

Insuring the Intangible: How the London Market is Navigating Emerging Global Risks.

By Evie Newman

A strategic look at contextual shifts reshaping underwriting.

Are we prepared to underwrite risks we haven't yet defined?

Insurance, once solely anchored in the tangible world of ships and cargo, is navigating uncharted waters. As insurers increasingly underwrite the intangible, we witness a profound shift from the physical to the abstract.

Emerging risks are no longer creeping in from the edges, they're arriving in waves of geopolitical unrest, climate extremes, AI-driven disruption and litigation trends that outpace regulation. This is the emerging reality depicted by the IUA's CEO, Chris Jones, and Director of Underwriting, Tom Hughes, in a recent joint IUA and Singapore College of Insurance (SCI) webinar on strategic responses to global risks. The London market, long known for its innovation, now faces a new challenge: how to insure a world that's evolving faster than its models.

So, how do we view key emerging risks impacting insurers? How are these risks being tackled by London? And how can we work collaboratively to manage this evolving ecosystem? The webinar addressed these questions in the context of three distinct categories of risk, borrowed from the International Risk Governance Council: Risks with uncertain impacts, risk in complex, interconnected systems and risks resulting from changes in context¹. The presentation laid out eight emerging risks, ranging from geopolitical instability to AI hallucinations. Each individual risk is multifaceted, but together they form a complex tapestry that may redefine traditional underwriting.

Risks with Uncertain Impacts

PFAS and Protectionism: The Price of the Uncharted

Some risks are familiar in name but unfamiliar in scale. PFAS is a prime example. Despite being dubbed the 'new asbestos', the full extent or impact of PFAS risk remains to be seen². It is estimated that it would cost £1.6 trillion to clean up these "forever chemicals" across Europe³. Two key factors contribute to this hefty estimate: (1) The

¹ 'A Characterisation of Emerging Risks' International Risk Governance Council [A characterisation of emerging risks - IRGC](#)

² *Are PFAS the next asbestos? How and why the emergence of PFAS as a mass tort could impact the insurance industry* | Gregory P. Gaines | Taylor & Francis | 24/08/2024

³ *'Forever Chemicals' found in non-stick pans and pizza boxes will cost £1.6 trillion to clean up* | Albert Toth | The Independent | 14/01/2025 [PFAS found in non-stick pans and pizza boxes will cost £1.6 trillion to clean up | The Independent](#)

widespread use of PFAS has resulted in their persistent presence in soils and water, and (2) the properties that make PFAS effective in industrial and consumer products also make them notoriously difficult to clean up. Insurers are carefully assessing pre-existing coverages, seeking to establish how existing pollution and contamination definitions may be impacted by fast-moving PFAS exposures. They are proactively managing exposure in respect of new and renewing policies, by requesting more information from insureds, encouraging proactive risk management or by deploying specific exclusions in respect of higher risk sectors.

While PFAS exemplifies a chemical risk with long-term environmental and financial implications, other emerging risks stem from geopolitical and economic shifts. One such risk is protectionism, most notably, the surge of tariffs imposed by the US. The tariffs have repercussions to global trade and free market access, bringing slowing global GDP growth and global insurance industry GWP in 2025⁴. Uncertainty poses insurers the greatest challenge. So, to gain certainty in the current landscape, London market insurers have sought risk management tools, including scenario modelling for geopolitical disruptions, real-time data integration to monitor supplier performance and the use of AI and predictive analytics to anticipate failures across supply chains.

Insurance companies operate in the business of risk. As such, they recognise that with risk comes opportunity, not just to mitigate losses but to lead the market. Some insurers are gaining competitive advantage by introducing innovative parametric solutions. These solutions afford coverage which is triggered by events such as port closures or cyber breaches, to help address growing vulnerabilities in global supply chains.

Risks in complex, interconnected systems

The Digital Domino Effect

‘AI won’t steal your job - someone who knows how to use AI will⁵’. This sentiment is backed by data: a McKinsey survey found that 78% of organisations were using AI in at least one business function in 2024⁶. From streamlining routine emails to monitoring disaster indicators for catastrophic events, GenAI tools are quickly becoming commonplace in the London market. We are viewing AI through a dual lens, as a strategic tool to drive operational efficiency and client benefit, and as an insurable risk.

⁴ *World Insurance in 2025: a riskier, more fragmented world order* | Swiss Re | 07/2025 [2025-07-swiss-re-institute-world-insurance-sigma-02-2025.pdf](https://www.swissre.com/insurancereporter/2025-07-swiss-re-institute-world-insurance-sigma-02-2025.pdf)

⁵ *How Insurers are Harnessing Gen AI to Improve Risk selection* | Insurance Insider | 18/02/2025. https://www.brighttalk.com/webcast/17705/619586?utm_source=brighttalk-recommend&utm_campaign=network_weekly_email&utm_medium=email&utm_content=company&utm_term=272025

⁶ *The state of AI: How organisations are rewiring to capture value* | McKinsey | 12/03/2025 [The State of AI: Global survey | McKinsey](https://www.mckinsey.com/industries/technology-digital-media/ai/ai-state-of-ai)

Take the case study of recent wildfires: instead of sending adjusters into dangerous terrains, drones capture images and AI processes the damage, which in turn speeds up the claims process and keeps employees safe. This is one example of many, illustrating how AI is transforming traditional processes into safer, faster and more data-driven operations.

AI brings with it a host of challenges, including model bias, hallucinations, deepfakes, and complex liability issues. As these risks become more apparent, the London market must take a leading role in addressing them. There is a growing interest in bespoke AI coverages tailored to companies' evolving needs. However, insurers will also be reviewing existing 'Cyber Loss' and 'Computer System' definitions used across a range of property damage and liability policies; these definitions, depending on the clause in which they reside, may act as a tool to manage AI exposures. Although AI is yet to fully establish its place within the insurance industry, it is undoubtedly here to stay.

Recent cyber-attacks, including against M&S and Co-op, which target the UK retail sector have highlighted a crucial shift in perception: cyber insurance is no longer a luxury but a necessity. In an increasingly risk-prone technological landscape, it is more important than ever for insurers and clients to collaborate on risk developments closely, embracing innovation with caution.

Risks resulting from changes in context

From Protest to Policy: Underwriting in a World of Social Tension

Some risks evolve not because they're new but because the world around them changes. Geopolitical tensions, such as the ongoing Russia-Ukraine conflict and instability in the Red Sea region are driving action by insurers. Increasingly innovative approaches are emerging, as insurers use geospatial analytics and AI to map protest-prone zones and simulate the effect of political violence on insured assets. Additionally, scenario planning now encompasses election-related unrest, trade wars, and the resurgence of terrorism, particularly in urban and densely populated commercial areas.

Turning to climate change, there is an estimated protection gap of 60% for natural disasters. Whilst down from 69% in 2023, this figure could rise given the likelihood of increasingly frequent and severe damage⁷. CAT bonds are recognised by some as the solution; these high yield debt instruments effectively allow investors to loan insurers a premium for 1-3 years to support these catastrophic claims, with the caveat being that should a catastrophe not occur, a profit is returned on their initial loan⁸. Insurers have a

⁷ 2025 *Climate and Catastrophe Insight* | AON. [Climate and Catastrophe Insight](#)

⁸ *Catastrophe bonds: An innovative way to narrow the insurance gap* | The Actuary | 04/07/2025
[Catastrophe bonds: An innovative way to narrow the insurance gap | The Actuary](#)

role to play in promoting proactive risk mitigation, providing speciality coverage, and incentivising climate-resilient infrastructure.

Lastly, the intersection between ESG and litigation funding is becoming increasingly significant for insurers. As ESG standards rise, so too does the volume of litigation targeting companies for alleged failures, ranging from greenwashing to labour violations. Litigation funders are entering this space, financing class actions that might otherwise have been unviable to pursue. This results in a more volatile liability environment, where reputational and regulatory risks are increasingly monetised. It is likely that insurers will revisit D&O, professional indemnity, and commercial liability policies to review coverage around legal costs in the context of funded litigation.

Building bridges

In an increasingly interconnected world, the challenges we face transcend borders, industries and sectors. These global risks demand a unified response, one rooted in open communication, collaboration and shared innovation. To effectively combat and mitigate these threats, IUA and its members plan to work hand in hand with leading market and industry associations to continually evolve our strategies and solutions.
