

Insurance Advisory Predictions 2026

Expect regulatory intervention to follow AI innovation

The insurance sector has embraced AI at speed, deploying it across underwriting, claims and customer engagement. Yet regulation is struggling to keep pace with the technology's rapid evolution. Current frameworks were not designed with self-learning systems or generative models in mind, leaving gaps around accountability, transparency and bias. For now, regulators are watching closely, with guidance rather than enforcement. But history tells us that regulatory intervention often comes after the first high-profile failures or consumer harms. When that moment arrives, we can expect tighter controls on explainability, governance and oversight of AI. For the sector, the message is clear: use this breathing space to build robust controls now, before regulators mandate them.

Regulators will focus on the E and G of ESG

Although government and regulators have stated a continuing commitment to the development of sustainable finance, the approach to environmental, social and governance (ESG) considerations generally is now only through the lens of promoting growth and competitiveness of UK markets. It is perhaps notable that the Financial Conduct Authority (FCA) Strategy for 2025-2030, published in June 2025, makes no reference to ESG. In March 2025, the FCA announced that it would not be proceeding with proposed diversity and inclusion requirements for regulated firms. In August 2025, it further announced that it is considering how to streamline the existing sustainability reporting requirements on firms. For the year ahead we expect this trend to continue, with no new regulatory initiatives and a focus on streamlining existing requirements.

The UK will make steady steps towards rolling back regulation

The government and regulators will continue moving towards more proportionate and competitive regulation, but this process will be evolutionary, not revolutionary. The Leeds Reforms set out in July 2025 included proposals to deliver a new framework for captive insurance in the UK, and scale back the Senior Managers and Certification Regime, reducing by around 40% the number of roles for which an insurer needs regulatory pre-approval. The Financial Conduct Authority is also proposing scaling back its Consumer Duty and certain other rules as they apply to the wholesale insurance market. While several changes can be made relatively quickly, it will take time for the benefits to be felt. Without more radical reform, including scaling back the regulatory perimeter and re writing the rulebooks, UK financial regulation will remain complex and challenging to navigate.

Reform of the Financial Ombudsman Service will reduce its role

The government's plans to reform the Financial Ombudsman Service (FOS) will significantly limit (but not remove) its quasi-regulatory function. As part of its Leeds Reforms announced in July 2025, the government launched "the most significant reform of the [FOS] since its inception". While the FOS will still determine complaints based on what is fair and reasonable, where Financial Conduct Authority rules are material to the complaint a firm will be deemed to have acted fairly and reasonably if it complied with those rules in a manner consistent with the FCA's intent. A proposed 10-year longstop in which complaints must be made (subject to limited exceptions) would also address a long-standing grievance. The result should be fewer of the more egregious examples of the FOS applying different standards to those generally understood by firms, but it will remain a highly consumer-friendly complaint resolution forum.

The FCA will act on premium finance if the market does not move first

The Financial Conduct Authority (FCA) will continue to look closely at the impact of premium finance on consumers, particularly vulnerable customers. Insurers and brokers should review their premium finance products, looking particularly at the APRs charged and whether the decision to pay monthly is also factored into the setting of the underlying insurance premium (so-called 'double-dipping'). They should be prepared to justify their approach to the FCA if required and to show that it is objectively justified and reasonable. In addition, the long-awaited overhaul of the UK's fifty year old consumer credit laws has begun, and will eventually result in a more flexible regime, better suited to today's products and sales channels. Firms should engage with this process so they can benefit from all of the expected changes.



For further information or enquiries, please contact:

Mathew Rutter

Partner
mrutter@dacbeachcroft.com

Charlotte Halford

Partner
chalford@dacbeachcroft.com

Mark Neville

Partner
mneville@dacbeachcroft.com



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