![American Property Casualty Insurance Association — INSURING AMERICA   apci.org](logo)

June 30, 2021

 Organisation for Economic Co-operation and Development
2, rue Andre Pascal
75016 Paris

Re: Framework for the Classification of AI Systems

To Whom It May Concern:

The American Property Casualty Insurance Association (APCIA)[1] appreciates the opportunity to provide comments on the Organisation for Economic Co-operation and Development's (OECD) "Framework for the Classification of AI Systems" (Framework). Consistent with all industry sectors, APCIA's members are interested in integrating Artificial Intelligence (AI) into their business processes and as such APCIA has an interest in the OECD's work in this area.

Included below are general responses to the key questions raised in the consultation along with specific initial observations on the text of the Framework. We encourage the OECD to recognize the evolving global policy landscape on this issue and encourage a consistent global perspective of workable standards for this evolving tool. APCIA also respectfully requests that the OECD have a second public consultation period once the Framework has been modified to reflect public comments and before final publication.

KEY QUESTIONS

Should there be a distinction between core and non-core criteria? In other words, should there be a core classification framework for less-technical audiences plus additional considerations for more technical and informed users?

APCIA does not believe there should be two frameworks. This will unnecessarily over-complicate standards and compliance. AI systems are not necessarily targeted to more informed or less technical users, and accordingly, it would be difficult to manage which framework should be adhered to. Additionally, some of the complexity of AI systems is in their use and impact to individuals/society, and

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[1] Representing nearly 60 percent of the U.S. property casualty insurance market, the American Property Casualty Insurance Association (APCIA) promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, protecting families, communities, and businesses in the U.S. and across the globe. Our member groups are present in over seventy countries and serve customers in over one-hundred and seventy countries and territories around the world.

accordingly, different frameworks based on the technical savviness of the users would not address this issue.

Which characteristics should be core criteria and which "optional"?

By virtue of AI's holistic impact on critical functions that criteria takes on additional importance. As such, paragraph 16 should be considered "core" instead of "optional." Another optional criteria that may be considered "core" is "data quality and appropriateness"; however, data quality and appropriateness should be considered in the context of the level of risk, as certain requirements with respect to data quality and appropriateness will not be applicable to low risk uses of AI systems and can make implementation difficult and costly in cases where the risks are low, e.g. back office operations, information gathering for a human to review and consider in making decisions, etc. Other optional criteria discussed in the framework aren't always applicable and aren't always risk qualifiers for AI use cases and accordingly, they should remain optional.

Can AI Systems be classified with the core criteria both consistently and reliably?

Yes, with respect to Data & Input, AI Model, Task and Output. However, with respect to Context, the criteria and their facets are sufficiently complex that more guidance on *how* they should be considered in evaluating risk would be justified. In addition, the Framework suggests an overemphasis on Industrial Sector and insufficient emphasis on Business Function. For example, not all AI models utilized in financial and insurance services would impact the individuals in a way that the OECD AI Principles would be very relevant; whether the principles are implicated would vary significantly based on the use case.

Which criteria are useful for a more detailed and technically-oriented framework?

Consistent with the comments above, a single, comprehensive framework provides greater utility. Nevertheless, the more technical aspects of the framework relate to "AI models", and characteristics like "central or federated learning," "model inference," and "composite models" clearly address themselves to more expert audiences*.*

Should there be criteria and classification that are specific to industries or application domains, e.g. depending on context?

Criteria and classification specific to industries or application domains are not necessarily required. The first component of the Framework already considers industry sectors. As noted above, the difficulty surrounding "context" relates more to the evaluation of criteria in the balance of different principles.

Instead, APCIA believes there should be more balance in how the Framework will impact regulated industries, and there should be deference to AI classification systems employed by regulators in specific industries or sectors. For highly regulated industries the use of AI as a tool to perform traditional business functions means there are already laws and regulations that will apply. Likewise, the definitions and descriptions in the Framework cannot be so broad as to imply new conflicting or duplicative guidance for traditional data practices that are not AI.

Finally, a key element to any AI Framework is that it is flexible and risk-based.

SPECIFIC RECCOMENDATIONS

Page 10, Table 1 – Financial and Insurance Activities

Table 1 is flawed in that it does not consider the business function of models in the listed industrial sectors (e.g., a pricing model vs. a call routing model).

We also identified the following concerns:

Transparency & Explainability – Transparency and explainability are important elements to the deployment of AI; however, there are different levels of transparency and explainability depending on the audience. The varying degrees of consideration for this dependency suggest that it should be categorized as "Relevant."

International co-operation – This dimension is listed as "Relevant." APCIA would recommend amending this to "Very relevant." International cooperation will impact the consistency in standards and availability of innovative financial and insurance products to consumers in different jurisdictions.

Section I (3) – Classification Framework - AI Model (Pages23-28)

There are many ways one can think of AI models, but the approach in the Framework is not mainstream. Also, some of the core vs. optional criteria and the grouping within each appears arbitrary. Further, some statements are not captured correctly, for instance:

On page 26, the first bullet point suggests that linear or logistic regression is an example of an AI model; however, the data science field would not consider this an AI model. Generally, we can see why the authors used "conditional," but this is not common nomenclature.

In the second bullet on page 26, it is not necessarily true to state that generative models "often perform better than discriminative models on smaller data sets." The models also are not used to generate new data as suggested in this bullet.

Section III - Illustrative Ethical and Societal Risk Assessment Based on the Framework (Pages 43-46)

The risk mapping described in this section is complicated and would be hard to use and to maintain consistent across users.

Annex A. Sample AI Applications by Sector, Ordered by Proxy for Diffusion – Financial and Insurance Activities

Annex A generically lists "insurance" as a main application, we recommend changing this to "insurance underwriting and processing." Additionally, "cost reduction in the front and middle office" should say "optimize front and middle office processes."

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Again, we appreciate the OECD's work in this area and look forward to continuing to work with you on this issue. If you have any questions or would like additional information, please let us know.

Respectfully submitted,

Stephen Simchak
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