# Aon urges coordinated AI regulation to protect insurability and manage systemic risk



Aon has called for a coordinated, whole-of-government approach to regulating artificial intelligence (AI), warning that without clear oversight, AI risks could become uninsurable and undermine innovation. The appeal came from Kevin Kalinich, Aon’s Global Collaboration Leader for Intangible Assets, during testimony before a government committee on 30 July.

AI has already transformed productivity and decision-making across sectors, but Kalinich cautioned that it also introduces complex, fast-evolving threats—ranging from deepfakes and hallucinating language models to cyberattacks, IP infringements and automated system errors. Stanford’s 2025 AI Index Report recorded a 56% rise in AI-related incidents over the past year, heightening concerns.

Kalinich said these emerging risks pose unique challenges to the insurance industry, which traditionally relies on diversifiable, uncorrelated risk and predictive loss modelling. AI-related disruptions, such as mass liability claims or cyber failures, could create systemic, correlated losses that defy existing underwriting models.

Aon urged the creation of a national regulatory framework, combining state-led innovation with consistent standards. Kalinich highlighted the Model Bulletin adopted by the National Association of Insurance Commissioners (NAIC) in 2023 as a potential foundation for broader oversight. He also pointed to bipartisan legislative efforts, including the Secure AI Act and Senator Lummis’ bill requiring transparency from AI firms, as key steps toward responsible governance.

The firm is also investing in policy development at state level, using regulatory sandboxes to test AI insurance solutions that could guide national standards. Kalinich stressed the need for companies to maintain AI tool inventories, assign clear ownership, conduct performance audits, and document model inputs—practices that support both underwriting and regulatory clarity.

Aon CEO Greg Case echoed this message in a recent interview, noting that AI is opening access to new sources of capital—potentially unlocking funding from sovereign wealth and pension funds to support risk transfer. Citing AI’s use in Ukraine’s reconstruction effort, he described the technology as an “accelerator” of global resilience and capital mobilisation.

Industry bodies such as the NAIC continue to assess AI’s impact through working groups on data, innovation and cybersecurity, while exploring regulatory responses to balance consumer protection and innovation.

Despite early progress, Kalinich warned that insurance markets are still grappling with the challenge of pricing AI-related risk. The lack of actuarial data and intangible nature of many AI assets echoes the early years of auto insurance, suggesting a similar path of gradual market maturity. However, firms like Orbital Witness are already testing AI-backed guarantees in specialist sectors, signalling the beginning of commercial adaptation.

Aon’s overarching message is that AI regulation must evolve in tandem with technology. With the right governance, the firm believes AI can improve resilience and create new opportunities—provided the industry, regulators and innovators work together to manage its risks responsibly.

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## Bibliography

1. <https://www.reinsurancene.ws/aon-calls-for-national-ai-policy-to-ensure-insurability-kevin-kalinich/> - Please view link - unable to able to access data
2. <https://www.reinsurancene.ws/aon-calls-for-national-ai-policy-to-ensure-insurability-kevin-kalinich/> - Aon has called for a coordinated, whole-of-government approach to regulating artificial intelligence amid a rapidly evolving risk landscape, urging the establishment of a national policy framework to ensure insurability and effective risk management while promoting innovation. These insights were shared during a testimony delivered on July 30th, 2025, before a government committee by Aon spokesperson Kevin Kalinich, Intangible Assets Global Collaboration Leader. Kalinich acknowledged that while AI is already driving improvements in productivity, decision-making, and customer engagement across many industries, the risk landscape is dynamic and fluid. These risks include large language model hallucinations, AI cyber attacks and deepfakes to intellectual property infringement, data leakage, AI “Washing”, and robotic faults. According to Stanford’s 2025 AI Index Report, AI-related incidents have increased 56% year-over-year—underscoring the need for comprehensive safeguards. OpenAI CEO Sam Altman recently warned the Federal Reserve that AI could disrupt labour markets and economic stability at a pace institutions are unprepared to manage. He likened the scope and speed of potential upheaval to globalisation—compressed into months rather than decades. Kalinich stressed that this is not only a macroeconomic concern, but an insurability concern. “Traditional insurance relies on uncorrelated, diversifiable risk pools and predictive loss modeling. If AI-induced dislocation becomes systemic—triggering job losses, capital market volatility, and cascading liability claims—insurers may find themselves facing unquantifiable aggregate exposures. These correlated risks are difficult to price, underwrite, and reinsure using existing structures,” he said. To address this, Aon calls for a coordinated, whole-of-government approach to regulation that combines thoughtful state-based solutions with consistent predictability at the national level. For instance, the National Association of Insurance Commissioners (NAIC) adopted the Model Bulletin on the Use of Artificial Intelligence (AI) Systems by Insurers in December 2023, which has since been implemented by over half of U.S. states. The bulletin offers guidance and promotes a consistent regulatory approach for the responsible use of AI in the insurance sector. Aon suggests that the affirmative safety principles outlined in the NAIC bulletin should be incorporated into the national framework. Kalinich noted that national standards can offer companies confidence while still allowing states to serve as laboratories for innovation. Regulatory clarity, he said, builds trust—which, in turn, fuels growth. He cited legislation such as Senator Rounds’ AI package and Senator Lummis’ AI Bill—which requires AI firms to disclose technical documents with incentives similar to those in the SAFETY Act—as well as other bipartisan efforts that could help build the right architecture for safe AI deployment. Additionally, the Secure AI Act, introduced by Senators Warner and Tillis, offers another example of legislation that generates the kind of feedback needed to help policymakers grapple with the multitude of policy angles and challenges that AI presents. Aon welcomes public policy that ensures clear liability frameworks, keeps insurance markets viable, and empowers both developers and end-users to operate with confidence. The company remains committed to working with clients, regulators, and policymakers to develop AI systems that are both transformative and trustworthy. Aon is encouraging lawmakers to create a national, principles-based framework for AI regulation and to support insurance innovation through model legislation in the states or regulatory sandboxes. Kalinich explained, “This will help companies like Aon establish for clients minimum risk governance baselines such as inventorying AI tools, assigning ownership and auditing performance; promoting transparency in model inputs and outputs to enable effective underwriting and regulatory supervision; advancing transnational coordination to align incentives and reduce compliance complexity; and supporting education and certification in AI ethics and governance, especially at the board and executive levels. “In effect, we need to predictively calibrate our thinking and actions around what it means to design and implement AI regulatory structures. In some ways we should consider the behaviors and mindsets of the disruptive innovator driving the enhanced AI ecosystem, knowing that with each regulatory iteration, a new risk will present itself. The challenge is to build structures today that account for that arc of maturity and risk.” Kalinich concluded, “At Aon, we believe that with appropriate guardrails, AI can unlock unprecedented value for humanity —enhancing resilience, accelerating innovation, and improving outcomes across industries. Let’s work together to ensure AI becomes not just a technological breakthrough—but a force for good, guided by insight, trust, and shared responsibility.”
3. <https://www.reinsurancene.ws/ai-opportunities-for-insurance-industry-are-real-and-meaningful-says-aon-ceo-case/> - In an interview with CNBC at Davos 2025, Greg Case, CEO of Aon, emphasised that the opportunities presented by artificial intelligence (AI) are “real and meaningful” for the insurance and reinsurance industry. During the interview, Case also acknowledged the significant challenges posed by volatility, noting that these can be overcome through analytics, content, and insights—areas where generative AI plays a pivotal role. “So, we’ve been working on this for many, many years,” Case said. “The investment I described before, really never in our industry has someone invested a billion dollars to advance a specific set of analytics that will help clients really make better decisions. And we, in our view, have to go further faster in order to make that happen.” Case cited this investment in the interview, explaining that Aon recently made a $1 billion investment in analytics, content, and capabilities to advance generative AI and its application. This investment also aims to strengthen the client experience and support business growth. Case continued, “We see applications everywhere, and not just on the content, but also on the service and the capability to support their supply chains.” He further explained how generative AI, analytics, and insights are enabling Aon to access broader sets of capital. Traditionally, risk has been managed within a $4 trillion global insurance pool, but AI-driven analytics are unlocking new sources of capital, including sovereign wealth funds, pension funds, and high-net-worth investors. “For your listeners, think about it as a $4 trillion risk pool, but against a $250 trillion capital pool,” he explained. “So, when we do parametric or specialised instruments that actually help clients make specific decisions for accessing a broader group of capital. So, generative AI, analytics, insights, help us access much broader sets of capital to really address some of these challenges more effectively.” Rather than viewing AI as disruptive, Case described it as an accelerator. He pointed to Aon’s AI-driven platform in Ukraine, which enabled private capital to support reconstruction efforts during wartime. “So, for us, if that’s called disruptive, we love it. In essence, we need to move further faster as I described before, with better solutions. And not just through Aon, with our partners and with public-private partnerships as well. And this is the unlock that we are really betting around,” he concluded.
4. <https://www.fenwick.com/insights/publications/ai-in-the-insurance-industry-balancing-innovation-and-governance-in-2025> - The insurance industry’s embrace of AI calls for a governance framework to assist regulators, guide insurers, and inform consumers. The National Association of Insurance Commissioners’ Big Data and Artificial Intelligence Working Group is in the midst of releasing survey results on how different lines of insurance carriers use AI. NAIC also formed a Third-Party Data and Models Task Force to address insurers’ growing use of AI systems or training data from third parties that are not regulated by state insurance departments. NAIC will attempt to develop a comprehensive regulatory framework, detailed regulations, and model laws that strike a delicate balance between protecting consumers and encouraging innovation.
5. <https://www.americanbar.org/groups/journal/articles/2025/does-your-professional-liability-insurance-cover-ai-mistakes-dont-be-so-sure/> - Kevin Kalinich, the founder of Aon’s Cyber Solutions Group and leader of Aon’s Intangible Assets Global Collaboration, who is currently writing the insurance chapter for the upcoming 4th edition of The ABA CyberSecurity Handbook, says the big issue is determining how to make AI policies worthwhile for insurance companies. The potential return on investment for insureds for policies addressing intangible assets often far exceeds that of tangible assets, he says. That’s because tangible assets have a clear, market-determined replacement value, while intangible assets are harder to value, so coverage limits may be negotiated or capped. The insurance companies also need to establish the potential frequency and severity of AI losses, and they need to determine whether it’s possible to cover AI overall. Typically, insurance companies will base their underwriting decisions on 20 to 30 years of actuarial modeling and loss ratio data. They don’t have that amount of data on the frequency and severity of AI-related losses, Kalinich says. Similarly, after gas-powered cars were created in the late 1800s, it took more than 30 years for a state to mandate auto insurance—and insurance wasn’t required in most of the states until about 1970. While widespread AI insurance solutions are limited, there are some companies taking the first steps in this direction. Orbital Witness, a London-based company specializing in generative AI-driven due diligence for real estate transactions, collaborated with First Title Insurance to launch an insurance-backed guarantee for its residential property product. If clients want to add the insurance, they pay a few dollars per policy and would be covered if the AI they use makes a mistake, Orbital Witness co-founder Ed Boulle says. So far, they have had no claims, and they’re considering an expansion into commercial property transactions.
6. <https://content.naic.org/insurance-topics/artificial-intelligence> - The NAIC formed the Innovation Cybersecurity and Technology (H) Committee (formerly Innovation and Technology (EX) Task Force) to explore the technological developments in the insurance sector. The Committee provides a forum for state insurance regulators to discuss innovation and technology developments and how these will affect consumer protection, insurer and producer oversight, and the state insurance regulatory framework. The Committee is also charged with discussing emerging issues related to insurers or licensees leveraging new technologies, such as artificial intelligence. In 2019, the Task Force established the Big Data and Artificial Intelligence (H) Working Group to study the development of artificial intelligence, its use in the insurance sector, and its impact on consumer protection and privacy, marketplace dynamics, and the state-based insurance regulatory framework. The Working Group developed regulatory principles on artificial intelligence that were adopted by the full NAIC membership at the 2020 Summer National Meeting. In marketing, common use cases included targeted online advertising and making offers to existing customers. In underwriting, AI was used for renewal evaluations and inspections to verify policy characteristics. In pricing, machine learning is used for risk scoring.