INFOSYS INSURANCE RISKS AND PREDICTIONS 2026

Global insurers delivered a generally positive 2025 in the face of volatility and high catastrophe claims. We predict this to continue through 2026, with some potential new technology-driven trends that could alter the global risk landscape.

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The insurance industry closed 2025 with contrasting realities. Insurers achieved strong investment returns countered by natural disaster losses in excess of $107 billion, making 2025 the sixth consecutive year that insured losses exceeded $100 billion. Heading into 2026, insurers are confident on the investment front and cautious on the risk front. Carriers can achieve growth but must adjust to new realities.

Infosys has identified nine trends that will reshape the industry in 2026. Five of these nine predictions follow up on last year's predictions. In those cases, we revisit what we said to grade our accuracy and to assess where the industry has progressed and where it fell short.

1. The faster yes

Artificial intelligence (AI) and automation are at work in insurance organizations. AI use cases in insurance are more likely to deliver value than AI in other industries, Infosys research found. The best early-stage use cases for AI in insurance are to accelerate straightforward underwriting and claims decisions. This delivers fast responses for policyholders and frees up underwriters and claims adjusters to spend more time on challenging cases.

After mastering the basics, insurers can move on to deploying agentic AI, where AI tools can carry out defined tasks based on goals and outcomes with a high degree of autonomy. These AI agents are enabling more ambitious projects. For example, Allianz launched its first agentic AI claims system, Project Nemo, in July 2025 to streamline food spoilage claims in Australia. Four months after launch, Allianz claims it has reduced claim processing and settlement time by 80%. Implementing AI and automation will also be useful in building out microinsurance products. Looking ahead in 2026, insurers will shift from task-level automation to more goal-driven autonomy, with AI agents orchestrating end-to-end workflows. However, this rapid adoption creates new challenges. For insurers, how to keep basic human skills sharp while automating standard processes is a critical challenge. Imagine actuaries who cannot underwrite without AI assistance.

Large carriers are addressing this by scaling groupwide AI academies to avoid skills atrophy. Allianz established an AI and data upskilling program in 2020 and

expanded it in 2025, while AXA publishes Responsible AI principles and runs a data and AI academy covering ethics, sustainability and related issues in AI and generative AI.

2. Data sovereignty as differentiator

Regions and nations are shifting their stance in the global economy. Insurers must be respectful of this shift and protective of their data. This change is driven by tightening rules on cross-border data flows and localization; a more protectionist, volatile trade environment affecting supply chains and loss profiles; and new regulations that reshape cloud portability and international transfers. Insurers that get data sovereignty right will have a competitive advantage.

Microsoft's EU Data Boundary and expanding sovereign cloud options let insurers keep customer and c ontent data in-region with EU-based operations and customer-controlled encryption, simplifying GDPR transfer risks and auditability.

Binding corporate rules (BCRs) — data protection policies agreed to by all entities in a corporate group and approved by EU data protection authorities — continue as the gold standard for lawful intragroup transfers. Insurers with approved BCRs that have been tested or audited enter 2026 with fewer data flow constraints across their own systems or with partners. For example, Allianz's Binding Corporate Rules set groupwide controls for lawful cross-border transfers, security, transparency, and data subject rights, pr oviding a GDPR-compliant backbone for data flowing across Allianz entities.

Last year's prediction:

Changes in cross-border trade and protectionism will lead to investment headwinds and costly claims.

Grade:

Partial credit.

Tariffs contributed to inflation and costlier claims, but investment returns finished strong. Uncertainty persists about the full impact of tariffs and geopolitical instability.

3. Innovation in underwriting

Machine-to-machine connections give insurers a new angle on risk and underwriting. Internet of things (IoT) sensors and image analysis have special potential, thanks to AI-powered analysis in underwriting, claims, and catastrophic risk assessment. These shifts are driven by technology advances and insurance industry conditions. The Swiss Re Institute projects nonlife premium growth of about 1.7% in 2026 and 2.5% in 2027, below the 3% levels typically seen in stronger economic cycles. This will push carriers to grow underwriting and premiums through other means.

Forrester foresees carriers entering high risk property markets using smart home data, incentivized mitigation, and AI-powered catastrophic models to personalize risk and pricing. Innovative carriers will follow a novel approach using IoT devices, smart-home data, and incentivized risk mitigation to create personalized products for high-risk property markets. Modern catastrophic risk underwriting blends AI and machine learning with high-resolution data that is location-precise and frequently updated, and parametric triggers that prompt a payment based on the volume of rainfall or the level of a hurricane to price risk better and pay faster. New guardrails, including application programming interfaces, sensors, and blockchain-style authentication, automate data capture and settlement.

Generative AI is also helping insurers improve accuracy and speed. AIG says its generative AI deployments have made data collection more accurate and reduced processing time. Allianz UK uses generative AI to quickly access answers from up to 70 guidance documents, saving underwriters about two hours per week per person in document review.

4. AI to flag the fakes

Generative AI enables fraud at an unprecedented scale. Synthetic voice attacks at insurer contact centers contributed to a 19% increase in insurance fraud attempts in 2024, the latest data available. This has forced carriers to deploy tools to work out if a caller is an actual human and voice-forensic controls at scale. Reinsurer research argues that deepfakes and disinformation will increase claims-handling costs because insurers have to develop additional checks and countermeasures. In short, insurers are emerging as a critical line of defense against AI-enabled fraud.

Insurers are also deploying red teams — AI or security experts assigned to simulate an adversarial exploitation or hack of a computer system — to stress-test underwriting, claims, and documentation systems against a range of emerging threats.

5. The cyber-insurance seatbelt

Cyber insurance is maturing beyond financial protection into a proactive partnership. Gartner projects corporate spending to fight misinformation will surpass $30 billion by 2028, consuming 10% of cybersecurity budgets globally. Five years ago, companies hardly recognized misinformation as a formal threat. On the smaller scale, Munich Re warns that more than 70% of US small- and mid-sized businesses remain uninsured against cyberattacks.

The threat to businesses is both reputational and economic. In 2022, shares in pharmaceutical company Lilly tumbled after a fake social media post said the company would give away insulin for free. In 2025, a false claim about the US pausing tariffs moved the S&P 500 by trillions.

Insurers must become proactive partners by offering cyberdefense services and risk mitigation tools. For example, MS Amlin partnered with CyberCube to expand its cybersecurity offerings, including a single point of failure intelligence tool.

Last year's prediction:
Cybersecurity threats would lead insurers to sharpen countermeasures and tailor coverage.

Grade:
Incomplete.

While insurers are working to strengthen cybersecurity, the work continues.

6. Proactive climate preparation

Environmental risks dominate global risk rankings, with extreme weather, biodiversity loss, and critical Earth system changes consistently in the top five threats. Traditional insurance models don't fit to these threats.

Demand for insurance solutions that can cover extreme weather conditions is growing. Parametric insurance, which pays claims when certain weather or environmental parameters are met, is a fresh sort of coverage for a new sort of risk. Microinsurance, which combines low premiums with very narrow coverage, is an attractive product in agricultural and small business contexts, where environmental events can trigger crop failure or business interruptions.

Insurers are working to be more proactive in the face of climate change through a sharper understanding of local risk and impact. Carriers are operationalizing dynamic geospatial models at the street and house level, making climate data a core feature of the product design. For example, one large insurer is partnering with Ember Defense to deploy ember-resistant vents and sprinkler systems in high-wildfire zones. Zurich's CATIA platform automates natural disaster claims and saved $1.4 million in 2023. ICEYE provides near-real-time satellite flood data, while ZestyAI's Z-FIRE model uses AI for precision wildfire risk segmentation.

Last year's prediction:
Climate change would reshape underwriting.

Grade:
Correct.

Natural disaster claims topped $100 billion again, with reinsurers showing greater caution.

7. Insurers seek new frontiers

Rising incomes and low insurance penetration make India and other regions attractive markets for insurers. India's insurance penetration sits around 3.7% of GDP. In December 2025, India's parliament raised foreign direct investment caps in insurance to 100%, up from 26%, allowing fully foreign-owned insurers. The Insurance Regulatory and Development Agency-backed Bima Sugam positions India as a policy-friendly gateway to new premium pools.

Other national governments are likely watching the impact of these reforms in the world's most populous nation and could take regulatory steps to follow suit. Nations in Southeast Asia, the Middle East, and parts of Latin America, Africa, and Eastern Europe share key characteristics that could make them attractive to global insurers, including comparatively young populations, low insurance product penetration, and high levels of mobile-based financial transactions.

8. Private capital drives M&A

Private equity ownership of US insurers has grown and will continue to do so in 2026. The National Association of Insurance Commissioners found 137 private equity-owned US insurers at the end of 2024, rising to 139 by June 2025. They hold $704.3 billion in assets, which is 7.8% of the US industry, and an increase from $343.5 billion five years prior. The fragmented, regional nature of insurance makes the industry ripe for rollup and consolidation.

Last year's prediction:
M&A pressure would build with buyers seeking specialty coverage entities.

Grade:
Correct.

AIG and Onex partnered to acquire Convex for $7 billion, while Onex also acquired managing general agent ISC from KKR.

9. Embedded insurance spreads

Embedded insurance — coverage offered digitally and integrated directly without brokers to policyholders — has unlocked new revenue streams for insurers and partners. Travel insurance offers a mature example. While many consumer insurance products are digitally marketed, consumers still typically have to go to the insurer to purchase coverage. By contrast, embedded insurance offers are seamlessly integrated into transactions at the point of purchase.

McKinsey's global report highlights this shift, noting that distribution is getting closer to the customer by embedding coverage into broader purchases and services to expand relevance and affordability.

In Europe, established insurers will ally with InsurTech specialists to launch embedded insurance products in auto, home, travel and other product lines. For example, AXA Partners in October 2025 partnered with InsurTech provider bolttech to do this. Venture capital-backed bolttech signed a similar joint venture in Asia with Sumitomo last year as well.

Last year's prediction:
Regulatory changes would deliver transparency and create advisory opportunities.

Grade:
Partial credit.

IFRS 17, the international accounting standard for insurance contracts enacted in 2023, has improved transparency but remains burdensome, and insurance financial statements are still difficult to compare.

Conclusion

Each of these nine predictions has the potential to fundamentally change the insurance industry. In combination, and linked by AI, their impact could be significantly greater. AI redefines underwriting and customer experience while demanding workforce reskilling and fraud defenses. Data sovereignty and climate change can become roadblocks or opportunities. In spite of geopolitical uncertainty and digital acceleration, new growth opportunities abound. Insurers who understand how these trends develop and connect can prepare and build value, regardless of what comes to pass.

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