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Regulation
Predictions 2026

AVIATION

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.

Autonomous flight: futureproofing laws and regulation

With ongoing advances in aviation automation and autonomous flight there is a need to reconsider related legal and regulatory frameworks. The UK Civil Aviation Authority, in conjunction with the Law Commission of England and Wales, is undertaking a three-year review of existing liability models relating to the future of flight modes including electric Vertical Take-Off and Landing (eVTOL), drones, novel air traffic management and air navigation services to uncrewed aircraft. A final report is scheduled to be published in early 2026. Included in the review are current mechanisms for attributing criminal and civil liability. In particular, the Law Commission is considering (i) where the law allocates responsibilities to a human (e.g. a pilot) and the issues that arise if functions are performed by autonomous systems and (ii) how to allocate civil and criminal responsibility where functions are performed by a system or shared between a human and a system. Meanwhile, in its general Discussion Paper ('AI and the Law') published in July 2025, the Law Commission, in provoking debate, suggested that the option of granting some AI systems legal personality is increasingly likely to be considered. One key objection against that argument is that AI systems might be used as 'liability shields' protecting those at fault from criminal and/or civil accountability. In the field of aviation, where safety, responsibility and accountability are paramount, we predict any such future proposals will be met with strong resistance.

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'.

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 have announced they are preparing to bring 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.

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Definitional clarity of ultra-processed foods will heighten legal exposure

Regulation of, and litigation over, ultra-processed foods (UPFs) is expected to gain traction in 2026. Mounting evidence linking UPFs to chronic diseases, including obesity, type 2 diabetes and fatty liver disease is intensifying regulatory scrutiny and fuelling litigation. Political rhetoric, including references to UPFs as 'poison' has emboldened US states to introduce restrictions on UPFs. While federal regulation remains uncertain, the US Food and Drug Administration (FDA) and the US Department of Agriculture (USDA) are actively considering a uniform definition, which is expected to provide greater legal and regulatory certainty regarding the scope of UPFs. UPF class actions and personal injury claims are increasing, targeting alleged deceptive marketing and the intentional design of UPFs to be 'hyper palatable' or addictive. However, plaintiffs will continue to face significant challenges in establishing causation, with alternative legal theories being explored. The forthcoming FDA/USDA definition is likely to spark further claims activity and heighten exposure for food manufacturers and distributors.

CASUALTY

Potential new legislation on the cards to bolster the law on apologies

Further to the Ministry of Justice's 2024 consultation looking at the adequacy of the law on apologies, expect stronger safeguards to ensure an apology cannot be misconstrued as an admission of liability. Section 2 of the Compensation Act 2006 already states that an apology, offer of treatment or other redress does not amount to an admission of liability, but new legislation could see the introduction of a statutory definition of complaint (as is the case in Scotland), underpinned by a broad acceptance that the use of apologies in highly sensitive cases such as those involving child sexual abuse can aid the healing process for victims.

Investigation will shake up pet insurance market

Set against a backdrop of rising veterinary costs which have caused dramatic increases in the cost of domestic pet insurance, we expect the investigation by the Competition and Markets Authority to yield a package of remedies aimed at improving competition and consumer outcomes. Options include the requirement for veterinary practitioners to provide itemised estimates; an overhaul of complaints handling and redress processes; regulatory oversight where veterinary practices are run by non-qualified persons; and generic prescribing to reduce costs.

CONSTRUCTION AND ENGINEERING

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.

New Code will minimise water escapes

A new-ish but under-used industry Code will be written into more policies as the frequency and severity of water damage incidents on construction sites increases. Recognising the need for robust risk management, experts from both the insurance and engineering industries have developed a Joint Code of Practice for Escape of Water (EoW) Prevention and Management on Construction Sites and Buildings Undergoing Refurbishment. The Code applies across the supply chain to both permanent and temporary water systems and puts in place a collaborative risk-based approach that addresses the root causes of EoW during pre-construction and construction phases and mitigates the effect when it occurs. The focus on prevention includes the incorporation of modern technology to detect anomalous flow rates and then automatically isolate pipework and inform the planned emergency response. EoW incidents can lead to costly claims due to delayed handovers, damaged materials and wasted resources but they can also adversely impact a project's environmental and sustainability goals to monitor and reduce water consumption. Risk management is key and insurers should write in Code compliance to ensure that good practice is stringently followed.

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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.

The biggest shake up of employment law for a generation will raise significant challenges for UK businesses in 2026 and beyond

The Employment Rights Bill is a key priority for the UK government and reflects many of its manifesto commitments to strengthen workers' and trade union rights. The first changes will be introduced shortly after Royal Assent (expected late 2025) but there are more significant changes happening in April and October 2026, followed by a raft of changes in 2027, including the abolition of two years' service to bring an unfair dismissal claim, which will inevitably increase claims. In 2026, all businesses will need to deal with trade unions having the right to access their premises as well as having digital access too. They will also have to increase steps to prevent sexual harassment, as well as facing potential liability for the harassment of employees by third parties such as customers, clients and suppliers. Large employers will be expected to produce gender equality action plans in 2027, even though there may be a roll-back on diversity, equity and inclusion in the United States. All these changes are significant and, when coupled with the doubling of employment tribunal time limits from three months to six months, mean the exposure to claims is equally increased.

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

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

DATA, PRIVACY AND CYBER

Data protection complaints (and complaints about complaints) will increase

The Data (Use and Access) Act 2025 provides data subjects with a new statutory "right to complain". Once the relevant provisions are effective, controllers will need to ensure they have a complaints policy in place which meets the new requirements (including mandatory acknowledgement within 30 days). While many controllers will already have a complaints process in place, all will need to review these policies to ensure compliance with the new regime. This will ease the growing workload of the Information Commissioner's Office (ICO), particularly as data subjects will be formally required to raise a complaint with the relevant controller prior to pursuing a complaint with the ICO, but it is likely to have the opposite effect on controllers. This may be exacerbated by the recent significant increase in the use of generative AI by data subjects to submit complaints more quickly and in greater volume. If controllers are not prepared for the potential tidal wave of complaints, the mere failure of adequately handling complaints could result in further ICO investigations and liability beyond the subject of the original complaint.

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Pseudonymisation: ambitious data use will require robust safeguards

As the sector seeks to unlock the value of its datasets for analytics and AI training, the tension between anonymisation and pseudonymisation is becoming ever more pressing. True anonymisation remains the gold standard but often strips away the richness that gives data its value. Pseudonymisation preserves that utility but keeps data within the scope of data protection law. The Court of Justice of the European Union's SRB decision brings welcome nuance, confirming that whether pseudonymised data counts as personal depends on the realistic means of re-identification available to the controller, not theoretical possibilities. This more contextual approach could open new space for innovation, provided businesses can show re-identification risks are genuinely low. Those in the sector that invest early in verifiable safeguards and governance frameworks will be best placed to harness data confidently and compliantly in the age of AI.

Agentic AI will intensify data protection risks

Agentic AI (systems made up of autonomous agents that are capable of independent interaction and decision making) poses heightened data protection risks. Although it brings notable benefits in terms of efficiency and innovation, representing another evolution beyond generative AI, it also introduces new challenges. Unlike some earlier AI systems, many typical agentic AI system use cases rely heavily on processing personal data, including special categories of personal data or other sensitive categories such as financial information. Although many organisations have so far managed to apply governance controls to the use of generative AI in the workplace, the reduced human oversight evident in agentic AI significantly increases the challenge of implementing the same controls. As a result, data protection risks are likely to intensify.

The integration of AI solutions will increase the adoption of privacy enhancing technologies

Over the next 12 months, we will see greater adoption of privacy enhancing technologies (PETs) and their closer integration with AI systems. For several years, PETs have been highlighted as having the potential to aid data protection compliance, in a variety of different contexts. In its 2023 guidance on PETs, the ICO specifically cited privacy by design and by default; data minimisation; security; and secure data sharing as capable of being supported by PETs. However, since then we have seen only intermittent PET adoption by organisations. In the coming year, PETs such as homomorphic encryption and federated learning will be used increasingly to train AI models.

Quantum computing will be the next frontier

As quantum technology develops, we expect cyber insurers to start considering the potential systemic risks associated with the post-quantum era. Developments in quantum technologies are advancing rapidly and will offer huge opportunities to improve our lives. However, quantum computing will also pose the next significant challenge to cybersecurity and organisations are being urged to take steps to prepare for this now. The National Cyber Security Centre has already published guidance on the timeline for the migration to post-quantum cryptography (PQC) which starts now by identifying information, systems and cryptography which is at risk and ends in 2035 with the complete migration to PQC for systems, services and products.

EDUCATION

Educational establishments should use the implementation period to prepare for their duties under Martyn's Law

The Terrorism (Protection of Premises) Act (often referred to as Martyn's Law) received Royal Assent in April 2025. Its aim is to require those with control of certain premises to take steps to reduce the risk of physical harm in the event of a terror attack and, for events and larger premises, to reduce the vulnerability to acts of terrorism. While there is a two tier approach, early years, primary, secondary and further education settings have a special consideration in place and will be in the standard tier, regardless of their capacity. Privately owned independent training providers and higher education establishments will be treated the same as other premises, with standard tier requirements for settings with a capacity of 200 to 799 people, and enhanced tier requirements for settings with 800 and above individuals. As a minimum, standard tier settings will need to have appropriate evacuation, invacuation, lockdown and communication procedures in place. Enhanced tier settings must assess the vulnerability of the premises or event to a terror attack and take reasonably practicable steps accordingly. The implementation period of at least 24 months from Royal Assent before the Act comes into force should be used to get to grips with the new obligations, and to plan and prepare accordingly.

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INSURANCE ADVISORY

Expect regulatory intervention to follow AI innovation

The insurance sector has embraced AI at speed, deploying it across underwriting, claims and customer engagement. Yet regulation is struggling to keep pace with the technology's rapid evolution. Current frameworks were not designed with self-learning systems or generative models in mind, leaving gaps around accountability, transparency and bias. For now, regulators are watching closely, with guidance rather than enforcement. But history tells us that regulatory intervention often comes after the first high-profile failures or consumer harms. When that moment arrives, we can expect tighter controls on explainability, governance and oversight of AI. For the sector, the message is clear: use this breathing space to build robust controls now, before regulators mandate them.

Regulators will focus on the E and G of ESG

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

The UK will make steady steps towards rolling back regulation

The government and regulators will continue moving towards more proportionate and competitive regulation, but this process will be evolutionary, not revolutionary. The Leeds Reforms set out in July 2025 included proposals to deliver a new framework for captive insurance in the UK, and scale back the Senior Managers and Certification Regime, reducing by around 40% the number of roles for which an insurer needs regulatory pre-approval. The Financial Conduct Authority is also proposing scaling back its Consumer Duty and certain other rules as they apply to the wholesale insurance market. While several changes can be made relatively quickly, it will take time for the benefits to be felt. Without more radical reform, including scaling back the regulatory perimeter and re writing the rulebooks, UK financial regulation will remain complex and challenging to navigate.

Reform of the Financial Ombudsman Service will reduce its role

The government's plans to reform the Financial Ombudsman Service (FOS) will significantly limit (but not remove) its quasi-regulatory function. As part of its Leeds Reforms announced in July 2025, the government launched "the most significant reform of the [FOS] since its inception". While the FOS will still determine complaints based on what is fair and reasonable, where Financial Conduct Authority rules are material to the complaint a firm will be deemed to have acted fairly and reasonably if it complied with those rules in a manner consistent with the FCA's intent. A proposed 10-year longstop in which complaints must be made (subject to limited exceptions) would also address a long-standing grievance. The result should be fewer of the more egregious examples of the FOS applying different standards to those generally understood by firms, but it will remain a highly consumer-friendly complaint resolution forum.

The FCA will act on premium finance if the market does not move first

The Financial Conduct Authority (FCA) will continue to look closely at the impact of premium finance on consumers, particularly vulnerable customers. Insurers and brokers should review their premium finance products, looking particularly at the APRs charged and whether the decision to pay monthly is also factored into the setting of the underlying insurance premium (so-called 'double-dipping'). They should be prepared to justify their approach to the FCA if required and to show that it is objectively justified and reasonable. In addition, the long-awaited overhaul of the UK's fifty year old consumer credit laws has begun, and will eventually result in a more flexible regime, better suited to today's products and sales channels. Firms should engage with this process so they can benefit from all of the expected changes.

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INTERNATIONAL AND COMPLEX CASUALTY

Litigation funding regulation in the UK/Europe will diverge from the United States

The regulatory approach to litigation funding in Europe and England and Wales is set to take a different path to the United States, following periods of uncertainty and multiple regulatory proposals. Reports from the Civil Justice Council and European Commission propose a series of light-touch regulatory measures, including disclosure obligations and appropriate financial regulation. While the European Commission did not make a formal recommendation, it emphasised the need to balance access to justice with the need to prevent abusive practices. This will be important as use of collective redress measures continues to increase in EU Member States. In the United States, individual states are expected to maintain a focus on matters such as funder registration, disclosure, and transparency. However, the prospect of federal regulation remains in play. Two legislative proposals have been put forward, although their enactment remains uncertain. Both would compel disclosure of funding agreements, with one proposal also focused on foreign involvement, including a prohibition on third-party funding by foreign states and sovereign wealth funds.

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

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

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

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

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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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.

LEGAL INDEMNITIES

Light relief: Bankside Yards decision will reshape risk and insurance strategy

The Bankside Yards decision will recalibrate the right to light insurance market, shifting focus to negotiation damages. Courts are unlikely to grant injunctions for moderate interference, especially where developers act transparently and the project serves public or economic interest. Right to light insurance will continue to underpin urban regeneration but the current market will also demand caution. Astute neighbours will negotiate a share of anticipated profits. Developers can expect more rigorous oversight from insurers during the agreed conduct phase and there will be a particular focus on the need to demonstrate good conduct. We expect the market to settle over the next year.

Judicial review will be used tactically as the government attempts planning reform

The Planning and Infrastructure Bill has the potential to alter significantly the judicial review process for infrastructure and planning decisions. The Bill aims to accelerate major infrastructure projects by curbing delays and legal costs. Environmental campaigners who fear that the Bill weakens vital checks on projects at protected sites will mobilise and look for opportunities to use judicial review tactically and symbolically. As the Bill progresses, we expect increased advocacy and litigation from campaigners committed to preserving environmental protections and ensuring robust oversight of planning decisions. Legal indemnity insurers can expect an uptick in enquiries for judicial review cover as developers face risks arising from the storms created by these reforms.

MEDICAL MALPRACTICE

Reform expected in clinical negligence claims

The recently unveiled NHS 10 Year Health Plan is likely to see significant changes in the healthcare landscape over the coming years. As part of this, a leading barrister (David Lock KC) has been commissioned by the Department for Health and Social Care to advise on the rising cost of clinical negligence claims. Just as the government is considering clinical negligence reform, so too is the Reform party. Arron Banks recently announced their desire to bring about sweeping changes to the legal sector, including the possibility of introducing a no-fault clinical negligence scheme. What might change look like? It is possible we will see a renewed interest in fixed recoverable costs. It is also possible we will see more ambitious legislative change, particularly if the political will is there.

MOTOR

The increase in vehicle technology will positively impact road traffic claims volumes

Influenced by increasingly strict safety homologation rules within the European Union, expect the percentage of vehicles with Advanced Driver Assistance Systems to continue to increase. These rules require manufacturers to gain approval from a national authority for a vehicle's entire type, regardless of where components are sourced, therefore confirming compliance with safety, environmental, and market surveillance standards. It allows vehicles to be registered and sold across the EU single market which will accelerate the incorporation of advanced safety systems which is expected to lead to a continued reduction in road traffic claims.

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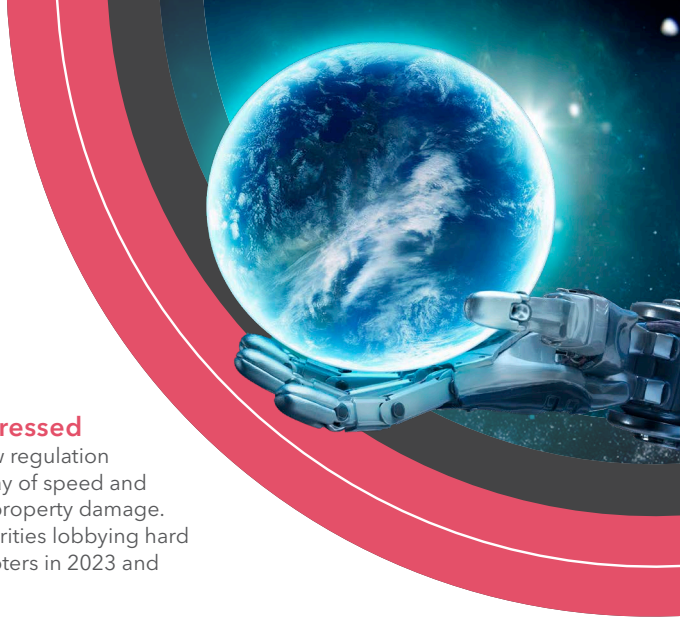

The regulatory void around micromobility devices will not be addressed

Expect the e-scooter rental scheme trials to be extended beyond May 2026 with no new regulation introduced, and the number of e-bikes that do not conform to legal requirements by way of speed and size to continue to increase. This will result in more expensive claims, bodily injury and property damage. The government will come under pressure to tighten regulations, with many local authorities lobbying hard for more powers and enhanced safety rules. The example of Paris, which banned e-scooters in 2023 and experienced a major uplift in cycling, is often cited.

POLICY WORDINGS

The ban on ransomware payment in the public sector will drive changes to cyber underwriting appetite

It is likely that the government's proposed ransomware payment ban, impacting public sector bodies and operators of critical national infrastructure (CNI), will come into force in 2026 and marks a significant shift in the UK's national cyber policy. The exact scope of the legislation remains to be seen, particularly whether the ban will extend to privately owned organisations within the public and CNI sectors, as well as their suppliers. In response, insurers will likely reassess underwriting appetite to reflect a changed risk exposure where ransom payments are no longer a viable recovery option. The objective of the legislation is to reduce the attractiveness of public and CNI sector targets to ransomware groups. However, this theory is untested and the removal of ransom payments as a recovery option could increase the financial exposures of the sector. In the short term, this could lead to an impact on the availability of cyber insurance capacity, limits of indemnity, and amendments to policy conditions, or the emergence of separate specialised cyber products for public bodies and operators of CNI.

POLITICAL RISK, TRADE CREDIT AND POLITICAL VIOLENCE

US tariff imposition may lead to indirect responses with potential exposure for political risk underwriters

The full impact of US tariffs could result in countries adopting regulatory measures adverse to US investors, and beyond. In September, the Organisation for Economic Co-operation and Development noted that while global growth was more resilient than had been expected, the full impact of US tariffs was yet to be felt. By the end of August 2025, the effective US rate on merchandise imports was estimated at 19.5%. While AI investment and goods stockpiling meant US companies were able to absorb the economic shock via lower margins, it is perhaps only a matter of time before both factors begin to wane. This could lead to a greater reliance on US domestic, non-tariffed goods – an oft-stated goal of the tariff policy – resulting in fewer imports and foreign states' economies losing out. Tariffs appear to be here for the medium term, at least. Faced with shrinking economies and domestic dissatisfaction with diminishing trade with the United States, foreign governments could seek reprisal through their domestic regulatory regimes. Local content and/or shareholder requirements for foreign companies to invest in domestic operations and/or the extraction of resources could be imposed in indirect response to US tariffs. The impact on foreign investors targeted (with non-US third country companies being dragged in to avoid obvious anti-US accusations) could bring into play common perils insured by the political risk market, such as (creeping) expropriation, discriminatory treatment, and possible nationalisation. Investors, as well as political risk underwriters and risk analysts, would be sensible to keep a particular eye on the investment environment in countries with the highest level of tariffs imposed by the US regime.

PRODUCT SAFETY, LIABILITY AND RECALL

UK reform is likely to align with the European Union on product liability

The UK's anticipated product liability reform will likely create some form of alignment with the updated EU Product Liability Directive. Such a move will promote regulatory stability for businesses operating within both jurisdictions. The Law Commission announced a review of the law relating to product liability in July 2025, emphasising technological developments that require an updated regime in the UK. Any legislation introduced because of the Law Commission project and any subsequent government consultation is likely to contain similar provisions to the Product Regulation and Metrology Act. That Act ensures that UK law could be updated to recognise new or updated EU regulations on product safety. Similar provisions in any product liability legislation may consider alignment on issues such as a wider definition of product, the burden of proof, and when a product is considered to be defective.

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Regulation
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Expect lithium-ion batteries sold online to be the focus of new regulation
Measures will be introduced to regulate the sale of lithium-ion batteries used in e-scooters and e-bikes via online marketplaces. Much of the discussion surrounding the passing of the Product Regulation and Metrology Act focused on the ability of the government to introduce measures to help with growing safety concerns over fires caused by lithium-ion batteries purchased online. While a private member's bill sought to address this issue, the Product Regulation and Metrology Act now offers the legal basis for specific lithium-ion battery regulations, particularly for e-bikes. Beyond the well-reported concerns around lithium-ion batteries and micromobility, insurers will also need to continue to be mindful of developing risks in other areas. In particular, the use and storage of lithium-ion batteries has been linked to several fires in residential properties, personal and business storage facilities and marine cargo.

The MedTech and NHS sector is set to benefit from new reforms
Following on from the government's agenda in the UK's Life Sciences Sector Plan and the 10 Year Health Plan for England, the ongoing reform of medical device regulation in the UK will develop in the coming year. The Medicines and Healthcare products Regulatory Agency has published its consultation outcome on future routes to market and it has announced a consultation on the indefinite recognition of CE-marked medical devices. These initiatives will reduce barriers to market entry with the aim of delivering the latest technologies to patients faster, while also helping boost the MedTech sector. The headline changes include a new international reliance framework, giving patients access to new medical devices approved as safe by trusted regulatory partners such as the United States, Australia and Canada, and removing the requirement for UKCA marking once the proposed system of 'Unique Device Identification' is in place. Indefinite recognition of CE-marked devices would be a welcome move for the industry and safeguard the supply chain and thereby patient access.

National Commission set to regulate AI in healthcare
A new National Commission will help accelerate safe access to AI in healthcare and across the NHS by advising the Medicines and Healthcare products Regulatory Agency on a new regulatory rulebook. With expertise from global AI leaders, clinicians and regulators, the Commission will immediately look at tech that is being held back due to regulatory uncertainty, like AI assistants for doctors. AI ambient voice technology or AI scribes can record and summarise discussions between doctors and patients. This reduces admin and means more people can be seen by clinicians and that they can spend more time focusing on patients. If cutting-edge AI technologies are to be safely and effectively integrated into everyday healthcare, AI regulation must ensure patient safety and public confidence by getting regulation right.

PROFESSIONAL LIABILITY

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

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.

Financial advisers: Changes to taxation of pension benefits will provide fresh grounds for complaints against financial advisers
The government announced in Autumn 2024 that from April 2027 unused pension benefits will fall within the estate of a deceased person and be subject to inheritance tax. This change will prompt a significant shift in the way people with larger pension pots approach long term financial and estate planning. They will require advice from financial advisers on its impact both before and after the change is implemented. If that advice is not provided or is not provided correctly, it is likely to prompt complaints.

DAC BEACHCROFT

Pensions: Are pensions schemes facing change fatigue?

Pensions schemes continue to face a daunting workload with major initiatives being continually announced and progressed. These significant changes will be wide reaching and inevitably give rise to risks that balls may be dropped. The list includes: the regulator's new guidelines and standards addressing the risks arising from cyber threats and AI; various new GDPR obligations including impact assessments prompted by Pension Dashboards (going live in 2026); the burdens created by the imposition of inheritance tax on pensions; reforms around small pots; the agenda to improve value by using super funds; new legislative amendments to resolve the Virgin Media issues; and new rules to make the payment of surplus to employers easier. This list is not exhaustive, even before considering the implications of the highly anticipated judgment expected imminently in the Pension Trust Litigation.

PROPERTY

How will Martyn's Law handle the regulation of Zone Ex?

While the Terrorism (Protection of Premises) Act received royal assent in 2025, many questions remain to be answered in the year ahead. Who, for example, will be responsible for Zone Ex, the transitional space outside venues, accessible by crowds and where they often congregate? As a possible soft target for terrorists, accompanying regulations need to resolve the threat rather than just transfer it from inside the premises to out. We keenly wait to see whether detailed guidance is forthcoming from the Security Industry Authority in 2026 to assist those with control of premises and events that meet the standard and enhanced tier thresholds or whether it will be necessary to wait until 2027. Even with so much still up in the air, it is still never too early for property and liability underwriters to review their proposal forms to make sure they understand the nature of the risks being underwritten.

REPUBLIC OF IRELAND

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

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

Third party litigation funding will come under the spotlight again

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

Mandatory builder registration will result in higher standards but greater regulatory scrutiny

From early 2026, with a phased approach, all providers of building works in Ireland must be registered on the Construction Industry Register Ireland. It is eventually expected to affect over 20,000 providers. It is anticipated that the register will eliminate unqualified operators, enforce compliance with building regulations, and help restore consumer confidence. This is particularly the case where providers are required to demonstrate competence in accordance with prescribed criteria. However, increased regulation will raise the risk of claims arising from regulatory investigations by the admissions and registration board which will be established by the Construction Industry Federation (the statutory registration body) which may result in financial or criminal sanctions.

DAC BEACHCROFT

New medical negligence Practice Directions should facilitate smoother running of cases and greater certainty for insurers

Two new High Court practice directions introduce new procedures for applying for a trial date in clinical negligence proceedings, aiming to ensure cases are properly pleaded and full information is exchanged before a trial date is assigned. This should in turn enable more timely and accurate reserving. They also aim to facilitate earlier resolution of actions and reduce legal costs. The practice directions also establish a dedicated Clinical Negligence List within the High Court and will apply to all stages of clinical negligence proceedings, intended to enhance procedural efficiencies by ensuring claims are given focused attention resulting in more certainty for insurers in what has traditionally been an unpredictable battleground.

SCOTLAND

Significant findings on prescription will impact the construction industry going forward

In August 2025, the Inner House of the Court of Session published a decision in which the judges made two significant findings impacting the law on prescription in Scotland. First, the court significantly narrowed the scope for claimants in Scotland to rely on the relief mechanism in Section 6(4) of the Prescription and Limitation (Scotland) Act 1973 when faced with time bar defences. Secondly, it reshaped the legal landscape in Scotland in relation to the prescription of collateral warranties, finding that a collateral warranty could give rise to a fresh five year prescriptive period. These are two considerable changes to the legal landscape which will have far reaching consequences in the context of construction claims.

Activity on cladding in Scotland is stepping up but further work is required

Scotland's response to Grenfell has been a bit stop start. However, activity has stepped up since the end of last year, especially in the wake of Grenfell 2 and the UK government's response to that being published. These two developments have put the spotlight - and renewed pressure - on the Scottish government for it to speed up its response to Grenfell which is seen in many quarters as just being too slow. Like the UK government, the Scottish government published its own response to Grenfell 2 and it too accepts all of the recommendations made by the inquiry. Scotland is however largely actioning its own response, in circumstances where only limited provisions of the Building Safety Act 2022 apply, with its own flagship legislation, the Housing (Cladding Remediation) (Scotland) Act 2024, which came into force at the start of this year. The Act is a shop front and a significant volume of secondary legislation is needed to add flesh to the bones, consultations and initiatives in respect of which are being developed.

Regulatory reform of legal services will increase confidence in the industry

The Legal Services (Scotland) Act 2025 was finally passed in June 2025. It updates the regulation of legal services in Scotland and modernises the regulatory framework. It grants new powers to the Law Society of Scotland to regulate legal businesses and allows for quicker investigation of complaints against solicitors. There are increased powers to suspend solicitors from practice and it introduces a new offence of pretending to be a lawyer, intended to give the public confidence that those they seek advice from are properly qualified. The Act introduces a register of licensed providers that must be kept providing detailed information in relation to each licensed legal service provider.

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.

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.

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.

ITALY

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.

The new EU directive on liability for defective products will increase claims

The new EU Product Liability Directive (PLD),expected to be implemented in Italy by December 2026, is generally considered more claimant friendly. The PLD expressly extends to software, expands the list of entities that may be held liable (including, under certain conditions, online platforms), introduces new circumstances in which products may be presumed defective and provides the right for the injured party to request disclosure of documents from the manufacturer. This will likely increase claims and costs for product liability insurance.

The Digital Operational Resilience Act will impact D&O liability

The Digital Operational Resilience Act (DORA), in force since January 2025, is a significant legislative framework designed to enhance digital/cyber security and resilience for financial institutions in Europe. DORA requires management bodies to define, approve and supervise the information and communication technology risk management framework of financial entities. DORA allows for regulatory investigations and the imposition of administrative and remedial penalties in the event of a breach. Importantly, penalties can be imposed personally on management responsible for compliance. This includes directors and officers. Although many D&O policies do not cover regulatory penalties imposed, any breaches could also result in potential liabilities to third parties such as shareholders. These claims may trigger D&O coverage, meaning insurers should both be familiar with the steps that their policyholders are taking to ensure compliance, and check that policies are appropriately worded to limit coverage where necessary.

DAC BEACHCROFT

NETHERLANDS

The new Dutch pension system will attract claims

The Netherlands is changing its pension system. All pension funds must have adapted to the new rules by January 2028. In the run-up to the new system, existing pension entitlements and rights will be converted into reserved personal pension assets. The new rules attracted many questions in parliament and are complex. Some will benefit, others may feel they are losing out, and most rules will remain incomprehensible to many. Claims will be lodged and advice will be sought.

There will be more cross border activity in 2026

In the Dutch market we expect more activity across borders, both inbound and outbound. For incoming insurers, the Dutch market can be used to further expand in Europe. We also see foreign managing general agents (MGAs) entering the Dutch market and/or existing MGAs expanding. Some local insurers are using the MGA model themselves to expand cross border into neighbouring markets, using existing local knowledge and distribution channels. Belgium and Germany are countries that are often chosen for cross border activities.

SPAIN

Mandatory sports insurance reform set to increase coverage and risk

In the sports sector, new legislation in July 2025 brought significant changes to mandatory sports insurance. Whereas the previous requirement was to equate the minimum sum insured with the scale used for motor vehicle accident compensation, the law now mandates that the sum insured must take into account more serious injuries that require greater coverage. The sum insured, how it will be developed, and when it will be updated, are all to be defined by regulation, which must be issued within six months of the law's publication. This will impact the insurance sector, as insurers will face higher liability, with more serious injuries requiring greater coverage, likely leading to paying out significantly larger indemnities than under the previous regime. To address this, premium rates will almost certainly increase and insurance companies will need to revise their underwriting criteria, risk assessments, reserves, and pricing models.

Mandatory electric scooter insurance will take effect in January 2026

As part of the reform of the Motor Vehicle Insurance Law, Spain has introduced a mandatory civil liability insurance requirement for electric scooters and other personal mobility vehicles. From 2 January 2026, all personal mobility vehicle owners must have valid insurance. This includes obtaining a 'certificate of circulation' and ensuring the vehicle is registered with the Directorate General of Traffic. The law defines a personal mobility vehicle as a vehicle weighing up to 25 kg and capable of speeds between 6 and 25 km/h. Vehicles exceeding these specifications may fall under different regulatory categories. The introduction of mandatory insurance is expected to impact the insurance sector significantly, as insurers will have to develop specific products or policies for personal mobility vehicles, considering factors such as vehicle type, usage patterns, and risk profiles. Additionally, the establishment of a public registry by the Directorate General of Traffic will facilitate the monitoring and enforcement of compliance.

Supreme Court decision will shift liability in digital fraud cases

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

DAC BEACHCROFT

ARGENTINA

2026 will see consolidation, strategic shifts and product growth in the insurance market

In recent years, the insurance sector has undergone significant transformation driven by several key factors. The Argentine Insurance Regulator has intensified its scrutiny of companies' solvency, ensuring financial stability and resilience across the industry. Consequently, we can expect the market to experience notable consolidation through mergers and acquisitions, leading to a reduction in competition and increased concentration among major players. This scrutiny has occurred alongside strong deregulation efforts, which have opened the market to more flexible practices and strategic shifts. One such shift is the growing emphasis on energy and mining ventures, spurred by a wave of new investments that are reshaping the focus and priorities of many firms within the sector. Finally, we can expect growth in certain products, like life and retirement insurance.

Aviation compliance will get a lift in 2026

Argentina's new flight operations framework will reduce legal friction and reshape compliance strategies in 2026. A recent regulatory resolution has simplified the reporting process for regular, non-regular, and special flights, eliminating prior authorisation requirements and introducing automatic approvals for international operations. This shift lowers administrative burdens and enhances predictability for both domestic and foreign carriers. For aviation clients, the new regime demands updated compliance protocols, timely reporting mechanisms, and robust documentation. Legal teams need to be prepared to advise on operational risks, enforcement exposure, and strategic use of the streamlined system to optimise route planning and market entry.

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

New Brazilian Insurance Act will change the legal landscape for the local market

The new Brazilian Insurance Act, set to take effect in December 2025, will significantly strengthen insureds' rights, making contracts more transparent and claims handling faster. Insurers will be required to provide clear and accessible policy wordings, justify claim denials in detail, and adhere to strict response deadlines, including for large risk losses. Failure to do so may result in penalties or claims being automatically accepted. The law also mandates that any ambiguity in policy terms be interpreted in favor of the insured. This shift will empower policyholders and might increase litigation in the short term as market practices adjust, while forcing insurers to overhaul internal processes, invest in staff training, and upgrade systems to ensure compliance and avoid regulatory sanctions.

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.

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Open insurance could accelerate market innovation

By 2026, the ongoing rollout of Brazil's open insurance framework may foster a wave of innovation and competition across the sector. If data-sharing protocols and interoperability standards are widely adopted, consumers could benefit from more personalised products, easier policy comparisons, and improved movement between insurers. New entrants, including fintechs and insurtechs, might leverage open data to offer tailored solutions and challenge established players. However, the pace and impact of open insurance will depend on regulatory clarity, industry collaboration, and consumer trust in data privacy and security. If these factors align, open insurance could reshape how Brazilians interact with insurance providers and drive broader financial inclusion.

Digital channels are set to boost insurance distribution

Digital channels may become the leading mode of insurance distribution in Brazil, with a growing share of new policies sold and managed online or via mobile apps. This potential shift could be influenced by regulatory support for digital onboarding, the rise of insurtechs, and increasing consumer demand for convenience and transparency. Traditional brokers and agents are likely to respond by offering hybrid digital-human services, while the market may gradually favour seamless, self-service digital experiences. If this trend accelerates, insurers that do not invest in robust digital platforms and data-driven personalisation could risk losing market share to more agile competitors. However, the pace and extent of digital adoption will depend on consumer preferences, regulatory developments, and the ability of incumbents to adapt.

CHILE

New fintech law will promote parametric insurance for earthquakes

In January 2023, Law No. 21,521 came into force, promoting financial competition and inclusion through innovation and technology in the provision of financial services, known as the Fintech Law. This law introduces the concept of parametric insurance and the simplification of the design of policies and settlement procedures. Moreover, the regulator has established a list of risks that can be insured using a parametric model, the variables that activate cover, and the minimum content of insurance policies. We expect this will appeal to the property sector for losses related to natural catastrophes, and, in particular earthquakes, given Chile's history.

Pension reform in Chile will bring significant positive changes

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

New cyber and data protection regulation will drive uptake of cover and notification of losses

While the new cyber regulation has been in place for the last year, the new Data Protection regulation will come into force by the end of 2026, both of which establish standards of protection for systems and data respectively, also requiring notice of breaches and setting out fines and penalties for those who do not comply. Consequently, it is expected that notification of cyber losses to insurers will increase, along with interest in cyber-related insurance by large corporations.

COLOMBIA

Regulations will be brought into line with international standards

Colombian authorities are working to align national regulations more closely with international standards. Last year, new rules were introduced covering risk-based standards and reserving with tighter rules on solvency and transparency. Work is now being undertaken to incorporate IFRS17 accounting standards into the national regulatory regime. The government hopes this will open up the market, although it comes against a background of high inflation, currency devaluation, rising medical and motor repair costs, all putting pressure on insurer margins.

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ECUADOR

Data protection enforcement will reshape insurer obligations

Ecuador's Organic Law on the Protection of Personal Data, now fully in force, will significantly impact the insurance sector in 2026. As the national data authority begins active enforcement, insurers will face growing scrutiny over how they collect, store, and process sensitive data - particularly health, biometric and financial information. Non-compliance may lead to reputational damage, fines and regulatory injunctions. Insurers will need to update consent frameworks, automate access requests, and implement robust breach response protocols. Additionally, cross-border data transfers, common in reinsurance and regional claims handling, will require new contractual safeguards.

From cash to claims: E-money will drive embedded insurance uptake

Ecuador's rapid adoption of mobile wallets like Bimo and DeUna! will drive insurers to embed microinsurance and personal accident coverage into digital payment flows in 2026. These embedded offerings, tied to transactions or account balances, will expand protection for underserved populations. However, regulators will face pressure to adapt consumer protection rules, ensure fair disclosure, and define the roles of fintech platforms in distribution. Legal clarity on licensing, data sharing, and cross-border transactions will be crucial. This convergence of finance and insurance marks a shift toward more inclusive, tech-enabled coverage models.

Financial institutions face mandatory cyber resilience requirements in 2026

By 2026, all financial institutions in Ecuador will be required to comply with mandatory cybersecurity standards. The regulator is aligning local regulation with international norms, imposing obligations on data protection, technology risk management, business continuity plans, and cyber incident reporting. This rule will encourage banks and insurers to adopt cyber insurance, strengthening the financial system's resilience against digital attacks and ensuring the continuity of critical operations. The measure demonstrates a regulatory commitment to technological stability and market trust.

MEXICO

Insurers face a surge in civil liability exposure

In 2026, Mexico's insurance and reinsurance markets will face heightened civil liability exposure as courts and regulators adopt a more expansive view of contractual and extra-contractual obligations. Courts are also showing a growing willingness to award higher damages and hold corporate actors personally accountable. This trend is driven by public demand for accountability, evolving court precedents, and legislative reforms aimed at aligning with international standards. Companies operating in Mexico will need to reassess their risk exposure and compliance strategies as legal consequences become more severe and less predictable. Reinsurers may also find themselves increasingly drawn into primary market disputes, especially in complex or catastrophic loss scenarios. Rising litigation around climate, health, and cyber events will test policy wordings and expose gaps in liability assumptions, pushing both insurers and reinsurers to revisit risk modelling and claims protocols.

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.

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Regulation
Predictions 2026

AUSTRALIA

Regulatory pressure will drive claims surge across liability lines

We anticipate a sharp rise in claims as regulatory scrutiny intensifies across multiple fronts. Heightened focus by the Australian Securities and Investments Commission on general insurers' obligations as Australian Financial Services Licensees - particularly in response to severe weather events - may prompt businesses to seek recovery of compliance costs under professional indemnity and management liability policies. Concurrently, the Australian Taxation Office's pursuit of over A$35 billion in unpaid taxes from small businesses is expected to trigger a wave of D&O claims, as directors face personal liability and legal action. The overhaul of the anti-money laundering regime by AUSTRAC (Australia's anti-money laundering and counter-terrorism financing regulator), with new obligations commencing in 2026, will likely lead to increased investigation-related claims as entities seek coverage for legal representation and regulatory response costs. Insurers must prepare for broader liability exposure and reassess policy wording, exclusions, and limits to ensure clarity and resilience in the face of evolving regulatory risk.

MAINLAND CHINA

Insurance law reform will gather pace in 2026

Under the State Council's 2025 Legislative Work Plan, the draft amendment to the Insurance Law has been listed as a key proposal to be submitted to the Standing Committee of the National People's Congress (NPC). The National Financial Regulatory Administration has likewise confirmed in recent public statements that the revision process is accelerating. Although the full draft has not yet been released for consultation on the official NPC website, industry debate has centred on two main themes: (1) strengthening capital requirements, solvency standards and corporate governance in line with a risk-based supervisory approach; and (2) elevating consumer protection by setting out stricter rules on product suitability, disclosure of exclusion clauses, claims settlement deadlines and transparency. In essence, this reform represents not only an upgrade of the 2015 version of the Insurance Law, but also a co-ordinated step alongside the Financial Law and the Financial Stability Law. Its ultimate aim is to reinforce systemic resilience while striking a more refined balance between insurers' operational flexibility and the protection of policyholders.

HONG KONG

Regulatory pragmatism will attract business to Hong Kong

Hong Kong has traditionally adopted a relatively hands-off approach to regulation, with regulatory powers in place described as somewhat conservative. However, in recent years the government has adopted a more robust approach, particularly following the global financial crisis in 2008, most notably establishing the Accounting and Financial Reporting Council to oversee accountants and auditors. With the recent economic downturn, consolidation and change in the mix of players operating in Hong Kong, we now predict a shift to a comparatively pragmatic business-friendly approach to regulation in 2026 to increase the attractiveness of the jurisdiction by making it more accessible and easier to operate in. Hong Kong has also recently taken steps to regulate and embrace virtual assets and we expect this trend to continue in 2026.

New laws will protect critical infrastructure in Hong Kong

Hong Kong recently saw the passage of the Protection of Critical Infrastructure (Computer System) Ordinance into law, the provisions of which will come into effect on 1 January 2026. The new laws aim to protect local infrastructure in certain sectors designated as critical. Banks and financial institutions (in addition to those operating in other prescribed sectors) will be required to implement measures to prevent and report security breaches. Failure to do so may attract a fine of up to HK$5 million (US$640,000). We expect increased regulatory activity in encouraging organisations to bolster the security and reporting any breaches of their computer systems in 2026.

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