

# AI E&O Landmines to Avoid

AI is a tool which can elevate or sink a business

# Welcome

# AI is a Tool

- AI is poised to make the biggest change to the insurance industry since the introduction of the internet
- 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!**

# Is the Use of AI Covered Under My E&O Policy?



Our policy does not mention AI. Our current view is that AI is a software tool like Word or your AAMS.



AI is being used by someone in your office, and it is how that person is using AI that determines whether it is covered under your E&O policy with us.



If your office AI pulls information from the wrong file when completing an application, this is covered.



If an employee is using AI to impersonate a Nigerian Prince to defraud people of money, there is no coverage.

# 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

# Manage Your Agency's AI Tools

- There are several free versions of AI software available online, do **NOT** allow these to be used!
- Any information fed into these free versions becomes the property of the vendor who owns the software.
- Your agency procedures and/ or client information becomes public knowledge.
- **Purchase 1 or 2 of these products for office use, thereby protecting your office and client information.**

# Manage the AI Message for Employees

- There is a lot of news circulating about the loss of jobs to AI
- Prepare a statement to your employees concerning the agency's position on AI
- When implementing AI, be sure to stress what it will and will not be used for
- Be prepared for employees to dislike AI and possibly try to sabotage it
- **The goal is to have AI compliment your employees, not compete with them**

# Don't Take Chances

- AI can communicate (verbally and in writing) in many languages.
- Lay Z Agency sees an opportunity to tap into an emerging market in their local.
- Thousands of Mandarin speaking immigrants moved into the area in recent years.
- No one at Lay Z Agency speaks Mandarin, so the agency decides to use a Mandarin speaking/writing AI bot to sell insurance to this emerging community.
- **Someone must be able to oversee the work of the AI being used to ensure it is operating within specification.**

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

# Good Use of AI Gone Bad

- ABC Insurance purchased an AI product to review procured coverage to make sure it meets client expectations
- ABC put together a tower of GL coverage for a client, consisting of 4 policies
- ABC forwarded on the policies to their client with assurances that the coverage was “follow form”
- Client suffered a catastrophic loss, which blew through the first 3 layers of the tower  
The 4<sup>th</sup> layer refused to defend the ongoing claim as it had no duty to defend

# Good Use of AI Gone Bad (part 2)

- Client spent \$3 M defending the claim before the 4<sup>th</sup> carrier finally settled it
- Client sued its agent for the \$3 M spent in defending the claim
- We went to the vendor who supplied the AI product, and they produced the contract entered into by ABC Insurance
- The contract included a checklist of items the AI could verify, each with a charge for the service. ABC Insurance checked about 2/3 of the choices. They did NOT select confirmation of towers of insurance.

# Good Use of AI Gone Bad (part 3)

- ABC Insurance employees assumed AI was checking all coverages and thus, they didn't check anything, unless it was flagged by the AI (a \$3 M error)
- **If using AI to replace a job function, make sure it replaces the entire function.**
- **If using AI to replace a job function, continue to manually perform it until you are confident the AI is doing at least as well as the manual performance of the function.**
- **If using AI, run periodic checks to make sure the AI is operating within specification.**

# NAIC MODEL BULLETIN: USE OF ARTIFICIAL INTELLIGENCE SYSTEMS BY INSURER

- 24 states, including Maryland and Virginia have adopted this bulletin.
- 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.

# Known Problems with AI



Pressure to Please AI is designed to help users and keep them interacting with it. There have been examples of AI being bullied into doing things it shouldn't do.



Hallucination– There have been multiple examples of AI creating case law to cite in court filings, when it is unable to find real case law.



Ability to Learn– This is a double edge sword as the user wants the AI to learn the agency's way of doing business and possibly improve on it, however . . .



Data/Privacy Concerns– AI is one more way data security can be compromised.

# 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.**

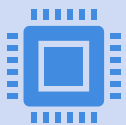
# Using AI for the Good of Your Agency



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



Make sure your various AI programs will work together.



Smaller or new agencies may want to look for a turnkey AI data system, which will replace most of your systems, direct employee work and document all communications and save to file.

# 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.

Thank you,  
Any questions?



# Legal notice

©2026 Swiss Re. All rights reserved.

You may use this document and the information contained herein for private or internal purposes only, and any copyright or other proprietary notices must not be removed. You are not permitted to modify, reproduce, create any derivative works of this document, or distribute or use it for commercial or other public purposes, without the prior written permission of Swiss Re.

This document is for informational purposes only and is not advice or a recommendation to engage in any transaction with or use services provided by Swiss Re or any other person. The information and opinions contained herein are provided as of the date of the presentation and may be subject to change at any time without notice. Although the information is taken from reliable sources, Swiss Re shall not be liable for any loss or damage arising in connection with its use, or from any inaccuracy or incompleteness, nor is it under any obligation to update it. Swiss Re further undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This document and its contents are not directed to, or intended for use by, any person or entity in any jurisdiction where such distribution, publication or use would be unlawful or where it would require licences or authorisations that have not been obtained.

This document does not constitute or form part of an offer, solicitation, or invitation to buy or sell any securities, derivatives or (re)insurance or transact with, or use services provided by, any member of the Swiss Re Group. It is not an invitation or inducement to participate in investment activities described in any applicable financial promotion regime.