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AVIATION

Will rising geopolitical tensions and climate related disruptions mean increased premiums?

Conflicts in politically unstable regions and heightened global security concerns are expected to elevate exposure both for airlines operating near conflict zones and others with insurable interests. Additionally, extreme weather events such as hurricanes, wildfires, and flooding are becoming more frequent, impacting airport infrastructure and aircraft operations. These combined risks are likely to push insurers to raise premiums, particularly for war risk and hull coverage, and impose stricter territorial exclusions for carriers flying over or near sanctioned or high-risk areas. Recent events have shown how rapidly this can change.

Launch of the UK eVTOL Delivery Model anticipates commercial flight operations

In September 2025, the UK Civil Aviation Authority published the electric Vertical Take-Off and Landing (eVTOL) Delivery Model in anticipation of commercial flight operations by the end of 2028. The Delivery Model provides a regulatory framework addressing certification, pilot licensing, vertiport integration, and operational approvals. The pioneering technology of eVTOLS represents a bold step toward a cleaner, smarter future for aviation – one that not only accelerates decarbonisation but redefines how we connect and move across the globe. eVTOL assembly and battery production facilities have been established in the UK to support certification and early production. By positioning itself at the forefront of aerospace innovation, the UK seeks to unlock new possibilities for sustainable travel and economic growth. As we edge towards commercial eVTOL operations, this is dialling up a need for a range of tailored advanced air mobility (AAM) insurance cover to include hull liability, war, passenger, cargo, third party liability, spares, hangar keeper and product liability insurance. In 2026, we will see the London and global aviation insurance market continuing to evolve, to respond to the needs of emerging AAM technology.

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BERMUDA MARKET

PFAS-related claims are expected to grow in 2026

As PFAS become subject to increased regulation in the United States, European Union and UK, we anticipate more related injury and environmental claims. Recent technological breakthroughs for the destruction of PFAS have provided a glimmer of hope for addressing the 'forever' impact of the chemicals from an environmental standpoint, notwithstanding their bio-accumulative nature. These removal treatments come at considerable cost, potentially borne by manufacturers responsible for environmental contamination and their insurers. In the United States, settlements totalling nearly US$11 billion have been agreed to resolve one manufacturer's liability for PFAS contamination in drinking water and specific environmental claims. For injury-related actions, despite the first bellwether trial for the Aqueous Film-Forming Foams multidistrict litigation recently being postponed, we expect to see further injury-related PFAS claims in the United States and beyond. In France, activist groups are already readying an action on behalf of citizens alleging injury from PFAS contamination caused by chemical and petrochemical manufacturing in the Rhone valley. In the UK, two leading claimant firms announced investigations into possible environmental and injury claims caused by PFAS contamination in North Yorkshire.

Will microplastics be the next PFAS?

Microplastics are a significant emerging environmental and public health risk. Businesses involved in manufacturing, packaging, and food production could see heightened scrutiny, with underwriters demanding more rigorous risk disclosures and sustainability practices. Regulatory developments, such as the EU microplastics regulation, may drive insurers to adjust policy wordings and exclusions. Litigation risk will only grow as public awareness evolves, leading to class actions and reputational damage. While litigation in this area has largely focused on greenwashing and public nuisance, the next steps would be personal injury claims, which is where the traditional issues around causation start to arise. The industry should effect a wide review of exposures now to understand the long-tail risks microplastics present.

CASUALTY

Heat-stress related claims are set to rise in various workplace settings

With the advent of hotter and drier summers, workplaces are becoming increasingly susceptible to heat-stress related claims, with those working in vulnerable sectors such as agriculture, construction and frontline services particularly at risk. Without a legal maximum safe working temperature, and with increased awareness resulting in an increase in reporting of hazardous conditions, employers in high risk environments should review risk assessments and heat mitigation protocols in order to safeguard the health and safety of employees, and mitigate the risk of personal injury claims and regulatory prosecutions. Increased sun exposure is also likely to require employers to consider protective measures, including limiting the time workers spend in the open air and providing appropriate protective equipment, as well as utilising advances in wearable health monitoring devices.

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CONSTRUCTION AND ENGINEERING

Will high insurance costs burn through profit margins and dampen enthusiasm for mass timber?

While the eco-credentials for mass timber (or engineered wood products) are clear, they will continue to be perceived by insurers as a risky product. Mass timber has a degree of inherent fire resistance which can be enhanced with appropriate design and engineering, but it is nevertheless a combustible product and where disaster strikes can lead to catastrophic consequences and total loss. It is also susceptible to water damage, mould and rot. The frequency of damp or water ingress events is high. Care must be taken to ensure appropriate protection from exposure to weather during transit, site storage and indeed during the construction phase itself. As a relatively new material for large scale projects, knowledge and understanding of the properties and performance of mass timber is a developing science. Mistakes in design and installation are occurring. Further, the absence of historical data on the repair and replacement of mass timber structures makes underwriting challenging for insurers. Yet mass timber is a strong and sustainable product, and its use can be cost-efficient. Looking forward, education, training and data is needed to support the adoption of mass timber and to move away from carbon-intensive materials.

Claims against mechanical and electrical consultants are likely to 'hot up' like the weather

Claims against mechanical and electrical (M&E) consultants are likely to increase as greater demand for services and design creativity is required to address the effects of climate change. The UK experienced its hottest summer ever in 2025. Indeed, all five of the UK's warmest summers have occurred this century. Climate change is not on the way, it is already here, bringing with it an increased need for powerful cooling systems in both commercial and residential premises, whether new build or by way of refurbishment. Design parameters and capacity for such systems will need to adapt to the changing climate. We have already seen several large claims against M&E consultants for inadequate cooling (and heating) designs. We also predict that new building projects in the UK are likely to become subject to compulsory 'net zero' standards within the next few years. Currently, compliance with the UK Net Zero Carbon Building Standards is not obligatory, but it is unlikely to stay that way. This could well become an evolving source of claims against M&E engineers (and other construction professionals) operating in this space, given that litigation for failure to achieve net zero targets has already begun in other arenas.

Innovation will meet risk in the race to build smarter

The growing incorporation of technology in the construction industry and pressure to reduce energy wastage has led to increasing numbers of buildings utilising smart technology. Smart buildings include analytical tools which can predict the needs of those using the building and monitor parts and systems, flagging them for repair or maintenance. Sensors in a smart building's infrastructure can have a positive effect in terms of reducing energy usage and carbon emissions. However, smart buildings are challenging to design and build, often requiring sophisticated construction techniques and complex mechanical and electrical infrastructure which can lead to claims against the contractor and professional team if they do not meet requirements. Smart buildings are also more at risk from cyberattacks than legacy buildings: a hacker who gains access to a building's system can cause chaos.

Modular construction risks a series of unfortunate claims

There will be more building failures involving modular construction, the impact of which will be determined by whether and how insurers have used retained liability or series loss clauses. Modular construction was mooted as the future of construction – modules or 'pods' being parachuted onto site – enabling contractors to build quickly, often using environmentally friendly materials with cutting edge technology. The reality has often been that defects are simply replicated across site, which can be very expensive, especially if a defect only comes to light once the modules are integrated into a finished building. Insurers can limit their liability by using series loss clauses, which can be effective in these scenarios. Indeed, series loss clauses tend to be more useful than retained liability clauses, as these types of failures will often then be subject to a single excess.

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D&O AND FINANCIAL INSTITUTIONS

Climate risk and ESG regulation will continue to drive increased D&O liability in 2026

Environmental and climate-related risks will remain a central threat to companies and their directors and officers. Regulatory scrutiny is intensifying, driven by evolving environmental, social and governance (ESG) frameworks, mandatory climate disclosures, and enforcement in Europe of the EU Corporate Sustainability Due Diligence Directive. Directors face growing personal exposure to claims alleging mismanagement of climate risks, misleading sustainability statements, and breaches of fiduciary duty. Litigation funders are increasingly backing climate-related actions, including greenwashing claims and shareholder claims. Regulatory bodies are also expanding their remit, targeting boards for inadequate oversight of environmental impacts. As climate risk becomes embedded in financial and operational decision-making, we anticipate a rise in complex, cross-border claims. For multinational companies, getting the balance right will be a challenge. Directors will need to ensure robust governance, transparent reporting, and proactive risk mitigation to avoid claims and exposure.

INSURANCE ADVISORY

Regulators will focus on the E and G of ESG

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

INTERNATIONAL AND COMPLEX CASUALTY

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

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

International climate change opinions will drive litigation and regulation

Landmark climate advisory opinions issued in 2025 by the International Court of Justice and the Inter-American Court of Human Rights will prompt both litigation and regulation targeted at corporates. The opinions clarified the obligations of states to respond to the climate crisis, including the regulation of private actors such as companies. These opinions will drive activist litigation against states to implement domestic policy change and are already being cited in a South African action challenging a government decision authorising fossil fuel exploration. Businesses will find themselves in the regulatory crosshairs if states are forced to respond. In addition, the opinions themselves will likely to be used to supplement arguments used by activists and other claimants in wider climate litigation against businesses.

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Environment
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Look out for extensions and postponements in PFAS regulation around the world

Buttressed by stricter limits on drinking water, sector-specific regulation and expanded reporting requirements, the regulatory environment for PFAS will become more rigorous in both the United States and the European Union. However, a diverse and fragmented approach to PFAS regulation will still exist, with a significant number of PFAS-related bills having been introduced across a wide range of states in the United States. These efforts are filling a space increasingly vacated by the federal Environmental Protection Agency (EPA). EU Member States also voted in support of a Commission proposal to ban all PFAS in firefighting foams in April 2025, with a staged transition period and sector-specific extensions. However, compliance deadlines remain uncertain. The EPA is now expected to confirm in Spring 2026 that it will be extending the compliance deadline to achieve PFOA and PFOS Maximum Contaminant Levels in drinking water from 2029 to 2031. In the European Union, the outcome of proposals for a 'universal' PFAS restriction under REACH has been postponed, with the European Chemicals Agency's scientific evaluation now scheduled to conclude by the end of 2026.

MARINE, ENERGY AND TRANSPORT

Batteries will store problems as well as power

The ever growing prevalence of lithium ion batteries across a wide range of products is increasing the risk of fire losses to vessels and cargoes. Batteries have been identified as the cause of a recent spate of scrap fires on vessels leading to major casualties. The problem stems from hazardous materials, particularly batteries, being present in supposedly inert scrap cargoes due to improper disposal in household waste streams. These batteries can spontaneously ignite or cause fires during handling and transportation, leading to intense, difficult-to-extinguish blazes that endanger ships and crews. Insurers and safety organisations are issuing warnings and recommending better screening and handling procedures for scrap metal cargoes. Incidents of battery fires on mega yachts are also on the rise. Mega yachts use an increasing number of lithium-ion batteries to power their advanced electronics, luxury amenities, and growing fleet of electric tenders and water toys. Incorrect use and maintenance coupled with insufficient crew training can lead to significant losses.

Changing global approaches to the energy transition will result in a rebound in oil and gas exploration activity

In recent years, the global momentum toward renewable energy has been widely celebrated as a critical pathway to combating climate change. However, a noticeable shift in this dynamic is emerging, leading to a resurgence in oil and gas exploration activity worldwide. This trend reflects changing policy stances, economic realities, and evolving market conditions that complicate the clean energy transition. While the Trump administration's rollback of environmental regulations drew significant attention, the shift is broader and more nuanced. For instance, Lloyd's of London's new chief executive recently signalled a pragmatic approach by stating that the insurance market will not outright ban polluting industries, emphasising a more balanced and economically driven transition. This stance echoes growing concerns about the marginal profitability of renewables, which, despite technological advances, often struggle with high capital costs and intermittent returns. As a result, investment in upstream oil and gas exploration and downstream infrastructure is experiencing a notable uptick. Companies are expanding construction activity related to extraction, processing, and transportation, driven partly by persistent demand and geopolitical uncertainties. This is likely to translate into increased insurance claims activity in the fossil fuel sector.

PROFESSIONAL LIABILITY

Brokers: The FCA will continue to scrutinise environmental sustainability claims and seek to deter greenwashing

The Financial Conduct Authority (FCA) will continue to focus on 'greenwashing' (i.e., misleading claims made about the environmental credentials of an organisation/product). On 31 May 2024, the FCA's anti-greenwashing rule (AGR) came into force. While the FCA already prohibited misleading statements, firms must ensure that environmental/social statements made to their 'audience' in the UK about their financial products/services are consistent with that product/service, fair, clear and not misleading. Failure to do so could result in enforcement action. As we have previously predicted, enforcement taken under the AGR regime may also encourage additional disputes (including shareholder litigation) and investigations by other regulators.

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REINSURANCE

Wildfire risks will bring greater scrutiny

With the major reinsurers reeling from the estimated US$40 billion insured losses from the massive wildfires in Los Angeles in January 2025, an urgent reassessment of portfolios, rates and retentions is underway. Europe is the key focus, where reinsurers fear that the risks have been underestimated, a concern highlighted by the European Insurance and Occupational Pensions Authority which said recent trends show France, Greece, Italy, Portugal and Spain all have the potential to suffer annual economic losses of over US$2.5 billion from wildfires. Governments and regulators in Europe will be watching the response of the market in terms of availability and affordability of cover as they will not want to see the protection gap for catastrophe losses widen. A recent report said this was already at a level that was leading to talk of state intervention in Greece, Portugal, Croatia, Cyprus and Austria. This could take the form of joint public-private insurance schemes or obligations on insurers to take on wildfire risks if they want to operate in risk-prone regions.

European storms will also disrupt the reinsurance industry

Reinsurers will also face further losses arising out of severe convective storms affecting major economies across Europe and in the United States in the years to come. This occurs where climate change alters atmospheric pressures leading to large hail, heavy rainfall and strong winds. This will in turn result in both casualties and substantive material damage in developed areas. It is expected that losses will run to hundreds of millions in Europe, whereas in the United States the insurance market can expect losses in the tens of millions. The increase in losses will have disruptive effects on the reinsurance industry, exacerbating hikes in reinsurance premiums and requiring considerable underwriting acumen to minimise disruption, including disproportionate financial exposure for the market.

SPORTS AND ENTERTAINMENT

Contingency insurers will leverage climate-related technology to price risk and pay claims

Extreme and unpredictable weather – including storms, wildfires, floods and extreme heat – is on the rise due to climate change, and outdoor events and festivals have been hit hard by associated disruptions and costs. Insurance premiums and deductibles have necessarily increased as severe weather claims account for a larger proportion of cancellation claims. Contingency insurers will need to continue to utilise technology, including climate-modelling tools and AI – rather than relying on historical weather patterns which may no longer be reliable – to assess and manage risk. We are likely to see a rise in hybrid policies whereby traditional event cancellation cover is combined with automatic, parametric insurance to compensate risks such as low attendance due to wind, temperature or rainfall.

TRANSACTIONAL LIABILITY

ESG is a crucial component of M&A due diligence

Corporations recognise that tackling environmental, social and governance (ESG) issues can give them a competitive edge and unlock opportunities for growth. With greater scrutiny of ESG targets by consumers, employees, investors and regulators, ESG considerations have become a vital and integral focus in M&A deals. Buyers are critically assessing sellers' commitments to environmental liabilities, governance issues and social responsibility as part of the acquisition process, to ensure ESG statements are credible and corporate cultures will align post-merger. Misalignment in ESG values or performance metrics may pose significant integration challenges and may lead to claims and reputational damage if not properly managed. The rise of ESG scoring - which applies quantitative methodologies to independently assess ESG factors - reflects a growing demand for transparency and accountability. This approach is rapidly gaining traction and is expected to become a standard feature of the M&A due diligence process.

FRANCE

Expect a claims and regulatory clampdown on PFAS

PFAS-related litigation in France will accelerate, with the class action near Lyon expected to become the largest of its kind in Europe. The legal environment in respect of PFAS is shifting rapidly, with France banning PFAS in cosmetics, clothing, footwear, and ski waxes from 2026, and in all textiles from 2030, marking a regulatory turning point. Enhanced monitoring of drinking water is also underway. The 'polluter pays' principle is also gaining traction, increasing the risk of significant indemnity exposures for both liability and environmental lines. Insurers must be aware of the introduction of additional regulatory requirements, which will drive up compliance costs and could trigger coverage disputes, especially for legacy and silent exposures.

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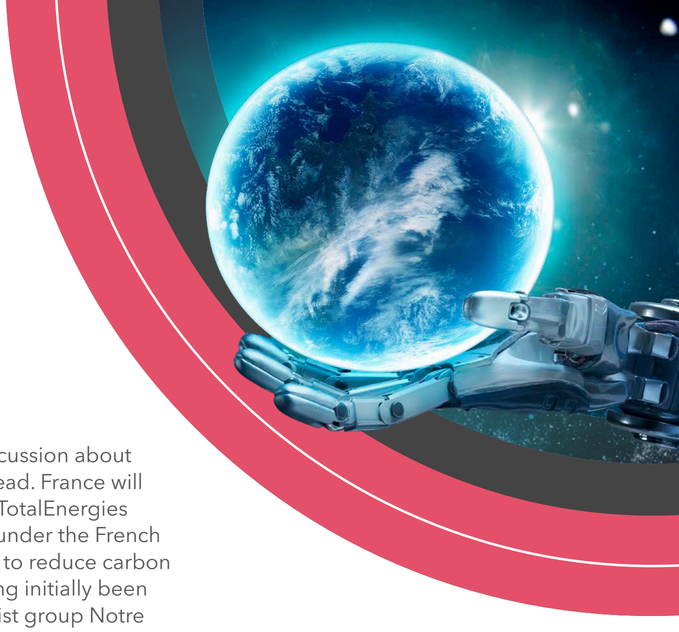

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France will be a climate change hotspot in 2026

Following a year in which international advisory opinions have generated significant discussion about the future of climate change litigation, France will be a crucial jurisdiction in the year ahead. France will see novel actions progress, following the judgment in the greenwashing action against TotalEnergies brought by Greenpeace on their net-zero claims. A further claim against Total, pursued under the French duty of vigilance, continues its efforts to force the company to report on and take action to reduce carbon emissions in line with the Paris Agreement. That claim was reinstated in June 2024, having initially been dismissed, and ordered to proceed to trial. In addition, a further action brought by activist group Notre Affaire a Tous against BNP Paribas was the first climate-related lawsuit commenced against a commercial bank, also based on the French corporate duty of vigilance law. Although developments in the litigation remain limited, this is a potentially important action.

GERMANY

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.

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.

ITALY

Landmark decision in Italian climate change litigation will impact insurance

In a landmark decision in the Italian courts between Greenpeace and others and ENI and others, the Joint Sections of the Court of Cassation provided critical guidance including for the insurance sector. Claims in the context of climate change litigation fall within the scope of tort liability. Liability may extend not only to the legal entity directly involved in climate-harmful conduct, but also to its shareholders, and ultimately, to the State. The order also outlines the potential for a new category of liability borne by corporate executives of legal persons engaged in practices with a potential negative impact on the climate. This decision has the potential to impact claims falling under liability policies and D&O cover. Policy wordings will need to take into account such risks and, if necessary, provide for specific sub-limits and/or exclusions.

The natural catastrophe insurance pool represents a turning point in risk management in Italy

On 7 July 2025, the natural catastrophe insurance pool came into operation as an autonomous legal entity and operational hub for Italian insurance companies in the management of catastrophic risks. The creation of the pool marks a watershed moment, enabling the domestic insurance market to meet newly introduced legal obligations through collective risk mitigation and transfer mechanisms. The pool is structured as a consortium with legal personality, but without independent underwriting capacity: it neither retains risk nor capital and operates solely in the name and on behalf of its member companies. Membership of the consortium is voluntary, but companies representing approximately 75% of the Italian market have already joined. Risk transfer will be based on a 'pure premium' principle, with each company free to determine its own commercial premium. In a context where mandatory coverage could generate pricing imbalances and opportunistic behaviour, the consortium model allows for the harmonisation of underwriting practices, contract structures, and strategic approaches. The natural catastrophe pool marks the beginning of a new, structured, and collaborative approach to managing systemic risk.

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NETHERLANDS

Expect more from the Dutch Supreme Court on climate related claims

Dutch organisation Milieudefensie has an ongoing case against Shell. They won that case at first instance but lost on appeal. It is now with the Dutch Supreme Court in The Hague, with the verdict expected in 2026. Milieudefensie in the meantime says it is preparing a new case, to prevent Shell activating new oil and gas fields, both in and outside of the Netherlands. The Dutch government is working on the introduction into Dutch legislation of the Corporate Sustainability Due Diligence Directive (2024/1760). In the meantime, Dutch law on civil liability can be used to demand specific action on climate change from individual corporations.

SPAIN

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

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

SWEDEN

Flood risks risk pushing insurance out of reach

The link between climate adaptation and insurability in Sweden is becoming increasingly evident. The country's water and sewage infrastructures are ageing and often unable to handle heavier rainfall and the changing climate. As a result, flood-related damages have been rising nationwide, putting growing pressure on insurers. Payouts for weather-related property losses have more than doubled over the past three decades, driven by flash floods, heavy rain, and sewer backflow events. As these hazards become more frequent, insurers are reassessing what constitutes 'sudden and unforeseen' damage; some have begun limiting coverage in areas where climate risks were overlooked during planning. Without substantial municipal investment in stormwater systems and tighter land-use controls, premiums are likely to continue rising and an increasing number of households may find affordable cover out of reach.

PFAS contamination will create coverage gap

PFAS contamination has become a nationwide challenge in Sweden, with traces found in groundwater near airports, fire training sites, and industrial areas. Cleanup costs are high and long-term, yet many insurers are starting to exclude PFAS from coverage, leaving municipalities, businesses, and property owners exposed to potentially large liabilities. The trend has intensified following the 2023 Swedish Supreme Court PFAS-case ruling, which confirmed that elevated PFAS levels in residents' blood can constitute compensable harm. This landmark case has set a precedent that heightens pressure on insurers, especially as PFAS continues to be detected at multiple locations across the country. In turn, this is expected to drive demand for insurance solutions that share the financial burden while supporting responsible environmental remediation, making PFAS a persistent and evolving risk for the Swedish insurance sector.

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UNITED STATES

Weather events will continue to affect first party property insurance offerings

Anthropogenic activity has caused – and continues to cause – significant changes in the Earth's climate through emission of greenhouse gases, deforestation, and industrial processes. These changes include shifting weather patterns, more intense tropical cyclones, and exposure of certain areas to more intense non-tropical storm systems. In the United States, climate change has been found to be a factor in the shift of two of the country's weather 'alleys'. 'Tornado Alley' historically referred to parts of Texas northward to areas of South Dakota but more recently includes portions of Arkansas, Mississippi, Alabama, and western Tennessee. 'Hail Alley' historically referred primarily to areas of Colorado, Nebraska, and Wyoming, but has also more recently shifted eastward. The upshot of these shifts is that different areas of the country are now experiencing weather-related risks that they have not typically had to deal with. While insurers historically have offset weather-related risks through premium rates and calculating deductibles as a percentage of policy limits/insured values, more recently they have been unwilling to cover certain climate-related risks, either adopting policy exclusions or exiting certain geographic markets altogether. We expect insurers to continue taking such a stance.

ARGENTINA

Legal strategy will be key to low-cost expansion

A major low-cost carrier's bid for 25% of Argentina's domestic aviation market in 2026 will intensify legal and regulatory activity around fleet expansion and competitive access. With deregulation enabling aircraft interchange and streamlined certifications, the airline is rapidly scaling its operations - adding fuel-efficient aircraft and launching new routes to underserved destinations. Legal teams advising carriers, airports, and investors must prepare for increased demand in aircraft leasing, slot negotiations, and environmental compliance. The new aircraft model's sustainability features also bring environmental, social and governance considerations into sharper legal focus. Argentina's liberalised aviation landscape now provides the perfect opportunity for low-cost growth and legal strategy will be key to navigating it.

BRAZIL

ESG-driven insurance products could gain traction

Brazil's insurance market may experience a notable increase in products linked to environmental, social, and governance (ESG) criteria. Insurers could introduce more green insurance policies, climate risk coverage, and microinsurance aimed at underserved populations, especially if regulatory pressure and consumer awareness continue to grow. Companies that successfully integrate ESG into their underwriting and claims processes might attract greater investment and customer loyalty, while those slower to adapt could face reputational and regulatory challenges. However, the extent and speed of this shift will depend on evolving market dynamics, regulatory developments, and the willingness of both insurers and consumers to embrace ESG-driven solutions.

Social catastrophe insurance will move from debate to design

Brazil is set to make significant progress towards establishing a national social insurance scheme for catastrophic events, such as floods and landslides. Following devastating climate disasters and a persistent protection gap, the government, through the insurance regulator's dedicated working group and with strong support from Congress and the insurance industry, is working to design a public-private catastrophe insurance model. The scheme will focus on providing rapid, emergency payouts to low-income and vulnerable populations, with eligibility and funding mechanisms shaped by ongoing stakeholder consultations. While full implementation may extend beyond 2026, the year will mark a turning point as Brazil moves from political debate to concrete regulatory proposals and pilot programmes, setting the stage for a more resilient and inclusive disaster response system.

CHILE

Expect increased liability exposure for electricity companies

Due to climate change and greater chances of unprecedented heavy storms, it is expected that more power outage-related incidents will take place in Chile. This will increase liability exposure for electricity companies (especially electricity distribution) as: i) the consumer authority has taken an aggressive role by initiating class actions on behalf of consumers against electricity companies for greater damages than those historically awarded; and ii) for the first time in Chile's history, a civil court granted compensation for moral damages to consumers that were affected by a power outage. This has opened the door to new claimants and new damages, both of which will require more attention by underwriters.

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COLOMBIA

Climate change and El Niño/La Niña cycles will boost appetite for catastrophe cover

Colombia's geographic vulnerability to the El Niño - Southern Oscillation will remain a major environmental challenge. By 2026, intensifying El Niño droughts and La Niña flooding events could trigger significant insured losses across agriculture, infrastructure and energy sectors. Drought-driven wildfires in the Andean region may escalate property claims, while excess rainfall could lead to landslides and flooding, testing catastrophe models that historically underpriced Colombian risk. This trend will open opportunities for parametric insurance linked to rainfall or river levels, as well as demand for broader catastrophe covers, boosting appetite for this type of insurance, which has been growing in the country.

Creative solutions to under-insurance challenges are on the horizon

Under-insurance has been a long-standing problem in Colombia, as it is in much of Latin America, but new microinsurance and parametric insurance models are emerging to fill the most serious gaps, especially for climate and environmental risks. Earlier this year, a parametric/early-alert insurance product was launched to protect Colombia's páramo ecosystems (high mountain wetlands) from wildfire damage. It utilises the key mechanism of parametric solutions, activating payments automatically when environmental conditions trigger risk thresholds, enabling funds for fire control and restoration. If successful, this is likely to see similar products launched.

PERU

Climate change will continue to challenge rural communities

Peru will continue to grapple with the severe consequences of climate change. Among the most pressing risks are extended droughts in certain regions, accelerated glacier retreat in the Andes, and an increased frequency and intensity of rainfall in others. These phenomena will exacerbate the vulnerability of rural communities, disrupt agricultural production, and heighten the risk of natural disasters. Moreover, pressure on natural resources will intensify due to the absence of robust environmental frameworks and the persistence of illegal logging, both of which directly affect forest ecosystems and biodiversity.

AUSTRALIA

Insurers face rising exposure from class actions at the intersection of infrastructure disruption and environmental harm

The Sydney Light Rail litigation demonstrated how the effects of prolonged construction - dust, noise, and access restrictions - can trigger nuisance claims against public authorities. Simultaneously, PFAS contamination linked to infrastructure sites, including airports and defence facilities, is fuelling environmental class actions over groundwater pollution and health risks. These cases reflect a growing trend where infrastructure projects are scrutinised not only for operational disruption but also for long-term ecological damage. Insurers must prepare for complex, multi-dimensional claims spanning public liability, environmental impairment, and directors' duties. Policy wording around nuisance, pollution exclusions, and statutory authority defences will be critical. As regulatory oversight and community activism intensify, insurers will need to reassess underwriting strategies and engage proactively with insureds to manage emerging risks across Australia's infrastructure landscape.

Diversification of class actions will reshape the liability landscape in 2026

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

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Environment
Predictions 2026

MAINLAND CHINA

Catastrophe risk management will be digitised

In 2025, Ping An P&C launched the EagleX Global platform, integrating satellite imagery, risk mapping and AI-powered alerts. Its early success during the Beijing hailstorm demonstrates a shift in China's insurance sector from reactive compensation to proactive prevention. Looking ahead to 2026, such tools are set to become mainstream, enabling insurers to mobilise adjusters faster, cut disputes, and guide businesses and households to act early - whether closing factories or moving vehicles - to avoid losses at source. The impact reaches beyond claims efficiency: by reducing the need for extensive post-disaster reconstruction, EagleX also helps conserve resources and mitigate environmental damage, aligning with the broader push for green development. Reinsurers are likely to make these capabilities a precondition for capacity. Insurers, in turn, must strengthen governance through customer consent, encryption and deletion protocols. Those able to deliver a 'detect–decide–deploy' cycle within 24–48 hours will stand out not only on cost and client retention, but also on their environmental and social credentials.

HONG KONG

Increased risks of extreme weather in Hong Kong will drive insurance demand and claims

We have seen an unprecedented increase in the number of black rainstorm warnings issued by the Hong Kong Observatory in 2025. Three black rainstorm warnings were issued within a four-day period in early August 2025, with daily rainfall of almost 370mm recorded on 5 August, the highest daily rainfall in August since records began in 1884. The deluge strained Hong Kong's historically resilient infrastructure and caused widespread flash flooding to a population not accustomed to the effects of such extreme weather. It is predicted that those who have not previously considered coverage will in 2026 begin to explore insurance products to reduce potential risks from predicted increases in instances and the effects of adverse weather in Hong Kong. Insurers should ensure they have adequate reserves available to cater for the potential influx of both sales queries and claims.

SINGAPORE/SOUTHEAST ASIA

Climate change will impact renewable projects and result in increased claims

Asia has significant potential to develop solar photovoltaic (PV) and wind projects and there continues to be scope for them to comprise a greater share of the region's electricity generation. However, climate change may hamper such developments due to the increased threat of extreme heavy rainfall, heatwaves, typhoons/cyclones and earthquakes. For example, in March 2025, a 7.7 magnitude earthquake struck many countries including Myanmar, Thailand and China's western regions (including Yunnan and Inner Mongolia) which are core areas of PV production, causing disruptions to the production of solar energy. With almost 50% of installed solar PV and hydropower projects, over 40% of wind turbines and more than 20% of the grid infrastructure of Southeast Asia situated in cyclone/typhoon/earthquake prone areas, the damage caused by extreme weather is likely to place an increasing strain on the ability to produce renewable electricity in the region. As a result, we anticipate an increase in claims for property damage, delays in the construction of new projects, and financial losses relating to system failures and power outages.

Scan here to view our full suite of predictions for 2026.

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