ARIAS·U.S. 2026 Fall Conference

Beyond the Algorithm

AI Risks, Regulation, and the Future of Reinsurance Risk Transfer

Mina Matin Co-Head of Insurance Disputes, Norton Rose Fulbright

Erin Brewer Senior Assistant General Counsel, Zurich U.S.

Tracie Grella Global Head of Cyber Risk Insurance, AIG

Jonathan Spry CEO & Founder, Envelop

Maxine Verne Managing Director, Global Contracts, Consultant / Broking Support Services, Marsh Re

NRF ZURICH AIG envelop MARSH RE

SESSION LEADERS & PANELISTS

Our panel

CO-MODERATORS



Mina Matin

Co-Head of Insurance Disputes
Norton Rose Fulbright



Erin Brewer

Senior Assistant General Counsel
Zurich U.S.

PANELISTS



Tracie Grella

Global Head of Cyber Risk Insurance
AIG



Jonathan Spry

CEO & Founder
Envelop



Maxine Verne

Managing Director, Global Contracts Consultant / Broking Support Services
Marsh Re

SESSION ROADMAP

Agenda: Navigating what's next

01

What AI risks are emerging?

Deployment, loss types, and regulator concerns

02

How is the market responding?

Affirmative AI covers, wordings, and exclusions

03

How do AI risks fit into traditional reinsurance frameworks?

Coverage, aggregation, follow-the-fortunes, records

04

AI and reinsurance disputes: what's next?

Arbitrable issues and the clauses implicated

No Standard or Universal Definition of AI

ISO CGL 40470126

"Generative artificial intelligence" means a machine-based **learning system or model that is trained on data** with the **ability to create content or responses**, including but not limited to text, images, audio, video or code.

Berkley Insurance Exclusion

"Artificial Intelligence" means any machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments, **including, without limitation, any system that can emulate the structure and characteristics of input data in order to generate derived synthetic content**, including images, videos, audio, text, and other digital content.

NYDFS Circular Letter 7

July 2024
(AI in underwriting)

AIS (Artificial Intelligence System) means any machine-based system **designed to perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement**, that is **used – in whole or in part – to supplement traditional health, life, property or casualty underwriting or pricing**, as a proxy for traditional health, life, property or casualty underwriting or pricing, or to identify **"lifestyle indicators"** that may contribute to an underwriting or pricing assessment of an applicant for insurance coverage.

European Union AI Act

A machine-based system that is **designed to operate with varying levels of autonomy** and that **may exhibit adaptiveness after deployment**, and that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments.

PART 1

What AI risks are emerging?



What is AI in Insurance and Reinsurance?

AI systems use data to support decisions across the insurance value chain.

Placement

Broker submission triage, treaty & facultative placement, quote automation

Underwriting & Pricing

Exposure & accumulation analysis, cat modelling, premium calculation, wording drafting, actuarial analyses

Servicing

Treaty administration, bordereaux processing, ceded reporting & accounting

Claims

Ceded loss notification, reserve review, claims audits, recoveries

Fraud & SIU

Claims integrity, anomaly detection across cedent portfolios, network analysis

$8.6B

2025 insurer AI spend, heading to $59.5B by 2033

~25%

expected growth in industry AI spend during 2026 alone

~1 in 3

re/insurers say their AI strategy is fully integrated (S&P survey)



Sources: SG Analytics, AI in Insurance (June 2026); S&P Global Ratings survey of 121 re/insurers, via Reinsurance News (Sept. 22, 2026).

Taxonomy of AI Risks

AI risks are multidimensional, cutting across technical, legal, ethical, operational and security domains

Technical Risks	> Model drift > Hallucinations > Adversarial inputs
Ethical & Societal	> Bias in hiring > Discrimination in lending > Stereotyping in outputs
Legal & Regulatory	> GDPR/AI Act violations > IP infringement > Lack of auditability
Operational & Business	> Over-automation > Misaligned AI goals > Revenue-impacting failures
Security & Privacy	> Data leaks > Training data misuse > Prompt injection attacks

Keep an “emergency brake” on AI

Keep tamper-proof records of agents’ actions and subject AI systems to independent audits

Satya Nadella, Chairman & CEO, Microsoft
Tips reported by Bloomberg News, Oct. 11, 2026
based on Nadella’s Oct. 10 post on X

Safeguards discussed

Human control

Retain an emergency brake.

Critical decisions

Avoid relying on a single AI system.

Accountability

Keep action records and use independent audits.

AI – Legal, Operational and Coverage Issues

AI systems increasingly depend on vast and often highly sensitive datasets and AI models are trained using combinations of proprietary, licensed and open-source data.

Organizations must address complex issues surrounding data ownership, rights to AI-generated outputs and insights, and the protection of valuable underlying datasets.

Especially significant in industries where data itself is a critical asset and a key driver of innovation.

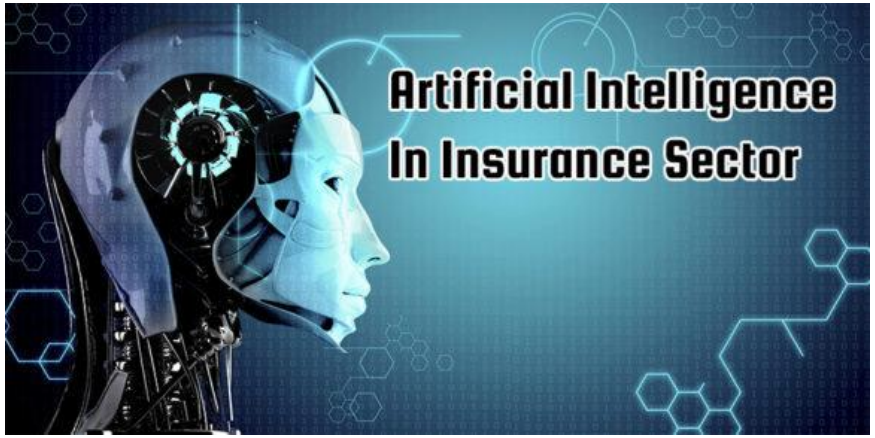
Global organizations should therefore treat AI-related IP protection as both a legal and an operational exercise

Coverage and Exclusions

RAND's 16 September study found, across 60 insurers, **112 AI exclusion forms against seven affirmative endorsements**, and **no standalone AI policy filed in the US admitted market.** Beazley and CFC moved the other way with affirmative wordings.

AM Best says hallucination, model-performance deterioration and data poisoning are "often uninsurable through standard admitted carriers".

No decided court case on an AI exclusion, and none on a deepfake-induced authorized transfer, could be found.



This Photo by Unknown Author is licensed under CC BY-SA-NC

Marsh View – Dialogue

Marsh Re CEO and president Dean Kilsura

"work with the markets to ensure reinsurance arrangements follow the positions its clients take on AI exposure...any exclusion that is not in line with the clients' language creates uncertainty for cedants and their customers, alongside potential coverage gaps."

Dialogue

What is the client's exposure? What reinsurance coverage is needed?

The Insurer, October 6, 2026

Regulators are taking action on AI

UNITED STATES

29 jurisdictions

have adopted the NAIC Model Bulletin on Use of AI Systems by Insurers (NAIC status map, Oct 8, 2026)

4 States

including CA, CO, NY and TX, regulate insurer AI under their own frameworks

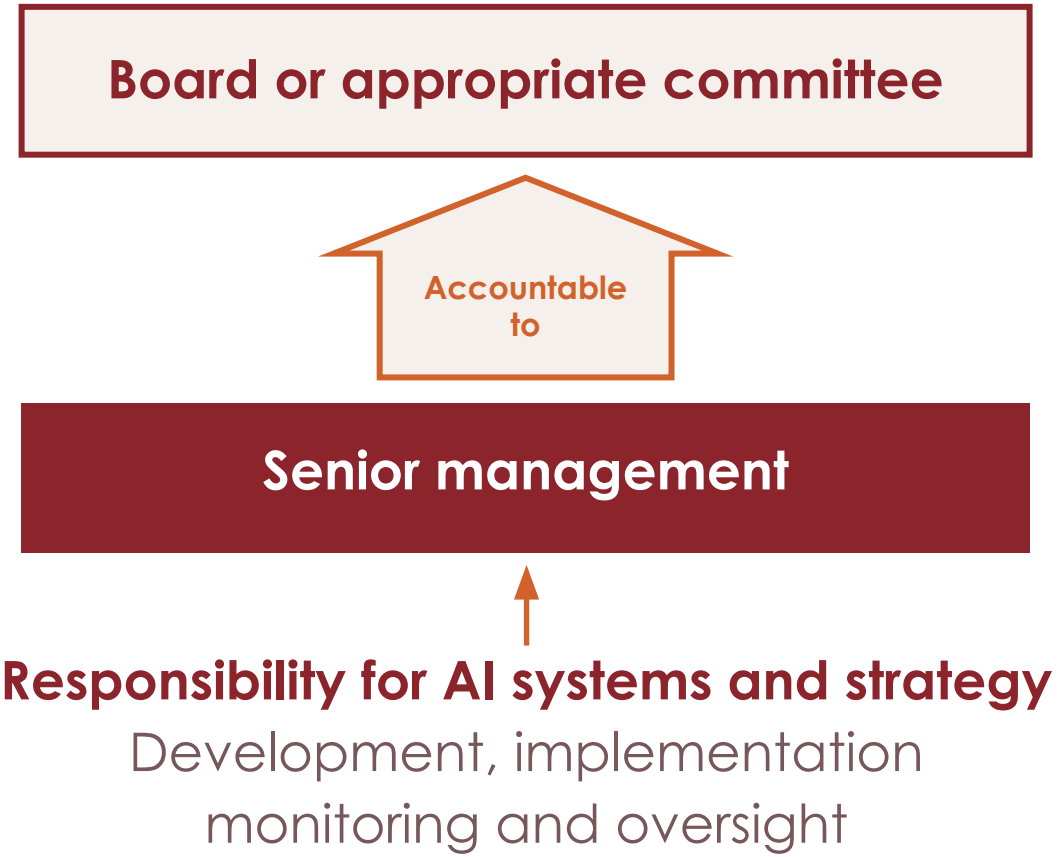
NYDFS Circular 7

(July 11, 2024) sets supervisory expectations for actuarial soundness, bias testing, vendor oversight and consumer disclosure in underwriting and pricing

EUROPEAN UNION · AI ACT

- **2 Feb 2025**
  Prohibited practices apply
- **2 Aug 2025**
  GPAI rules and governance in force
- **2 Aug 2026**
  Most rules apply, high-risk deadlines deferred
- **2 Dec 2027**
  Annex III standalone high-risk systems
- **2 Aug 2028**
  Annex I embedded product AI

NAIC Bulletin: Accountability of Senior management for AI



NAIC Model Bulletin, Use of Artificial Intelligence Systems by Insurers, Section 3, ¶1.3 (Dec 4, 2023)

PART 2

How is the market responding?



AI risk at renewal: appetite, pricing and capacity

Appetite	Which AI exposures will the market underwrite?
Pricing	How should AI risk be priced with limited loss experience?
Capacity	What would justify more capacity or different terms?

AI coverage: exclusions and affirmative protection

Carving it out

- ISO introduced three optional generative-AI exclusions with January 2026 edition dates: CG 40 47, CG 40 48 and CG 35 08.
- Berkley's "Absolute" AI exclusion specimen applies to D&O, employment practices and fiduciary liability coverage parts.
- Differences across cyber, Tech E&O, D&O and EPLI can leave gaps in AI coverage.

Granting it back

- Affirmative AI products cover specified losses from AI errors, including through insurance-backed performance warranties.
- Some AI insurance offerings use certification and adversarial testing to support underwriting.

The reinsurance problem: a cedent's portfolio may contain both approaches, written on different wordings, ceded under one treaty.

PART 3

How do AI risks fit into traditional reinsurance frameworks?



Cedent AI use: reinsurance implications

Changes to the ceded book

AI can change pricing and risk selection. Poor data may cause systematic mispricing, while selective cessions may increase adverse selection.

Claims decisions and recoveries

AI-assisted settlements raise questions about good faith and human oversight. Erroneous denials may lead to bad-faith claims and recovery disputes.

Coverage and accumulation

Silent AI exposure may span traditional policies. Use of the same AI system can cause correlated losses across cedents. Policy and treaty exclusions may leave gaps.

Treaty terms and governance

Key issues include material-change disclosure, underwriting limits and AI system governance. Regulatory duties vary by jurisdiction and may affect ceded risks.

AI can also improve risk modelling, claims analysis and treaty review.

Is it a covered reinsurance loss?

Event	What event defines retention, limits and reinstatement as AI performance changes?
Aggregation	Do covered losses from repeated AI errors form one event or separate events?
Fortuity and disclosure	Was the loss fortuitous, and did the cedent disclose its AI use at placement?
AI exclusions	Do policy and treaty exclusions align, or is the AI exposure silent?
Follow-the-fortunes	Must reinsurers follow an AI-assisted decision within treaty scope despite differing policy wordings?

Aggregation: one event, or forty thousand?

Illustrative dispute: the same losses following one vendor AI system update

Cedent's argument

Loss A	Loss B	Loss C
Loss D	Loss E	Loss F

Reinsurer's argument

Loss A	Loss B	Loss C
Loss D	Loss E	Loss F

One originating cause

One event, one retention and one limit

Separate underwriting decisions

Separate events, each tested against retention

Treaty wording, facts and governing law determine the result.

Follow-the-fortunes / settlements

The classic bargain

Reinsurers follow good-faith, businesslike claim decisions and do not re-litigate the cedent's settlement of a covered loss.

Where AI strains it

What is 'businesslike' when the decision was made by a model the cedent cannot fully explain, on a vendor system it does not own?

The open questions

Does deference extend to a machine's judgment? Is an unexplainable decision *ex gratia*? Who bears responsibility for an AI system failure?

HYPOTHETICAL: AN AI-ASSISTED SETTLEMENT

Second-guessing, or a challenge to businesslike judgment?

After a factory fire, a manager approves an AI-assisted business-interruption settlement with little independent review. The reinsurer disputes the production forecasts. The cedent invokes the follow-the-settlements provision in the reinsurance policy.

AI system records: confidentiality and privilege

Records requested

Training data sources and changes
AI versions, instructions and responses
Accuracy and fairness tests
Human overrides and vendor audit rights

Disclosure obstacles

Vendor ownership and NDA restrictions
Trade secrets and pricing methods
Other insureds' confidential data

Confidentiality safeguards

Treaty access and regulatory reviews may overlap. Confidentiality orders can limit use and disclosure.

Privilege safeguards

Routine testing is not automatically privileged. Confidential legal advice may qualify. Document the legal purpose.

PART 4

AI and reinsurance disputes: what's next?



Reinsurance disputes arising from AI use

Potential dispute	Relevant treaty terms	Question for the parties
Aggregation	Event definition, aggregation and hours clauses	One AI error: one event, retention and limit, or several?
AI-assisted settlements	Follow-the-fortunes / follow-the-settlements	Must reinsurers follow AI settlements with little human review?
AI system records	Access to records, inspection and confidentiality	Must the cedent obtain and disclose a vendor's AI records?
Scope of AI coverage	AI exclusions, endorsements and follow-form terms	Does the treaty cover the same AI losses as the policy?
Disclosure of AI use	Disclosure duties and material-change provisions	Could failure to disclose AI use defeat reinsurance recovery?
Losses across cedents	Clash cover, aggregation and allocation terms	One AI provider, multiple cedents: which treaties and limits respond?

Outcomes will depend on the treaty wording, the facts and governing law.

Where this leaves us

Coverage	AI exclusions and affirmative grants coexist in ceded portfolios.
Governance	Senior management owns AI governance and remains accountable to the board.
Aggregation	Treaty wording must address how AI-related losses combine.
Records	Agree access to AI records and confidentiality and privilege safeguards early.

Questions

