WHAT COULD POSSIBLY GO WRONG?

The promise of AI

"Left unchecked:
    Organizations default to bureaucracy.
    People default to distraction.
Both result in a lack of focus and speed"

"...when it's steamboat time, you steam."

"Machine learning is running libraries."

So what could go wrong?

The "Rotterdam algorithm"

The 2021 Dutch childcare benefit scandal

Parliamentary question - E-000780/2023
European Parliament

Rotterdam 'fraud prediction' algorithms automating injustice: Dutch Government violating fundamental rights and the rule of law

False negatives in risk classification model (tree-based ML) used by the Tax and Customs Administration.

The consequence: 26,000 false allegations of fraud were made against parents, based of illegal use of risk characteristic (dual nationality, in this case).

Raising questions on model risk governance and lack of explainability in algorithms.

Lesson for insurance? Think of fraud detection, but also pricing.

The regulatory landscape

- DA, DGA, DSA, DMA, GDPR, DORA, FiDA and AIA – lots of EU-wide regulation surrounding the union's digital ambitions

- A challenging implementation period awaits, and guidance needed – as well as collaborations

- Very recently, the Danish FSA published its "best practice on the use of AI" for using ML in the financial sector, highlighting:

    - Governance

    - Model management

    - Explainability

    - Ethics

- Is the GRC team with its shift-left approach the data scientists' next best friend?

Some of the data legislations

Source: https://www.finanstilsynet.dk/-/media/Tilsyn/Fintech_omraadet/God_praksis_300524.pdf

A super short summary

- It's steamboat time!

- ...but things can go very wrong!

- ...but could the GRC team turn out to be an excellent co-pilot?