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Article

Your clients are adopting AI. Is their cyber protection keeping pace?

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The conversation is no longer about if businesses will adopt Artificial Intelligence (AI). They already have.

From customer service, software development, content creation to decision-making and planning, as AI becomes more deeply embedded across business systems, clients are asking a new question: does the involvement of AI change how my cyber insurance responds?

Not every AI-related loss starts with a cyber attack.

AI-related risk is not confined to cyber-attacks. Sometimes an AI system simply gets something wrong, and the consequences can be significant. An inaccurate AI output, a flawed recommendation or an unexpected system failure could lead to lost revenue, disrupted operations or regulatory scrutiny. The impact can be substantial, even when no systems have been hacked and no data has been stolen.

For brokers, understanding these emerging exposures is becoming increasingly important. Clients want confidence that their cyber protection is keeping pace with how they're using AI, and clarity around how cover responds as AI becomes more deeply embedded in everyday operations.

As AI adoption grows, so do the questions for cyber insurance

AI is involved, am I still covered?

Consider a retailer whose AI-powered customer service platform is compromised and used to send fraudulent messages to customers. The

business may question if AI's involvement in their customer service platform changes how the loss is treated. Will the underlying event still be evaluated under the policy's existing provisions for security breaches, unauthorized access, and unauthorized disclosure?

What happens when I need to pull the AI plug?

An engineering firm's established AI platform might begin producing flawed specifications and inaccurate cost estimates after a routine software update. To prevent further financial harm, management decides to take the platform offline while the problem is investigated and corrected. No cyber attack has occurred, yet the business still faces disruption and lost revenue opportunities.

Could evolving AI regulations leave me exposed?

At the same time, the regulatory landscape is evolving rapidly. Businesses must also contend with laws that specifically regulate the development, deployment or use of AI systems. New AI-specific regulations, including the EU AI Act and the patchwork of different obligations across the States in the US may create different liabilities from the privacy and security regulations many clients are already familiar with. For example, businesses deploying AI-generated images on their website may be subject to laws requiring the labelling of such images as deepfakes. They may also be required to notify their customers when they are interacting with artificial intelligence.

How Full Spectrum Cyber is evolving to meet AI risks

As clients adopt AI more widely, their insurance needs are evolving too.

That's why Beazley has enhanced Full Spectrum Cyber with new affirmative AI endorsements, designed to provide greater clarity around existing cover and new protection for emerging challenges.

1. **Providing greater clarity as AI adoption grows**
   Our affirmative AI wording delivers certainty and clarity for clients by expressly addressing AI-related risks already covered within existing cyber cover.
2. **When a malfunctioning AI system needs to be taken offline**
   Our AI Voluntary Shutdown Endorsement is designed to provide protection when clients voluntarily suspend a malfunctioning AI system to prevent further financial harm.
3. **Helping businesses navigate an evolving regulatory landscape**
   Our AI Regulatory Defence & Penalties Endorsement is designed to support businesses that have taken sensible steps around AI governance but still find themselves facing regulatory scrutiny.

Looking ahead with confidence

The risk of AI is always shifting and cyber insurance needs to keep pace. Beazley's new AI endorsements are the latest example of how our Full Spectrum Cyber solution is evolving to meet clients' needs:

providing greater clarity around existing cover, added protection for emerging AI-related challenges and support as the regulatory landscape evolve.

Speak to your cyber underwriter for more information.

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