

# Indemnify AI Comment Letter — SEC IAC AI Disclosure

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May 12, 2026

Vanessa A. Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

Submitted electronically via [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Re:** Comment on IAC Recommendation Regarding the Disclosure of Artificial Intelligence's Impact on Operations (Approved December 4, 2025)

Dear Ms. Countryman:

Indemnify AI, Inc. respectfully submits this comment on the Investor Advisory Committee's December 4, 2025 recommendation. We agree with the IAC that AI risk disclosure is uneven and hard for investors to compare. We write to focus the Commission's attention on the recommendation we believe will most directly serve investors: **issuers should disclose management's best dollar estimate of the material risk of their AI deployments.**

Investor time is scarce. Disclosure narrative is not. The current Form 10-K landscape is dense with AI-related risk-factor language that says, in substance, that the issuer uses AI, AI carries risk, and the impact is uncertain. Such disclosure has two well-documented failure modes.

First, management has every incentive to under-disclose details. AI deployments are competitively sensitive. Models, prompts, training data, integration architecture: none of these can be specified at audit-grade granularity without compromising the issuer's competitive position. The IAC's recommendation acknowledges this, instructing that disclosure should respect existing positions on trade secret protection.

Second, investors do not have the time, or in most cases the technical capacity, to extract a comparable risk picture from incomplete narrative. As the IAC observed in its December 4, 2025 recommendation, current AI-related disclosures "remain uneven and inconsistent," leaving investors "having to sort through issuer statements regarding AI integration into operations that

are inconsistent and difficult to compare." Narrative disclosures are not comparable across issuers.

A single, methodology-backed **dollar figure** representing management's best estimate of material AI exposure resolves both problems. It does not require management to disclose deployment details; it does not require investors to read deployment details. It does require management to do the underlying analysis. The analysis is the same one the audit committee, the D&O carrier, and the Chief Risk Officer are already accountable for performing under existing risk-management frameworks.

We particularly support the IAC's Recommendation #3, which calls for disclosure, if material, of the effects of AI deployment on (a) internal business operations and (b) consumer-facing matters. We urge the Commission to focus interpretive guidance on operationalizing this recommendation in dollar terms.

**Existing Regulation S-K already provides the framework for this disclosure.** Item 303 (MD&A) requires disclosure of known trends and uncertainties reasonably likely to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations. The "reasonably likely" standard is substantively lower than ASC 450's "probable" threshold for accrual and fully accommodates forward-looking quantitative estimates. Item 103 already captures material AI-related legal proceedings once they meet existing thresholds. Item 101 captures AI-related R&D, human capital effects, and government regulation. The Commission can operationalize Recommendation #3 through interpretive guidance under these existing items, without new rulemaking.

Specifically, we recommend that the Commission's guidance clarify:

1. **Forward-looking AI risk belongs in Item 303 MD&A.** A dollar estimate (or range) of material AI exposure, accompanied by a brief methodology disclosure, satisfies Item 303's requirement to describe known trends and uncertainties reasonably likely to have a material impact.
2. **The "reasonably likely" standard is satisfied by reasonable methodology, not by precision.** It requires that an issuer apply a documented methodology to produce its best estimate. Quantitative AI risk methodologies are capable of meeting that standard, when their assumptions and inputs are documented.
3. **Forward-looking AI exposure is properly an Item 303 disclosure, not an ASC 450 accrual.** The accrual mechanic applies only when an AI loss has been incurred (consistent with ASC 450-20-25-2 and the SEC staff position at ASC 450-20-S99 against using "reserve" for accruals). Forward-looking estimates belong in MD&A. Realized losses, when incurred, accrue per existing GAAP.
4. **Comparability across issuers requires consistency in unit, scope, and**

**methodology disclosure.** Per-deployment estimates aggregated to the issuer level, expressed in dollars or as a range, with a brief methodology footnote, would produce cross-issuer comparability. The IAC found that current disclosures are "uneven and inconsistent."

Properly framed forward-looking quantitative disclosures are protected by the PSLRA safe harbor with appropriate cautionary language. We acknowledge that audit firm guidance on AI-specific quantification methodologies is still developing.

We welcome the opportunity to discuss and develop methods of quantification.

We thank the IAC for advancing this recommendation and the Commission for the opportunity to comment.

Respectfully submitted,

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cc:

- Alvin Velazquez, Vice-Chair, IAC Disclosure Subcommittee
- Erik Gerding, Director, Division of Corporation Finance
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