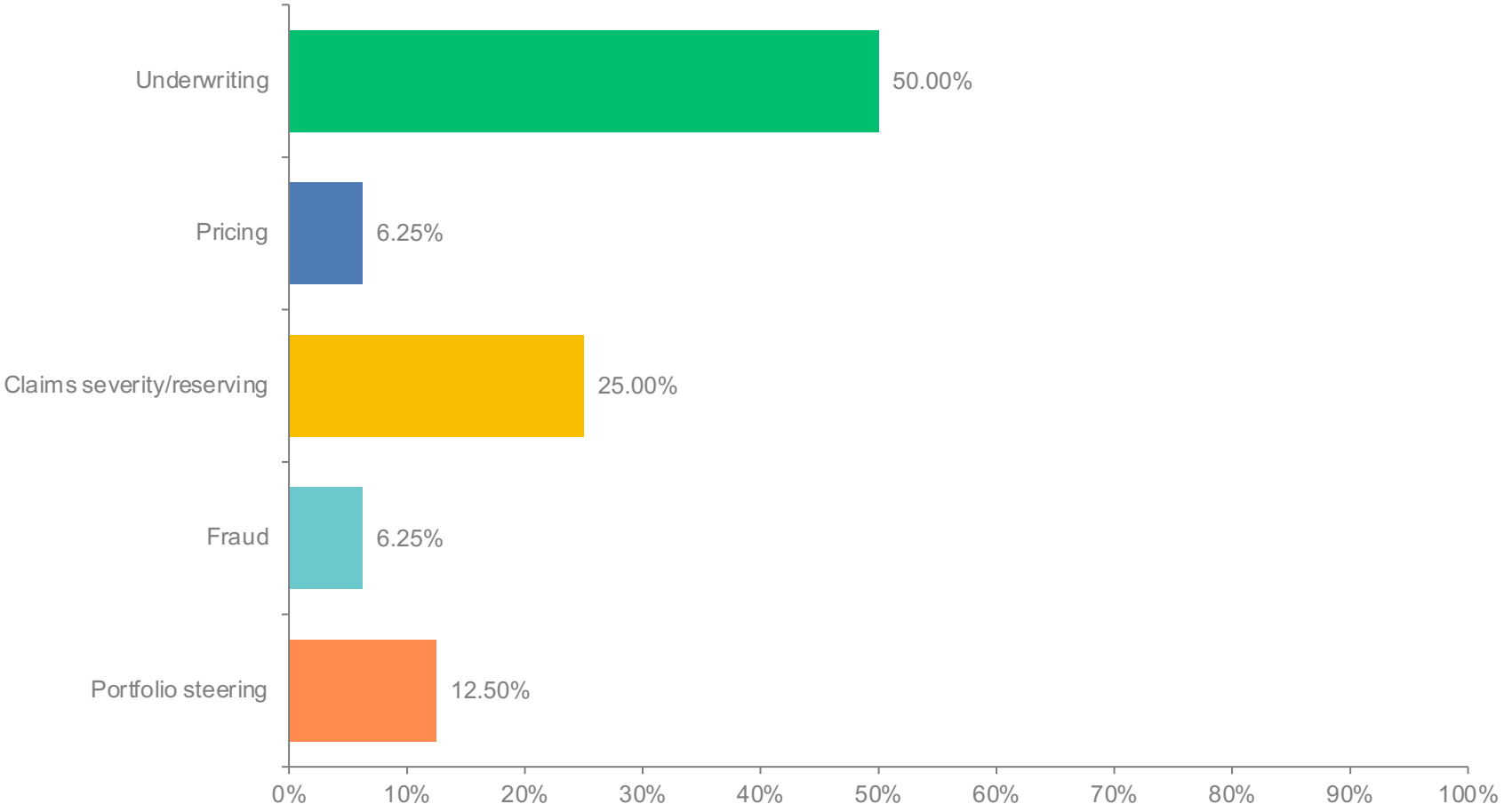
In which department has AI improved the quality of decisions, not just efficiency?



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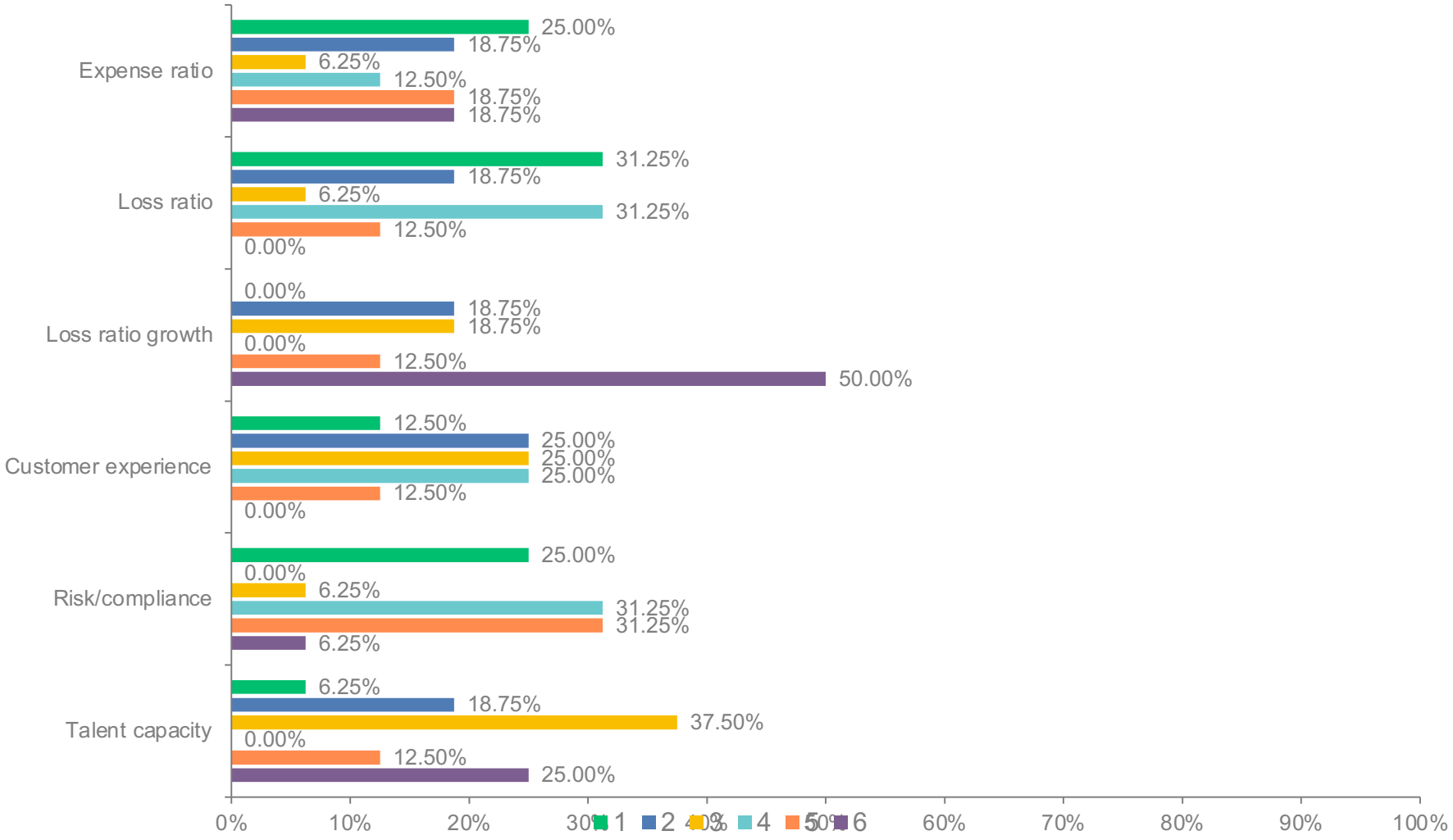
At leadership level, what outcomes really matter most when judging AI success?



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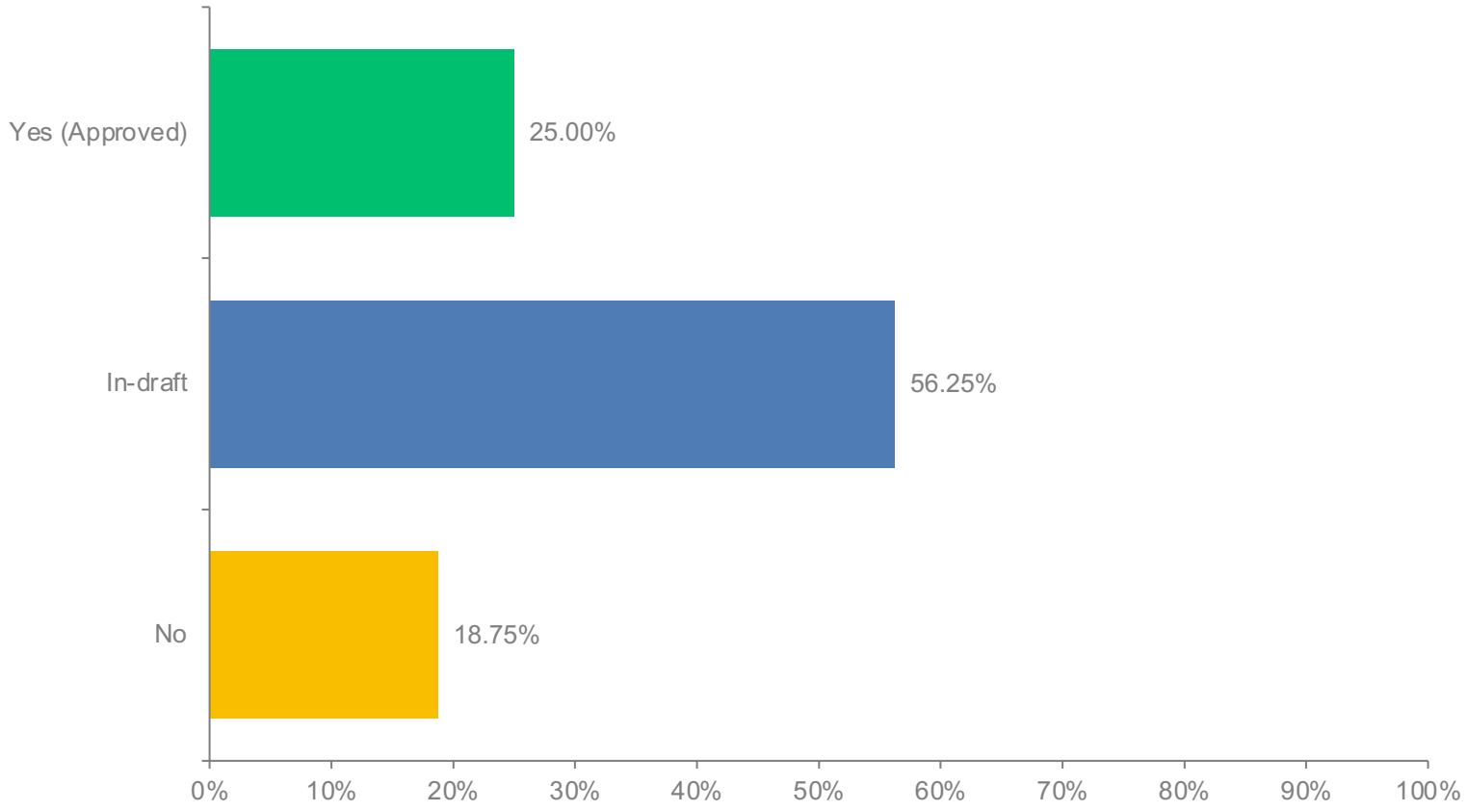
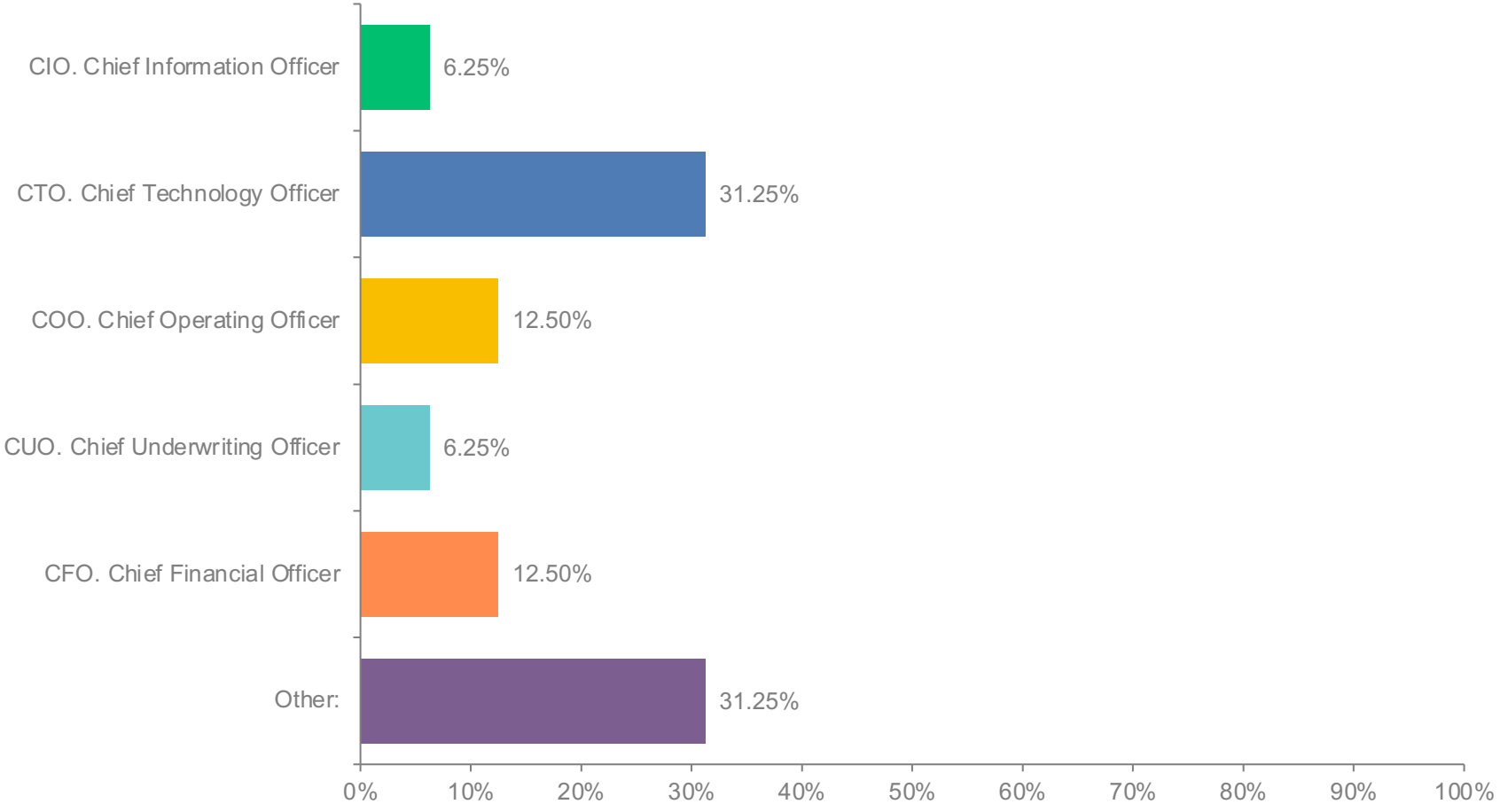
Do you have a formal enterprise AI strategy/roadmap?



SIFM | Who is the primary executive sponsor for AI?



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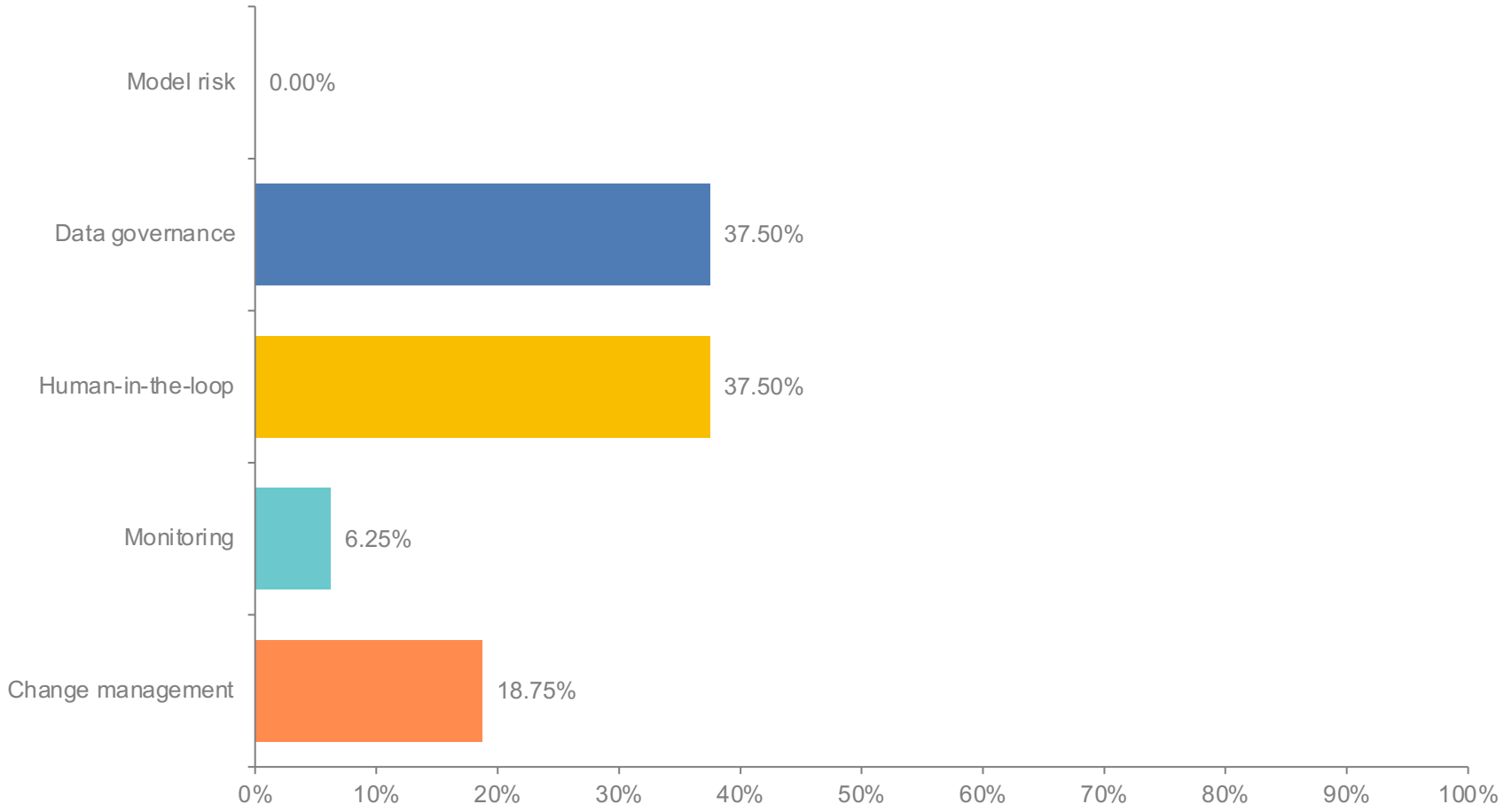
What governance approaches have enabled innovation without slowing progress?



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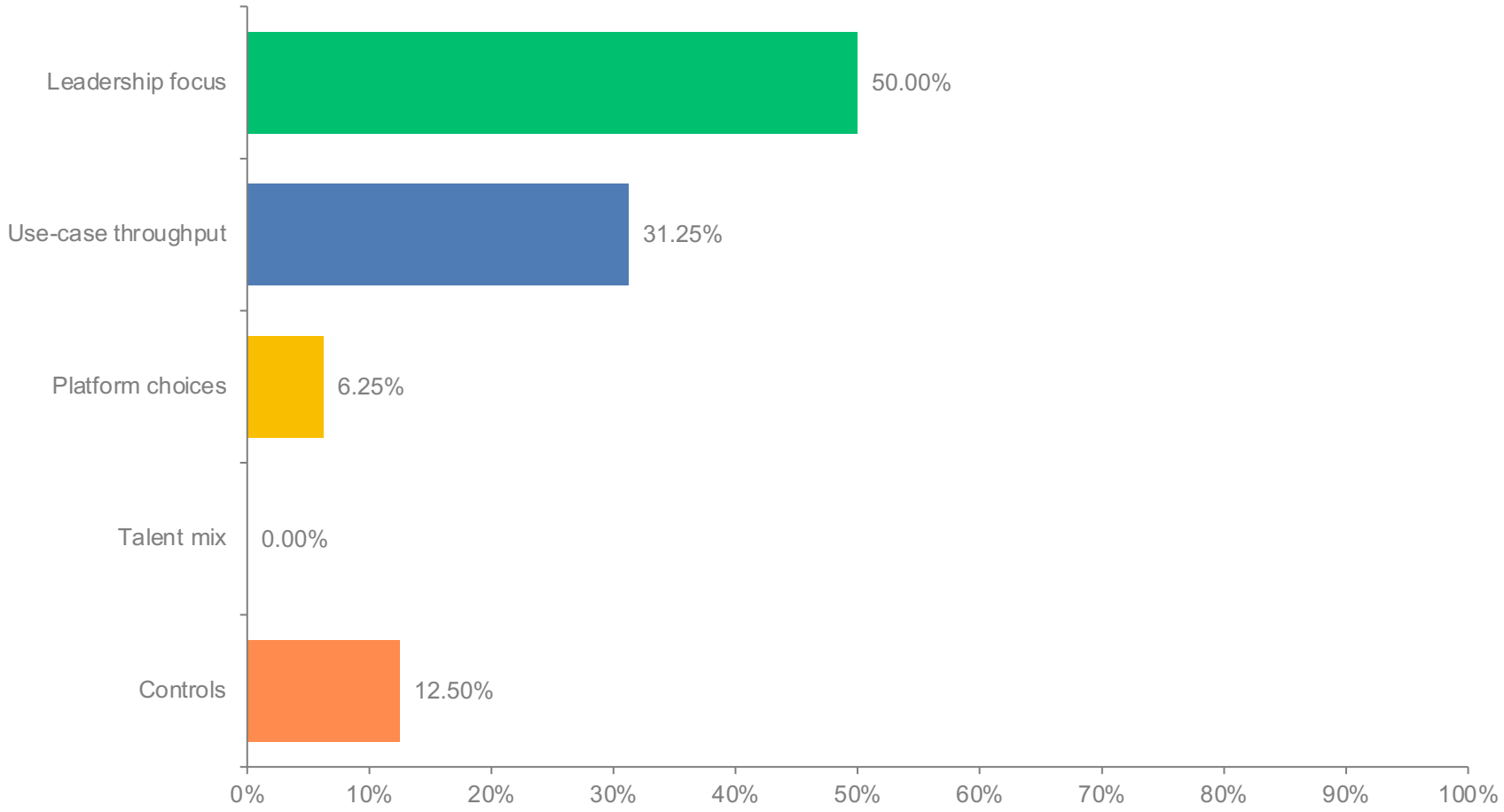
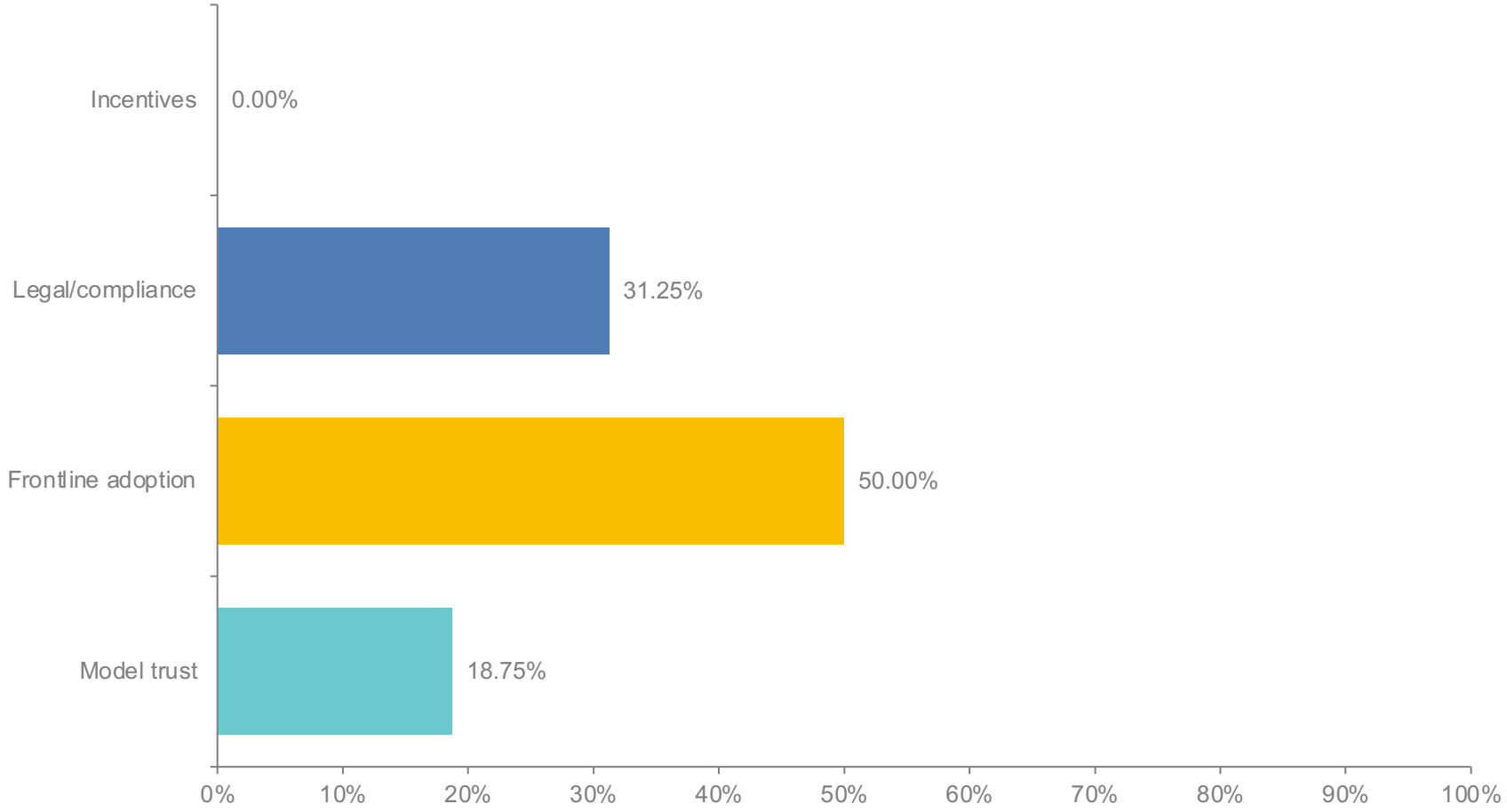
Looking across the industry, what are the early signs that an insurer is falling behind on AI maturity?



SIFM | What internal resistance caught you off-guard?



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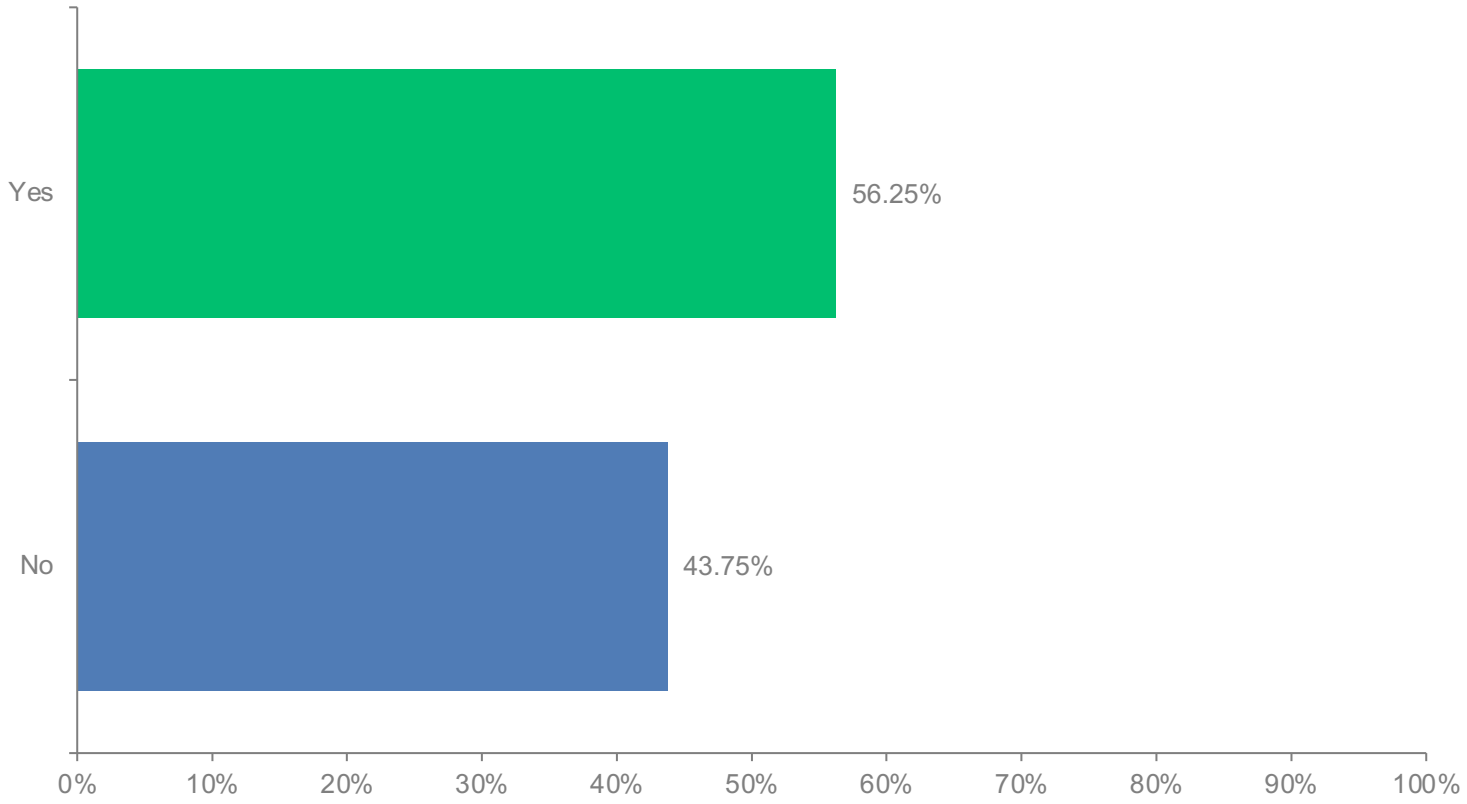
Would you be interested in participating in a round-table discussion of AI?



SIFM | Key Topics Discussed during the Roundtable: AI Governance, Risk & Control Landscape

1. Defining AI Boundaries

- Emergence of “Shadow AI”
- Need clear definitions of approved AI use vs tools

2. AI Inventory & Classification

- General Productivity AI
  (writing assistants, summarization tools)
- Decision-support AI
  (claims, UW, financial forecast)
- Autonomous / High Impact AI
  (auto decision making)
- Level of oversight will vary

3. Accuracy & Reliability Expectations

- Exploratory / productivity use → 90–97% may be acceptable
- Financial reporting / regulatory outputs → near 100% required

4. Change Management Evolution

- AI introduces continuous change vs static releases
- Shift to continuous monitoring, re-testing and drift detection

5. Explainability & Model Risk

- Persistent “black box” limitations
- Outputs may be non-deterministic and difficult to explain

SIFM | Key Topics Discussed during the Roundtable: Operating Model, Adoption & Strategic Implications

6. Monitoring & Accountability

- "Who watches the AI?"
- Emerging concept of AI monitoring AI
- Authority may be delegated but accountability remains with humans

7. Human Transformation

- Employes gain capacity but must shift to more strategic work
- Tasks vs judgement-based responsibilities need to be rebalanced
- Upskilling vs de-skilling workforce

8. ICFR Impact

- Challenges validating AI driven outputs
- Increased need for controls, auditability, and validation evidence

Existing Guidance and Resources

NAIC Model Bulletin on Use of AI Systems by Insurers

- Establishes board accountability, AI inventory requirements, third-party oversight, and governance program expectations. Adopted by 20+ states.

NY DFS · CL7 (2024) Circular Letter 7 — AI in Underwriting & Pricing

- Requires written policies, comprehensive AI documentation inventory, bias testing (proxy assessment, adverse impact ratios), third-party contractual audit rights, and adverse action notice requirements.

AI Risk Management Framework (RMF) (2023)

- Voluntary, non-authoritative but widely adopted across industries. Four core functions: GOVERN, MAP, MEASURE, MANAGE. Provides a technology-neutral, lifecycle approach to AI risk.

COSO Generative AI Risk Framework

- Applies COSO internal control principles (control environment, risk assessment, control activities, information & communication, monitoring) specifically to generative AI. Bridges AI risk to familiar ERM and internal audit frameworks already used in examinations.

SIFM | NAIC AI Principles: “FACTS”

⚖️ Principle 1: Accountability

Insurers and all AI actors are responsible and accountable for decisions made with AI. Human oversight of AI decision-making must be maintained — examiners assess whether governance structures enforce this.

🔍 Principle 2: Compliance

All applicable insurance laws and regulations must be followed when using AI. An AI system does not excuse non-compliance with underwriting, rating, or consumer protection requirements.

👥 Principle 3: Fairness & Non-Discrimination

AI systems must not engage in unfair discrimination. Bias testing, proxy assessments, and adverse impact analysis are required controls. NY CL7 operationalizes this into specific quantitative testing methodologies.

🔒 Principle 4: Transparency

- Insurers should be transparent with regulators and consumers about their use of AI and the basis for AI-driven decisions. Consumers must be able to understand and contest adverse decisions.

🛡️ Principle 5: Security, Safety & Robustness

AI systems must be secure, safe, and resilient. This is the direct linkage to Model 668 cybersecurity requirements and Exhibit C IT controls — AI systems are information systems requiring full security program coverage.

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GOVERNANCE & PROGRAM DOCUMENTS

- AI/model risk management policy and procedures
- Comprehensive AI system inventory
- Board and committee meeting minutes
- Organizational chart showing AI governance
- AI-related training program
- Internal audit reports and findings
- ORSA summary — AI/technology risk AI governance committee

SIFM | TECHNICAL & VALIDATION DOCUMENTS

- Model validation reports
- Bias/fairness testing reports
- Model monitoring reports
- Data governance documentation
- Vendor AI due diligence
- Cybersecurity risk assessment
- Incident response plan
- Adverse action notice samples (NY CL7)

SIFM | *"We Want To Hear From You"* Brainstorming Activity

Take 7-10 minutes within your tables and discuss one of the following questions:

Biggest Risk

- What is the greatest AI risk your organization is dealing with today?

What's Working

- Where is AI delivering clear, tangible value right now?

What's Not Working

- Where has AI fallen short or caused issues?

Coolest Use Case

- What is the most innovative or impactful AI use you've seen?

Governance vs. Agility

- How are you enabling AI without compromising controls?

Decision Integrity

- How do you ensure AI is informing—not distorting—decisions?