



Data Science Practice Committee

Information Note: Artificial Intelligence and Discrimination in Insurance Pricing and Underwriting

Explanatory Memorandum

December 2022

1. About this Explanatory Memorandum

This Explanatory Memorandum has been prepared by the Data Science Practice Committee (DSPC), and relates to the Information Note: Artificial Intelligence and Discrimination in Insurance Pricing and Underwriting.

This is the first version of this Information Note (IN) and is intended to assist Members to understand federal Australian anti-discrimination laws when using artificial intelligence for decision making, and to provide information about the risks of algorithmic bias and practical steps to avoid unlawful discrimination when using artificial intelligence.

The IN is relevant to any Member involved in the use of artificial intelligence, especially when used for insurance pricing/underwriting purposes. It may also be useful to a Member's employer, and/or clients to understand the same.

2. Background

In 2021, the AHRC published its Human Rights and Technology Final Report. The Final Report was the product of a major project examining the human rights impacts of new and emerging technologies, including AI-informed decision making.

In response to feedback received during the project's extensive consultation process, the Commission recommended in the Final Report that it be resourced to produce guidelines for government and non-government bodies on complying with federal anti-discrimination laws in the use of AI-informed decision making.

The Institute supported this recommendation as it had made a submission to the Commission's consultation process noting areas of uncertainty and the need for improved guidance. The Institute's working party on anti-discrimination also published a conference paper highlighting some of these areas of uncertainty.

Following an approach for collaboration from the Institute, the Commission partnered with

the Institute to develop the “Guidance Resource: Artificial Intelligence and Discrimination in Insurance Pricing and Underwriting”. It focuses on the use of AI in insurance pricing and underwriting decisions and was informed by a targeted consultation process of the Institute’s Members and other industry experts.

This Guidance Resource is being adopted by the Institute as a Professional Practice Document. To give effect to this, it is included in full in Appendix A of the IN: Artificial Intelligence and Discrimination in Insurance Pricing and Underwriting.

3. Future Versions

There is no plan to update this IN, but as practice evolves or other Professional Practice Documents are developed this content may be re-visited and/or incorporated into other professional practice materials.

4. Commencement Date

The IN: Artificial Intelligence and Discrimination in Insurance Pricing and Underwriting is effective from 1 December 2022.

End of Explanatory Memorandum