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CLOSING THE PROTECTION GAP

How insurance can evolve
for an evolving risk landscape

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About Airmic

Airmic is the UK's largest and most vibrant risk management and insurance association. Airmic has over 450 corporate members and 2,000 individual members, and is supported by a network of leading risk and insurance partners and affiliated institutes, associations, and universities.

We are growing through welcoming both those in the risk and insurance professions, and in roles connected to risk and insurance. We have taken a leading position in the future of risk financing, including alternative risk financing solutions. As such, we are in a strong position to represent the views of our members, and to advocate for their needs within business, standards and regulatory bodies, and government in the UK and internationally. We are active members of FERMA, the Federation of European Risk Management Associations, and IFRIMA, the International Federation of Risk and Insurance Management Associations.

Our members enjoy access to a wide variety of face-to-face and online events, networking, special interest groups, regional meetings, and learning opportunities supported by a competency framework and mentoring scheme. Our online library features work by leaders in the profession, including research, guides, papers, newsletters, and resources.

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About the IUA

The International Underwriting Association of London (IUA) is the representative body for companies in London providing international and wholesale insurance and reinsurance coverage. Its mission is to secure an optimal trading environment for its member firms. For more research and information published by the International Underwriting Association, visit: www.iua.co.uk

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Introduction

Why do insurance protection gaps persist?

Organisations have always faced risks that insurance cannot fully cover. Some exposures are too uncertain to price; some losses may be too large for the commercial market to absorb. Increasingly, some emerging risks are simply too new and lack the necessary data for products to have developed. Against this backdrop, the persistence of protection gaps is not merely a commercial problem for buyers and insurers to negotiate around. It is a question as to how insurance can continue to be relevant for the risks that matter most.

For buyers, a perennial issue is the traditional, long-standing structure of insurance. Real-world risks are not neatly packaged by class of business. While the buyer has the role of translating those risks to the products offered by the insurance market, risks can fall between the cracks.

How can we address insurance protection gaps?

Despite growing attention to protection gaps, most reports focus on macro-level resilience or individual product classes, rather than on the specific challenges faced by underwriters and large corporations operating across an interconnected and rapidly evolving risk landscape – marked by cyber, artificial intelligence, climate, geopolitical instability, and supply chain fragility. That is a key part of the puzzle which this paper seeks to address.

Airmic and the International Underwriting Association (IUA) came together for a series of roundtables held under the Chatham House Rule in early 2026 with their members and leading market participants, with KPMG as a thought leadership partner. The result is this paper which draws on joint insurer-risk manager dialogue to examine how protection gaps emerge in practice, why they persist across complex programmes, and what a more coherent, system-aware approach to closing them could look like.

“The insurance industry is confronting a widening protection gap, as organisations face an unprecedented convergence of emerging risks. They are creating exposures which existing products, distribution channels, and capital structures do not fully address. Better understanding of the client risk profile is in the commercial interest of the market, producing better pricing, and better relationships.”

Diane Maxwell, CEO, Airmic

There is consensus among underwriters and buyers, particularly large organisations, that the protection gap is real, structural, and growing. They generally agree that the current model of siloed products, reactive exclusions, and overall approach to communication and knowledge sharing should all be revisited. Both insurers and risk managers want a different conversation. Where they diverge on issues of the protection gap, we note them in this paper in the spirit of candid dialogue.

This paper is only the first step. Airmic and the IUA are looking to engage with brokers and other stakeholders in the insurance market for the next stage of this collaborative, market-leading project.

“From cyber and climate to geopolitical volatility, businesses today face risks that do not always fit into conventional insurance structures.

“Protection gaps are not a failure of intent on either side. Bridging the gap between real-world exposures and the solutions available in the market will be challenging but is of critical importance to macroeconomic stability and the basic well-being of our clients and consumers. It will require coordinated action between insurers, brokers, risk managers, and policymakers to unlock innovation, remove barriers, and support new approaches to risk transfer.

“There remains a fantastic opportunity for our sector to maximise our value and relevance to clients in an ever-changing risk landscape.”

Chris Jones, Chief Executive, IUA

I. What are the types of insurance protection gaps?

The protection gap is the difference between the losses an organisation suffers and the cover provided by insurance.

There are three types of insurance protection gaps, which may overlap:

- 1. Risks for which insurance solutions exist, but they are not taken up** – This could be due to the affordability of cover, lack of awareness of the product, the belief that an alternative risk transfer approach is more suitable, or because the available limits are too low to be meaningful for the buyer. They may also be sceptical about claims performance.
- 2. Risks for which insurance solutions exist, but they do not work as buyers envisaged** – This could be because the policy defines the risk narrowly, cover is restricted by policy exclusions, or ambiguity exists in the policy wording, each resulting in coverage being denied. Often these gaps are only highlighted at the claims stage and, sometimes, following a decision made as part of a dispute resolution process or in the courts. These gaps serve neither insurers nor clients, and often result in costly legal expense.
- 3. Risks for which no adequate insurance solutions exist** – Insurance is inherently oriented towards defined, finite, downside-only losses. Some emerging risks, systemic risks, and long-tailed risks are not well served by traditional insurance products. These kinds of exposures naturally present a fundamental structural challenge for insurers seeking to price and underwrite, involving careful consideration of exposure across their portfolio and, linked to this point, solvency risk.

“You have an umbrella with holes, but if you are standing in the way of a hurricane or a flood, it would not offer any protection. So there may be gaps in the existing cover that you can identify, but there are also larger emerging risks, which are totally different types of threat to your company, for which you don't have any kind of existing product at the moment.”

Insurer representative

“Insurance is like an umbrella that offers a degree of protection, but it's got some holes in it. It's always very hard to articulate within my business when they ask: 'What insurance cover have we got for this risk?' I'm always saying: 'If [the risk] comes through here, we've got this cover. If it comes through there, we haven't got that cover.' Then it starts to reduce the value of insurance.”

Senior Group Insurance Manager



II. Why do protection gaps persist?

Risk managers and underwriters both want effective risk transfer. Protection gaps are not a failure of intent on either side. There are structural and other reasons why the gaps persist.



1. Protection gaps that arise because of how insurance is traditionally structured

This is a major issue for buyers. They are mainly seeking coherent, wrap-around protection from risks for their organisations. Real-world risks are interconnected; they are not neatly packaged by class of business. The burden is on the buyer – the risk manager – supported by their broker, to translate real-world risks to the architecture of products offered by the insurance market, which they find too siloed for their purposes. The risks of cyber-triggered business interruption, a supply chain failure caused by geopolitical instability, or a data centre outage driven by power infrastructure failure may involve multiple policies – or fall between the cracks. While underwriters often seek to apply flexibility to best fit the needs of their clients, they remain beholden to their underwriting guidelines, regulatory permissions, and the prudential expectations of regulators, boards, and the wider customer base.

This situation creates two key problems:

- First, the risk manager has to communicate the value of insurance as a risk management tool internally, particularly to their boards and executive teams, who seek clear, binary answers on whether specific events will be covered.
- Second, the problem is compounded when key risks converge – for example, the risk of supply chain disruption spans geopolitical, energy, physical, and commercial dimensions in ways that do not map neatly onto existing product lines. Standalone supply chain cover is available, but it is largely contingent on physical damage triggers; broader contingent business interruption cover that responds to non-physical supply chain failures remains highly constrained, both in scope and in limit.

2. Proactive and Reactive exclusions

The pattern of reactive, broad exclusionary language, sometimes introduced by the market after a class of loss emerges at scale, can create long-term distortions – if second-order effects are not carefully considered. This has forced buyers either into self-insurance, or has led to calls for public-private solutions.

Thirty years after the Irish Republican Army (IRA) bombings of the early 1990s, the industry is still managing the consequences of the introduction of terrorism exclusions to commercial property policies. Pool Re was cited as a positive solution, and its recent launch of an incentive scheme for small and medium-sized enterprises (SMEs) will expand the provision of cover, but the market distortions created by reactive market withdrawal have existed for several decades. The concern with today's landscape of emerging risks is now focused on proactive action from insurers that may involve PFAS-related restrictions, broad climate related exclusions, and withdrawal of cover in respect of AI risks.

Of course, insurers need to be able to manage their exposure to maintain commercial viability. The industry is facing emerging and systemic risk at unprecedented levels, and continues to experience robust regulatory pressure to effectively identify, quantify, and manage these exposures. Where broad insuring clauses exist, applying exclusions or including limits allows insurers to reduce their exposures. Insurers must also work to ensure that their underlying coverage is back-to-back with their reinsurance agreements; where reinsurers restrict coverage, normally in response to concerns about systemic or aggregation risks, insurers who fail to replicate the approach could be left with their own protection gaps.

Insurers' reaction to significantly increased systemic risks and increased frequency and severity of emerging risks losses is understandable. Each risk presented needs careful assessment, as ultimately that risk is being taken on by the insurer. The issue is to ensure that exclusions are precise, and that buyers are aware and can understand exactly the cover they are losing, and why. The issue also is that the buyer is not always provided with a pathway to alternative coverage, when an exclusion is introduced.



3. How risk information is communicated between the underwriter and buyer

As risk information passes through the distribution chain – from the risk manager, to the client-facing broker, to the market-facing broker, and finally to the underwriter – that information has to be interpreted and simplified, and can potentially be misrepresented. The underwriter who ultimately prices and structures the cover may be working from a materially impoverished picture of the risk.

This problem is compounded by proposal forms, which, by their nature, pose binary, tickbox-type questions that do not always capture the nuance and complexity of large corporate risk profiles. The frustration of being unable to convey the full risk picture through a standard submission was described vividly in our roundtables.

“For some of the boxes you tick [on the proposal form], the answer isn’t a yes or no. You would want to put in whole swathes of information, but they say: ‘Can you just give us a yes or no, because that’s what the computer requires.’ Then if there’s a claim, they would come back to me and say: ‘You ticked this box.’”

Director, Global Risk & Compliance, Global Commercial Real Estate Company

In the past, insurers have sought to develop new, precise, and more detailed proposal forms aiming to achieve an enhanced profile of the risk. These efforts have on occasion been viewed unfavourably by broking representatives due to the perceived time and cost they contribute to the placement process, so there is undoubtedly a delicate balance in the levels of information and operational efficiency.

The formal written submission was contrasted with the value of direct presentations and roadshows, where risk managers can engage with underwriters through their business in depth. These engagements were viewed as far more informative and productive – but also less common. Given the volume of risks presented to an insurer, and the international nature of much of the business underwritten in London, it can be a logistical challenge to meet with each and every client.

A strong recommendation also emerged from the discussion for structured tripartite dialogue between risk managers, brokers, and insurers – particularly for complex or emerging risks. Direct engagement between risk managers and underwriters was described as transformative in terms of the quality of

understanding achieved, with issues that would take weeks to resolve through the broker chain being clarified in minutes.

The concern that direct insurer-client contact circumvents the broker was acknowledged, but it was regarded as a matter of broker confidence rather than a structural barrier. The suggestion was made that risk managers should proactively request three-way meetings.

The broker will continue to bring value as a strategic intermediary who leverages market expertise, negotiation skills, and tailored risk management to secure optimal coverage and terms for the buyer. This is not a recommendation to circumvent the broker by pushing for greater direct insurer-client contact. Rather, efficiencies could be improved if underwriters and the buyer could engage directly to clarify basic questions and responses about data fields and loss definitions. This would also help with more accurate modelling and pricing of cover.

“If the carrier could talk to the risk manager, it would be a matter of minutes to clarify – not days... The risk managers themselves should raise the suggestion [to speak to the underwriter].”

Underwriter

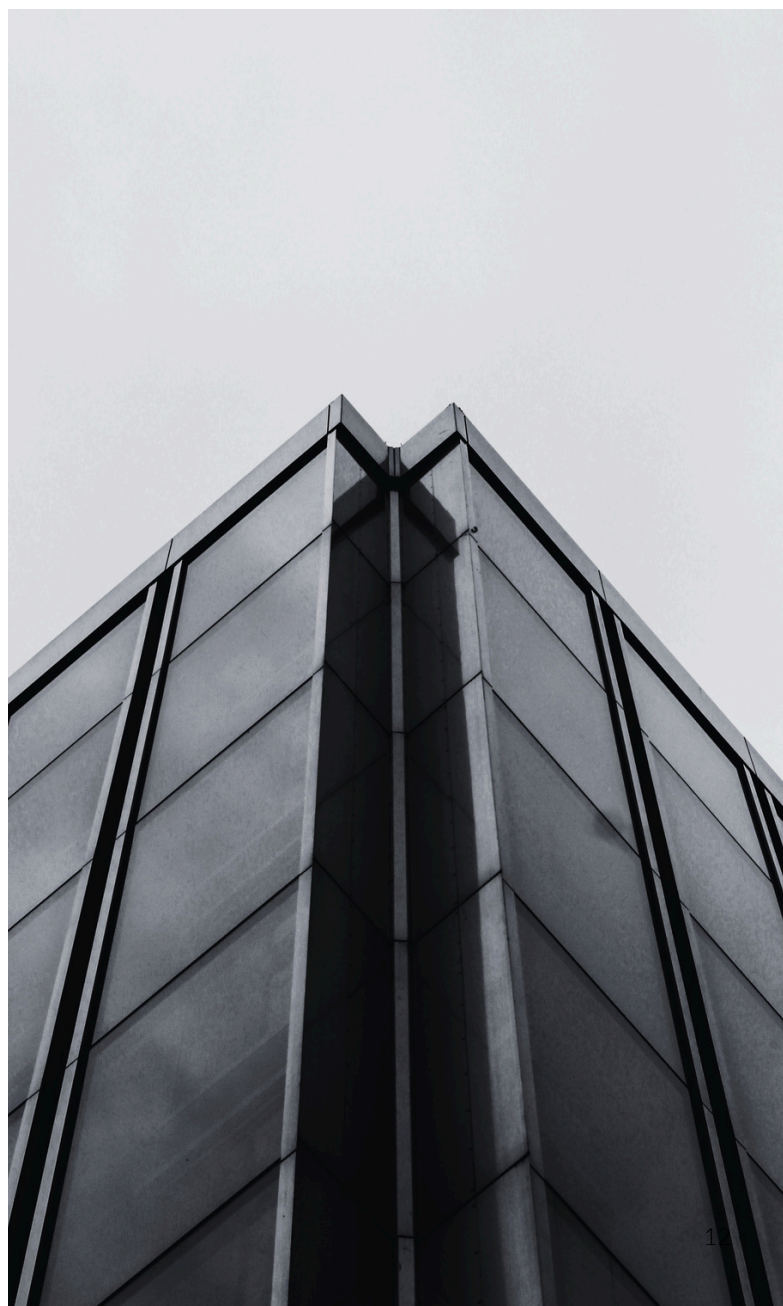
4. Inadequacy of limits

There is disagreement on whether cyber limits available in the market today are sufficient for the largest corporate risks. The view from some insurers is that for the biggest organisations not able to cover the totality of their cyber risk, partial cover is better than none. As such, buyers should use the limits available even if it does not cover the full exposure. Purchase of the insurance product would also allow access to the specialist services provided by insurers, both prior to the inception of the policy and at the time of a claim. However, buyers counter that an organisation with a potential multi-billion pound loss is not genuinely protected by a product offering a fraction of its desired cover. That organisation would still need to secure a risk transfer solution for the remaining uncovered risk.

This is not a failure of communication or dialogue between stakeholders – it is a problem of capital. The commercial insurance market, as currently structured and capitalised, cannot always backstop systemic cyber exposure at the scale that the largest corporates face.

A recurring explanation for the market’s limited appetite to innovate was the constraint imposed by reinsurance treaties. Insurers may be individually willing to consider bespoke or integrated solutions, but they are bound by their treaties in the capacity they can offer. Reinsurers must consider their own aggregate exposure, which can arise across multiple insurers, classes of business, and perils simultaneously. The outcome creates a structural issue that is difficult for individual buyers to overcome, regardless of the quality of their risk. Conversations with strategic reinsurers about innovative structures tend to circle back to conventional tower arrangements – property with cyber exclusions, cyber with property exclusions – because that is what the treaty infrastructure supports.

Insurance-linked securities (ILS) – financial instruments such as catastrophe bonds that transfer insurance risks – are developing, but slowly. There is no near-term market solution that closes this specific gap. For the very largest corporates, the honest answer is that insurance is one layer of a risk management response, not the whole answer. Public backstop capacity may eventually be required for some systematic risks – for example, cyber.



5. The product development paradox

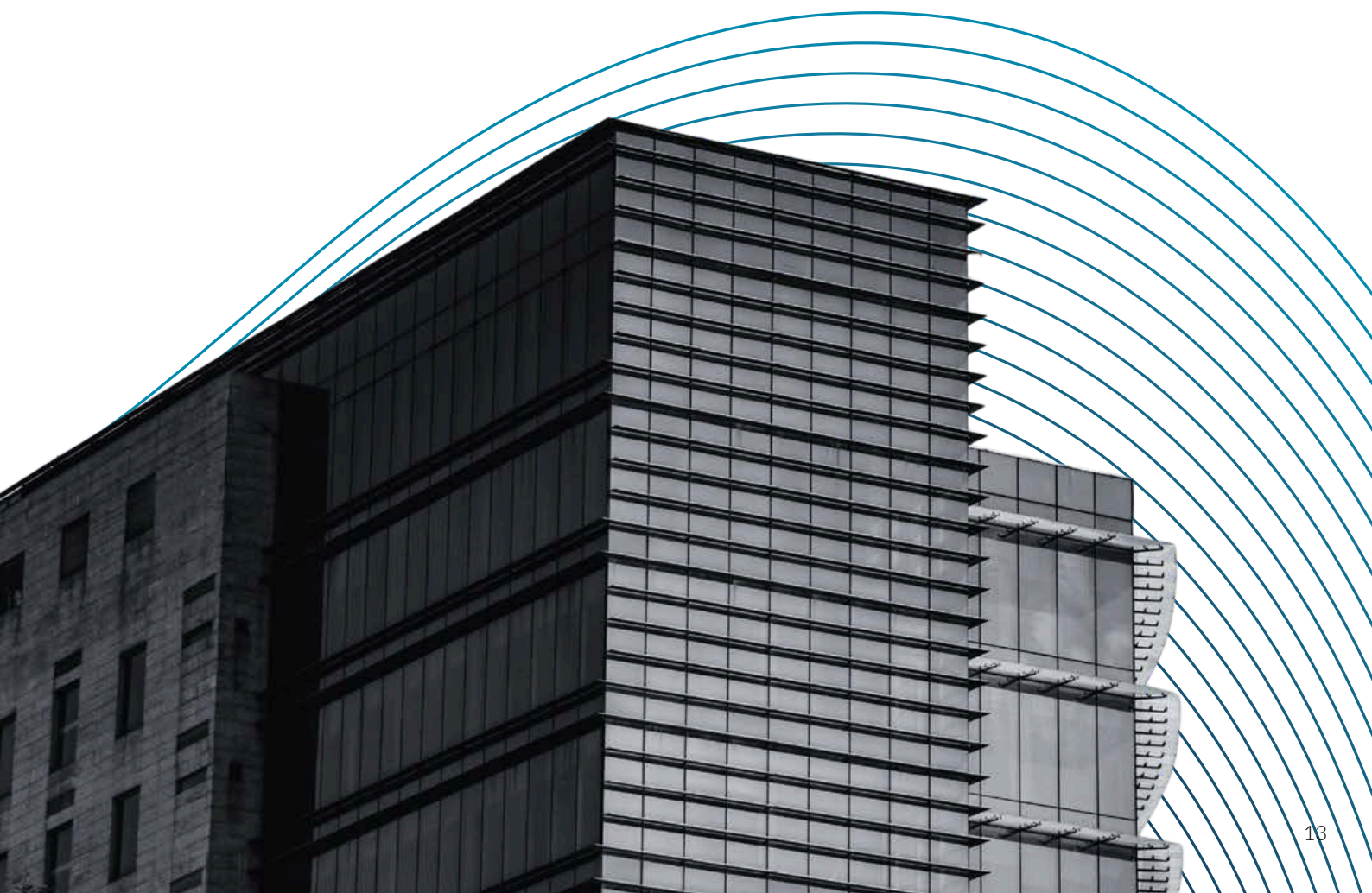
A recurrent theme with underwriters was the gap between identifying a risk and commercialising a product for it successfully. Supply chain insurance was again cited as a prominent example. After many years of work and product innovation processes, the products exist, but the market has struggled to achieve meaningful take-up. Similarly, effective standalone environmental impairment liability (EIL), commercial crime, and cyber insurance solutions are all available today, but with low penetration rates. Insurers who have innovated to bring new coverages to market have found that buyers may be unwilling to commit to a standalone product, which brings with it another insurance purchase process and additional cost, however sophisticated the coverage. This approach will again be tested as clients are offered innovative insurance solutions for unique AI risks.

In contrast, incremental innovation within existing product lines – such as in extending cover for new risk types within property, liability or cyber policies, rather than launching standalone products – tends to be more commercially viable and positively received, when compared to new product creation.

6. Economic and macroeconomic pressures

For some organisations, typically the smallest, the issue of whether to purchase a specific insurance product is one of pure economics. Even in softening insurance market conditions, where the product price reduces, it could simply not be viable for the organisation to purchase insurance products that meet all of the potential key risks faced by the business.

Macroeconomic pressures such as inflation also impact the organisation's considerations. Broadly speaking, risk managers (or individuals responsible for the purchase of insurance) report facing challenges in encouraging their board to purchase insurance that is adequate to meet their organisation's unique risk profiles.





III. Areas for optimism

There are areas of progress in closing the protection gap which the market should build on.

1. Policy wordings

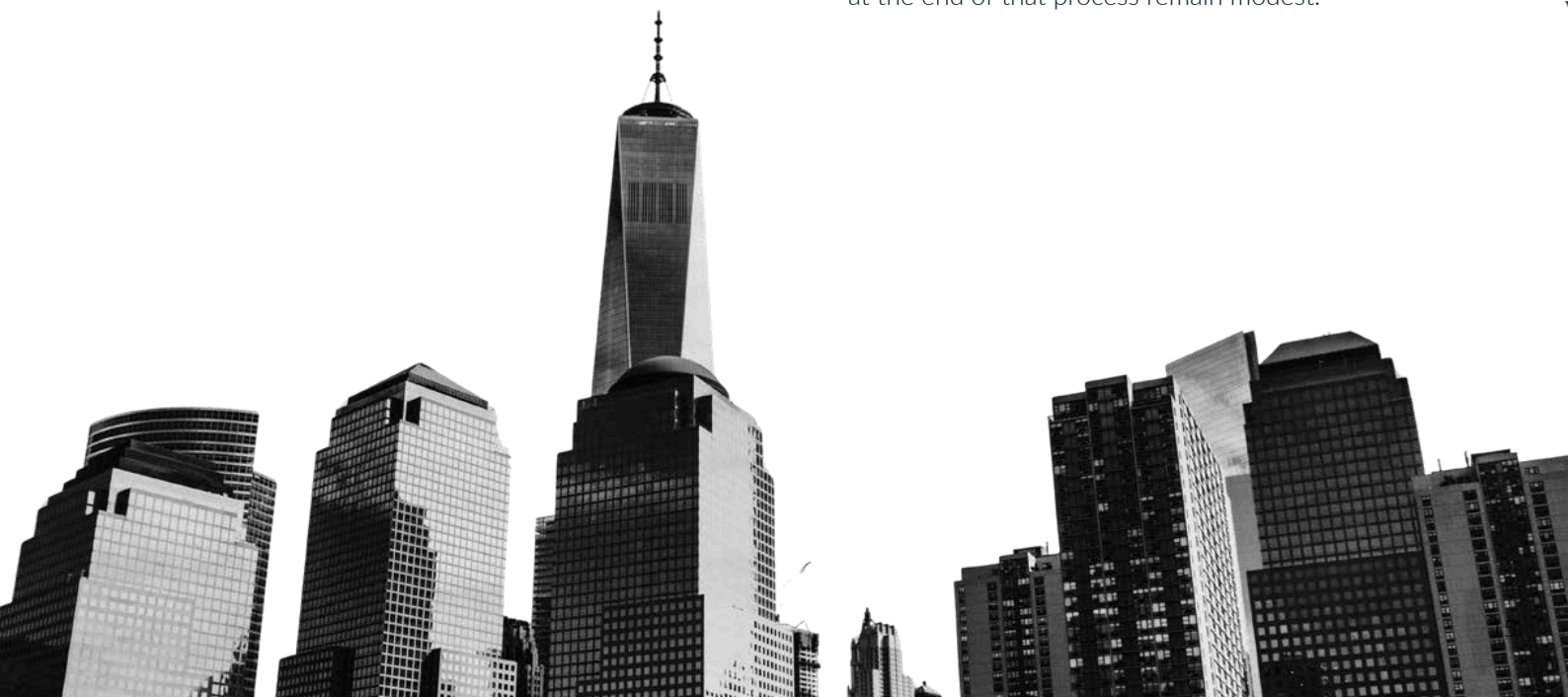
The IUA's work on model clauses was noted as a positive example of what trade associations can do for the market – developing language that individual market participants can adopt voluntarily, improving consistency and clarity, without regulators requiring their adoption. There was appetite for this kind of work to be extended to emerging risk areas, including AI and the energy transition. The IUA's Clauses Committee is made up of insurers, reinsurers, and broking representatives, and operates primarily as a thought leader and educator, aiming to improve clarity and certainty around insurance policy wordings. The group convenes with experts to explore emerging cross-class risks and their policy wordings implications. It also provides a series of training sessions focused on improving the quality of wordings expertise in the insurance market.

Scenario testing – walking through specific hypothetical events against existing policy language – was identified as a valuable tool that could be used more often. The challenge is that insurers are understandably reluctant to make binding commitments about coverage in hypothetical scenarios, for fear that those commitments will be used against them in disputes. Creating a platform for this kind of engagement – such as roundtables facilitated by trade associations under the Chatham House Rule – was identified as a potentially valuable mechanism.

2. Direct engagement and the quality of relationships between insurers and buyers

Buyers cited the following examples of positive experiences where the market responded constructively to complex, emerging risks. The common thread was relationship quality and the willingness to engage early, directly, and openly, on both sides.

- Mid-year wording clarification: One buyer described an insurer proactively clarifying coverage through an endorsement mid-year, to address genuine ambiguity in the original wording. The outcome was positive.
- Business interruption recovery during the Covid-19 pandemic: Despite significant initial pushback from the market, some buyers were able to secure recoveries under business interruption policies for pandemic-related losses. This was attributed to the quality of long-standing relationships with underwriters, and the volume of premium in place.
- Autonomous vehicle trials: In the context of automated vehicle manufacturers, the model where insurers are being embedded in a client's development process from the outset was held up as an exemplar of how early, iterative insurer engagement can produce genuinely fit-for-purpose cover.
- Captive incubation: The concept of using a captive to build a loss record on an emerging risk, then approaching the market with that data to co-develop a bespoke product, was identified as a constructive pathway – even if the limits achievable at the end of that process remain modest.



3. Public-private partnerships (PPPs): potential and limits

The increasingly interconnected and systemic nature of risks will lead to the discussion as to whether some risks are simply unmanageable by any private market. PPPs are already part of the toolkit for systemic risks. This is not a primary theme for buyers, but there is an implicit expectation that for truly systemic risks – large-scale cyber events and major climate catastrophe – the state may ultimately have to underwrite what the market cannot. The question of how is underexplored.

However, governments typically intervene only after market failures, not before. Virtually every major insurance pool or backstop mechanism has been created in the wake of an event that exposed the inadequacy of purely commercial provision. Governments are reluctant to commit capital in advance, preferring to retain discretion over how they deploy resources post-event, and – when they do step in – will insist on controls commensurate with their exposure. This is probably to afford the market every opportunity to find solutions organically. More generally, governments face difficult questions when taxpayers' money is used to provide capital or guarantee backstops for a profitable industry sector subsidising commercial insurance.

Any credible proposal for a PPP must therefore address the government's exit strategy – demonstrating that the market will eventually restore itself or find alternative solutions, and that public money is a bridge rather than a permanent subsidy.

A strong view emerged that the insurance industry's ability to engage government productively on PPPs must be well considered. If large insurers, Lloyd's syndicates, MGAs, reinsurers, and pools lobby for different outcomes – or worse still, lobby against each other's positions – the government will not adjudicate between them. A single, coherent ask from a unified industry would be an ideal starting point for any serious PPP conversation.

4. Evolving distribution methods and innovations

There are early but encouraging signs that distribution models are beginning to adapt in ways that could help narrow protection gaps. More flexible engagement between insurers, brokers and buyers, supported by digital tools, is improving the quality of risk information shared with underwriters and enabling more tailored outcomes. The gradual move away from purely transactional placement processes towards ongoing risk dialogue, including the use of data platforms, allows insurers to develop a richer, more accurate understanding of complex risks over time. At the same time, innovation in distribution, through specialist facilities, parametric insurance solutions, and increased use of captives as incubators for emerging risks, is creating pathways for the market to test, refine, and scale solutions that may previously have been uneconomic or too uncertain to place. While these approaches are not yet widespread, they demonstrate how evolving distribution models can support innovation, improve alignment between coverage and real-world risk, and play a meaningful role in closing protection gaps.



IV. Emerging risk areas – Case studies

1. Cyber: The story of a systemic risk

Cyber incidents have consistently been ranked the top risk in Airmic member surveys. Over the past decade, cyber insurance has evolved from simplistic data breach coverage to more sophisticated products available today.

Yet, cyber insurance penetration among large corporates remains low relative to other lines of insurance. Many organisations are unwilling or unable to add standalone cyber coverage to their insurance packages.

As cyber losses began to materialise at scale, the Prudential Regulation Authority (PRA) requested that insurers evaluate 'silent' cyber exposures that may exist in traditional insurance classes. In those classes, underwriters relying on long-standing policy wordings risked inadvertently covering potentially systemic cyber exposure that they had not assessed or priced. Cyber policy language was introduced across all classes of business, either excluding, limiting, or affirming cyber exposure, and insurers sought to identify, quantify, and manage risk. In introducing policy language, it was paramount that exclusions did not remove cover that underwriters wished to continue to provide, such as the risk of fire on a property policy stemming from an accidental failure in a connected sprinkler system. Fundamentally, when seeking an insurance recovery, it is not important to the insured whether a fire was the result of something relating to a 'cyber' vector or not.

These changes prompted enhanced interest in the standalone cyber product. For the buyer, however, this created a new layer of complexity – a separate premium, a separate policy, and new problems of alignment between that policy and their broader programme. Buyers have also described the frustration of negotiating write-backs of cyber exclusions from property policies, rather than securing integrated cover.

For the very largest organisations today, the limits of standalone cyber product can be insufficient to be meaningful relative to the potential loss.

Underinsurance is a systemic problem for them. Buyers noted that coverage limits in Property Damage and Business Interruption (PDBI) can reach several billion pounds, but the equivalent limits for

cyber are usually no higher than £500 million – even though the scale of property and cyber losses are similar. The response is typically to self-insure – or invest in cyber security over cyber insurance – or to use captives. This fact also points to the need for traditional classes of insurance, such as property, to continue insuring physical damage risks that arise out of cyber means.

The growing systemic nature of cyber risk is a fundamental challenge for the insurance market. Unlike most insured perils, a major cyber event such as state-sponsored attacks, could generate simultaneous losses across thousands of policyholders. The capital required to backstop systemic cyber exposure could dwarf the available capacity of the commercial market, raising substantial solvency risk.

Insurance-linked securities (ILS) for cyber were noted as a recent innovation, with early transactions beginning to train ILS investors on cyber risk, albeit at volumes that are currently trivial relative to the potential exposure. The pioneering work on terrorism ILS was cited as an example of how patient, iterative effort can eventually bring ILS capital to bear on risks that seemed inaccessible to that market – and the hope that cyber will follow the same trajectory. The key precondition is data: ILS investors require actuarial models, and models require loss history. Building that history takes time and requires acceptance of losses in the interim.

"If all large corporates bought cyber cover, there wouldn't be enough capacity in the market to back it. You would need ILS at scale. A decade ago, ILS investors said they couldn't do cyber – they had no data, no model. Now we have cyber ILS. It's small, but it has started to train the market."

Underwriter

London's ILS market is in its infancy compared to other hubs, which points to significant potential looking forward.

2. AI: Defining an emerging risk

AI is a genuinely emerging – rather than merely evolving – risk. Its adoption is not yet universal, and its risk profile is still being understood.

For buyers, the problem is that no agreed definition of 'AI risk' exists, either within their own organisations or across the insurance market – or what constitutes an AI system, an AI-related loss, or an AI-enabled failure is contested and sector-specific. Participants from technology, financial services, engineering, real estate and manufacturing described using AI in fundamentally different ways and encountering different categories of risk as a result. A definition of AI adequate to one sector's needs may be entirely inapplicable to another's.

This definitional uncertainty has direct, practical consequences for underwriters. They are concerned about 'silent AI' – the risk that AI-related losses materialise under existing policies such as property, liability, professional indemnity, and D&O in ways that neither insurer nor insured anticipated at the time of placement. The Lloyd's Market Association (LMA) cyber clauses – now present in most policies across multiple lines – contain definitions of 'computer systems' that are broad enough to encompass most current AI applications. An AI-related event could trigger claims under conventional Property Damage and Business Interruption (PDBI) policies, forcing them to respond in ways their wordings were never designed to accommodate, engendering expensive and prolonged disputes.

This means there may be more existing coverage for AI-related losses than buyers or insurers realise. In turn, however, this also creates fears among buyers that exclusionary policy language could be introduced reactively at some point in the near future. And so, as with cyber insurance, the concern now among buyers is that AI will follow the same trajectory – with exclusions arriving before meaningful, integrated coverage is developed.

There are AI-specific insurance products emerging, seeking to confront the unique risks posed by AI directly: novel failure modes such as hallucination and model drift, vulnerability to data contamination and poisoning, opaque and non-explainable outcomes. These policies will be well-suited to those manufacturing AI systems or using them as their core business function. But for some corporates using AI as one part of their overall business, they may not

see the value in purchasing yet another insurance product.

Looking forward, it may be helpful to categorise AI risk into three distinct buckets – pre-generative AI, generative AI, and agentic AI – to build coverage frameworks around the meaningfully different exposure profiles of each.



2. Geopolitical instability, war, and supply chain disruption

Geopolitical instability today is one of the most difficult emerging risks to pin down precisely – and therefore to insure against. Drones, disinformation and AI have changed the nature of war, reducing large-scale conflict to small-scale, targeted skirmishes, while the role of technology in warfare has made the boundaries of what constitutes a ‘war’ increasingly ambiguous. This ambiguity has direct insurance consequences.

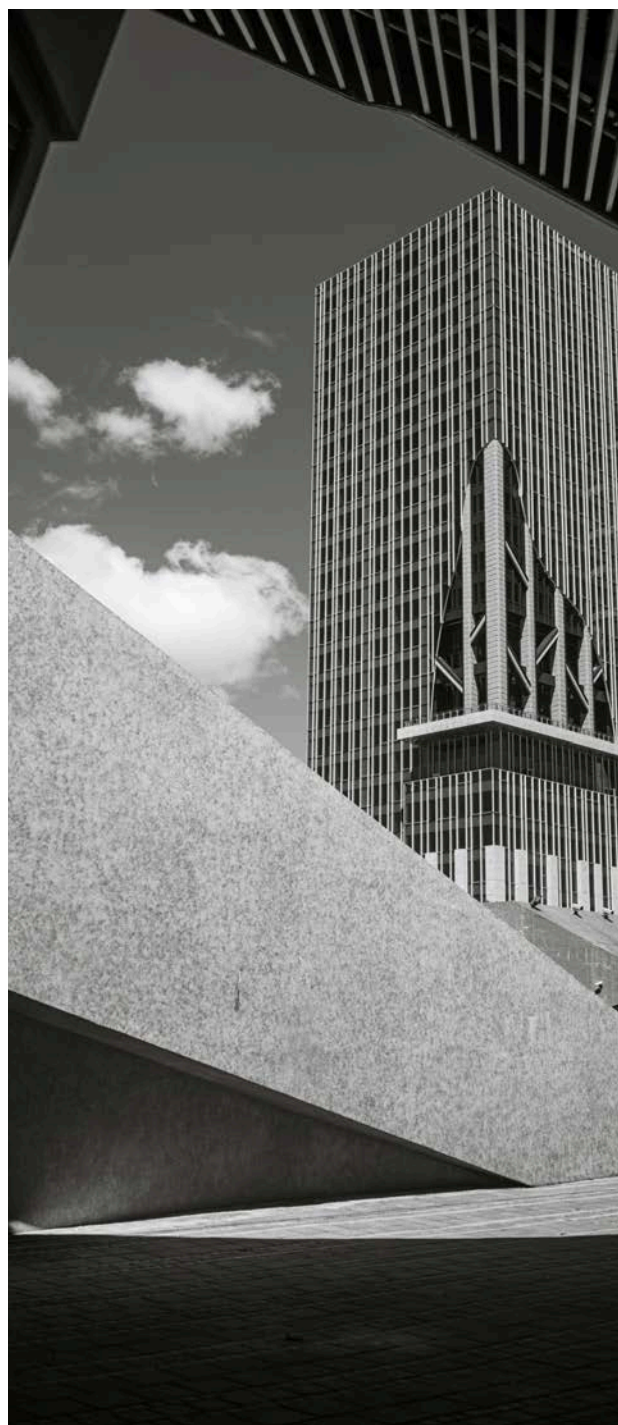
A particular problem relates to ‘grey zone aggression’ – hostile acts that are deliberately deniable and asymmetric, such as a fishing trawler severing an undersea cable or a state-sponsored virus disrupting a company’s systems. These events may bring ambiguity as to the operation of ‘war’ and ‘terrorism’ language in insurance policies.

Supply chain fragility is of immediate concern, operationally. Increasingly protectionist positions taken by countries, especially the US tariffs since 2025, have made established trade routes economically unviable very quickly. The marine market feels this acutely, when ships arrive at ports whose cargo has lost commercial value in transit due to delays and increased repair costs. Similarly, many organisations experience delayed delivery of construction materials for projects that bring significant socio-economic value. More broadly, the speed at which the tariff environment is changing makes business planning extremely difficult, and existing insurance products – including trade credit insurance – struggle to keep up.

Recent examples also highlight a challenge of perception around protection gaps, particularly in mainstream media and around high-profile matters. Gaps do not necessarily stem from a failure of insurance; the constraints faced by an organisation could be operational. Some gaps reflect rational decisions by buyers not to pursue insured activity in environments of extreme hazard. Since the onset of the US-Iran war, the challenge with ships passing through the Strait of Hormuz is not a failure of insurance provision. It is the underlying safety situation preventing vessels from transiting the affected area, regardless of cover availability. Similarly, aircraft seeking to operate within the region have been able to fly whenever airspace has remained open, with insurance coverage in place.

“The principal obstacle to a resumption of trade [through the Strait of Hormuz] remains one of safety, rather than any lack of insurance coverage. The Masters of individual vessels and shipping companies themselves are making operational decisions and must be satisfied that seafarers will not be placed in unnecessary danger before progressing.”

Chris Jones, Chief Executive, IUA



V. Initial recommendations

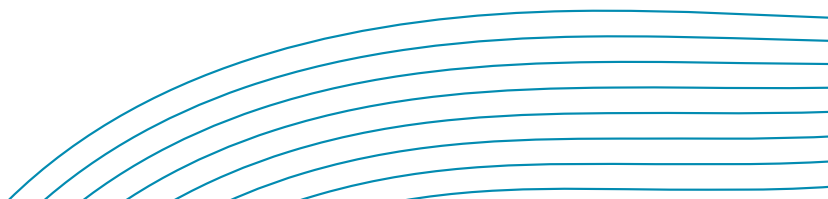
There are genuine points of consensus between underwriters and buyers in how insurance protection gaps can be lessened, and even closed, whether the result of the emerging risk landscape or the traditional structure of the market. Those points form the basis of the following initial recommendations, which are ordered according to the timeframe needed for change to happen.



1. Review the reactive exclusion cycle (short term)

The IUA's work on model clauses can provide the mechanism to break this cycle. Before any new exclusion is finalised for any major class, trade associations could convene a consultative process involving risk managers and brokers to understand the intent behind the proposal and provide feedback based on its perceived impact. This could help ensure that exclusions are precise and that buyers can understand exactly what they are losing, and why. Where it is viable to do so, insurers should also exhaust other avenues before resorting to broad exclusionary language: additional questions in proposal forms to understand the insured's awareness of the risk and their risk management techniques, sub-limits capping liability, and limitation clauses restricting only very-specific elements of the risk.

Equally, there are instances where the introduction of an exclusion in one policy creates a gap which is neatly filled by specialist insurers – for example, war or political violence insurers providing cover excluded by all risks aviation, marine, or energy insurers. On occasion, a new exclusion is introduced by insurers to manage their exposure before continuing cover on revised terms, commonly seen in the marine market. In these instances, communication between insurers, clients, and brokers should be clear and proactive.



2. Establish three-way engagement between the underwriter, broker, and the buyer (short term)

We recommend that a framework for structured tripartite engagement between the underwriter, broker, and buyer be developed, modelled on the IUA's Clauses Committee, which was cited positively by underwriters and buyers – at least to cover annual risk presentations for complex corporate clients, if not also to cover loss scenario discussions (see below) and to work jointly on definitions of emerging risks. Better understanding of the client and their risk profile is in the commercial interest of the broker and the market, producing better pricing, fewer disputes, and longer-term relationships. Risk managers see value in maintaining longer-term relationships with specific insurers who understand and meet their needs. They do not see value in shifting providers each year in search of marginally lower prices. More consistent and predictable pricing (challenged by harsh swings between 'soft' and 'hard' market conditions) brings ease to risk managers in explaining their insurance purchase to their boards.

3. Invest more in education between clients and the market (medium term)

The risk profiles of large corporates are increasingly complex and sector-specific. The market needs better mechanisms for understanding how organisations operate. In acknowledging the value of road shows, direct presentations, and ongoing dialogue, these can be better embedded in the process, rather than relying on standardised proposal forms from the buyer.

Equally, buyers and insurers can work collaboratively to build the tools for risk managers to clearly demonstrate the value of insurance products to their boards. The collaborative development of these tools can begin with stronger links between the IUA, Airmic, their respective communities, and, of course, broking partners.

4. Establish scenario-testing as standard practice (medium term)

Buyers want to know how their policies will respond before a loss occurs. Underwriters are reluctant to make binding commitments in hypothetical scenarios.

A solution is facilitated sessions to discuss loss scenarios, conducted by trade associations under the Chatham House Rule, in which buyers and underwriters walk through theoretical emerging risk scenarios against typical policy language. These sessions should focus on understanding the intent behind standard market wording and in building an understanding of risks that fall outside of the underwriting intent. Any outputs should ensure that legal exposure is not created for either party.

This produces three benefits – it surfaces assumptions about the coverage that may diverge between insurer and insured; it gives underwriters better visibility of the scenarios that buyers are genuinely worried about; and it generates the data needed to make the case for either clarifying the policy wording clarification or developing new products. The model of the IUA's Clauses Committee provides a platform to build upon. It can be systemised and extended to the areas of AI, energy, and supply chain risk.

5. Reorient product development from product logic to outcome logic (long term)

The most consistent issue raised by large buyers is that insurance is structured around product lines rather than around the outcomes they need. A cyber-triggered property loss, or an energy infrastructure failure that triggers both property and business interruption, should ideally not require a buyer to navigate three separate policies, three separate groups of insurers, and three separate coverage arguments.

The market should pilot outcome-based policy structures for well-defined risk scenarios – particularly relating to data centre failures (which combine property, cyber, and business interruption policies) and supply chain disruption (which combine contingent business interruption, political risk, and trade credit). This does not require regulatory change or new capital structures, but for underwriters from different classes to write to a shared structure. Reinsurance treaty constraints are the most significant practical barrier and would need to be explicitly addressed in how the pilots are designed.

A positive precedent can be seen in the cyber market, where, over a decade, incident response services have been integrated into the product – moving from pure indemnity to outcome-oriented cover. That model can be applied more broadly.

This approach may ultimately best fit large clients who have sophisticated risk management teams and/or captives, while smaller organisations may continue pursuing a 'lighter touch' insurance model segmented by class of business.

6. Build the capital infrastructure for systemic risk (long term)

For truly systemic risks – a state-sponsored cyber-attack on critical infrastructure or a catastrophic climate event affecting multiple geographies simultaneously – the commercial insurance market cannot, at current scale, provide the capital required. This is not a failure of willingness, but a structural constraint. The path forward has three components, each of which needs to be pursued in parallel.

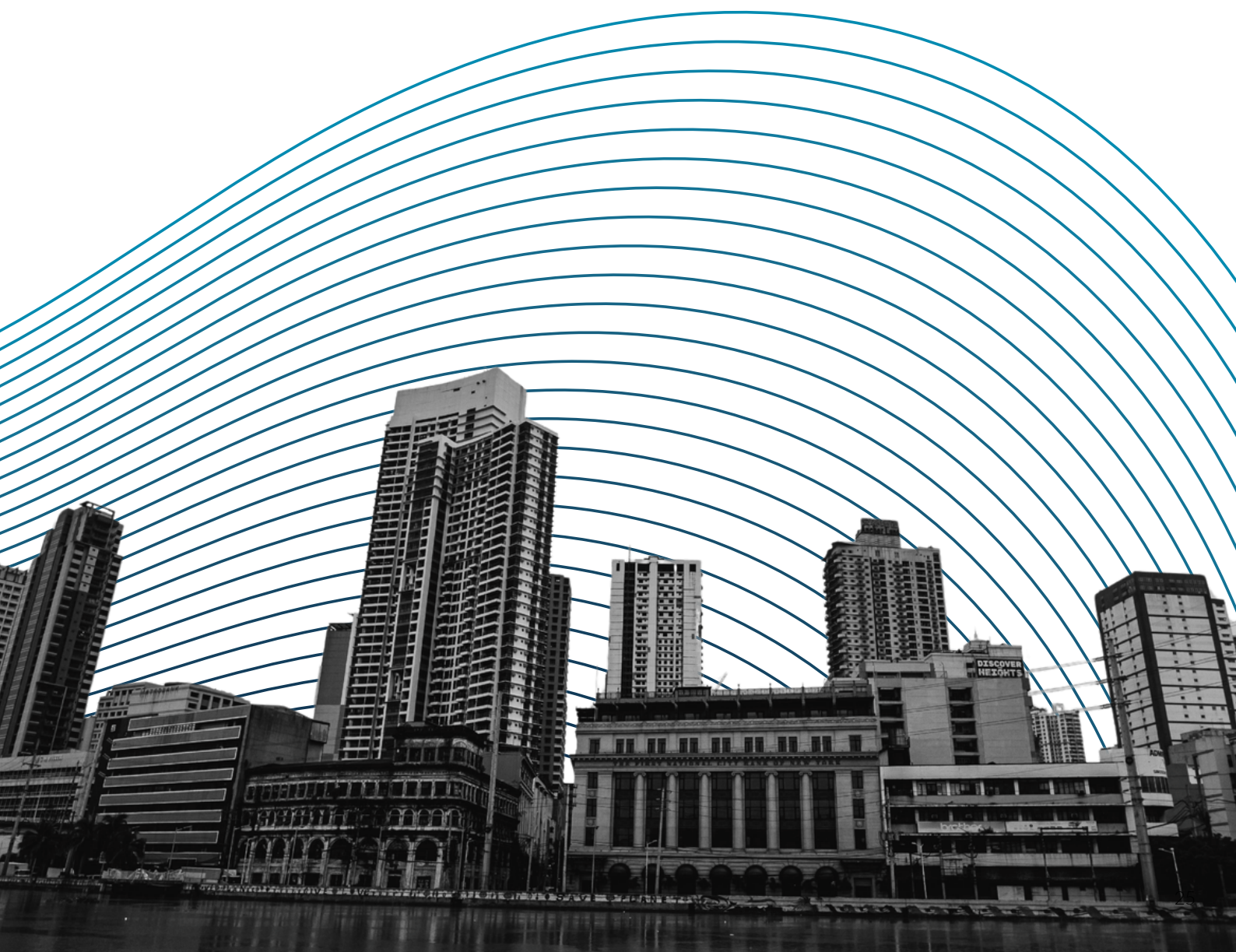
First, ILS development for cyber and climate risk needs to be accelerated. The first terrorism ILS took years to develop; cyber ILS is now in its early stages. Data collection, modelling investment, and market education are all preconditions that the industry should fund collectively, not wait for individual innovators to solve.

Second, captive incubation should be used more deliberately: where the external market will not yet write an emerging risk, captives can build the loss experience needed to make a market case, with explicit commitment from carriers to engage once the data exists.

Third, we would recommend that the industry develop a unified position on where the boundary between commercial provision and public backstop lies, and what it would ask of government if and when that boundary is reached. This requires candid internal debate before any public-private partnership conversation can be productive.

NEXT STEPS

The conversations do not end here. Airmic and the IUA will look to engage with brokers and other stakeholders in the insurance market to further discussions on closing the protection gaps.



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