FOIL Update 23ʳᵈ December 2025

Future Risks for the Insurance Industry – Part 2

Future Reforms

The next session on the conference agenda was a panel discussion hosted by Natalie Larnder, Partner and Head of Market Affairs at Keoghs, who was joined by an expert line-up consisting of: Lee Watts, Director of Technical Claims at Allianz UK; Mark Shepherd, Assistant Director and Head of General Insurance at the ABI; and Nick Kelsall, Head of Claims UK & US at Munich Re. Together, they explored the opportunities and risks likely to shape the insurance landscape in the years ahead.

To open, the panel focused on the most significant emerging risks anticipated for 2026 and how insurers can prepare. Panel members were united in highlighting that attracting, retaining and developing talent, particularly in strategic and specialist roles, was a priority in the industry.

As demand grows for expertise in fast-evolving areas, talent shortages pose a risk to the sector's ability to innovate and respond effectively. Cyber insurance was highlighted as a prime example, where countering risk requires technical skill and a deep understanding of complex supply chains and the strategic partnerships that support them. In such an environment, employee engagement and robust career pathways become essential to maintaining capability and competitiveness.

Set against a soft market, the panel noted the increasing pressure on operating expenses, further emphasising the need for balance in maintaining high-quality customer service with managing indemnity costs responsibly. The rise of hybrid working, accelerating use of AI, and

the growth in electric vehicles are collectively increasing the complexity and severity of claims. These shifts demand fresh thinking from insurers about how they deploy people, processes and technology.

There was a strong consensus that greater innovation—and a degree of boldness—in adopting new technologies and reshaping resourcing models will be key to aligning indemnity spend with market dynamics. Such an approach will also help the industry address longstanding challenges, including whiplash, credit hire and issues within the care sector. By embracing new tools and modernising operating structures, insurers can better position themselves to navigate emerging risks while unlocking opportunities for improved performance and customer outcomes.

Discussions continued with the panel highlighting the pressing need to reduce the cost of regulation while preserving strong consumer protections. One proposal centred on redefining the role of the Financial Ombudsman Service to ease both financial and legislative burdens on insurers. The panel also emphasised the importance of regulation being crafted with a clear understanding of its practical impacts on the sector. They noted that the industry itself could be more assertive in lobbying regulators and government, helping to build a deeper appreciation of the central role insurance plays in daily life, economic stability and long-term growth—along with the consequences of policy decisions on the market's ability to function effectively.

A recurring theme was the pursuit of technical excellence without creating friction for customers. This means making proactive investment decisions and allocating resources early to ensure a consistently high-quality customer experience. AI was highlighted as a significant enabler—not only in enhancing efficiency but also in driving innovation in risk modelling and reshaping the claims journey. While AI is currently used primarily to streamline processes, its potential is far greater. Large language models, for example, could be tested across the end-to-end claims ecosystem to identify pain points, anticipate customer needs and simplify the claims environment, ultimately influencing behaviours and improving outcomes.

Turning to the areas of general insurance most susceptible to disruption, the panel pointed to rapid developments in vehicle technology that are already transforming motor claims. They also noted the escalating effects of climate change on property underwriting. As these pressures intensify, traditional underwriting models may no longer be sufficient. This will require more dynamic pricing approaches and greater agility in responding to new patterns of risk.

The session concluded with reflections on where insurers could benefit from the support of those in the room. FOIL and its members, the panel suggested, can play a critical role in educating policymakers and encouraging engagement across the judiciary by spotlighting key issues—such as motor insurance affordability—that directly affect millions of customers. They also remarked that law firms might enhance their contribution by "thinking more like insurers" and tailoring their services accordingly. Such alignment would allow all

stakeholders to focus more effectively on what matters most: driving profitability, delivering customer excellence and strengthening confidence across the sector.

Artificial Intelligence

The conference continued with Matt Kuznik, Partner at Keoghs, exploring the growing influence of AI across the insurance sector. Matt began by outlining widely accepted definitions of AI, specifically those set out in Section 3 of the EU AI Act and by the Organisation for Economic Co-operation and Development (OECD), which share a number of core elements that capture the essence of AI: it is machine-based; it operates according to human-generated implicit or explicit objectives; it receives and processes inputs; it produces outputs; and it functions with varying degrees of autonomy.

Matt explained the fundamental premise of AI lies in the fact that datasets are rarely random aggregations of disconnected information, and that machine learning seeks to uncover the relationships, structures and regularities embedded within the data. From there, algorithms can be used to make predictions, classify new information or extract insights, often without the need for prescriptive programming for each task.

AI has wide-ranging applications within insurance, such as enabling the analysis of complex, large-scale datasets to identify patterns and anomalies, supporting more accurate risk profiling and pricing. It can streamline the claims process through improved evaluation, triage, assessment and quantum, while simultaneously strengthening fraud detection capabilities. Added to this, the provision of round-the-clock service delivers a more responsive and convenient customer experience.

However, the benefits of AI must be weighed against a set of risks that span ethical, legal and operational considerations. Many AI systems function as 'black boxes', lacking transparency and making it difficult to determine accountability when errors occur. The use of vast datasets, including highly sensitive health and financial information, expands the attack surface for cybercriminals and increases exposure to data security risks.

Algorithmic bias presents a further concern, and if left unchecked, AI can unintentionally perpetuate historic discrimination in areas such as underwriting, pricing and claims handling. This creates regulatory and legal challenges and has the potential to cause severe reputational harm. Furthermore, the lack of consensus in AI regulation across jurisdictions creates further complexity for international insurers in meeting their compliance obligations.

Despite these challenges, the opportunities AI presents are extensive for every stage of the claims lifecycle, and the expectation is for it to become embedded across almost every line of business. To harness AI's potential effectively, underwriting must evolve. This will require investment and adaptation across processes, technology, data management, governance and talent development. Only by modernising these foundations can insurers maximise the benefits of AI while maintaining strong safeguards and responsible oversight.

The Insurance Museum

The final speakers of the afternoon were Howard Benge and John Bissell from The Insurance Museum, FOIL President Howard Dean's chosen charity for the year. Established in 2020, The Insurance Museum aims to bring the story of insurance to life and inspire the next generation of industry professionals by showcasing the sector's rich heritage and enduring importance to society.

Howard took the audience on a historical journey originating in Northern Italy in the late 1300s, describing how early maritime cargoes were protected through contracts underwritten by networks of merchants, rudimentary yet pioneering forms of risk transfer.

The evolution of insurance was chartered through Edward Lloyd's coffee house, which became the centre of marine underwriting, and on to the initial development of property insurance in the 1700s. This story served to underscore the UK's status as the birthplace of modern insurance and highlighted the innovation that has shaped the industry for centuries.

Looking to the future, the museum has ambitions to introduce an education programme designed to engage younger audiences and support learning across subjects such as maths and history. The programme will feature interactive resources that demonstrate the central role insurance has played in major historical events and how it will remain essential to society in the years ahead. The initiative aims to strengthen understanding of the sector and encourage new talent to explore careers in insurance.

Following the presentation by FOIL of a cheque from the funds raised at its October quiz night, the session closed with a call to support the Insurance Museum's '3 Steps' fundraising campaign. This seeks to unite the insurance community in preserving and sharing its story, while generating the financial backing needed to realise the museum's ambition of establishing a world-class cultural and educational destination at the heart of London's insurance district.