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Evolving Wordings and Emerging Risks: Insights from the Front Line



In a market shaped by shifting liability theories, regulatory pressure, and client sophistication, the demand for high-quality, relevant insurance wordings has never been greater. From the rise of blended products to the influence of MGAs and the cautious adoption of AI, the insurance industry is undergoing a quiet but profound transformation – one that increasingly seeks to utilise product wordings as the lever for creating competitive advantage.

It's August. As many of you use a little down-time over the Summer as an opportunity to pause and reflect, this article looks at the key trends shaping the UK insurance wording landscape, drawing on our own observations and market analysis.

1. The Rise of Blended and Packaged Products

Blended products – such as Investment Manager Insurance (IMI), Management Liability Products (MLP), and Fintech-focused offerings – are increasingly popular among SMEs and the in-scope specialist sectors they serve. These products generally combine multiple strands of financial lines cover (e.g. D&O, PI, Crime, Cyber) into a single policy, offering convenience, cost-efficiency, and reduced risk of coverage gaps.

Blended products are particularly attractive to less sophisticated buyers or fast-growing firms who want comprehensive protection without navigating multiple standalone policies. Over time, some clients may graduate to more tailored programmes, but for many, blended cover remains a pragmatic solution.

The evolution doesn't stop there, with the market also seeing a rise in "package" policies – comprehensive, multi-section products that go well beyond financial lines to include property, casualty, computer breakdown, product recall and more. These are aimed at clients seeking a one-stop-shop solution, but they present challenges for those drafting them in seeking to ensure they provide clarity, structure, and compliance with the FCA's Consumer Duty.

2. Drafting vs. Product Softening: A Crucial Distinction

One of the more nuanced trends is the distinction between drafting softening and product softening. Both though are distinct from pure and simple price-softening, or the weakening of rates, something that is also going on and is beyond the scope of this article.

- **Drafting softening** refers to the move toward plain English, simplified claims conditions, and clearer structure –driven, at least in part, by the FCA's Consumer Duty.
- **Product softening** involves expanding the scope of cover, reducing exclusions, or offering broader terms to remain competitive.

Both trends are visible across the market, particularly in Crime and PI wordings (see below). As competition intensifies, the market is moving beyond price as the only competitive lever, with an increased focus on enhancing product features and improving readability to win business.

3. MGAs: Catalysts for Innovation and Softening

The growth of Managing General Agents (MGAs) is reshaping the product development landscape. MGAs, often run by specialists with sector or product-line knowledge, can be nimble, client-focused, and increasingly influential in shaping wordings.

From a wording perspective, MGAs are:

- Driving product innovation to meet niche or underserved market needs.
- Catalysts for drafting and product softening as they seek to find points of differentiation for specific target markets.
- Utilising external expertise with their wording development to ensure quality and speed.

We have seen that MGAs are often willing to modernise traditional wordings. They're not weighed down by legacy systems, claims experience or internal politics – they want a product that works and allows them to compete effectively in what can sometimes be a very crowded marketplace.

However, the rise of MGAs undoubtedly introduces complexity. With multiple stakeholders – client, broker, MGA, and capacity provider – potentially involved in wording development, alignment and clarity are critical. This alignment may not be at consistent levels across the industry.

4. The Insurance Act: Still Not Fully Embedded

Despite being in force for nearly a decade, the **Insurance Act 2015** is still not fully reflected in all UK policy wordings. Some legacy forms continue to include outdated clauses – such as basis clauses – that are no longer enforceable under English law.

There's no excuse for not updating wordings to reflect the Act, and if you haven't done it by now, you're not just at risk of an unexpected outcome when there's a claim, but your competitors will be able to score an easy point when it appears the wording hasn't been reviewed for 10 years!

While case law has not fundamentally altered the interpretation of the Act, it has reinforced the need for clarity around disclosure, warranties, and remedies. In particular, brokers and underwriters must ensure that terms and conditions are aligned with statutory obligations – or risk having clauses deemed unenforceable.

5. Modernising Crime and PI Wordings

Crime and Professional Indemnity (PI) policies are undergoing a quiet revolution. Financial crime is rife. Crime insurance, once focused on physical theft, is now dominated by electronic crime and social engineering based risks. Wordings must reflect this shift – not just in coverage, but in definitions, triggers, and exclusions. That evolution in wordings is a real trend right now.

Similarly, PI wordings – long considered untouchable due to market convention – are being revisited and modernised. There's a generational shift happening with new underwriters and brokers questioning legacy clauses and pushing for clarity. The days of relying on 'everyone knows what it means' are numbered.

“We’ve always done it this way” is being challenged by a new generation of insurance professionals.

6. Endorsements: From Boilerplate to Bespoke

Endorsements are another area under scrutiny currently. Standard market clauses have always been bolted onto policies with little adaptation. Today, there’s a growing recognition that endorsements must be more tailored to the base wording – especially for bespoke risks.

Poorly integrated endorsements can create ambiguity, conflict with core terms, or even undermine the intent of the policy. The trend is toward:

- **Tailoring boilerplate clauses** to fit the specific policy.
- **Ensuring consistency** when there are multiple endorsements.
- **Avoiding “endorsement overload”**, when the endorsement pack is longer than the wording it’s time to bespoke the wording (appreciating there are limitations with this in the US).

This is not just good practice – it’s increasingly a regulatory expectation under Consumer Duty. Yes, these clauses have to be added, but they also need to make sense to the ordinary reader when considered in conjunction with the wording to which they are attached.

7. Product Innovation: Responding to Legal and Social Change

The market is seeing an exciting wave of innovation in response to emerging risks and legal developments. There are many examples of new products we have seen over the last couple of years including:

- **Digital asset covers.**
- **New types of fraud related extension on FI Crime and PI policies.**
- **Algorithmic harm** as a potential new liability category.

These innovations are often driven by new insurance firms, monoline MGAs or specialist brokers / underwriters looking to differentiate themselves. They reflect a broader shift toward more proactive product development – not just reacting to claims trends, but anticipating future exposures.

8. AI in Product Development: A Cautious Embrace

AI is beginning to play a role in product development – but its use remains limited and needs to be carefully managed. Current applications include:

- Summarising meetings and discussions about objectives
- Assisting with clause comparisons and referencing.
- Testing and checking grammar and consistency on drafts.

Our current view is AI should be treated as a very bright intern – someone you can trust some jobs to in order to make your job easier but would not ask to do your job for you! It's not a replacement for years of expertise or innovative flair. Effective use of AI still requires:

- Extensive training of the AI to make up for its lack of “domain expertise” in specialist areas such as wordings.
- Skilled prompt engineering (“garbage in ... garbage out”).
- Human oversight to assess nuance and legal implications.
- Clear boundaries and understanding around what AI can and cannot do.

The future will see more AI-assisted drafting, but for now, it's a tool – not a solution. Humans are very much still in charge!

9. Insurtechs: Promise and Pitfalls

Insurtechs – often operating as MGAs or syndicates-in-a-box – are experimenting with parametric products, app-based distribution, and simplified wordings. While the ambition is clear, execution in our experience varies.

The need for speed to market and revenue has seen some insurtech firms deploy legacy wordings at the outset, wordings that often seem in conflict with the brand promise of modern innovative solutions to old and complex risks. The challenge is balancing innovation with legal robustness – and ensuring that digital delivery doesn't come at the expense of clarity or enforceability. Some have started to put more focus on the product wording, and we expect to see that trend continue. Otherwise, there's a risk the brand will not live up to its promise.

10. The Enduring Importance of Wordings

Perhaps the most important trend is this: **the demand for good wordings is not diminishing — quite the reverse.** In a competitive, regulated, and increasingly litigious environment, the policy wording is no longer a back-office function. It's a strategic asset.

The time for the product to evolve and take centre stage has arrived. Wordings are now central to how insurers differentiate, how brokers advise, and how clients manage risk.

From blended products to AI, from MGAs to modernised crime wordings, the UK insurance market is evolving — and wordings are evolving with it. The winners in this environment will be those who treat product development not as a compliance or an admin exercise, but as a core part of their value proposition.

Marketers talk about the “6 Ps” of service marketing – product, price, place, promotion, people and process. Whether you're an insurance company, broker, or MGA, the message is clear: your wording is your product, and an increasing number of firms have recognised the value of putting it on the centre of the stage. It can be a point of competitive advantage, so make it count. ■