



Commercial Liability

Insurers Start Excluding AI Risk in Some Policies

INSURERS ARE rapidly moving to exclude artificial intelligence-related claims from standard business insurance policies, creating potential coverage gaps for businesses that rely on AI tools for marketing, customer service, product development or daily operations.

The changes come after the Insurance Services Office, the industry's clearinghouse for policy language, introduced three new artificial intelligence exclusions for commercial general liability policies that insurers are beginning to add to coverage forms.

Roughly 86% of all U.S. property/casualty insurance policies contain some form of ISO language, meaning these exclusions could soon become widespread and leave coverage gaps for many employers when their CGL policies come up for renewal. Insurers are also starting to add similar language to other policies with a liability component.

New coverage gap

The three new ISO endorsements include:

CG 40 47 – The broadest form, excluding coverage for bodily injury, property damage or personal/advertising injury arising out of generative AI.

CG 40 48 – A narrower endorsement excluding only personal and advertising injury claims tied to AI.

CG 35 08 – An exclusion applying to products and completed operations liability coverage.

These endorsements could affect how coverage applies to certain AI-related claims, depending on policy language and endorsements.

A big concern involves Coverage B of the CGL policy, which covers claims such as defamation, invasion of privacy and misappropriation of advertising ideas among others. Under the new exclusions,

those claims may no longer be covered if they arise from AI-generated text, images, audio, video or code.

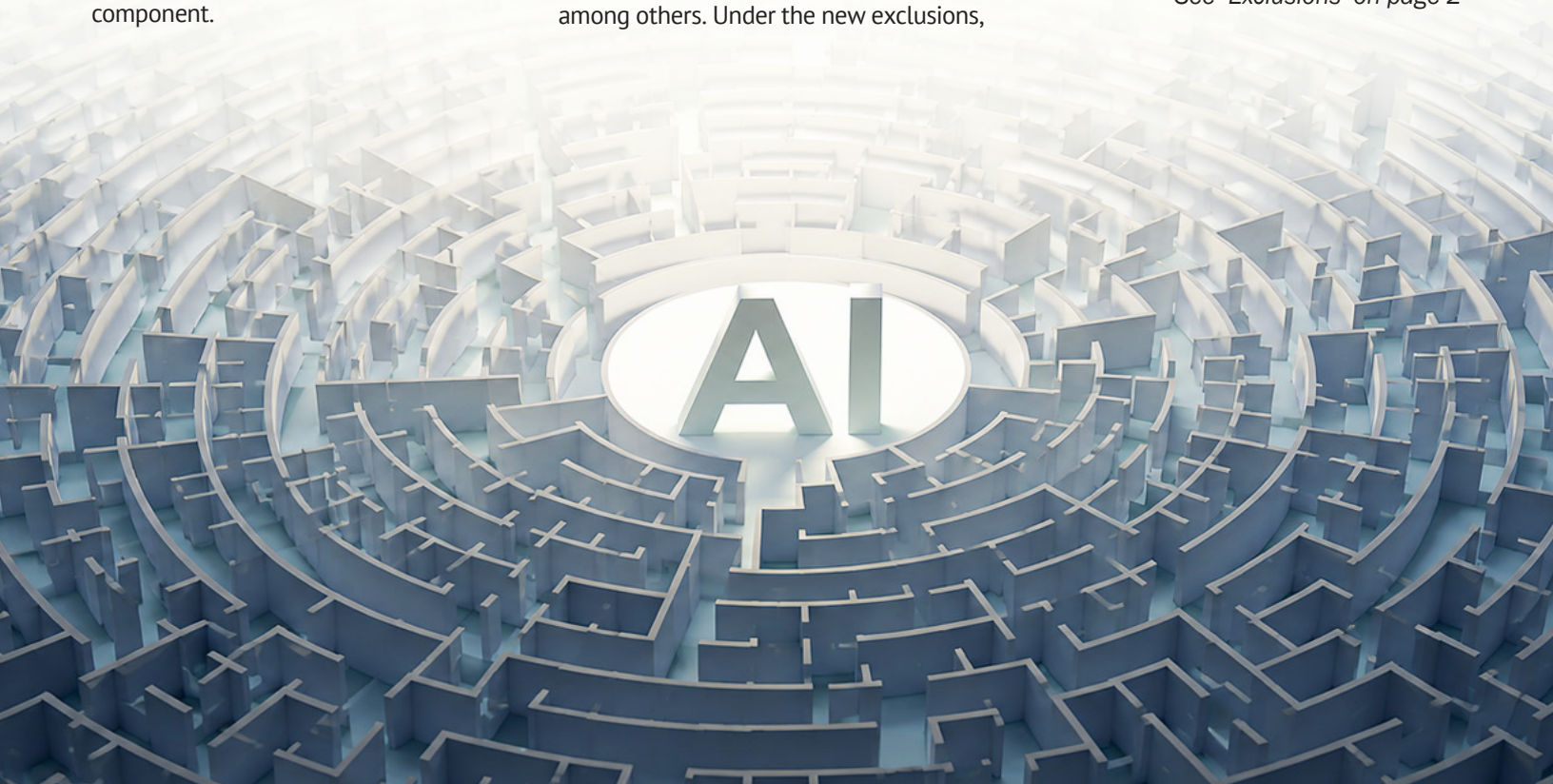
Even firms using third-party AI tools, rather than developing their own systems, may still trigger the exclusions. In some cases, incidental use of AI may be enough.

The most vulnerable

The businesses likely to feel the greatest impact include:

- Marketing and advertising firms using AI-generated campaigns,
- Technology companies embedding AI into products or software,
- Manufacturers relying on AI-assisted product design,
- Professional service firms using AI to draft documents or communications, and
- Firms using AI tools in hiring decisions.

See 'Exclusions' on page 2



Work Violence Prevention Training Deadline July 1

CALIFORNIA EMPLOYERS are fast approaching another important compliance deadline under the state’s workplace violence prevention law.

By July 1, employers with 10 or more employees must provide annual workplace violence prevention training to staff and review their workplace violence prevention plan. The requirement stems from Senate Bill 553, which took effect July 1, 2024.

Cal/OSHA has been actively enforcing the law during workplace safety inspections, making it important for employers to ensure their plans, training and record-keeping procedures are current.

The law requires covered employers to maintain a written workplace violence prevention plan (WVPP) that addresses how the company identifies, evaluates and responds to workplace violence hazards.

Training requirements

The law requires employers to provide effective training both upon hire and annually thereafter. Training materials must be easy for employees to understand and should address hazards specific to the workplace and employees’ job duties.

Required training topics include:

- The employer’s workplace violence prevention plan,
- How employees can participate in the plan,
- Definitions and requirements under Labor Code Section 6401.9,
- How to report workplace violence incidents or threats,
- Protections against retaliation for reporting concerns,
- Job-specific workplace violence hazards and preventive measures,
- Emergency response procedures, and
- The purpose of the violent incident log and how employees can access related records.

Employers must also provide employees with an opportunity to ask questions and receive additional information during the training.

Record-keeping obligations

The law also includes extensive record-retention requirements. Employers must maintain:

- Hazard identification and correction records for at least five years,
- Violent incident logs for at least five years,
- Incident investigation records for at least five years, and
- Training records for at least one year.

Breakdown of penalties

Serious violations: Fines can reach up to \$25,000 per violation. This applies if an employer lacks the mandated WVPP or fails to properly train staff.

Willful or repeated violations: Fines scale up to a maximum of \$158,727. This is triggered when an employer knowingly ignores the law or has a history of continuous non-compliance.

Failure to keep records: Improperly maintaining the required violent incident log or ignoring incident reporting procedures can also lead to significant civil citations.



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Exclusions Filtering into Other Lines of Insurance

AI exclusions are also beginning to appear in:

- Directors and officers liability,
- Employment practices liability,
- Fiduciary liability,
- Cyber, and
- Errors and omissions policies.

What you can do

Organizations that fail to evaluate potential coverage gaps could find themselves uninsured for lawsuits, regulatory

investigations or shareholder claims tied to AI use.

Organizations should consider taking the following steps:

- Identify where AI is being used throughout the organization.
- Strengthen internal AI governance and oversight procedures.
- Require human review of AI-generated content and decisions.
- Train employees on acceptable AI use.
- Evaluate contracts with AI vendors and third-party providers.
- Discuss AI exposures with us before renewal.
- Explore specialized protection options.

Stealth Trends Slowly Driving Premiums

WHILE EMPLOYERS' main priority for containing workers' comp costs should be workplace safety, they also need to keep an eye out for three stealth factors that can nudge their premiums higher.

Where employees work, what they do from day to day and how production technology affects workplace behavior are all often flying below the radar for many employers, who may be hit with higher premiums after an insurer audit or worker reclassification. In addition, technology designed to increase productivity — like wearables — may actually raise the potential for workplace injuries.

These issues often surface only after a claim occurs or when the insurer conducts a premium audit. The end result can be a costly surprise when the employer receives a bill for additional premiums.

Remote work creates jurisdiction issues

Recent workforce surveys show that a large share of employees whose jobs allow it now work remotely either full time or part time, a sharp increase from pre-pandemic years.

When an employee works from another state, injuries may fall under that state's workers' compensation laws. If that state exposure is not disclosed on the workers' compensation application, coverage gaps or disputes may arise.

Job creep

Another growing issue is job creep — employees gradually taking on responsibilities outside their original job descriptions. This happens frequently during staffing shortages, growth periods, tight deadlines or in smaller operations.

Office staff may help with shipping. Supervisors may step into hands-on roles. Employees often wear multiple hats to keep operations humming.

From an insurer's perspective, what matters is the work performed, not just the job title listed on payroll. When a claim occurs, carriers examine real-world duties closely.

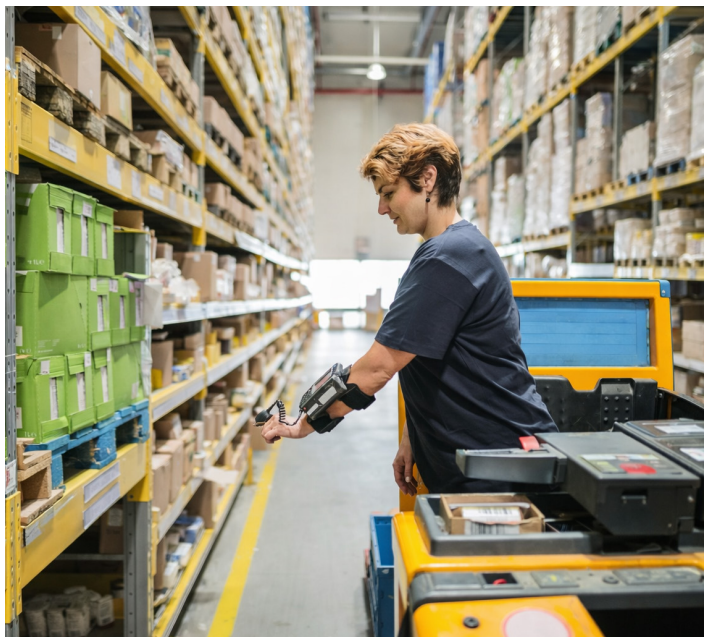
If, for example, a supervisor is injured while helping on the line, the insurer may reclassify payroll, split classifications or apply greater scrutiny for staff in similar roles.

However, without updated job descriptions and internal documentation, workers with multiple responsibilities can translate into higher premiums and audit-related adjustments.

Productivity technology challenges

Employers are increasingly using time-tracking software, performance dashboards, automated scheduling systems and wearable devices to monitor productivity, track output and manage work.

While these tools can improve efficiency, they can also subtly alter behavior. Employees may work faster when metrics show they are falling behind.



Breaks may be delayed or skipped. Safety may be compromised when an employee is rushed. Workers may not report early signs of strain or discomfort to avoid appearing less productive.

Over time, this increased intensity can raise injury risk, particularly for repetitive motion and ergonomic injuries. In addition, productivity systems may change the nature of the job itself — by increasing lifting frequency, reducing recovery time between tasks or assigning more physically demanding work than originally intended.

What employers should review before renewal

To address these exposures and reduce the risk of being hit with a premium increase after an audit, take a closer look at:

- Where employees are actually working, including out-of-state remote arrangements.
- Whether job descriptions reflect real, day-to-day duties.
- How often employees perform tasks outside their formal roles.
- Whether productivity tools are increasing physical or ergonomic demands.

None of these issues are dramatic on their own. But together, they can quietly drive premium increases, coverage disputes and audit surprises.

Employers that proactively address these trends are better positioned to align coverage with reality — and avoid paying for risks they never intended to assume.

**IF YOU HAVE QUESTIONS ABOUT YOUR COVERAGE,
CALL US: 626-449-3870**

One Vehicle Accident Can Threaten Your Business

FOR FLEET operators one serious traffic accident can trigger consequences far beyond repair bills and insurance claims, sometimes threatening the company's very existence.

Here's a look at everything that can go wrong after an accident involving one of your drivers and how take steps in advance to avoid a cascading series of problems.

Operational slowdown – When a fleet vehicle is involved in a serious accident, operations often slow immediately. The damaged vehicle may be out of service for weeks or months.

If the company operates with tight delivery schedules or specialized equipment, the disruption can ripple across the organization. Routes must be reassigned, replacement vehicles rented and customers notified of delays.

Driver injuries – Losing an experienced driver to injury or extended leave forces employers to rely on overtime, temporary staffing or rushed hiring, all of which increase costs and risk.

Financial fallout – Commercial auto claims have become increasingly expensive in recent years, fueled by rising medical costs, litigation funding and large jury awards that surpass \$10 million. One large lawsuit can exceed a firm's liability coverage and leave the business responsible for millions of dollars out of pocket.

Cargo damage – For businesses transporting products, one crash may damage or destroy thousands – or even hundreds of thousands – of dollars in goods.

Reputational damage – Accidents involving company vehicles can become public through dashcam footage, social media or news reports. Customers and business partners may question whether the company maintains adequate safety standards. A highly publicized crash can jeopardize contracts.

Regulatory scrutiny – Serious accidents involving commercial vehicles can trigger fines, audits and increased oversight by the Department of Transportation, OSHA or state agencies, particularly if there are allegations of poor maintenance, inadequate driver training or hours-of-service violations.

Insurance fallout – The growing frequency of large verdicts has made insurers more cautious. Companies with poor loss histories often face higher premiums, larger deductibles or reduced coverage options at renewal. In some cases, insurers may decline coverage.

What you can do

The good news is that many accidents are preventable. Fleet operators that invest in proactive safety and risk management can significantly reduce their exposure.

Among the most common fleet accidents are rear-end collisions, backing accidents, intersection crashes, lane-change incidents and distracted-driving collisions. Many of these

accidents stem from preventable behaviors such as speeding, following too closely, fatigue or cellphone use.

Employers should regularly train drivers on defensive driving techniques, safe following distances, backing procedures and avoiding distraction. Refresher training should occur throughout the year, not just during onboarding.



Accident prevention strategies

- Conduct regular motor vehicle record checks on drivers.
- Use telematics and dashcams to monitor drivers.
- Establish clear cellphone and distracted-driving policies.
- Perform routine vehicle inspections and maintenance.
- Create fatigue management and hours-of-service compliance programs.
- Investigate crashes and near-misses to identify trends and causes.
- Develop a fleet safety program with written procedures and accountability standards.
- Review your liability limits regularly to ensure coverage reflects current litigation risks. Consider a commercial umbrella policy to account for any liability claims that exceed your commercial auto policy's limits.

If you have any questions regarding any of these articles or have a coverage question, please contact your broker at:

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