

EthiCompass

AI Ethics & Compliance Audit Report

Acme Insurance Corporation

Property & Casualty Insurance

6.4

Overall Ethics Score / 10

MODERATE RISK - Action Required

Executive Summary

Company Profile

Company: Acme Insurance Corporation
Industry: Property & Casualty Insurance
Size: Mid-market (\$500M - \$2B annual premium)
Products: Auto, Home, Life, Small Business

Audit Scope

Period: October 1, 2025 - November 30, 2025
Messages: 47,832
Conversations: 12,456
Channels: Phone (transcripts), Chatbot, Email, SMS

Key Metrics

Metric	Value	Status
Total Messages Analyzed	47,832	—
Critical Issues Found	127	CRITICAL
High-Risk Flags	342	HIGH
Medium-Risk Flags	1,247	MODERATE
Compliance Rate	76.2%	MODERATE
EU AI Act Composite	6.8/10	MODERATE

Seven Dimensions Analysis

#	Dimension	Score	Status	Key Finding
D1	Discrimination & Fairness	5.8/10	CRITICAL	Geographic pricing language creates disparate impact
D2	Toxicity & Harmful Language	8.2/10	GOOD	Low toxicity, but 23 instances of pressure tactics
D3	Explainability & Transparency	5.4/10	CRITICAL	34% of AI recommendations lack explanation
D4	Privacy & Data Protection	7.1/10	MODERATE	PII collection exceeds necessity in 8% of interactions
D5	Factuality & Accuracy	6.9/10	MODERATE	89 instances of coverage misrepresentation
D6	Robustness & Adversarial	8.5/10	GOOD	Strong guardrails against manipulation
D7	Regulatory Compliance	5.2/10	CRITICAL	Missing required disclosures in 12 states

Risk Heat Map by Channel

Channel	Fair	Tox	Expl	Priv	Acc	Rob	Comp
Phone Transcripts	🔴	🟡	🔴	🟢	🔴	🟢	🔴
Chatbot	🟡	🟢	🔴	🟡	🟡	🟢	🟡
Email	🟢	🟢	🟡	🟢	🟡	🟢	🟢
SMS	🟢	🟢	🟡	🔴	🟢	🟢	🟡

Legend: 🟴 Critical (<6) | 🟡 Moderate (6-7.5) | 🟢 Good (>7.5)

Critical Findings

D1. Discrimination & Fairness

5.8/10

F-001: Geographic Redlining Language

"Based on your location, I need to let you know that rates in your area tend to be higher due to regional risk factors. We see a lot more claims from your zip code."

Impact: Correlates with demographic patterns (income, race). Fair Housing Act, ECOA violations.

Recommendation: Remove geographic justifications from pricing conversations; train on compliant alternatives

D2. Toxicity & Harmful Language

8.2/10

T-001: Pressure Tactics

"I really need to stress that this rate is only available today. If you don't sign up now, you'll miss out and rates will definitely go up next month."

Impact: UDAP (Unfair, Deceptive, or Abusive Acts) concerns

Recommendation: Remove false urgency; train on consultative selling

D3. Explainability & Transparency

5.4/10

E-001: AI Recommendation Without Explanation

"Our system has determined that you qualify for the Silver package. Would you like to proceed with enrollment?"

Impact: Article 13 EU AI Act violation; customers cannot understand AI-driven decisions

Recommendation: Implement explanation layer: "Based on [factors], our system recommends..."

D4. Privacy & Data Protection

7.1/10

P-001: Excessive Data Collection

"Before we continue, I'll need your Social Security number, date of birth, driver's license number, and your spouse's information as well."

Impact: GDPR Article 5(1)(c), CCPA minimization requirements

Recommendation: Request only necessary information; implement progressive disclosure

Prioritized Recommendations

Immediate Actions (0-30 Days)

Priority	Action	Impact	Effort	Owner
P0	Implement FCRA-compliant adverse action templates	Critical Risk Reduction	Medium	Legal/Compliance
P0	Deploy state-specific disclosure automation	Multi-state compliance	High	IT/Legal
P0	Remove geographic/demographic language from scripts	Fair lending compliance	Low	Training
P1	Add AI explanation layer to chatbot recommendations	EU AI Act compliance	High	Product/AI
P1	Implement PII minimization in data collection	Privacy compliance	Medium	IT/Security

Short-Term Actions (30-90 Days)

Priority	Action	Impact	Effort	Owner
P1	Comprehensive agent training on compliant language	Culture shift	Medium	HR/Training
P1	Implement real-time compliance checking	Prevention vs. detection	High	IT/AI
P2	Coverage verification layer before customer communication	Accuracy improvement	Medium	Product
P2	Plain language translation engine	Customer experience	Medium	Product/AI

Long-Term Actions (90+ Days)

Priority	Action	Impact	Effort	Owner
P1	Full EU AI Act conformity assessment	Market access	High	Legal/Compliance
P2	Implement PulseWatch continuous monitoring	Ongoing governance	Medium	Operations
P2	Bias testing documentation framework	Examiner readiness	Medium	Compliance/AI

Next Steps

Recommended Action Plan

1. Immediate (This Week)

- Review and implement FCRA-compliant adverse action templates
- Remove geographic/demographic language from all sales scripts
- Brief legal team on state disclosure requirements

2. Short-Term (30 Days)

- Deploy state-specific disclosure automation across 12 affected states
- Implement AI explanation layer for chatbot recommendations
- Schedule comprehensive agent training program

3. Long-Term (90 Days)

- Implement real-time compliance checking system
- Complete EU AI Act conformity assessment
- Consider PulseWatch for continuous monitoring

Ready for Continuous Monitoring?

EthiCompass PulseWatch provides 24/7 monitoring of your digital communications with real-time alerts and monthly compliance reports. Ensure ongoing compliance and catch issues before they become problems.

Contact: sales@ethicompass.com | www.ethicompass.com

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