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AI governance set to become a boardroom priority

AI has moved from an innovation issue to a governance and accountability issue. As organisations increasingly embed AI and AI agents into core business functions, boards will face growing scrutiny over how these systems are governed, monitored and controlled. Potential areas of exposure include AI system failures, inaccurate or biased outputs, confidentiality breaches, intellectual property concerns, regulatory non-compliance and allegations of 'AI-washing' (overstating AI capabilities). Directors are now expected to be AI-literate and understand how AI is being deployed and what controls are in place. Poorly conceived AI investment, inadequate oversight and weak governance may expose organisations to shareholder and regulatory scrutiny, reputational harm and potential litigation. In this environment, directors should ensure robust AI oversight and clear accountability processes are in place to mitigate the risk of scrutiny. Crucial to risk management is the scope of any D&O insurance cover. Corporates and their boards must ensure that they have appropriate D&O provisions in place to protect against evolving AI risks.

Geopolitical risk will remain a defining boardroom challenge in 2027

Greater scrutiny of board decision-making, supply chain governance and corporate disclosures will be evident in the coming year. Tariffs, sanctions, regional conflicts, energy security concerns and shifting trade relationships continue to test supply chains, forcing UK businesses to reassess sourcing strategies, contingency planning and operational resilience. For directors, these issues are no longer viewed as purely commercial risks. Investors, regulators and other stakeholders increasingly expect boards to identify geopolitical vulnerabilities, stress-test supply chains and demonstrate active oversight of resilience planning. Where businesses suffer significant disruption, questions may follow as to whether risks were adequately anticipated, managed and disclosed. Businesses that rely on complex international supply chains, critical commodities or politically sensitive markets may be particularly exposed. For D&O insurers, this could translate into a growing risk of shareholder claims, regulatory investigations and governance-related disputes arising from allegations of inadequate risk management in an increasingly volatile global environment.

Collective actions set to remain a major litigation risk

From Dieselgate to competition and securities claims, collective litigation looks set to remain a key exposure for insurers. While the post-PACCAR funding market has proved more resilient than many expected, pressure is building for legislative reform and proportionate regulation to provide greater certainty for funders and claimants alike. At the same time, the debate is shifting beyond funding to the further expansion of collective redress. The Law Commission consultation on the introduction of a consumer class actions regime (announced in April 2026), combined with growing political interest in access to justice, could see the introduction of broader opt-out mechanisms beyond competition law. If so, consumer-facing businesses may face a growing volume of claims capable of generating significant defence costs, settlement pressures and reputational damage. Although the Competition Appeal Tribunal is taking a more interventionist approach to certification, settlements and damages distribution, we expect collective actions to remain a significant driver of D&O claims.

Expanded corporate liability set to drive investigations risk

The expansion of corporate criminal liability under the Crime and Policing Act 2026 is likely to accelerate regulatory and criminal enforcement activity. By extending the senior manager attribution model beyond economic crime to all criminal offences, the new regime gives prosecutors a broader route to pursue companies for misconduct, including health and safety offences, environmental breaches, sanctions violations, data protection offences and other regulatory offences. For boards, the focus is shifting from compliance in principle to demonstrating effective oversight in practice. Expect increased scrutiny of governance frameworks, internal investigations, whistleblowing arrangements and escalation procedures. Directors and senior managers are likely to face greater personal scrutiny and more frequent requests to participate in internal, regulatory and criminal investigations, which may result in higher defence costs. As enforcement activity increases, D&O insurers can expect continued pressure on investigation-related cover, policy wording and limits, with defence costs remaining a key area for consideration.

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Employment risk becomes a boardroom issue

The UK Employment Rights Act reforms increase both workforce protections and employer obligations, particularly in relation to harassment, whistleblowing, dismissal, employee rights and workplace culture. Directors will be expected to demonstrate active oversight of these risks and not simply delegate them to HR. Employment tribunal claims are already at record levels and are likely to increase further. A key driver will be the growing use of AI by employees and claimant representatives to identify potential claims, analyse workplace data, draft grievances and prepare litigation at scale, making it easier to bring complaints. The January 2027 reduction in the qualifying period for unfair dismissal claims will add further pressure, exposing employers to claims much earlier in the employment relationship. Against a backdrop of increased regulatory scrutiny and reputational risk, workforce governance will become a critical element of directors' risk management and D&O exposure in the UK.

Greater regulatory scrutiny to drive increased exposure for businesses in Southeast Asia

Businesses in Southeast Asia will face intensified regulatory scrutiny, particularly in relation to financial services, cybersecurity and ESG-related governance. Illustrating this trend, the Malaysian Anti-Corruption Commission is now conducting a new investigation every week; implementation of the Philippines National Cybersecurity Plan 2023–2028 is driving more formalised compliance practices; and the Indonesian Financial Services Authority has mandated sustainability reporting for public companies and financial institutions, with its regulatory framework expected to expand further during 2027. Regulators across the region are expected to move beyond guidance towards more active enforcement, with larger penalties and more onerous remediation becoming increasingly common. From an insurance perspective, a key challenge will be the gap between growing regulatory expectations and the level of awareness and preparedness among many insureds.

A revival in Australian securities class actions to increase D&O exposure

Australian securities class actions will regain momentum in 2027, increasing D&O exposure. After five consecutive defendant victories, recent decisions in Southernwood v Brambles and Parkin v Boral marked a shift in favour of plaintiffs on key liability or causation issues. The High Court's Zonia decision is expected to clarify materiality, causation methodology and the court's ability to assess loss on the best available evidence. If those principles reduce evidentiary barriers, litigation funders may return to securities claims and valuations may rise. An appeal in Brambles and an application for special leave in Crowley mean uncertainty will persist, but insurers should prepare for an increase in securities class action filings, more contested loss modelling and greater pressure on defence costs and settlements.

Climate risk supervision to intensify in Colombia

ESG and climate risk management will be a key operational and supervisory priority for Colombia's financial sector in 2027. By April 2027, financial institutions are required to implement new systems for identifying and monitoring these risks under the Climate Action Law. Moving from implementation to effective compliance will require insurers to demonstrate how climate and social factors are reflected in underwriting, governance and reporting. It may also lead to more demanding information requirements for insureds and projects in sectors with significant environmental or social exposure. As regulatory supervision matures, larger insurers will face increased scrutiny of data quality, internal controls and decision-making. Risk selection, pricing and capacity may also be affected, raising new questions about directors' duties and the accuracy of companies' environmental and sustainability disclosures.

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UAE regulatory investigations set to drive D&O exposure

Regulatory investigations are expected to increase across both the onshore and offshore UAE markets in 2027. While the Dubai Financial Services Authority remained active in 2026, attention in 2027 is expected to shift increasingly towards the onshore regulatory landscape. The Capital Market Authority, which replaced the Securities and Commodities Authority on 1 January 2026, has extensive enforcement powers, including substantial penalties for disclosure failures. The UAE Central Bank is also likely to maintain its focus on anti-money laundering enforcement as the UAE prioritises remaining off the Financial Action Task Force grey list. This attention is expected to increase investigations and defence costs under D&O policies, particularly where directors and companies face parallel enquiries. Investigation and legal expenses are expected to account for a growing proportion of D&O losses, increasing demand for pre-claim inquiry cover and enhanced Side A protection. Questions about separate representation and allocation of defence costs may arise at an earlier stage of claims. Coverage for regulatory fines remains an area of uncertainty. Although many policies respond only where legally permitted, the position under onshore UAE law is largely untested. Insurers should therefore take a cautious approach to whether, and to what extent, penalties are insurable.

Economic conditions will drive a spike in D&O claims in Germany

Directors and officers in Germany will face growing scrutiny as regulatory expectations and economic pressures converge. Weak economic growth and persistent geopolitical uncertainty are expected to increase both the frequency and severity of D&O claims. The fragmentation of the global economy will require management boards to make difficult strategic and operational decisions. Adjustments to supply chains and investment decisions will increase the risk that commercially unsuccessful decisions later become the subject of D&O claims. The gap between current favourable market conditions (for insureds) and the underlying risk environment is likely to widen in 2027. This does not necessarily mean an immediate return to a broad-based hard market. More likely, insurers will differentiate more sharply between risks, applying greater scrutiny and a more cautious approach to companies perceived as particularly exposed.

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