

Ethical Challenges and Privacy Concerns of AI in Personal Insurance

Drawing on the snapshot paper by the Centre for Data Ethics and Innovation on AI and Personal Insurance, it becomes clear that while AI in the insurance industry offers significant benefits, it also raises several important concerns (UK Government, n.d.).

One concern raised by the paper is the potential use of Facebook data to correlate social media content with driving habits. For customers, this raises significant privacy concerns (Stafford, 2023). The possibility of using such data prompts questions about how it would be obtained, whether past posts could affect insurance ratings, and whether individuals without Facebook accounts would be unfairly penalised. Moreover, relying on an individual's participation in Facebook groups to assess risk is problematic, as the content shared within these groups may not accurately reflect their true behaviour (Canhoto, 2016).

An additional concern is the mention of individuals named Mohammed being quoted higher premiums, which suggests potential racial bias in pricing algorithms (Consumer Federation of America, 2020). Even if there are broader trends indicating that drivers from certain countries may have higher accident rates (World Health Organization, 2023), penalising someone based solely on their name is unjust. A person's name is something they cannot control and does not reflect whether they have learned to drive or ever driven in those countries. Penalising individuals based on their name undermines fairness and risks perpetuating discrimination rather than reducing it (Consumer Federation of America, 2020).

It has also been mentioned that insurers may be analysing how customers interact with online forms, such as their response times and mouse movements. This practice is unjust, especially for those completing forms under less-than-ideal conditions, such as during busy or distracting moments. Individuals who take longer to complete a form or who use slower devices may face unfair penalties. This method of assessing risk could disproportionately affect people who cannot afford more advanced technology or individuals with conditions like ADHD (Markham and Spencer, 2022). Requiring customers to ensure they are in a perfectly controlled, distraction-free environment simply to complete an online form would limit their freedom and create unnecessary stress.

The use of wearable devices to collect data on individuals' physical activity raises another concern. While these devices can be useful for monitoring health, not everyone participates in activities that are easily tracked by them. For example, practices like yoga may not be recorded in the same way as more intense exercises, such as running, despite still offering positive health benefits (Germini *et al.*, 2022). This could lead people to prioritise activities that lower their insurance premiums, rather than those they genuinely enjoy, potentially having a negative impact on their mental health (Takiguchi *et al.*, 2023).

Another concern is the purchase of third-party data. Many consumers are unaware of how much data is collected about them, and they often cannot challenge inaccuracies. If their data is sold, they are not guaranteed compensation. This practice undermines privacy rights and increases the potential for exploitation (U.S. Government Accountability Office, 2022).

Granular risk assessments could lead to individuals being penalised or facing unaffordable premiums, despite having limited control over certain aspects of these evaluations. For example, individuals in high-risk occupations, such as construction workers, may be unfairly penalised due to the inherent risks of their jobs, even though they are already facing financial difficulties (Egan, 2024). Additionally, using occupation categories in risk assessments may inadvertently expose gender-related information, reinforcing existing biases (Biswas et al., 2021). While AI-driven assessments can improve efficiency, they also risk disproportionately impacting vulnerable groups. People who are unaware of how their online behaviour affects their premiums may face unfair penalties. In these cases, insurers may prioritise profit over fairness, transparency, and ensuring that customers are fully informed (Adler, 2020).

In conclusion, while AI offers potential benefits for the insurance industry, significant ethical concerns must be addressed. The use of personal data, the potential for discrimination, the invasion of privacy, and the lack of transparency must all be carefully considered. It is crucial for insurers to ensure that AI-driven practices are fair, transparent, and respectful of individual privacy, and that customers are not penalised for factors beyond their control.

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