

Silent AI threat to insurers: Don't leave it to chance

30 June 2025  Felicity Pallas

The insurance industry (as with many other industries) stands on the brink of a transformative era driven by artificial intelligence (AI). AI technology promises to streamline operations, enhance customer service, and improve data management across a range of sectors.

However, the journey towards integrating AI is lined with challenges including [regulatory compliance](#), professional accountability, and customer scepticism.

Innovative AI products in insurance

We have recently seen a number of innovative new AI uses by insurance market participants, including the use of software to automatically redact sensitive personal information, the use of AI to better model cyber exposures, and affirmative AI cover in Tech [professional indemnity](#) policies

One notable innovation is Pimloc's Secure Redact, which enables insurers to efficiently redact personally identifiable information from audio and video data. This can help reduce the risk of data breaches, enhance data security and promote greater information sharing among insurers.

Challenges and risks

Despite the potential advantages of AI, its integration is not without significant risks. A recent incident involving a [pupil barrister citing fictitious legal cases from AI-generated content](#) highlights the potential pitfalls of relying on unverified AI outputs. This serves as a stark reminder of the need for rigorous checks and balances in the use of AI to prevent professional negligence.

Customer trust remains another significant barrier. The [2025 Guidewire European Insurance Consumer Survey](#) reveals deep-seated scepticism among UK customers, with a substantial proportion expressing [distrust in the use of AI by insurers](#). This distrust is compounded by a lack of confidence in how AI is currently being applied, indicating a need for greater transparency and customer education regarding AI technologies.

Insurer QBE has warned that more than 9 in 10 UK businesses (95%) are now using Artificial Intelligence (AI) or looking into it, despite 80% believing cyber threats are rising and over half (53%) of all UK businesses experiencing a cyber-attack in the last year. [QBE's latest Control Risks Report](#) forecasts that by the end of 2025, the number of significant UK cyber incidents will increase by 50%. As UK businesses adopt AI to leverage new efficiencies and reduce costs, QBE is warning businesses of the evolving cyber risks and how they should manage them.

Regulatory updates and industry response

To address these challenges, the [Financial Conduct Authority \(FCA\)](#) and [Information Commissioners Office \(ICO\)](#) are intensifying their efforts [to create a conducive environment for the responsible use of AI](#). They are working together to provide clear regulatory guidelines and support for financial services firms using AI, focusing on issues such as data protection, liability, and the ethical use of AI. These initiatives are crucial in building a regulatory framework that supports innovation while safeguarding consumer interests.

What does this mean for insurers?

As AI becomes more integrated into daily operations across professional industries, insurers face the challenge of 'silent AI', where AI-related risks are not specifically addressed in policy wordings that were written before the 'AI boom'. Similar to 'silent cyber', the very real threat of silent AI could result in either unexpected exposures for insurers (including potential systemic exposures), or unintended outcomes for customers (for example, if existing cyber exclusions have the unintended consequence of excluding AI-related claims that are intended to be covered).

Insurers are recommended to get ahead of the curve by having a clear strategy on their approach to AI exposures and by ensuring the policy wordings explicitly address their underwriting intention.

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