



DWF Global Risks 2025 Horizon Scanning



Contents



03

Introduction

04

A look back to 2024

06

**How will 2025
shape up?**

07

**DWF Global Risks
News**

08

**The View from
London**

21

**The View from
Europe**

22

Italy

23

Germany

24

France

25

**The view from the
Asia Pacific Region**

26

Australia

27

Asia Pacific

28

**The view from
Dubai & MENA**

31

**The view from
Canada**

Introduction

It is remarkable to think that the Covid-19 pandemic was 5 years ago. The insurance and reinsurance industries were dealing then with losses of a catastrophic scale and in a way that no-one had envisaged. 2024 marked a significant milestone in bringing towards a close the years of legal wrangling, both at an insurance and reinsurance level, of the many Covid-19 coverage disputes. Some disputes and issues are still continuing but it is to be hoped that the worst of it is behind us.

As there is also repeated focus on the “return to the office”, it might be natural to think that life is returning to the pre-pandemic “normal” state. However, it would not be hyperbole to say that the world we live in today is far riskier and more dangerous than it has been for decades, and for many, in living memory. New threats are emerging and old threats are becoming manifest in new places with unprecedented speed.

As our lawyers have discussed in the pieces below, this evolution gives rise to new disputes and new challenges. It is vital, therefore to ensure that policy wordings, including some market standards, remain fit for purpose.

We also touch on some DWF News: The Global Risks team continues to go from strength to strength, with significant growth in Australia, Canada, London, Ireland and Europe. We hope you will indulge us with a short update, and we thank all of our clients for their incredible support.



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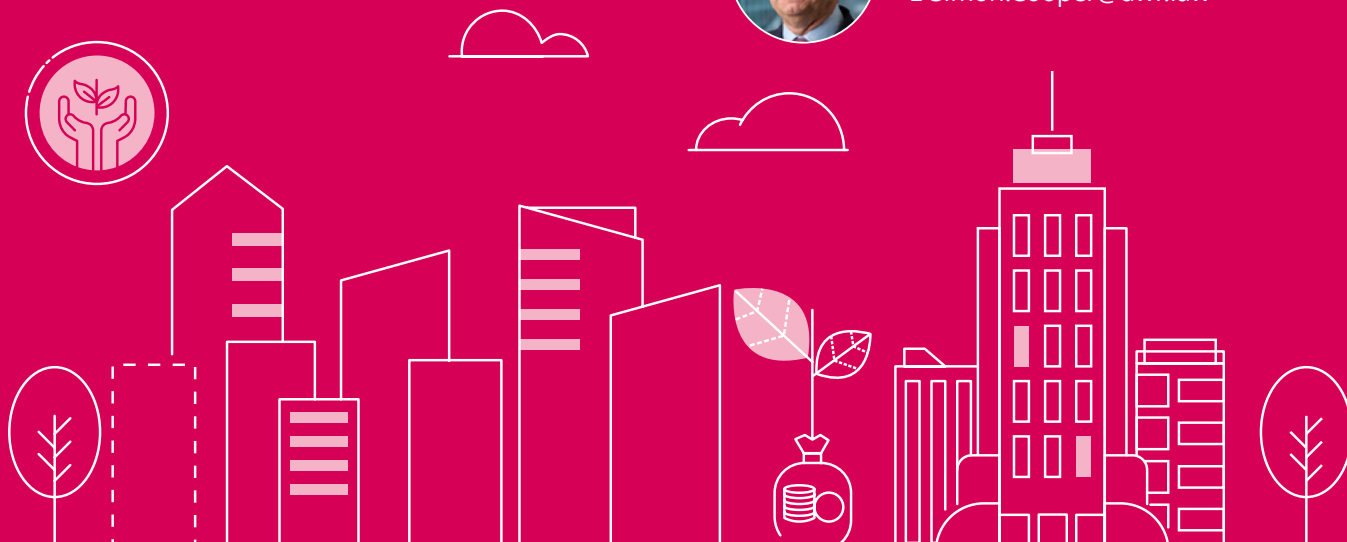
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A look back to 2024

How did 2024 shape up in the end?

1. Natural Catastrophes:

2024 was one of the costliest years since 1970 in terms of natural catastrophe losses. Insured losses during the year are estimated at approximately USD135 billion¹. This estimate means that 2024 will be the fifth consecutive year in which insured natural catastrophe losses have exceeded USD100 billion. This, and the fact that 2024 has been the hottest year on record, has only increased the already widespread concern that climate change will see a long-term increase in the number and severity of natural disasters.

2. Climate Change:

In addition, climate change is likely to challenge previous assumptions about the nature of the risk posed by these disasters. It is striking that major catastrophes in 2024 did not fit previously established patterns. Thus, we had an unprecedented 'weather event' in Dubai in April 2024 and disastrous wildfires in the Los Angeles area outside the usual fire season. All the indications are that 2025 will be similarly unpredictable.

3. Aviation:

2024 also finally saw the commencement of major trials in ongoing legal actions in the UK, Ireland and the US in the aviation market. Almost every reader will have some involvement in these matters, and they continue to test the resilience of everyone involved, from carriers, reinsurers, lawyers and even Judges.

4. Politics:

All these developments are taking place against a background of instability on both a geopolitical level, with wars in Ukraine and the Middle East, and at a localised level as individuals becoming increasingly disillusioned with traditional political structures. For example, as our Fine Art team discuss, 2024 saw increasing numbers of direct-action attacks on artworks in the UK while the disruption of sporting and other cultural events by political activists continues. We also saw many new instructions in the political violence space.



5. Cyber and AI:

Cyber risk itself is of ever-increasing significance. In 2024 74% of large businesses reported cyber attacks and 98% of boards of large businesses saw cyber security as a high priority. As the CrowdStrike incident demonstrated, major cyber incidents are as likely to be the result of 'Grey Rhino' events a highly likely threat that has been ignored or not fully perceived - as malicious intent. It is important, therefore, that policy wordings continue to be adapted to ensure that they match our developing understanding of the risk.

One of the most widely discussed issues of 2024 has been the exponential growth in the actual and planned use of Artificial Intelligence, including Generative AI. Almost everyone is using some form of AI: whether Co-Pilot summarising (sometimes unhelpfully!) your emails to advanced systems providing opportunities to modernise underwriting and claims handling systems to meet customer expectations. AI also has the potential to create a new wave of risk, for example, professionals such as lawyers and accountants are making use of AI and GenAI to perform increasingly complex tasks. While this has many advantages, it also comes with increased security risks, potentially making businesses, and hence their insurers, more vulnerable to fraud and cyber-attack. This is in addition to the issues which will arise in relation to potential liability exposures in these professions because of the use of AI in tasks such as contract drafting and reviewing. It will be important to ensure that industry wordings reflect these exposures, and many others associated with AI/GenAI, for example in relation to autonomous machines which we discuss below.

6. UK Mass Actions:

Increases in technological sophistication in Court systems, along with greater access to high levels of litigation funding, have been factors in the growth of 'mass actions' in England & Wales. This is significant for insurers used to the economic impact of these types of action from long standing experience in the US. Nonetheless, 2024 saw the commencement of a further series of GLOs against motor manufacturers in the pan-NOx litigation which features up to a million claimants and 1,500 defendants.

From a legal perspective, all these developments raise issues of policy construction. As our colleagues in Dubai have pointed out below, the losses from April's intense rainfall impacts reinsurance aggregation clauses as well as highlighting issues on surrounding the scope of underlying policy extensions.



How will 2025 shape up?

If anyone thought that after 2024, 2025 would enter stage left quietly, think again. 2025 is definitely here. In our view, some of the expected highlights will be:

1. Trump:

The Trump presidency has promised a rapid end to the wars in Ukraine and the Middle East. That outcome is to be hoped for but there must be a significant degree of scepticism as to how close we are to a long-term solution to these conflicts. Both wars have inflicted huge human suffering and misery. They have also, however, severely tested the insurance market and, in particular, the concept of 'war' for insurance purposes in the context of asymmetrical conflict and the involvement of unacknowledged non-state actors. Wordings at the insurance and reinsurance level will continue to be tested against these concepts across a wide range of classes.

2. Conflict:

In the meantime, instability is encouraging more instability and there is clearly potential in 2025 for further conflicts – whether in Taiwan, Greenland, Iran, Panama, Mexico, the Baltic states or elsewhere. These may range from outright war, through some lesser form of overt state military action, to acts of sabotage (both physical and electronic) and the use of proxy forces. Escalations in any of these areas could impact several insurance classes. For example, the disruption of trade through the Panama Canal could impact risks including cargo interests, political risk and business interruption. The difficulty in predicting the form such events may take again highlights how vital it is for wordings to be reviewed and brought up to date so that, as far as possible, both insureds and insurers have the benefit of the bargain which they intended.

At a local level, 2025 will likely just see increasing political disillusionment and division, coupled to economic stagnation.

3. Reinsurance back in the spotlight:

The reinsurance markets are already being tested with the devastating California wildfires, which are already giving rise to complex issues of aggregation.

But aggregation of aviation losses into reinsurance programmes is now gathering pace. We anticipate issues over event, hours clauses and proximity will be again at the fore as reinsurers grapple with the settlements that some carriers are now passing through to their reinsurers. Inevitably, some of those matters will turn to disputes but we anticipate the aggregation of aviation losses to be a theme continuing throughout 2025 and into 2026.

4. Technology:

In the meantime, regulators around the world are running to keep up with the pace of change. The EU has introduced new regulations around AI and there are specific regimes around the management of information in jurisdictions such as France and Italy – which our colleagues in Paris and Milan discuss below. This will also be against the backdrop of "big tech" clearly getting closer to the Trump administration.

Separately from the Cyber, AI and GenAI areas, technology continues to advance at pace bringing with it changes to risk profiles. For example, energy insurers will continue to face the challenge and opportunities afforded by the transition to clean energy and technological advances and our energy team is ideally placed to assist in this regard.

All of these developments have the potential to impact different classes of business in different jurisdictions in different ways. To reflect this, we have set out below some comment from our different teams in the London office, and from offices overseas, on the year ahead as seen from their specific perspective.

DWF Global Risks News

Over the past 12 months, the team has grown significantly, in line with our stated ambition to bring together the best insurance specialists in the world, all working together to provide the best service to our clients.

Here are some 2024 highlights:

London – Marine, Energy and Property expansion

The team has had a busy year and has underlined its commitments to growing its established marine, energy and property practices:

- Partners Gary Walkling and Franco D'Andrea joined (from RPC and Clyde & Co respectively) our leading energy practice;
- [Viran Ram](#) joined from Clyde & Co to expand our UK property capability;
- We have reached an agreement to recruit a marine team from Kennedys, comprising partners Chris Dunn, currently head of Kennedy's marine practice, Mark Lloyd, Michael Biltoo and Jonathan Evans, all based in London. The team specialises in marine insurance litigation including coverage disputes and recovery actions, charterers' liability claims, reinsurance, commodities and international trade disputes. They have acted on some of the market's most complex and high-profile claims, and they have extensive experience of ICC, LCIA and LMAA arbitrations.

The team has also made a number of internal promotions: Ben Crook and Carly Gray were promoted to Partner. Ben specialises in property damage claims, and Carly specialises in political risk/trade credit and energy claims. The team also promoted Jennifer Kleiser and Lucy Taylor to Director.

Australia

We recruited the London Market team of Australian law firm, Hall & Wilcox and will result in nine partners joining Matt Dudakov and his team. [DWF strengthens Australian insurance offering with Hall and Wilcox hires | DWF](#)
Michael Cooper (a Director in the UK team) also relocated to Australia to work alongside Matt Dudakov.

Canada

The completion of the acquisition of Whitelaw Twining in Canada and the addition of a fourth location in Canada joining forces with Bélanger Sauvé insurance team in Montreal. [Whitelaw Twining set to add fourth location in Canada | DWF](#)

Ireland

James Colville joined us in January 2025 as Head of Insurance in Dublin and managing partner of the Dublin office in January 2025. James brings a wealth of experience to his new role, having qualified, trained, and worked in both England and Ireland with firms such as Greenwoods, Eversheds, and DAC Beachcroft. [DWF announces new Head of Insurance in Dublin | DWF](#)

Poland

We welcomed three new partners into the Polish office. The new additions bring a wealth of experience and are highly regarded as one of Poland's leading M&A and regulatory practices for insurance and financial services. The team is also recognised for its expertise in intellectual property, media, technology and energy. [DWF welcomes Warsaw team from Hogan Lovells | DWF](#)

Hong Kong

DWF's affiliation with Hauzen in Hong Kong continues and we are pleased to welcome Caroline Thomas to Hauzen. Caroline is an established insurance and marine lawyer and arbitrator and was formerly with the Hong Kong insurance regulator.

MENA

Our Global Risk Team in the Middle East is now a 5 partner offering with the promotion of Alex Kelsall in Doha to Partner. Alex specialises in construction claims and has many years of experience in both insurance litigation and arbitration.

The view from London



Cyber

As ever, change will continue apace in cyber insurance. Technological changes will affect organisations' risk profiles and facilitate new forms of attack. Legal changes will affect the regulatory burden on organisations and the class action landscape. New entrants and new capital will enter the market.

Artificial Intelligence ("AI") will continue to attract a lot of attention. Governments are plainly concerned about its unchecked use. Claims have already emerged in relation to AI developers' use of copyrighted material. And regulators are expected to facilitate closer alignment between governments with regarding the use of AI. In the UK, the priority is to regulate the most powerful Global Partnership for Artificial Intelligence ("GPAI") models. We await further guidance on this.

AI is not just a potential tool for good. In 2024 an assessment by the National Cyber Security Centre (NCSC) found that the most recent AI technology was likely to increase the volume of cyber-attacks in 2025. In a two-part podcast series last year we explored the complexities and ever changing world of cyber incident response and how cyber threats have continued to evolve.

The Cyber Security and Resilience Bill is a response to cyber-attacks on government institutions. It extends existing regulations to more digital services, the regulator's powers and reporting requirements. The UK government is also proposing to legislate for ransomware attacks and payments. A consultation published on 14 January 2025 is examining (i) banning ransom payments by public authorities and providers of critical national infrastructure (ii) requiring other organisations to notify the authorities before they pay ransoms (iii) reporting ransomware attacks above a particular threshold. These proposals raise interesting questions. What will victims do if they are unable to restore their systems without paying a ransom? Will threat actors 'migrate' from sectors where payments are banned to those where they are not? What will happen if an organisation notifies authorities of an attack and comes under pressure not to pay?



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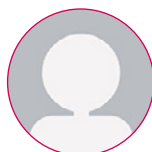
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Energy

2024 saw the energy sector navigating an ever-changing landscape, and 2025 will be no different. Geopolitical instability, the accelerating energy transition, and technological advancements create both challenges and opportunities for insurers and their clients.

As expected, 2024 saw further investment in renewables. The International Energy Agency reported that global clean energy investment was expected to exceed USD 2 trillion for the first time in 2024. Carbon capture, battery energy storage systems, and hydrogen remain a focus for new technology. The construction of interconnectors is also said to have boomed, enabling countries to share energy resources and ensure energy security. We anticipate that 2025 will see much of the same.

Further pledges were made at COP29 in November 2024, perhaps most significantly the pledge that "all actors" would raise at least \$1.3 trillion per year [for what?], with developed countries delivering at least \$300 billion per year to developing countries, by 2035. The UK Government has also pledged to decarbonise the UK's electricity system by 2030, with support from the new publicly-owned energy company, Great British Energy (though the viability of this has been questioned).

In keeping with its net zero targets, England made history in September 2024 when the last coal-fired turbine was closed. As the world moves away from fossil fuels, wind (onshore and offshore) and solar continue to represent a significant proportion of global energy generation worldwide. However, there has been much discussion about the need for a diverse range of energy sources to ensure energy security. Noteworthy construction projects in 2025 include Hinkley Point C (the UK's first 'new generation' nuclear power station), the NEOM Hydrogen Project in Saudi Arabia, and the Eastern Green Link 1 (a sub-sea 'electrical superhighway' between East Lothian, Scotland and County Durham).

Much like in previous years, natural catastrophes in 2024 (hail, flooding, earthquakes and hurricanes to name a few) resulted in significant claims in relation to energy infrastructure. Risk modelling will need to account for climate change impacts. Parametric insurance solutions are likely to be considered by insurers and their clients as a way to manage weather-related risks going into 2025.

Finally, 2025 marks the 25th anniversary of WELCAR 2001, which remains the standard wording for offshore construction projects worldwide. Rumbblings of WELCAR 2.0 and WINDCAR continue into 2025, as insurers develop new products and facilities and adapt existing wordings to meet the demands of new technology, both in construction and operational phases.



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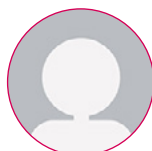
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Excess Liability

The DWF Excess Liability team continues to work with Insurers and US coverage counsel in relation to the liability and coverage issues arising from the US Opioid Litigation and PFAS Litigation. Those issues include:

1. whether damages for the general public harms of opioids or PFAS can be claimed against defendants in the respective industries via the legal theory of public nuisance;
2. whether such damages are "on account of" bodily injury and property damage; and
3. the application of "expected or intended" exclusions, "known loss" doctrines and reckless/deliberate conduct, given the state of industry knowledge of the dangers of their products.

The team focuses on two recent classes of mass tort litigation which follow the same pattern, and raise many of the same issues, as the Opioid and PFAS litigation, but threaten even larger potential exposures to the insurance industry.



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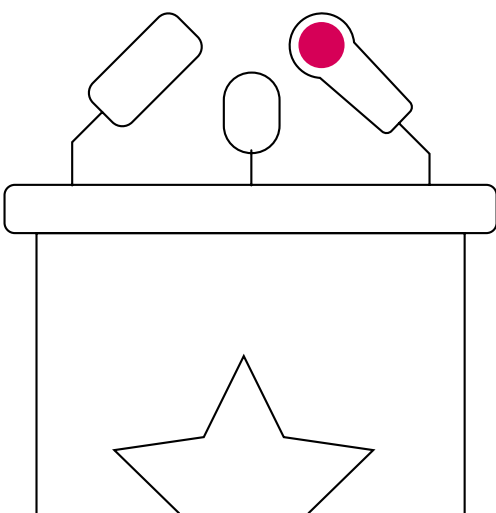
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Climate Change Litigation

Starting in 2004, the US Courts have seen first a trickle, then a rising tide, of climate change litigation by states, counties, cities and other local authorities against fossil fuel producers alleging that their deceptive marketing practices contributed to the costs of climate change and seeking to recover damages in respect of the harms caused.

These claims largely follow the Opioid and PFAS model in that public nuisance is the main legal theory that makes it through the case management stage. Some 40 such claims have been issued in total since 2004, with the majority in the last 6 years, however Multi District Litigation ("MDL") status has not yet been granted.

Coverage issues arising from this litigation include whether an "accident" includes reckless conduct and the application of pollution exclusions to greenhouse gases – an October 2024 decision of the Hawaii Supreme Court in *Aloha Petroleum v National Fire* found against insurers on the first point and in favour of insurers on the second, but that is unlikely to be the last word on the subject.

Social Media Litigation

A Multi District Litigation ("MDL") Order, *In Re Social Media Adolescent Addiction* has been granted by the US District Court for Northern California against the likes of Facebook (Meta), Snapchat, Google, and Tiktok (Bytedance). Plaintiffs have alleged that the defendants' social media platforms are defective because they are designed to maximise screen time, which can encourage addictive behaviour in adolescents. As alleged, this conduct results in various emotional and physical harms, including death.

The claims include:

1. Individual bodily injury claims by adolescents alleging direct harm from social media;
2. Claims by school boards in public nuisance claiming in respect of the general harms to the student body and the school teaching environment; and
3. Claims by state Attorneys General which largely mirror the school boards claim.

The litigation is still in case management, but pre-trial orders have been made for discovery and expert evidence due this year, marking the first time that "Big Tech" has been made to disclose the intentions and thought processes behind their product design.

FI / D&O

Social and environmental issues are driving increasing litigation against directors and officers, especially in the mining, pharmaceutical, and manufacturing industries. Of growing concern has been US-style securities litigation, backed by litigation-funders seeking significant returns, gaining a foothold in England and Wales. However, recent developments have emphasised the significant hurdles which have limited such litigation to date.

In 2021, *Lloyd v Google LLC* [2021] UKSC 50 appeared to throw the doors open for representative proceedings - where a claimant sues on behalf of an identically situated "class". Representative claims involve a bifurcated procedure of a first trial on issues common to the group (such as breach by the defendant of the relevant duty or statute), leaving individuals to pursue a second trial on individual issues (such as reliance, losses) with the benefit of the findings in the first trial.

In 2024, the English Court of Appeal considered a case (*Wirral Council v Indivior plc* [2025] EWCA Civ 40) involving the first time representative proceedings had been attempted for securities claims under ss.90, 90A and Schedule 10A of the Financial Services and Markets Act. These provisions broadly concern misrepresentations in company prospectuses and published material, and open companies up to claims by all shareholders who suffered a loss as a result (similar to securities class action in the US). The case concerned the loss in stock value experienced by shareholders of the defendant companies after the US Department of Justice issued indictments concerning an illegal scheme to extend market exclusivity over opioid Suboxone. After success in litigating the circumstances in the US, litigation funders turned to England to try to capitalise in a similar manner. However, the judge at first instance exercised his discretion to strike the representative

proceedings, holding that they were contrary to the Overriding Objective (dealing with cases justly and at a proportionate cost).

In 2025, the Court of Appeal upheld the judge's decision to strike the representative action. Although sufficient to claim damages in the US, Market/Index reliance (i.e. not relying on company publications, but more generally that the share price and value were accurate at material times) was not sufficient in establishing corporate misrepresentation in England and Wales (per *Allianz Funds Multi-Strategy Trust and Others v Barclays PLC* [2024] EWHC 2710 (Ch)). The lack of progress in particularising the type of reliance asserted by the claimants was unfairly inflating the class size, potentially allowing liability to be established without any idea of the number of claimants who had a legally-permissible claim. Ultimately, courts maintain discretion to ensure that litigation fairly addresses the interests of all parties, and exercised it here to prevent litigation funders from manufacturing access to justice considerations by refusing to fund certain classes of shareholders in anything but a representative claim.



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Marine Insurance

Sanctions

Financial sanctions continue to create problems for ship owners, operators, financiers and insurers. The maze of UN, U.S., EU and UK sanctions may impact voyage routes and deliveries with potentially serious ramifications. We do not expect this position to change in 2025 which seems set to be a year of increasing geopolitical instability. Indeed, since taking office on 6 January 2025, President Trump has already threatened Russia with additional sanctions if the war in Ukraine continues.

In the circumstances, Marine Insurers should continue to review their exposure to thematic regimes, even if they are operating in a jurisdiction not subject to a geographic regime. Illicit activity could occur across multiple sectors involved in the maritime industry. Organisations that may be particularly exposed to financial sanctions risk are Marine Insurers, charterers, classification societies, suppliers of cargo, customs and port state controls, flag registries, ship brokers, ship owners, bunker suppliers, shipyards, financial institutions involved in maritime trade finance.

It is essential to carry out appropriate due diligence measures to manage risks. Compliance teams should be well trained and programmes must be well resourced and proportionate to the risk. It is crucial to communicate compliance expectations with counterparties, partners, subsidiaries, and affiliates in line with local regulations. Marine Insurers should develop, implement and adhere to written, standardised operational compliance policies, procedures, standards of conduct, and safeguards. All compliance programmes should specify that engagement in sanctionable conduct, transacting with designated individuals or entities, for example, may result in immediate termination of business or employment. Insurers should make sure that their sanctions compliance programmes are routinely audited by qualified third parties and legal advice is sought where appropriate and necessary.

Our highly experienced team here at DWF has been assisting insurers navigate sanction regimes for many years and is well positioned to continue to do so in the future.



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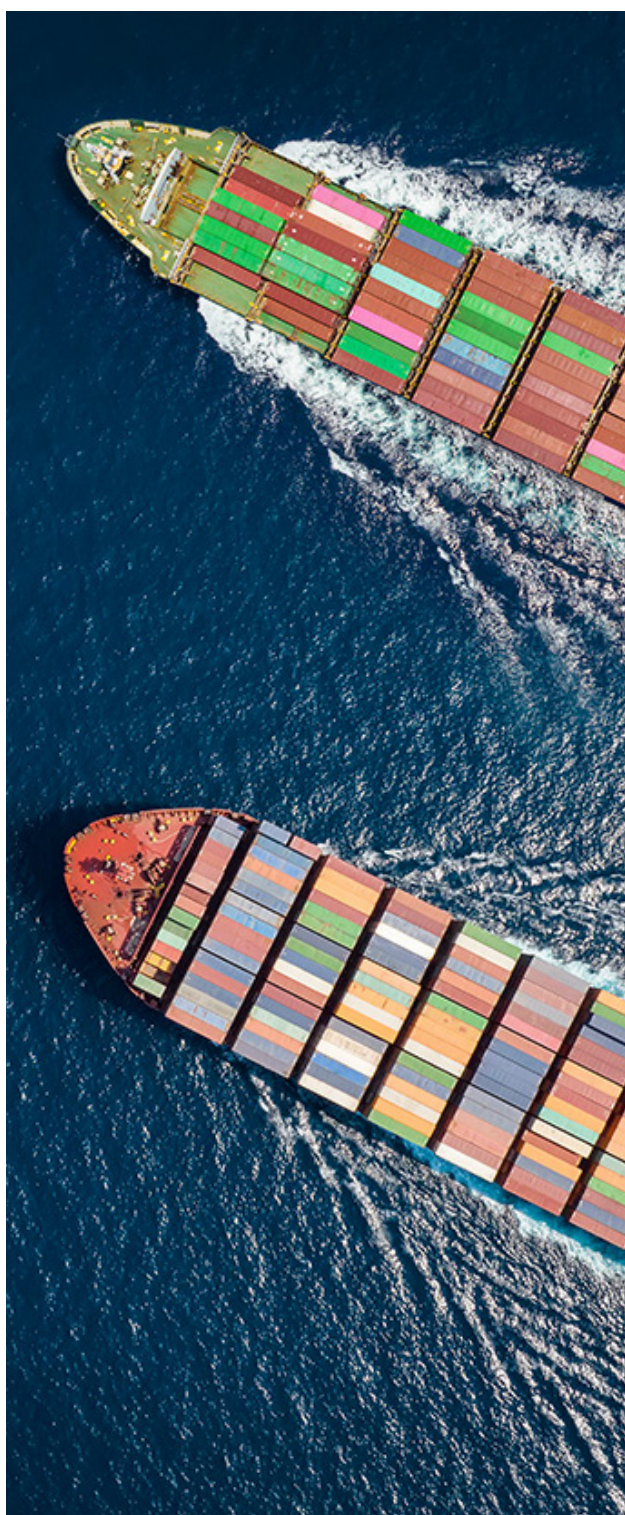
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Political Violence, Political Risk and Trade Credit

Much of the focus in late 2023 and early 2024 from PVPRTC insurers was on the historic number of elections taking place through 2024. According to the Armed Conflict Location & Event Data team (acleddata.com) there was a 63% increase in political violence events in countries hosting an election and only a 21% increase in countries without elections². However, none of the elections appear to have triggered significant mass protests or armed violence (such as insurrection or rebellion). Rather, 2024 saw the continuation of pre-existing conflicts, notably in Ukraine, Israel and the wider Middle East and Myanmar. Worrying trends persist in Mexico, where the new Sheinbaum administration has so far been unable to restrain cartel criminality. Trade restrictions from the new Trump administration in the US are likely to further hit both Mexico and broader Latin America, with negative implications for the whole region.

In July head of DWF's PVPRTC team, David Abbott, appeared on the DWF podcast 'Risk Matters'³ with Ukrainian lawyers Igor Krasovskiy and Olena Savchuk from Integrites and underwriter Nick Hedley. During the podcast David, Olena, Igor and Nick discussed the limitations for insureds of PV insurance in circumstances where insured property is on land overrun by a hostile military but not damaged in the process. After that discussion, the Commercial Court handed down judgment in *Hamilton v Afghan Global Insurance*⁴, where the court found that material held in Afghanistan and lost to the Taliban following the withdrawal of US forces in 2021 had been seized and was therefore excluded from cover under the AFB PV wording. A second topic discussed was the need for more support from the global insurance industry for PV insurance for development in Ukraine to allow investors to build with confidence. It is therefore a welcome development that broker McGill & Partners has launched a commercial property war risk reinsurance programme with cover up to USD50m⁵.

For Political Risk insurers in 2025, many eyes will be on the new Trump administration and its approach to Russian sanctions. Insurers have had to grapple over the last three years with an expanding web of sanctions that have restrained claim payments and hindered subrogated recoveries.

For Trade Credit Insurers, the saga of Basel 3.1 implementation continues. The PRA has confirmed the UK will not deviate from Basel rules and the accompanying reduction in capital relief offered by trade credit insurance to British banks. Further, while the EU Commission has not yet taken a formal view, the EBA report from October 2024⁶ that also recommended no deviation from Basel rules suggests Europe will follow the UK in this regard. Industry analysts are suggesting these decisions will reduce credit insurance purchases, particularly on stronger corporate debt⁷.



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Professional Liability

The scope and nature of the duties owed by a professional person to his or her clients continued to engage the courts in 2024. In *Miller v Irwin Mitchell LLP* [2024] EWCA Civ 53 and *Niprose Investments Ltd v Vincents Solicitors Ltd* [2024] EWHC 801 (Ch), the court considered the scope of a solicitors' retainer, and the extent to which a client's sophistication (or lack of sophistication) can impact upon the nature of that retainer. The decisions are not entirely consistent, and we expect issues concerning the scope and nature of retainer to continue to be the focus of litigation in 2025 and beyond.

More widely, we expect economic pressures, and the Covid 'hangover', to continue to contribute to an increase in the frequency, complexity and value of claims against professionals. Covid-related claims against professionals have been relatively few but that may change following the appointment of a 'Covid Corruption Commissioner' with a focus on recovering funds following fraud.

Regulatory and legislative changes, especially around ESG issues, will heighten compliance burdens and may lead to more claims. An increasing focus by corporates on client change and sustainability issues may result in more claims against consultants and other professionals relating to inadequate advice or actions. The rise of cyber threats, including data breaches and ransomware attacks, and the impact of AI, all pose significant challenges for professionals, with each profession facing unique challenges and risks.

The conduct of professionals – both inside and outside of the office – also continues to be the subject of intense scrutiny by regulators, particularly in the finance and legal sectors, leading to more claims of misconduct or action by professional regulators. With the SRA announcing that it expects to take action this year in relation to the Post Office scandal, we expect the conduct of professionals, and advice given by professionals, to be under the spotlight.

FSMA- regulated professionals will be considering the impact of the FCA's recently published review of the ongoing advice charges; and we also expect to see claims for secret commissions increase following the recent Court of Appeal judgment in *Johnson v FirstRand Bank Limited*, *Wrench v FirstRand Bank Limited* and *Hopcraft v Close Brothers* [2024] EWCA Civ 1106, which will have application outside the motor finance arena. There are concerns the FCA will take a more interventionist approach to commission disclosure practices across other financial products. The FCA also continues to focus on consumer duty and targeting behaviour that is not producing good outcomes for consumers – see for example the recent Dear CEO letter to SIPP providers putting pressure on them to resolve complaints at FOS. We may, though, be about to see a significant shake-up of the way in which claims against FCA-regulated professionals are handled. Following Rachel Reeves' Mansion House speech, the FCA and FOS have issued a joint request for input on modernising the redress system, particularly in relation to 'mass' redress events. The call for input recognises the impact that mass redress events like PPI have had on the financial services sector. This is welcome news as it has been long thought by many stakeholders that the FOS jurisdiction is out of control, with non-legally qualified investigators and ombudsmen being able to award redress in excess of £400,000. The introduction of fees for CMCs bringing claims to FOS should also, we hope, drive out claims without merit. For accountants and tax advisers, significant numbers of claims may yet arise as a result of HMRC's ongoing investigations into the misuse of Research and Development Tax Credits. The changes in the most recent budget may lead to claims against accountants – particularly in relation to non-dom status, IHT and CGT reliefs. However, the budget is also good news in that some budgetary changes, particularly in relation to tax, may have the effect of reducing the value of some claims against professionals.





For construction professionals, cladding remains a critical issue, both ongoing cladding claims generally, and developing of arguments based on the Final Report from the Grenfell Inquiry. The Supreme Court will be considering the extent of duties owed under the Defective Premises Act 1972 between the project team, and the accrual of a cause of action in tort. We expect to see further claims brought under the DPA in light of the extended limitation provisions for such claims introduced by the Building Safety Act 2022 and in light of *Vainker v Marbank* decision which confirmed that contractual limitations will not impact on liability under the DPA. We also expect to see further actions brought under the new provisions of the Building Safety Act 2022 – in particular applications for Building Liability Orders and how the courts will interpret the criteria as to whether a proposed claim under the extended retrospective limitation period would infringe the rights of the potential defendant and be "unfair". There remains significant confusion/lack of awareness across the construction professions as to the mechanics of the new dutyholder regime under the BSA and, in particular, we can foresee claims for project delay arising if insufficient/inaccurate information is provided to the Building Safety Regulator with the result that the project does not make it through the Building Regulations approval "gateway" to allow it to progress.

Finally, the Civil Liability (Contribution) Act 1978 and the Third Party (Rights Against Insurers) Act 2010 continue to give rise to difficult and perhaps counterintuitive authorities when applied to claims against professionals. The decision in *Riedweg v HCC International* [2024] EWHC 2805 has caused significant concerns for insurers as it challenges their ability to seek contribution from third parties when they are sued under the Third Parties (Rights Against Insurers) Act 2010. The court ruled that insurers are not liable for the "same damage" as their insured, complicating the process of apportioning liability and recovering costs from other potentially responsible parties. This decision limits insurers' options for mitigating their financial exposure in cases involving insolvent insureds.



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Property

As we highlighted in our introduction, although the property market is slowly recovering from the effects of Covid-19, 2025 will still be busy with some cases on outstanding issues or ones that are being reconsidered (such as non-damage denial of access clauses). The consequences of recent Court of Appeal decisions on 'At the Premises' disease clauses (LIEC v Allianz) and composite policies (Liberty Mutual v Bath Racecourse Company) will continue to be felt into 2025 given the backlog of cases waiting on those outcomes. In some rare good news for insurers, the issue of whether they can deduct the value of furlough payments from any indemnity paid to policyholders has recently been determined in their favour, for the second time. We also expect a number of disputes focusing on individual cases (mostly quantum and proof of losses) rather than points of principle.

Looking beyond Covid-19, we have listed below some of the things we think will continue to impact property insurers:

- The current economic conditions, increased borrowing costs and changes to the NIC regime in April will continue to pose a real challenge to insured, particularly SMEs:
 - We expect to see an increased focus on policy validity/coverage, particularly for SMEs, who may be tempted to reduce insurance costs by curtailing cover;
 - The continuing mid-inflationary environment may continue to catch out many businesses who remain under insured. This is likely to impact the retail and hospitality sectors specifically.
- Further focus by insurers in the law of causation following on from decisions such as Brian Leighton, University of Exeter and the extension of the UKSC analysis in the FCA test case from radius clauses to ATP clauses by the Court of Appeal.
- Insurers continuing or increasing their focus on subrogated recoveries as a way to improve the performance of their property books.
- As the electric vehicle market continues to expand, increased awareness and scrutiny in relation to fires caused by lithium-ion batteries in electric vehicles.
- Insurers focusing on scope of cover in relation to natural disasters caused by climate change and extreme weather events.



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2024 saw the start (in October) of a twelve week trial to determine liability in relation to over 400 planes stranded in Russia since the invasion of the Ukraine in February 2022. Whether or not the lessors benefit from cover (and if so whether it is the 'all risks' or the 'war risks' cover that should respond) remains to be determined, but liabilities have already begun to crystallise for reinsurance purposes with settlements gathering pace. As with any significant loss event discussion around the aggregation of claims will be extensive, echoing the debate around Covid-19 losses and the extent to which it can be argued the pandemic was an event/occurrence/catastrophe. It will be important to analyse case law - both historic and more recent - and the specific facts around the losses incurred to reach a landing on the appropriate loss presentation for the wording engaged.

And planes are not the only topic to reignite the aggregation debate; the potential issues around exposure to cyber risk were brought to the fore following the failure of CrowdStrike's security software in July 2024, triggered following a software update and touted as the largest IT outage in history. The losses that followed were significant and wide-reaching, with airports, airlines and financial institutions all affected and traditional loss-limiters such as geography or business line having no application.

Where estimates put around 50% of cyber premiums ceded to the reinsurance market, its importance to this rapidly developing world should not be underestimated, with interest in insurance-linked securities and cyber bonds growing in line with perceived risk. As work on cyber realistic disaster modelling advances - with early findings pointing to a reinsurance market able to absorb a systemic event (the result of a sprawling software supply chain or malware capable of self-propagating), with more targeted loss events much less of a threat in terms of (insured) losses - there is no room for complacency where research suggests that 80% of companies plan to integrate AI into their operations. And this is a risk that crosses class boundaries; those evaluating D&O exposure (for example) should be wary of the perils of 'AI-washing' - with the SEC recently charging a start up with fraud following baseless claims that its AI technically could be deployed to identify specific candidates to fulfil diversity, equity, and inclusion hiring goals - and potential issues around whether generic cyber exclusions apply, traditional limits remain fit for purpose and the scope for multiple policies to respond.

We must wait and see how traditional and well known legal concepts around aggregation, developed since the 1970s, will adapt to risks not even contemplated when the relevant judgments were handed down, but recent events have shown that the Courts are willing and able to tackle a fresh challenge and we look forward to reporting on what comes next.



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Speciality Lines

The speciality markets are also not immune from change. Events, festivals, concerts are getting bigger and bigger, but new risks are also emerging.

Contingency

In an environment in which promoters and artists are seeing events cancelled, postponed or suffering reduced attendance in the face of increased activism and 'cancel culture', the relevance of 'proximate cause' to the application of both initial cover and exclusions has seen renewed scrutiny.

DWF grappled with some of the issues arising in our March 2024 Breakfast seminar, but with focus shifting to wordings offering cover for death and disgrace and mental health consequences, as well as exclusions around lack of care/prudent behaviour and reduced attendance not proximately caused by an insured peril (already much debated in the context of loss-making events), there is still much to be discussed; watch this space for a confirmed date for DWF's next Speciality Breakfast Seminar and the chance to do just that.

We have also seen increased activity on terrorism policies, which often sees extensions for active shooter. As recent events in Sweden show, this is not something that just happens in the US. Mass shooting events at large scale gatherings continues to be a concern. In addition, tour schedules seem more tightly packed than ever. The public's appetite for live events sees no signs of abating in 2025, which whilst good for premiums and the artists and their management, brings with it increased risks of more mental health related claims and burn out.

Sport and Personal Accident

Across multiple sports the nature of injuries is changing. Rule changes to prevent concussions/CTE (like heading bans for younger children) football and stricter concussion protocols in the NFL) have been introduced to try to reduce those kinds of injuries. The litigation against the Welsh Rugby Union and World Rugby, alongside football actions, is still ongoing with no clear date for a trial.

However evermore demanding scheduling to meet commercial demands and the inescapable fact that athletes are generating great and greater force through increased speed and strength, means that soft tissue and ligament injuries to limbs will only continue to rise in 2025 as they have done recently. This is likely to lead to an increase in claims by athletes across a range of sports. It is well reported that in women's sport the risk of certain injuries like ACL tears is far higher. There is much debate over the cause of this, with some biological factors such as bone structure put forward as well as the obvious economic factors (e.g. male athletes often have better access to nutrition and facilities). The simple fact is that the take up on career ending insurance for female athletes is increasing, and as it does, so, the established medical understanding will be exploring uncharted territory.

E-Sports: The E-Sports scene is relatively new but is already a multi-billion dollar global industry, with many household names investing huge sums into setting up teams to compete on various platforms. Whilst the risk of injury is certainly more limited, very recently high profile players worth millions to their employers have suffered hand injuries. Carpel tunnel, repetitive motion and eye issues are amongst the most common risks. As the industry grows further in 2025, corporations may begin protecting their assets through insurance and stars may begin seeking protection of their own. Specialist hand surgeons may suddenly be in as much need as knee surgeons.



Fine Art

In a year of heightened political and societal engagement, we have seen art as the chosen medium for activists to express their societal, cultural and political opinion. In late 2024, activists threw tomato soup over two Vincent van Gogh paintings mere hours after two activists were given jail sentences for targeting one of the same works of art⁸.

Activists, creative in their cause, have targeted the artwork itself, or secured themselves to the artwork's frames, museum walls or floors. The latter was exhibited by activists who glued themselves to the frame of John Constable's widely satirised and politicised *The Hay Wain* (1821) and covered the painting with their own reimagined version of Constable's idyllic English landscape⁹. Peter Kennard's photomontage of *The Haywain with Cruise Missiles* (1983), created as part of Kennard's Campaign for Nuclear Disarmament in the 1970s–80s, shows that art activism is not new¹⁰; what is new, however, is the measures that museums, galleries, and custodians of art are taking to safeguard their visitors, staff and collections in the most recent wake of art activism.

Equine & Livestock

We are currently working on several cases in the bloodstock and livestock sectors. A common theme we have observed relates to the placement of facultative reinsurance. We have seen multiple disputes where business has been underwritten in many countries with still developing legal systems that are alien to those brought up and underwritten in an English law environment.

Looking forwards an area which may cause issues is the prevalence of disease. Veterinary bodies are currently concerned about the gradual increase in cases and potential for large scale outbreaks of deadly diseases such as West Nile Virus and African Horse Sickness. This may be linked to global temperature increases which could make Northern European territories more susceptible to outbreaks. Insurers and their claims teams should be checking their wordings on disease and vaccination requirements to ensure they provide sufficient cover.

DWF was successful in acting for insurers to restrict the application of the Animals Act 1971 in the case of *Bull v Helps*. DWF was successful in restricting the application of the Animals Act 1971, on the basis that the Defendants did not have active control or possession of the animal at the time of the accident.



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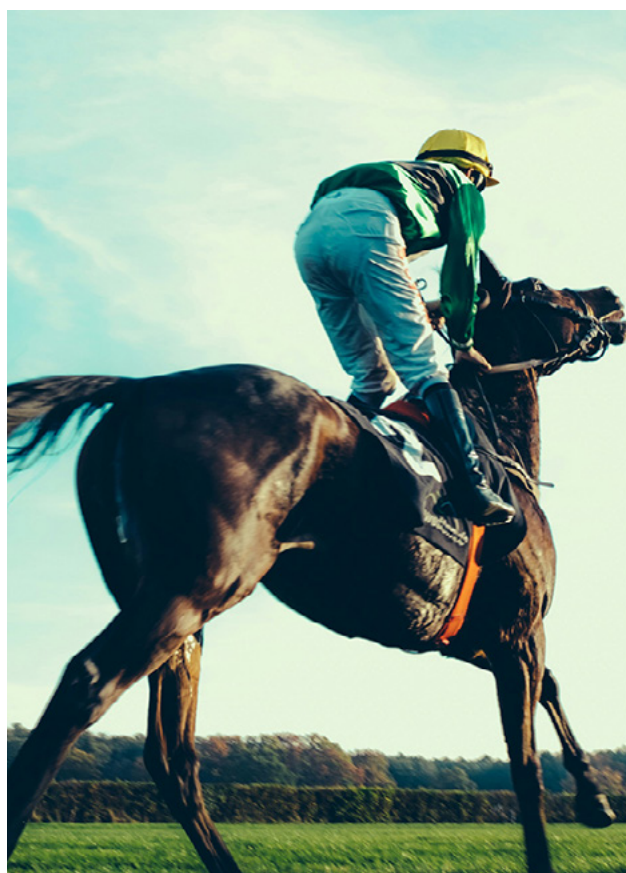
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The view from Europe



Italy

Fighting Fraud

Italy is a growing insurance market, especially in non-life insurance, and many small businesses and consumers remain underinsured against severe risks. It is to be hoped, however, that in 2025 this situation will change because one of the main barriers to insurers investing in the Italian market is about to be removed.

Until the approval of Law no. 193 of 16 December 2024, the only instrument available to prevent frauds in the Italian market was the so-called "Banca Dati Sinistri" information register, maintained by the Italian Institute for the Supervision of Insurance, IVASS. This information register, which has been available historically only for the mandatory third-party motor liability insurance, collects data which can be used for the investigation of fraud. This includes information relating to claims, the parties involved and witnesses. The data basis is compiled from information supplied by insurers and is, in turn, available to all insurers to consult and its benefits are reflected in consistent savings for insurers and for the market in respect of fraudulent claims.

By the approval of the Law no. 193 of 16 December 2024, with the same aim of combating fraud, the Italian Parliament introduced to the market the possibility of setting up, through their national representative (i.e. ANIA), similar data bases for non-mandatory classes of business. These data bases, which will be regulated and supervised by IVASS in compliance with the European and local Data protection Regulations, will be based on information from the participating insurance companies and will represent an important aid in mitigating the risk of fraud in all the classes of business.

Artificial Intelligence

The recent introduction of the IA ACT, consequent upon European Regulation no. 1689/2024, will allow the Italian market to implement artificial intelligence (AI), machine learning, big data and blockchain technologies. This may allow not just the introduction of a more sensitive approach to individual risks, but also the possibility to standardise – some of the – insurers' internal processes and offer to the market products customised on their specific needs.

Geopolitical risks

In our opinion 2025 will see the continued growth of geopolitical risks. The political impact of the USA elections on the Middle East and Ukrainian conflicts remains uncertain and the European insurance market should prepare itself to limit the concentration of the adverse effects of such risks.



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Germany

In 2024, significant market developments have taken place in financial lines, particularly in D&O and cyber insurance. While liability risks for managers have increased further, competition among insurers remains fierce.

Stabilisation of the cyber insurance market

Cyber insurance, which has been under significant pressure in recent years due to rising claims and higher IT security requirements, stabilised in 2024. New providers have invigorated the market and enabled higher coverage amounts and more comprehensive assistance services. This development is being driven in particular by the advance of digitalisation and the increase in cyber attacks on companies.

A prominent case handled by DWF Germany shows the dimension that cyber losses can take. In cooperation with a top 5 insurer, we are handling one of the largest cyber cases in Germany.

D&O insurance in transition

The liability of corporate management is becoming increasingly complex. Stricter ESG regulations, growing demands on compliance and the dynamics of geopolitical events have led to D&O insurance playing an even more central role in corporate risk management. Despite the increased risks, insurers are increasingly offering higher sums insured and flexible multi-year contracts.

In this competitive market environment, which is also highly sought after by lawyers, we were able to acquire another D&O special insurer as a client for the German practice in 2024.

Outlook for 2025

The trends for 2025 point to further consolidation and specialisation in the financial lines sector. In particular, the following developments are expected:

1. Artificial intelligence and IT security: The use of AI in IT security will increase, enabling insurers to develop new products and risk analyses.
2. Tighter regulation: With new requirements such as the AI Act and the implementation of NIS 2, the potential liability of company management will continue to increase.
3. Enhanced coverage concepts: Insurers will offer innovative products that cover hybrid risks such as cyber and ESG violations.



Financial Lines remains a dynamic and challenging segment in which we support our clients with in-depth expertise and a clear strategy. Our work with renowned D&O and cyber insurers shows that we will continue to play a leading role in shaping this market in the future.



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France

The French regulatory authority updates its recommendations on the duty to advise

In its recommendation 2014-R-02 of November 21, 2024, the French regulatory authority (ACPR) provided guidelines to insurance product distributors regarding collecting client information for the duty to advise and providing personalized recommendation services. This recommendation follows the entry into force of the Act of October 23, 2023, relating to the green industry and various controls conducted by the ACPR regarding the duty to advise.

The regulator sets out four series of prescriptions.

The first set deals with the duty to advise before the potential contract underwriting. In this regard, the ACPR recommends implementing "clear, precise, and understandable questions" for example, in the form of logical questioning, and drawing the insured's attention to a potential risk of cumulative insurance. Specifically for capitalisations and life insurance products, the regulatory authority recommends collecting information covering both the insured's family and professional situation, as well as his/her financial situation, which precisely set the underwriting objectives and the investment horizon as well.

The preferences of the potential insured regarding sustainability are not forgotten, as the ACPR also invites distributors to inquire about the prospect's interest and potential preferences in this regard. The exploitation of the collected information, for all insurance products, also requires distributors to identify responses that are manifestly inconsistent or incomplete.

The formulation of advice and information on non-life insurance products requires the distributor to "clearly explain the scope of the coverages and their restrictions" which implies standardised numerical examples of coverage amounts.

The second set of recommendations concerns the scope of the duty to advise after underwriting a non-life insurance contract. In this regard, the ACPR invites distributors to contact the insured periodically to ensure that the policy remains coherent with his/her needs and requirements – which implies, if not, that the distributor proposes to adapt the contract.

In the third set, the regulatory authority issues recommendations on the duty to advise after the life insurance contract underwriting. Among the recommended measures, the ACPR invites distributors, in the absence of any operation for 4 years – or 2 years if a personalised recommendation service has been provided – to contact the insured to update the collected information and verify the contract's compliance with his/her needs and requirements.

The final set aims to ensure that the underwriters have the necessary knowledge and skills to offer a product coherent with the insured's needs and requirements.

The recommendation will come into effect on December 31, 2025.



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The view from the Asia Pacific Region



Australia

Developments in the Australian Market in 2024

2024 brought significant changes regarding indemnity agreements and insurance obligations between contractors, and saw the High Court tighten the leash on vicarious liability in non-employment relationships.

Bird v DP (A Pseudonym) [2024] HCA 41

This decision limits the parameters in which an entity or person could be found vicariously liable for the actions of another in circumstances where an employer/employee relationship is absent. Whilst the decision may have been somewhat surprising, given the recent trends in the United Kingdom concerning the extension of vicarious liability relationships, the High Court has made it clear that any fundamental changes to the law regarding vicarious liability will ultimately be a matter for the legislature, not the judiciary.

Rusbridge v Lake Fox Limited [2024] QSC 279

This case is a timely reminder that clauses pertaining to an obligation to insure are not to be taken lightly. Mr Rusbridge, an employee of the first defendant, Lake Fox Limited trading as Rocky's Own Transport Co ('ROTC'), was injured whilst at the premises of the second defendant, Orica Australia Pty Ltd ('Orica'). Mr Rusbridge brought a claim against Orica which settled for \$228,421.

Orica and ROTC were parties to a contract in which ROTC provided transport services to Orica. Orica claimed that ROTC had breached the contract by failing to affect an insurance policy that provided cover for Orica.

Clauses of the TSA required ROTC to maintain public liability insurance covering ROTC's liability, including to Orica, for personal injury arising from the agreement, as well as to effect insurance that covered Orica as an "additional insured" or extended the benefit of the insurance to Orica for its respective rights and interests. ROTC obtained insurance, but did not identify Orica as an "additional insured" or extend the benefit of the insurance to Orica for its rights and interests, thus failing to meet the contractual requirements.

The court found that the insurance requirement clauses were clear and free of ambiguity, and that a reasonable businessperson would have understood them to mean that ROTC was required to take out insurance policies extending cover to Orica. As the policy did not satisfy this requirement, ROTC was in breach of the contract, and Orica was entitled to judgment in its favour.

Looking forward to 2025

Currently before the High Court we have the case of *Evans & Anor v Air Canada* which highlights the importance of ensuring that limitation of liability provisions need to be drafted as clearly as possible. In the lower courts, at first instance it was found that Air Canada had waived its rights to rely on limitations of liability under Article 21 of the Montreal Convention and therefore, there were no financial limits in respect of death or bodily injury. On appeal, the Court of Appeal overturned this and found that if the relevant rule in *Air Canada's* Tariff was indeed construed to mean that it voluntarily waived its rights with respect to limitations of liability under the Montreal Convention, it would be an unprecedented decision in a century of international commercial aviation. The High Court's judgment in this matter will certainly catch the attention of airlines and their insurers, given the number of international airlines who adopt similar wording in their own Conditions of Carriage.

No doubt 2025 will continue to bring new and exciting changes and challenges for insurers who operate in the Australian market, with new strategies and emerging trends likely to require insurers to adapt to manage any increased risk arising from the court's interpretation of these types of claims. DWF will be there to assist insurers, a task made significantly easier by the new injection of market expertise following the arrival of our new additions from Hall & Wilcox.



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Asia Pacific

Last year reinforced the need for proactive risk management in the face of numerous headwinds and shocks.

- The impact of conflict in the Middle East region on Asia-Europe shipping routes was pronounced with the seizure of the MSC Aries. Prolonged seizures raise questions of whether a constructive total loss has been triggered.
- The declaration of general average by the owners of the Singapore-flagged MV Dali demonstrated that exposure to very large and complex losses, particularly in an era of increasing tonnage, is real.
- A surge in Chinese EV exports fanned the flames of concern about large vessel fires and stressed the need to adapt vessel fire safety to manage battery risks.
- APAC registered the second highest amount of economic losses in 2024 from natural catastrophes, much of which related to seasonal flooding in China but also Typhoon Yagi, and insurers are reassessing whether acute risks should be redefined as chronic risks.

We see many of these key risks and themes continuing into 2025. Geopolitical and trade tensions show little signs of abating, and significant regional natural catastrophes have become a yearly occurrence. The increasing digitalisation of maritime operations creates new risks and enhances existing vulnerabilities, and it will be critical for marine underwriters to stay abreast of evolving trends in cyber-security.

Energy

APAC renewable energy grew rapidly in 2024, led by a record-setting year for China which saw installed solar and wind power capacity increase 45.2% and 18% respectively. Nascent industries for offshore wind are also emerging in Japan and South Korea with ambitious growth targets.

Heading into 2025:

- The APAC wind market, which is a leading if not the largest one in the world, faces supply chain risks brought by trade tensions and export controls heading into 2025 which expose ongoing projects to disruptions and increased costs.
- Solar panels and wind turbines also face failure risks arising from the effects of climate change, while natural catastrophes loom over offshore installations.
- Marine and energy markets, already well-connected, will likely increase their interplay as specialised vessels, such as jack-up and floating installation vessels, are needed to fuel the highly competitive offshore renewable market in APAC.
- Geopolitics also threaten to place the import and export of critical minerals and other commodities at the fore of trade tensions and compliance. This could create an uncertain, if not volatile, risk environment moving forward, leading to certain goods becoming quickly detained at port.



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The view from Dubai & MENA



Dubai & MENA

2024 saw Nat Cat issues come to the fore in a very prominent way. Whilst the region is not immune to Cat damage, historically this has been focussed in Saudi and Oman. The heavy rainfall in Dubai in April 2024 was an almost unprecedented weather event, but insurers and reinsurers as well as insureds have been grappling with how much of the damage was avoidable. This has led to a variety of coverage claims which have brought into focus policy wordings. Aggregate limits, deductibles, and extensions have come to the fore in a manner rarely seen before. There has also been an uptick in the recovery of claims contemplated against property owners, building professionals, developers and their insurers following the heavy rainfall.

There are an increasing number of disputes across the region between reinsurers and their cedants which will continue into 2025. Historically these types of disagreements would be quickly resolved but more recently parties are becoming entrenched in their positions, with disputes now escalating. The regional tensions arising from the events of October 2023 continue to impact the insurance market. From attacks on shipping which have driven up the war risks rates and placed a substantial operational burden on ship owners to the increasing number of cyber related attacks on business which often go unpublicised.

The insurance hub in Dubai continues to grow. Not only in the form of new risk carriers entering the market through the DIFC but also with significant investment in the broking and loss adjusting spheres. Whether 2025 will usher in the long predicted M&A among regional insurers remains to be seen.

DWF is a founding member and major sponsor of the Middle East Energy Conference (MEECON). The first edition of MEECON, where partners Brian Boahene and Victoria Clucas were heavily involved in the organisation committee, was held at the Waldorf Astoria on 10 October 2024. MEECON 2024 was sold out and the reception hugely positive. Guest speakers included industry experts in hydrogen and solar, prominent underwriters and claims handlers as well as insureds from across the energy spectrum. We are now involved in some of the largest natural gas, oil and energy claims in the region and expect the growing demand for energy infrastructure to lead to further instructions from both the local and London market. Keep an eye out for MEECON 2025 which will take place in Dubai on 23 October 2025.



We continue to see demand for cooperation and coordination between Dubai and markets in East Asia, particularly Singapore and Hong Kong. DWF now has David Fung in place in Hong Kong. David is a Registered Foreign Lawyer in HK and has been supported by Brian Boahene and Bill Evans, partners in Dubai. We have seen instructions relating to a diverse range of events such as lithium battery fires, turbine damage and anchor drags. Lithium battery fires in particular are an area we are seeking to explore with insurers, especially given our global network of offices and expertise in East Asia.



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The view from Canada



The view from Canada

In 2025, the Canadian insurance landscape is witnessing significant shifts, particularly in the areas of cyber risk claims, abuse litigation and catastrophic property losses due to climate change. Canada will also be dealing with the aftermath of the receivership of the Canadian MGA TruStar.

Cyber risk claims have become increasingly prevalent as cyber threats grow more sophisticated. The average cost of a data breach has reached an all-time high. Insurance providers are now placing greater emphasis on preventative measures, such as mandatory multi-factor authentication and regular security training for employees, to mitigate these risks.

Abuse claims have become a critical issue for insurers, particularly in the context of institutional abuse. These claims often involve complex legal and emotional factors, requiring insurers to navigate sensitive situations while providing adequate coverage and support to victims. The legal landscape surrounding abuse claims is evolving, with courts increasingly recognizing the rights of victims and holding institutions accountable for their actions.

Catastrophic property losses arising from climate change, such as forest fires and ice storms, are another major concern for the Canadian insurance industry. The frequency and severity of these events have increased, leading to higher claims and greater financial strain on insurers.

In late 2024, a Canadian MGA, TruStar, was petitioned into court supervised receivership because of evidence that its then president had (1) collected premium for policies (2) issued fraudulent policies and (3) kept the money himself. While TruStar did place some risks with genuine insurers, some were never placed, resulting in insureds not having any coverage. Many of the fraudulent policies were purported to be issued through the Lloyds market. As a result, we expect to see more stringent auditing and vetting of MGA's by the London market in Canada and increased regulatory scrutiny over MGA's and other insurance intermediaries in Canada.



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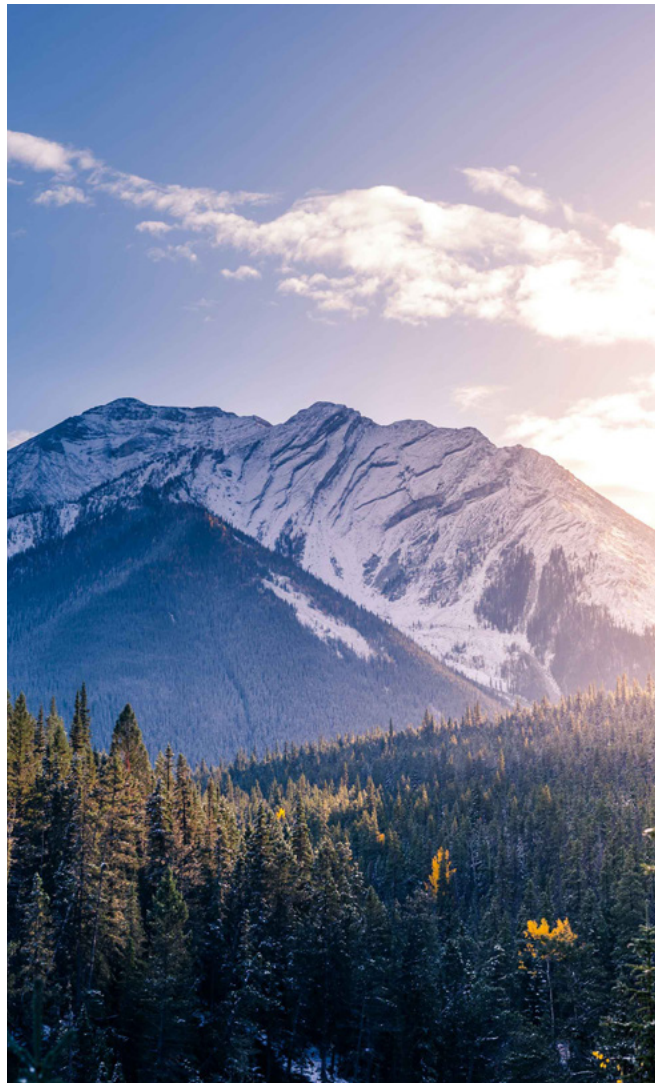
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Construction

There were significant developments in the Canadian construction sphere in 2024, especially concerning wrap-up liability, an increase in insolvencies, and the looming threat of anticipated tariffs between Canada and the United States.

- The British Columbia Court of Appeal recently affirmed a decision affording wrap-up liability coverage to off-site suppliers of materials utilised in a project. The decision contributed to an increase in potential exposure to wrap-up underwriters as the Court endorsed an expansion of what types of entities may be afforded coverage under a wrap-up policy.
- Further developments are expected in the wrap-up sphere as the Canadian Courts continue to assess the scope of wrap-up coverage. We await to see if other Canadian jurisdictions follow the British Columbia Court of Appeal in endorsing an expansion of the previously understood scope of wrap-up coverage.
- The significantly integrated supply chains between Canada and the United States suggest proposed tariffs and anticipated counter-tariff measures may significantly increase project costs. These developments may lead to cost escalations and resulting litigation due to changes to the scope of ongoing projects, cancellations of approved projects due to an inability to source materials at commercially acceptable cost levels, and delays or deficiencies relating to change orders intended to reduce materials required for project completion.

- Anticipated tariffs and counter-tariffs in addition to a possible electoral change in Canada's federal government suggests further changes in the Canadian housing market may be on the horizon in 2025. These changes may further impact supply chain demands and ongoing labour shortages.
- During 2024, there was a notable increase in insolvencies in the construction industry. Prolonged periods of high inflation and labour shortages are believed to have significantly contributed to this trend. Although inflation began to cool in late 2024, the uncertainties created by anticipated tariffs and ongoing labour shortages are expected to continue this trend into 2025.

We anticipate many of the above trends will continue into 2025. The possible electoral change in Canada's federal government in 2025 and ongoing tariff uncertainties are expected to be driving forces. Along with the potential further changes to wrap-up exposure, these trends create increased exposure to underwriters and a likelihood of increased claims as 2025 continues.

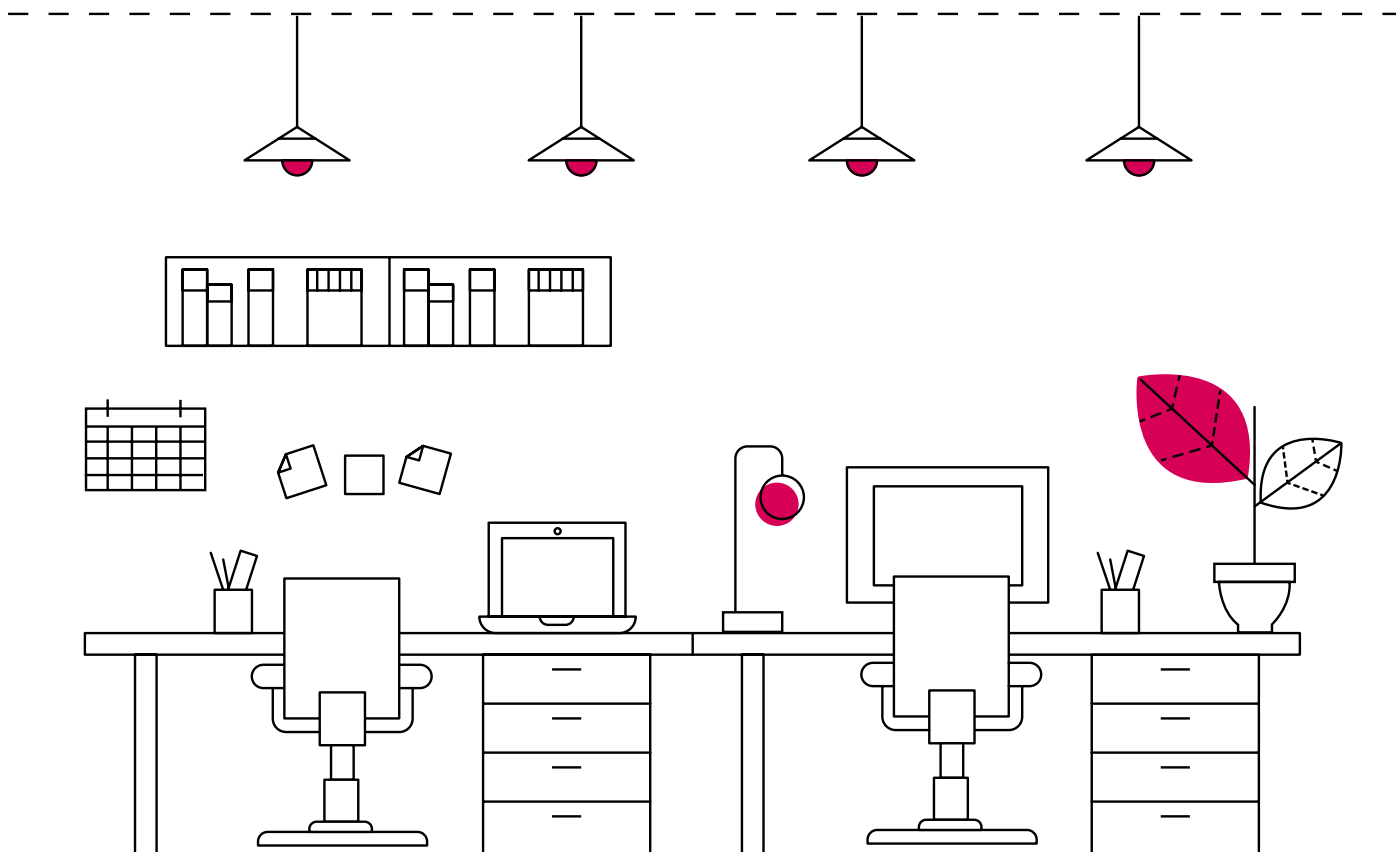


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