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**Data Risk Governance – Addressing Ethics in Insurance**

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Speaker

**Dr Mirko Kraft, Professor at Coburg University / Forum V**

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Abstract

The presentation will address key principles of a data risk governance in insurance companies. They nowadays use much more data-driven business models (Eling/Lehmann, 2018; Janssen/Corlosquet-Habart, 2018), e. g. telematics data in motor insurance (Kraft/Hering, 2017). The data is in particular necessary to apply artificial intelligence (AI) methods like machine learning. Because of the nature of these algorithms the ethical questions of fairness and discrimination arise. Although the discussion is sometimes not solely related to insurance (Collmann/Matei, 2016) nor in line with mathematical principles, the methods have to be applied in a responsible manner in insurance (GA, 2020).

Even if still unclear if or to which extent data is used irresponsible, supervisors are worried (see for example BaFin, 2018). Recently EIOPA analyzed big data issues in motor and health insurance and suggested a BDA governance framework (EIOPA, 2019). Especially Solvency II's governance requirements (see e. g. Van Hulle, 2019) and the role played by the different key functions (e. g., the actuarial function) could help undertakings to establish a data risk governance to address also ethical questions. Many measures have to be established, e. g. scenario approaches and stress testing, however a culture of risk awareness is necessary to avoid risks. The theoretical concept of a risk governance has to be extended to (big) data and the ethical questions which are linked to it. The qualitative risk management and governance discussion contributes to close the gap between the split positions on big data and artificial intelligence in insurance.

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Biography

Mirko Kraft holds a Master's degree in mathematics of the University of Düsseldorf and was an academic staff member at the Chair for Management Accounting (Controlling) at the University of Muenster (2001 - 2006). His doctoral thesis discussed the cost transparency of performance measurement of insurance companies. After his time as research assistant, Mirko Kraft worked in the Risk Management Department of the German Insurance Association (GDV) in Berlin from 2006 to 2012. From 02/2008 to 06/2009 he was seconded to the Association's European Office in Brussels. In that position, he focused on the new European insurance supervisory regime Solvency II, in particular on own funds, group supervision, risk reporting, and third-country equivalence. He also dealt with the supervision of financial conglomerates, the new European supervisory architecture and stress-tests.

Since 02/2012 Mirko Kraft is Professor for Insurance Management at the University of Applied Sciences and Arts in Coburg. In 2015 he became academic program director of the Insurance Management MBA and Insurance BA programs (part-time professional programs). His research

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areas are risk management and business administration of insurance companies. His research projects address, for example, group solvency calculations of insurance companies, telematics tariffs and artificial intelligence in insurance. In his teaching in Coburg and at other universities (e. g. in Berlin), and as a lecturer for industry courses, he continues focusing on cost and management accounting (controlling) and risk management of insurance companies.

In 2019 Mirko Kraft got Member of EIOPA's Consultative Expert Group on Digital Ethics in Insurance.

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