



CLIENT ADVISORY

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Managing AI liability risk

Background

Artificial intelligence (AI) is rapidly becoming embedded in how New Zealand businesses operate. Gallagher's global insights have highlighted AI liability as the next 'silent risk'.

AI adoption has accelerated quickly, yet governance frameworks, regulatory clarity and insurance responses are still evolving. This creates a gap between how AI is being used and how well the associated risks are understood and managed.

Understanding AI liability risk

AI-related risks are already present within business operations. Whether through automated decision-making, customer-facing tools or internally generated insights, organisations are increasingly relying on AI to support outcomes that carry financial, operational and reputational consequences.

From an insurance perspective, this means exposure may extend across multiple policies, including professional indemnity, cyber and directors' and officers' liability. In many cases, cover may exist, but how it responds to AI-driven losses is not always clear.

What this means for clients

The key issue is not whether AI risk exists, but whether it is sufficiently understood.

In practice, this means:

- AI is already influencing business outcomes and decision-making
- Liability may arise across multiple areas and insurance policies
- Accountability may be shared or unclear, particularly where third parties are involved
- Governance and oversight frameworks may not yet be keeping pace with adoption

Key actions to consider

A proactive approach is critical in the current environment.

This includes:

- Developing a clear view of where AI is used across the business and how it influences decisions
- Considering how errors or unintended outputs could translate into financial or reputational impact
- Reviewing insurance programmes to assess how policies may respond to AI-related scenarios
- Strengthening governance, including oversight, validation of outputs and data quality controls
- Reviewing third-party arrangements to understand responsibilities and limitations

How Gallagher can help

Our brokers are already working closely with clients to help them understand their potential exposure to AI-related risks, and to identify practical steps to ensure appropriate insurance protections are in place.

If you'd like to better understand your organisation's AI liability risk and the actions you can take to mitigate it, contact your Gallagher broker today.

Connect with us

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