DAC BEACHCROFT

Germany
Predictions 2026

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.

Germany plans to introduce mandatory natural hazards insurance
The German coalition government has announced a landmark step toward strengthening climate resilience: the planned introduction of a mandatory natural hazards insurance for residential buildings. Under the new framework, all new property insurance policies must include cover for floods, storms, and other natural hazards, while existing contracts will be extended by a set deadline. An opt-out mechanism remains under review, balancing consumer choice with universal protection. To safeguard long-term insurability, a state-backed reinsurance scheme will be created, and policy conditions will be more closely regulated. The agreement also highlights the responsibility of planning authorities in high-risk areas and proposes clearer liability rules. This initiative marks a decisive shift in risk management, aiming to protect homeowners and tenants alike while fostering greater accountability among public institutions. It signals a future in which comprehensive disaster coverage becomes a standard, not an exception.

Stricter EU cybersecurity regulation to create emerging D&O risks in Germany
The introduction of the NIS2 Directive will create greater liability risks for directors and officers, and increase their risk profile for insurers. The Directive introduces stricter and more detailed technical and organisational cybersecurity requirements for companies in Germany. Although most businesses still do not fall directly within the scope of the Directive, the ongoing trend towards tighter regulation will significantly impact non-binding security standards and any contractually-owed standards of care. Importantly for those in scope, the Directive introduces accountability on the part of directors and other senior managers for ensuring compliance. This takes the form of monetary and other sanctions, which may create additional risks for D&O insurers through coverage issues such as regulatory defence costs and possible financial penalties (such as may be insured). Although the obligations introduced by NIS2 are not new, having already been part of many risk management duties, especially for companies heavily reliant on data processing and digital operations, insurers may seek to ensure that their policyholders are familiar with any obligations.

The AI revolution will drive new risks and new regulation in 2026
Developing and implementing AI technology at all levels of the business will be challenging for general counsel at insurers. New liability claims for damages based on using AI technology should be anticipated. In addition, additional regulatory frameworks should be expected and monitored, again also raising the risk of bringing with them new liabilities.

Repowering and recycling: liability for end-of-life management
Germany's continued shift to renewable energy will raise demand for end-of-life liability and environmental coverage for companies involved in repowering and recycling supply chains. The end-of-life costs involved in dismantling and recycling existing energy infrastructure, whether renewable or non-renewable, will increase in coming years. Non-renewable sources are expected to decline and the early generation of renewable infrastructure is now reaching end-of-life. Organisations involved in these supply chains will need to consider any regulations for environmentally sound disposal and the appropriate insurance cover that is required. There is a significant risk that dismantling obligations and recycling processes will create environmental contamination if not carried out in an appropriate manner. Insurers need to ensure that businesses have adequate processes in place to manage the fundamental issue of hazards arising when undertaking these processes.

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