

Property Predictions 2026

Insurers need to be alert to fraudulent AI-generated evidence of loss

Although AI tools have many benefits for the insurance industry, they also provide a platform for fraud. We have seen an increase in claim submissions that would historically be considered acceptable evidence of loss, but in fact have been created to generate a claim or inflate an otherwise legitimate one. This is not only impacting personal lines, where, for example, AI generated photographs of damage are being created, but also commercial lines, where AI is being used to generate fake invoices and statements, among other things. As access to these AI systems becomes easier, we envisage this trend in fraudulent claims will increase. Insurers need to scrutinise submitted evidence, even from commercial organisations that may on the surface appear successful, legitimate businesses.

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.

Will the Supreme Court erode the principles upon which insurers can offset gratuitous third party benefits against insurance claims?

February 2026 will see the Supreme Court hear argument over whether insurers should be entitled to offset furlough payments against COVID-19 business interruption claims. March 2026 will also likely see an unhappy, but unavoidable, confluence between the Supreme Court's judgment landing and the sixth anniversary of the first national lockdown. As such, insurers may be faced with a surge in policyholders issuing legal proceedings in anticipation that there might still be something left in the pandemic for them to fight over. Aside from the need to put in place contingency plans to deal with the volume of claims which might be resurrected, the furlough judgment is likely to have wider ramifications beyond COVID-19 related claims. An adverse finding could see the erosion of the indemnity principle. Expect the Supreme Court to lay down authoritative principles, both as to the circumstances in which gratuitous payments received by policyholders from third parties should go to reduce the indemnity available under insurance policies and also on the scope of insurers' rights to subrogate against such third parties.

Property claims face the perfect storm of rising costs

The cost of settling property damage claims is rising, driven by escalating reinstatement costs and limited access to affordable alternative accommodation. Inflation has pushed up the price of building materials and skilled labour, while the effect of United States tariffs on global supply chains has added an additional layer of uncertainty to build costs in the UK. A chronic housing shortage due to planning restraints, demographic pressures and speculation around property tax reforms, has driven up rents and made temporary housing harder to secure. Together, these factors are expected to keep property damage claim costs on an upward trajectory.

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.



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