

# E&O Risk Management Newsletter

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We KNOW  
for Insurance Agents

E&O

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## Generative AI Tools and Your Agency

Many new tools are emerging that utilize Generative Artificial Intelligence (GenAI). While these tools have the potential to significantly streamline many functions for agents and potentially reduce their E&O exposure, use caution when engaging this new technology.

**Generative Artificial Intelligence (GenAI):** Deep-learning models that can generate high-quality text, images, and other content based on the data they were trained on. GenAI models use prompts to guide content generation and use transfer learning to become more proficient. Examples of GenAI tools include ChatGPT, Bard, Cohere, Copy.ai, Scribe, and Claude.

### GenAI Tips to Keep in Mind

- **Education is essential.** Agencies should understand the positives and negatives to using Generative AI tools. First, these tools are only as good as the data they consume, can be prone to unfair bias, and have been shown to “hallucinate,” creating false information when they are unable to produce an accurate answer. They can also be manipulated with malicious input to provide certain types of responses over others – including dangerous or unethical responses. Always exercise caution and strive to verify that information is accurate and unbiased.
- **Agency management must develop a Generative AI Use Policy that provides clear guidance on how GenAI tools should and should not be used at the agency.** Guidance should be simple to follow and clearly define what use is and is not allowable. Agency management will need to determine their comfort level with AI use by employees when developing this policy. View examples of a [Generative AI Use Policy](#) and a [Generative AI Prohibited Use Policy](#) (reprinted with permission of Insurance Agents & Brokers).
- Privacy and data security are significant concerns when using Generative AI tools. Many tools will utilize your data to help further train the AI and can be prone to sharing data or data breaches. Additionally, there are already examples of employees inadvertently exposing Personally Identifiable Information (PII) and proprietary information.

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- Some things to consider:
  - *Protect confidential and proprietary information.* Do not input this information into Generative AI tools that can potentially expose the information to the public.
  - *Adhere to copyright laws.*
  - *Update agency privacy and data retention policies to contemplate AI tools.* Review any contracts with AI tool providers carefully to determine how your data will be used and protected. Review your Cyber Insurance policy for any provisions related to AI use, too.
  - *Know that Generative AI tools will collect data* such as IP addresses, browser types, and usage, which may then be shared with third parties.
  - *Make clients aware that they are interacting with AI and what your data usage policies* are if you are using a tool such as a chatbot.
  - *Use password protection practices* and two-factor authentication (2FA)/multi-factor authentication (MFA).

This is quickly changing technology, so keeping yourself and your staff educated is vital.

*Please note that insurance is a heavily regulated industry. The National Association of Insurance Commissioners (NAIC) has issued a model bulletin on the use of Artificial Intelligence and individual states have done the same. While these are directed at insurers, many of the same concepts apply to insurance agencies, and agencies should be aware of the status of potential regulation. We recommend that you consult with an attorney or other professional on the use of GenAI and other Artificial Intelligence.*

## UNDERSTANDING E&O COVERAGE: Claims-Made vs. Claims-Made-and-Reported Policies

Insurance Agents' E&O policies generally come in two forms: claims-made or claims-made-and-reported. This is an important aspect of coverage to keep in mind when purchasing E&O coverage for your agency.

**Claims-Made** provides coverage for claims made during the policy period. The reporting requirement for such policies is generally "as soon as practicable" and they typically allow reporting of the claim for a period of time past the expiration date of the policy.

**Claims-Made-and-Reported** provides coverage for claims made and reported during the policy period. They may require a specific timeframe – 30 days, for example – that claims must be reported in and do not allow reporting after the expiration of the policy period.

Example:

- Policy term: 07/01/23 to 07/01/24
- Demand is made to the agency: 06/15/24
- Agency reports the claim to their E&O Carrier: 07/16/24

In this example, a claims-made policy would respond. A claims-made-and-reported policy would decline coverage due to the claim being reported after the policy period ended, even though the demand was made during the term.

## Help Your Agency Prepare Itself for Catastrophic Weather

Are you aware of our risk management resources related to catastrophic weather? The following can help:

- [Emergency Preparedness Insurance Agency Tool Kit](#) – A guide on how to prepare your agency for potential disasters.
- [5 Takeaways from Past Hurricanes](#) – Frequently misunderstood or misinterpreted coverage issues that only come to light after a catastrophe has occurred.
- [Hurricanes Often Produce More Floods Claims than Wind Claims](#) – Examples of hurricane-related claims and suggestions on how to avoid these situations.
- [Be Aware of the Growing Concern of Insurance to Value](#) – Potential claims issues surrounding undervalued property.

Plus, we offer the **Contingent Catastrophe Extra Expense Coverage Endorsement**. This is optional coverage available to all policyholders for an additional \$100. In the event a catastrophe impacts your agency, this provides extra funds for things like setting up a temporary claims office, overtime, and hiring temporary workers.

*This summary represents an outline of coverage available from the member companies of the Utica National Insurance Group. No coverage is provided by this summary. All coverages are individually underwritten. Coverage availability, terms, and conditions are dictated by the policy and may vary by state. In the event of a loss, the terms of the policy issued will determine the coverage provided.*

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