

WELCOME!

AI, E&O and Commercial Client Risk

Emerging AI-related E&O exposure, the questions to be asking, and how to use AI without adding unnecessary risk



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Session 4 of Agency AI Labs – Phase 3 (Culture, Data & Protection)



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Thank you for joining us for...



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PHASE 3

Free AI training for independent insurance agencies.
Real skills. Real workflows. No tech background required.

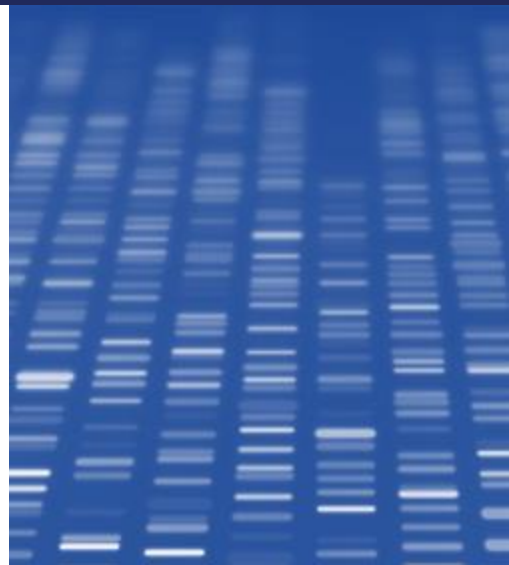
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Phase 3 Sessions – Tuesdays in Oct • 2PM ET • Live On Zoom & On-demand

6 Oct	Session 1 Your Agency's Greatest AI Asset Isn't AI - It's Your Data
13 Oct	Session 2 Cyber and AI in the Insurance Industry
20 Oct	Session 3 Building Your Agency's Digital Visibility Playbook
27 Oct	Session 4 AI, E&O and Commercial Client Risk



Thank You!

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Reminders

- This session is being recorded – you will receive an email with the recording tomorrow afternoon
- Ask questions in the chat!
- The Agency AI Labs Community is LIVE – ask/answer questions, share thoughts, and engage with your industry peers on AI
- Please fill out the after-session survey



Disclaimer

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AI Is Already Inside Your Clients' Operations

- AI rarely arrives as an “AI initiative” — it comes embedded in CRM systems, hiring software, pricing engines, and marketing tools
- Most clients have not inventoried their AI tools, and few have vendor contracts that address AI-specific liability
- The real question: do you know where AI sits, and was your client's coverage built for it?

Step 1: Check your clients' policies

In 2026, ISO generative AI exclusion endorsements begin rolling out across carriers

Coverage once silent on AI-related loss may now be explicitly excluded

Where AI Exposure Lives in a Client's Business

... And yours

A

Unfair Decisions

AI that treats people differently in hiring, lending, underwriting or pricing

"Algorithmic Bias"

B

Wrong Answers

AI output that sounds right but isn't, and no one checked

**"Hallucinations-
Errors of Fact"**

C

Unchecked Data

Vendor tools built on data the client never reviewed

**"Data Poisoning &
Supply Chain"**

D

Thin Contracts

Vendor promises that cover less than clients assume

**"Vendor Contract
Gap"**



Four Question Areas for Every Renewal

"I like to check how businesses are changing the way they work... Mind if I ask a few quick questions? New tools and automation can change what your coverage needs to look like."

1

General AI Adoption

**How does your
business run
day to day?**

2

**Critical & Safety-Related
Uses**

**How do these tools
impact customers
and your team?**

3

**AI Development &
Deployment**

**Did you build or buy
these tools?**

4

**Governance & Vendor
Controls**

**Who's in charge and
keeps an eye on
things?**



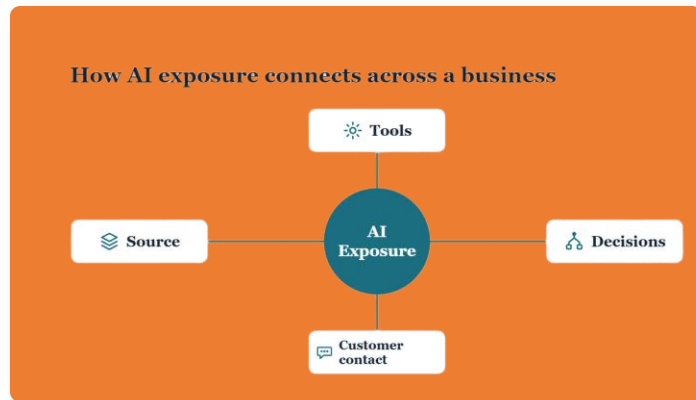
Priority questions with big impact

Tools: Have you added new software or automation in the past year to save time or cut costs?

Decisions: Does any software help decide pricing, who qualifies, who gets hired?

Customer contact: Do customers ever deal with an automated chat or phone system?

Source: Were these tools bought off the shelf, vendor-configured, or built or customized in-house?



“

*Ask the informed question –
before your client has a problem.*

Homework: Identify three clients where you will raise these questions.

AI is a Tool

- AI is poised to make the biggest change to the insurance industry since the introduction of the internet.
- AI is hyped as a replacement to human labor, error free, faster and cheaper than workers.
- AI can level the playing field, allowing mom & pop shops to compete with large, sophisticated agencies.

While AI can do all of these things, it is not infallible!



Common Missteps When Implementing AI

- **Poor Data Quality** – be sure the data used for AI is accurate and relevant
- **Overreliance on AI** – failure to use human oversight on AI work product
- **Regulatory Considerations** – overlooking legal or ethical implications of AI product
- **Managing Employee Moral** – proper messaging to employees of the agency's AI use policy
- **Lack of Clear AI Objective** – having a well thought out plan of implementing AI to the benefit of the agency

Overreliance on AI

The greatest risk of AI in the agency environment is not dramatic failure. It's a quiet failure, the kind that slips through unnoticed until it compounds into a larger issue.

One of the most common forms of this is “authority creep.” As AI systems consistently produce acceptable outputs, staff begin to trust them implicitly. Oversight diminishes, review becomes cursory and, eventually, validation disappears altogether.

-Steve Forte

NAIC MODEL BULLETIN: USE OF ARTIFICIAL INTELLIGENCE SYSTEMS BY INSURERS

- 25 states have adopted this bulletin, and 4 states have passed regulations related to the use of AI in the insurance industry
- Each state can customize parts of the bulletin to fit their state law
- Download a copy of the bulletin for each state in which you do business, as it creates a roadmap of the minimum requirements an agency must have in place when using AI
- The bulletin includes general guidelines, governance, risk management and internal controls all related to third-party AI systems and data used by an agency

AI Agency Usage Policy

- Every agency should have an AI Usage Policy stating what AI is used within the agency and how it is used within the agency.
 - Employees know what they can and cannot use and how they can and cannot use it
 - Employees don't have to guess what the agency plans are concerning the use of AI
 - The agency has a record of its AI policy if a customer files a complaint against the agency

Your goal should be to have AI compliment your employees, not compete with them.

Using AI for the Good of Your Agency

01

Need

No one knows your agency's weaknesses better than you. Look for AI solutions to your agency problems.

02

Compatibility

Make sure your various AI programs will work together and in conjunction with your AAMS.

03

Turnkey AI Operation

A turnkey AI data system, will replace most of your systems, direct employee work and document all communications.

If it Sounds Too Good to be True . . .

- Vendors selling AI products will make promises as to what all the product **CAN** do.
- Just because a product can do something, doesn't mean your DOI will allow you to use it that way.
- Ask to look at the vendor's contract. You will find that the agency is responsible for determining what the product can legally do.
- **When in doubt, contact your state DOI for an opinion on whether AI can perform the task you are wanting to outsource to AI.**

What's New in Agents E&O?

New people making the same old errors – Richard Lund

- We have been tracking the cause and types of E&O errors for over 50 years, and the leading causes have not changed. They boil down to human error and lack of documentation.
- Both of these are areas where AI can be used to bridge the gap.
- In conclusion, AI is nothing more than a tool. It's a powerful tool, which can catapult your agency forward or if not managed correctly, it can sink your agency.
- It is up to you to determine how to best use the power of AI in your agency.

Closing & What's Next

Homework

- *Identify 3 clients where you will raise the questions from the E&O handout*
- *Search for “NAIC MODEL BULLETIN: USE OF ARTIFICIAL INTELLIGENCE SYSTEMS BY INSURERS” for the states in which you do business, download them, and adjust accordingly*
- *Review the Agency AI Labs series, join the community, and reach out to ACT with any questions or suggestions for new content!*



Please fill out the after-session survey!

