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BERMUDA MARKET

Social inflation will continue to drive claims severity and questions over the price of uncertainty

(Re)insurers will continue to face rising claims severity, driven by a combination of economic inflation, social inflation and regulatory instability. Escalating verdicts and unpredictable settlement demands, fuelled by shifting social attitudes and increasingly polarised perceptions of corporate actors and behaviour, will continue to heighten uncertainty and push claims costs higher. Global economic volatility will further complicate claims forecasting, while economic inflation will continue to increase claims costs and reinstatement. The persistence of 'once in a lifetime' claims events has continued a trend towards early claims resolution, often at high values, reflecting the market's increased awareness, and weariness, of unpredictable outcomes.

CASUALTY

Innovation is the way to succeed in a consolidating claimant legal market

The number of claimant personal injury firms has declined by 35.4% in the last five years, and larger firms are taking a bigger piece of the market share. This trend shows no signs of abating. Falling numbers of claims and fixed recoverable costs will continue to push the claimant sector towards consolidation. Those firms capable of adapting to changing market conditions are likely to do better. This will require flexibility, innovation and the financial and human resources necessary to facilitate them, all favouring larger firms. This consolidation can reasonably be anticipated to impact on claims handing generally, particularly if it leads to more standardised and consistent approaches to claims progression. The impact from a defendant/insurer perspective remains to be seen.

D&O AND FINANCIAL INSTITUTIONS

UK government evaluation of class action and litigation funding will seek to balance consumer justice and business impact

The effectiveness of the UK's opt-out class action regime in the Competition Appeal Tribunal (CAT) is under the spotlight. A decade on from the introduction of the opt-out collective actions regime in competition law, the government has launched a review of its operation. Concerns exist that consumers are not obtaining meaningful redress and businesses are being disproportionately burdened. These have been heightened by the nine year legal battle in Merricks v Mastercard, which settled for just 2% of the pleaded claim value, and the CAT's dismissal of its first consumer trial (Le Patourel v BT Group PLC) which found that BT's pricing was not unfair or an abuse of dominance. The government is now exploring alternative dispute resolution and voluntary redress schemes to better balance consumer justice with business impact. This review comes swiftly after the Civil Justice Council (CJC) recommended in June 2025 that legislation be introduced swiftly to clarify litigation funding agreements are not damages-based agreements, reversing the impact of the Supreme Court decision in PACCAR and the significant uncertainty created. The CJC also recommended the 'light-touch' regulation of the litigation funding market with enhanced regulation in consumer claims. The CJC proposals are likely to lead to continued growth of litigation funding in the UK and provide for a more stable, regulated environment in which funders have confidence in the enforceability of funding agreements.

EDUCATION

Financial pressure on the education sector will impact both choice and the quality of teaching and resources

The education sector remains under intense financial pressure at all levels. In mainstream settings, budget challenges remain with increased demand for special educational needs and disabilities support. Independent schools continue to feel the impact of the change in VAT legislation, with more than 50 schools closing or announcing plans to close. Falling student numbers have led other schools to undergo mergers or acquisitions. Universities are also under financial pressures with falling international admissions which may result in courses and departments being reduced. The recent merger of the Universities of Kent and Greenwich may be the first to come in a series of mergers/collaborations. The resulting impact on student/parent choice and the quality of teaching and resources is likely to be a significant risk for educational institutions but might create significant opportunities for those able to provide compelling, high quality specialist or differentiated programmes.

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INSURANCE ADVISORY

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.

INTERNATIONAL AND COMPLEX CASUALTY

Social inflation is coming full circle, with developments in Mexico serving as an example for the United States

Outside the United States, the impact of social inflation is seen most starkly in Mexico, and we predict that the way damages are awarded in civil litigation in Mexico may now influence the United States and other jurisdictions. Legislative efforts to challenge social inflation continue in the United States, with some states enacting legislation to mitigate the risk of nuclear verdicts, challenges to claimant strategies such as 'anchoring arguments' and the capping of non-economic damages in certain claim types. The risk of juries awarding outsized punitive damages awards will remain. However, with more pressure anticipated, plaintiff representatives may pursue damage concepts that prioritise compensating plaintiffs rather than punishing wrongdoers. In Mexico, although punitive damages are available as an extension of moral damages, human rights jurisprudence has led to the development and recognition of 'damage to life plans' awards. These awards are a category separate from moral or economic damages, designed to compensate the long-term effects on the future circumstances of victims and their families. Similar models may offer an alternative route to maximising compensation for plaintiffs in the United States.

Federal pre-emption issues over glyphosates may have the same effect as causation challenges

Federal pre-emption arguments may clarify the prospect of further glyphosate actions against Bayer in the United States. Actions alleging a link between glyphosate and cancers have so far failed outside the United States due to a lack of expert evidence verifying a causative link. In the United States, state-based 'failure to warn' claims and the acceptance of conflicting expert evidence has resulted in substantial damages (both general and punitive) being awarded. However, the federal Environmental Protection Agency (EPA) has consistently approved glyphosate products without a cancer-related warning. Bayer argues that states cannot impose labelling requirements in excess of federal requirements. Some states agree, with North Dakota recently legislating that warning labels meeting EPA standards will be deemed sufficient. This measure effectively shields Bayer from glyphosate cancer litigation in the state. However, with conflicting circuit judicial guidance arising on this issue, Bayer has petitioned the Supreme Court, which has in turn sought the views of the Solicitor General. Further developments are expected in 2026.

LEGAL INDEMNITIES

Fixed-rate mortgage expiry is set to trigger a surge in lender claims

Lender policy claims are expected to rise as fixed-rate mortgage deals arranged before late 2021 begin to expire en masse by 2026. Borrowers moving to higher interest rates may struggle with repayments, leading to increased arrears and repossessions. This will likely drive more claims against lender policies, once title defects or valuation issues are revealed. Insurers should prepare for elevated notification volumes.

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MEDICAL MALPRACTICE

Fixed costs regime may be put back on the political agenda, again

In the last three years we have seen consultations by the Department of Health and Social Care to introduce a bespoke fixed recoverable costs regime for lower value clinical negligence claims up to £25,000 that was to introduce wholly different ways of conducting claims (with a 'light track' and 'standard track'). That had been expected to be introduced in October 2024, and then April 2025, but nothing more has been seen. We have since had the introduction of fixed recoverable costs to civil litigation by the Ministry of Justice, which clinical negligence claims can benefit from where admissions of liability are made and where damages do not exceed £100,000. With the costs of clinical negligence rising, and with growing political interest, we may see a renewed (and possibly new) attempt at fixed recoverable costs for lower value clinical negligence claims.

MOTOR

The increase in vehicle technology will negatively impact the cost of road traffic claims

Despite the lower claims numbers, claims costs will continue to rise faster than the Consumer Prices Index. Concerns regarding the integrity of electric vehicle (EV) batteries post-collision, and the need to recalibrate Advanced Driver Assistance Systems will result in increased complexity and cost, for both labour and parts. Insurers and the motor repair sector continue to highlight skills shortages for repairing EVs and cars with sophisticated safety systems post-accident. This increases repair times and with it, costs.

Care costs will continue to rise

Costs of care are already subject to significant inflationary pressures, not least as a result of labour shortages in the sector. Those labour shortages are likely to worsen as the government clamps down on net migration and the requirements for new entrants to the UK. Until the labour shortages are resolved it is unlikely that the inflationary pressures in the care sector will stabilise.

POLITICAL RISK, TRADE CREDIT AND POLITICAL VIOLENCE

US tariffs will be a key driver of demand for political risk and trade credit insurance

Last year we predicted an increased demand for political risk and trade credit insurance in light of escalating global tensions. This has proved accurate, though perhaps driven by something not contemplated in terms of scale this time last year. On 2 April 2025, Trump announced global tariffs of a minimum of 10% on all US imports (save for those from Cuba, North Korea, Russia and Belarus). Additional tariffs ranged from 11% to 50% for those countries where 10% didn't apply, although their imposition was paused subsequently for 90 days on 9 April 2025. This occurred at a time where a 'trade war' escalated between the United States and China, resulting at one point with 245% import tariffs imposed on a significant volume of Chinese goods flowing into the United States, and 125% tariffs applied by China for US imports. Since this late Spring/early Summer period, certain nations and/or trading blocs like the European Union have reached trade agreements (or framework agreements), lessening the impact of US tariffs, although significant duties still apply to nations such as India (50% at the time of writing). The practical impact of tariffs is, perhaps, still to be felt by exporters to the United States, and beyond given threats of reciprocal tariffs. This does little to alleviate existing concerns among traders, suppliers, and/or financiers regarding certainty of contractual counterparties complying with payment obligations – and we predict that trade credit insurance will increasingly be viewed as a significant risk mitigant against a potential tariff shock.

PRODUCT SAFETY, LIABILITY AND RECALL

Products risks in the UK and Europe will mirror actions from the United States

As collective redress becomes normalised, product liability class actions will increase in the UK and Europe, mirroring multidistrict litigation in the United States, where many of the claims allege some form of product defect or consequent illness. Claimant representatives in the UK and Europe will be closely watching developments in GLP-1 drug and ultra-processed food litigation in the United States in 2026. However, several product liability actions are already progressing here, with claimant firms announcing the commencement of an action alleging links between certain cancers and the use of talcum powders and further possible actions involving similar allegations for hair relaxing chemicals. Although the standard causation challenges will remain in these actions, other United States actions may prove more fruitful. Combat arms earplugs linked to a US$6 billion settlement in the United States are now under scrutiny across the Atlantic, with an action underway in the UK. Similarly, a cross-border representative action is underway in Italy concerning allegedly defective CPAP ventilator machines and the release of potentially harmful particles. A similar case in the United States led to a US$1.1 billion settlement in April 2024.

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PROFESSIONAL LIABILITY

Accountants: Accountants need to watch and wait

While the accountancy market as a whole is not expected to see seismic change, the Financial Reporting Council is in transition to a renamed and potentially augmented regulatory regime, that is if long anticipated legislation is passed under this government. The Financial Reporting Council enforcement division will be led by a new Executive Counsel, and tax advisors are awaiting further significant developments with the new budget in November. Meanwhile, all eyes will be on the anticipated judgment in NMC Health - after a dearth of case law in this area, trial in this multibillion pound claim is wrapping up and the judgment promises to shed light on numerous areas, not least tricky questions around the liability of UK firms connected to the audit of overseas subsidiaries.

Surveyors and property professionals: Sustaining values but what about insurance risk?

In recent years, the issue of valuation sustainability has been at the forefront of thinking amongst property professionals: the global pandemic caused cosmic change in working patterns; generational thinking around work/life balance is very different now than in decades past; climate change continues to throw up challenges for the built environment; and building safety has come to prominence in the aftermath of Grenfell. Throw into this mix both the continuing housing shortage and the ever-tighter regulation disincentivising private rental provision. Despite all these challenges, claims against professionals active in this sector remain quiet, which has softened premiums considerably. A word of warning however: these challenges may come home to roost as the UK economy continues to flat line, geopolitical instability remains and government continues to encourage lenders to lend. For now, soft is justifiable but 'knowing your client' is crucial against a real risk of an uptick in claims.

PROPERTY

Power outage risks will drive demand for business interruption cover extensions

Recent months have seen a series of high profile power failures: the cross border outage in Spain, Portugal and France (April 2025) and the black out affecting Heathrow (March 2025) to name but two. The result for businesses disrupted by such incidents is often significant financial loss. However, without physical damage to their own property, standard business interruption cover does not respond. With grid reliability under scrutiny, and more risks affecting those grids, businesses will look to ensure that their policies include utilities and supply failure extensions to their business interruption cover as part of their resilience planning. Insurers must carefully review these extensions to ensure they only cover intended scenarios, avoiding unintended and aggregated exposures.

Will the Supreme Court erode the principles upon which insurers can offset gratuitous third party benefits against insurance claims?

February 2026 will see the Supreme Court hear argument over whether insurers should be entitled to offset furlough payments against COVID-19 business interruption claims. March 2026 will also likely see an unhappy, but unavoidable, confluence between the Supreme Court's judgment landing and the sixth anniversary of the first national lockdown. As such, insurers may be faced with a surge in policyholders issuing legal proceedings in anticipation that there might still be something left in the pandemic for them to fight over. Aside from the need to put in place contingency plans to deal with the volume of claims which might be resurrected, the furlough judgment is likely to have wider ramifications beyond COVID-19 related claims. An adverse finding could see the erosion of the indemnity principle. Expect the Supreme Court to lay down authoritative principles, both as to the circumstances in which gratuitous payments received by policyholders from third parties should go to reduce the indemnity available under insurance policies and also on the scope of insurers' rights to subrogate against such third parties.

Property claims face the perfect storm of rising costs

The cost of settling property damage claims is rising, driven by escalating reinstatement costs and limited access to affordable alternative accommodation. Inflation has pushed up the price of building materials and skilled labour, while the effect of United States tariffs on global supply chains has added an additional layer of uncertainty to build costs in the UK. A chronic housing shortage due to planning restraints, demographic pressures and speculation around property tax reforms, has driven up rents and made temporary housing harder to secure. Together, these factors are expected to keep property damage claim costs on an upward trajectory.

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REINSURANCE

Increased use of parametric insurance will help reinsurers respond to evolving risks

The volume of reinsurance claims will likely trend upwards, especially from natural catastrophes, with reinsurers facing margin pressure due to both increased loss activity and softer market conditions. The sector will remain profitable, but with heightened volatility and a greater focus on risk selection and capital management. At the same time, we expect to see accelerated adoption of parametric risk transfer solutions within reinsurance programmes as a way for reinsurers, and cedents, to better manage the evolving risk landscape.

SPORTS AND ENTERTAINMENT

The cost and complexity of insuring mega-events will continue to drive more sophisticated risk assessment

The challenges of insuring major, often international, sporting and entertainment events are multi-faceted, and the insured values eye-watering. Inflation has impacted ticket prices, travel and accommodation costs and is likely to continue to drive such values upwards. Contingency underwriters need to assess an increasingly complex set of interconnected risks, including security, weather, geopolitics, cyber and logistics. The market has responded to these challenges with increasingly integrated risk assessment procedures, more comprehensive policies and more sophisticated pricing models. As we look forward to mega events such as the 2026 FIFA World Cup and the 2026 Winter Olympics, contingency insurers will need to continue to leverage data and analytics, and to work with third party security, environmental and other specialists, to ensure they have the granular detail necessary to write these risks sustainably.

TRANSACTIONAL LIABILITY

The international spread of warranty and indemnity policies will mean increasing tension between market practice and local law

Warranty and indemnity insurance (W&I) is an increasingly mature product in several markets, where wordings have evolved and precedent exists to guide interpretation. However, the assumptions that apply to a W&I claim under English law may not apply equally to policies and share purchase agreements (SPAs) governed by the law of another jurisdiction. Such issues could occur at every level, from the SPA (matters of contractual interpretation and implied terms) to the policy (specific issues of local insurance law) and indeed to how disputes are resolved (for instance, as to disclosure in circumstances where insurers will often have much less visibility over the documents than parties to the underlying transaction). It will often make sense to seek local legal advice in conjunction with English law, and not just in response to a claim but at the underwriting and pricing stage.

Expect tax claims to top the notification charts

There has been a strong uptick in tax risk coverage recently and we expect tax to be the most frequently notified claim type in the year ahead. Coverage for tax risks has expanded under warranty and indemnity (W&I) policies, and there is now a well-established market for standalone specific tax risk policies. These policies not only cover known tax risks excluded from W&I insurance (e.g. due to disclosure or high quantum) but are increasingly used to cover business restructuring risks, real estate transaction taxes, financing transactions and international tax matters. The higher volume of notifications will not necessarily translate into higher claim payments, as many tax claims are notified protectively at the time the tax authority opens an enquiry or audit, and there is often a long lead time before an insurable liability crystallises. Demand for tax cover is expected to continue to rise as the market increasingly views it as a routine tool for managing complex and high quantum tax risks.

REPUBLIC OF IRELAND

2026 will see a move to introduce a legal costs scale in Ireland

It is anticipated that the Irish government will seek to legislate for a scale of party-party legal costs (where the unsuccessful party is ordered to pay the costs of the successful litigant) in 2026. The government's refreshed Action Plan on Insurance Reform contains priorities aimed at lowering insurance premiums, with legal costs inflation high on the agenda. The Action Plan specifically calls for the development of new guidelines to set clear levels of legal fees for personal injury litigation, with the aim of promoting transparency and fairness in legal costs. We expect that initial proposals to achieve this will be introduced by Dail Éireann in 2026, and will be hotly contested by the Law Society of Ireland, the office of the Legal Costs Adjudicator and the Bar Council.

Third party litigation funding will come under the spotlight again

Third party litigation funding is set for renewed attention as Ireland considers reform of its long-standing prohibition on third party legal funding pursuant to common law maintenance and champerty rules. The Law Reform Commission (LRC) published a comprehensive consultation paper in July 2023, exploring models for legalisation and regulation, and invited submissions from stakeholders before the December 2023 deadline. The final report with the LRC's recommendations is expected soon and will likely shape the future framework for litigation funding in Ireland. Following the European Commission's cross-border study on litigation funding (published in March 2025) and the European Parliament's draft directive, it is anticipated that the European Union will press ahead with proposals to introduce common regulatory standards across Member States. However it is likely that Member States will retain the discretion to decide whether third-party litigation funding can be offered in relation to proceedings within their jurisdiction.

GERMANY

M&A market will drive W&I insurance uptake in 2026

The M&A market is expected to be driven by strategic growth, especially in sectors like tech, healthcare, and renewables. However, stricter regulatory environments (especially in the European Union and United States) as well as ongoing economic concerns, such as geopolitical tensions and inflation, may slow down deal processes and add complexity to transactions. As M&A deals become more complex, the demand for warranty and indemnity (W&I) insurance will increase. Increased deal volume and risk perception could lead to higher premiums and stricter terms for W&I insurance.

SPAIN

Supreme Court decision will shift liability in digital fraud cases

In a recent ruling by the Spanish Supreme Court, it was determined that banks are liable for unauthorised transactions resulting from digital fraud, such as phishing or SIM swapping, unless they can demonstrate gross negligence on the part of the customer. This ruling reinforces the quasi-objective liability framework established by Directive 2015/2366 on Payment Services, shifting the burden of proof to financial institutions to demonstrate that the transaction was authorised or that the customer acted with gross negligence. The decision is based on the special duty of care that banks must exercise when, among other matters, opening a bank account (e.g. verifying the ID or the contracting party's information is accurate) or monitoring certain operations (such as unusually timed large transfers by a user). This legal precedent could have significant implications for the insurance sector, particularly regarding policies held by banks. Liability insurers of banks may face an increase in claims related to digital fraud, as banks are more likely to be held responsible. Additionally, insurers should reassess the risks covered and the security measures implemented by banks. Underwriters should consider the adequacy of cybersecurity protocols and banks' incident response capabilities when evaluating risks.

Unit Linked Insurance Plans will become increasingly popular in Spain

Currently, the Spanish public pension system is facing significant challenges in ensuring financial security for its retirees, due in part to its high demographic dependency. In addition, over the years the tax reliefs available to private pension schemes have been significantly reduced. For instance, the current annual tax relief limit for individual pension schemes is €1,500 or 30% of the sum of net income from employment and economic activities earned individually during the fiscal year, whichever is lower. In contrast, in 2018, this limit was €8,000 or 30% of such income, if lower. As a result, individuals are increasingly seeking alternative methods to secure their retirement. This trend is significantly impacting the insurance market, where a notable rise has been observed in the uptake of savings products, such as unit-linked insurance plans, the subscription to which in Spain has reached historic highs and is projected to continue growing. We expect this trend to continue in 2026.

The adaptation of the insurance sector to the climate crisis will become increasingly crucial

In recent years, the risks and associated losses arising from climatic events have increased exponentially, and such events are projected to intensify further in the foreseeable future. The effects of climate change in Spain are undeniable; there has been a substantial increase in both the frequency and severity of certain extreme weather events, including heatwaves, wildfires, heavy rainfall, and flooding. In 2023 alone, insurers operating within the Spanish state faced compensation payouts totalling €847 million, arising from nearly one million claims linked to meteorological events. Furthermore, in 2025, flooding caused by the DANA storm in the Valencian Community and other areas of south-eastern Spain resulted in damages estimated at approximately €3.5 billion. This situation has had a significant impact on the insurance sector, which is now facing an exponential rise in weather-related claims and, consequently, in both frequency and value of indemnities paid out. This, in turn, is leading to higher insurance costs and reduced availability of coverage. Therefore, the insurance sector must adapt promptly and effectively to the challenges posed by the climate crisis. Such adaptation may include the integration of advanced predictive analytics and AI technologies, as well as the development, promotion, and expanded deployment of parametric insurance instruments.

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SWEDEN

Bankruptcies will drive demand for D&O cover

Business bankruptcies are rising across Sweden, reflecting economic pressure from higher interest rates and tighter credit conditions. This creates greater legal and financial risk for company boards, as directors can face personal liability if they are accused of mismanagement. Demand for directors and officers insurance is therefore growing. Smaller and mid-sized firms are increasingly looking for policies that include legal support and compliance guidance, helping protect decision-makers in a more challenging business environment. This shift is likely to continue as insolvency levels remain elevated.

UNITED STATES

United States mass tort litigation will continue to encounter standing and due process headwinds

With plaintiffs' attorneys favouring contingency fee agreements whereby they receive a percentage of recoveries, especially for mass actions which maximise fee awards from deep-pocketed organisations, the search is now on for the 'next big thing'. Previously, mass actions centred around asbestos, tobacco, pharmaceuticals, breast implants, pelvic mesh, and environmental contamination (among others). To ensure maximum recovery, the plaintiffs' bar argued for – and courts adopted – alternative causation theories to impose liability for damage and injuries even when plaintiffs could not directly prove their damages and/or injuries were caused by a particular defendant. Even in those cases, however, plaintiffs must allege their injuries are attributable to the acts or omissions of specific defendants. The plaintiffs' bar is now focusing on two types of ubiquitous products that allegedly cause various maladies: forever chemicals (PFAS) and ultra-processed foods (UPF). However, as demonstrated by the courts' decisions in Hardwick v. 3M Co. and Martinez v. Kraft Heinz Co., Inc., claims brought by mass action plaintiffs will not be permitted to survive dismissal based upon general, non-specific allegations about injuries suffered from general exposure to ubiquitous products. We expect that trend to continue for other, similarly ubiquitous products on which the plaintiffs' bar focuses its attention.

Economic challenges will increase efforts by corporations to compel arbitration

Tariffs imposed by President Trump are expected to begin impacting consumers more directly, with economists predicting an uptick in inflation in the United States. 7.4 million Americans are currently unemployed (a rate of 4.3%) but job growth has slowed with only 22,000 new jobs reported in August 2025. The financial assistance that helps people afford health insurance under the Affordable Care Act is set to expire at the end of 2025 and was a key sticking point in the fraught budget debates that led to the shutdown of US government agencies in October. Without an agreement to extend these provisions, up to 17 million Americans could lose their health insurance. Meanwhile, corporations are expected to benefit from new tax breaks after the passage of the One Big Beautiful Bill Act (yes, that's its official name). We expect these developments will incite anti-corporate sentiment in the United States, which is one of the hallmarks of social inflation that contributes to the proliferation of nuclear and thermonuclear verdicts. Consequently, we predict companies will more frequently seek to avoid United States juries and compel arbitration wherever possible based upon the terms that accompany their products and services.

ARGENTINA

Economic stability will make Argentina attractive

Foreign insurers will look more favourably on risks in Argentina as the country emerges from a period of sustained recession and hyper-inflation. The government of President Javier Milei has brought the monthly inflation rate down from its December 2023 peak of 25.5% to 1.9% in August 2025, although this still translates to an annual rate of over 33%. The government has been working to attract direct foreign investment and has offered subsidies for the important agricultural sector to raise the level of insurance. Whether this will be enough to encourage insurers back into the market remains to be seen.

Flag carrier revival will open legal airspace over Argentina

The launch of a new regional airline in 2026 will activate a wave of regulatory and transactional aviation work across Argentina and neighbouring jurisdictions. With Argentina as a strategic hub in its route network, legal teams should prepare for increased activity around bilateral air service agreements, AOC certification processes, slot allocations, and employment structuring. Enabled by the open skies frameworks, the carrier will operate with fewer restrictions, but local compliance, airport access, and operational licensing will require careful navigation. For aviation clients, this is a timely opportunity to engage in regulatory strategy, cross-border partnerships, and infrastructure planning as a neighbouring country reclaims its flag carrier status.

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CHILE

Pension reform in Chile will bring significant positive changes

During 2025, the Chilean Congress approved a reform of the pension system, becoming one of the most important legal reforms of the last 40 years. It will increase pension contributions (gradually until 2033) by 8.5%, of which 4.5% will go directly to individual capitalisation, and the other 4% will strengthen social security equality between men and women. In the face of these guaranteed increases in pensions, life annuities will generate a greater interest for future pensioners, creating a favourable scenario for this insurance product in the market. We also expect the reform to improve economic growth, gradually decreasing unemployment and reactivating an economy that is still very resentful following the pandemic.

ECUADOR

Credit insurance will soften the blow of subsidy reforms

With Ecuador phasing out fuel and transport subsidies, operating costs will rise sharply for logistics, agriculture, and retail sectors. As margins shrink, credit defaults - especially among SMEs - are expected to increase. In response, suppliers will increasingly turn to credit insurance. This will prompt legal scrutiny of policy exclusions, waiting periods, and subrogation rights. Insurers will need to reassess credit scoring models and adapt terms to higher volatility. Regulatory clarity on credit insurance disclosures and claims processes will be critical to ensure market confidence and fair dispute resolution.

MEXICO

Mexico will be a critical jurisdiction in defining new horizons of risk transfer in maritime trade

In 2026, Mexico´s port infrastructure will face rising exposure to business interruption disputes. Geopolitical tensions, regulatory shifts in customs and tariffs, environmental frameworks, and trade realignments are likely to intensify claims over delays, congestion and contractual performance. Disputes are likely to test the boundaries between marine, political risk and business interruption cover. For insurers and reinsurers, Mexico will serve as one of the critical jurisdictions where policy wording, translations, regulatory interpretation, and co-ordination with global markets will define new horizons of risk transfer in maritime trade.

Fragmentation of trade agreements and escalating tariffs will create more complex claims

As the fragmentation of trade agreements and escalating tariffs reshape supply chains and international commerce in Mexico, the impact is twofold. On the one hand, nearshoring and its strategic integration into US supply chains present growth opportunities for coverage in transport, marine, infrastructure and liability lines. On the other, Mexico faces vulnerabilities from tariff wars and divergent standards between trading blocs, pressuring exporters and manufacturers. Insurers must prepare for more complex claims scenarios, particularly where contractual liability and cross-border disputes intersect. For insurers and reinsurers, these disruptions and relocation of production and logistics might amplify risks linked to trade credit, political violence, and business interruption.

PERU

2026 will bring economic recovery but political uncertainty could impact investor confidence

In Peru, 2026 will bring the consolidation of economic recovery, with GDP growth projections and renewed momentum in key investment sectors. In particular, oil projects, mining and infrastructure development are expected to attract both domestic and international capital. However, Peru will also face significant geopolitical challenges, largely stemming from regional volatility, the need to strengthen institutional frameworks, and the ongoing demand for more effective governance. These issues will play a central role in ensuring sustainable development and will become particularly sensitive in the context of the upcoming electoral period, where political uncertainty could impact investor confidence.

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AUSTRALIA

Diversification of class actions will reshape the liability landscape in 2026

In 2026, Australian insurers will navigate a transformed class action environment. While the overall volume of filings remains steady, the nature of claims has shifted dramatically. Securities class actions - once comprising around 40% of all proceedings - have declined following a series of court rulings favouring defendants, prompting litigation funders to redirect capital. Emerging areas now include consumer protection, privacy breaches, employment disputes, and ESG-related claims such as greenwashing and climate risk misrepresentation. These new categories often involve broader affected groups, clearer causation, and reputational leverage, making them attractive to funders and plaintiffs alike. For insurers, this trend signals a need to reassess exposure across professional indemnity, directors & officers, and cyber liability lines. Policy wording, aggregate limits, and exclusions must be reviewed to ensure resilience against increasingly complex and socially driven litigation. Proactive engagement with insureds and scenario modelling will be key to managing this evolving risk landscape.

MAINLAND CHINA

Financial liberalisation will accelerate insurance collaboration

Since March 2025, the National Financial Regulatory Administration of China has abolished the US$2 billion total asset threshold for Hong Kong and Macau financial institutions investing in mainland insurers, signalling not only a new stage of opening-up but also a fresh source of momentum for the industry. Looking ahead to 2026, a broader spectrum of smaller Hong Kong and Macau institutions is expected to enter the market, bringing with them more diverse governance practices and innovative approaches. Cross-border collaboration, particularly within the Greater Bay Area, is set to gain pace in health, pension and green insurance, directly addressing the pressing societal needs of an ageing population and the green transition. Meanwhile, wider foreign participation is likely to elevate disclosure standards and strengthen governance frameworks, thereby enhancing public trust in the sector. Overall, this policy both widens the channel for overseas capital and conveys China's firm commitment to deepening financial liberalisation, with its social impact unfolding through cross-border integration, support for the real economy and improvements in public welfare.

Growth and openness will reshape China's insurance and reinsurance landscape

China's insurance market continues to demonstrate remarkable growth momentum. In 2024, nationwide premium income exceeded RMB5.7 trillion (US$800.6 billion), representing an 11.5% year-on-year increase and underscoring the resilience of insurance demand despite broader economic pressures. Rising risk awareness among households and the expanding need for liability, health and property protection among corporates suggest that, by 2026, premium growth will continue to outpace the wider economy. At the same time, the rapid rise of the Shanghai International Reinsurance Exchange is reshaping the market landscape. By September 2025, 118 institutions had secured trading seats, including 28 foreign participants, highlighting its emergence as a hub for cross-border risk diversification and capital allocation. Looking ahead, regulatory innovation and real-time clearing mechanisms are expected to catalyse further co-operation between domestic and international players, cementing China's growing influence in the global reinsurance arena. For insurers worldwide, this represents both an entry point to the Chinese market and a strategic opportunity to enhance international risk management and collaboration.

HONG KONG

Increase in IPO activity will impact D&O cover

Hong Kong saw sharp growth in initial public offerings (IPOs) on its public bourse in the first half of 2025, propelling it to take back the crown of ranking first globally in the amount of funds raised through IPOs. It is expected that the IPO trend in Hong Kong will continue into 2026 and is likely to lead to higher demand for D&O policies to cover directors and officers against personal financial losses arising from allegations or findings of wrongful acts committed in their managerial capacity. Given the level of scrutiny and public interest in the business operations of listed companies in Hong Kong, it is essential for private companies in the process of listing to evaluate their directors' and officers' potential exposure and ensure sufficient and appropriate insurance is in place to afford comfort to management.

DAC BEACHCROFT

Economics
Predictions 2026

SINGAPORE/SOUTHEAST ASIA

Southeast Asia's commercial aviation sector is poised for growth

Despite rising geopolitical risks, intense competition and mounting cost pressures across Southeast Asia, its commercial aviation sector is poised for significant growth. This expansion is expected to be driven by a rising middle class, increased disposable income and strong cross-border tourism and business travel. To accommodate growing passenger volume, several airport development projects are underway across the region, with Vietnam expected to take the lead, as well as significant projects in Thailand and Cambodia. While passenger traffic has finally rebounded from the lingering effects of the COVID-19 pandemic, the aerospace industry continues to face challenges in aircraft production and supply. This has limited the ability of regional airlines to meet projected fleet increases and retire ageing aircraft. Key constraints include unresolved global supply chain bottlenecks and production backlogs with traditional original equipment manufacturers (OEMs). In light of these challenges, there is an opportunity for alternative OEMs to play a larger role in bridging supply and production gaps.

Insolvencies are likely to impact D&O claims across the region

An expected increase in business insolvencies across the region will drive claims from stakeholders challenging management accountability and general fiduciary duties. Research indicates an average rise of 6% in the next calendar year, with the construction, real estate and retail-focused sectors among the most vulnerable. Pressure on boards of directors will come from multiple directions, including inflation surges, interest hikes, geopolitical uncertainty and, closer to home, supply chain disruptions/collapses. We also anticipate growth in cyberattacks, causing an unwelcome knock-on effect for the purchasing company. One solution to managing the risks will mean a likely increase in interest in trade credit insurance. More generally, there will be an ongoing increase in regulatory regimes in the region and greater scrutiny of business compliance.

Developments in AI will lead to more sophisticated cyberattacks

With the advancement of AI, we expect to see an increase in the sophistication of cyberattacks. Gone are the days of simple phishing emails sent to unwitting employees asking them to change their password, which often contain obvious errors that are easily detected. Threat actors are now using AI to create sophisticated attempts, such as deepfakes, to deceive employees into handing over their credentials. One recent example was an employee who transferred large sums of money following receipt of a deepfake video showing the company's senior executive instructing employees do so. We also anticipate that threat actors will use AI to assist with password decoding and data mining of large datasets to determine the value of the data that they have accessed and possibly exfiltrated. Datasets that were traditionally thought to be difficult to translate in Asia, e.g. Japanese or Korean, can now be easily and accurately translated with the improvement in AI-assisted translation tools. As a result, we anticipate that through the use of AI, attacks based on deception and abuse of confidence will become more sophisticated and increasingly convincing, which is likely to result in an increase in cyber claims of this nature.

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