

Senate Select Committee on Adopting Artificial Intelligence

Via email: aiccommittee.sen@aph.gov.au

Dear Chair

The opportunities and impacts from Australia arising out of the uptake of AI technologies

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to provide a submission on this important topic.

The Insurance Council is the representative body of the general insurance industry in Australia and represents approximately 89% of private sector general insurers. As a foundational component of the Australian economy, the general insurance industry employs approximately 60,000 people, generates gross written premium of \$64.5 billion per annum and on average pays out \$147 million in claims each working day (\$36.5 billion paid out per year).

Insurance perspectives

Although generative artificial intelligence (AI) carries some risks, the insurance industry has a long history of successfully holding and analysing large datasets. Insurers have well-established frameworks to identify and mitigate risks including bias and explainability. These risk management frameworks mean the insurance industry is well positioned to deploy AI to improve consumer outcomes while successfully navigating the risks.

Insurers' internal risk management frameworks complement existing regulation that covers their use of AI technologies. This regulation includes consumer protection and privacy legislation as well as parts of the financial services regulation regime. Strengthening protections around AI must start with sharpening or otherwise adjusting existing regulatory frameworks. Any consideration of new legislation must be based a clear cost benefit analysis and comprehensive regulatory impact statement that identifies a regulatory gap.

While insurers do have strong risk mitigation frameworks, there are new, AI driven risks that insurers are navigating. Two examples of risks to insurers posed by AI are summarised below.

- **Fraud:** the use of generative AI to augment photographs that are in turn, used to fraudulently inflate insurance claims. Similarly, AI could be used for voice spoofing, email phishing or synthetic identity fraud.
- **Operations:** commercial sensitive data such as proprietary information uploaded to a public AI model may then be shared elsewhere by the model. Similarly, prompt engineering used to train an AI model could potentially reveal sensitive information in situations where it should not otherwise be available.

While insurers navigate these risks, AI also provides opportunities to enhance outcomes for insurance consumers. Some high-level, generic use cases for AI in the insurance industry are outlined below.

- **Affordability:** AI offers opportunities to reduce costs in the claims fulfillment process as well as to identify and reduce risk with customers. At a time when external cost factors are driving up insurance costs, AI applications have the potential to counterbalance these cost drivers and help moderate insurance premium growth.

- *Vulnerability*: AI can assist insurers to review more customer interactions, with greater consistency for vulnerability identification than can be achieved through manual checks.
- *Service delivery*: as well as looking for vulnerability, AI can assist insurers to review more claims and identify those claims that need intervention, delivering improved outcomes for more customers. AI can also help claims handling teams extract information quicker and accelerate the claims process.
- *Natural disasters*: In the context of natural disaster claims, AI can deliver faster assessments of individual insured properties as well as help insurers secure temporary accommodation, building materials and labour.

Fostering a responsible AI industry

Even if the regulatory environment is optimised for Australian firms to deploy AI, there is work to be done to ensure the broader operating environment allows for Australian firms to capitalise on AI advancements. This includes the build-up of Australia's sovereign AI capabilities.

For many Australian businesses and their employees, AI will likely automate more mundane tasks, freeing up people to undertake more complex and rewarding tasks. This creates opportunities to improve people's working lives, particularly at the beginning of their careers where they may historically have had to undertake mundane and monotonous tasks. Insurance underwriting is one industry where new staff with the necessary AI skills will have new opportunities open to them.

Key to capitalising on opportunities to improve employees' working lives is a national education and talent pipeline that will give Australians the requisite skills to develop, harness and deploy AI systems. Appropriately skilled Australians will also ensure we are well placed to identify and navigate threats that AI poses across their working lives. The Australian Government must partner with industry and academia to understand and plan for our national AI needs.

The Kingston AI Group recently noted Australia is facing the prospect of an over reliance on foreign economies for AI technologies.¹ This creates the risk of Australia being economically dominated and with little power to negotiate rules around the deployment of foreign owned AI systems.

As well as helping to maintain control of Australia's economic destiny, improving Australia's sovereign AI capabilities will also help to build Australian values into AI systems deployed here. As the Kingston AI Group states "AI systems are designed and based on programs reflective of the attitudes and value systems of their creators. This may lead to a mismatch where the importing country does not align with the value systems of the receiving country."²

Building in our values will help foster responsibility in AI supply chains and foster trust and transparency between deployers of AI including business and government and the consumers who interact with AI. This is critical as the 2024 Edelman Trust Barometer shows resistance to AI deployment and low levels of trust in innovation more generally.³ The ultimate risk is that Australia is left behind in a new economic reality, missing out on productivity gains and economic growth that will enhance the lives of everyday Australians.

¹ John Mangan. 2024. Kingston AI Group. *Australia's AI Imperative*. Available [here](#).

² Ibid. page 57.

³ Edelman Trust Institute. 2024. 2024 Edelman Trust Barometer. Available [here](#).

Both government and industry have a role to play increasing transparency in their use of AI and celebrating positive use cases. Work by the Government to strengthen and articulate the regulatory framework that governs the use of AI will also help to build trust.

The Insurance Council welcomes the opportunity to further assist the Committee with its inquiry.

Regards



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