Moore Insurance Services

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Archie is a Senior Broker, specialising in Cyber, Tech & Media insurance. Archie has been at New Dawn Risk for over four years and principally focusses on finding creative solutions for large and challenging cyber risks across all verticals and classes of business in the USA and beyond.

New Dawn Risk

New Dawn Risk, member of aeProNet, is an independent specialist Lloyd's insurance broker, focusing on professional & financial lines and cyber. We work with retail and wholesale insurance brokers in the United States and internationally to provide expert solutions for complex and unique risks.

Keep Up! The 'AI Boom' Is Reshaping the Cyber Insurance Industry
By Archie Whitehead, Senior Broker, New Dawn Risk

You don't have to be a cyber expert to know that Artificial Intelligence (AI) has become a key focus of development for firms of all sizes in recent years. Generative AI (GenAI) can take the form of either Large Language/Multimodal Models (such as those that power familiar platforms, such as ChatGPT) or image/video diffusion models. Both LLM/LMMs and diffusion models are trained to leverage vast amounts of data to push the boundaries of creativity and efficiency. These models are being adopted by businesses to create new 'human-like' content in both the work and entertainment space. With this seemingly endless potential, it may not be surprising that the GenAI market is estimated to grow to a value of $1.3 trillion over the next 10 years, up from $40 billion in 2022, according to Bloomberg Research.

However, AI trainers may fail to realise potential risk exposure to third-party IP (predominantly copyright) infringement and the breaching of data privacy. Furthermore, the insurance market itself is still in the embryonic stage of comprehending the risks and implications GenAI may pose. It can be challenging for insurers to underwrite these ever-evolving exposures, particularly since there is still minimal case law, which is commonly used to resolve complex insurance matters and provide consistency and fairness during disputes. The meteoric rise and development of AI has outpaced the evolution of legal frameworks, meaning many of the current market-leading cyber, tech & media policy wordings may be outdated and not provide sufficient coverage to developers, deployers and distributors of AI systems. For instance, the recent passing of the Colorado AI Act (SB 24-205) and EU Artificial Intelligence Act of 2023 highlight the need for insurers to keep their 'fingers on the pulse' and update their wordings to provide policyholders with clarity on coverage and avoid any potential claims disputes.

We are currently witnessing the 'AI Boom' unfold in front of our very eyes. The recent news of the Chinese firm DeepSeek's apparent breakthrough model has shown we are yet to scratch the surface with regard to the capabilities of AI tools. The DeepSeek shakeup highlights that an AI Arms Race is happening, as US and Chinese developers will push the boundaries of one another as their competition drives innovation. The mass expansion and investment in AI provides both equal opportunity and risk for the insurance industry. Per the publisher Intelligent Insurer, 'according to McKinsey, Gen-AI offers new revenue opportunities for insurance worth $1.1 trillion—you simply can't afford to bury your head in the sand. The insurance industry needs to get to grips with this new technology, and fast.'

Luckily for policyholders, specialised solutions are already available to provide the peace and mind they so desperately require. The London Insurance Market has always taken pride in being the centre for innovation, being home to the industry's leading entrepreneurs and 'first-movers'. While many USA insurers may shy away from these new risks and fail to sufficiently adapt their policy wordings to better fit the needs of policyholders, the London Market's distinctively large amount of capacity, dynamism and entrepreneurialism places its insurers in the unique position to accommodate the necessary new approaches to risk management and threat landscape driven by new AI-enabled technologies and systems. Furthermore, with the frequency and severity of claims remaining unknown in relation to the incorporation of AI for offensive and defensive cybersecurity strategies, the Lloyds Market's ability to syndicate risk could pay dividends to both insureds and insurers alike down the line, potentially allowing for greater levels of consistency and sustainability of underwriting in the long term.

AI is integrating with every part of life, and – for better or worse – we need to adapt and wrap our heads around the implications these new technologies may pose for the insurance market. Policyholders can take comfort in the fact that the legal principles that apply to conventional content creation still govern AI-generated content. Insurance agents should ensure they are obtaining the necessary coverage for their policyholders through a Cyber, Technology & Media policy.

New Dawn Risk specializes in the placement of Cyber, Tech & Media – please reach out to archie.whitehead@newdawnrisk.com for any enquiries.