

GLOBAL PRIORITIES FOR THE INSURANCE SECTOR



CHRISTOPHE BORIES

Assistant Secretary for Financial Regulation – Ministry of the Economy, Finance and Industrial and Digital Sovereignty, France

A European method for a protective, competitive and climate-proof insurance sector

Over the past decade, the insurance sector has demonstrated remarkable resilience, notably thanks to the robustness of its prudential framework.

The entry into force of the review of Solvency 2 and of the IRRD early 2025 makes the European industry more equipped to face the current economic environment and climate-related challenges.

The Level 1 review achieves an unprecedented balance, succeeding both in reducing capital requirements, which will guarantee a better financing of the economy and greater competitiveness while also integrating the management of financial-related climate change risks. These new regulations are now calling for strong, coordinated translations into national law.

Transposing the IRRD will reinforce policyholder protection by better preparing the sector for potential financial difficulties. In parallel, the ongoing Level 2 discussions on Solvency 2 should be aligned and respect the balance reached in Level 1 discussions. The review of long-term guaranty measures (LTG) must be data-based, while the renewed long-term equity mechanism (LTEI) must enable insurers to take full advantage of it. Changes to prudential requirements for securitization will also be pivotal to contribute to the success of the regulatory reform announced by the Commission for this year.

As Europeans become more and more aware of the challenges ahead, we must continue to prepare ourselves. Industry, supervisors and regulators need to look ahead on the impact of climate change on all aspects of insurance sector operations.

First, we should support EIOPA's ambitions for a dedicated prudential treatment of sustainability risks. It must be carefully calibrated to address the urgency and reality of these risks while also maintaining the competitiveness of the industry. Second, as efforts regarding sustainability risk management plans are moving in the right direction, we share the goal of minimizing the burden on undertakings while establishing a coherent and proportionate approach to sustainability risk management. Coordination with existing sustainability reporting requirements, as well as a level playing field with the banking sector will be key. Third, we must continue our efforts to address the protection gap for natural catastrophes, as it is vital to ensure a wide coverage rate across all parts of the EU, particularly the ones most exposed ones to natural disasters. Thus we need to enhance our understanding of natural catastrophes' impacts. In this context, we must think broadly: reflections on a European-wide system to pool natural disaster losses could open interesting avenues, but any potential implementation will necessarily have to be coordinated, and consistent with existing national frameworks, as it should not disrupt what is already working well. The role of the private sector should not be overlooked, as room for improvements to better involve private capital still exists, such as the development of insurance linked securities and reinsurance captive undertakings as alternative ways or reinsurance to cover increasing risks.

Simplification is also a key factor for this success. It requires reviewing our regulatory building method, with more precise impact studies upstream, a strong principle of proportionality in reporting and a requirement for efficiency of regulatory requests. The review of the securitization framework must be carried out in this objective, by focusing on easing the reporting and due diligence requirements, which constrain the use of this tool too strongly.

Simplification also requires a pragmatic approach, including by modifying strongly proposals already on the table if they do appear to add complexity. The Retail Investment Strategy seems a perfect case study. Some simulations show that the customer journey time could be significantly lengthened (from 3 to 6 hours) and would lead to a large rise (+60%) of the volume of documents to be provided by insurers. Such an outcome would not align with the intended objective, making it necessary to implement a smart and extensive simplification of the proposal. The same goes for FIDA: while we share the ambition to create a favourable framework for innovation, the text currently on the table remains too complex, costly and appears to create new risks. As a consequence, we think that its impact on the European economy must be thoroughly reassessed to ensure that the risks and burdens it may involve do not outweigh its potential benefits.

**Regulatory stability,
climate readiness
and simplification
are key tools to face
current challenges.**

However, simplification should not be confused with deregulation: guaranteeing robust risk management, as the core business of insurers, is essential for our competitiveness and the protection of policyholders. The robustness of European standards is also a guarantee of Europe's competitiveness: through the adoption of the ICS by the IAIS last December, the EU is a standard setter at the international level, while allowing the entire globe to converge towards a common protective, robust and secure framework.



PETRA HIELKEMA

Chairperson – European
Insurance and Occupational
Pensions Authority (EIOPA)

Regulatory simplification and competitiveness: The challenge for supervisors

A robust regulatory framework is essential for a flourishing insurance sector. This is true not just in Europe, but also worldwide.

At a global level, the International Association of Insurance Supervisors (IAIS) is the body responsible for standard setting. The European Insurance and Occupational Pensions Authority (EIOPA) is actively involved in various aspects of IAIS work – EIOPA's Chair was recently elected as Executive Committee Vice Chair and EIOPA participates in other key committees. Together with members of its Board of Supervisors, EIOPA can ensure that global standards are robust, protecting policyholders and financial stability. Furthermore, EIOPA plays an important role in the development of implementation methodologies.

EIOPA's global cooperation efforts are driven by the recognition that the challenges faced in the EU are not unique but rather are shared by other regulators and supervisors around the world. The growing importance of

emerging risks like climate change and cyber risk and protecting consumers while encouraging market innovation are a few examples.

The recently adopted Insurance Capital Standard (ICS) is a good example of this cooperation. The ICS aims to provide a globally comparable, risk-based measure of IAIGs' capital adequacy, creating a common language for supervisory discussions on group solvency and promoting global alignment across group capital standards. It represents a significant step towards global consistency in the regulation and supervision of IAIGs and this can only help to reduce the challenges faced by insurers operating across multiple jurisdictions.

Many of the building blocks of the ICS can also be found in Solvency II, the framework regulation that underpins Europe's insurance sector, reflecting its overall effectiveness.

Nonetheless, a key challenge for regulators and supervisors alike is how to balance calls for regulatory simplification without compromising standards. This is particularly important considering the current debate around competitiveness. Insurers needing to compete on a global scale have cited burdensome regulatory requirements as a hindrance to progress.

Burden reduction was top of mind during the recent review of Solvency II. From supervisory experience, it was clear that improvements could be made to the proportionality framework. Reporting is undeniably an essential component of effective oversight yet can also be cumbersome.

The new framework introduces new rules for so-called small and "non-complex" undertakings, broadening the circle of undertakings that can benefit from proportionality measures, bringing about a more transparent and consistent application of the rules. Small insurers meeting a limited set of qualitative and quantitative criteria will benefit from proportionality measures following a simplified notification process to the supervisor. For all of them, this equals a reduction in administrative burden.

These new proportionality principles are a win for small and medium-sized insurers, for supervisors and the sector. Importantly this approach allows supervisory authorities to allocate their resources efficiently to more closely oversee large and complex firms with higher risk profiles. Finally, this approach supports market diversity, competition and innovation in Europe's insurance industry which are highly important factors for competitiveness.

However, reducing unnecessary burden and streamlining rules cannot be at any cost.

EIOPA's view is that a more efficient and proportionate regulatory framework will enable insurers, pension funds and supervisors alike to focus on what matters most: providing innovative, affordable, and sustainable financial solutions to Europe's citizens and businesses. By cutting red tape and eliminating unnecessary complexity, it becomes easier to unlock new opportunities for growth, investment, and job creation.

**There has to be a balance
between simplification
and keeping regulatory
frameworks fit
for purpose.**

Yet simplification should not undermine financial stability, high standards of consumer protection and the ability of supervisors to properly supervise. Before taking the decision to reduce data requirements, there has to be certainty that losing such data will not diminish a supervisor's ability to assess risk, or measure progress on sustainability and closing protection gaps.

It is therefore important that supervisors work closely with policymakers, regulators and industry to ensure that the right balance is struck between simplification and ensuring that regulatory frameworks remain fit for purpose. This is why EIOPA, in addition to active participation in the IAIS, also engages in bilateral regulatory and supervisory dialogue with third countries. By maintaining open and collaborative relationships with supervisors in Europe and beyond, EIOPA can contribute to a more cohesive and interconnected insurance regulatory landscape, ultimately supporting the stability and integrity of the European insurance market, as well as promoting sound regulatory practices across the globe.



RICARDO GARCIA

Managing Director – Bermuda Monetary Authority (BMA)

Bermuda's role in addressing the protection gap: Savings and natural catastrophe

Asset intensive reinsurance (AIR) is the reinsurance of asset intensive insurance products, which are characterised by having long-term nature and financial guarantees. AIR contracts are normally differentiated by their collateralisation arrangements. Circa 80% of AIR transactions in Bermuda are collateralised and in most cases assets are held on the balance sheet of cedents with its economics being transferred to the reinsurer.

Economic and demographic factors and a large retirement protection gap are the key drivers behind the growth in these transactions. AIR has grown materially in the US, but its growth has been on par with the growth of asset intensive insurance. AIR in the EU is immaterial and not expected to grow materially, because the demand and supply for guaranteed rate products are low unlike in the US. When done right AIR can carry benefits such as reducing the protection gap by providing capital to insurance guaranteed products, limiting shift to fee-type products where the investment risk is born by policyholders common in the EU, diversifying investment assets while enabling those that support the

real economy, better Asset-Liability Matching (ALM), etc. AIR, however, can also carry material risks such as aggressive investment strategies posing market, credit and liquidity risks, potential conflict of interest, inter alia.

Bermuda's risk-based solvency regime, which is Full Solvency II Equivalent, has NAIC Qualified and Reciprocal Jurisdictional Status and is compliant with the Insurance Core Principles of the International Association of Insurance Supervisors provides a good basis to supervise AIR, but its idiosyncratic risks require an additional layer of supervisory intensive measures for effective supervision. The BMA has made material supervisory and regulatory enhancements over the last two years, spanning across all three pillars of our regulatory regime to ensure it remains fit-for-purpose.

For quantitative requirements, changes were made to the valuation regime, including technical, governance and disclosure changes to and prior approval of the use of the scenario-based approach and enhancements to our lapse and expense capital charges. These changes had a material impact on the Total Asset Requirement (TAR) for asset intensive reinsurers.

Regarding qualitative requirements, since January 2023, all closed block life reinsurance transactions must be approved by the BMA and we engage cedent regulators as part of the approval process; the BMA does not approve transactions that regulators of the cedents are not comfortable with. The BMA carries out TAR analysis, which includes a comparison of the TAR under both the cedent and the BMA regulatory basis; our experience shows that the TAR of Bermuda reinsurers is comparable to those of the cedents. The BMA also uses targeted prudential measures such as requiring higher levels of solvency, capital add-ons, reserve add-ons, restricting dividends, and imposing liquidity and capital maintenance arrangements to deal with idiosyncratic risks. Additionally, the BMA introduced the following changes: a high-bar approval process for affiliated and/or connected party assets, enhanced liquidity and stress testing requirements and requiring a large portion of our market to produce recovery and/or resolution plans. Finally, the BMA has issued a consultation paper on the Application of the Prudent Person Principle for investment management.

On reporting and disclosure requirements, the BMA has introduced enhanced reporting for lapse, liquidity and assets, requiring reporting at CUSIP/position level. The BMA carried

out thematic studies and published white papers on the Bermuda market: *Supervision and Regulation of PE Insurers in Bermuda*; *Bermuda Long-term Insurance Market Analysis and Stress Testing Report*; *Liquidity Risk in the Bermuda Long-term Insurance Market*; *Collateral Structures in the Bermuda Long-term Insurance Market and Private Credit*. As importantly, the BMA published a consultation paper on Proposed Enhancements to Public Disclosure Regime. This paper requires public disclosure of assets at the CUSIP/position level, information on liabilities at the product level and additional ALM disclosures.

BMA's approach to asset intensive reinsurance and climate related risks.

Bermuda is a Natural Catastrophe (NAT CAT) global leading reinsurance market offering both traditional and non-traditional solutions and playing a critical role in addressing the NAT CAT protection gap. The BMA has a robust regulatory framework ensuring a resilient commercial reinsurance sector that supports global capacity and diversification of risk and an insurance-linked securities sector which provides third-party capital to increase global reinsurance capacity; and also a mature captive market helping organisations managing climate change and sustainability risks. The BMA has provided guidance for climate risk management and governance, while working on finalizing a disclosures approach. We have also conducted climate risk management assessments and industry surveys.



ETHAN SONNICHSEN

Chief Government
Affairs Officer - NAIC

Building resilience remains paramount for insurance regulators

In November 2024, U.S. state insurance regulators and the National Association of Insurance Commissioners (NAIC) welcomed the successful conclusion of the International Association of Insurance Supervisors (IAIS) process, which determined that the Aggregation Method (AM) provides a basis for implementation in the U.S. of the Insurance Capital Standard (ICS). The decision marked the end of a multi-year, robust, and technical comparability assessment reflecting the commitment of the international insurance supervisory community to moving forward together and the importance of having appropriate jurisdictional flexibility. Reaching this milestone was also a testament to the resolve of insurance supervisors to collaborate on setting standards that protect policyholders and enhance global financial stability.

With the task of finalizing the ICS now complete, IAIS members now move to implement the ICS, which will be via the AM in the U.S. The NAIC will work domestically on its approach to implementing the AM and has created a new working group dedicated specifically for this purpose, including addressing areas of work highlighted

as part of the IAIS comparability assessment.

Collaboration and coordination will continue with our international counterparts as they adapt the ICS to their respective jurisdictional approaches and as the IAIS works on developing an appropriate implementation assessment framework. As the IAIS enters this ICS implementation phase, resulting in greater consistency and comparability within group supervision should help with challenges of a level playing field.

Even while busy finalizing the ICS and transitioning to its implementation, insurance regulators around the globe also have been faced with, and are responding to, a variety of other challenges.

The NAIC recently released our 2025 initiatives, one of which is ensuring resilience, relevance and prosperity for generations to come. To help achieve this, one of our other initiatives is focusing on NAIC committee priority issues, such as artificial intelligence, risk-based capital, catastrophe risks, protecting retirement savings, examining health insurance market dynamics, and engaging with our international counterparts, to name a few.

These initiatives will help U.S. state insurance regulators continue to address operational resilience issues in the insurance sector. As it relates to climate risk, the NAIC will focus on continuing to implement the National Climate Resilience Strategy for Insurance as it will drive faster and more effective risk reduction by state insurance regulators in 2025 and beyond. As part of our efforts, emphasis on pre-disaster mitigation to reduce climate impacts and assisting consumers in accessing more insurance options will continue. Supporting this work is the NAIC's Catastrophe Modeling Center of Excellence to ensure that state insurance regulators have insights into climate models and the risks in their respective markets in order to implement sound, targeted resilience efforts.

As it relates to risk from growing digitalization, state insurance regulators will be reviewing our cybersecurity incident and market-disruption frameworks, which builds on existing data security requirements, and enhancing coordination among state insurance departments. We will also be enhancing consumer privacy protections and supporting states as they implement artificial intelligence bulletins for their markets, seeking to

support innovation while protecting consumers at the intersection of insurance and technology.

Resiliency will be considered as part of our efforts to review and refine our Risk-Based Capital (RBC) regime. The NAIC recently established a task force whose role will include evaluating when to integrate new risks into the RBC formulas, the data needed for setting associated factors, and approaches for addressing emerging risks. Sound oversight and regulation to ensure resiliency as the sector and risks it faces evolve is key.

**Sound oversight and
regulation to ensure
resiliency as the
sector and risks it
faces evolve is key.**

Through our collaboration efforts, we see the risks and challenges faced in the U.S. broadly echo those faced by our international colleagues. The IAIS' five-year strategic plan reflects the collective vision of the global insurance regulatory community and focuses in part on the need for the insurance sector to deliver on the societal purpose of insurance to help build resilience – especially in the emerging and evolving areas such as climate risk and digital innovation. We will look forward to working with our international colleagues on these, and other issues, in hopes we can drive the conversations toward better policyholder protection, financial literacy, and operational resilience.



CLAUDIA DONZELMANN

Global Head of Regulatory
and Public Affairs – Allianz SE

Regulatory simplification and robust risk management – a balance to strike?

In recent years, the global landscape has been increasingly shaped by rising geopolitical tensions and a surge in economic nationalism. The 2024 global elections super cycle, where citizens in over 70 countries went to the polls, significantly altered political and economic priorities in many of these countries. These developments have profound implications for the European Union's economic environment, prompting the EU to reassess its own strategic priorities to maintain and enhance competitiveness on the global stage. As the new EU Commission navigates these challenges and seeks to foster a more favorable business environment, one of its key tools is reducing regulatory burdens (aka simplifying regulatory frameworks) across various sectors, including and particularly financial services.

As a representative of a global insurer and asset manager, headquartered in the EU, I welcome that the newly appointed Commissioner for Implementation and Simplification, who is tasked with coordinating the Commission's efforts to identify ways to streamline and consolidate regulations while

maintaining agreed policy objectives, has started work swiftly. After the release of the Commission's first Omnibus simplification package - focused on sustainability - in early March 2025, more Omnibus packages are to come, as revealed in the Commission's 2025 work program. This willingness to act quickly is an important signal to EU businesses - large and small.

But, but, but: the simplification initiative also brings with it questions and concerns; one in relation to the insurance industry is how to balance simplification of regulation and the need for robust risk management. As a strong supporter of good regulation as a unique business enabler - allowing us to build our business securely - I am convinced that simplifying regulation does not equate to a dilution of risk management. Here is why:

The insurance sector, by its nature, is deeply intertwined with the principles of risk management. At its core, the industry is built on the foundation of assessing, pricing, and mitigating risks. Yet, the regulatory landscape governing our sector has grown increasingly complex over the years. While the intent behind these regulations - to ensure financial stability and protect consumers - is unquestioned and remains paramount, the complex, sometimes inconsistent web of rules increasingly stifles innovation, hinders operational efficiency, and ultimately threatens insurers' competitiveness and growth.

**Simplification of
regulation does not
equate to a dilution
of risk management
standards.**

Conversely, streamlined regulation can enhance our sector's agility, enabling us to respond more effectively to emerging risks. By reducing unnecessary bureaucratic burdens, insurers can allocate more resources to advanced risk management, leveraging technologies like data analytics to predict potential threats and implement counter measures before risks materialize. Moreover, simplified regulation can reduce barriers to innovation and encourage investment in digital solutions, such as artificial intelligence, that improve underwriting processes, enhance customer experiences, and optimize claims management. This is particularly crucial in an era where digital transformation and technological

advancements are reshaping the insurance landscape.

To achieve this, a collaborative effort from policymakers and industry stakeholders is essential. By fully embracing the simplification initiative and working together in a spirit of trust to identify areas where regulations can be streamlined without compromising the integrity and stability of the insurance sector, we will move things forward and achieve our joint goal of safeguarding the EU's economic growth and competitiveness. This involves, in my opinion, not only a thorough evaluation of existing regulations to determine their relevance and effectiveness in addressing current and future risks, but also a review of the policymaking process itself, which has become more complex and unstable over the years, with less emphasis on competitiveness.

Evaluating the latter could include placing even greater emphasis on competitiveness early in the process (i.e. during the impact assessments), improving the interaction and sequencing of sectoral and increasingly horizontal regulation (in some cases also the interaction between different pieces of sectoral regulation), and limiting the number of review clauses and delegations to Level 2 and 3 acts.

In conclusion, as the EU strives to bolster its global competitiveness amidst rising geopolitical and economic challenges, regulatory simplification for me emerges as a key strategy. Through thoughtful simplification policymakers and industry stakeholders together can create a regulatory environment that not only supports innovation and growth but also upholds the highest standards of risk management. This approach ensures the long-term stability and success of our industry, protecting and growing our customers' most valuable assets in times of unprecedented uncertainty.



ANNICK FELTEN

General Manager –
Swiss Re Europe

Addressing digital transformation and climate-related risks

Already for a while, the topics of digital transformation and managing climate-related risks have been top of mind for regulators and businesses alike. Swiss Re leverages digital advancements and AI-driven analytics to enhance its risk management and underwriting processes. Similarly, the company has been managing climate-related risks on both the asset and liability sides.

Traditional AI technologies are increasingly being integrated in re/insurers' core processes. In underwriting, AI examines data such as historical claims and customer profiles to assess risk and identify patterns, allowing underwriters to focus on complex cases and improve decision-making speed and accuracy. AI-powered tools also streamline claims management, by using visual intelligence damage recognition, automating document verification and fraud detection, providing real-time updates, and thus reducing manual effort and costs. In addition, AI integration strengthens risk management by using bots and agents to improve internal control frameworks.

AI offers benefits but also poses risks, including data privacy concerns, operational inefficiencies, intellectual property challenges, cybersecurity threats, legal risks, and the potential for inaccurate or misleading outputs. Mitigating these risks requires robust

governance frameworks, defining risks, assigning roles, conducting risk assessments, and establishing controls for transparency, accountability, and human oversight. Providing AI literacy training, adopting ethics codes, and creating review committees are essential. Regulatory compliance with frameworks such as the AI Act, GDPR, Solvency II, and IDD supports effective risk management and ensures AI decisions remain transparent and auditable.

Going beyond traditional AI, Agentic AI – AI systems capable of making autonomous decisions without human intervention – are set to become more prevalent in the coming years, initially having a limited impact but assisting in managing datasets, automating decisions, and enhancing operations.

Governance is at the core of Swiss Re's thinking as it strives to incorporate both traditional and agentic AI technologies into its processes. Through the adoption of a responsible AI framework with governance, transparency, and human oversight, potential risks can be mitigated, ensuring trustworthy AI-driven decisions. This proactive approach enhances performance and positions AI as a key enabler of long-term success.

Building on its commitment to achieve net-zero by 2050 and responsive to legal requirements, Swiss Re has recently published its first Climate Transition Plan. This plan outlines Swiss Re's approach (incl. targets) to reduce greenhouse gas emissions across underwriting, investments and operations, and defines a clear action plan.

Optimizing core processes is crucial for addressing digital transformation and climate-related risks.

In underwriting, Swiss Re employs a process to identify and assess climate-related risks. This involves analyzing both physical risks (such as extreme weather events) and transition risks (such as regulatory changes and market shifts). The company uses modeling techniques and collaborates with scientific institutions to enhance its understanding of these risks. Swiss Re has developed various strategies to manage climate risks, including diversifying its portfolio to reduce

exposure to high-risk areas, investing in climate-resilient infrastructures, and engaging with clients to promote sustainable practices. The company also emphasizes the importance of scenario analysis to anticipate potential future impacts of climate change.

When it comes to investments, Swiss Re integrates climate risk management into its investment processes. The company aims to transition its investment portfolio to net-zero greenhouse gas emissions by 2050. This involves setting interim targets, such as reducing the weighted average greenhouse gas intensity of its corporate bond and listed equity portfolio by 35% by 2025. Swiss Re also invests in green, social, and sustainability bonds, as well as renewable energy infrastructure projects. The company engages with investee companies to encourage them to align their business models with the goals of the Paris Agreement and to disclose their climate-related risks and opportunities.

With respect to operations, Swiss Re is committed to reducing its own operational greenhouse gas emissions. This includes reducing energy consumption, using 100% renewable electricity, and reducing business air travel.

In order to successfully address the challenges linked with digital transformation and climate-related risks, re/insurers need to continuously reevaluate and optimize their core processes. Regulators can play an important enabling role in this respect and they can best do that by striking a sound balance between requiring re/insurers' sustained focus on material risks and ensuring that they have sufficient flexibility to tailor their approaches to their specific circumstances.