

'AI Washing' Actions Mark New Frontier in Coverage Disputes

Media Mentions

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Recent regulatory actions and shareholder suits over alleged misrepresentations of artificial intelligence use, or what is known as AI washing, may be the first wave of a surge of claims that will hit professional and management liability insurance lines.

Bracewell's **David Shargel** told *Law360* that mass AI adoption is pushing up against growing scrutiny and increased actions taking companies to task on their fabrications and overpromising, which will be felt in the insurance industry.

"It's all about fraud, right?" said Shargel. "Whether it's greenwashing, cloud-washing, AI washing, any kind of washing: It all boils down to not misleading your shareholders and investors."

With competition stiff and so much money on the line, companies are being pressured to tout AI in their business.

"It all boils down to clout and a keeping-up-with-the-Joneses approach. 'If competitors start to use AI, we have to also or else our shareholders or customers will think that we're behind, that we're not keeping up with the latest trends and technology,'" Shargel said.

The vagueness of the term amid companies racing to showcase their AI tools can cause confusion among clients, investors and shareholders, he added.

"I think the real problem for companies is ensuring that when they say they're using AI, they actually are, and they're not merely putting the AI badge on what is preexisting, advanced database lookup capabilities," Shargel said.

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