Article

Artificial Intelligence in the Life Sciences Industry

Julie Miglin • June 30, 2023

Artificial intelligence is revolutionizing the life sciences industry, transforming the way drugs and devices are developed, tested, and delivered to patients. AI-based technology has the potential to significantly accelerate discovery and development, reduce costs, and improve patient outcomes. However, as with any technology, there is always risk –and in life sciences, understanding the risks from technology are as important as the benefits due to the impact on patient care.

THE PROMISE OF AI IN LIFE SCIENCES

In recent years, AI's impact on drug development, diagnostics, clinical trials, supply chain, commercial processes, and the regulatory environment has led to innovative ways to solve problems and improve healthcare outcomes. Automating data collection and analysis in clinical trials, improving product quality and manufacturing processes, capturing insights for product development and enhancing product safety are all powerful ways that technology can create opportunity and drive efficiencies within the industry. It's no surprise that many life science companies are eager to reap the benefits.

THE RISE OF AI-RELATED EXPOSURES

Artificial intelligence brings excitement to many industries, but with life sciences, it is critical to understand the possible risks and how to mitigate them.

Here are just a few examples of these exposures:

- **Inaccurate diagnosis**: AI systems rely on models that interpret data to make predictions. If the underlying data is inaccurate or the model is biased, decisions that may be made based on that system can be incorrect and potentially harmful to patients.

- **Incorrect treatments**: If AI makes the wrong recommendation for treatment or dosage, fails to monitor a patient correctly, or fails to properly calibrate, patients may suffer serious harm.

- **Security breaches**: If the data behind an AI system is not properly secured, it can be vulnerable to cyberattacks that could compromise patient data and lead to patient harm.

INSURANCE SOLUTIONS MUST EVOLVE TO ADDRESS THESE EMERGING RISKS

Proper design, testing, and regulation of AI systems are the first steps to mitigating risks, but a comprehensive insurance solution is essential to managing the financial consequences of an adverse event. As the life sciences industry further incorporates new technologies, insurance products must evolve to address the emerging exposures.

A standard product liability policy may not sufficiently address the exposures carried by a tech-enabled or AI-driven life sciences company. Most existing life sciences product liability policies do not provide affirmative coverage for bodily injury arising out of a technology product or service, leaving companies open to uninsured exposures. Cyber coverage is a must, given today's security vulnerabilities. As a specialty insurer that has underwritten life sciences for over 20 years, we are committed to developing and offering the right suite of products that can support life science companies as they explore, create, and build during this AI revolution.

Unique in the life sciences space, Beazley's WellTech product brings flexibility to creatively address these demands. WellTech is a modular policy, which provides broad coverage options to meet the needs of the life sciences technology sector. Available coverage that can be selected to meet specific requirements includes:

Products/completed operations and tech liability – with affirmative bodily injury and property damage coverage for tech products and tech services.

- Healthcare professional liability – including coverage for bodily injury claims resulting from care and treatment of a person.

- General liability – including bodily injury or property damage as a result of an event.

- Life sciences tech error and omissions – addressing third-party financial injury.

- Cyber liability and Beazley Breach Response – coverage and comprehensive services to protect against a broad range of cyber threats.

- Media liability – coverage for personal injury/advertising injury as it relates to media activities, professional services, and tech services.

WellTech has quickly gained momentum with brokers who serve the life sciences industry. With nearly every one of their submissions containing inquiries about some kind of cyber coverage and some bodily injury component, brokers appreciate having the ability to pick and choose the coverages they need while keeping product liability as the core coverage.

THE LIFE SCIENCES INDUSTRY CONTINUES TO INNOVATE

As technology continues to impact the life sciences industry in new and

exciting ways, brokers, carriers, and insureds alike must stay close to this topic – following the trends, tracking new uses for technology, and considering the implications and exposures.

It is exciting to consider the myriad ways that the integration of AI technology is improving clinical trials, drug and device manufacturing, and distribution/supply chain management, but it is also essential to address the resulting exposures and risks. WellTech provides a comprehensive insurance solution to support the life sciences industry through this period of progress.

Julie Miglin

Underwriting Manager – US Miscellaneous Medical & Life Sciences