



Commercial Insurance Profile

December 2024

Reducing the Risks of AI in Employment Decisions

Organisations are increasingly utilising artificial intelligence (AI) in employment-related decisions. Although AI technology can offer several benefits (eg improved efficiency, objectivity and decision-making), it also presents risks, including biases and discrimination from outdated or nondiverse data and ethical concerns related to data utilisation and storage. Moreover, there are numerous laws and regulations that businesses must consider when using AI in employment decisions, such as the Equality Act 2010 and the General Data Protection Regulation. Failure to comply with applicable regulations could result in fines, penalties and reputational damage.

To mitigate potential liability and reduce risks associated with AI use, employers can implement the following strategies:

- **Follow applicable laws and regulations.** Organisations must ensure they are permissibly using AI in employment-related decisions. To do this, it's important to work with the AI vendor to understand the technology's algorithm, consult with legal professionals about the applicable laws and regularly monitor the technology's outputs for discriminatory results with procedures in place to correct them.
- **Develop clear ethical guidelines.** Internal policies should address appropriate AI use, detail consent procedures for job candidates and employees, and emphasise transparency and explainability of AI algorithms.
- **Implement human oversight and intervention procedures.** Human involvement in decision-making processes is essential to ensure the legal and proper functioning of AI technology.
- **Ensure data quality to address biases.** Since AI can perpetuate unlawful biases, the data inputted into the system must be accurate, relevant, diverse and complete. This can help the system return stronger and more compliant results.
- **Audit and evaluate AI performance regularly.** Like other systems, AI needs to be audited regularly to analyse its outputs. Corrections and adjustments can then be made to enhance its performance.

AI utilisation in employment decision-making is increasing, but it presents various risks. Employers must be aware of the advantages as well as potential exposures and legal concerns when incorporating this technology into their operations.

For more risk management guidance, contact us today.

Avoiding Common Insurance Gaps

Businesses of all sizes across industries face various risks that can lead to significant financial losses. To mitigate these exposures, business owners secure insurance for their operations. Several considerations go into building an insurance portfolio, and when doing so, business leaders must be mindful of policy specifics.

Failure to adequately address a business's insurance needs can result in costly insurance or cover "gaps" that can be detrimental to a business and its stakeholders. Such gaps can cause financial damage; organisations often pay out-of-pocket expenses when current policies don't adequately cover a loss. This can also negatively impact a business's reputation, resulting in a decline in trust and difficulty securing financing. Insurance gaps can arise due to many reasons, including:

- **Misunderstanding policy exclusions** that eliminate cover for certain risks, leaving the business vulnerable
- **Not reviewing and updating policies** to meet their evolving insurance needs
- **Relying on personal insurance**, which often doesn't cover business activities

To avoid insurance gaps, business owners should take the following steps to identify and close them:

- **Conduct a comprehensive risk assessment** to evaluate potential risks specific to their business and industry.
- **Review and update insurance policies regularly** to ensure adequate cover after business changes.
- **Work with an experienced insurance agent or broker** who can provide valuable advice on the type of cover the business needs.
- **Understand policy exclusions and endorsements** by thoroughly reading all policies.
- **Ensure adequate limits and proper deductibles are in place** to avoid underinsurance and large, unexpected expenses.
- **Consider industry-specific insurance policies** that address the unique risks of business operations and bundle policies to reduce costs and avoid gaps between separate policies.

Lastly, business owners should be mindful of the types of cover that are often overlooked. These include business interruption insurance, cyber-liability insurance, errors and omissions insurance and employment practices liability insurance.

For additional guidance and robust insurance solutions, contact us today.



According to consulting services firm Sedgwick, approximately 80% of the UK's small- and medium-sized enterprises are underinsured. Failure to adequately address insurance needs can result in costly insurance or cover gaps that can be detrimental to a business and its stakeholders.