DAC BEACHCROFT

Economics
Predictions 2027



England and Wales

Aviation

Growth of UK air cargo set to extend beyond traditional hubs

UK air cargo is likely to become more strategic, technology-driven and geographically diverse. Rather than remaining concentrated at London airports, Heathrow in particular, growth is increasingly being driven by regional gateways benefiting from available capacity and lower congestion. Recent developments at airports such as Glasgow Prestwick, driven by cross-border e-commerce and direct freighter services to China, suggest that cargo activity is becoming more widely distributed across the UK air freight network. Cross-border e-commerce is expected to remain the principal driver of growth. As consumers continue to demand faster international deliveries, cargo operators are likely to increase capacity on routes connecting the UK with key manufacturing centres in Asia. This is expected to support further investment in cargo facilities, automation technologies and customs processing capabilities. For insurers, the growth of regional cargo gateways may bring greater focus on supply-chain resilience, high-value freight movements and operational dependencies across interconnected logistics networks. As the sector develops, the UK's air cargo network may become both more geographically diverse and more strategically important to international trade and supply-chain resilience.

Bermuda Market

Bermuda to tighten oversight of reinsurance capital risks

The Bermuda Monetary Authority is expected to balance the attractiveness of the market as a reinsurance domicile with its commitments to align with international capital standards. Growth in Bermuda's life reinsurance sector, fuelled by capital from alternative asset managers, has prompted tighter regulatory scrutiny of large groups, holding companies and asset portfolios. Particular attention has focused on structures that combine long-term insurance liabilities with investment strategies involving private credit and other less-liquid assets. New rules on quantifying and managing liquidity risk are expected in the coming year, following proposals in June and a round of consultation on capital standards for international insurance groups that closed at the end of September.

Interconnected risks will test aggregation wordings

Reinsurers are expected to focus once more on aggregation issues, following some recent interesting decisions in the COVID-19 business interruption cases, which provided guidance on when widespread losses can be treated as arising from a single event or catastrophe for (re)insurance purposes. Those same issues are now beginning to play out in the context of the latest geopolitical developments, particularly conflicts in Ukraine and the Middle East, a trend which is likely to continue. For Bermudian reinsurers, the challenge will be to devise wordings which take account of the most recent court decisions while identifying and modelling interconnected risks with the potential to generate simultaneous losses across multiple portfolios.

Casualty

Persistent claims inflation will elevate casualty claims costs

Claims inflation will remain one of the most significant challenges, with indemnity spend continuing to increase. Rising casualty claims costs show little sign of slowing. Regular uplifts to Judicial College Guidelines awards, coupled with the increasing cost of medical treatment, rehabilitation, care, aids and specialist equipment, are steadily driving up damages and settlements. At the same time, claimant legal costs continue to rise as experts and service providers increase their fees, adding further pressure to overall claims expenditure. Operational challenges are also contributing to delays and increased costs, with backlogs in areas such as Compensation Recovery Unit reviews extending claim lifecycles and delaying resolution. Economic pressures may also influence claimant behaviour. As households continue to feel the impact of higher living costs, individuals may be more inclined to pursue or maximise compensation claims following workplace or public liability incidents. Insurers will therefore need to focus on early intervention, proactive claims management and robust cost-control strategies to mitigate the continued impact of inflation across the casualty portfolio.

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Construction and Engineering

Remediation reform will move from encouragement to enforcement

With further legislative reform underway, 2027 is likely to mark a decisive shift from remediation encouragement to remediation enforcement. The Building Safety (Remediation of Unsafe Cladding etc) Bill proposes a statutory duty to assess and remediate life-critical external wall fire safety risks, strengthens regulators' powers to compel action, and provides a remediation backstop where responsible parties fail to act. Enhanced transparency requirements and group accountability provisions will make it harder for organisations to use complex corporate structures to avoid remediation liabilities. Construction product manufacturers will face increasing pressure to contribute to remediation costs with the Bill making it easier for a wider range of parties, including developers, to recover losses arising from unsafe building products. The new national register of medium-rise residential buildings may expose buildings with previously unidentified fire safety risks, some of which may not yet have been notified to insurers. If enacted, the reforms are likely to accelerate remediation activity and generate further claims and recovery actions across the construction supply chain. As liabilities become more clearly defined and enforcement intensifies, the adequacy of D&O and professional indemnity insurance will come under increasing focus.

Delay risks will eclipse physical damage exposures at data centres

In data centre construction, delays in start-up, rather than physical damage to the works, are emerging as the defining risk for Construction All Risks insurers. This trend is already evident in emerging loss experience, where project delays account for a significant proportion of the overall claim. Critical electrical, cooling and IT infrastructure is highly specialised in data centres. Replacements of these components are constrained by long lead times, supply chain disruption and limited commissioning expertise. Consequently, even relatively modest physical damage can trigger cascading delays across the construction chain, materially extending the path to practical completion. Mitigating factors include early procurement of critical equipment, strategic spares, supplier diversification and robust project scheduling to reduce recovery times following a loss.

Construction sector insolvencies to drive direct claims against insurers

Direct actions against insurers under the Third Parties (Rights against Insurers) Act 2010 will become an increasingly prominent feature of construction claims. The construction sector continues to experience the highest level of corporate insolvencies of any UK industry, with 3,866 firms becoming insolvent in the 12 months to August 2026, around 20% above pre-pandemic levels. For insurers, an insolvent contractor or consultant can quickly turn a conventional construction dispute into a direct coverage dispute. The Act enables claimants to pursue insurers directly, placing policy response, exclusions and coverage defences centre stage. The increasing number of reported decisions on the Act demonstrates its growing importance in practice. As insolvencies persist and claimants become more familiar with the legislation, insurers should expect greater scrutiny of policy wordings and more frequent direct actions.

Education

Independent school closures set to continue

As financial pressures intensify, the independent schools sector may face an increased risk of breach of contract claims from parents, staff and suppliers arising from school closures, reductions in services, fee disputes or failures to deliver agreed educational provision. The sector is experiencing significant financial pressure as a result of rising operating costs, the introduction of VAT on school fees in early 2025, the removal of business rates relief and declining pupil numbers. These factors have contributed to an increase in school closures, mergers and restructurings, particularly among smaller and mid-sized institutions. Sector bodies and commentators report that more than 100 schools have closed or ceased independent operation since early 2025.



Universities face growing financial and litigation pressures

Universities face significant financial pressures driven by a combination of rising costs and constrained income. This may create a heightened risk of breach of contract, consumer protection and misrepresentation claims where universities reduce services, alter courses or fail to meet expectations set for students at enrolment. Staff, energy and operational expenses have increased, while tuition fee levels have not kept pace with these costs in real terms. Many institutions are also experiencing declining numbers of international students, reducing an important source of revenue. Changing patterns of demand, increased competition for student recruitment and growing pension liabilities add further strain. As a result, some universities are implementing cost-saving measures, including staff reductions, course closures and restructuring programmes, while seeking new income streams to maintain financial sustainability and investment in teaching and research.

Insurance Advisory

Insurers will innovate to close protection gaps

As climate, cyber, AI and other emerging risks continue to evolve, traditional insurance products will not always provide adequate protection. In response, insurers will accelerate the development of innovative products and alternative risk-transfer solutions to address growing protection gaps across both commercial and personal lines. Expect further growth in areas such as parametric insurance, bespoke and structured risk-transfer solutions, and products targeting previously underinsured or uninsured risks. Innovation will extend beyond product design, with insurers exploring new sources of data, technology-enabled underwriting and more flexible approaches to risk assessment and pricing. As customers seek protection against increasingly complex and interconnected risks, insurers that can demonstrate a clear understanding of emerging exposures and adapt their offerings accordingly will be best placed to meet changing market demand.

Captives will move into the mainstream

The UK's proposed captive regime will accelerate the move of captives from specialist risk-management tools to an established feature of mainstream operational strategy. As the Prudential Regulation Authority and Financial Conduct Authority develop a more proportionate regulatory framework for captives, organisations will have a stronger domestic option for risks that are difficult to insure, costly to place or better retained within the organisation. Persistent inflation and pressure on balance sheets are already prompting insureds to reassess how their insurance spend is deployed, while global conflicts, supply-chain disruption and climate volatility are exposing coverage gaps that traditional products may not solve alone. Captives will not replace the traditional insurance market, but will increasingly sit alongside it, giving organisations greater choice and control over risk management, capital allocation and resilience planning.

International and Complex Casualty

Litigation funding faces divergent regulatory futures

The lack of a uniform approach to litigation funding on both sides of the Atlantic will be brought into sharper focus in the coming year. The UK direction will be one of normalisation, rather than restriction. Although legislation to reverse the decision in PACCAR has yet to materialise, the UK market continues to operate under a largely self-regulatory model. The Civil Justice Council's 2025 proposals favoured proportionate, 'light-touch' regulation over a comprehensive statutory regime and are now being considered as part of the Law Commission's consumer class action project. The Solicitors Regulation Authority itself has recently concluded a consultation proposing the creation of a regulatory framework for solicitors utilising litigation funding in consumer claims. By contrast, in the United States, regulation has been primarily driven at state level, with several recent state laws establishing licensing requirements, fee caps and disclosure of funding agreements. Some states, such as North Carolina, have expressly restricted 'litigation investment'. There have been several bills proposed that would markedly increase regulation in the funding space, expressly raising concerns about foreign influence on litigation in the United States.



Legal Indemnities

Housing development fuels mineral rights disputes

The push to increase housing supply will expose a growing number of mines and minerals risks. Many development sites carry historic reservations dating back decades, often with uncertain ownership and limited documentary evidence. As development activity increases, so too will the likelihood of mineral owners asserting rights or seeking compensation. Developers, lenders and insurers will place greater focus on identifying and managing these risks at an early stage. Demand for specialist legal indemnity cover is expected to increase as parties seek to avoid delays to transactions and development programmes.

Chancel repair insurance faces an uncertain future

Chancel repair liability will test the legal indemnity market's ability to adapt to regulatory change. If the Law Commission's proposals are implemented, demand for high-volume, low-premium 'just in case' policies is likely to fall sharply, affecting insurers, brokers and search providers. Cover for known or registered liabilities should remain, but in a smaller, more specialist market requiring greater underwriter input and higher premiums. Insurers and distributors will need to reassess appetite, pricing and product strategy, with consolidation or withdrawal from the market a realistic possibility.

Marine, Energy and Transport

Geopolitical disruption will reshape marine risks and claims

Geopolitical tensions will continue to reshape global trade and expose maritime assets to increasingly hybrid forms of state-backed disruption. Sabotage below the threshold of conventional armed conflict, illustrated by the Nord Stream case, will make it harder to distinguish war risks from ordinary marine perils and to attribute responsibility where perpetrators remain unidentified. At the same time, disruption in a variety of locations, compounded by sanctions and tariffs, will redirect established trade routes and produce uneven cargo flows. Stockpiling and changing voyage patterns are likely to increase claims involving cargo damage, misdeclaration and misappropriation. Exposure will be concentrated in vessels, ports and storage locations. Marine insurers should expect closer scrutiny of causation, attribution and the scope of war exclusions, alongside greater aggregation and accumulation losses. Clearer policy wording will be needed as geopolitical risk becomes harder to contain within traditional coverage boundaries.

Detention disputes will come to define marine war risks this decade

The crisis in the Persian Gulf has resulted in more complex issues around restraint and detention than the market has previously seen. The next wave of major marine war risk disputes will focus on restraint and associated loss-of-hire claims rather than physical damage to insured vessels. As claims begin to mature, courts and arbitral tribunals will increasingly be asked to determine the limits of non-physical war risk, against the backdrop of one of the most dynamic geopolitical situations in history. Familiar wordings and concepts, such as 'blocking and trapping', will be tested to their limits, posing questions about future underwriting approaches to such risks.

Data centres set to become a defining insurance opportunity

With annual data centre investment projected to top $1 trillion next year, and comprehensive insurance a prerequisite for securing financing, the global data centre insurance market is set to grow strongly, with premiums doubling to $24 billion by 2030. This is a major opportunity, but the scale and complexity of these crucial infrastructure assets pose challenges. Once warehouse-like facilities, data centres are now hyperscale campuses housing multiple tenants, utilities and on-site infrastructure, with construction costs totalling tens of billions of US dollars. This concentration of value and accumulation of risk raises the prospect of a single event triggering claims across property, construction, business interruption, liability and cyber covers all at once. Success and the continued insurability of these assets will require coordinated, transparent risk management, tailored covers, and a focus on risk mitigation throughout the design, construction and operation phases.



Medical Malpractice

A rethink of Ogden disability assumptions could reshape quantum

Academics are continuing to explore refinements to the Ogden reduction factors for contingencies other than mortality, raising the prospect of a future move beyond the current binary disabled/non-disabled model. A more graduated approach reflecting the degree of disability and its effect on employability could materially affect future earnings calculations, with insurers likely to face greater scrutiny of vocational, medical and labour market evidence.

General damages inflation could face a reset

The long-standing use of the Retail Prices Index (RPI) to uprate general damages for pain, suffering and loss of amenity may come under increasing scrutiny. Challenges to the appropriateness of RPI have already begun to emerge, with some arguing that measures based on the Consumer Prices Index (CPI) would provide a fairer reflection of inflation. In the longer term, the planned alignment of RPI with CPI from 2030 could reduce the rate at which general damages awards increase. For insurers and compensators, the debate is likely to have important implications for claims inflation, reserving and the valuation of higher-value injury claims.

Motor

Growth of Chinese original equipment manufacturers will drive repair inflation

New Chinese vehicle entrants to the UK motor market will have a disproportionate impact on motor claims costs. Repair networks and parts supply chains will struggle to keep pace with sales figures. The debate will move from the extent to which Chinese manufacturers will take market share to whether the UK's repair ecosystem can keep pace. New brands bring unfamiliar repair methodologies, limited parts infrastructure, evolving distribution networks and greater reliance on overseas supply chains. Combined with increasingly sophisticated Advanced Driver Assistance Systems and electric vehicle technology, this creates longer repair lifecycles, higher mobility costs and greater claims inflation. Some insurers may discover that their pricing assumptions have become outdated before the market stabilises.

Alternative Dispute Resolution will move from a litigation tactic to an expectation

Those engaged in motor claims who treat alternative dispute resolution (ADR) as the exception rather than an integral part of the litigation process will find themselves increasingly out of step with the courts. The direction of travel is now unmistakable. Following the decision in Churchill v Merthyr Tydfil and subsequent Civil Procedure Rules reforms, courts have become more willing to require meaningful engagement with ADR and to scrutinise parties that refuse to participate. Over the next 12 months, mediation, neutral evaluation and other settlement mechanisms are likely to become increasingly embedded within the lifecycle of litigated claims, particularly where proportionality concerns arise. This is not about replacing litigation. Rather, ADR, or Non-Court Dispute Resolution, which removes the suggestion that it is an 'alternative', is becoming an expected feature of how disputes are managed and progressed through the court system. The organisations that succeed will be those capable of identifying where ADR can narrow issues, reduce costs and support resolution, while continuing to pursue robust litigation strategies where commercial, legal or strategic considerations demand it. The real question for the industry is not whether ADR works, but whether claims processes are designed to use it effectively.

Policy Wordings

Policy wordings will race to keep pace with emerging risks

Insurers will increasingly reassess both policy wordings and underwriting strategies to ensure they remain fit for purpose as emerging risks such as cyber and climate change continue to develop. Traditional coverage structures are often unable to adequately cover novel or rapidly evolving exposures, creating opportunities to provide greater contractual clarity while maintaining sustainable risk selection and pricing. Insurers are likely to address these concerns via several routes, such as tailored wordings, specialist endorsements and parametric solutions designed to balance increasing demand for protection with the need for underwriting certainty. Underwriters may also place greater emphasis on understanding new risk characteristics, identifying potential accumulation exposures and assessing where protection gaps exist.



Political Risk, Trade Credit and Political Violence

The next Middle East exposure will be contractual, not physical

Political risk and trade credit insurers will see a potentially significant uptick in contract frustration claims in 2027. With insurers and actuaries busy considering the impact of war exposures across a plethora of states and industries arising from the Middle East conflict, a second significant hit may be about to surface. Contract frustration insurance (insurance against a failure to comply with contractual delivery, payment or repayment obligations in the event of non-delivery) plays a significant role in the risk mitigation strategies of oil and commodities traders. The issues associated with Middle East energy production, infrastructure and travel through the Strait of Hormuz mean that a significant volume of pre-existing contracts have not been fulfilled. While force majeure (extraordinary events beyond a party's control) provisions have undoubtedly been relied upon by contractual counterparties, these clauses can contain time limits, meaning that contracts unravel at the expiry of a specified period. Similarly, contract frustration policies contain relatively long waiting periods. All of the above mean that 2027 could be the year when contract frustration exposures, as opposed to direct war exposures, keep businesses awake at night.

Sovereign debt defaults will return to the trade credit agenda

Global inflation and an economic recession will expose trade credit insurers to sovereign debt default. Export credit agencies (ECAs) and the trade credit insurance market have long represented an important pillar in the provision of finance to developing countries. Insurance against the non-repayment of loans drawn down for specific projects in these countries often runs into many millions and, as the wars in the Middle East and Ukraine continue with no obvious signs of off-ramps, global economic recession looms larger by the day. During the economic fallout from COVID-19, many developing nations encountered significant difficulties in repaying debt to private banks which, in turn, often relied on either ECAs or the insurance market for repayment under their insurance arrangements. 2027 could well see similar reliance on insurance protections as global conflicts continue, with losses falling to the trade credit market.

Product Safety, Liability and Recall

The UK product liability rulebook will be rewritten

UK product liability law will finally embrace digital technology and the prospect of a more litigious consumer landscape in the coming years. The Law Commission consultation on the scope of product liability will result in a markedly different liability environment. The scope of the consultation document, issued in October 2026, includes legislating for product liability law to address contemporary digital technologies, including AI. Any consultation proposals taken forward will engage with issues such as liability for AI-dependent products throughout their life cycle, liability in supply chains, including online marketplaces, and the UK's current divergence from the EU Product Liability Directive. Whenever the reforms take effect, businesses and their insurers should expect a growing appetite for US-style collective actions across the products arena.

Battery recalls will become a defining risk

The continued growth of electric vehicles, e-bikes, consumer electronics and energy storage systems, together with increased domestic solar power generation, will ensure that lithium-ion batteries remain a significant source of product safety concerns and recalls. Although battery technology continues to improve, the risk of thermal runaway, where a battery overheats and potentially catches fire or explodes, cannot be eliminated entirely. There have also been high-profile examples of other performance issues, such as loss of power, which have raised significant vehicle safety concerns. Complex global supply chains, increasing production volumes and pressure to reduce manufacturing costs may further increase the potential for defects. Lithium-ion battery defects continue to account for some of the largest and most costly automotive recalls, with individual recall campaigns often affecting tens of thousands, and occasionally millions, of vehicles due to concerns over fire risk, overheating and battery system failures. As regulators increasingly focus their attention on battery safety, manufacturers are likely to face greater scrutiny regarding product testing, quality control and post-sale monitoring. In response, recalls may become more frequent in the short term, particularly where even a small number of incidents suggest a serious fire risk.



Digital accountability will redefine UK product safety risks

The UK's product safety regime is poised for a digital reset following the UK Government's 2026 consultation. For manufacturers and insurers, the direction of travel points to greater accountability across the product life cycle. Reforms will address a market increasingly shaped by connected products, AI and software-driven functionality. There will be greater scrutiny of how technology-dependent products are assessed throughout their life cycle, particularly where safety risks emerge only after products enter the market. Online marketplaces are likely to face clearer responsibilities for unsafe goods sold through their platforms. This will narrow the distinction between digital intermediaries and traditional distributors. Alignment with the European Union will also remain a central consideration. With the transition to UK conformity assessment marking largely paused, the EU's evolving product safety framework may provide a ready-made template for UK reform. The UK may choose to give serious consideration to measures such as digital product passports.

Professional Liability

AI will continue to impact all professions

AI is increasingly being adopted by professionals to enhance efficiency, manage data and reduce the incidence of human error. A key challenge for insurers and their customers will be to keep up to date with the various use cases and technological developments to understand the nature of the potential risks and exposures. Users ultimately remain responsible for the output generated by AI. Professionals must therefore check the work product to mitigate the potential risks. Law firms have already faced claims and regulatory scrutiny as a result of AI hallucinations and the inadvertent loss of privilege that occurs when client information is uploaded to an open AI model. Claims might also arise in the future if professionals fail to use AI for a task it would have completed more efficiently or to a higher standard. All professionals must keep up to date with regulatory guidance and understand the operation and limitations of any AI they use.

Accountants: Heightened tax risks and network scrutiny

Accountancy firms will face a period of profound operational change as 2027 brings the biggest overhaul of His Majesty's Revenue and Customs regulation of tax advisers in decades, together with the next phase of the Making Tax Digital initiative. Network firms are also in the spotlight, following the NMC Health audit settlement and the ongoing Evergrande litigation. It is hoped that regulators and courts will take a pragmatic view, recognising that there are consequences to piercing the corporate veil in situations where audit liability is usually uncapped. The structure of network firms, the ways in which firms take on capital to fund service improvement and the AI rollout are all likely to remain areas of regulatory focus.

Brokers: Consolidation creates integration risks and client challenges

Market consolidation and acquisitions will continue as brokers compete for people and technology. While larger broking houses can deploy greater resources, deepen sector expertise, adapt quickly to develop new products, leverage data and work with insurers to create the best outcomes for clients, consolidation also brings challenges. Care must be taken to manage the impact on people and maintain strong client relationships, which can easily be lost. Firms must also ensure their operational infrastructure keeps pace with the frequent integration of disparate software systems and broking platforms, as well as the resulting employee benefits, tax, data and regulatory issues. Increased errors and omissions exposures can also arise during transition, often linked to staff turnover.

Financial advisers: Simplified advice on the way but how simple will it be?

Financial advice firms will be provided with an opportunity to develop simpler advice propositions in circumstances where concerns about potential liabilities have previously limited their development. As a final step in its Advice Guidance Boundary Review, the Financial Conduct Authority is planning to make changes to its pension and investment advice rules to facilitate firms delivering simplified advice to clients to help fill the advice gap that currently exists. However, it remains to be seen whether firms will consider the changes sufficient to enable them to develop new offerings with confidence and the support of their insurers.



Pensions: Pension tax reforms create new risks for advisers

Significant reform to Inheritance Tax (IHT) will place new burdens on executors, pension schemes and advisers. From June 2027, IHT will be payable on death on unused funds in a defined contribution pension scheme. Importantly, the reform reverses the previous focus on spending pension funds last and requires more complex tax-efficient planning going forward. In response, annuities may become more attractive again. Advisers will face claims if the planning fails to be tax efficient. Schemes and representatives of the deceased are also exposed to risk because of the onerous reporting obligations and requirements on the executors, who have to pay the IHT even though they do not control the pension assets. Further challenges are also likely to arise due to the proposed increase in the minimum retirement age from 55 to 57 and the reduction of the salary sacrifice cap for pension contributions. These proposals will create issues as parties seek to address, or fail to address, their effects.

Surveyors and property professionals: Buy-to-let market reforms heighten risks for property professionals

The buy-to-let (BTL) mortgage is 30 years old and, by many accounts, remains in good health despite recent tax and regulatory reforms. However, with significant changes expected to ownership structures (leasehold/commonhold reform) and how the market operates (purchase and sale reforms) in 2027, greater risks will emerge for those professionals who do not maintain the highest professional standards. The reforms affecting BTL mortgages have fuelled market consolidation, and corporate landlords are now ever more reliant on professional advisers not just for regulatory compliance but also for portfolio diversification. Houses in multiple occupation and student accommodation may remain among the highest yielding residential assets, but ever-increasing regulatory requirements, including selective licensing and the Renters' Rights Act, will create additional operational and compliance risks. Tenant sourcing and vetting have never been more important, as has ensuring full compliance with the new regulations to minimise void risk, alongside a heightened appetite for strategic portfolio advice to maximise yields. Increasing reliance on property management and investment advisers brings greater rewards, but also greater risks.

Property

AI-generated evidence will increase property claims fraud

The current remediation cost environment leaves personal and commercial property claims uniquely exposed to AI-generated fraud, as insurers face greater difficulty distinguishing legitimate cost escalation from increasingly sophisticated exaggeration or fabrication. As emphasised in recent years, AI-generated materials are now a structural risk for insurers as fraudulent submissions grow across a wide range of claims. The risk now extends beyond inflated quantum, as AI-generated documents are used to manufacture the basis of a covered claim. For example, fabricated leases may be presented as evidence of an insurable interest where no lease exists. As reinstatement costs become more volatile, distinguishing legitimate inflationary pressures from deliberate exaggeration becomes increasingly challenging, placing greater pressure on insurers' validation, investigation and fraud detection processes.

Utility infrastructure risks will prompt review of policy extensions

Growing cyber and infrastructure resilience risks to utility providers should prompt insurers to carefully review their underwriting appetite for policy extensions covering associated risks. A cyber incident in mid-2026 that resulted in a four-day operational shutdown of an electricity-generating facility in the UK acutely demonstrated this growing risk. Although this incident did not affect the wider electricity system or grid stability, similar incidents in the future could cause significant financial loss for affected businesses. Ordinarily, without physical damage to their own property, standard business interruption (BI) cover would not respond to such a claim. However, utilities extensions are frequently added as extensions to BI policies, providing cover for BI losses flowing from damage to or interruptions in supply from utilities infrastructure (depending on the wording). As scrutiny of grid reliability and security intensifies, businesses will want to seek BI policies that cover utilities and supply failure extensions as part of their wider resilience planning. Insurers will also wish to review their potential aggregated exposure under these wordings.



Reinsurance

Mega collective actions will test casualty reinsurers

Social inflation is expected to remain a significant source of pressure on casualty reinsurance during 2027, fuelled by rising litigation costs, larger awards, litigation funding, and the growing scale and complexity of collective actions. Specific actions ongoing in England provide a stark illustration of the potential scale of funded cross-border collective actions, with claimed losses reportedly reaching £34 billion. For reinsurers, the concern is not just these cases, but the prospect of similar mass claims being pursued through the English courts in future, particularly where litigation funding enables very large claimant groups to sustain lengthy proceedings. The repetition of this pattern could amplify severity and reserve uncertainty in long-tail casualty portfolios. It is therefore recommended that reinsurers revisit wordings on questions of aggregation and jurisdiction exposure to minimise any potential exposures.

Regulators will tighten scrutiny of funded reinsurance structures

The UK will continue to scrutinise offshore-funded reinsurance structures while focusing on attracting captive insurance business through a proposed bespoke regulatory regime. The Prudential Regulation Authority issued two consultations in 2026 highlighting these regulatory priorities and further movement is expected in the coming year. Consultation paper CP8/26 proposed changes to the prudential treatment of funded reinsurance under Solvency UK, focusing on the risks posed by the growth of funded reinsurance exposures. Consultation paper CP11/26 proposed a tailored regime for captive insurance. At the same time, regulators have continued to scrutinise funded reinsurance structures. This focus is consistent with the European Insurance and Occupational Pensions Authority's supervisory statement issued at the beginning of October 2026, which highlighted a number of areas where greater supervisory consistency is expected. The statement acknowledges that private equity investors can bring potential benefits to the sector, but warns that their business strategies, ownership structures, asset allocations and governance arrangements can also pose challenges for effective supervision.

Sports and Entertainment

Geopolitical fragmentation will become a material sports risk

Geopolitical tensions will increasingly disrupt sporting competitions, driving demand for specialist insurance solutions. Sport has historically provided a platform for international co-operation, but governing bodies, event organisers and broadcasters are increasingly being required to navigate geopolitical tensions. Conflicts, sanctions regimes, visa restrictions, diplomatic disputes and politically motivated protests are already affecting the staging of tournaments and participation by athletes and teams. Insurers are likely to see increasing demand for coverage addressing event disruption, abandonment, relocation and reputational harm arising from geopolitical events. Underwriters may also place increased emphasis on host nation risk assessments, security planning and contingency arrangements, particularly as international competitions continue to expand into politically sensitive regions. The commercial consequences of geopolitical disruption are likely to extend beyond the host venue and affect sponsors, broadcasters and event organisers across the sporting ecosystem.

Transactional Liability

Forecasts and valuations to become W&I battlegrounds

Buyers will increasingly pursue Warranty & Indemnity claims arising from inaccurate forecasts, business plans and financial models rather than purely historical warranty breaches. As economic uncertainty persists and projected growth fails to materialise, increased scrutiny will be applied to management assumptions underpinning valuations, earn-outs and investment decisions. Claims will focus on whether sellers adequately disclosed known risks affecting future performance, including capital expenditure requirements, project costs, customer attrition, regulatory exposures and operational challenges, with knock-on scrutiny of the scope of cover. The most significant disputes may centre less on whether information existed and more on whether the target's prospects were presented fairly to buyers and accurately reflected in any applicable warranties. We anticipate that there will be a growing reliance on forensic accounting, valuation and quantum evidence as parties debate causation and diminution in value.



Tax notifications to crystallise into larger claims

Tax notifications may increasingly turn into sizeable tax claims. Those involved in the transactional liability market will be familiar with the tendency of insureds to understandably make a precautionary notification when facing a tax investigation. Those investigations can take years, meaning it can take a significant length of time to determine whether there is an underlying issue. With the maturity of the market and an increased focus across numerous jurisdictions on collecting tax to fund burgeoning deficits, the market will start to see whether sizeable tax claims flow through from notifications made, in some cases, four or five years ago.

Geopolitical and macroeconomic volatility to fuel transactional liability disputes

Geopolitical instability and shifting monetary policy are set to become increasingly important drivers of transactional liability notifications. The Middle East conflict involving Israel, Iran and the United States has disrupted shipping routes, increased energy prices and raised input costs across a range of sectors, placing pressure on deal assumptions and post-acquisition performance. At the same time, the higher interest rate environment is increasing the cost of capital, reducing financial flexibility and challenging valuations agreed in more favourable market conditions. As these pressures feed through, we expect buyers to scrutinise more closely whether risks affecting profitability, growth projections and deal rationale were adequately disclosed during the transaction process. Claims may focus less on historical issues and more on whether businesses were presented to buyers on the basis of assumptions that later proved unsustainable in a markedly different economic environment.

Ireland

Buoyant M&A market will drive a new wave of Irish transactional risk claims

Higher transaction values are expected to generate larger and more frequent notifications under Warranty & Indemnity (W&I) and tax policies as deals mature, post-completion issues emerge and losses crystallise. Historically, claims under Irish W&I policies have been relatively modest, but increasing deal values may begin to change that trend. Although deal volumes fell slightly in the first half of 2026, aggregate deal value almost tripled compared with the same period in 2025, increasing the potential severity of future transactional risk claims. The overall slowdown in transactions was largely concentrated in the private equity sector, which accounted for almost half of the decline in transactions in the first half of 2026, despite representing only 17% of total deals. For transactional risk insurers, the key issue may not be the number of claims, but the growing value and complexity of losses arising from larger deals.

Scotland

Scottish group proceedings set to gain momentum

Group proceedings in Scotland are expected to gain momentum in 2027. The Johnson & Johnson Baby Powder litigation that has attracted considerable attention in England is subject to a parallel action commenced in Scotland. This should be viewed as part of a wider trend rather than a standalone development. The case demonstrates that Scotland's group proceedings regime will become an increasingly viable mechanism for pursuing large-scale product liability, consumer and environmental claims. The statutory framework introduced in 2018 has created a platform capable of supporting more ambitious group proceedings. Claimant firms and litigation funders are becoming increasingly familiar and comfortable with the procedure. Although Scotland is unlikely to experience growth in claims akin to other jurisdictions, the direction of travel is clear. Awareness of group proceedings will grow, particularly if actions are pursued successfully. Insurers should anticipate a broader range of coordinated claims and a continued expansion of group proceedings north of the border in the coming year.

France

Political violence will become a permanent feature of French property programmes

Political violence and civil unrest will move from exceptional-event contingency planning into the regular structuring of French property insurance programmes. France's new mandatory riot insurance mechanism and the associated pooling arrangements will increase the interaction between private insurers, public reinsurance and insureds. Insurers will need to distinguish carefully between riots, terrorism, sabotage, war and ordinary criminal damage, particularly where events are coordinated through digital networks or connected with international political developments. Disputes are likely to concern the scope of compulsory cover, deductibles, business interruption and the allocation of losses falling partly inside and partly outside the statutory mechanism. Reinsurers will also place greater emphasis on accumulation management, particularly where coordinated events give rise to losses across multiple locations and insureds.



A distinct European form of social inflation takes hold in France and beyond

Social inflation will become an increasingly material concern for casualty insurers in continental Europe, although it is unlikely to mirror the experience in the United States. French developments, including anxiety claims, extended bodily injury limitation periods, foreign punitive awards and claimant-friendly evidential rules, point to higher defence costs and more ambitious claimant strategies. Although courts may continue to resist manifestly disproportionate foreign judgments, French and other European claimants are increasingly likely to use collective proceedings, litigation funding, scientific uncertainty and reputational pressure to drive higher settlements. International insurers should focus not only on damages inflation, but also on the growth of longer-tail claims and rising litigation costs. Defence expenditure, together with the costs of obtaining technical, medical and economic evidence, often across multiple jurisdictions, is expected to account for an increasing share of casualty losses.

Germany

Germany's W&I market enters a more selective growth phase

The German Warranty & Indemnity market is expected to grow in 2027, but claims trends rather than capacity will increasingly drive underwriting decisions. Insurers are expected to place greater emphasis on policy wording and due diligence, as European transaction volumes prove resilient, despite the war in Iran and the energy shock triggered by disruption in the Strait of Hormuz. German deal activity is expected to further recover, supported by SME succession planning, private equity exits and investment in AI and energy projects. However, tight financing conditions and inflationary pressures are likely to keep SME transaction activity uneven. Ultimately, higher transaction volumes are likely to support demand for W&I insurance, as this product has now become firmly established in Germany. The market is expected to remain highly competitive, but rising claims frequency and falling premiums should reinforce underwriting discipline. Premium reductions are therefore likely to be modest, with insurers relying on stricter exclusions and careful drafting to protect profitability.

Economic conditions will drive a spike in D&O claims in Germany

Directors and officers in Germany will face growing scrutiny as regulatory expectations and economic pressures converge. Weak economic growth and persistent geopolitical uncertainty are expected to increase both the frequency and severity of D&O claims. The fragmentation of the global economy will require management boards to make difficult strategic and operational decisions. Adjustments to supply chains and investment decisions will increase the risk that commercially unsuccessful decisions later become the subject of D&O claims. The gap between current favourable market conditions (for insureds) and the underlying risk environment is likely to widen in 2027. This does not necessarily mean an immediate return to a broad-based hard market. More likely, insurers will differentiate more sharply between risks, applying greater scrutiny and a more cautious approach to companies perceived as particularly exposed.

Italy

Enhanced anti-fraud reporting to target emerging fraud risks

Detecting AI-enabled fraud in casualty claims will become a central component of anti-fraud reporting frameworks in Italy. The rapid deployment of AI has created new liability exposures arising from algorithmic errors, bias, lack of transparency and regulatory breaches. Insurers are increasingly required to assess exposures linked to AI-driven products and services. However, the use of AI is not limited to new risks, as the use of deepfakes, synthetic identities and AI-generated documentation is increasing the sophistication of insurance fraud schemes. In 2026, the Italian insurance regulator, IVASS, consulted on reforms to its anti-fraud reporting framework to account for these risks, which we expect will lead to enhanced anti-fraud reporting and greater regulatory visibility over emerging fraud typologies. In response, we expect insurers to continue investing in advanced fraud detection and claims verification tools.



Increased M&A activity in Italy points to continued demand for transactional risk insurance

M&A activity increased during the first nine months of 2026, with Italy participating in the broader growth seen across global deal markets. That included the proposed takeover of MPS by Intesa Sanpaolo, which, if successful, will create the second-largest eurozone bank. As deals mature, insurers can expect an increase in the frequency and complexity of Warranty & Indemnity (W&I) claims, particularly those concerning tax liabilities and financial statement warranties. Demand for transactional liability and other tax-risk products may also increase, together with related claims. Given the limited body of publicly available precedent in Italy, disputes are likely to raise novel issues concerning policy interpretation, valuation and loss quantification in both litigation and arbitration.

Spain

Spain's catastrophe compensation model faces scrutiny as climate losses rise

As Spain's exposure to extreme weather events continues to grow, the Consorcio de Compensación de Seguros (CCS) safety net for extraordinary risks and insurance gaps will play an increasingly prominent role within the Spanish insurance market. This was demonstrated by the response to the devastating floods caused by an extreme weather event in October 2024 that affected the Valencian Community and other parts of Spain. By November 2025, the CCS had received more than 250,000 claims and paid over €4 billion in compensation for property damage and business interruption losses. With natural catastrophes becoming both more frequent and more severe, the relationship between the CCS and private insurance markets will play a growing role in determining how large-scale losses are absorbed and managed. The increased use of parametric insurance is likely to form part of the private insurance market's response to these evolving risks. This type of cover is particularly suited to sectors vulnerable to weather-related disruption that are critical to the Spanish economy, including agriculture, renewable energy, infrastructure, logistics and tourism.

United Arab Emirates

Broker misconduct comes under intensifying scrutiny in Dubai

Broker liability and misconduct are expected to remain under intense judicial and regulatory scrutiny in 2027. In Qatar General Insurance & Reinsurance Company QSPC v Emrgent Risk Solutions Limited, the Dubai International Financial Centre (DIFC) Court issued its first reported judgment on broker liability in placing reinsurance and retrocession cover. The Court held that the broker had failed to follow its client's instructions and inform it of a material cancellation, awarding more than 6.2 million Qatari riyals. The judgment clarified DIFC law on duties, causation, loss of chance and damages. Regulatory scrutiny is also increasing. In January 2026, the Dubai Financial Services Authority fined Ed Broking (MENA) Limited and sanctioned a senior broker for misleading conduct involving 'grossing up' facultative reinsurance premiums without the cedants' knowledge, to increase commissions. The Dubai Court of Cassation then ordered a regional broker to disgorge $17.8 million for similar conduct involving Yemeni war risks. Disgorgement is likely uninsurable under professional indemnity policies. Grossing up may also provide reinsurers with grounds to allege misrepresentation or non-disclosure, potentially jeopardising reinsurance recoveries. Given indications that the practice may be more widespread, regulators are expected to investigate further and could launch a thematic market review of broker remuneration and placement practices.

Geopolitical tensions will reprice Gulf risk

The UAE is expected to continue attracting investment, talent and international businesses in 2027, reinforcing its position as a leading commercial and financial hub. However, rising regional tensions and the risk of further escalation involving Iran are expected to prompt businesses, investors and insurers to reassess the geopolitical assumptions underlying cross-border trade and investment in the Gulf. As companies use the UAE as a platform for transactions and operations across the wider region, concerns about disruption to shipping routes, energy infrastructure, supply chains and payment flows are expected to drive increased demand for trade credit and political risk insurance. Underwriters are likely to place greater emphasis on accumulation risk, geopolitical exposure and scenario planning, while insureds seek broader protection against contract frustration, payment default and political interference. The result is likely to be a repricing of Gulf risk, not because the region is becoming less attractive, but because its growing economic importance increases the potential impact of geopolitical shocks.



The UAE's aviation bridge to Africa grows stronger

Aviation operators are likely to continue navigating a period of geopolitical uncertainty during 2027. Paradoxically, continued disruption across parts of the Middle East may reinforce the strategic importance of the United Arab Emirates as a global aviation and logistics hub. The UAE's geographic position, substantial airport infrastructure and established airline networks leave it uniquely placed to facilitate passenger and cargo flows between Europe, Asia and Africa. As trade and investment links between the Gulf and Africa continue to expand, Dubai and Abu Dhabi are likely to strengthen their role as gateways connecting African markets with Europe, Asia and the wider global economy. That trend may be reinforced by the strong long-term outlook for African aviation, with industry forecasts suggesting passenger traffic growth averaging approximately 5.8% per annum over the next two decades. For insurers, airlines and airport operators, the challenge will be ensuring that growing dependence on Gulf connectivity is matched by operational resilience and effective contingency planning. As passenger and cargo flows between Africa, Asia and Europe continue to grow, disruption at key regional hubs may have increasingly far-reaching consequences. In an uncertain operating environment, the ability to connect three continents efficiently may prove one of the UAE's greatest competitive advantages.

United States

Data centre development in the US to face growing regulatory resistance

Opposition to the expansion of data centre development in the United States is expected to intensify during 2027. Several states and municipalities have already imposed moratoriums on data centre development and construction. Further moratoriums are expected in 2027, as concerns grow over their environmental and societal costs. In 2024, data centres in the United States were estimated to consume approximately 192 TWh worth of electricity, which is approximately 4% of the country's total electricity consumption. That number reportedly rose to 312 TWh for 2025, and lawsuits are underway to prevent data centre owners and developers from passing those energy costs to ratepayers. Data centres also can consume substantial volumes (between 300,000 and 5,000,000 gallons) of water daily and generate sustained noise levels (between 85 and 100 dB) that affect surrounding communities. The noise pollution produced has already generated lawsuits from residents close to data centres seeking damages for the effect on their daily lives. Further challenges may target planning and regulatory approvals that opponents argue lacked sufficient transparency or public consultation.

US insurers take the offensive against organised claims fraud

Insurers in the United States have seen a sharp rise in organised, high-value personal injury and motor fraud, prompting larger carriers to move beyond claim denials and pursue strategic counter-litigation. Organised crime rings orchestrate phantom collisions, forced-merging crashes and staged trip-and-fall or construction-site accidents using scripted participants. These networks may connect law firms, medical providers and litigation funders, escalating minor injuries into costly and unnecessary procedures, including spinal surgery, to inflate settlement demands and drive larger jury awards. Insurers are responding with federal civil racketeering (RICO) actions against these networks, alleging mail and wire fraud, extortion and conspiracy by lawyers, doctors, diagnostic centres and third-party funders; more than 60 such cases have been brought since 2023. Insurers are also deploying tools such as algorithmic detection, dashcams, event data recorders, social media analysis and rapid video canvassing to identify ghost brokers, concealed claims histories and suspicious patterns. Working alongside regulators and the National Insurance Crime Bureau, insurers hope these measures will disrupt multimillion-dollar fraud rings and help contain avoidable premium inflation.

Argentina

The deregulation boom will transform Argentina's insurance market

Argentina's insurance market is expected to enter a new era in 2027 as the government advances a comprehensive reform of the Insurance Act, originally enacted in 1967. Despite numerous amendments, the current framework was designed for a vastly different economic and commercial reality and no longer fully reflects the needs of a modern, interconnected insurance market. The reform is anticipated to promote innovation, facilitate new business models and attract international insurers and reinsurers. It is also expected to provide a regulatory framework better suited to emerging risks and evolving consumer demands. Together with broader economic deregulation and increased foreign investment, these changes may trigger a period of accelerated growth and market expansion across the insurance sector.



Argentina's energy and mining boom to create new insurance opportunities

Argentina's emergence as a strategic supplier of energy, critical minerals and natural resources will accelerate throughout 2027. Large-scale investments attracted under the Incentive Regime for Large Investments are expected to continue flowing into oil and gas, lithium, mining and infrastructure projects. As capital expenditure increases, demand will grow for sophisticated insurance and reinsurance solutions covering the complex risks associated with developing and operating these projects. Insurers capable of supporting these long-term projects will find significant opportunities in sectors that are reshaping the country's economic landscape.

EU-Mercosur trade growth to drive demand for multinational risk solutions

The expansion of trade relations between the European Union and Mercosur, the South American trade bloc and customs union, is expected to increase the flow of goods, services and capital across the region. As supply chains become more complex and businesses expand across borders, operational, logistical, marine, cargo and liability exposures will grow. This increase in cross-border risk will drive demand for sophisticated (re)insurance solutions capable of addressing multinational risks. Insurers and reinsurers with regional expertise will be well placed to capitalise on these opportunities.

Argentina's protection gap will finally start to narrow

Argentina's improving macroeconomic outlook, falling inflation and greater currency stability are expected to create more favourable conditions for the development of life, health and retirement insurance products. After years in which economic volatility discouraged long-term financial planning, individuals and businesses may increasingly turn to insurance solutions designed to provide protection, healthcare benefits and retirement income. At the same time, demographic trends, including increased life expectancy and mounting pressure on the public pension system, are likely to accelerate demand for private savings and protection products. For insurers, 2027 could mark the beginning of a structural shift toward greater insurance penetration in a market that has historically remained underinsured.

Brazil

Discussions of the Insurance Act will move from compliance to the courts

In 2027, the practical impact of Brazil's Insurance Act will become clearer as regulators, courts and market participants test the new framework in live placements and claims. Following the first wave of regulatory alignment in 2026, when local insurers adapted their policy wordings and the federal supervisory agency for insurance, SUSEP (Superintendência de Seguros Privados – Superintendence of Private Insurance), enacted Circular 496/2026 to regulate changes to property and casualty products and end the distinction between large-risk and mass insurance, attention will now shift to how the Act's core obligations and remedies are interpreted in practice. Insurers and reinsurers are likely to revisit products, operating procedures and dispute strategies as early decisions expose areas of uncertainty. Insureds may rely more actively on the Act's protective provisions, while market participants seek greater consistency between contracts, underwriting files and claims communications. The result should be a more mature compliance environment, but litigation can be expected, along with regulatory scrutiny, as precedents develop.

New Brazilian reinsurance rules will reshape cross-border capacity

Effective from January 2027, Brazil's revised regulatory rules on reinsurance, retrocession and coinsurance will begin to reshape cross-border placements. The new framework aligns market rules with the Insurance Act and the legal regime introduced for cooperatives and mutual protection arrangements, while updating provisions on contract formation, claims adjustment and insurance placed abroad. Cedants, brokers and reinsurers will need to adapt their documentation and operating models to the revised framework, including its shorter timetable for formalising reinsurance contracts (reduced from 180 to 90 days). The changes may improve legal certainty and broaden structuring options, but implementation could also create friction where global programme terms do not fit Brazilian requirements. Market participants that align documentation and governance early will be better placed to access international capacity and avoid disputes over the effectiveness of risk transfer.



Regulatory agenda will reshape priority products and reinsurance formalisation

In 2027, market attention will shift to the implementation and consequences of SUSEP's (Superintendência de Seguros Privados – Superintendence of Private Insurance) regulatory agenda for priority products and prudential issues. Work carried forward from the 2026 plan includes aligning surety, life and liability insurance rules with the Insurance Act, reviewing mandatory insurance arrangements and studying the use of pension and capitalisation reserves as credit collateral. The agenda also includes incentives for collateralisation in reinsurance and retrocession with foreign reinsurers, as well as operational rules governing the offering of reinsurance capacity and the formalisation of reinsurance proposals. These initiatives should require insurers, reinsurers, brokers and insureds to reassess products, operations, claims and placement procedures.

AI will move into core decisions under stronger governance

In 2027, it is expected that insurers and other supervised protection providers in Brazil will expand the use of AI in underwriting, pricing, claims, fraud detection and distribution. Competitive advantage will depend on data quality, human oversight and integration with established controls, not merely access to models. For example, insurance cooperatives and mutual protection administrators may use AI to scale member services and claims management, while facing the same expectations for governance and consumer safeguards set out by the Insurance Act and data protection regulation. As automated tools influence customer outcomes, market participants will need robust governance and transparent oversight. AI-assisted triage and generative tools may improve efficiency, but inaccurate, biased or insufficiently documented outputs could create legal, operational and reputational exposure. Responsible deployment will therefore become part of product and claims governance.

Brazilian insurance cooperatives and mutual protection entities will present new reinsurance opportunities

In 2027, insurance cooperatives and regulated mutual asset protection arrangements will begin to demonstrate their role in Brazil's supervised market. Complementary Law No. 213/2025 and CNSP (Conselho Nacional de Seguros Privados – National Council of Private Insurance) Resolutions Nos. 491 and 492/2026 created the legal and regulatory structures for mutual protection operations and insurance cooperatives. Their development may expand protection in underserved regions, particularly in motor and member-based segments, while increasing competition and creating partnership opportunities for insurers, brokers, reinsurers and service providers. Regulations provide that both types of arrangement may rely on reinsurance capacity, as applicable to regular insurance carriers, and generate new business streams for reinsurers targeting the local market. Progress will depend on regulatory authorisation and regularisation, governance, financial and actuarial capacity, consumer safeguards and access to reinsurance.

Chile

Chilean pro-investment reforms move from legislation to implementation

Chile's economic outlook in 2027 will be shaped by the implementation of its recently approved "mega economic reform", one of the most significant pro-investment packages enacted in decades. The reform includes a gradual reduction in the corporate tax rate from 27% to 23%, measures to accelerate investment, greater regulatory certainty for major projects, and incentives aimed at boosting economic growth and competitiveness. Investment activity is expected across mining, energy, technology infrastructure, forestry and critical minerals. Regulatory debate is likely to shift from whether permitting reform is needed to how effectively the new framework attracts capital while maintaining environmental and social safeguards. The key challenge will be translating a more investment-friendly legal environment into growth across productivity, jobs and living standards, while managing political debate over how the benefits of reform are distributed.



Colombia

Earthquake claims in Colombia will shift from response to allocation

The claims arising from Colombia's August 2026 earthquake will enter a more complex phase of coverage and loss allocation during 2027. The event will test not only Colombia's catastrophe resilience, but also the precision and coordination of property, construction and reinsurance programmes. As structural assessments and reconstruction estimates progress, insurers will need to address overlapping cover under a variety of policies, differing deductibles and potentially inadequate declared values. The main earthquake and subsequent seismic activity may also test occurrence definitions and aggregation periods, particularly where the treatment of original claims does not align with catastrophe reinsurance wording. Further disputes may arise over whether damage was caused by the earthquake, aftershocks, pre-existing deterioration or construction defects. This could also lead to recovery actions against project participants.

Policy reforms to reignite Colombia's project pipeline

Changes in Colombia's economic and infrastructure policy will reopen the country's gas pipeline project and revive demand for project-related insurance in 2027. The new administration is expected to focus on energy security and regional infrastructure, supported by multilateral financing and creating opportunities across transport, energy and other strategic sectors. As projects progress from announcement to financial close and construction, demand will grow for Construction All Risks, liability, professional indemnity and environmental cover. The opportunity will not be automatic: fiscal constraints, licensing, community engagement, security concerns and execution capacity may still delay projects. Insurers and reinsurers will need to distinguish genuinely bankable projects from those that remain politically attractive but operationally uncertain.

Cyber risk shifts to Colombia's SMEs and supply chains

Cyber exposure in Colombia will shift increasingly towards SMEs, service providers and interconnected supply chains in 2027. As larger organisations strengthen their defences, smaller businesses and third-party providers often lack comparable resources, controls and incident-response capabilities. More sophisticated attacks, including AI-assisted fraud and ransomware, may therefore generate losses beyond the initial target organisation through outsourced technology, digital platforms and dependent business relationships. These attacks will increase demand for accessible cyber products, but insurers may struggle to assess risks associated with smaller businesses and their shared reliance on service providers. Underwriting scrutiny will increasingly focus on minimum security standards and vendor management. Claims may also raise difficult questions regarding business interruption (BI) losses, data restoration costs and the interaction between cyber, crime and traditional property policies.

Ecuador

El Niño to reprice Ecuadorian coastal risk accumulations

Coastal placements in Ecuador will face renewed scrutiny of flood and landslide risk accumulations in 2027. Ecuador remains one of the most El Niño-exposed economies in the region. The 1997-98 El Niño event, one of the most damaging natural disasters in Ecuador's recent history, caused widespread infrastructure and agricultural losses. Shrimp aquaculture and banana production, in particular, remain highly sensitive to rainfall and sea-surface temperature. Disputes are expected to concentrate on two issues: whether successive flooding and landslide events aggregate as a single occurrence under 'Loss Occurrence/Hours clauses', and whether business interruption cover responds where transport links and supply chains are disrupted without physical damage at the insured location. Reinsurers will press for separate flood sub-limits and clearer denial-of-access wording, while parametric and index-based products will gain traction for risks the traditional market is unwilling or unable to absorb.

Power shortages will expose interruption gaps in Ecuador

Ecuadorian businesses will press for clearer cover for electricity interruption during 2027, as the 2026-27 dry season tests supply resilience. In 2026, national grid operator data pointed to a low-water-season generation shortfall of around 1,400 MW. That scenario will sharpen insurer discussions over utility extensions and physical damage requirements. Particular attention is expected to be given to back-up generation and the handover from construction to operational cover for self-generation projects. For sectors such as cold storage, mining and manufacturing, the decisive question will be whether lost income follows an insured event at an identified location or whether an interruption falls outside the policy trigger. Greater exposure to electricity supply disruption will not automatically give rise to covered business interruption losses.



Mining growth in Ecuador will sharpen environmental scrutiny

Environmental cover in Ecuadorian mining will come under sharper scrutiny in 2027, particularly regarding the gap between liability cover and losses from project suspension. Recent investment decisions by mining companies in Ecuador point to continued growth, but the Constitutional Court's 2021 Los Cedros ruling on the rights of nature continues to shape expectations around environmental protection and prior consultation. The central question, therefore, will be whether cover extends to losses arising from permit disputes or suspension without insured physical damage, as distinct from clean-up costs and third-party damage. Baseline environmental evidence and the allocation of responsibility between operators and contractors will become more important at placement of the cover.

Mexico

Mexico's ports will test the boundaries of maritime risk transfer

Mexico's port and logistics infrastructure will face heightened business interruption (BI) exposure in 2027. Shifting trade routes, geopolitical tensions and changing logistics requirements may increase congestion, leading to delays and contractual performance issues. These losses could raise difficult questions of causation and aggregation, testing the boundaries between marine, cargo, political risk and BI cover. Policy language may be tested where disruption involves several jurisdictions, multiple insured interests or a combination of physical and non-physical triggers. For insurers and reinsurers, Mexico will remain a key market in which local regulatory interpretation must be reconciled with global programmes and international reinsurance arrangements. Clear, consistent drafting and effective coordination between local and overseas markets will be essential. Insurers should also examine accumulation risks around major ports and transport corridors, where a single disruption could affect interconnected supply chains and generate losses across multiple classes of business.

Trade realignment and tariff volatility will complicate cross-border exposures

In 2027, shifting trade relationships and tariff volatility will create both opportunities and more complex risk exposures in Mexico. Nearshoring and closer integration with United States supply networks will create demand for transport, marine, construction, infrastructure and liability cover. However, exporters and manufacturers will remain exposed to trade disputes and regulatory divergence affecting the cost and availability of goods and components. Claims may become harder to resolve where contractual obligations and competing legal regimes overlap. The relocation of production and logistics could concentrate exposures in emerging industrial hubs while placing pressure on supporting infrastructure. Insurers and reinsurers should reassess accumulations and policy responses across trade credit, political violence, cargo and business interruption portfolios. Particular attention will be required where tariffs or regulatory intervention contribute to domestic or wider supply-chain disruption.

Healthcare inflation and expanding medical liability will drive higher severity losses in Mexico

In 2027, healthcare inflation and expanding medical liability exposure will be key drivers of losses across the Mexican insurance market. Rising hospital, pharmaceutical and medical technology costs will drive claims inflation across healthcare lines. This will increase the value of both treatment-related losses and liability claims. At the same time, claimants are increasingly relying on complex evidence to support claims for future medical expenses, loss of earning capacity and moral damages. Courts may continue to show greater sensitivity to patient rights and long-term health impacts. This combination of economic pressures and evolving judicial standards will challenge traditional underwriting assumptions and increase reserving uncertainty. This may place upward pressure on medical malpractice and healthcare liability portfolios. As a result, insurers and reinsurers will need to reassess pricing and wordings as healthcare-related claims become more complex and volatile.



Peru

Climate resilience moves from competitive advantage to underwriting requirement in Peru

Insurers operating in Peru will increasingly require demonstrable climate resilience measures when underwriting and pricing high-exposure risks. With the continuing threat of a significant El Niño event and growing concerns around flooding, landslides and business interruption losses, insurers will place greater emphasis on risk mitigation plans, catastrophe modelling and asset protection measures. Companies that invest in resilience and adaptation measures will secure more favourable terms, while those operating in high-risk areas without adequate protections may face higher deductibles, increased premiums or restricted capacity. Climate adaptation will become an underwriting prerequisite rather than a value-added feature.

The next El Niño will accelerate a reset of catastrophe risk pricing

The 2027 El Niño event will trigger a renewed reassessment of catastrophe risk across the Peruvian insurance market. Insurers and reinsurers are expected to tighten underwriting criteria for flood, rainfall and infrastructure-related exposures, particularly in northern Peru and other historically affected regions. Premium increases, revised sums insured and enhanced risk surveys are likely to become more common as insurers seek to address persistent underinsurance and growing climate volatility. The market will increasingly differentiate between risks that have implemented resilience measures and those that have not, creating a more sophisticated catastrophe underwriting environment.

Social risk will become a key driver of insurance and project risk strategies

Major mining, energy and infrastructure projects will continue to expand across Peru, prompting businesses to increase efforts to manage social and community-related risks. Managing social risk will therefore become an increasingly important component of project resilience and long-term investment planning. Delays arising from activist pressure allied with local opposition will combine with challenges to planning permission and project execution to create significant concern for investors and operators. Insurers and brokers will be expected to support clients in identifying and mitigating these exposures through insurance solutions and enhanced stakeholder engagement strategies.

Australia

A revival in Australian securities class actions to increase D&O exposure

Australian securities class actions will regain momentum in 2027, increasing D&O exposure. After five consecutive defendant victories, recent decisions in Southernwood v Brambles and Parkin v Boral marked a shift in favour of plaintiffs on key liability or causation issues. The High Court's Zonia decision is expected to clarify materiality, causation methodology and the court's ability to assess loss on the best available evidence. If those principles reduce evidentiary barriers, litigation funders may return to securities claims and valuations may rise. An appeal in Brambles and an application for special leave in Crowley mean uncertainty will persist, but insurers should prepare for an increase in securities class action filings, more contested loss modelling, and greater pressure on defence costs and settlements.

Historic trust mistakes to trigger a wave of new PI claims in Australia

Historic family trust tax errors will drive professional indemnity notifications in 2027. The Australian Taxation Office's focus on family trust distribution tax, coupled with the voluntary disclosure window closing on 31 December 2026, will prompt advisers and trustees to review decades of elections and distributions. Invalid elections, distributions outside the family group and incomplete records may expose trustees to tax and accumulated interest, followed by recovery claims against accountants who prepared elections, advised on distributions or failed to identify errors. Solicitors and barristers who gave tax advice are also potential recovery targets. Insurers should expect complex, long-tail disputes over what caused the loss, when claims accrued and whether multiple claims should be aggregated. Coverage may also turn on retroactive dates and exclusions, while liability could be affected by professional standards scheme caps. Early notification and careful reconstruction of historic advice and records will be critical.



Hong Kong

Hong Kong's low-altitude economy to create new insurance opportunities

The coming year is likely to see a focus on the capacity of the insurance market to provide innovative solutions in support of the development of the low-altitude aviation economy in Hong Kong. In his 2024 Policy Address, the Hong Kong Chief Executive set out plans to develop the low-altitude economy by establishing a working group led by the Deputy Financial Secretary. The group was intended to explore low-altitude flying application scenarios, review relevant regulations and plan for low-altitude infrastructure. The Civil Aviation Department has now approved over 140 project applications under its regulatory sandbox scheme. Proposals would extend the framework to cover cross-border logistics within the Greater Bay Area and non-traditional aircraft, including passenger-carrying models. The intention is to position Hong Kong as the Asia-Pacific hub for innovative low-altitude applications. With significant financial and intellectual capital being deployed alongside technological advances, the potential benefits to insurers in Hong Kong and the region are clear.

Mainland China

Chinese companies' overseas expansion will demand more insurance cover

In 2027, insurance demand is expected to follow the overseas operating footprint of Chinese businesses. China's 2026 technology insurance measures will encourage support for businesses operating overseas, while Shenzhen's 2026–2028 action plan expressly promotes overseas property, engineering and liability cover. Companies establishing foreign production and distribution networks will seek protection extending beyond cargo and payment to wider property and liability risks. This shift should deepen collaboration between mainland and international insurers, reinsurers and claims specialists. For international market participants, this presents an opportunity to support Chinese clients beyond their home market, particularly for those who can combine an understanding of Chinese clients with local market knowledge, effective claims handling and access to specialist legal support.

China's Insurance Law reform will require careful governance and compliance planning

China's proposed Insurance Law revision could create conflicts with overseas sanctions obligations, requiring scrutiny of group policies, sanctions clauses and claims payment arrangements. The revision is wide-ranging, expanding the legislation from 185 to 214 articles and introducing reforms covering insurance contracts, shareholder oversight and prudential supervision. As full foreign ownership is already permitted, international groups can control their Chinese subsidiaries outright, but more explicit shareholder obligations would place greater weight on local governance and capital support. The proposed anti-sanctions provisions would prohibit insurers from implementing or assisting discriminatory restrictive measures against Chinese citizens and organisations. The draft also codifies the existing judicial rule that the limitation period for subrogated claims runs from the date the insurer acquires the right, normally on indemnity payment. The standard period remains three years, subject to special regimes. This will provide a clearer statutory basis for recovery planning.

Trade realignment will reshape China's maritime risk profile

With geopolitical tensions set to affect shipping and trade well into 2027, Chinese traders are likely to place increasing emphasis on alternative markets and shipping corridors. As exporters seek new trading partners in an increasingly fragmented global economy, established shipping patterns will evolve. At the same time, China's dominant position in global shipbuilding, coupled with a strong order book, is expected to result in significant investment in both conventional and next-generation vessels. Together, these developments may create new opportunities across cargo, marine and trade credit lines. For insurers, changing trade flows and shifting sector priorities will generate demand for new forms of cover and innovative risk solutions. Those able to adapt to this evolving landscape will be best placed to capture growth opportunities across the maritime sector.



China's low-altitude economy will move towards commercial scale

China is expected to move beyond pilot projects towards broader commercial deployment of drone logistics, urban air mobility services and advanced aerial operations. One of the clearest signals emerged from the China Air Transport Association's 15th Five-Year Development Plan (2026–2030), which emphasised the strategic importance of the low-altitude economy. Regulatory and industry standards, along with infrastructure investment, are likely to mature rapidly. This will position China as the global test bed for next-generation aviation services. As the sector develops, a wide range of organisations such as aviation technology firms, drone manufacturers, software providers and aerospace service companies are likely to find new opportunities to scale their operations. For insurers and aviation stakeholders, the continued growth of the low-altitude economy will raise questions about how these operations are authorised and insured, and where liability lies when things go wrong. As commercial deployment accelerates, the supporting legal and regulatory frameworks will face increasing scrutiny, particularly where cyber risk intersects with operational and coverage issues.

Singapore and Southeast Asia

Greater regulatory scrutiny to drive increased exposure for businesses in Southeast Asia

Businesses in Southeast Asia will face intensified regulatory scrutiny, particularly in relation to financial services, cybersecurity and ESG-related governance. Illustrating this trend, the Malaysian Anti-Corruption Commission is now conducting a new investigation every week; implementation of the Philippines National Cybersecurity Plan 2023–2028 is driving more formalised compliance practices; and the Indonesian Financial Services Authority has mandated sustainability reporting for public companies and financial institutions, with its regulatory framework expected to expand further during 2027. Regulators across the region are expected to move beyond guidance towards more active enforcement, with larger penalties and more onerous remediation becoming increasingly common. From an insurance perspective, a key challenge will be the gap between growing regulatory expectations and the level of awareness and preparedness among many insureds.

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