



## Emerging ‘silent AI’ risk on underwriters’ minds, poised to trigger finpro liability claims

APRIL 15 2025 by [Kristina Shperlik](#)

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As policyholders increase the use of AI, the trend is seen as having the potential to trigger claims under the likes of professional indemnity, business interruption, and D&O liability covers, which have not been specifically designed to cover the emerging technological risk.

The issue is seen as being similar to “silent cyber” that emerged over the past 10 years, with insurers unknowingly covering cyber risks under their general policies.



“Many lines of business and insurers could be exposed to ‘silent AI cover’ — where artificial intelligence-related risks are unintentionally insured under traditional policies,” Joel Pridmore, managing director at Frontier Global Underwriting, told InsuranceAsia News (IAN).

“A few years ago, we saw similar scrutiny around silent cyber exposure across property, general liability, professional indemnity, D&O, and crime programs.

“That led to the development of specific endorsements to clarify coverage and support more accurate aggregation modelling. A similar approach may now be needed for AI.”

AI has a long history stretching back to the 1950s, but has only risen to prominence in the last few years, including the emergence of the likes of ChatGPT.

“We may now be seeing the emergence of ‘silent AI’, where insurers inadvertently cover AI risks, including financial, operational, regulatory and reputational risks arising out of the use of AI,” said Richard Bates, Hong Kong managing partner at Kennedys law firm.

Processes developed to address cyber risks about 10 years ago, though, could be used to help underwriters deal with the emerging risk.

“There’s a roadmap on how similar risks have been handled in the past, such as making changes to underwriting processes, renewal questionnaires, and inserting exclusions into policies,” Melbourne-based Darryl Smith, partner at Clyde & Co law firm, told IAN.

## Claims

While the impact is seen to depend on where AI adoption occurs, professional services may be more exposed to risks, with errors and omissions and professional indemnity among those most likely to be affected.

“One key question will be whether the use of AI or machine learning falls within the definition of ‘professional services’,” Pridmore added.

“Many insurers may argue it doesn’t — unless it’s explicitly included in the policy wording — which could become a point of contention in future claims.

“Casualty and professional indemnity lines face notable exposure, but crime is also a growing concern — particularly with the rise of deepfake-enabled fraud.”



***“AI tools that make decisions relating to a person’s employment could lead to workplace disputes. There are already actions being taken by artists against creators of generative AI tools for copyright infringement.”***

***Nicholas Blackmore, Kennedys***

Silent AI could affect all sectors in some way, as it depends on the specific circumstances of each claim, similar to cyber.

Claims may arise from AI tools that produce erroneous or biased results, use personal data without consent, or do not properly explain how they collect and use personal data.

“AI tools that make decisions relating to a person’s employment could lead to workplace disputes. There are already actions being taken by artists against creators of generative AI tools for copyright infringement,” said cyber and technology specialist Nicholas Blackmore, who is a partner at Kennedys.

His views were echoed by Smith, who said: “AI is primarily used for repetitive tasks, and if it repetitively produces incorrect results, this will impact the severity of claims.”

However, as organisations are struggling to understand AI risks and are looking for ways to address them, writing AI risks in the future may present significant opportunities for insurers, Smith added.

***“The US has seen more IP-related cases due to different legislation, while the Asia-Pacific region is still in the early stages of discussing AI model operations and their implications.”***



***Darryl Smith, Clyde & Co***

“There is a temptation at the moment to label any technology as ‘AI’, whether or not AI is actually involved. There is certainly the risk that this kind of misleading claim could breach consumer laws,” Blackmore said.

And while the impact of silent AI at this stage seems marginal across Asia Pacific, it “should definitely be on underwriters’ minds”, according to Smith.

“The US has seen more IP-related cases due to different legislation, while the Asia-Pacific region is still in the early stages of discussing AI model operations and their implications,” he added.

“The focus in the US and EU seems to be more on the adoption of AI rather than the fallout from incorrect results.”

## **Bigger scope**

Smith expects to see more inquiries around underwriting, renewals, exclusions, and specific covers related to silent AI going forward as “AI could potentially become even more pervasive than cyber in the future”.

“We are at the beginning of AI development, primarily using it for repetitive tasks, but eventually, it will be utilised for more and more complex applications,” he said.

“Unlike cyber, with AI, the situation is still rapidly evolving. There’s still a long way to go regarding AI adoption and usage, and there’s a significant amount of uncertainty about where the risks will come from and where the losses will occur.”

According to Bates, it is crucial to analyse the relevant AI risks and the associated losses and damages to ascertain whether they are covered or excluded.

It means there must be clarity around how policyholders are using AI, including the level of human supervision over AI-generated results.


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“If a product or service is AI-assisted and is defective as a result, the liability for that may well fall on the policyholder as the provider of that product/service and not the provider of the AI tools,” Bates added.

Emerging major issues could be related to data privacy or security when AI systems are trained on, collect, or generate sensitive personal information.

“There are also concerns about bias. If AI is trained on biased data, the outputs can lead to discrimination and unfair practices, and these may initially be difficult to detect. Indeed, insurers using AI in underwriting processes face this very risk,” Bates said.

Blackmore highlighted the data privacy and security risks created by AI tools being trained using big datasets.

“These risks are particularly acute for tools which are public-facing, such as chatbots and generative AI,” he added.

Insurers, therefore, need to ensure they are not providing silent AI cover and design specific terms or products to cover AI risks.



***“A clear understanding of how AI models are deployed, the platforms underpinning them, and the controls in place for error detection and validation will be essential to underwriting accuracy and claims defensibility.”***

***Joel Pridmore, Frontier***

“Perhaps slightly ironically, AI may itself be able to assist after the product has been issued, acting as a tool to analyse the cover offered and whether, and if so, the extent to which it covers AI risks,” Bates said.

Pridmore recommended brokers and insurers to proactively address potential ambiguities to mitigate claims disputes.

“A clear understanding of how AI models are deployed, the platforms underpinning them, and the controls in place for error detection and validation will be essential to underwriting accuracy and claims defensibility,” he said.

“Underwriters will need to evaluate the reliability and governance of AI models used by clients — particularly when writing traditional professions like law firms.”

“Understanding the underlying learning architecture and how outputs are validated will be critical. AI is already reshaping how many industries operate, and its growing integration will fundamentally impact the underwriting process.”

## Regulation

Blackmore pointed to an increasing number of APAC regulators addressing the use of AI in decision-making in the provision of financial products and services or in a data privacy context.

The Monetary Authority of Singapore recently published an information paper on AI model risk management, as well as a set of principles to consider when using AI data analytics.

Several data protection authorities, including in Australia and Hong Kong, have also recently published guidelines.

Current regulations around AI, though, may be insufficient, as was recently pointed out by Australian Securities & Investments Commission chair Joe Longo, who said more regulatory frameworks are likely to be established around AI usage.

“From an insurance perspective, we expect regulators like the Australian Prudential Regulation Authority to raise questions with insurers about their approaches to silent AI, similar to what occurred with silent cyber risks,” Smith said.

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