

## GenAI Adoption and Risk Oversight



Generative Artificial Intelligence (GenAI) is widely considered a general-purpose technology. General-purpose technologies are powerful innovations that fundamentally alter the way economies function. They are disruptive and transformative. They have broad personal and professional applications and transcend industry. They don't just solve a single problem; they create a ripple effect that reshapes entire industries, economies and societies. Historical examples of general-purpose technologies are the printing press, electricity, the personal computer and the internet. There is a key difference between GenAI and all the other general-purpose technologies that have come before it – the speed of its evolution and adoption. The speed of current technological advances within the broad field of Artificial Intelligence (AI) has no historical precedent.

Traditionally, new technologies took decades to reach widespread adoption. Electricity took over 30 years to reach farm-households after urban electrification. The first mass-market personal computer reached early adopters in 1981 but did not reach most homes in the U.S. for another 20 years. Even the rapidly adopted internet took around five years to hit adoption rates that AI reached in just two years.

The speed of the changes in GenAI-based technology coupled with the rush to adopt it is creating tension in existing legal, economic and societal frameworks. GenAI adoption is challenging. Organizations must balance the desire for innovation and competitive advantage with the need for robust, specialized oversight of a complex and rapidly evolving and uncertain risk environment.

Prior to adopting any AI or GenAI tool or implementing an initiative, organizations should establish an AI Governance Program. An AI Governance Program is simply a framework of rules, policies, practices that will guide the organization or firm in the responsible, ethical development and deployment of AI tools/systems. The guiding principles of AI Governance are Fairness, Transparency, Accountability (Human in the Loop Oversight) and Privacy/Security. Typically, AI Governance Programs are (or should) be closely connected to any existing Data Governance Programs within the organization.

Once you have your AI Governance Program in place, below are our **top ten tips** as you move forward with the development and deployment of GenAI-related initiatives and tools:

- 1. Proceed with Caution – Be Strategic:** Prioritize responsible deployment over rapid adoption. Be strategic, not reactive. Avoid the “fear of missing out” (FOMO) and hype surrounding GenAI right now. Focus on a long-term strategic approach to ensure success and sustainability.

2. **Remember GenAI is in its “Awkward Adolescent” Phase:** Although some aspects of artificial intelligence are highly mature and have been widely adopted, the technology as a whole is still considered immature. Current subsets of AI such as Generative AI and Agentic AI are experiencing rapid evolution and progress. Immature technologies carry inherent risk and demand close attention and oversight.
3. **Holistic, Interdepartmental Approach:** GenAI adoption requires a holistic, interdepartmental approach because it is a general-purpose technology. It has broad transformative potential. Even if your use case/tool is focused on one workstream or department, the technology will likely have a broader impact on the organization or firm. Accordingly, it is important to approach GenAI development, deployment and governance in a holistic, interdepartmental manner.
4. **Vendor Selection/Due Diligence:** Traditional vendor selection and due diligence methods struggle to handle the increasing complexity of the technology and the sheer number of potential vendors. In addition, evaluating a GenAI vendor or tool requires specialized knowledge that many organizations and firms may lack in-house. This can all prove to be overwhelming, especially given the pressure to rapidly adopt GenAI. Unfortunately, skipping this step or cutting corners here can have significant financial and reputational consequences. Take the time to establish a Vendor Selection and Due Diligence Process and involve necessary technical resources. As a part of that process, consider how you will oversee and monitor existing vendors and their use of GenAI.
5. **Learning Gap – Prioritize AI Literacy Training:** According to an August 2025 MIT study, “*The GenAI Divide*,” a key reason for the high rate of failure of corporate AI pilot projects is an organizational learning gap. The study found that 95% of GenAI projects failed to deliver a measurable financial return. The core issue cited was that the employees and the organizations did not fully understand how to use the technology or to redesign existing workflows to be able to take advantage of the technology. AI literacy training must be a foundational component of your overall adoption and risk oversight strategy. The training must be targeted, meaningful and continuous, given the rapid evolution of the technology. In addition, since technology can fail, make sure you have a back-up plan and incorporate AI in Disaster Recovery and Business Continuity planning. If the technology is not available or a model falls victim to a data poisoning attack or the AI model becomes inaccurate due to data or model drift, make sure the pilot knows how to manually fly the plane.
6. **Keep Key Risks Front of Mind:** The primary areas of risk associated with the adoption and use of AI/GenAI today are Inaccuracies/Hallucinations, Bias/Discrimination, Network Security/Data Privacy, Intellectual Property Infringement, Legal and Regulatory Compliance Risk, and the use of Shadow AI. This list is not exhaustive. Identify and prioritize risks that are specifically impactful for your organization, firm, or industry. For example, professional service firms may prioritize risks associated with inaccuracies/hallucinations and retailers might be more concerned about supply chain related risks. The bottom line is that the risk environment is highly dynamic. Stay vigilant and attentive.

7. **Human in the Loop Oversight (HITL):** When developing and deploying GenAI tools, it is crucial to incorporate HITL oversight. This means involving a human at some point in the workflow to ensure accuracy of and validate/correct output, monitor for and prevent bias/discrimination, and guard against misuse and ethical deviations. Initially, HITL was intended to be more of a temporary, clerical function to catch basic errors in output and make simple corrections. Today, as the technology continues to advance rapidly, the HITL role has become more complex and more strategic. Finding the right HITL can be challenging, especially in highly technical industries and professional service firms. Implementing a robust HITL framework in these industries is crucial.
8. **Review Contractual and Ethical Obligations:** As you move to deploy GenAI solutions within your organization or firm, consider how that may impact your existing contractual relationships and obligations. Review your contracts closely to determine if there are notice obligations or prohibitions in those contracts relative to your use of GenAI tools. Consider adding a provision in vendor agreements that requires your vendors to disclose and receive consent from outside service providers as they relate to updates or changes in GenAI use by the vendor. Also, consider the impact of the new tool on indemnification and confidentiality wording. Existing boiler-plate contractual wording may not sufficiently address or apply to GenAI use. Similarly, if you are in a highly regulated industry or provide professional services, consider the impact of your use of GenAI on your ethical obligations. Are you required to notify your clients of the new tool? Even if you are not required to disclose, consider whether you *should* from a risk management perspective.
9. **Mind the Gap:** Remember there is a gap between our current legal framework and the existing/ future risk posed by incorporating GenAI tools into your organization or firm. This is, and will continue to, disrupt our ability to identify, mitigate and effectively transfer risk. Insurance follows risk and liability. If both are uncertain or in flux, your insurance coverage will be as well. Work closely with your insurance broker or attorney to evaluate your entire insurance portfolio to determine if there are gaps in your existing coverage.
10. **Patience – Apply Non-Traditional ROI Approach:** GenAI tools require significant investment in technology, infrastructure and people/talent. Measuring the return on investment (ROI) can be very challenging. Traditional ROI metrics often fail when applied to GenAI tools because the focus tends to be on immediate cost savings and efficiency gains. The value of a GenAI tool is more complex. Many of GenAI's most valuable contributions are intangible and will build over time. Consider taking a phased ROI approach to capture both short-term gains and long-term transformation.

GenAI is a fundamental and transformative technology that is here to stay, requiring both a proactive approach to adopting its benefits and a cautious strategy to mitigate its significant risks. Organizations and firms must develop clear guidelines and foster a culture of responsible AI use in order to navigate this new landscape effectively.



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