



Insurance Innovations for Scaling Agentic AI Systems



Agentic AI promises to reshape every industry, driving efficiency, personalization, and innovation. Yet these advances bring novel risks (algorithm failures, bias, regulatory gaps, cyber-physical threats) that can chill adoption.

Insurers who develop tailored products can both protect enterprises against unforeseen AI losses and incentivise broader AI deployment. By embedding risk management services and forming strategic partnerships, insurers can profitably underwrite these risks – much as they did with cyber insurance a decade ago.

Agentic AI refers to artificial intelligence systems that are designed to operate as autonomous agents; they can make decisions, take actions, and pursue goals independently, often over extended periods and in dynamic environments.

Traditional AI often performs single, narrow tasks when prompted. Agentic AI, on the other hand, can initiate actions, adapt strategies, and work toward long-term goals.



Key Opportunities for New Insurance Products

As agentic AI systems become more integrated into various industries, the need for specialized insurance products becomes increasingly vital. This presents insurers with opportunities to develop innovative coverage solutions that address the unique risks associated with autonomous AI systems.

AI Algorithmic Liability (“AI E&O”)

- **What it covers:** Third-party claims arising from AI model errors, bias/discrimination, flawed recommendations, or IP infringement.
- **Why it matters:** As organizations delegate decisions to AI, they must cover liability gaps not addressed by standard tech E&O or professional indemnity policies. These organizations would find insurance products which explicitly include “algorithmic bias” and “performance failures” attractive.

AI Performance Guarantees & Warranties

- **What it covers:** Financial losses if an AI product fails to meet agreed performance metrics (accuracy, uptime, fairness).
- **Why it matters:** Enterprises hesitate to deploy mission-critical AI without assurances. AI performance warranties could independently test and insure AI performance, like the cyber policies of today.

First-Party AI Failure & Business Interruption

- **What it covers:** Lost income, reputational harm, product recall, and incident response costs following an AI system outage or malfunction.
- **Why it matters:** Traditional BI policies trigger only on physical damage; AI outages leave coverage gaps. Insurance products could close this gap by reimbursing revenue losses and funding forensic investigations when third-party AI tools fail, addressing the direct operational impact of AI downtime.

Cyber Extensions for AI

- **What it covers:** Cyber incidents targeting or caused by AI (adversarial attacks, data poisoning), plus privacy breaches via AI systems.
- **Why it matters:** AI expands the threat surface. Modern cyber policies must affirmatively include AI vectors, ensuring that hacking or misuse of AI controls is treated as a covered cyber event, not an operational error exclusion.



Unlocking the Agentic AI Ecosystem

There is a significant opportunity for insurers to place themselves at the heart of the emerging AI agentic ecosystem, much as insurance powered the growth of marine shipping centuries ago:

- **De-Risking Innovation:** By transferring algorithm and performance risks to insurers, organizations can pursue ambitious AI projects without fear of crippling losses, accelerating adoption of autonomous systems in finance, healthcare, manufacturing, and beyond.
- **Building Trust:** Performance warranties and liability cover signal to customers, partners, and regulators that AI deployments are managed responsibly, boosting market confidence.
- **Encouraging Best Practices:** Policy conditions (bias testing, security controls, governance frameworks) align with regulatory expectations (FCA's call for safe, responsible AI use), driving better AI risk management across industries.
- **Enabling Scale:** Wrap around and standardized products, underwritten at scale, allow insurers to serve mid market and enterprise clients globally, much as cyber insurance has become ubiquitous.
- **Creating New Revenue Streams:** A nascent line of business, AI insurance can follow cyber insurance's growth trajectory. Premiums for AI coverage may meaningfully augment P&C portfolios as AI becomes embedded in critical processes.

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Practical Next Steps for Insurers

As the agentic AI ecosystem continues to evolve, insurers have a pivotal role to play in its expansion. By adopting some strategic measures, like those outlined below, insurers can develop innovative coverages that mitigate risks and foster trust in autonomous systems.

Build AI Risk Expertise

- Form multidisciplinary teams of underwriters, data scientists, and AI engineers to understand AI model failure modes, adversarial threats, and bias sources.
- Develop proprietary risk assessment frameworks that evaluate clients' AI governance, data quality, and security posture.

Launch Targeted Pilots

- Start with niche covers (e.g., AI performance guarantees for healthcare startups; BI for cloud-based AI services).
- Partner with reinsurers (Swiss Re, Munich Re) to co-underwrite and share losses, gaining leverage on capital and expertise.

Embed Risk Management Services

- Offer prebinding AI audits, bias testing, and security reviews as value-add services, reducing loss frequency and fostering client loyalty.
- Develop incident response playbooks for AI failures, ensuring swift remediation and minimizing reputational damage.

Engage Regulators Early

- Contribute to policy discussions (FCA, EU AI Act) to shape frameworks that recognize the role of insurance in AI risk transfer.
- Align policy wordings with regulatory definitions, ensuring insurability of fines/penalties where legally permissible and reinforcing compliance through coverage conditions.

Scale and Standardize

- Create modular endorsements for existing cyber/E&O policies to cover AI perils (bias, performance, IP).
- Leverage digital platforms for streamlined quoting and claims processing, mirroring the self-service model of many insurtechs.





How Xceedance can help

Xceedance, with its exclusive focus on the insurance sector, brings unparalleled expertise in developing and launching innovative policies. Leveraging our specialization in technology and automation, we empower insurers to swiftly integrate AI risk management into their existing frameworks. By harnessing our capabilities, insurers can confidently navigate the complexities of AI, transforming potential challenges into profitable opportunities.

- **Advanced Data & Pricing Models:** Leveraging Xceedance's actuarial and data science teams, insurers can develop robust pricing algorithms for AI risks, incorporating emerging data on AI incidents and telemetry from enterprise clients.
- **Risk Engineering Solutions:** Xceedance can integrate AI risk assessment tools (bias detection, vulnerability scanning) into insurers' underwriting platforms, enabling real-time evaluation of AI governance and security controls.
- **Technology & Automation:** Xceedance's technology accelerators can help implement digital workflows for quoting, issuing AI endorsements, and managing AI-specific claims, ensuring scalability and operational efficiency.

By partnering with Xceedance, insurers can move swiftly from concept to market-ready AI insurance products—turning the challenges of agentic AI into profitable opportunities while supporting clients in safely scaling their AI investments.



About the Author



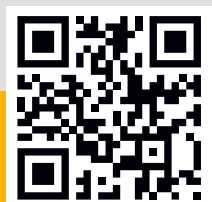
Brandon Nuttall

Brandon Nuttall is the Chief Digital & AI Officer at Xceedance. Brandon enables Xceedance clients to incubate GenAI and other intelligent technologies into their daily operations safely and securely so that they can do more, faster.

Brandon has almost 20 years of experience in the insurance industry and a proven track record of curating ecosystems that combine the best of industry professionals and digital solutions, delivering real value to clients.

Brandon has deep expertise in digital architecture, infrastructure, and environments. He has also supported best-practice implementations of insurance technology solutions internationally. In previous roles, he has created compelling technology propositions for clients and helped C-level teams of global organizations accelerate their technology change journeys.

Learn how Xceedance can help your organization navigate complex market challenges, manage rapidly-evolving policyholder expectations, boost regulatory compliance, and kickstart enterprise transformation. Ready to find your way forward? Reach out to us at contact@xceedance.com to get started.



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