AI governance:

BALANCING POLICY, COMPLIANCE AND COMMERCIAL VALUE

DLA PIPER

Are you ready to realize the value of AI?

New global research from DLA Piper explores the balance between governance and value creation, and uncovers how organizations can use AI responsibly, safely and commercially.

Executive summary: Hype, hysteria and the importance of good governance

AI is the focus of emphatic public discussion. Some commentators focus on its transformational potential. Once exclusive to big tech, today AI underpins new business models, processes and solutions in every sector, and the potential to build competitive advantage seems limitless.

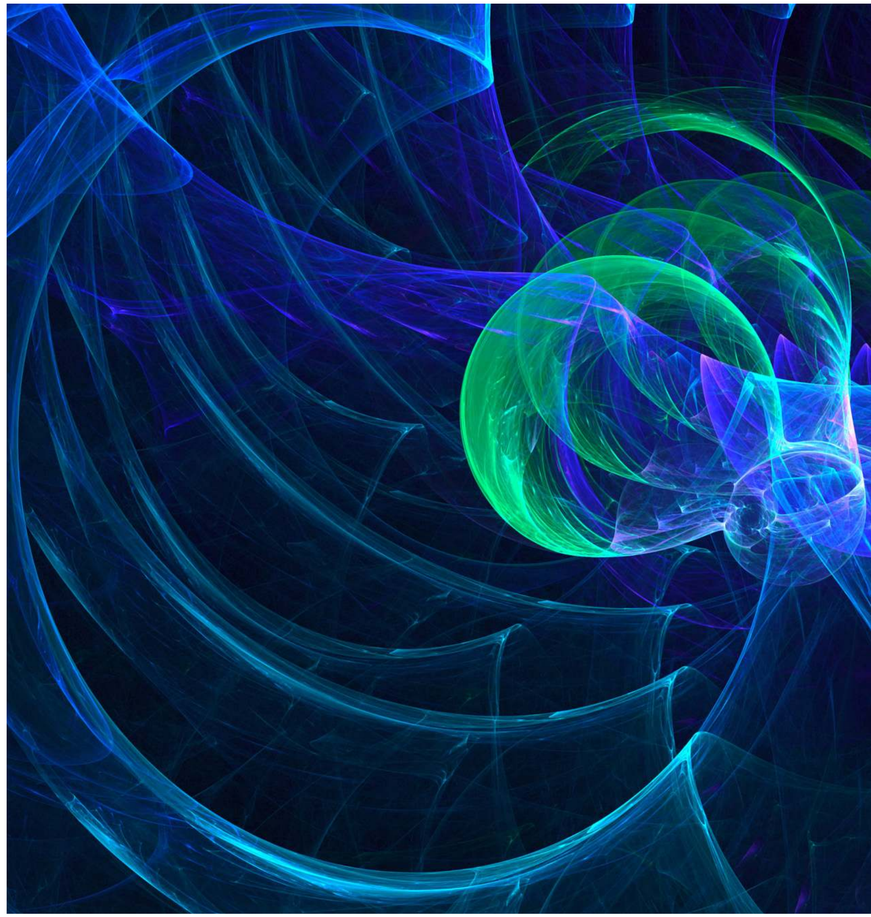
Other observers are more critical and see AI-driven threats everywhere. Concerns over responsible AI have risen sharply, and global policymakers are rapidly formalizing AI rules to mitigate societal and technical risks. Realizing the transformational potential of AI means distinguishing genuine matters of concern from 'phantom' risks, and establishing appropriate legal frameworks, compliance protocols and ethical guardrails to maintain progress. Good governance helps us to move beyond polarized discussion, balancing risk and reward, compliance and commerce, corporate values and commercial value.

"The line between order and chaos is often where the greatest value is created. Good governance helps organizations to find this line and maintain the delicate balance between the two."

Paul Allen
Partner, Global Co-Chair, Intellectual Property and Technology, UAE

"This is urgent! To unlock the true value of AI you must strike the right balance between innovation and responsibility."

Mark O'Conor
Partner, Global Co-Chair, Technology Sector, UK



Executive summary: Hype, hysteria and the importance of good governance

"Two clear messages ring out from this research. First, there is an urgency to adopt AI – this is not an area where businesses feel able to wait and see. Second, the need to ensure opportunities in productivity and efficiency do not come at an ethical cost to the business and community. There is a real imperative for values-driven value creation with AI."

Jeanne Dauzier
Partner, Global Co-Chair, AI Practice Group, France

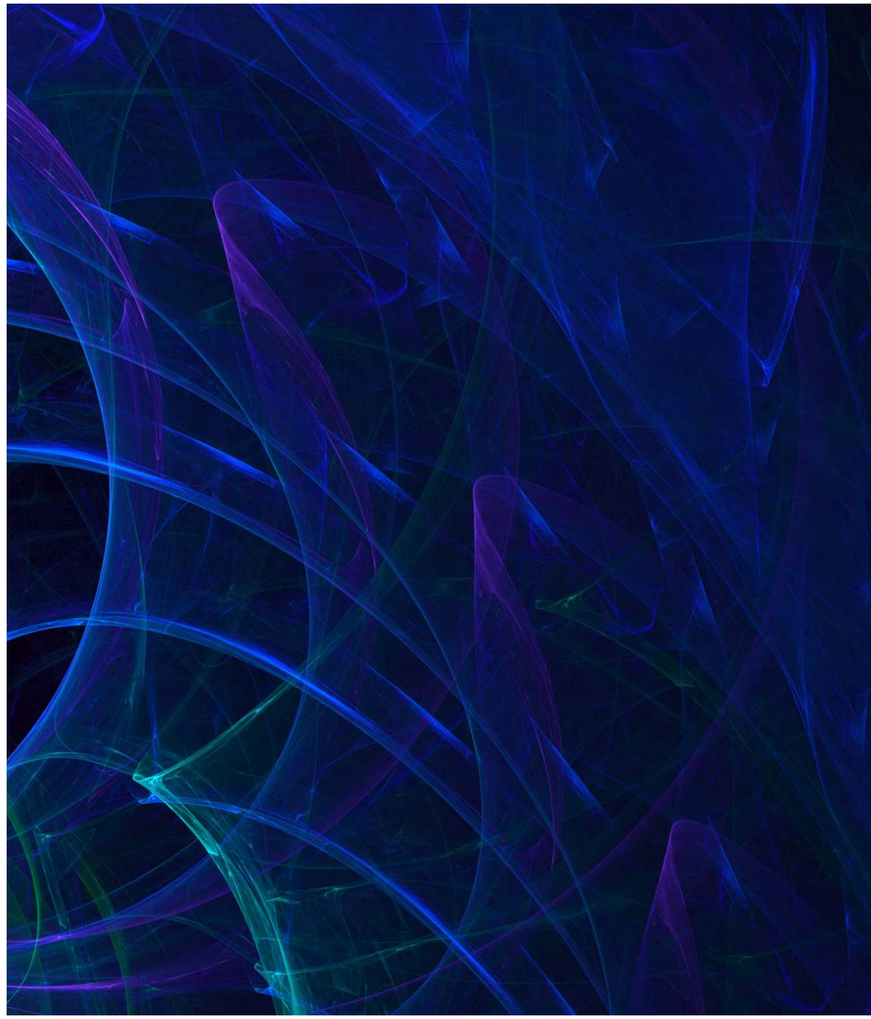
This report cuts through AI hype and hysteria and gives a practical perspective on AI strategies, challenges, risks and governance. These insights are based on an original survey of 600 leaders from a wide range of organizations across the US, UK, Europe, Asia Pacific and the Middle East. It includes large companies with annual turnover exceeding 1 billion USD and mid-market players. We asked how they're adopting AI, what they're planning to do in future and what concerns remain unaddressed. Informed by this unique dataset, this report explores:

AI deployment –
how does your strategy compare?

Common AI challenges and risks –
what should you look out for?

AI governance effectiveness –
what does good governance look like and are you ready to take a values-driven approach?

Key sector differences –
what does our data reveal about specific opportunities and challenges in key sectors? Specifically: technology; life sciences; media, sport and entertainment; consumer goods, food and retail; industrials; financial services; and insurance.



Executive summary: how to realize the value of AI

Our research highlights a fragmented regulatory landscape and uncertainty over what good AI governance looks like. But competitive pressures and speed of evolution mean that AI adoption can't wait.

The following framework is a starting point for you to develop and deploy AI responsibly, safely and commercially, and to align your commercial and ethical values to help achieve good AI governance, which will be explored further in this report.

Build knowledge

Promote understanding of the mechanics and limitations of AI from the top down. What should everyone know about AI? What should company leaders know? What are the problems you are targeting with AI? Where is value generated?

Analyze risk

Gain a full picture of internal and external AI risk. Where is AI being deployed and how? What contractual warranties and mitigations are in place? Have you provided sufficient guidance to people and customers about data handling?

Long-term view

Monitor and respond to the changing landscape. How is AI evolving? What innovations can you bring into your organization? What are the implications of new tech for your AI governance framework?

Align to values

Consider how organizational values should inform AI. What does responsible AI governance mean to your organization? What ethical guardrails do you need to establish?

Navigate AI partnerships

Manage partnerships and contracts with key AI risks in mind. Have you done your due diligence? Have you considered novel tender processes? Do you have relevant contractual protections on data and IP? Are service levels proactively managed?

Compliance oversight

Establish skilled oversight of AI to avoid 'knee-jerk' bans. Do legal and compliance teams have the technical information they need to be enablers? Do you have streamlined decision-making processes in place? Who is accountable for AI oversight?

Engage with industry and regulators

Collaborate on standards and best practices. Are you up to speed on future regulation and how it will apply to your uses of AI? What actions are industry peers taking? Can industry bodies better champion your concerns?

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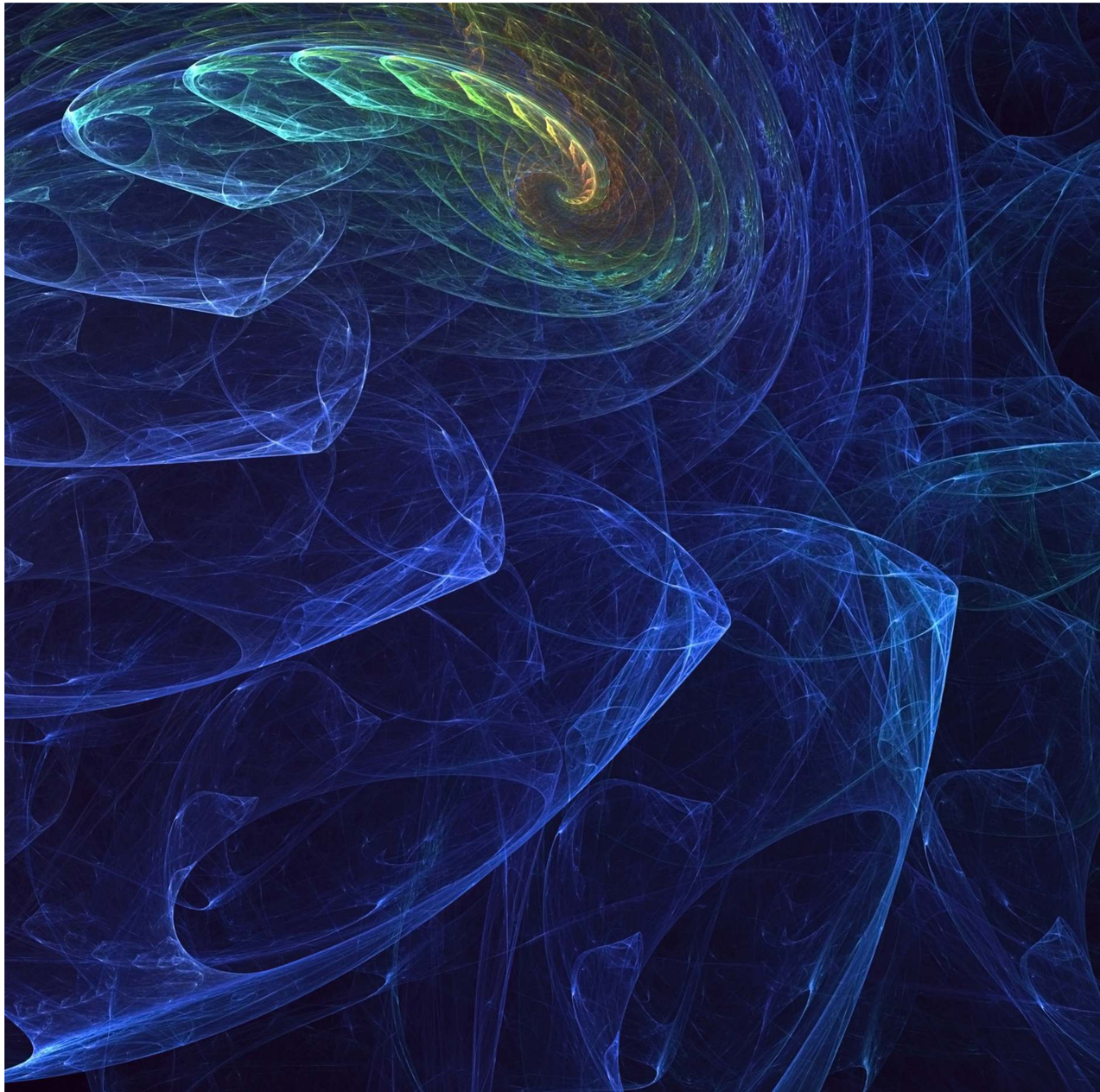
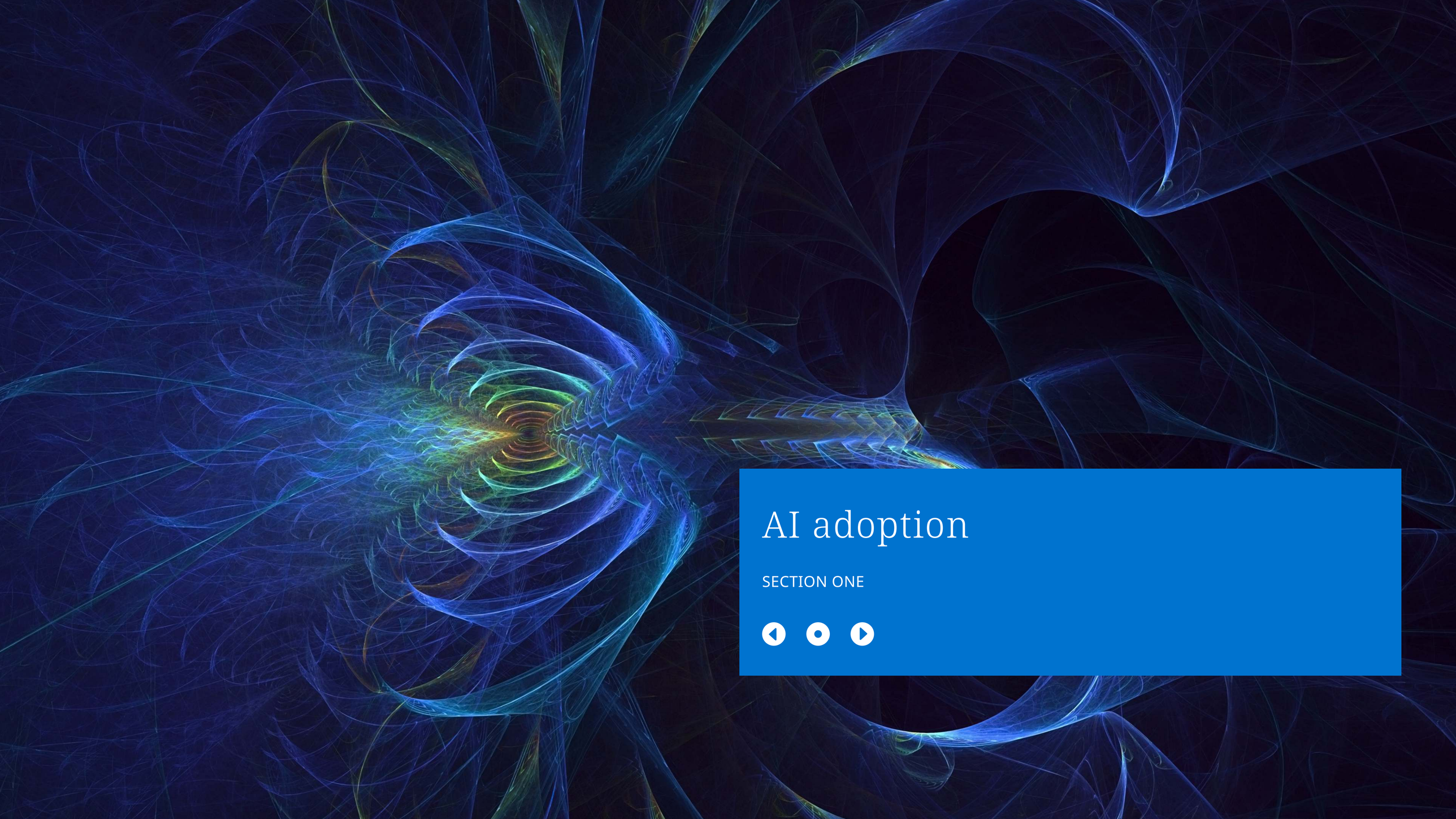




AI adoption

SECTION ONE

Choosing buy over build due to high initial costs

The evolution of AI has reached a watershed. Generative AI has become ubiquitous, with ChatGPT experiencing the fastest growing user base in history. This is only a taste of things to come. As AI hardware and software continues to evolve, an explosion of new offerings and startups are coming to market.

Globally 96% of organizations are rolling out AI in some way, with at least four projects live in each company. But there is less consistency in how companies are developing and deploying AI.

The majority (72%) are buying solutions from external AI vendors. Training the largest foundational models requires vast amounts of data and investment in computational resources. This high starting cost and concerns over how and when AI will provide a return on investment means that few organizations are exclusively building their own solutions in-house.

However, 22% are choosing a hybrid approach – building and buying solutions. Why? This achieves the best combination of easier deployment and higher quality solutions. Both are top factors that drive AI adoption strategies.

Whatever their approach, most companies we consulted (71%) are still exploring the benefits of AI for two main purposes: efficiency and transformation. As they undertake pilots and roll out AI solutions and projects, 47% are focused on making efficiency gains – optimizing existing processes and tackling known problems with AI.

53% are thinking even bigger by applying AI to a range of complex organizational issues, including transforming operations, building new services and generating revenue. This is where the greatest value can be realized.

"Companies are realizing that designing and implementing a customized AI system based on large language models is more challenging than expected, but as the AI maturity of companies increases, we may begin to see a higher adoption of self-hosted solutions in private environments where companies can use their own training data on smaller sized or open source large language models to create customized AI solutions."

Lauren Hurcombe
Partner, Global Co-Chair, Technology and Sourcing, Hong Kong

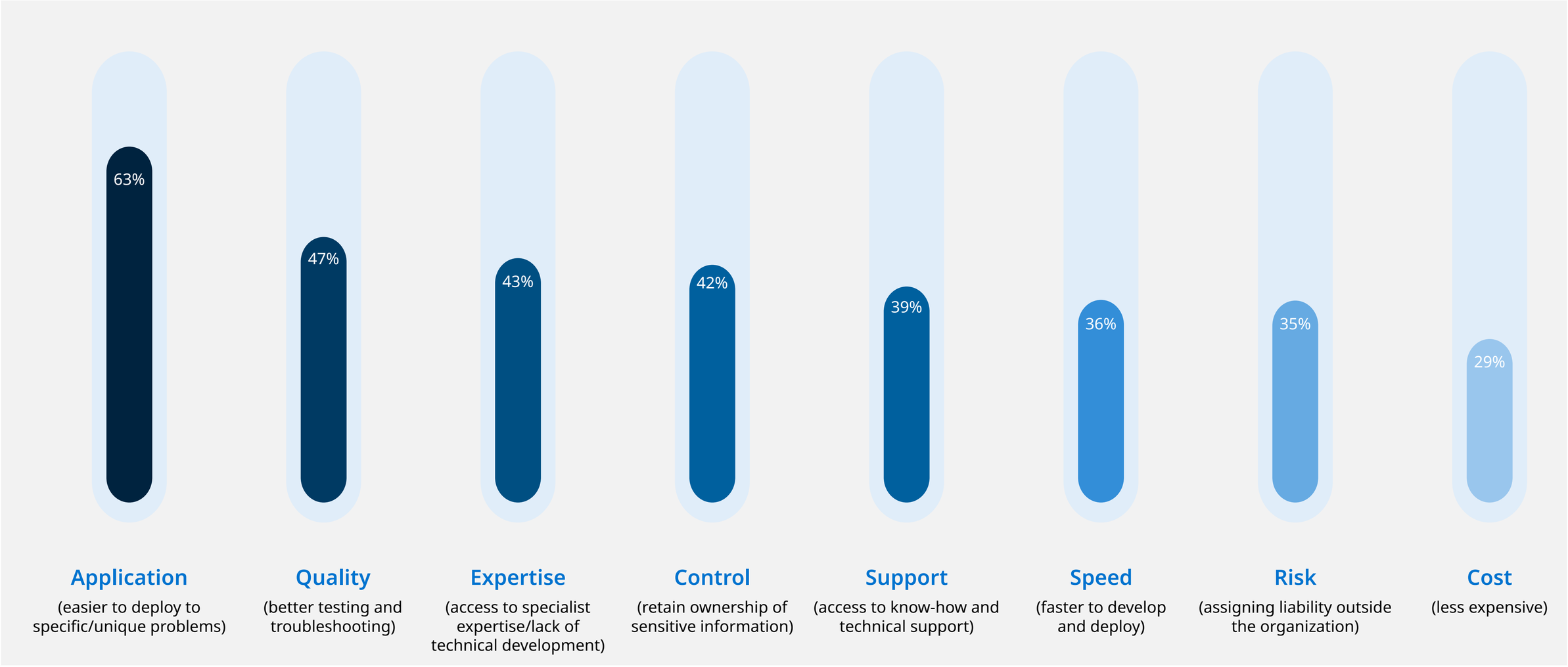
72% Buying AI-powered tools and solutions direct from (other) tech vendors

22% Building our own AI solutions in-house and using bought-in technologies/data (hybrid)

4% We are neither buying AI solutions from vendors nor building AI solutions in-house

1% Developing our own AI tools and solutions from scratch in-house*

Factors driving AI adoption strategies



The short and long-term focus for AI is customers

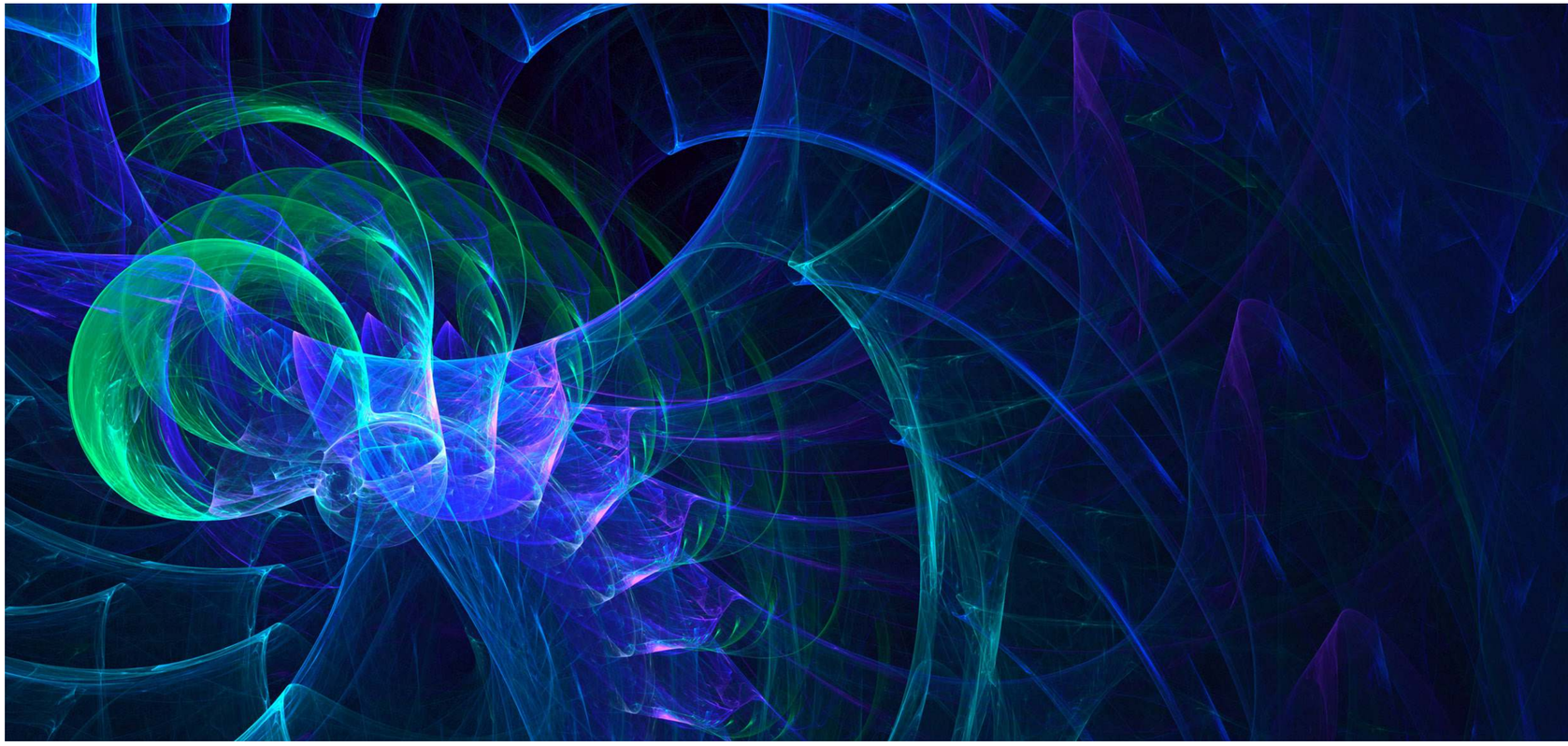
Customers are the center of AI. According to our data, 59% of companies are deploying AI in customer services, to improve speed of response, filter enquiries and surface relevant information through chatbot interfaces.

Over half (57%) of organizations are applying AI to develop new product offerings and 52% are using AI to win new customers through more personalized and targeted marketing and advertising.

Operations and supply chain are also rich areas of AI innovation, including demand forecasting and live tracking. Here, 54% of companies have used AI to improve speed, efficiency and certainty.

Companies report lower adoption of AI in functions like HR, legal and finance. It isn't always obvious how AI underpins commonly used tools and systems like accounting software and recruitment technology. So leaders may simply not be aware that their organization has deployed AI within these functions. Using the relatively broad definitions of 'AI systems' that seem to be favored by legislators, many more may be considered AI than is generally known, giving rise to regulatory risk.

According to our data, leaders believe future applications of AI will be consistent with the current picture. They don't expect a radical change in where they'll deploy AI over the coming months and years, with customer-facing and operational activities remaining the biggest opportunities. But we suspect that this expectation will prove to be too conservative as other AI use cases are adopted more widely.



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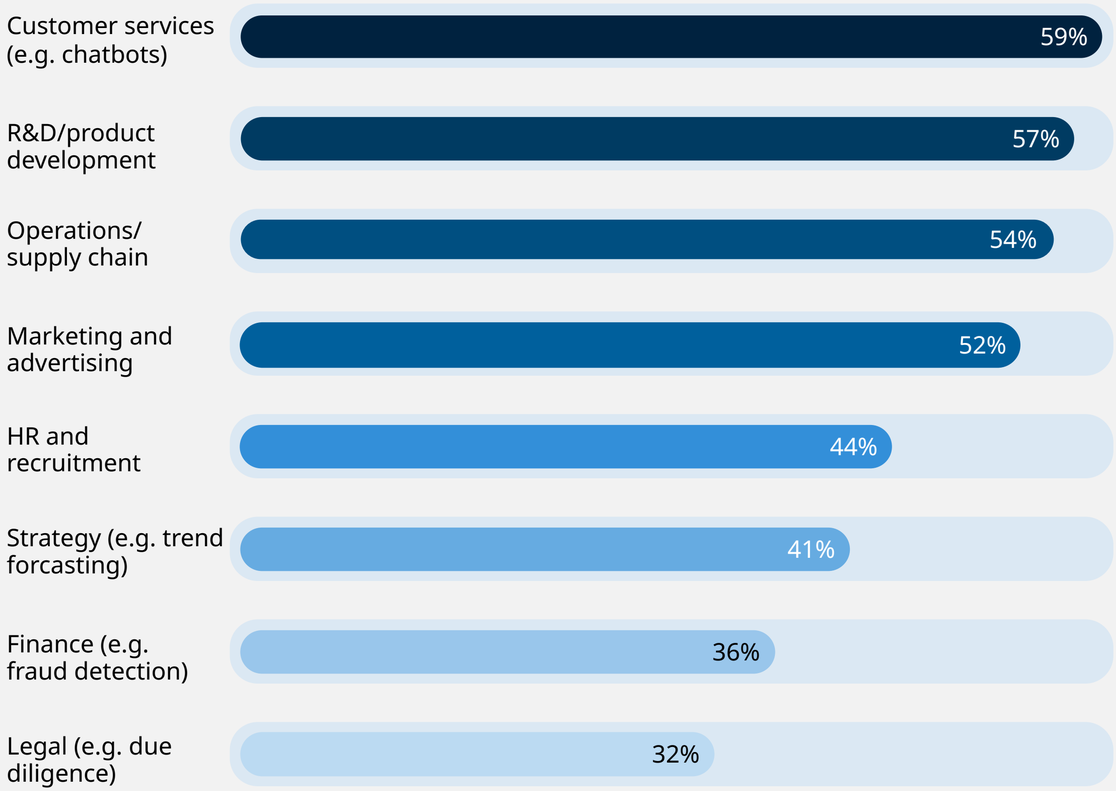
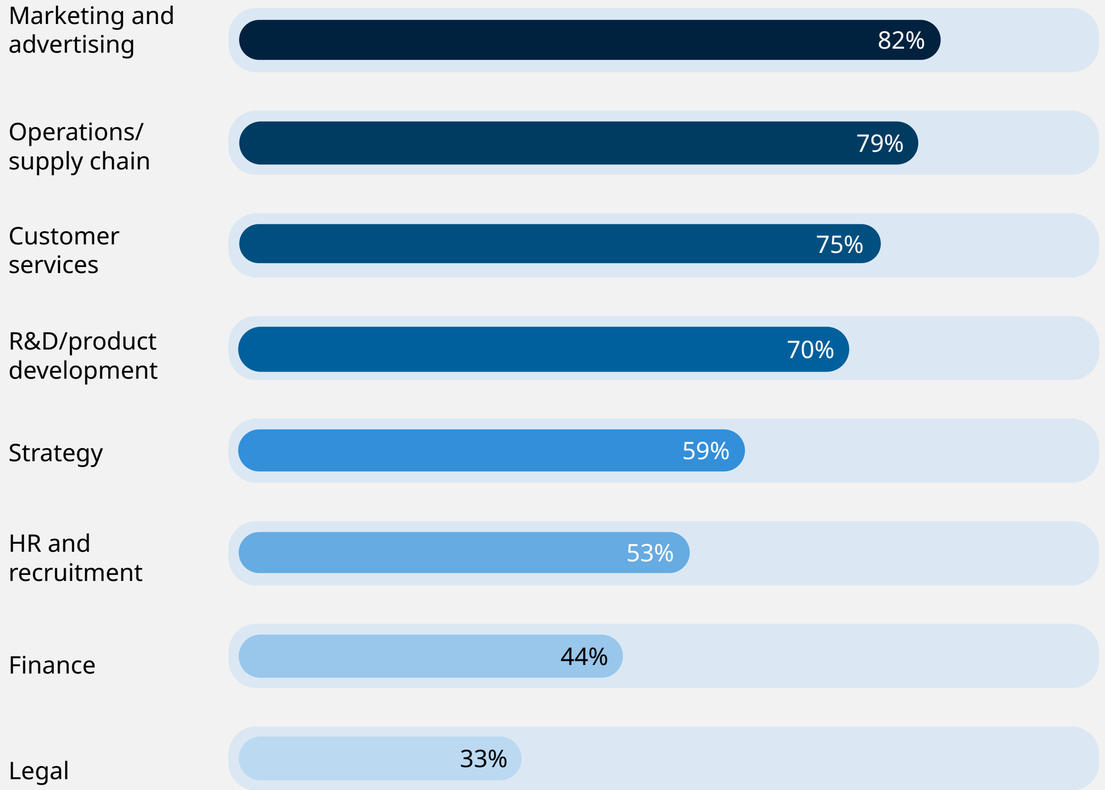
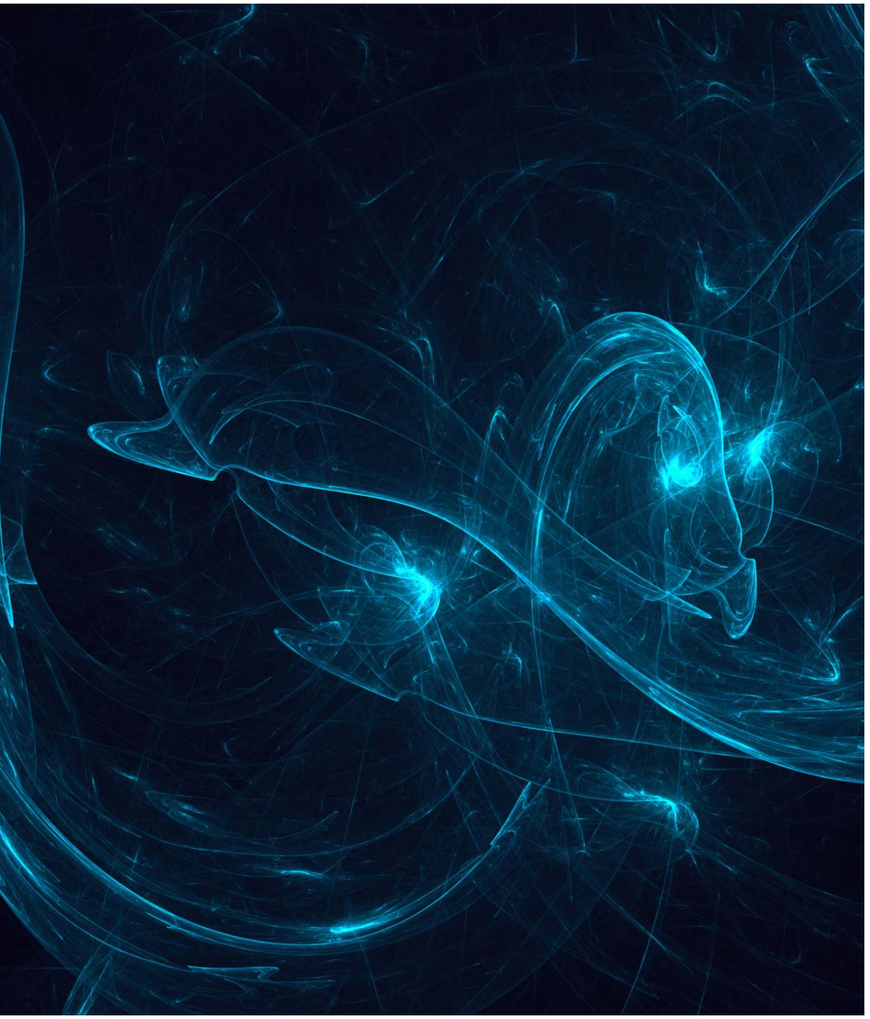
Current and future applications of AI





Next generation large language models



Large language models (LLMs) like ChatGPT are the subject of significant interest, and we expect them to drive widespread adoption of AI enterprise applications. Why? The most innovative uses of LLMs are transformative; unlocking insights from unstructured data sets for research and development, replacement of processes and reimagining data entry functions.

The first wave of generative AI used any and all available data to train models – a volume play. The next wave will be far more selective and more powerful. We are already seeing ringfenced AI development environments, trained on specific and pre-verified information, and with specific use cases in mind. New model structures, such as the mixture of experts, allow LLMs to be created using a team of smaller models with domain-specific expertise.

As approaches to AI mature, we expect to see greater use of self-service AI. The ability to develop solutions without sacrificing data sovereignty or outputs being subject to poor quality, biased or confidential data is a game-changer. Businesses are now using these models as a starting point to create their own fine-tuned environments. The Falcon models released by the Technology Innovation Institute in Abu Dhabi is a standout example of this approach and has stormed to the top of the open source AI leaderboards.

As approaches to AI mature, we expect to see greater use of self-service AI.

"As AI becomes integral to business offerings, it presents both opportunities and risks. Given that customer trust is a cornerstone for any business, ensuring that AI adoption is compliant is crucial. Thus, throughout the deployment, implementation, and exploitation stages of AI, continuous compliance assessments are imperative to safeguard the business's reputation and interests."

Giulio Coraggio
Partner, Intellectual Property and Technology, Italy

AI is a core value driver for organizations

According to our research, leaders believe in the value of AI. For many organizations, it is already driving competitive advantage – an inflection point in their digital transformation – and, in our view, AI is an essential part of any future commercial strategy.

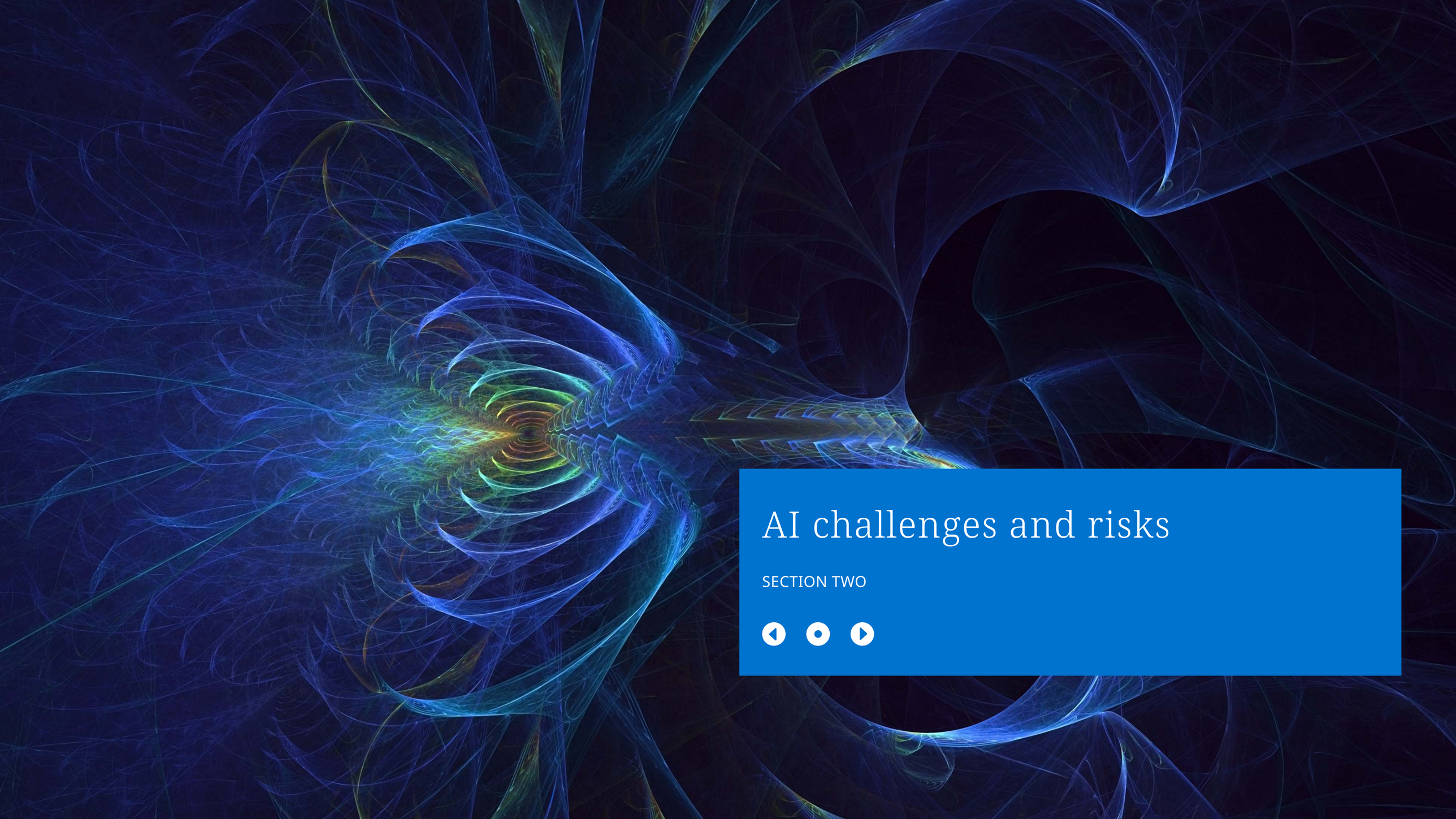
Over half (55%) of organizations report that AI is a source of competitive advantage and 45% agree that AI is critical to how they generate customer, shareholder and employee value.

Obsolescence looms large for organizations that dismiss AI and the risk of being left behind is real. 41% believe their core business will be disrupted if they fail to embrace it. The question of AI adoption is not if but when.

55%	AI is a source of competitive advantage for my organization
45%	AI is critical to how my organization generates customer, shareholder and employee value
41%	Our core business will be made obsolete by AI unless we embrace it

"The rapid advancements in AI present many risks along with extraordinary opportunities. The companies that successfully navigate challenges of AI as they embrace this new industrial revolution will be at the forefront. Those that don't risk falling behind."

Erin Gibson
Partner, Global Co-Chair, Technology Sector, USA



AI challenges and risks

SECTION TWO

High degree of uncertainty on AI governance, regulation and IP

Organizations are facing uncertainty when it comes to AI. Operating in a volatile, complex and ambiguous environment has become normal in recent years. Even so, it is hard to come to terms with the risks and challenges associated with AI.

Globally, AI-specific regulatory reform is adding disparate rules to data protection, confidentiality and intellectual property. Governance frameworks, policies and practices are generally not fit for the AI era. Partner and vendor arrangements also take on a different complexion where demand for innovative AI solutions is so high.

Against this backdrop, it is unsurprising that 99% of survey respondents ranked governance as a critical AI challenge. They struggle to define what good governance looks like in their organization.

Overseeing AI initiatives to ensure they remain within regulatory guidelines is also a top challenge for 96% of companies. We know many struggle to find the right capabilities and structures internally to exercise proper oversight.

As AI is typically developed in partnership with external AI providers, a key issue for 97% of companies is understanding what IP will be created in the course of commercial agreements and how to protect it.

Softer factors like getting buy-in from stakeholders, managing expectations and overcoming fear also ranked as top challenges. This emphasizes how AI adoption touches on different business functions, each with different needs, concerns and varying levels of understanding.

AI challenge

% RANKED IN THE TOP FIVE

GOOD GOVERNANCE – defining what responsible AI governance use looks like for our organization

UNDERSTANDING WHAT IP WILL BE CREATED AND HOW TO PROTECT IT (e.g. in commercial agreements)

OVERSEEING AI INITIATIVES AND SOLUTIONS – ensuring they continue to operate within regulatory guidelines

GETTING BUY-IN – identifying and gaining approval from the right stakeholders

MANAGING EXPECTATIONS – what is possible and in what timeframe

OVERCOMING FEAR – falling foul of regulation or opening the organization up to risk

"IP protection is a critical live issue for all organizations working with AI vendors to build solutions. Companies need to analyze questions of ownership of outputs when entering into contracts and tracking their own contributions to work where AI is involved. It's also important to explicitly address whether input data can be used to train future models to the benefit of the AI vendor, as this may be a default position in many contracts. Finally, companies need to assess litigation risk depending on particular use cases for generative AI."

Gina Durham
Partner, Intellectual Property and Technology, USA

The killer AI IP question – who owns what?

Key questions include where rights lie. Can (or should) the machine own rights, or are these retained by the company that builds it (assuming we are talking about employees creating IP in the course of their employment given contractors raise further complexities); the author of the prompt provided to reach a particular output; or the creator of the input scraped by the model? For example, we ask a generative AI tool to generate an image of Elvis Presley climbing up the Eiffel Tower. The Elvis Presley estate, the prompter and the tool could all have a claim on the IP. (Let's leave aside rights and special protections for famous buildings for now!)

In the UK, ownership of computer generated works has been part of the copyright legal regime since 1988 and provides that the person or company who makes the arrangements necessary for the creation of the work will be the first owner. In other jurisdictions legislation is not so explicit. However, even for the UK where we do have this concept, there is a question mark over what constitutes 'making arrangements necessary' in particular where the AI has rained itself and produced outputs that the person making arrangements cannot fathom. All this leaves the legal protection of AI generated content in an ambiguous position.

These questions have significant implications for creative industries.

In particular, first, because there is a scenario in which the tech companies that power open source AI seek to assert they own all creative outputs. The UK Competition and Markets Authority is looking at this as a concentration risk. Second, because the ability of large language models to generate so-called 'original' content for free could mean customers are less willing to pay for these activities.

Larissa Bifano
Partner, Patent Prosecution, USA

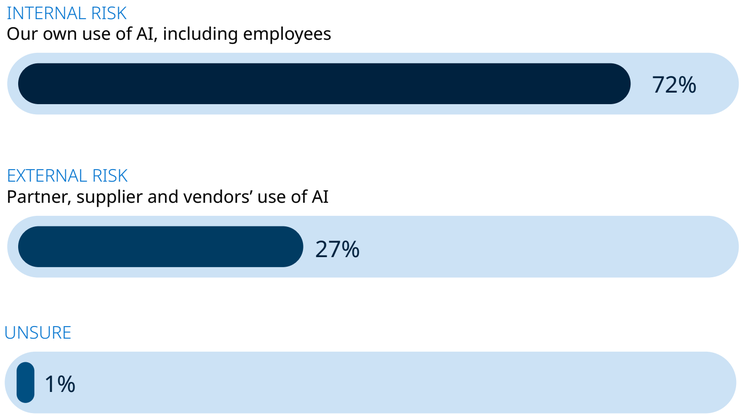
Claire Sng
Partner, Intellectual Property and Technology, UK

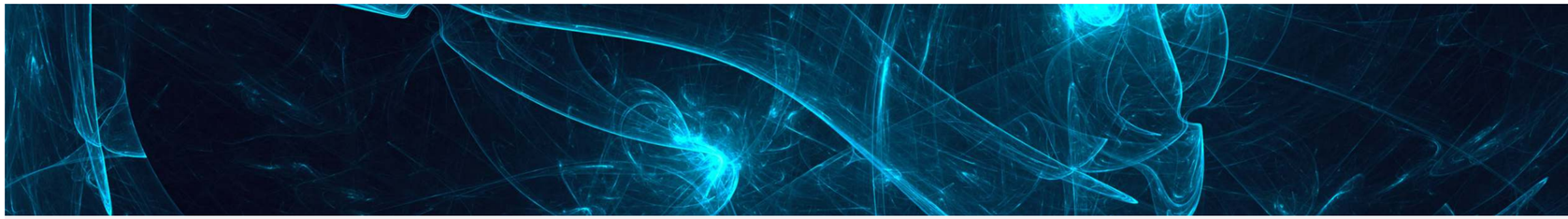
Internal AI risks dominate mindshare

Overwhelmingly, leaders report internal AI activity as their greatest threat – how AI is deployed in their own company rather than in supplier organizations. Employee use of AI is a known blind spot for organizations and one that is challenging to unravel and control because:

- Access to AI tools has been democratized. Employees are able to use AI directly, for free and without oversight. This means it is possible, for example, to input confidential information into AI tools.
- Employment tensions are heightened. Some employees are AI enthusiasts. But others harbor deep concerns over what AI means for their jobs, giving rise to resistance and activism.

WHERE IS YOUR ORGANIZATION'S GREATEST RISK IN RELATION TO AI?





"Organizations suspect AI use among employees is pervasive. But leaders may not have a clear line of sight on all of these applications or potential infringements. As there is significant share price and reputational risk at stake, this exacerbates the fear of breaches and misuse originating from inside the company.

Companies should be wary of 'knee-jerk' reactions or blanket bans on AI use, which have the potential to derail legitimate and strategic AI work. Instead, use governance as a guardrail on activity and take simple steps like securing an enterprise license for AI tools, which are much more protective than personal ones. Typically, terms indicate that the information remains confidential, the outputs are owned and data isn't used in downstream model training."

Bennett B. Borden JD-MSc
Partner, Chief Data Scientist, USA

Employees and the impact of AI

AI represents the first large-scale disruption to white collar jobs, shaking the foundations of the knowledge economy. For better or worse, AI has a wide-reaching impact on employees.

- JOB INSECURITY. AI is already profoundly changing many job roles and some employees are training their own replacements. This demands proper planning and legally compliant processes, or employers will face significant penalties and disruption to AI plans. Old methods of handling change will need to be reengineered to address the particular challenges of AI.
- DATA PRIVACY. There are fundamental concerns around the use of sensitive personal data in AI models and the risk of systematic bias in their workings. The black box of AI obscures underlying decision-making and presents a problem for transparency and legal explainability. Companies need to revisit compliance protocols to prevent bias and to ensure accountability.
- ALGORITHMIC PERFORMANCE MANAGEMENT. Companies are increasingly using AI to manage workers, including in the allocation of tasks, discipline and promotion. This raises issues over the status of the company's relationship with the individual, and could be detrimental to their wellbeing depending on the nature of the interaction.
- GENERATIVE AI. Since the initial wave of open AI tools entered the market, employers have determined authorized uses of technology and put guardrails in place. Employees need to know what is expected of them and employers need established processes for dealing with unauthorized AI use, including disciplinary action. But even with these guardrails, companies may remain vicariously liable in the case of both authorized and unauthorized uses by employees.
- AI ACTIVISM. Employees and unions are increasingly aware of the value of information and data activism is growing. AI and whistleblowing may be a concern for organizations in future, especially as the regulatory landscape evolves. For example, whether technology is being adopted within the bounds of stated policies and applicable law, and whether AI use cases are unethical in exploiting advantages or biases.

Jonathan Exten-Wright
Partner, Employment, UK

To understand more about the impact of AI on employment, listen to our podcast series here

Serious doubts over AI supplier compliance

According to our research, companies are concerned about how external partners manage AI compliance. Customers are *not* currently looking to their AI providers for best practice.

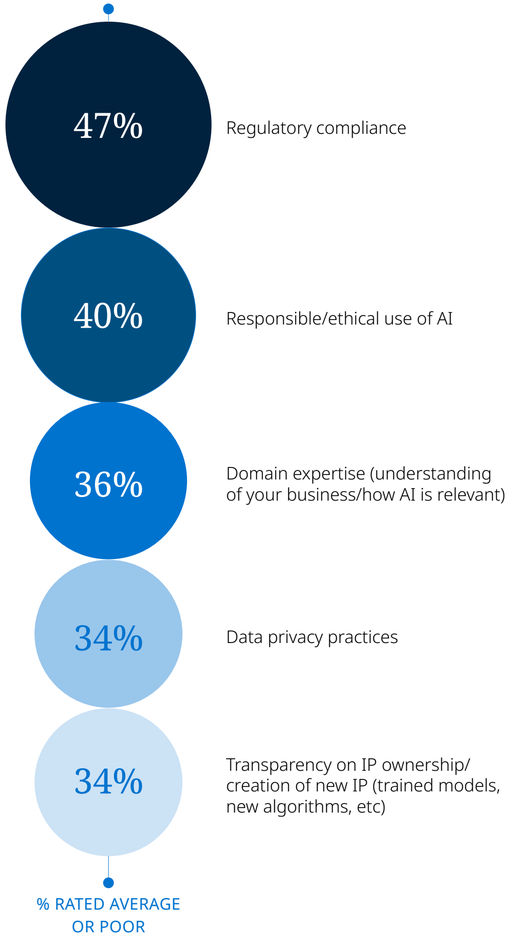
Around half of survey respondents rate the regulatory compliance of suppliers as average or poor and 40% share this view on responsible or ethical use of AI.

Companies also have doubts about whether their information is stored securely by AI partners, is processed within contractual terms, or is lawfully managed.

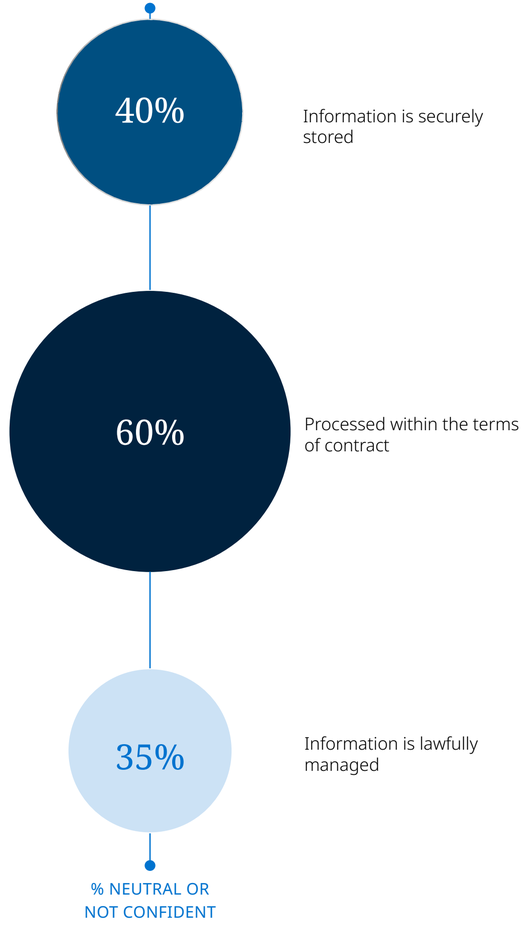
"Companies often approach AI deals in the same way as standard cloud deals or IT services contracts. But AI is different, and leaders must understand how the technology works to build successful partnerships with AI suppliers. It is critical to know the model, where value sits, what controls you retain over the data, what data might have been used to develop the model, and what controls are in place."

Gareth Stokes
Partner, Global Co-Chair, AI Practice Group, UK

Performance of AI supplier



Confidence in AI supplier



Key considerations for contracting with AI vendors

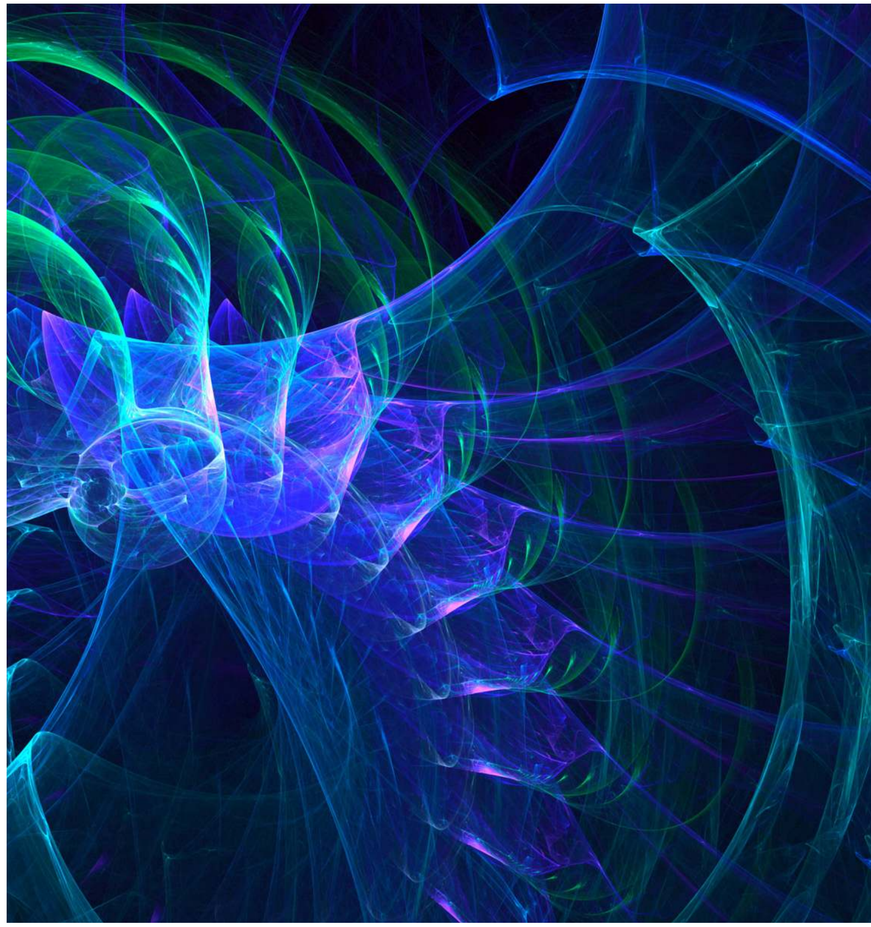
The gold rush in AI suddenly focused a huge amount of attention on a relatively small group of vendors. Demand for AI solutions is massive. As a result, AI vendors have had little incentive to be flexible to customer needs and concerns and companies have been accepting standard contractual terms where they otherwise wouldn't.

But the market is evolving very quickly, and there is appetite for new and more attractive customer models, such as private large language models that give more control and transparency around data. Many AI and technology companies – especially those that have fallen behind competitors – are now making a virtue of this.

The market is evolving very quickly, and there is appetite for new and more attractive customer models

What should you address in AI contracts?

- KNOW YOUR TECH STACK. Are there any hosts and subcontractors in the chain? What parts of the service are down to people and what is delivered by technology? Consider codifying service levels into the contract.
- KNOW YOUR DATA. Can you verify the origin of the data used to train the AI model to ensure it's free of bias and infringement risk? What data will you provide, how is the vendor allowed to use it and what ownership do you exercise going forward? Think about building warranties into the contract that specifically address data.
- KNOW YOUR REGULATORY OBLIGATIONS. Under certain data protection regulatory regimes, like GDPR, companies have a regulatory obligation to explain data use to relevant parties. Are you using customer or employee data in AI tools? Have you explained how? Think about how to manage these communications upfront.
- KNOW YOUR PARTNER. AI vendors are sometimes liable to oversell their capabilities in the immediate term to win long-term contracts – betting on advances in AI technology that allow them to deliver by the time they need to. Do you know the AI vendor and the true capabilities of their technology? Beware overselling.
- KNOW YOUR CONTRACT. Course correcting is common in IT outsourcing, but it's much more difficult with AI. Issues can scale quickly. Actively manage vendor agreements to ensure milestones are reached and objectives met. Ensure you have a way out if service levels wane or you're dissatisfied with what's being delivered.



Takeaways for AI vendors

AI vendors are pivotal in helping customers develop and deploy AI. Our data highlights opportunities to engage more effectively:

DATA. Poor handling of data is a top driver of investigations, disputes, contract termination and breakdowns in negotiation. How can you improve these processes and provide greater transparency and assurance to customers?

BALANCE. Buyers of AI solutions are trying to walk a fine line, balancing competitive and compliance pressures. Do you understand how these dynamics are playing out in customer organizations and what they are concerned about?

INTERRUPTIONS. Customer and employee concerns are key factors that have forced a pause or rollback in AI projects. What advice can you give customers on how to handle communications and education?

ETHICS. Adopting AI in line with ethical values is important to customers. What best practices can you share with customers?

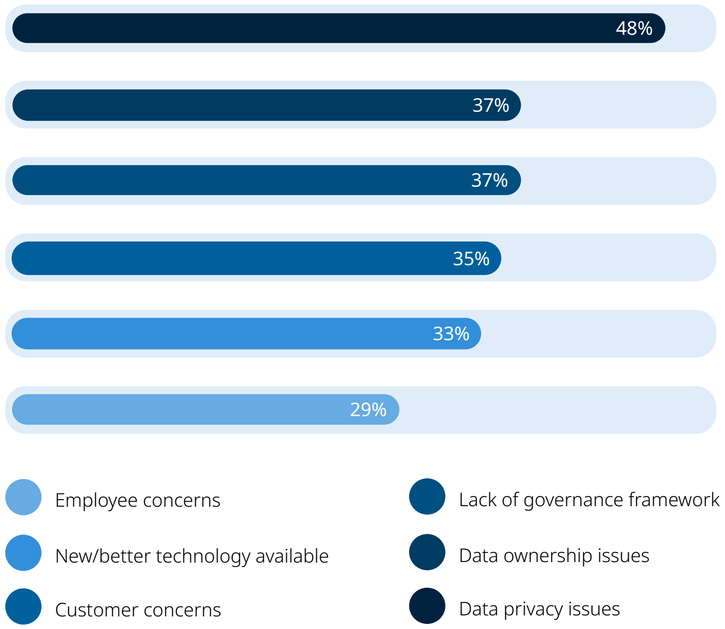
Strategic AI projects are frequently interrupted

The risks highlighted by our research mean strategic AI projects are being interrupted by pauses, rollbacks and breakdowns in negotiations between AI vendors and customers.

Nearly half (43%) of organizations in our research have been forced to pause or rollback AI projects. The most common reason behind these interruptions is data privacy and data ownership issues.

Over a third (37%) of respondents specifically cite the lack of a governance framework as a factor in AI interruption. Customer and employee concerns, and strategic points, such as new technology becoming available or a lack of strategy or vision, were also flagged as key pause factors.

Factors leading to a pause or rollback



"Organizations risk getting caught up in the hype of AI, with decisions driven by a fear of missing out rather than a clear strategy. This is a poor basis for AI investments, which demand significant thought, structure and oversight to be successful and responsible."

Thorsten Ammann
Counsel, Intellectual Property and Technology, Germany

Fines and investigations are common

Data will be a significant driver of future AI disputes, investigations and fines according to our research.

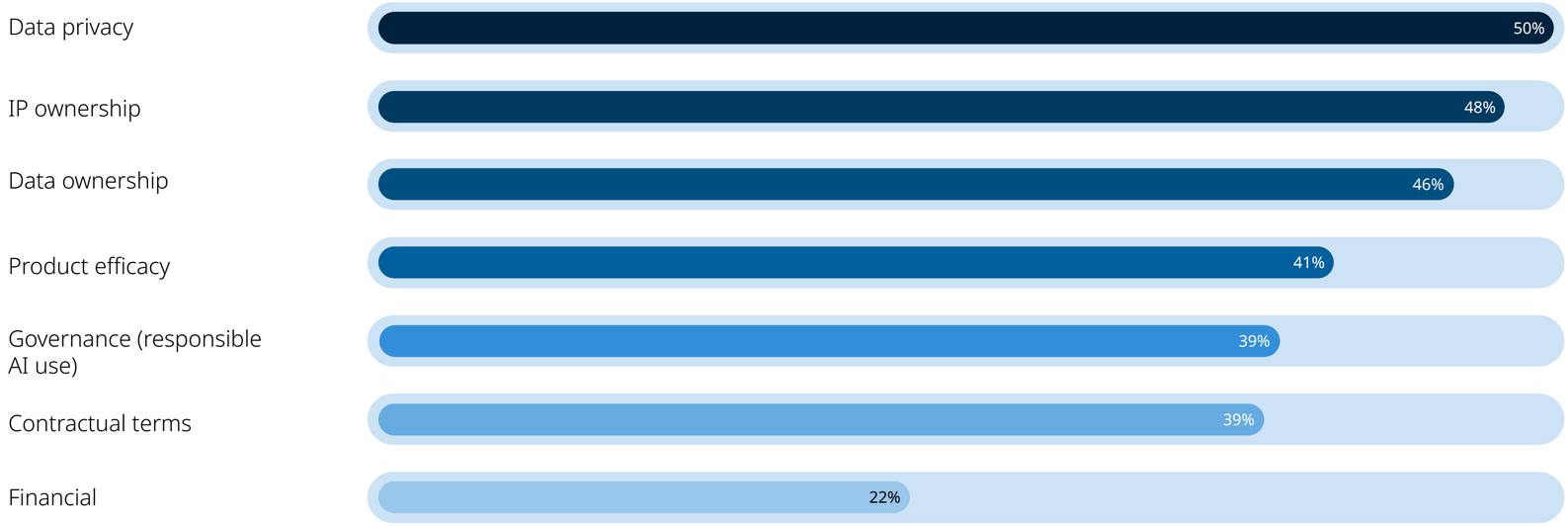
One third (32%) of companies have been subject to a regulatory fine or investigation associated with AI and 9% have been in dispute with an AI supplier. Of these, data privacy is a key factor in 71% of investigations and 50% of supplier disputes.

Enterprise AI projects are often so wide-reaching and require such a significant commitment from customers, they are incentivized to make partnerships work rather than pursue formal disputes, even where there are points of technical or commercial tension.

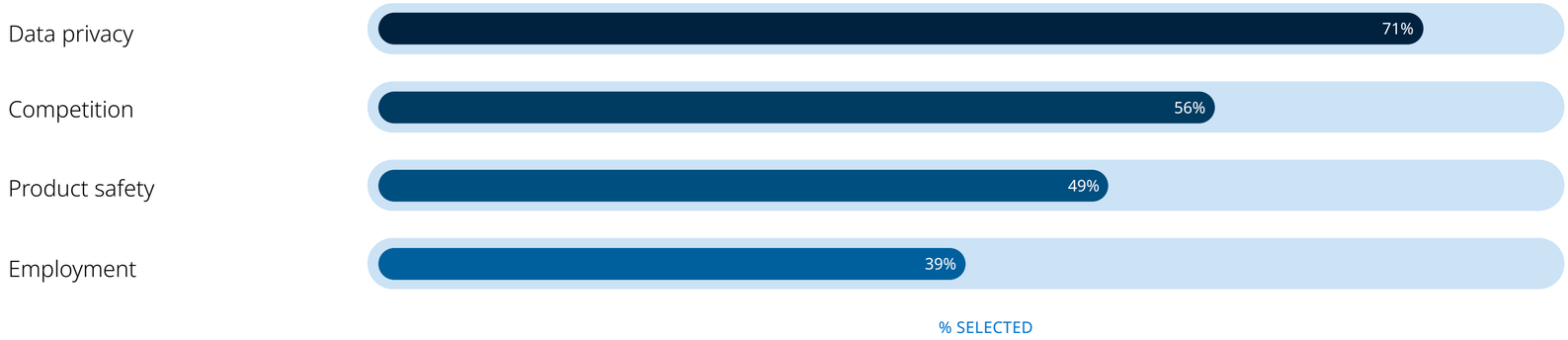
"The key to avoiding supplier disputes is proactive contract management on the customer side. You should control the early parts of the project as closely as possible to course correct, amend project plans and put in place mitigations. If these early phases aren't closely managed with the right level of oversight, project performance can go so far off course as to be irrecoverable within commercially acceptable terms. Here, disputes will follow."

Phillip Kelly
Partner, UK Co-Chair, Technology Disputes

Drivers of supplier disputes



Drivers of fines and investigations



Strategies to mitigate disputes risk

There's a clear connection between AI challenges and disputes risk; in particular, overselling by suppliers, lack of technical expertise in the customer organization and better technology becoming available.

Some of these are consistent with other big IT outsourcing and transformation projects. But the fast pace of development and complexity of AI heightens the risks. The technology is out of date so quickly, by the time you've done due diligence, negotiated and contracted with suppliers, you may have acquired a solution that is already obsolete. The concept of continuous improvement takes on a new life in these deployments.

"We can prevent so many disputes by issue-spotting AI contracts in advance. Ensure you have full visibility and transparency on how data will be used and how the AI system works, and include the most cutting edge representations, warranties, indemnities and provisions in the contract so you don't have to guess later who had responsibility in the relationship."

Danny Tobey M.D., J.D.

Partner, Global Co-Chair, AI Practice Group, USA

Supplier selection and contracting models help to prevent and prepare for disputes:

EXPERIENCE VENDORS IN ACTION

Ask suppliers to work on a specific AI problem during the tender process, so you can see how they work, whether there's a cultural fit and what the limitations of the technology are.

PLAN TO FLEX

Where technology is changing quickly, you need an AI supplier that's keeping pace. Don't get tied to static solutions. In supplier due diligence, ask how live updates and iterations are managed and what the new product pipeline looks like.

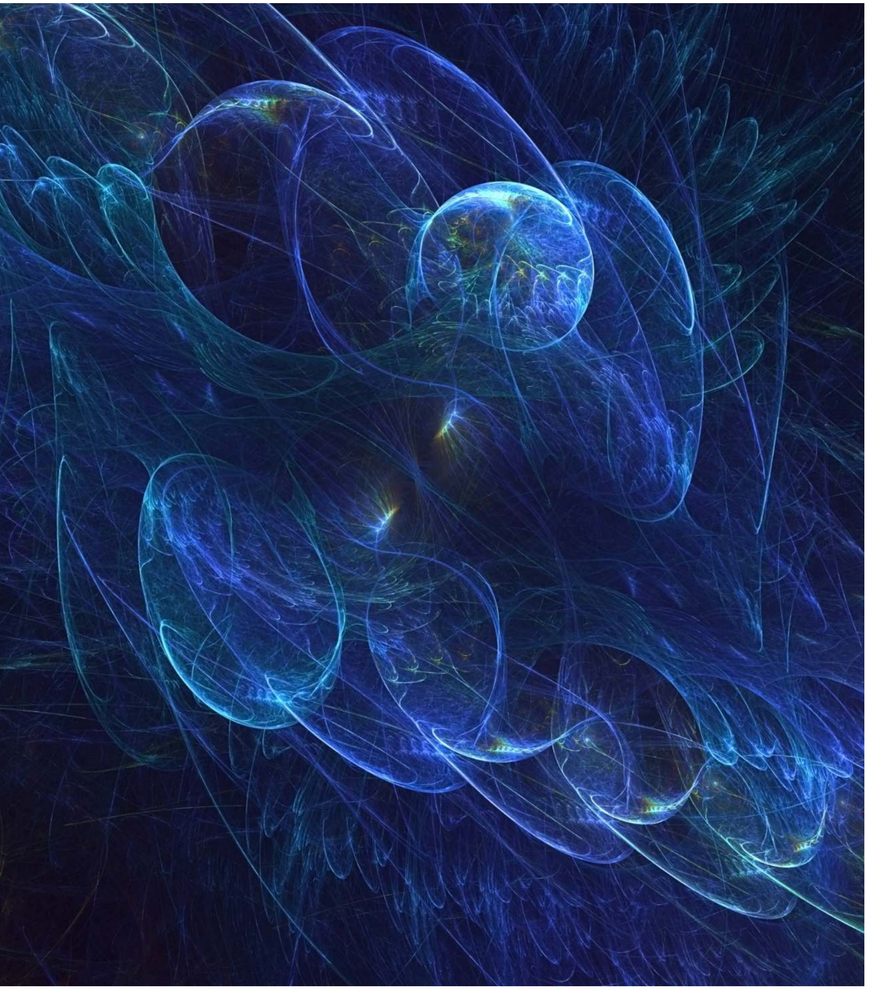
PRIORITIZE CONSISTENT SUPPORT

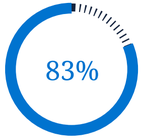
Consider how you use consultants on transformation projects. Typically they work on solution design and specification, engage with suppliers on proposed solutions and contract negotiation, before being released after contracts are signed. But often customers need support to manage unforeseen technical problems and commercial tensions that arise in the early stages of implementation.

AI governance

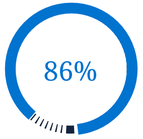
SECTION THREE

Ethics and governance concerns won't slow AI adoption





Does your organization have a strategy and vision for AI?



Does your organization's AI strategy include a code of ethics?

Our data reveals governance and ethical standards are unlikely to meet the scale of the issues raised by AI. Organizations are taking necessary but not sufficient action.

The majority (83%) of companies have a vision and strategy for AI. Of that number, 86% have also adopted an AI code of ethics designed to guide projects and initiatives.

Half of leaders (49%) want to unlock the value of AI in line with their organizational values. A further 65% have put intention into action by terminating AI supplier contracts over ethical concerns.

But 40% say that governance should not slow progress on strategic AI activities. Despite public calls from some tech insiders to pause new generative AI development so regulation and guidance can catch up, only 26% of companies support such a move.

"AI governance is more than having a policy in place that talks broadly to AI ethics. The growing power of AI demands governance regimes that include control systems, monitoring, measurement, feedback and oversight. The most advanced organizations continually renew this cycle, up to and including proper decommissioning."

Kristof de Vulder

Partner, Intellectual Property and Technology, Country Managing Partner, Belgium

Businesses have misplaced confidence in governance effectiveness

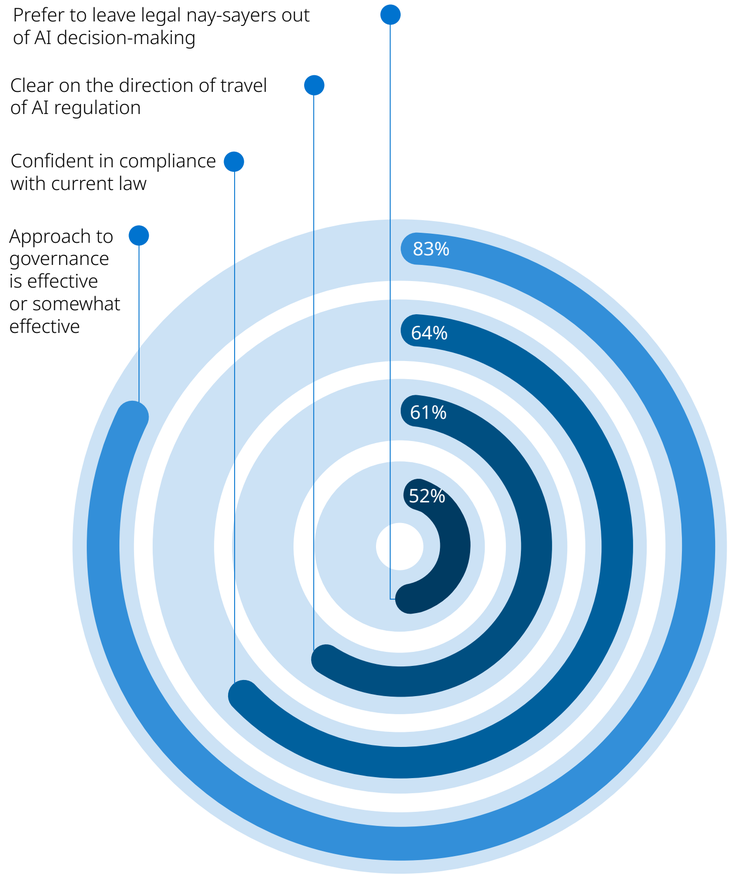
The majority (83%) of companies believe their approach to AI governance is effective or somewhat effective. But this confidence is undermined elsewhere in the results.

Over a third (36%) of respondents are not confident that they comply with current law. 39% are unclear on how AI regulation is evolving.

Over half (52%) of companies are also excluding legal and compliance teams from AI decision-making, believing they're AI nay-sayers rather than enablers.

Despite their initial confidence, companies acknowledge there's room for improvement, particularly by taking a longer-term view of AI applications. Ensuring proper skilled oversight and greater accountability on AI activity are also highlighted as areas of improvement.

Companies recognize that a greater consideration of values would also improve governance, which suggests that AI codes of ethics alone have limited impact.



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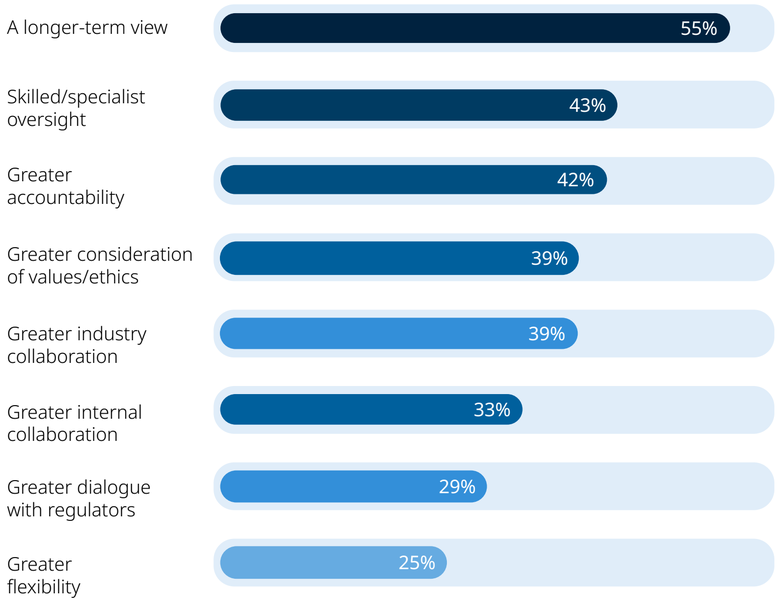
Area of improvement



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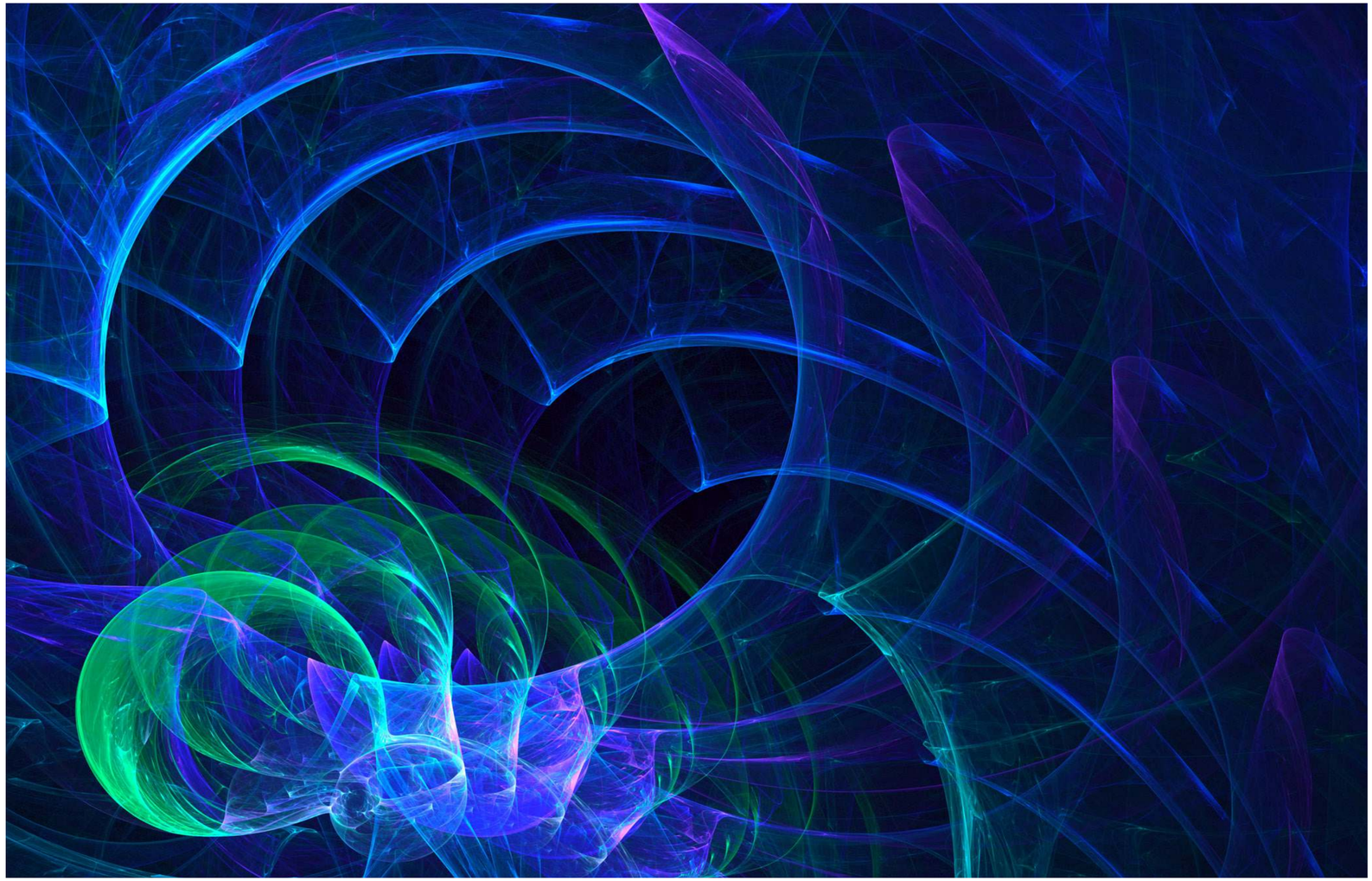
AI governance red flags



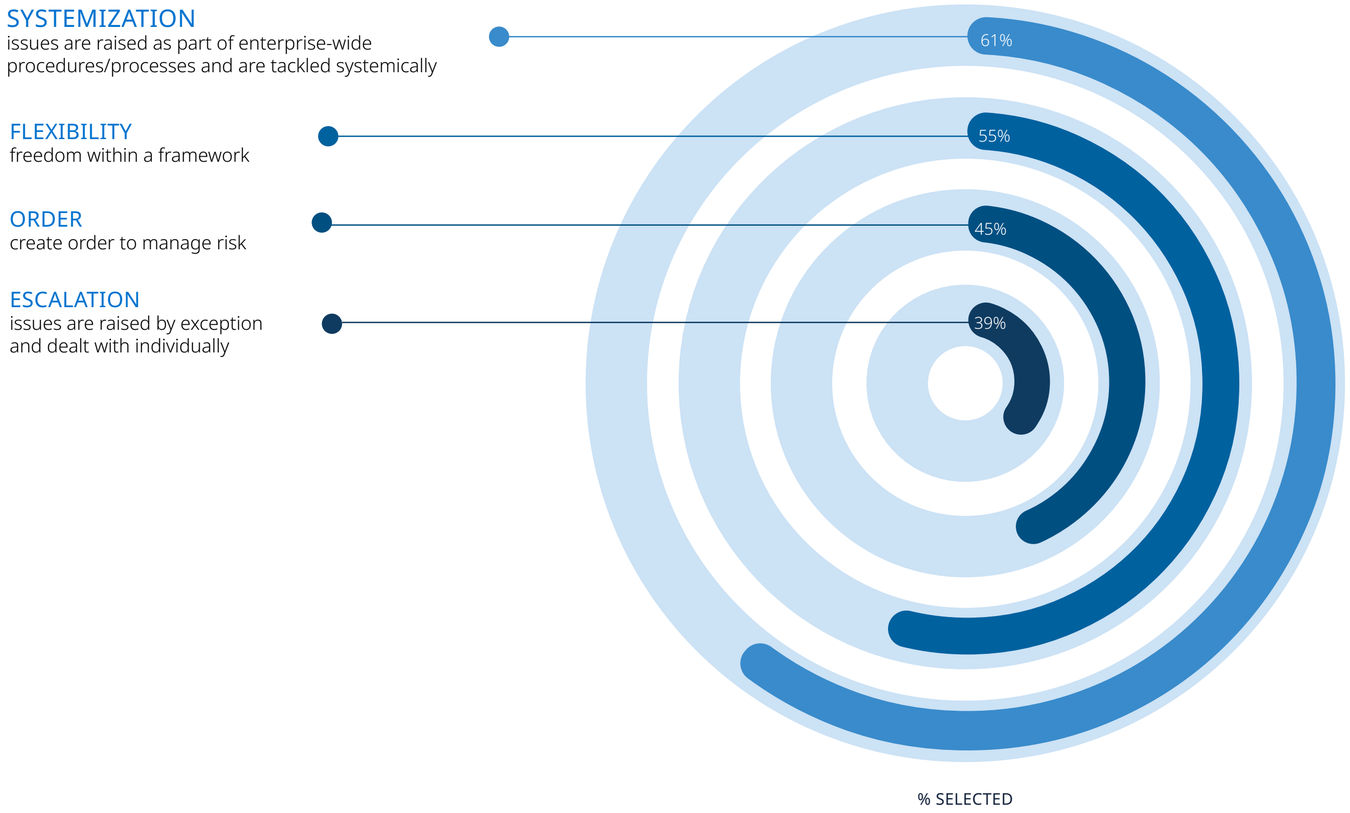
Companies believe they have strong compliance frameworks, yet regulatory investigations and fines are common. Our research also finds legal teams sidelined in AI decision-making, and knowledge gaps on current and future regulation.

This raises red flags for compliance and mirrors overconfidence we've seen in other areas of new regulation over the last decades, including data privacy, anti-money laundering and health and safety.

There is currently no objective universal standard against which to measure the performance of AI governance. For many, doing anything at all means doing well. Often this view isn't challenged until gaps and inconsistencies come to light or there's a serious issue.

As objective standards are adopted, it will become clear how far there is to go.

Fragmented global regulation means compliance confusion for legal teams



Our data shows organizations have different views on how best to manage AI compliance. As leaders navigate a fragmented regulatory landscape and determine their risk appetite, there is unlikely to be a silver bullet for success.

Overall, 45% of companies have rules-based compliance systems. By contrast, 55% adopt a more flexible approach. When specific AI issues or breaches happen, most companies (61%) use enterprise-wide systems and processes to manage AI issues. But 39% of companies escalate issues by exception.

The relative advantages of these different strategies will become clear as we start to see liability and discrimination cases and business losses.

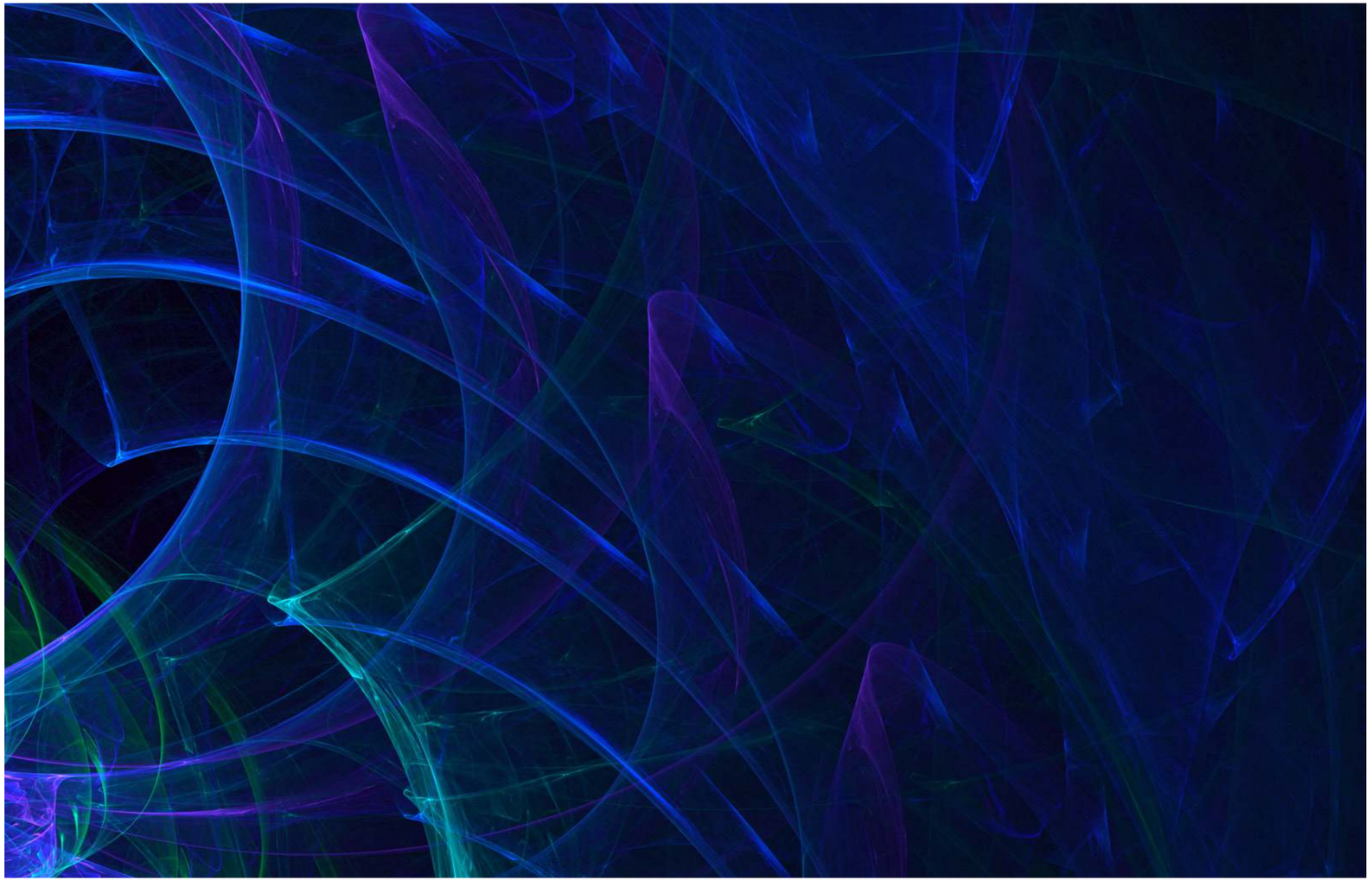
"Boards and senior leadership are on notice that AI is an issue that requires literacy, training and governance. Today the consensus is that AI is a separate compliance category that's equal to but distinct from traditional privacy, cybersecurity and data programs. But our results suggest that in many cases AI has not received unique consideration. Instead, it has been slotted into existing compliance frameworks."

Andrew Dyson
Partner, Global Co-Chair, Data Privacy and Cyber Security, UK

Managing asymmetric AI regulation – US, Europe and China

"AI itself is the most effective tool we have for monitoring and controlling AI systems, ensuring outputs are accurate, compliant, free of bias and tested for potential harm. For example, adversarial learning is the process of introducing warrior bots into generative AI, which are trained to look for issues that could compromise the tool. Think of an anti-racist bot. The bots interact with the AI models until they reach consensus on how to eliminate the issue."

Marlene Winther Plas
Partner, Head of Intellectual Property and Technology, Nordics



Managing asymmetric AI regulation – US, Europe and China

Formal AI regulation is imminent. But it's developing at different speeds across jurisdictions and industries.

In Europe, legislation has been developed by the EU Commission, Council and Parliament. We ultimately expect the EU Parliament version to be adopted at the end of 2023, with 36 months before new rules come into force.

But once it is clear what the EU standard will be, we may find that other jurisdictions are faster to adopt similar AI rules. For example, codifying a protective set of regulatory standards for AI could be a big win for a new UK administration in 2024-25.

The EU is adopting a far-reaching mechanism with its EU AI Act. But in the US, big sweeping federal frameworks are unlikely. Instead, AI regulation is being developed differently across sectors and states, in a similar way to past cybersecurity regulation.

China has no intention of being left behind. China continues to lead the APAC region in terms of AI innovation and regulation, having already adopted measures to address deep synthesis AI and recommendation algorithms, as well as new laws on generative AI, being one of the first sets of regulations of this kind in Asia.

One of the key messages conveyed by Chinese authorities under the new regulations on generative AI is to actively promote collaboration among industry players (both domestically and internationally), with the aim of fostering the advancement of AI solutions to stay ahead in the international AI race.

Nevertheless, providers of generative AI services will still need to navigate and operate within the boundaries of the existing Chinese regulatory regime, especially taking into account rules surrounding content control.

Regardless of jurisdiction, organizations need to get comfortable working in an unsettled regulatory space given the continuous evolution of AI technologies and new regulations being developed in response. But this doesn't mean operating in the dark. There are general principles and existing body of laws that can help guide businesses through the lifecycle of AI implementation. As a starting point, companies should ask themselves: what would a reasonable company do with the information it has available?

Ask what new risks you're introducing into the market and mitigate them. Lean on the body of law and precedents that applies to your sector – thinking about fairness, accuracy, and disclosure – and build controls that give the data you need to defend these decisions.

"Job losses, intellectual property, the spread of misinformation, national security, and competition with China are at the forefront of AI discourse in the US. Lawmakers in the House and Senate are attempting to draft comprehensive legislation to manage these risks. As a way to accelerate the traditional legislative process, Senate Majority Leader Chuck Schumer recently laid out a proposal for AI innovation policy and announced a series of nine AI Insight Forums for this fall.

But even with the momentum of AI and the attention of Senate leadership, reaching bipartisan consensus will not be easy. A bipartisan quartet of senators – Senators Schumer, Heinrich, Rounds, and Young – are working to identify areas of mutual interest and concern, and so far, have struck a similar tone of needing to balance the competing imperatives of acting in a timely manner and getting it right."

Tony Samp
Partner, Senior Policy Advisor, Washington DC

How DLA Piper can help you realize the value of AI

We are helping our clients generate commercial value, in line with their ethical values, through the creation, adoption, and integration of AI products.

Combining our deep operational knowledge of AI and extensive global experience advising on landmark projects, we enable organizations to create effective governance, mitigate risk, and navigate the dynamic AI landscape to unlock its full potential.

Our global and cross-sector AI practice will support you with the following:

Assess

Our team will work with you to review your current approach and strategy to AI, assessing your legal protections and analyzing existing risk and exposure.

1. Audits
2. Data privacy
3. Commercial contracts and partnerships
4. Current policies and frameworks

Action

We will ensure you confidently comply with AI regulation and create robust policies and guardrails across your business.

Whether you are developing products and services, negotiating commercial contracts, or forming strategic partnerships, our team is committed to your protection and commercial objectives.

1. Regulatory compliance
2. Cybersecurity
3. IP protection
4. Mergers and acquisitions
5. Procurement, outsourcing and commercial contracts
6. Disputes
7. Employment

Accelerate

We will work with you to future-proof your AI strategy, combining ethical and commercial best practices to empower confident responses to new AI developments and regulations.

1. Governance frameworks
2. Responsible AI strategy
3. Horizon scanning
4. Regulatory change
5. Training

Sector spotlights

Technology Sector Spotlight

Technology companies are the natural leaders of AI – expectation dictates that they pioneer bleeding edge AI applications, deploying them with ease and extracting from them significant value. But the reality is that the sector is as exposed to the challenges and risks of AI as any other. Most technology organizations are not in the business of AI, and our data suggests that the weight of expectation and competitive pressure may lead some tech players to move ahead without proper compliance guardrails.

AI adoption

3.78 "live" AI projects in progress (average per organization).

30% are building AI in-house as well as buying solutions from AI vendors.

60% have targeted AI innovation at supply chain and operations – the most common focus area.

KEY INSIGHTS

- All Technology companies are adopting AI in some way in their business and to a greater degree than in other industries.
- They are the most likely of any sector to choose a hybrid approach to AI development, suggesting that they have the skills and capabilities internally to take a bespoke approach to AI.
- Recent supply chain shocks and shortages in crucial components like semiconductors have led Technology companies to focus AI on operations. Sophisticated applications of AI are transforming supply chain transparency and demand prediction.

AI challenges

50%

have been forced to pause or rollback strategic AI projects.

43%

say interruptions were due to a lack of governance frameworks.

TOP THREE CHALLENGES WHEN DEVELOPING AND DEPLOYING AI:

- IP ownership and protection
- Defining and implementing good governance
- Gaining buy-in from the right stakeholders

KEY INSIGHTS

- Technology companies are the most likely to have been forced to pause or rollback strategic AI projects of any sector, and tech leaders are more likely to cite governance as the driver of interruption.
- This indicates companies in the sector are progressing AI projects without due attention to IP, governance and compliance.
- In 'pilot mode', under pressure to innovate and keep up with others in the industry, there is a risk that AI decision-making is driven by a fear of missing out.

AI risks

40% believe their greatest AI risks are external.

32% have been subject to a fine or investigation in relation to AI (either directly or with an AI supplier).

9% have been in dispute with an AI vendor.

SUPPLIER EXCELLENCE (POSITIVE RATING)

- IP transparency
- Data privacy practices
- 62% Responsible AI use

KEY INSIGHTS

- Technology companies are experiencing a disconnect between risk and confidence.
- A significant number have been subject to regulatory scrutiny and disputes with suppliers over AI.
- They are the most focused of any sector on external risks, which suggests a lack of trust in how partners, suppliers and vendors are using AI.
- But confidence in supplier processes and expertise is high. One explanation for the disconnect could be that Technology companies have a higher tolerance for risk.

AI governance

93% have a code of ethics for AI.

43% have terminated supplier agreements based on misalignment on ethics.

50% believe that governance shouldn't hold back AI progress.

55% say that legal and compliance teams are AI nay-sayers and better left out of decision-making.

KEY INSIGHTS

- Disconnect is also apparent in how tech companies approach AI governance. Our data emphasizes a strategy of progress at any cost.
- Technology companies are the most likely of any sector to have a code of ethics, which are being put into practice as they develop and deploy AI.
- But a significant number sideline compliance teams and advocate AI progress without robust governance.

Life sciences Sector Spotlight

Life sciences is often named as the sector for which AI holds the most transformative potential, where technological innovation meets tradition. There are limitless opportunities to leverage AI for targeted research and development, to personalize patient care and revolutionize diagnostics, treatment and prevention. But regulation and ethics are key hurdles for life sciences, which require greater human involvement at all AI touchpoints than other sectors.

AI adoption

3.68
"live" AI projects in progress (average per organization).

29%
are building AI in-house as well as buying solutions from AI vendors.

70%
deploy AI in R&D – the most common focus area.

AI challenges

40%
have been forced to pause or rollback strategic AI projects.

48%
say interruptions were due to data privacy issues.

TOP THREE CHALLENGES WHEN DEVELOPING AND DEPLOYING AI:

- Defining and implementing good governance
- Misalignment with vendors – managing expectations versus reality
- Access to quality data

AI risks

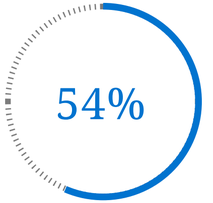
38%
have been subject to a fine or investigation in relation to AI.

71%
say this was due to data privacy.

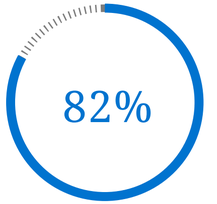
56%
are confident their organization complies with relevant regulation.

63%
are concerned about the growing regulatory burden on the industry.

AI governance



put strategy into practice.



have a strategy for AI that includes a code of ethics.

KEY INSIGHTS

Life sciences companies are embracing AI.

Many are taking a hybrid approach to development – buying and building AI solutions rather than relying solely on AI vendors. This suggests a level of confidence and literacy with AI.

Research and development is the area where the majority of life sciences companies are deploying AI, capitalizing on vast data processing power, imaging technology and automation to improve drug discovery and clinical trials.

KEY INSIGHTS

With so many potential applications, it is unsurprising that life sciences companies have been forced to pause or rollback AI initiatives. It is easy to imagine organizations kicking off multiple pilot projects at the same time without clear objectives, for vendors to fall short of high expectations, and for ideas to outpace governance.

Access to quality data is a top challenge named by life sciences companies. AI relies on having the right data in the right structure to support analysis. While the industry is rich in data, there are real limitations in how this can be used. For example, anonymization of patient information, issues of consent, explainability and bias are all relevant legal factors.

KEY INSIGHTS

Data and regulatory risk is front of mind for life sciences.

A significant minority of companies have already been subject to a fine or investigation in relation to AI, second only to those in the insurance sector.

This regulatory scrutiny is centered on data privacy. Life sciences organizations may need to think again about whether existing data handling protocols are fit for the AI era.

A surprisingly low proportion of leaders are confident their organization complies with relevant AI regulation. Forthcoming AI rules represent an additional hurdle.

KEY INSIGHTS

While most life sciences companies have an AI strategy and ethical code, relatively few are actually leveraging them to govern, guide and oversee AI activities. This is likely to exacerbate regulatory risk.

This intention-action gap should be a concern for companies in the sector. Success hinges on transparency, trust and promoting the highest efficacy and ethical standards.

Media, sport and entertainment Sector Spotlight

AI is transforming media, sport and entertainment from the outside in – from content personalization and marketing optimization to original composition and enhanced user experience. Company value is increasingly determined based on sustained user growth and engaged fan communities, so every click has currency. In a highly competitive environment, AI is a powerful tool to attract and retain customers for those that can mitigate IP and data risk.

AI adoption

3.27 "live" AI projects in progress (average per organization).

67% agree that AI is a source of competitive advantage.

61% deploy AI in customer services – the most common area.

AI challenges

40% have been forced to pause or rollback strategic AI projects.

52% say interruptions were due to data privacy issues.

TOP THREE CHALLENGES WHEN DEVELOPING AND DEPLOYING AI:

- IP ownership and protection
- Defining and implementing good governance
- Overseeing AI initiatives to ensure they remain within regulatory guidelines

AI risks

76% buy AI solutions from vendors.

78% believe their greatest AI risks are internal.

40% say their core business will be made obsolete by AI unless they embrace it.

AI governance

91% have an AI strategy that includes a code of ethics.

70% put strategy into practice.

73% have terminated agreements with suppliers that don't share their approach to responsible AI.

KEY INSIGHTS

Media, sport and entertainment companies report the lowest number of live projects of any sector. But they are among the most likely to agree that AI is a source of competitive advantage for their organization. This suggests running fewer AI projects is a matter of strategic focus rather than inertia.

Companies in the sector have already deployed AI in multiple areas. But in an industry where creating loyal fans is the whole ballgame, it is unsurprising that AI is most frequently deployed in customer services.

KEY INSIGHTS

Interruptions to AI projects are common in media, sport and entertainment, with data privacy issues the primary driver.

As a creative industry, IP ownership is a top challenge for companies adopting AI in the sector. Using generative AI to create original outputs can be problematic if the inputs used to train models infringe on the IP of others. Companies can also jeopardize their own IP rights by failing to seek adequate protections in their commercial agreements.

KEY INSIGHTS

The majority of media, sport and entertainment companies are working with external vendors to develop and deploy AI. But they are most concerned with internal risks – their own use of AI, including that of employees.

Organizations suspect that use of generative AI is pervasive. But leaders may not have a clear line of sight on all of these applications – and potential infringements caused by their use.

This is particularly concerning for companies in the sector, which employs a large number of independent freelance workers over whom they may have less oversight. It is critical for companies to define authorized uses of the technology and put guardrails in place to guide activity without stifling business-critical innovation.

KEY INSIGHTS

The majority of media, sport and entertainment companies have a vision and strategy for AI, including a code of ethics.

Most are actively using this strategy to guide and oversee AI activities, including terminating agreements with suppliers that don't share their approach to responsible AI.

These are positive indicators for AI compliance. But companies in the sector also reported governance as a top challenge to AI adoption. This suggests that there are known knowledge gaps among leaders. For example, control systems, monitoring, measurement, feedback and oversight.

Consumer goods, food and retail Sector Spotlight

Product, price and promotion are the fundamentals of consumer goods, food and retail. AI is already transforming dynamic pricing, demand forecasting, supply chain transparency, personalization and seamless in-store and online experiences. But amid rising costs, demand shocks and consumer behavior shifts, AI will become even more important to efficiency and speed – as long as stakeholders are united.

AI adoption

3.3 "live" AI projects in progress (average per organization).

51% focus AI activity on efficiency.

59% deploy AI in marketing and advertising – the most common area.

AI challenges

37% have been forced to pause or rollback strategic AI projects.

44% report that financial concerns or shifts in financial priorities were drivers of interruption.

TOP THREE CHALLENGES WHEN DEVELOPING AND DEPLOYING AI:

- Gaining buy-in from the right stakeholders
- Defining and implementing good governance
- Overseeing AI initiatives to ensure they remain within regulatory guidelines

AI risks

13% have been in dispute with an AI supplier.

64% report that product efficacy was the primary factor driving the dispute.

35% agree that it is easy to be oversold on the potential of AI solutions.

AI governance

have an AI strategy that includes a code of ethics.

agree that governance should not slow progress on strategic AI initiatives.

have terminated agreements with suppliers that don't share their approach to responsible AI.

KEY INSIGHTS

Consumer goods, food and retail is particularly exposed to both rising cost bases and customer price sensitivity. As a result, organizations in the sector are the most likely to seek efficiency gains from AI rather than transformation.

Companies have focused AI projects on marketing and advertising to date. For example, developing more effective strategies to win new customers and retain existing ones with programmatic advertising, dynamic pricing and personalized promotions.

KEY INSIGHTS

Shifting financial priorities is a key driver of decisions to pause or rollback AI initiatives in consumer goods, food and retail. This suggests companies in the sector are ruthless in shutting down AI projects that don't deliver value.

Companies report that gaining buy-in from the right stakeholders is a top challenge to AI adoption. Consumer goods, food and retail companies have the widest stakeholder group of any sector. Those with accountability for AI include IT, the Board, procurement and finance, which makes it particularly difficult to navigate competing agendas.

KEY INSIGHTS

Companies in consumer goods, food and retail are seeing the impact of internal discord in their external partnerships.

A significant number of organizations have been in dispute with AI vendors, with the majority driven by product issues.

It is revealing that one third of leaders in the sector believe it is easy to be oversold on AI solutions, resulting in disappointment.

KEY INSIGHTS

Many organizations in the sector have been early adopters of AI and they are well placed to realize the value of AI. But our data suggests this may come at the expense of values and governance.

Despite having an AI strategy and code of ethics, fewer than average consumer goods, food and retail companies have terminated agreements with suppliers based on responsible AI concerns.

Almost half also believe that progress shouldn't be slowed by governance concerns.

Industrials Sector Spotlight

Industry 4.0 doesn't happen without AI. Companies across the industrials sector are leaning into the revolution, using AI to improve the efficiency and resilience of their operations. Advances in predictive maintenance, robotic sorting and packaging, quality control and production line scheduling have all been driven by AI. AI is also building a world of opportunity to create new value – from novel product categories like self-driving cars and augmented Internet of Things devices to optimized product development and design using digital twins. Partnership is the key to unlocking this potential, but it comes with risk.

AI adoption

3.73 "live" AI projects in progress (average per organization).

70% deploy AI in R&D – the most common area.

77% buy solutions from AI vendors.

AI challenges

38% have been forced to pause or rollback strategic AI projects.

20% agree that they are often disappointed that the promised benefits of AI fail to materialize.

TOP CHALLENGES WHEN DEVELOPING AND DEPLOYING AI:

- Contracting with vendors
- IP ownership and protection
- Overcoming fear of harm and institutional risk
- Defining and implementing good governance

AI risks

51% want to unlock the value of AI in line with their ethical values.

73% have terminated agreements with suppliers that don't share their approach to responsible AI.

70% positively rate the AI ethics of suppliers.

AI governance

76% have an AI strategy.

60% are confident that their organization complies with current regulation.

KEY INSIGHTS

- Industrial companies build their reputation on product quality. They understand the need to innovate to deliver new and better products and services.
- The number of live AI initiatives in industrials is only exceeded by peers in the technology sector. They are primarily using AI for research and development – high impact, high complexity initiatives.
- Industrials are the most likely of any sector to engage external suppliers to develop AI solutions rather than taking a hybrid approach – buying *and* building AI solutions. Building AI capabilities in-house takes time.

KEY INSIGHTS

- AI-driven products, networks and manufacturing lines are complex. It is inevitable that organizations in the sector will experience interruptions and disappointments in their AI journey.
- Pauses and rollbacks to strategic AI projects are common among industrials.
- Contracting with external AI vendors and overcoming fear of harm are leading challenges for organizations in the sector. Working in partnership with others means sharing proprietary data, ideas and know-how. Without robust commercial agreements and protections in place, this has the potential for serious issues around commercialization, ownership and trade secrets.

KEY INSIGHTS

- Industrials understand the importance of responsible AI. Over half agree that their goal for AI is to unlock its value in line with their organizational values.
- Despite naming contracting as a key challenge to AI adoption, industrials are also proactive in managing supplier engagements on the basis of ethics.
- As a result, they have the highest confidence of any sector in the ethical conduct of AI vendors.

KEY INSIGHTS

- Good governance is about more than ethics.
- Industrial companies are less likely to have an AI strategy compared to peers in other sectors. Of those that don't, leaders report that AI decisions are made from the ground up rather than in line with an enterprise wide framework, which may leave them exposed to interruptions, regulatory fines and investigations.
- The Industrial sector is also among those with the lowest confidence in regulatory compliance.

Financial services Sector Spotlight

Challenger banks and fintech companies have accelerated technological innovation in the financial services sector, laying the foundations of AI adoption. AI is now integral to many of the functions of modern financial services – including investment and capital allocation decisions, credit assessments and fraud detection – and has had a significant impact on the resilience of finance companies. But organizations must bring employees with them on the journey.

AI adoption

3.39 "live" AI projects in progress (average per organization).

57% deploy AI in customer services.

COMMON APPLICATIONS:

- 56% HR
- 55% Marketing
- 49% Finance

AI challenges

48% have been forced to pause or rollback strategic AI projects.

40% say interruptions were due to employee concerns.

TOP THREE CHALLENGES WHEN DEVELOPING AND DEPLOYING AI:

- Overseeing AI initiatives to ensure they remain within regulatory guidelines
- Access to quality data
- Overcoming fear of harm and institutional risk

AI risks

79% believe their greatest AI risks are internal.

57% harbor doubts that AI suppliers are processing data within contractual terms.

51% are not fully confident that data is securely stored by AI suppliers.

42% express doubt that data is lawfully managed by AI suppliers.

AI governance

90% have an AI strategy.

74% use this AI strategy to govern AI initiatives.

14% say the Board is accountable for AI.

60% say that governance could be more effective if there was consistent AI regulation.

KEY INSIGHTS

- Companies in financial services sector have taken a cautious approach to AI adoption, piloting technology in internal functions like HR before rolling out customer-facing solutions. Companies in the sector have deployed AI to HR, Finance and Legal departments more frequently than peers in any other sector.
- Financial services customers are benefiting from 24 hour support driven by chatbot interfaces and faster decisions on loan applications as a result of the vast data processing and predictive power of AI.

KEY INSIGHTS

- Financial services companies are among the most likely to have faced interruptions to strategic AI projects.
- Leaders cite several drivers of pauses and rollbacks, including employee concerns. AI represents the first large-scale disruption to white collar jobs, and employees are reticent to the idea of training their own replacements in the form of AI. They may also be concerned about how their personal information is handled in HR use cases.
- Overcoming fear of harm and institutional risk is a top challenge to AI adoption for companies in the sector.

KEY INSIGHTS

- As employee concerns are front of mind for financial services companies, it is unsurprising that the majority believe their greatest AI risks are internal.
- But they are also vulnerable to significant external risk in how suppliers handle data.
- Where there is any doubt that sensitive information is lawfully managed, securely stored or processed according to commercial agreements, financial services companies should seek urgent assurances.

KEY INSIGHTS

- Financial services companies are the most likely to have a strategy and vision for AI, which is used as a practical framework to guide AI activity and oversight.
- Yet a relatively low proportion of financial services organizations report that the Board takes accountability for this strategy.
- While other sectors are concerned about a growing regulatory burden, financial services embrace the certainty and clarity afforded by consistent AI regulation.

Insurance Sector Spotlight

Contrary to the risk-averse reputation of industry, insurance companies are emerging as AI leaders. The future of insurance is about predicting and preventing claims. AI is already being deployed to provide more accurate risk calculations, streamline claims and improve customer engagement, and we are not far away from automated damage assessments and dynamic premiums. But the industry has several significant challenges to overcome to realize this value.

AI adoption

43% identify as AI leaders.

3.59 "live" AI projects in progress (average per organization).

59% deploy AI in customer services – the most common area.

57% agree AI is critical to how their organization generates customer, shareholder and employee value.

AI challenges

46%

have been forced to pause or rollback strategic AI projects.

61%

say interruptions were due to data privacy issues.

TOP CHALLENGES WHEN DEVELOPING AND DEPLOYING AI:

- Customer data handling
- Defining and implementing good governance
- Overseeing AI initiatives to ensure they remain within regulatory guidelines
- IP ownership and protection
- Overcoming fear of harm and institutional risk
- Gaining buy-in from the right stakeholders
- Misalignment with vendors – managing expectations versus reality

AI risks

14% have been in dispute with an AI vendor.

70% report that data privacy was the primary driver of the dispute.

90% positively rate suppliers' data privacy practices.

80% believe their greatest AI risks are internal.

AI governance

90% say that their approach to AI governance is effective.

69% are confident that they comply with current regulation.

82% have an AI strategy that includes a code of ethics.

73% have terminated agreements with partners, suppliers and vendors who don't share their approach to responsible AI.

KEY INSIGHTS

- Despite being in the business of risk, insurance companies are embracing AI. Organizations generally have multiple projects currently in progress.
- Almost half of insurance companies believe they are AI leaders rather than explorers – sophisticated developers and users of AI, embracing bleeding edge technologies quickly and early with a proven internal structure. Relatively few technology companies describe themselves in the same terms.
- Insurers are deploying AI across multiple business functions and they see AI as critical to value creation.
- Customer services is the most common use case, helping to speed up claims and enabling customers to self-serve useful information.

KEY INSIGHTS

- Despite their confidence, there isn't much that insurers find straightforward about developing and deploying AI.
- While companies in other sectors report a few particular challenges to AI adoption, insurers all name a total of seven primary issues. This could mean that companies in the sector are experiencing these risks more acutely, or it could reflect a greater risk awareness among these organizations.
- Insurers report similar challenges to peers in other sectors. But they are more likely to cite customer data handling as a top concern, which reflects the vast volume and sensitivity of customer information required to produce AI-powered risk assessments and premium calculations.
- The majority of interruptions to strategic AI projects were the result of data privacy issues.

KEY INSIGHTS

- Insurance companies report the highest rate of investigations, fines and disputes of any sector.
- Despite almost three quarters of companies blaming data privacy for these issues, the overwhelming majority of insurers have a positive view of supplier data privacy practices.
- This contradiction may indicate an overconfidence in AI partners or, as organizations in the sector are most concerned with internal risks, the data could suggest data privacy compliance procedures in insurance are inadequate.

KEY INSIGHTS

- Insurance is among the sectors least likely to include a code of ethics within their AI strategy and one third lack confidence in compliance with current regulation.
- Despite this, the vast majority believe their approach to governance is effective.
- Our data suggests that insurers are proactive in enforcing ethical standards with AI suppliers. But AI governance is more than having a policy in place that talks broadly to AI ethics.
- The scale of the change in the industry requires a deeper consideration of responsible AI and how customers from all backgrounds may be impacted by new insurance business models.

Research methodology

In June 2023, DLA Piper commissioned Coleman Parkes Research to conduct an independent survey of AI decision-makers and advisors in large and mid-market organizations.

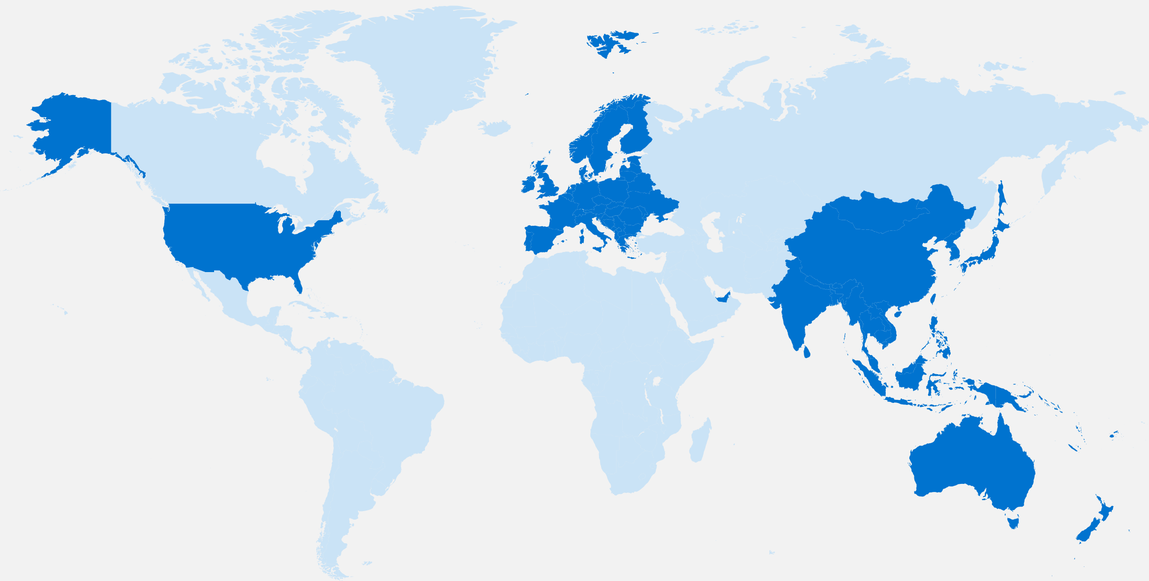
600 interviews were conducted with managing directors, general managers, heads of IT and data, general counsel and heads of legal and compliance of companies with an average annual turnover of USD900m.

Organizations represent the following sectors and regions:

SECTORS

- Insurance
- Consumer goods, food and retail
- Technology (excluding AI vendors)
- Financial services
- Media, sport and entertainment
- Industrials
- Life sciences

REGIONS



*Results are rounded to the nearest whole number and may not always total 100%.

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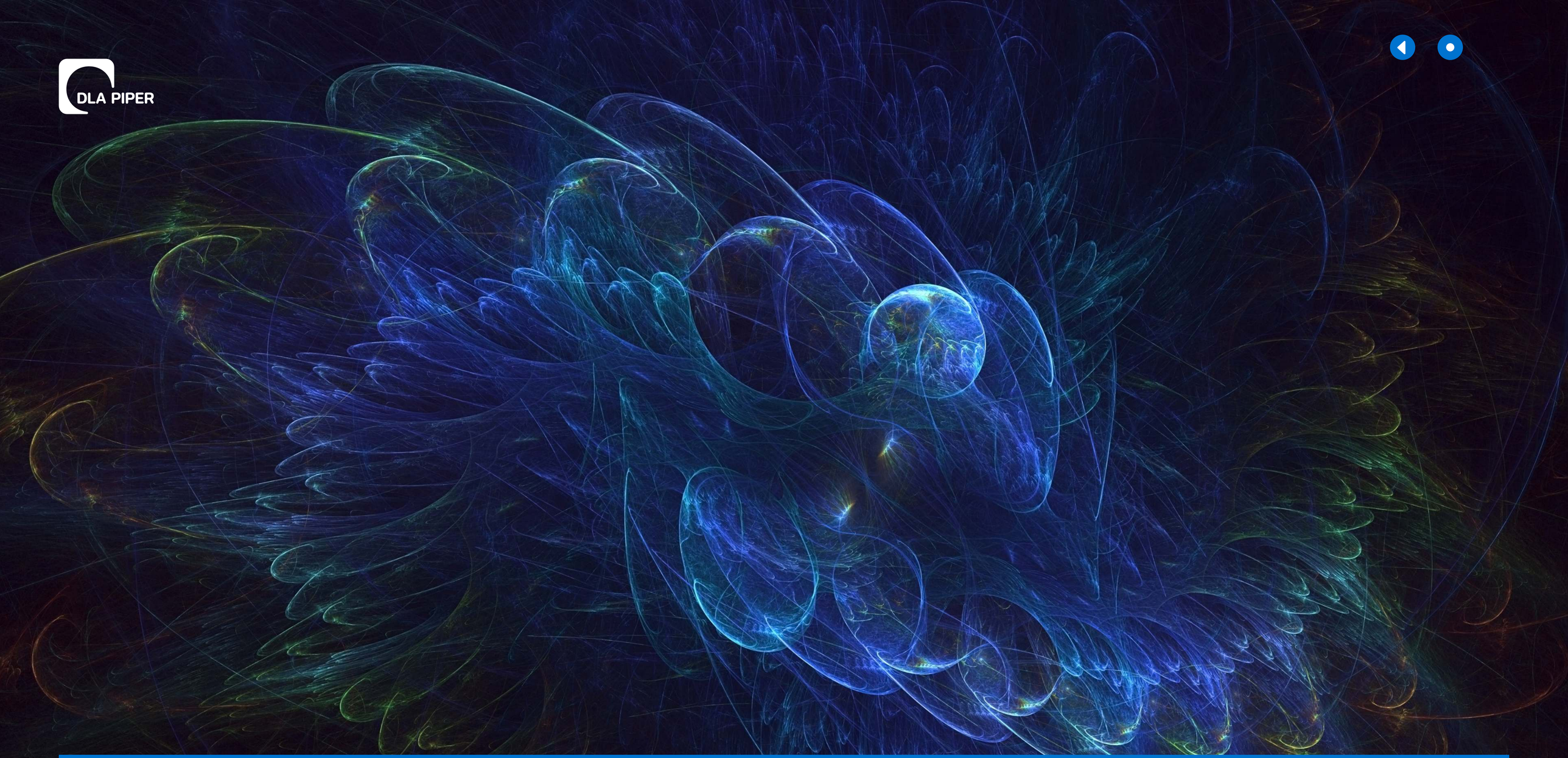

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