



# Global forecast 2025

enter



Negotiating the interconnection of evolving risks

Kennedys



## Welcome from **John Bruce**, our Senior Partner

This Forecast report examines the priority drivers of risk which we consider will have **the biggest impact on the global insurance markets in the year ahead**, together with new risks arising.

To assist you in making strategic decisions with confidence, we feature insights from across our global offices. We asked what topics, issues and risks our partnership saw as having the biggest impact on their market in the year ahead, and what actions corporates and their insurers should take to ensure business resilience in an ever evolving risk landscape.

The main drivers of horizon risks are clear: geopolitical instability, developing technologies including AI, the environmental, social and governance (ESG) agenda and a changing regulatory environment. Those drivers exist in an increasing state of multipolarity, which in turn sets new conditions for dispute resolution and the future of justice.

What is evident is the interconnected nature of these issues and their related risks. These risks do not evolve in silos, which means nor can corporates or their insurers; assessments of risk and business strategies must address these in a holistic not individual manner.

Our partner insights highlight the importance of collaboration, education, robust data governance, advanced cybersecurity measures, and regulatory compliance to enable effective management of these risks.

Trust remains the cornerstone of the insurance industry, built as it is on promises of protection. To retain that trust and to thrive as the landscape continues to evolve, insurers must remain agile and proactive in addressing the challenges and opportunities that lie ahead.

“ By working together with their legal advisers and other experts within the insurance ecosystem, the insurance sector can develop solutions to identify new and emerging exposures, drive better outcomes and strengthen risk management strategies. ”

**John Bruce**, Senior Partner

“ The global risk landscape is more dynamic than ever before. Just as CEOs of companies now need to be politically astute, insurance firms must actively consider and develop their offerings for the transfer of risk, should they wish to retain a competitive advantage. ”

**Deborah Newberry**, Director,  
Corporate Affairs

## Executive summary

The insurance industry continues to operate in a complex arena, facing an interplay of technological, political, environmental, and economic dynamics.

**By understanding and responding to the related emerging risks and trends, insurers can develop strategies to adapt and thrive in this challenging environment;** helping their customers in turn.

2024 saw the biggest election year in modern history, resulting in multiple shifts in global policy. Extreme weather events caused devastating damage to towns and communities, and the scaling up and adoption of technology continued at pace. Global reliance on technical connectivity was brought into sharp focus when the massive CrowdStrike IT outage caused losses estimated to be in excess of US\$5 billion.

Witnessing the unrelenting rate of change, it is perhaps unsurprising that our global partners considered the adoption of AI to have the biggest impact on the risk landscape globally.

For insurers, AI brings into focus how risks are managed and services are delivered to policyholders. The regulation of AI is however at an early stage and approaches vary across different jurisdictions, meaning all professionals need to evolve in their thinking.

**Cyber attacks are cited as having the second biggest impact globally. The growing sophistication of such events are increasingly driven by geopolitical forces, as well as the way in which AI is used across business entities – both in an embedded, structural capacity and in the unknown, undisclosed manner.**

When asked to consider which driving force is of increasing concern to the insurance claims landscape, geopolitical instability scored the highest across all regions and significantly so in APAC, LATAM and the UK. As evidenced by events in 2024, the political climate is shifting rapidly. As the geopolitical landscape resets in 2025, anti-incumbent feeling is expected to remain high – fuelled, in part, by active social media platforms and influential actors.

Shifts in policy and rising costs will impact business confidence. In a politically and economically volatile environment, this brings the possibility of stifled growth, leading to redundancies and insolvencies.

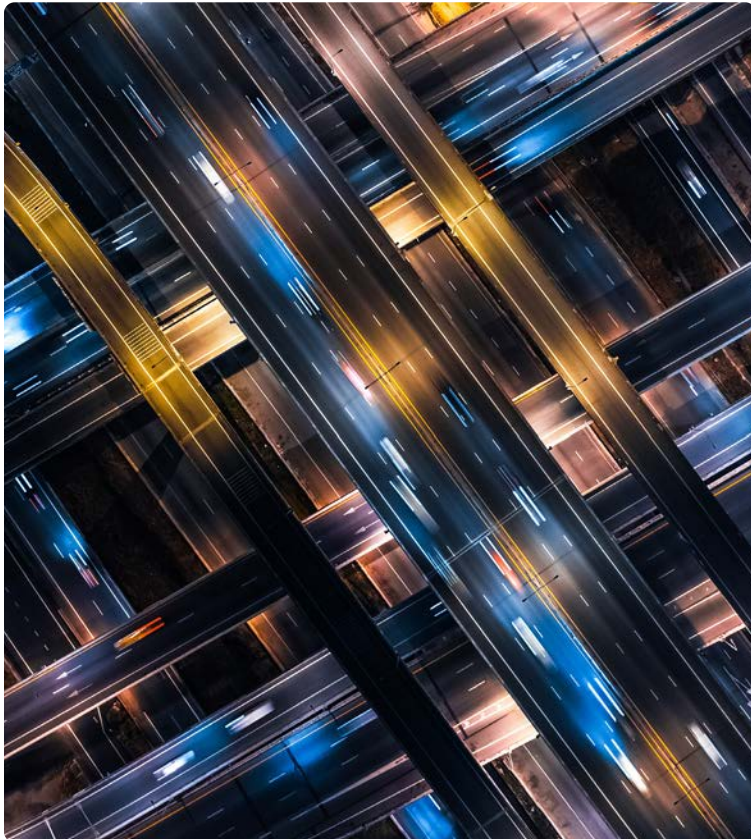
In turn, this will raise ongoing cost of living concerns amongst consumers and businesses. When coupled with additional pressure on already stretched supply chains and increase the costs of goods and services; claims inflation remains a live issue.

The presentation of an evolving insurance claims landscape reinforces the need to reform global justice delivery, including for reasons of access to justice. One of the biggest trends we are seeing is the appetite to bring ESG disputes, which include cyber and data privacy actions. These matters are often driven by anti-corporate sentiment and, facilitated by developing regulatory mechanisms, are resulting in a global rise of group actions.

In response, the justice framework is harnessing new technologies to provide a dispute resolution system which is fit to answer the increasing demands on the delivery of justice. However, as with other priorities, the reform agenda is not felt evenly across different regions, which presents challenges in itself.

**“ In addition to managing these interconnected global risks, business and their insurers must also consider how their exposures are impacted by local factors. The universal challenges created by the use of AI, the threat of cyber attacks and geopolitical instability need to be considered in tandem with regional concerns such as extreme weather events, economic volatility and social inflation. ”**

**Meg Catalano**, Global Managing Partner



## Key takeaways

Technological, political, environmental and economic dynamics continue to shape the global risk landscape, and these risk factors are becoming increasingly interconnected. In order to plan ahead and take advantage of new opportunities, businesses and corporates cannot look at any of these risks in isolation.

**“ We should be under no illusion about the speed and extent of the progress in AI innovation. AI is too important not to regulate well. The global framework must first address the risks and complexity of AI and second enable beneficial impact for humanity and communities evenly. ”**

**Karim Derrick**, Director, Kennedys IQ, UK



### The AI revolution

The next 2-3 years will see the emergence of a new global regulatory framework for AI technology. With the widespread and extensive adoption of AI across business value chains in multiple sectors, this trend looks set to quickly become established as one of the most important drivers in the global economy.

AI breakthroughs continue to gather pace and make significant contributions in a number of key areas, including life science, weather forecasting systems and decarbonisation measures.

However, concerns exist about how to keep AI under control. Performance risks and the risk of misapplication by bad actors, including deepfakes and terrorism, are already driving an increase in claims for property and personal damage.

Global regulation of AI is developing in response to the pace of change. However, that response is uneven, and different regions think differently about how opportunity should be balanced with risk. How that process unfolds will have fundamental impacts on how businesses operate. Entities using AI in their service or trade proposition must stay alive to important considerations including: How accurate, ethical and safe is the data being used in an AI tool? Is there adequate knowledge of the extent to which AI tools are being utilised, and the potential cover exposures that this could bring?

For insurers wishing to avoid a dispute from a gap in cover or unintended cover, insurance products need to contain clear, unambiguous wordings. All parties – brokers, underwriters, claims, and insureds – need certainty and confidence in the cover provided.

## Key takeaways (continued)



### Geopolitical risk

The geopolitical landscape has always impacted all areas of trade, legislation and regulation. What makes 2025 stand out is the sheer number of substantive changes in policy and government priorities that domestic and international entities will have to navigate.

Corporates will run a gauntlet of competing priorities around trade, sanctions, data privacy, safety standards, environmental requirements, energy transition, and diversity, equity and inclusion provisions.

Governments and regulators benefit from collaboration and external expertise to assist in this policy reset. The insurance industry is uniquely placed to provide their insights into how policy changes translate in practical terms, and this opportunity to engage should be embraced.



### The climate crisis

The physical impact of climate change is being felt beyond losses to property and goods. Food scarcity, uninhabitable living and working conditions, and the rise of infectious diseases are having a detrimental impact on the health, safety and wellbeing of individuals.

Governments and corporates are increasingly being held accountable for their actions (or inactions). As well as costly legal actions, the reputational risk is high. This is taking place in conjunction with geopolitical and economic drivers causing mass migration of working communities.

It is imperative that lessons learnt following the COVID-19 pandemic continued to be acted on. Preparedness and prevention need to be top of the agenda for all business entities.



### Future of justice

Traditional legal systems across the globe have been tested by changing demands from technology and societal expectation. The nature of disputes look different – group actions, ESG litigation, economic volatility driving damage awards – and global justice solutions are adapting to respond.

An understanding of these changes, and a willingness to engage in alternative dispute resolution methods will enable greater access to justice and potentially lower costs.

Technology is a key driver of this change, but with this comes risk around ethics, independence and fraud. Robust testing, stakeholder collaboration and a thorough system of checks and balances are needed as we enter a world of digitally enhanced dispute resolution.



### Collaboration

The sharing of insights, expertise and experiences from a wide range of stakeholders will enable policy and business practice to develop and thrive. In turn, this will assist the insurance industry to navigate the myriad of risk factors it is facing.

Brokers, underwriters, claims, C-suite, legal experts, regulators, governments and, most importantly, insureds all have a wealth of individual perspective on each element of these evolving risks.

Added into this mix of collaborators has to be technological disruptors. Technology will be used positively and maliciously across all elements of risk. Corporate awareness and adequate internal procedures will enable preparedness, and allow for opportunities to be harnessed and maximised.



## Methodology

As 2024 drew to a close, **we surveyed more than 170 of our global partners to find out what topics, issues and risks they saw as having the biggest impact on their market in the year ahead**, and what actions corporates and their insurers should take to ensure business resilience in an ever-evolving risk landscape.

We presented our partners with 10 risks and asked them to identify those which pose the greatest concern in their markets. We asked them to provide their perspectives on the size of impact, expected timeframe for peak impact, and change in concern since the previous year for each risk. We then ranked the results by assigning a sliding scale of points to the answers given. Responses were received from 17 countries across North America, LATAM, UK, EMEA and APAC.

---

**Our experts provided input on both quantitative and qualitative aspects**, with opportunities to elaborate on the factors driving these risks and the mitigation strategies they are considering.

---

## Results

Tables 1-10, on the following four pages, **show the 10 risks reviewed in our partner survey**, ranked in order of perceived risk.

Most prominent was the expected impact of technologies in both the adoption of AI and the threat of cyber attacks. Extreme weather events and geopolitical instability made up the top issues, reflecting the global news headlines of recent months.

**Globally, adoption of AI is the issue of greatest concern for our partnership, with 22% of UK partners naming it as the top issue.**

The risks of cyber attacks or outages was ranked the second highest with EMEA showing heightened sensitivity to its impact; 27% of the respondents in the region identified it as their greatest concern.

AI tools, in particular, have expanded the attack surface for cybercriminals. AI is increasingly being used in cybercrime, including social engineering, malware and fake AI chatbots.

Given insurers handle large volumes of sensitive customer data, they are attractive targets and need to stay ahead in their cyber security measures. A failure to do so could, in the event of an attack, expose personally identifiable information which attracts severe legal, financial and reputational consequences.

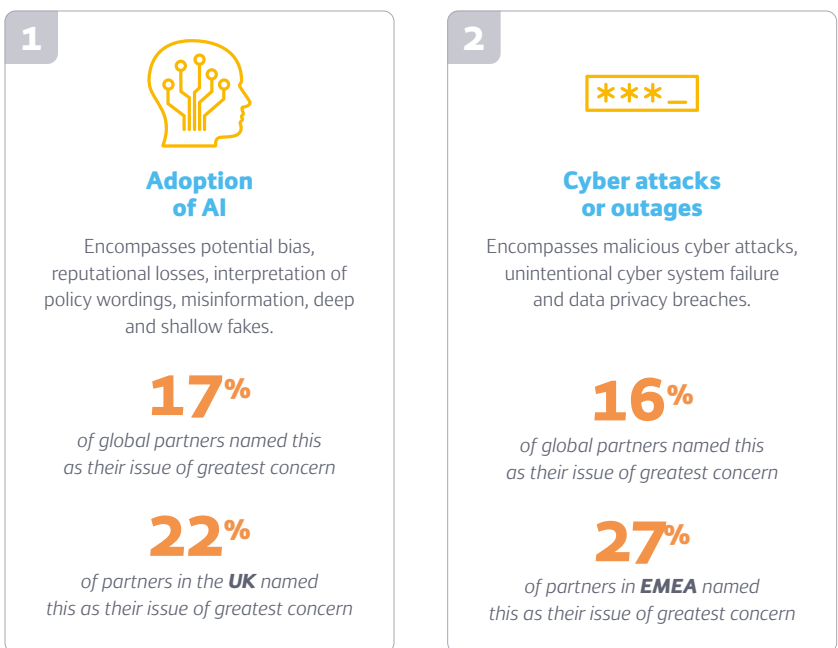
**“Cyber risks for the NHS are now very real and have been seen to have substantial and significant disruption when they hit. Protecting against this is essential to avoid impact to patient care.”**

**Amanda Mead**, UK

**“AI will fundamentally change the way all of us work, interact and spend our lives. The shifts will be so fundamental over time that the entire fabric of society will be forced to change. That will change every aspect of our lives, including the nature, shape and gravity of the risks business face.**

**Being utterly nimble and embracing the change AI will bring is the only survival option. Sticking to traditional ways of working and interacting with the world will make insurers and corporates obsolete and alienate them from an increasingly large sector of the population that will take the technological change in its stride.”**

**Tom Pelham**, Global Head of Cyber & Data



### Adoption of AI

Encompasses potential bias, reputational losses, interpretation of policy wordings, misinformation, deep and shallow fakes.

**17%**

of global partners named this as their issue of greatest concern

**22%**

of partners in the **UK** named this as their issue of greatest concern

2



### Cyber attacks or outages

Encompasses malicious cyber attacks, unintentional cyber system failure and data privacy breaches.

**16%**

of global partners named this as their issue of greatest concern

**27%**

of partners in **EMEA** named this as their issue of greatest concern

The impact of extreme weather events was recognised across all regions; 19% of respondents in APAC cited extreme weather events as their primary concern.

Geopolitical instability and economic volatility ranked highly across our partnership, with APAC and LATAM's respondents indicating particularly high concern.

**“Claims inflation remains a significant problem in Australia. The increase in the costs of wages, goods, transportation, services and technological seen during Covid times has not been resolved and is increasing.”**

**Cindy Tucker**, Australia

**“The geopolitical landscape is going through the most volatile and least predictable period since the end of the Cold War. Rising populism and nationalism, conflicts in Europe and the Middle East, the risk of increasing isolationism in certain countries and, over the longer term, the greater threat of civil unrest prompted by the effects of climate change, signify greater instability which political violence insurers will be mindful of.”**

**Mark Errington**, Singapore

3



#### Extreme weather events

Encompasses flooding, hailstorms, extreme heat, wildfires, landslips, hurricanes, storms and drought.

**12%**

of global partners named this as their issue of greatest concern

**19%**

of partners in **APAC** named this as their issue of greatest concern

4



#### Geopolitical instability

Encompasses civil unrest, wars, trade and global supply chain disruption and divergent regulatory regimes.

**11%**

of global partners named this as their issue of greatest concern

**16%**

of partners in **APAC** named this as their issue of greatest concern

5



#### Economic volatility

Encompasses malicious cyber attacks, unintentional cyber system failure and data privacy breaches.

**10%**

of global partners named this as their issue of greatest concern

**27%**

of partners in **LATAM** named this as their issue of greatest concern



Social inflation, evolving technologies and shifting regulatory landscape returned similar results globally, although North America showed severe concern for social inflation with 29% regional partners citing it as a risk with greatest concern.

“ One of the top concerns is social claim inflation, primarily caused by nuclear verdicts in the United States. In my opinion, social media has become one of the lead causes of this shift, as it has significantly changed the average juror’s opinion on the value of money. ”

John Gilfillan, North America

“ Social inflation in the US is due to a number of factors, particularly economic instability in certain regions and negative outlook of corporations. To best equip themselves to respond to this, insurers need to work collaboratively to understand the risks on a region by region, state by state basis. ”

Josh Wirtshafter, North America

Over 82% of our US respondents cited social inflation as having a moderate (35%), large (37.5%) or severe (10%) risk rating.

6



### Social inflation

Encompasses group or class actions, jury awards, nuclear verdicts, rise in anti-corporate sentiment and social movements.

9%

of global partners named this as their issue of greatest concern

29%

of partners in **North America** named this as their issue of greatest concern

7



### Use of evolving technologies

Encompasses autonomous vehicles, electric vehicles, lithium-ion batteries, healthtech products and consumer trends.

9%

of global partners named this as their issue of greatest concern

12%

of partners in the **UK** named this as their issue of greatest concern

Predicted to have the least significant impact this year are civil justice reforms and sustainability, reflective of the long term ambitions and reforms anticipated in these areas. Against sustainability and looking beyond the next 12 months, we would offer the interoperability of overlapping disclosure regimes as a particular pain-point for businesses.

“ The insurance market conditions are leading shipping and transport companies to strongly focus on ESG vessel and business compliance. A time of energy transition provides insurers with new opportunities and risks to consider. ”

Peter Craney, Australia

“ Energy transition is a key tool in meeting targets set by UN Climate Change Conferences. The emerging technologies of this transition present challenges to insurers, particularly where prototypical technology is concerned, but also an opportunity to accommodate and encourage the growth of renewable energies. ”

Mark Errington, Singapore

8



#### Shifting regulatory landscape

Encompasses green (and other)-washing risks, reputational risk, policy wordings and data privacy regulations.

**8%**

of global partners named this as their issue of greatest concern

**16%**

of partners in **APAC** named this as their issue of greatest concern

9



#### Civil justice reforms

Encompasses delays, increased costs, technological reform and alternative dispute resolution.

**4%**

of global partners named this as their issue of greatest concern

**15%**

of partners in **LATAM** named this as their issue of greatest concern

10



#### Increased focus on sustainability

Encompasses biodiversity losses, use of renewable energies, mandatory disclosures, net zero targets and consumer protection.

**4%**

of global partners named this as their issue of greatest concern

**6%**

of partners in **APAC** named this as their issue of greatest concern

## Regional priorities

We asked our partners **‘What are the risks or issues that you think are going to have the biggest impact in your region?’**

Adoption of AI and cyber events dominate, showing the global impact of these cross-border risks.

While AI presents significant opportunities for insurers to drive efficiency and innovation, it also exposes them to heightened data protection risks, potential bias and decision making errors. By proactively addressing these challenges, insurers can comply with evolving regulations and also build a resilient, customer-centric business model in an increasingly digital world.

The results of our survey also evidence the varying risk landscapes across regions, and the need for region-specific strategies to manage emerging risks.

Each region faces a distinct set of challenges influenced by their socio-economic, political, and environmental contexts. Therefore, it is imperative for businesses and insurers to adopt region-specific strategies to manage emerging risks effectively.

For example, while LATAM is grappling with economic volatility driven by political instability and regulatory reforms, APAC is more concerned about extreme weather events and cybersecurity risks due to its rapid digital transformation and current exposure to natural disasters.

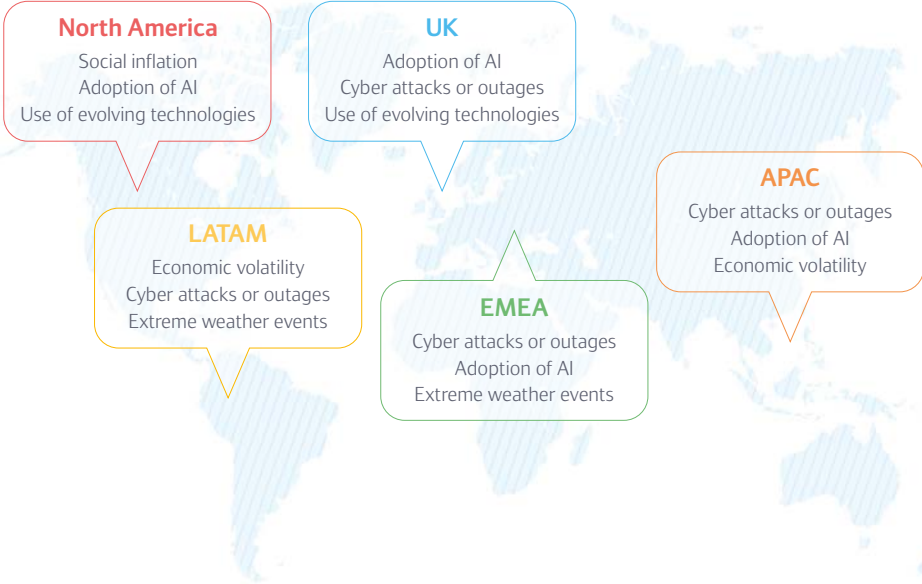
This means that companies and insurers in APAC should prioritise climate resilience strategies, cybersecurity investments to mitigate risks from extreme weather events and digital threats while in LATAM, insurers

should work with businesses to focus on regulatory adaptability, currency risk management, and supply chain resilience to cope with economic and political fluctuations.

**“ The world is changing, and it will continue to do so even more dramatically. It is likely that the world will be less stable in the next five years. The key factors driving this are geopolitical instability, extreme weather events / climate change and the adoption of AI and evolving technologies. ”**

Hannah Williams, UK

### Top 3 risks named by partners in each region – by expected size of impact



## Risks with rising claims impact

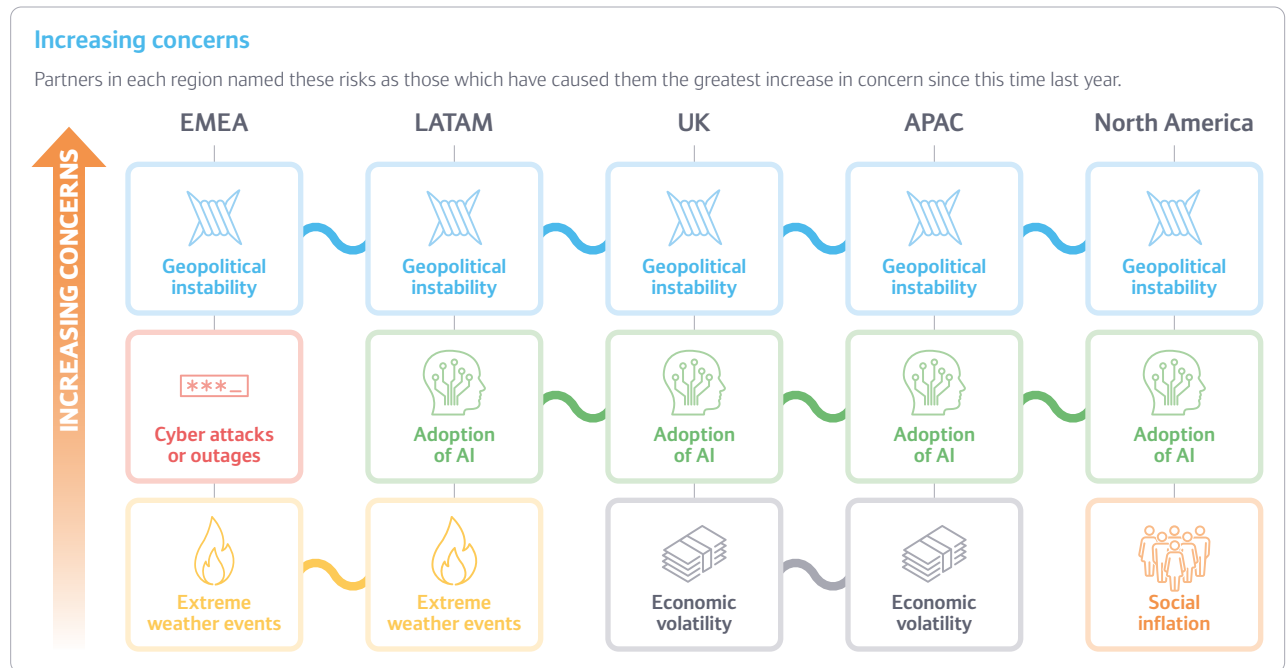
When asked to consider which issues were of increasing concern, **all regions highlighted the threat related to geopolitical instability** – significantly so in APAC, LATAM and the UK.

The **adoption of AI scored the second highest**, followed by cyber attacks.

Many partners highlighted geopolitical instability due to wars, political changes, and international conflicts as significant drivers of risk. This includes tensions in Eastern Europe, the Middle East, and the Far East, as well as the global impact of the Presidential election result in the United States.

“ Geopolitical volatility breeds a huge amount of uncertainty when it comes to the future local and global regulatory landscape, particularly around data, AI and evolving technologies. That makes it **incredibly difficult to plan, but brings with it lots of opportunities.** ”

George Chaisty, UK



## The global challenges of AI adoption

Over 85% of our global partners cited **adoption of AI as the event which will have the biggest risk impact in the next five years.**

Partners highlighted concerns around the rapid adoption and evolution of AI including data privacy, algorithmic bias, cybersecurity threats, and the potential for AI to disrupt traditional business models.

Adoption of AI was also highlighted as **being of immediate concern globally**, while extreme weather conditions are predicted to have a significant impact within five years if not addressed timely.

“ The use of the AI tools will bring new challenges and adaptation issues, as well as problems related to its correct use. The increase in the impact of the accident rate on cyber risk will require adaptation by all market operators to adopt an effective prevention policy for these problems. The impact on the insurance market is very significant. ”

Isidoro Ugena, Spain

“ One of the most pressing concerns with AI in insurance underwriting, pricing, or claims handling is the potential for algorithmic bias, which could lead to indirect discrimination. AI systems, if not carefully designed and monitored, can inadvertently perpetuate discrimination based on age, gender, ethnicity, or other protected characteristics. To address these challenges, insurers that should implement robust processes to monitor, validate, and audit their AI models including data protection assessments, to ensure that any identified biases are mitigated, and their systems treat all policyholders fairly and equitably – while remaining explainable and accountable. ”

Dr Nathalie Moreno, UK

“ Corporates need to understand AI better and have a way of leveraging it in the work they do and the markets they serve. Other risk factors such as geopolitical instability, extreme weather events and cyber outages need to be baked into BAU so that boards can take proactive steps to meet the problems head on. This includes being ahead of the legislative and regulatory curve. ”

Matthew Poli, UK

“ AI is poised to revolutionize the insurance industry, enhancing everything from risk assessment and fraud detection to customer experience. By leveraging advanced data analytics and predictive modeling, insurers can streamline operations, improve accuracy, and offer more personalized solutions in an increasingly competitive market. ”

Christopher Carroll, North America



## Regional overview

The *Top regional risks, at a glance*, on the subsequent pages, provide an overview of **the top three risks specific to each region**, based on their perceived severity with the respective time of peak impact.

This section also incorporates the most ‘concerning’ risk pertaining to the region when compared to same time last year, signifying how the risk has developed in the last 12 months.

The *Anticipated size of impact vs the timeframe* graphics visually convey how our global partners perceived the severity of each risk and when its peak impact is expected.

The horizontal axis represents the timeframe for peak impact, ranging from risks that have already peaked to those anticipated to peak within 12 months, 1–2 years, or 3–5 years. The vertical axis indicates the perceived severity of the risk, categorised as low, moderate, large, or severe.

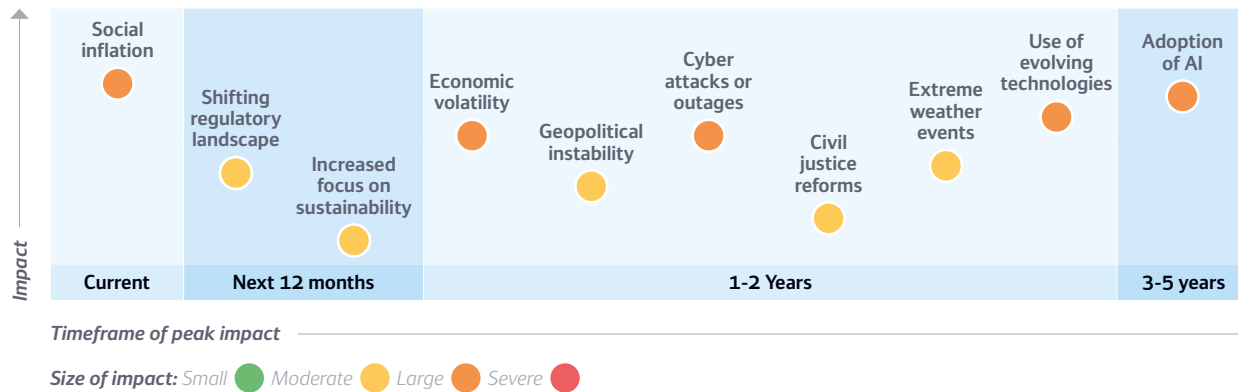
---

Those risks with high impact and currently peaking require immediate attention, while those with lower impact or peaking in the future need monitoring and strategic planning.

---

## North America

### Anticipated size of impact vs the timeframe in which the impact is expected to peak



### Top regional risks, at a glance

Greatest risks	Timeframe of peak impact
Social inflation	Current
Adoption of AI	3-5 years
Use of evolving technologies	1-2 years

Largest increase in concern
Adoption of AI

Over 82% of our US respondents cited social inflation as having a moderate (35%), large (37.5%) or severe (10%) risk rating. While some partners from all other regions cited a slight decrease in concern about the impact of social inflation, this was not reflected by our US partners: 41% remain as concerned as last year, 46% experiencing a slight increase in concern and 13% a significant increase.

“ In the US, growing backlash against corporate entities and perceived inflation in overall values is contributing to rising damage awards. ”

Jedidiah Vander Klok, North America

“ In the US, increased media attention to large court verdicts is one factor driving social inflation, meaning that insurers are facing ever rising losses. ”

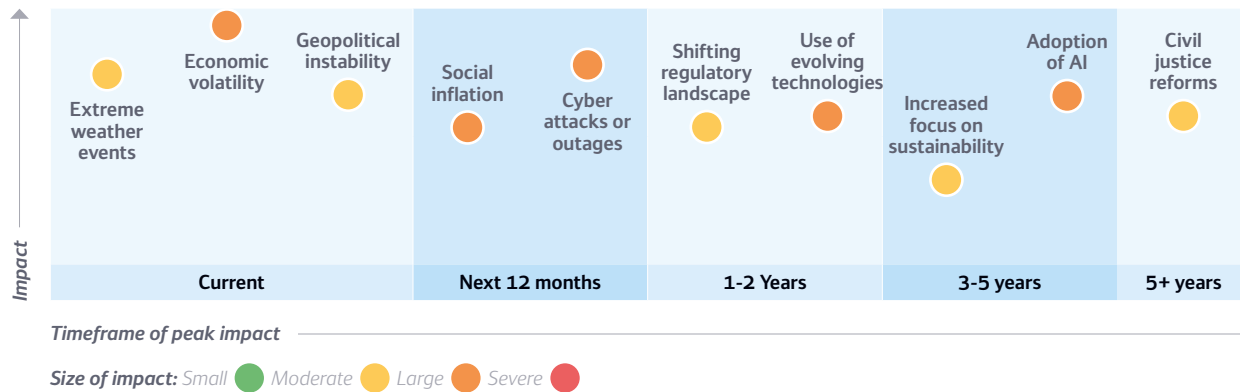
Terri Sutton, North America

“ The California wildfires exemplify the growing frequency and severity of extreme weather events, placing unprecedented strain on the insurance industry. As claims surge and risks become harder to predict, insurers face the dual challenge of maintaining financial stability while adapting to a rapidly changing climate landscape. ”

Eric Hiller, North America

# LATAM

## Anticipated size of impact vs the timeframe in which the impact is expected to peak



## Top regional risks, at a glance

Greatest risks	Timeframe of peak impact	Largest increase in concern
Economic volatility	Currently at peak	Adoption of AI
Cyber attacks or outages	Next 12 months	
Extreme weather events	Currently at peak	

LATAM is dealing with immediate economic volatility, with about two thirds of our partners in the region worried about its sizable and immediate impact. It also received a “severe” rating (25%) more frequently than in other regions, reflecting the acute challenges faced by businesses. More than 50% of our partners in the region are increasingly concerned about geopolitical instability and its current implications.

“ The government of Argentina is implementing massive changes in all areas related to regulatory issues, finance, economy, and culture. One aim is to simplify the regulatory framework for insurance activity. With the Argentine economy expected to expand by more than 4% in 2025, it is hoped these measures will encourage further growth. ”

Alberto Bunge, Argentina

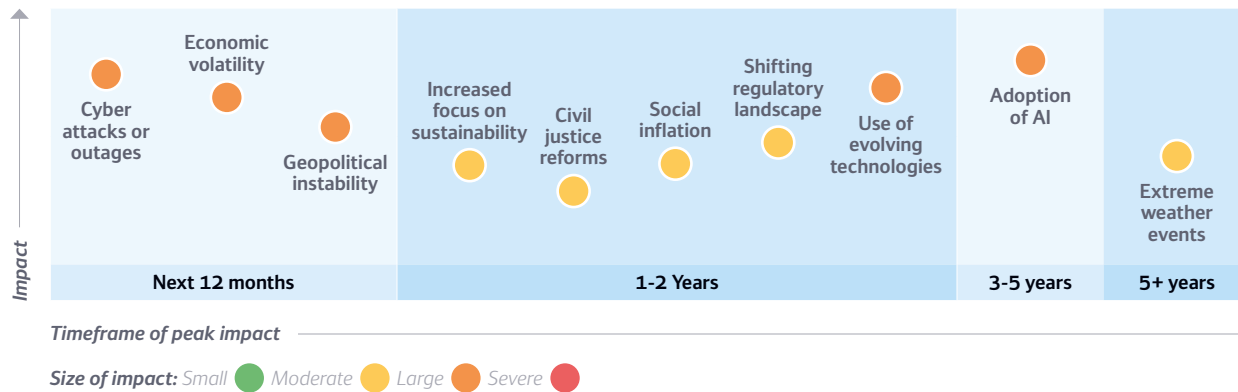
“ The political and economic outlook for LATAM varies widely across countries. While the region has generally made progress in addressing pandemic-induced inflation, some countries are demonstrating more adept macroeconomic management. Interest rates have been declining, creating potential for stronger economic activity and increased investment. However, high taxes and regulatory burdens remain significant obstacles to investment in certain jurisdictions. The impact of the recent change in the US administration on the region remains uncertain, with both positive and negative outcomes possible. ”

Michael Hennessy, Mexico



## UK

### Anticipated size of impact vs the timeframe in which the impact is expected to peak



Over 55% of our UK partners viewed Adoption of AI as the biggest risk (severe or large), while about 46% believe cyber attacks, a close second, to be peaking now. These concerns are increasingly driven by digital transformations and regulatory scrutiny, with businesses needing to comply with stringent data protection laws and cybersecurity frameworks.

Around 80% of our partners showed increased concern over geopolitical instability. This is driven by turbulence following Brexit coupled with the global shift in geopolitics and resultant instability, in particular, with regard to trade and regulatory divergence from the EU.

“By embracing strong governance, which boosts cybersecurity, supports crafting of AI policies, ensures compliance, fosters transparency, and seeks to collaborate with tech partners, the insurance industry can minimise risks and drive innovation in this landscape of new technology and opportunity.”

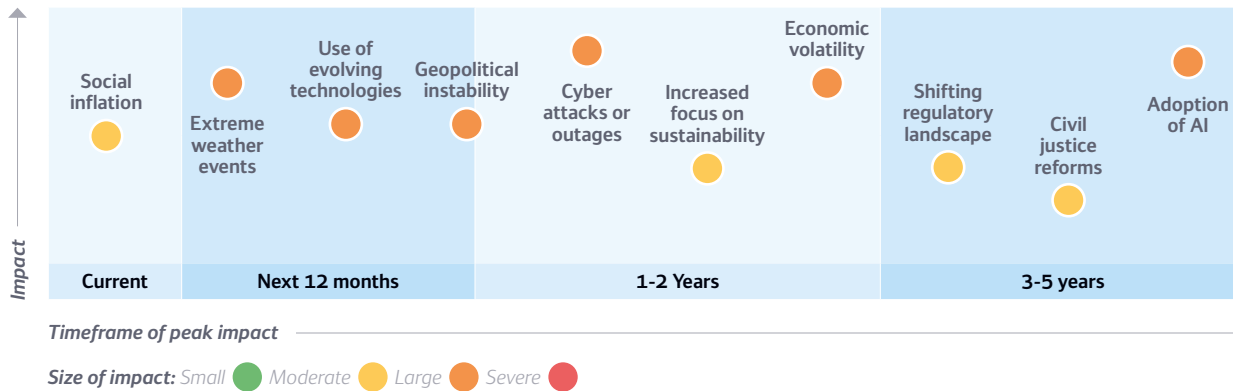
Ed Glasgow, UK

### Top regional risks, at a glance

Greatest risks	Timeframe of peak impact	Largest increase in concern
Adoption of AI	3-5 years	Geopolitical instability
Cyber attacks or outages	Next 12 months	
Use of evolving technologies	1-2 years	

## EMEA

### Anticipated size of impact vs the timeframe in which the impact is expected to peak



### Top regional risks, at a glance

Greatest risks	Timeframe of peak impact	Largest increase in concern
Cyber attacks or outages	1-2 years	Extreme weather events
Adoption of AI	3-5 years	
Extreme weather events	Next 12 months	

The summer of 2024 was the hottest on record for Europe. Over 370,000 hectares of forest were destroyed by wildfires and around two million people across Central Europe were affected by the severe flooding in September alone. These events are unfortunate reminders of the changing and volatile climate that Europe needs to adapt and prepare for. About three quarters of our partners in the region rated extreme weather events as a risk indicating a growing concern (63.7%). Although Adoption of AI is a significant risk, its peak impact is one to watch in the long term, reflecting the regulatory approach taken by the EU Commission.

“We are now very concerned in Spain for climate change, following the recent extraordinary floods that took place in our country. Whilst given the nature of this catastrophic risk, compensations have been paid by the Spanish public entity “Consortio de Compensación de Seguros”, these types of events have certainly increased concerns for the insurance industry, as there is a global perception that similar events may take place in the near future.”

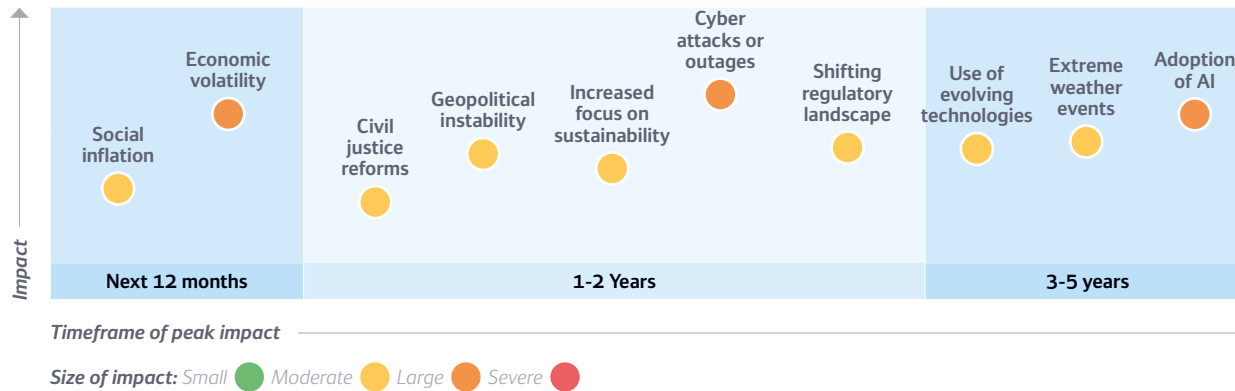
Jesús Iglesias, Spain

“There are many factors driving risk in my region. These include an increase of D&O duties and new regulations around AI and collective redress. There is also an increase in international exposures due to extraterritorial application of foreign regulation.”

Susana Martinez, Spain

## APAC

### Anticipated size of impact vs the timeframe in which the impact is expected to peak



### Top regional risks, at a glance

Greatest risks	Time of peak impact
Cyber Attacks or Outages	1-2 years
Adoption of AI	3-5 years
Economic Volatility	Next 12 months

Largest increase in concern
Geopolitical instability

Increased adoption of AI and IT systems has heightened cybersecurity risks in the APAC region. About 80% of our APAC partners rated cyber attacks or outages as moderate, large or severe, reflecting high concern. More than two-thirds showed an increased concern over geopolitical instability, with 44% believing it will have peak impact in the next 1-2 years. About half of our partners in APAC expect the peak of economic volatility within the next 12 months, indicating short term concern.

“Cyber risks continue to increase across all sectors. Cyber incidents are becoming more sophisticated and heightened geopolitical instability will only add to this. A severe incident is an existential threat to any business.”

Nicholas Blackmore, Australia

“AI is a leveller and is and will be adopted widely. It will in particular adversely affect late adopters across all professional services. It may also result in increased geopolitical risk as it may enable emerging markets to advance more quickly and therefore alter the influence of the traditionally more developed countries. Increased used of IT and AI tools will inevitably result in an increase in cyber attacks, causing ever more serious disruptions.”

Karnan Thirupathy, Singapore



## Evolution of key themes

As evidenced by our survey findings, **the risk landscape in 2025 looks set to continue to test the corporates and their insurers.**

---

Some of those key, horizon issues can be considered as 'evergreen'; those constant or persistent factors with which the insurance industry has long become familiar, such as geopolitical instability, disruptive technologies and the ESG agenda. However, the risks that sit beneath those topics continue to evolve.

---

## Technology – silent AI

The rapid increase in the adoption of AI and its impact on operational resilience remains a priority for business and insurers.

In particular, AI development brings with it the risk that firms might be accused of ‘AI washing’: over-selling their AI capabilities. Given how attentive global regulators are to AI use, this risk should be managed carefully.

In turn, the insurance industry must now ask itself how will AI impact on existing insurance products and policies – including professional liability general liability, D&O, fraud and cyber.

The insurance industry has already learned lessons from ‘silent cyber’: instances where some risks have been covered in non-cyber lines, even though that was not the intention. To prevent AI related coverage disputes, the industry must understand AI risk use-cases now and assess which risks traditional policies already (silently) cover.

### Claims impact

If a traditional policy does not consider AI related risks, it could lead to unintentional cover in the event of an AI-related loss; even though such loss had not been priced into the policy.

Uses of AI include assessment of financial applications, providing professional services, stock management, document review, and analysing medical results – evidence of the potential extent of exposure.

However, the decisions and intelligence provided by AI tools are only as good as the data used. If data is manipulated by the tool, this could lead to liability risks, including around bias and discrimination. Data protection regulators are increasingly focused on ensuring that automated decision-making does not disadvantage individuals, which can expose insurers to compliance risks.

The other important aspect for insurers to stress test now is apportioning liability. Within many of the corporate use cases for AI it can be unclear as to where liability would likely fall in scenarios where AI fails: for example, in giving the correct advice or failing to identify a threat. Is the liability with the corporate providing goods or services, or with the software developer that created the AI tool?

Such considerations have already been brought into the spotlight with the advent of autonomous vehicles – who is responsible when an accident occurs involving an AV; the car manufacturer or the human driver?

### Actions

When offering or renewing policies, insurers should review the use of embedded AI by their insureds.

They should also consider the need for affirmative AI policies that would specifically cover losses where AI technologies do not perform as intended. Would AI exclusion clauses be appropriate – especially if AI has been used to provide professional services?

“Insurers need to offer a product with a robust claims protocol that understands these AI risks and the real exposure their clients are facing. Might we see the creation of a new class of insurance products built specifically for underwriting AI-related risk?”

Javier A. Vijil, North America

“Insurers should take the time to create the strategic and budget bandwidth to fully explore and develop deeper understanding of AI across their organisations, and their value chains and products, to ensure that the full system wide impact is recognised so that opportunities are exploited and risks mitigated. Developing AI responses to the business strategies will be crucial.”

Martin Stockdale, UK

## ESG – Climate change: health and wellbeing

**Extreme weather events continue to cause catastrophic losses to property and infrastructure**, as witnessed by the recent devastating California wildfires.

However, the claims profile is evolving, and extreme weather events are also impacting the health, safety and wellbeing of individuals and workers. This is causing claims risk, business risk and fuelling the mass migration of workers and communities.

**“Over-population, erosion of the democratic political model, the ongoing shift in global power, global trade conflicts, climate change, recent and forthcoming AI and bio-engineering breakthroughs, drought and its impact in water and sanitation are just some of the factors to consider when looking at the insurance risk landscape.”**

**Radoslav Depolo**, Chile

Climate change driven changes in animal behaviours combined with human practices have led to a rise in infectious diseases. Mosquitoes are prevalent in new regions, transmitting harmful pathogens. Global travel and trade have resulted in more people being exposed to these pathogens, leading to increased likelihood of future health pandemics.

Mitigation action is required urgently as otherwise, the financial costs of inaction could be catastrophic. Lloyd's of London has recently published a report stating that a future human pandemic could expose the global economy to losses of up to US\$4.1.7 trillion over a five year period.

The mass movement of communities and workforces due to climate change impacts, geopolitical instability or economic opportunity will have a significant effect on corporates and their insurers.

Properties and infrastructure are increasingly susceptible to damage by weather events, combined with either neglect or insufficient investment to respond to an influx or outflow of a region's population.

**“I expect the climate and biodiversity crises to overshadow all other areas of concern, not within the next year or so but probably during the late 2020s and 2030s. That will create considerable geopolitical instability, including military conflict over resources and mass migrations and their consequences. Conflicts which do not at first appear to be “environmental” in nature will, if properly analysed, be seen often to arise from disputes over resources, including access to water, fertile land and minerals.”**

**Robert Welfare**, UK

### Claims impact

We are already seeing consumer claims against states for failing to address climate-related impacts.

In a landmark decision, the European Court of Human Rights ruled in *Verein KlimaSeniorinnen Schweiz and others v Switzerland* [09.04.24] that Switzerland had breached the European Convention on Human Rights by not taking sufficient action against climate change. In particular, it found that Article 8 had been breached through a failure to mitigate the impact of climate change on the lives, health, wellbeing and quality of life of its citizens.

Following the ruling, the Swiss authorities will be required to comply with Convention obligations. As such, other Convention member states will need to consider the adequacy of their climate policies – which should act as a warning to corporates, more generally – be they within the remit of the Convention or otherwise.

Turning to pandemic risk, COVID-19 illustrated that many sectors are vulnerable to the associated impact and in particular, retail, healthcare, hospitality and tourism. The claims costs associated with business interruption cover and supply chain disruption would again be brought into sharp focus.

### Actions

To manage ESG risks, organisations must stay alive to the sustainability momentum. Embedding ESG into business operations needs a clear strategy that recognises increasing pressure from regulators, employees and customers, suppliers and investors to deliver ESG principles. Technology, insight and data have an important role to play in navigating the complexities to achieve ESG integration.

## Geopolitical risks – global policy reset

**2024 was a record year for elections around the world**, with more than 1.6 billion voters heading to the polls in over 70 countries, including the UK, the US and India.

These election results will impact an increasingly fragile geopolitical and economic environment. They will reshape national policies, governance structures, and international relations and provided a rare view of political sentiment from over half of the world's population.

Global democracy was clearly tested. While democratic accountability was found in the ballot box in some countries, it was found on the streets in others – bringing public protests and violence. A consistent narrative of dissatisfaction and the desire for change has emerged, borne out by the number of incumbents losing vote share. Centrist leaders often lost out to more radical parties with a marked rise in the populist right, especially amongst younger voters.

Drivers of this call for change include inflationary pressures and economic stagnation, shifts in social-economic status, global migration and an overall disillusionment with governing parties and the system in which they operate. Social media also played its part in fuelling anti-establishment sentiment.

**The fact that the vote for change was so geographically widespread is extremely rare, pointing to a common factor – the cost of living crisis. Economic volatility and the rise in prices has been felt universally, and the political parties were held to account.**

### Claims impact

A sudden shift in trade relations, economic policies, and regulatory environments will likely alter the risk profile for multinational companies operating in these regions, prompting insurers to reassess coverage in light of evolving geopolitical dynamics.

Polarising election results can ignite significant civil unrest, particularly in countries with fragile democracies or deep political divides. Challenging economic conditions indicate that insolvency rates will remain high. The risk of litigation is also maintained as companies are more likely to be affected by late payments, employment disputes and suppliers unable to meet their obligations.

These trends are set to continue. Whilst not to the same numerical degree, significant change is expected as the electoral calendar progresses throughout 2025; with incumbents in Germany, Australia, Canada and Norway predicted to lose their seats.

As the world's political dynamics shift in response to these elections, businesses must be prepared for policy change and ready to understand the associated legal ramifications. For insurers, the impact of change extends to reassessing their risk models and adapting coverage strategies. The ability to anticipate and manage political risks will be crucial for safeguarding investments and mitigating exposure.

**“ Insurers need to be flexible and responsive, adjusting to rising social unrest, policy shifts and geopolitical risks following the outcomes of the major 2024 elections. ”**

**Joanna Manthorpe**,  
Senior Corporate Affairs Lawyer, UK

**“ Global elections will impact on regional stability, which is likely to have knock-on effects for economies and, in turn, impact insolvency rates and claims flow. ”**

**Nicole Wearne**, Australia



## Future of justice – technologies driving change

A heightened litigation risk is apparent in many regions, which – in most parts of the world – is associated with existing difficulties caused by the backlog in the courts and litigation costs. **Justice regimes will, therefore, need to evolve to provide new and more efficient solutions to disputes**; leveraging technological advancement and reflecting evolving societal expectations.

### Online courts

For some, including some academic professionals, the future of legal services is based on a world of online courts (alongside AI-based global legal businesses and disruptive start-ups).

Whatever the detailed view of justice delivery may be, we agree that it should rest on technology. The COVID pandemic brought into sharp focus the potential to extend access to justice online – the determination of cases by human judges but not in physical courtrooms. The use of remote courts also provides the potential for tools to help court users make their case, and they offer non-judicial settlements such as mediation as an integral part of the system; rather than as a substitute path.

### A spotlight on ADR for resolving insurance disputes

With the expected emergence of revamped global frameworks for encouraging and even mandating alternative dispute resolution (ADR) over the next few years, ADR has an important role in transforming insurance disputes.

ADR encompasses various methods for resolving disputes without resorting to litigation, including mediation and arbitration. However, the effectiveness and adoption of ADR approaches vary significantly across lines of business and jurisdictions.

With third party litigation funding and group actions increasing, the risk to court backlogs increases. ADR solutions may offer a way of diverting cases away from the courts so that cases requiring judicial intervention can be dealt with more efficiently.

### Claims impact

ADR can offer significant advantages such as reduced legal costs, faster resolutions, more flexibility and, in some cases, a less adversarial process compared to traditional litigation.

But an increased use of technology including AI raises questions around independence, opportunities for fraud and unintended bias.

Parties will likely face increasing pressure to consider alternative ways to settle claims outside of the traditional court route.

As ADR becomes more commonplace, or even mandatory, insurers will be required to front-load claims investigations.



While requiring an increase in time and costs upfront, this will hopefully facilitate more accurate forecasting and reserve information.

**In jurisdictions where ADR becomes mandatory for certain types of claims, insurers may be required to include ADR clauses in their policies, along with adapting their claims handling processes.**

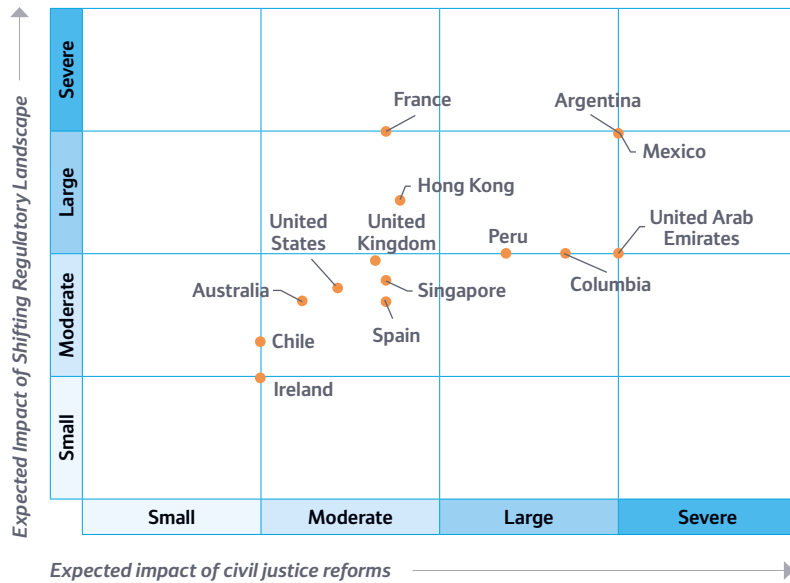
**“Advancements in technology and evolution in the legal system will directly affect dispute resolution in the not too distant future. The emphasis on electronic filing of documents into Court and the use of remote hearings will not only speed up case management in Court but will also require that users are able to access the required technologies.”**

**Wilson Tam**, Hong Kong



## The link between the regulatory landscape and civil justice reforms

This graph shows the close relationship between the expected size of impact of civil justice reforms and shifting regulatory landscapes in the countries of the partners surveyed.



**Our global partnership expressed comparable concern around the impact of the shifting regulatory landscape and civil justice reforms in their regions.** These two risks are driven by common themes, including international trade policies, the use of developing technologies including AI, the ESG agenda, data privacy claims and an increase in group actions.

This is reflected in 73% of partners categorising Civil Justice as a priority issue.

“It is imperative for insurers to stay ahead of regulatory changes as far as possible; to press governments to assist them in preventative measures before “the event”, and to invest in robust risk management and risk allocation processes.”

**Matt Andrews**, Australia

“Understanding the changing regulatory landscape is fundamental to an insurers’ ability to assess the impact of the current geopolitical shifts on corporate exposures.”

**Maurice Pessa**, North America

“While insurers in APAC may be well versed in ESG and cyber risks, attention should also be given to regulatory reforms. In Australia, insurers could face potentially significant impacts of regulatory developments such as the Financial Accountability Regime and financial sustainability legislation.”

**Alexandra Bartlett**, Australia

“In the US, while it is expected that regulatory oversight will likely decrease, it is possible that economic uncertainty and other factors such as climate could still have a significant impact on claims.”

**Eric Scheiner**, North America

## Recommendations

When asked **‘How can insurers or corporates best prepare for the impact of these risks / issues?’** our global partners were unanimous in their response – the industry and its stakeholders need to work together.

The sharing of insights, expertise and experience will enable all parties to be better informed about these evolving risks and, specifically, will enable insurers and their policyholders to prepare and mitigate potential losses more effectively.

**“ The insurance industry can work collaboratively, share information and data, track trends and continually think of new insurance products to help drive change and encourage good policyholder behaviour and risk management. ”**

Hannah Williams, UK

**“ It is going to be increasingly important for insurers to work with other stakeholders in the industry – brokers, adjusters, experts – to get informed about developing risk, and place and price it effectively. ”**

Jess Keating, New Zealand

**“ Innovation and people need to be at the centre of any commercial strategy, which will allow insurers and corporates to diversify products, services and risks. ”**

Radoslav Depolo, Chile

### Specific recommendations include:

- Prioritise employee training, particularly around emerging risks and regulatory changes that will affect the risk profile of insureds.
- Review policies to ensure a clear understanding of the risks covered.
- Keep on top of potentially impactful legislative and regulatory changes.
- Embrace AI and technological changes while improving fraud identification processes.
- Review risk modelling practices and the application of limits and deductibles.
- Adapt commercial practices to new government-led changes.
- Consider alternative dispute resolution to mitigate against the increased costs of litigation.
- Actively engage with governments and regulators in public consultations and test projects which will shape further civil justice reform.

## Key contacts

**John Bruce**

Senior Partner

t +44 20 7667 9459

e john.bruce@kennedyslaw.com

**Meg Catalano**

Global Managing Partner

t +44 20 7667 9048

e meg.catalano@kennedyslaw.com

**Matt Andrews**

APAC Managing Partner

t +61 2 8215 5934

e matt.andrews@kennedyslaw.com

**Ben Aram**

UK Managing Partner

t +44 20 7667 9490

e ben.aram@kennedyslaw.com

**Michael Hennessy**

LATAM Managing Partner

t +52 55 7825 4450

e michael.hennessy@kennedyslaw.com

**Eric Hiller**

US Managing Partner

t +1 305 537 2030

e eric.hiller@kennedyslaw.com

**Andrew McGahey**

EMEA Managing Partner

t +353 1 902 7201

e andrew.mcgahay@kennedyslaw.com

**Deborah Newberry**

Director, Corporate Affairs

t +44 20 7667 9508

e deborah.newberry@kennedyslaw.com

**Joanna Manthorpe**

Senior Corporate Affairs Lawyer

t +44 20 7667 9863

e joanna.manthorpe@kennedyslaw.com

# Kennedys

 [Kennedys](#)

 [KennedysLaw](#)

Kennedys is a global law firm operating as a group of entities owned, controlled or operated by way of joint venture with Kennedys Law LLP.  
For more information about Kennedys' global legal business please see [kennedyslaw.com/regulatory](https://www.kennedyslaw.com/regulatory)