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COMMERCIAL
Insurance Profile

Shadow AI and the Risks of Employees Using Unapproved AI Tools

Artificial intelligence (AI) can help employees summarise documents, analyse data and complete routine tasks. However, workers may adopt tools before their employers can evaluate them. This can lead to shadow AI—the use of AI tools or accounts that an organisation has not approved. Although employees often use these tools to save time, unapproved AI use can create cyber-security, data protection, contractual and intellectual property risks.

Understanding Shadow AI Risks

Employees may enter source code, customer information, contracts, financial records or HR files into public AI platforms without understanding how providers store, process or reuse that data. Some platforms retain prompts or use third-party infrastructure, placing sensitive information outside the organisation's control.

Shadow AI may expose organisations to the following risks:

- **Data breaches**—Sensitive information entered into an unapproved tool could be improperly accessed, retained or disclosed.
- **Data protection breaches**—Sharing personal information without appropriate safeguards may breach UK data protection requirements or internal policies.
- **Contractual breaches**—Customer contracts and confidentiality agreements may restrict disclosure to third parties, including AI providers.
- **Intellectual property risks**—Uploading proprietary data, source code or commercially sensitive information could compromise confidentiality and undermine protection of valuable business information.
- **Financial and reputational harm**—An incident may trigger investigations, legal expenses, regulatory enquiries, customer notifications and remediation costs. It may also damage customer trust.

Insurance Considerations

AI-related losses can create uncertainty about insurance cover. Cyber-insurance may respond to some data breaches involving AI, but cover depends on policy wording and the circumstances of the incident. Organisations should review their wider insurance programme for relevant exclusions, conditions and gaps, rather than assuming that every AI-related loss falls within cyber-cover.

Reducing Shadow AI Exposures

Organisations can take these steps to manage unapproved AI use:

- **Identify AI tools**. Establish which tools employees use and the business needs they address.
- **Set a written policy**. Specify approved tools, acceptable uses and the information employees may share.
- **Offer approved alternatives**. Provide secure tools that meet legitimate business needs and reduce demand for unauthorised options.
- **Assess suppliers**. Review security controls, privacy practices, retention policies and contract terms, including whether prompts are used to train models.
- **Implement safeguards**. Use access controls, network monitoring and data loss prevention tools to detect and limit unauthorised activity.
- **Train employees**. Explain AI's limitations, data protection responsibilities and how to report accidental disclosures promptly.

Conclusion

Shadow AI can turn a routine shortcut into a costly incident. Clear policies, suitable tools and employee training can help reduce exposure. Contact the insurance professionals at MacKay Corporate Insurance Brokers for more information about managing AI-related risks and arranging appropriate insurance cover.

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Preventing Mould in Commercial Buildings

Commercial buildings can be susceptible to mould growth, which may damage premises, disrupt operations and affect occupants' health. As the fourth quarter brings colder, wetter weather, winter storms can allow water into buildings, while freezing temperatures increase the risk of burst pipes. Preventing moisture accumulation and responding promptly to water damage can help businesses avoid costly remediation.

Why Commercial Buildings Are Vulnerable

Many commercial premises have sealed windows and rely on heating, ventilation and air conditioning (HVAC). Poorly maintained systems or inadequate ventilation can let moisture build up. Contaminated ductwork may also spread mould spores beyond the original problem area.

High occupancy adds moisture through occupants' breathing, while kitchens, toilets and washing facilities increase humidity. In larger buildings, leaks in rarely visited storerooms, stockrooms and plant rooms may go unnoticed, allowing mould to take hold quickly. Condensation on cold surfaces can create further opportunities for mould to grow.

Preventing Mould Growth

A planned maintenance programme should address moisture sources and areas where dampness could remain hidden. Businesses should consider these measures:

- **Check the building exterior**. Inspect roofs, flashing, window seals and external walls for defects. Keep gutters, drainpipes and drains clear so rainwater flows away from the building.
- **Repair leaks promptly**. Investigate dripping pipes, damp patches and recurring stains. Resolve the underlying cause rather than painting over damage or repeatedly treating surface mould.
- **Maintain ventilation systems**. Service HVAC equipment in line with manufacturers' instructions, replace filters and keep condensate drains and drip trays clear. Ensure systems supply sufficient fresh air and effectively remove moist air.
- **Control humidity and condensation**. Monitor humidity in vulnerable areas and investigate persistent condensation. Improve insulation, heating or ventilation where appropriate, and consider dehumidifiers where additional moisture control is needed.
- **Ventilate moisture-producing areas**. Maintain extraction in kitchens, toilets and changing facilities. Ensure moisture-generating equipment vents outside where appropriate, and avoid obstructing air vents.
- **Prepare for cold weather**. Lag vulnerable pipes, maintain suitable heating and check arrangements for empty premises or holiday periods. Make sure responsible staff know where the stopcock is located.
- **Inspect overlooked spaces**. Include cellars, storage areas and plant rooms in routine checks. Encourage employees to report musty smells, discolouration and leaks, and keep records of inspections and repairs.

Responding to Water Damage

When a leak, flood or other water event occurs, prioritise safety and stop the source where safe to do so. Restrict access to affected areas and engage qualified contractors to remove standing water, assess contamination and dry the building thoroughly. Materials that cannot be adequately dried may need to be replaced. Check affected HVAC equipment before restarting it to avoid spreading contamination. Photograph damage, notify the insurer promptly and retain repair records. Continue monitoring for residual dampness or mould.

Insurance Considerations

Commercial property insurance typically excludes mould arising from gradual water ingress, condensation or neglected maintenance. Where mould cover is available, it generally depends on a sudden, insured event and remains subject to policy terms, limits and exclusions. Proactive prevention is therefore essential.

Contact us today for further risk management guidance and insurance solutions.

