

An Artificial Intelligence (AI) Use Policy for Insurance Agencies
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I attended the Independent Insurance Agents of Virginia (IIAV) annual conference recently. For the second year in a row there were many conversations about the use of Artificial Intelligence (AI) in insurance agencies. This year it was clear that many agencies have begun experimenting with the use of AI in a variety of ways. While AI has the potential to greatly enhance agency operations, improve customer service, and create efficiencies, it is important that agencies use AI responsibly, ethically, and in a manner that aligns with the agency's values and legal obligations. To do that, agencies should adopt a written policy governing the use of AI by agency employees when conducting agency business.

Objectives. An insurance agency's AI use policy should focus on achieving the following objectives, among others:

- Promote the safe and effective use of AI tools, including tools designed specifically for use by insurance agencies.
- Mitigate the risks that AI may generate false or misleading outputs.
- Maintain the confidentiality and integrity of agency and client data.
- Comply with emerging laws, regulations, and guidelines governing AI.
- Stay informed about developments in AI as these technologies evolve.
- Encourage informed communication with clients and within the agency about AI use.

Scope. An AI workplace use policy should define the scope of the policy, including what and who the policy applies to. The term "AI" generally refers to large language models, generative programs, and related tools that perform algorithmic functions on a particular data set. The technology often develops responses intended to mimic human thought and expression. An AI use policy should apply to all AI systems and models used within the agency, including those developed in-house and those procured from external vendors. It should cover all employees, contractors, and other individuals who interact with the agency's systems, software and hardware.

Guidelines. When developing an AI use policy, an insurance agency should consider including the following guidelines:

1. **Training and Education:** All employees who interact with an agency's AI systems should receive appropriate training on how to use AI tools effectively and responsibly. This includes training on the agency's AI policy, technical training on how to use specific AI systems and applications effectively and responsibly, and education on the limitations and risks of AI tools.
2. **Validation and Oversight:** AI technologies are known to create errors and fabrications ("hallucinations") in the absence of human judgment. Any content generated by AI technology should be considered an initial draft only and should never be accepted without human verification. Users should always cross-check with reliable sources to validate AI outputs. Also, users should never assume that content generated by AI is free from copyright or other confidentiality protections as it could have been wrongfully or mistakenly shared into the AI's learning environment.
3. **Confidentiality:** Many AI tools store information that users enter, and that information may be disclosed in response to future prompts from other users of that tool in the public domain. Therefore, disclosure of information to an AI tool should be considered public disclosure of that information, except for disclosure to AI tools specifically designed to maintain confidentiality. Users should not upload or share to an AI tool any data that is confidential, private, proprietary, or otherwise protected

unless the AI tool has been assessed and approved for such use to ensure the agency's and client's data will be secure and will not be disclosed in the public domain.

4. **Authorization for Use of AI Tools:** AI tools and usage should meet the agency's rules regarding the management, protection, and storage of confidential data. Before approving any AI tool for use, an agency should conduct due diligence to assess its safety, compliance standards, and relevance to the agency's needs. Producers, account managers and other staff should refrain from knowingly installing or accessing AI tools without authorization from the agency's management or IT department. If an AI tool requires acceptance of its terms of use, these terms should be reviewed carefully by the agency's legal counsel and approved by management before acceptance. Agencies may want to attach a list of approved and prohibited AI tools to the agency's AI use policy.
5. **Transparency and Open Communication:** Each agency should strive to make its use of AI transparent to customers, employees, and other stakeholders, and foster a culture where producers, account managers and staff feel comfortable discussing any concerns and reporting any issues they encounter with AI tools. This will allow the agency to address potential problems proactively for the best outcomes.
6. **Ethical Use:** AI should be used in a manner that respects the rights and privacy of individuals, and does not discriminate on the basis of race, gender, age, or other protected characteristics.
7. **Legal Compliance:** All AI systems and applications should comply with applicable laws and regulations, including data protection and privacy laws.
8. **Compliance with other agency policies:** An AI use policy is intended to add to, not contradict, limit, or replace, other applicable agency policies, all of which will remain in full force and effect. Any use of AI tools should comply with the agency's other relevant policies, internal controls, and guidelines, including the agency's information security program.
9. **Review and Audit:** Agencies should regularly review and audit compliance with their AI use policy and applicable laws and update their AI use policy as AI technologies evolve and the agency's use of AI changes.

AI technology and its use in insurance agencies is evolving rapidly. To keep up and protect your agency, it's important to develop an initial AI use policy early on. Then review and update that policy regularly as your agency grows and its use of AI expands.

For more information or assistance with preparing an AI use policy for your agency, contact Mel Tull, at Mel@TullLawPLC.com or (804) 404-7748. Mel advises insurance agencies and other companies on general business law matters and buying and selling agencies and books of business.

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