

Geopolitics Predictions 2026

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.

International flight operations over or near conflict zones

In the wake of the MH17 crash and against the backdrop of rising world conflict, the UK Civil Aviation Authority (CAA) is changing regulations concerning international flight operations over or near conflict zones, to align with Standard 4.1.2 of ICAO Annex 6 Part I. The proposed amendment (effective from 31 January 2026) requires operators not to commence flight or continue as planned unless it has been ascertained by every reasonable means available that the airspace containing the intended route from aerodrome of departure to aerodrome of arrival, including the intended take-off, destination and en-route alternate aerodromes, can be safely used for the planned operation. While the focus is commercial flight, under consideration is the extension to other types of operations, such as non-commercial and specialised non-commercial operations. From an insurance perspective, in the event of an associated accident or incident, the adequacy of the operator's enquiry and decision to continue planned flight operation will be at the forefront. In the CAA consultation, the definition of 'reasonable' is wide, intended to denote the use of information available to the operator either through official information published by the aeronautical information services or 'readily obtainable from other sources'.

D&O AND FINANCIAL INSTITUTIONS

Directors must navigate geopolitical challenges and ongoing volatility in global trade

Global tariffs, sanctions, energy insecurity, high inflation and supply-chain disruption have created the most challenging trading and economic conditions for many decades. Our interconnected world means company directors need to be aware of the different geopolitical forces at play, and how critical they are to corporate decision-making. Investment and growth strategy, employment, and legal and regulatory compliance are all potentially impacted. Diversity in the composition of the board will broaden knowledge and understanding on how best to guide companies through these economic and geopolitical uncertainties. Investment in renewable energies, AI and innovation may create silver-lining opportunities, as well as enhance corporate strength and resilience in an ever-changing world.

INTERNATIONAL AND COMPLEX CASUALTY

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 be used to supplement arguments used by activists and other claimants in wider climate litigation against businesses.

MARINE, ENERGY AND TRANSPORT

Geopolitical instability and increasingly aggressive trade policies will continue to disrupt global trading patterns

The world's waterways are the arteries of international trade in both raw materials and finished products. In recent years there has been significant disruption to trading patterns and to supply chains caused by global conflicts and disputes over perceived trade imbalances. While the Red Sea and the Black Sea have been obvious examples of direct effects, increasingly mercantilist trade policies are causing friction in international trade and compliance headaches for owners and operators. The risk of vessels being attacked, delayed and detained is at its highest since the Second World War. Insurers should expect to see a greater volume of claims on marine insurance policies and more requests to support owners with their operational and compliance risks. Clarity about the coverage under standard marine hull policies and war risks extensions will be essential. In 2026 the arteries of global trade will become more, not less, blocked by geopolitical instability in terms of both armed conflict and the use of trading tariffs and restrictions as an instrument of foreign policy.

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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.

Critical subsea infrastructure will be the next battleground for global conflict

Worldwide political instability and geopolitical conflict will increase the risk of losses affecting energy infrastructure built at sea, such as offshore wind installations and undersea pipelines. The Nord Stream and Baltic connector losses were a wake-up call for all governments and the insurance market. This in turn puts pressure on the market to insure these subsea infrastructures at the risk of major losses disrupting the (re)insurance market. The resulting exclusion by (re)insurers of forms of state-sponsored sabotage from subsea energy insurance risks and other critical infrastructure will create a gap in the market. Nevertheless, offshore/subsea infrastructures will continue to become increasingly important for the energy industry and further investment will be critical, especially to ensure that counter-measures are put in place to prevent large scale losses from occurring.

POLICY WORDINGS

Innovation of terrorism cover will continue in commercial property wordings

We will likely see further development in terrorism policy wordings as a result of the 2025 update to Pool Re's Treaty. The update introduced several amendments which we will see carried forward into policy wordings. Changes include a bifurcation of risks into conventional and non-conventional terrorism, which insurers may seek to replicate into their wordings. We anticipate further innovation and expect a shift away from standalone terrorism cover towards an embedded cover that reintroduces cover into standard commercial property wordings.

POLITICAL RISK, TRADE CREDIT AND POLITICAL VIOLENCE

The need for innovative insurance solutions will strengthen in light of numerous false dawns on the resolution to global conflicts

Crisis management products will become fundamental elements of risk managers' insurance portfolios as global conflicts continue. In March 2025, global (re)insurer MS Amlin bound a reinsurance scheme that could provide €1 billion in war risk cover annually to Ukrainian SMEs insured by three local Ukrainian insurers. This innovative scheme aims to stimulate business activity growth with a view to a post-war Ukraine's reconstruction. While, at the time of writing, resolution of the Ukrainian conflict may seem far away, the Ukraine reinsurance facility is an example of just how London and international (re)insurance markets can and do act to promote the reconstruction and recovery of war-torn regions and countries. One hopes that global conflicts will find peaceful resolution in the coming 12 months and, if they do, we predict the insurance market will be ready to de-risk peacetime investment.



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Sanctions considerations will continue to keep underwriters and compliance functions busy

Sanctions impacting a swathe of lines of business will keep requiring careful consideration in 2026. The past year has seen a rise in disputes related to sanctions regimes and the decisions of insureds – especially in the maritime sector. These decisions have not only related to the decisions of corporates that have breached sanctions, but also decisions made not to act pursuant to sanctions concerns (where this decision not to act has given rise to breach of contract). They have also highlighted the potential commercial liabilities of advisors (such as solicitors holding funds in escrow on behalf of parties that subsequently become subject to US sanctions) and the complexities of the (dis) application of the extraterritorial effect of certain sanctions regimes. These cases demonstrate that the English courts are increasingly subjecting the sanctions compliance decisions of businesses to high levels of scrutiny in order to assess whether they are objectively reasonable. Recent decisions indicate an increasing willingness by the courts to conclude that businesses are liable for damages in circumstances where cautious decisions have been made in purported compliance with sanctions regimes of multiple jurisdictions and where the basis for those decisions might be undermined by other available evidence. Insurers need not only to be aware of the plethora of sanctions implications at play in international trade and business, but also to ensure that their decisions are thorough, well-documented, and reasonable in deciding when to continue and when to hold back on the basis of sanctions breach concerns.

PROPERTY

Power outage risks will drive demand for business interruption cover extensions

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

SPORTS AND ENTERTAINMENT

Artist activism and climate activist vandalism are likely to increase in this geopolitical landscape

As geopolitical events continue to intensify, we have seen artists bringing their activism to the stage. Summer 2025 saw a litany of cancellations and abandonments as a result of statements made by artists in reaction to world events, as well as controversy for event organisers. Fine art and property insurers have also seen an increase in climate activist vandalism, which has driven up premiums. Events face new and unpredictable risks including cancellation and disruption due to political and climate-related protest, by either performers or members of the public. Insurers will need to proceed carefully in both assessing how and whether to underwrite, and eventually how to adjust, these types of risks.

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.



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MEXICO

Escalation in aircraft confiscation will continue to generate high profile claims worldwide

Aircraft seizures relating to narcotics and other safety and security operations will continue to generate high profile claims worldwide. These disputes will intensify the conflict between hull and war cover, particularly over exclusions for confiscation, theft, and unlawful interference. While Mexico will remain one of the focal points, similar cases are expected in the United States, and other jurisdictions in Latin America, Africa and Asia. International reinsurers will increasingly rely on local courts, whose rulings will play a pivotal role shaping global aviation insurance outcomes.

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

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

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

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

PERU

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

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

HONG KONG

Increased Russian investment in Hong Kong risks sanctions implications

With much of the world now effectively closed to Russian investment, Russia is increasing its historic interest in its next door neighbour China, including Hong Kong, as an environment in which to create economic partnerships. Bilateral trade between Russia and China was reported as rising 90% year on year in 2024 to US\$245 billion, with US\$3.3 billion of that focused on Hong Kong. Russian companies are keen to engage in Hong Kong's infrastructure projects and its entrepreneurs are increasing their involvement in the manufacturing sector. But greater Russian investment into Hong Kong brings heightening risk for local trading entities of breaching international and particularly United States sanctions. We predict those issues will increasingly come to the forefront of corporate risk teams' concerns while businesses in Hong Kong look to take advantage of improved trading opportunities.



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