



## Lowenstein Sandler's In the Know Series Video 35 – AI Risks & Insurance Coverage: What Corporate Policyholders Need to Know

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**Eric Jesse:**

Hi, I'm Eric Jesse, a partner in Lowenstein Sandler's [Insurance Recovery Group](#). Welcome to "[In the Know](#)".

More and more businesses are using AI to streamline their operations, to analyze data, and to even create new content. But with these new opportunities come new risks. And these risks may not be clearly covered by your insurance policies.

Today, I'm going to highlight three things that corporate policyholders should be thinking about when it comes to AI risks and insurance coverage.

First, know the types of claims that AI can trigger. AI tools can expose businesses to lawsuits for intellectual property infringement. So think about AI generated text, images or code that uses someone else's protected work. There's also the risk of bias or discrimination claims. If AI decision making leads to unfair outcomes in hiring, lending, or other processes.

And regulators are starting to look at AI misstatements and misuse, which could lead to defense costs and fines and penalties. Understanding these potential exposures is the first step in knowing where coverage may come into play.

Second, understand the scope of coverage under your existing policies and identify potential coverage gaps. Many of these risks could potentially be covered under policies like errors and omissions, directors and officers, media liability, or even cyber policies. But as we often say here on In The Know, the words matter.

Some policies may have exclusions for intellectual property claims. Others may not cover regulatory investigations. And some insurers are adding AI specific exclusions. This is why it's important to review your policy language now before a claim arises, to see if you're protected or to see if you need to negotiate endorsements or specialized coverage.

Third, take proactive steps to present your company as a good risk to the insurer during the underwriting process. Insurers are more willing to offer favorable terms and avoid restrictive exclusions when they see that a

policyholder is taking AI risks seriously. That means documenting your AI governance framework, including policies on data sourcing, human oversight, and bias testing. Show that you have vetting procedures in place and that you periodically audit AI tools for compliance and accuracy.

Even providing training records for employees who use AI can demonstrate to underwriters that you're managing the risk, not ignoring it. The more you can show you're ahead of the curve, the stronger your position to negotiate broader coverage and better pricing.

AI is a powerful tool for business growth and productivity, but it's also creating new risks that can be on your insurer's radar. By understanding the exposures, checking your coverage, and showing underwriters that you're a responsible risk, you'll be better positioned to secure strong coverage and favorable terms.

Thank you for joining us on "In the Know." See you next time.