Insurance bulletin

PwC Ireland

Q1 2025

Contents

Executive summary

We welcome you to the Q1 2025 edition of our Insurance bulletin which provides key updates and developments in the insurance industry at both domestic and European levels during the first quarter of 2025.

From an Irish perspective one of the more notable regulatory developments was the publication of the CBI's revised Consumer Protection Code ("The Consumer Protection Code 2025").

This edition of the Insurance Bulletin also contains the CBI's latest NCID – Liability & Commercial Property Report, which aims to enhance transparency in the Irish insurance claims environment.

The CBI also published its Q1 2025 Insurance newsletter detailing updates and insights in the sector.

At a European level relevant updates include EIOPA's recommendation to change the standard formula capital calibrations for natural catastrophe risk.

EIOPA have also suggested amending the capital treatment of insurers' direct exposure to central clearing counterparties within the standard formula.

EIOPA's risk dashboard reported an increase in ESG-related risks, driven by evolving environmental agreements and growing skepticism.

Finally in this bulletin, EIOPA has launched a consultation on its Opinion on AI governance and risk management, with the aim of providing guidance for supervisors and insurers on implementing AI systems.

Please remember that clicking on the **bold headlines** in each section will bring you to the underlying source material in each case.

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Insurance updates and developments

Conduct

EIOPA's Consumer Trends Report shows digitalisation is transforming insurance and pensions services

On 15 January, EIOPA published its 2024 Consumer Trends Report. Key findings from the report are:

Digitalisation and AI: The insurance and pension sectors are increasingly leveraging digital tools and AI, enhancing accessibility and speeding up processing times. However, challenges such as standardisation and privacy concerns need to be addressed.

Pension Gaps: Confidence in retirement finances remains low, with only 42% of EU consumers feeling secure. Participation in occupational and personal pension schemes is also limited, primarily due to financial constraints and product complexity.

Value for Money: While many consumers believe their insurance and pension products offer good value, issues persist, particularly with unit-linked and hybrid insurance products, which are often associated with high costs and complexity.

Access and Sustainability: Access to investment and non-life insurance products has slightly declined due to financial pressures and inflation.

Cross-Border Sales: The sale of cross-border insurance products is on the rise, driven by digitalisation. Despite this growth, trust issues and supervisory challenges continue to pose barriers.

These findings underscore ongoing efforts to improve product value and governance, highlighting both progress and areas needing further attention.

EIOPA publishes annual report on sanctions under the Insurance Distribution Directive in 2023

On 29 January, EIOPA published its fifth annual report on administrative sanctions under the Insurance Distribution Directive (IDD).

This report serves to enhance transparency and accountability in the European insurance market.

Major themes from the report were:

- The notable increase in sanctions related to product oversight and governance requirements since 2021.
- Common sanction tools include registration withdrawals and administrative fines.
- Orders to cease and desist have effectively resolved issues before they impact consumers.
- The report emphasizes that sanctions, while crucial for deterring misconduct, should not be the sole measure of IDD supervision effectiveness, as other measures can address broader market failures.

EIOPA is seeking feedback on its Opinion on Artificial Intelligence governance and risk management

On 12 February, EIOPA launched a consultation on its Opinion on AI governance and risk management, providing guidance for supervisors and insurers on implementing AI systems in line with sectoral legislation.

The Opinion, which excludes prohibited and high-risk AI practices under the AI Act, emphasizes a risk-based, proportional approach and aligns with international standards.

It sets expectations for responsible AI use, including fairness, transparency, data governance, and clear staff roles. Stakeholders are invited to comment by 12 May 2025.

CBI publishes a revised Consumer Protection Code

On 24 March, the CBI published its Consumer Protection Code 2025. The revised code aims to deliver modernised protections to reflect the evolving digital landscape of financial services.

The 2025 Code enhances consumer protection in the financial services market by addressing digitalisation, transparency, and advertising. It acknowledges the shift to digital platforms, ensuring they are user-friendly and accessible, and requires consumers to opt-in to confirm understanding.

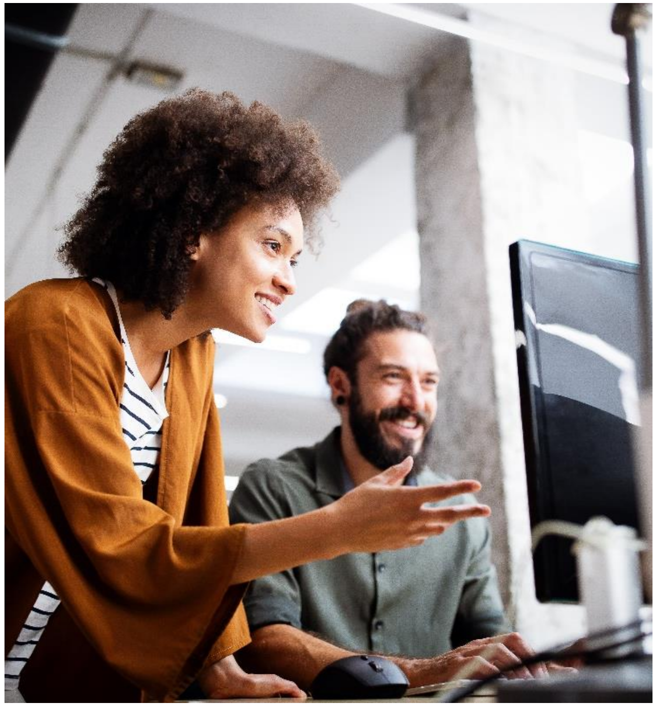
The Code emphasises providing clear, accurate, and timely information to help non-professional consumers make informed decisions, with technical terms explained and key information prominently displayed. Advertising must be clear, fair, accurate, and balanced, with specific guidelines for social media and influencer use. Other notable changes include requiring explicit opt-in consent for automatic insurance renewals and simplified guidance for mortgage switching.

Financial firms must integrate customer interests into their strategies and decision-making processes, reinforcing ethical business practices.

The Code also includes updated safeguards for vulnerable customers, fraud prevention measures and clearer guidelines unregulated activities, such as crypto assets or Buy-Now-Pay-Later (BNPL) Services.

The Code introduces tailored regulations for insurance providers, credit institutions and mortgage lenders to ensure industry-specific consumer protections

Firms have a 12-month period to implement the revised code, with its provisions set to take effect in March 2026.



Supervision

ESAs publish study on feasibility of further centralisation of major ICT related incident reporting by financial entities

On 17 January, the European Supervisory Authorities (“ESAs”) published a report on the feasibility of further centralisation in the reporting of major ICT-related incidents by financial entities. Key findings include:

Feasibility of Scenarios: All three scenarios which include "Baseline Scenario", "Data Sharing" and "Centralised EU Hub" are technically feasible, with risks mitigable through additional measures and investments.

Short-Term Feasibility: Only the Baseline Scenario and its enhancements are feasible within the short term (within 3 years from January 2025).

Medium to Long-Term Feasibility: Further centralisation scenarios are feasible in the medium term (3 years onwards for data-sharing) and long term (5 years onwards for a fully centralised model), contingent on policy and legislative changes.

Advantages of Centralisation: A centralised EU Hub model would avoid parallel reporting channels, shorten dissemination times, develop advanced analytical capabilities, and aid in cybersecurity crisis management.

These findings highlight the ongoing efforts and considerations for improving incident reporting and centralisation within the EU.

EIOPA’s risk dashboard on occupational pension funds shows stable risk assessment with market risks remaining a key concern

On 30 January, EIOPA published its Risk Dashboard on Institutions for Occupational Retirement Provision (IORPs), which shows that risks in the European IORP sector are stable and overall at medium levels, with ongoing signs of vulnerabilities stemming from market volatility.

With regard to macro risks, 10-year swap rates showed an increase, while forecasted GDP growth and inflation held steady at the end of December 2024. Geopolitical tensions are reshaping global dynamics, heightening concerns about declining international cooperation and escalating risks and uncertainties in the years to come.

Market and asset return risks continue to be assessed at a high level. While market volatility stabilised towards the end of December, it remains above historical standards. Real estate prices kept sliding across the Euro Area, although less sharply than in the previous quarter.

Liquidity risks are showing a decreasing trend, driven by positive developments in IORPs’ derivative positions. Within reserve and funding risks, the financial position of defined benefit IORPs' remained robust in the third quarter of last year. Digitalisation & cyber risks are unchanged, with the supervisory assessment of these risks levelling off in the fourth quarter of 2024 following a year of risk increases.

EIOPA dashboard shows overall stable risk landscape for European insurers although market risks remain a key concern

On 31 January, EIOPA published its January 2025 Insurance Risk Dashboard, indicating that risks in the European insurance sector are stable and overall at medium levels, with pockets of vulnerabilities stemming from market volatility and shifts in real estate prices.

Key findings include:

Macroeconomic Risks: GDP growth and inflation forecasts remain stable. Geopolitical tensions are reshaping global dynamics, heightening concerns about declining international cooperation and escalating risks.

Market Risks: Market risks remain high, with bond volatility stabilising but still above historical standards.

Liquidity and Funding Risks: Liquidity and funding risks are at a medium level but with an upward trend due to worsening funding conditions in Q4 2024.

Solvency and Profitability Risks: Solvency ratios for insurance groups and solo undertakings in the non-life segment showed slight improvement in Q3 2024, while remaining largely unchanged for life undertakings.

ESG and Cyber Risks: The outlook for ESG related risks is worsening, with growing skepticism and evolving dynamics in environmental agreements. Digitalisation and cyber risks have also increased, driven by higher perceived probability of these risks materialising.

These findings highlight the ongoing stability and medium-level risks in the European insurance sector, with particular concerns around market volatility and real estate prices.

EIOPA market report on occupational pension funds shows more consolidation and a rebound in assets under management

On 11 February, EIOPA published its 2024 'IORPs in Focus' report, highlighting ongoing consolidation in the European occupational pension fund market, a shift towards defined contribution plans, and a recovery in assets under management to €2.72 trillion. The number of IORPs decreased by 1.7%, while multiemployer IORPs grew, indicating greater efficiency.

Despite the IORP II Directive, cross-border IORPs operate in only eight Member States, with the total number declining to 28. The report also notes significant differences in investment strategies across member states.

EIOPA establishes a Consultative Expert Group on Data Use in Insurance

On 18 February, EIOPA established its Consultative Expert Group on Data Use in Insurance, following a call for candidates in December 2024. This multidisciplinary group, composed of high-level experts from various sectors, will support EIOPA's work on data sharing and address challenges and opportunities in digitalisation. The group aims to optimise the positive impact of data in insurance while ensuring ethical use. The group will finalise its work within 12 months, starting in March 2025.

The ESAs provide a roadmap towards the designation of CTPPs under DORA

On 18 February, the ESAs provided a roadmap, detailing their plans to advance the implementation of the pan-European oversight framework for critical ICT third-party service providers (CTPPs) under the Digital Operational Resilience Act (DORA). The process involves collecting Registers of Information from Competent Authorities by 30 April 2025, performing criticality assessments, and notifying providers by July 2025.

After a six-week objection period, the ESAs will designate CTPPs and begin oversight engagement. A joint DORA oversight function has been established to ensure consistency and efficiency. An online workshop with ICT third-party providers is planned for Q2 2025 to clarify the process and approach.

Central Bank of Ireland sets out its regulatory and supervisory priorities for 2025 against the backdrop of global transformational change, heightened volatility and increasing complexity

On 28 February, the CBI published its Regulatory and Supervisory Outlook. The Central Banks supervisory priorities for 2025/26 are informed by the wider risk environment as well as sector specific trends, risks and vulnerabilities and continue to reflect the key supervisory priorities that were presented in the 2024 Regulatory & Supervisory Outlook report.

These priorities are summarised below:

Consumer and Investor Protection: Ensuring firms meet obligations and address poor practices to reduce consumer risk, especially with the revised Consumer Protection Code coming in 2026.

Individual Accountability: Embedding the Individual Accountability Framework and extending the Senior Executive Accountability Regime (SEAR) to non-executive directors.

AI Regulation: Preparing for the EU Artificial Intelligence Act and ensuring firms manage AI risks effectively.

Financial Crime and Market Integrity: Developing measures to prevent fraud and contributing to the Anti-Money Laundering Authority (AMLA).

Crypto Regulation: Implementing the Markets in Crypto Assets Regulation (MiCAR) and raising awareness of crypto risks.

Fitness and Probity: Enhancing processes based on the 2024 review and preparing for public consultation on new standards.

Enforcement: Maintaining a credible deterrence against regulatory breaches and misconduct.

The Central Bank aims to maintain financial stability and consumer protection while supporting innovation and productivity.

EIOPA sets supervisory expectations on the deduction of foreseeable dividends from insurers' own funds under Solvency II

On 5 March, EIOPA published a Supervisory Statement providing guidance on the treatment of insurers' foreseeable dividends to promote supervisory convergence. Insurers must deduct foreseeable dividends from their own funds as they lack permanence and loss-absorbing capacity.

EIOPA acknowledges various approaches for deduction, including annual full deduction, quarterly accrued deduction, and deduction after AMSB approval.

The statement advises supervisors not to prioritise actions against the quarterly accrued approach and supports the annual full deduction method in stable environments. The deduction after AMSB approval is feasible if estimating dividends is challenging.

EIOPA publishes recommended actions and best practices after peer review on stochastic valuation

On 5 March, EIOPA published the results of its peer review. The review assessed the supervision of stochastic valuation methods used by insurers for products with options and guarantees. The review involved 21 Member States, with 14 under full scope (covering both identification and valuation) and 7 under limited scope (covering only valuation).

Recommendations were issued to 7 NCAs to enhance their identification and monitoring of options and guarantees, while 6 NCAs were advised to develop specific national guidance and strengthen their supervisory activities. The review also identified best practices to support NCAs in implementing regulatory frameworks and effectively supervising stochastic valuation, focusing on the identification, valuation, and supervisory tools used. This initiative aims to ensure robust supervision and enhance the reliability of insurers' solvency positions.

The ESAs acknowledge the European Commission's amendments to the technical standard on subcontracting under the Digital Operational Resilience Act

On 7 March, the ESAs issued an Opinion on the European Commission's rejection of the draft Regulatory Technical Standard (RTS) on subcontracting. The EC rejected the original draft, stating that certain elements exceeded the ESAs' powers under the Digital Operational Resilience Act (DORA).

The ESAs' Opinion acknowledges the EC's assessment and confirms that the proposed amendments align the RTS with DORA's mandate. Consequently, the ESAs do not recommend further changes and urge the EC to finalize the adoption of the RTS without delay.

The ESAs call for vigilance amid rising geopolitical and cyber risks

The ESAs' Spring 2025 update on the 31 March highlights significant challenges to EU financial stability due to geopolitical tensions and rising cyber risks. Financial institutions must navigate uncertainties like international market exposure, liquidity risks, and AI's evolving role. The ESAs emphasise proactive risk management, stronger cyber resilience, and close monitoring of global financial linkages.

They recommend preparing for market volatility, provisioning adequately, and ensuring robust data governance and compliance with the AI Act and Digital Operational Resilience Act to manage cyber and digitalisation risks effectively.

Prudential

EIOPA suggests amending the capital treatment of insurers' direct exposure to central clearing counterparties

On 30 January, EIOPA published its final technical advice on the capital treatment of insurer's direct exposure to qualifying central clearing counterparties (CCPs) in the standard formula.

Insurers and reinsurers in the EEA have only used CCPs indirectly up until recently. As such, Solvency II prescribes a specific treatment for indirect arrangements but not direct exposures.

EIOPA has advised the treatment of indirect exposures be extended to direct exposures and aligning further the treatment of default fund contributions using the risk-sensitive approach taken under the Capital Requirements Regulation.

EIOPA provides its advice on Solvency II's new proportionality framework to the European Commission

On 30 January, EIOPA published its technical advice on the new proportionality framework under Solvency II.

This advice supports the classification of 'small and non-complex undertakings' (SNCUs) and proposes conditions for granting proportionality measures to other (re)insurers.

The framework aims to reduce regulatory requirements for SNCUs while allowing supervisors to grant similar measures to non-SNCUs based on their risk profile.

This approach seeks to balance regulatory burden reduction with prudent risk management, fostering market diversity and innovation.

EIOPA opens consultation on revised Guidelines on the methods for determining the market shares for limited reporting requirements

On 3 February, EIOPA launched a public consultation on revised Guidelines for determining the market share of undertakings eligible for limited reporting requirements under Solvency II.

Following the recent Solvency II Review, EIOPA aims to align the Guidelines with the amended regulatory framework and simplify them. The Consultation Paper proposes targeted improvements to clarify the roles of supervisory authorities and undertakings, promote exemptions, and ensure a level playing field.

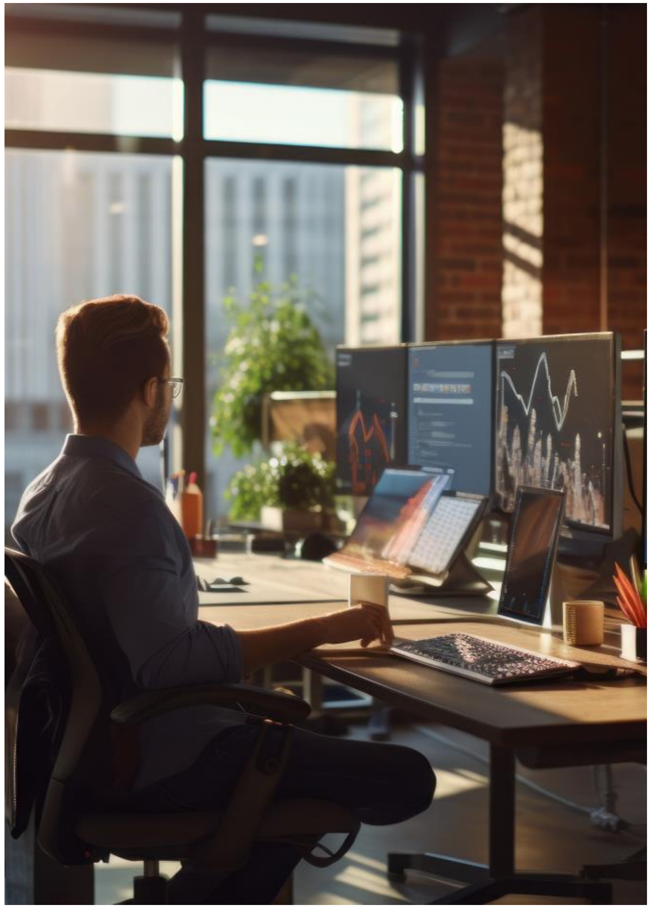
The window for providing feedback for this consultation has now closed.

EIOPA proposes one-to-one capital requirements for EU insurers' crypto asset holdings

On 27 March, EIOPA published its technical advice, advising the European Commission to apply a consistent one-to-one capital requirement to all crypto holdings of EU (re)insurers, recommending a 100% haircut due to the high risks and volatility of these assets.

Currently, (re)insurers classify crypto assets without a consistent approach, raising concerns about risk sensitivity. EIOPA's analysis suggests existing capital weight options underestimate crypto risks.

To ensure harmonized and prudent treatment, EIOPA proposes a blanket 100% capital requirement, reflecting the high risks without adding complexity or reporting burdens.



Sustainability

EIOPA recommends new risk factors for flood, windstorm and hail risk in insurers' standard formula capital calculations

On 30 January, EIOPA published its recommendation to update the standard formula calibrations for natural catastrophe risks.

This recommendation is based on new scientific insights, recent climate data, and advanced risk modelling.

The proposed adjustments include recalibrating risk factors for floods, hail, earthquakes, and windstorms for certain regions, and expanding the number of countries considered. This update aims to ensure that insurers' capital requirements adequately reflect the increasing impact of natural disasters due to climate change, thereby protecting policyholders and maintaining market stability.

EIOPA is also monitoring emerging perils like wildfire and coastal floods for potential inclusion in future calibrations.

European Commission publish First Omnibus Simplification Package

On 26 February, the European Commission published an Omnibus Simplification Package which aims to reduce the complexity, burden, and cost of sustainability regulations, particularly for smaller companies, while maintaining standards.

Key changes include:

CSRD: Postponing reporting requirements for large companies and increasing the revenue threshold for non-EU companies. Revising European Sustainability Reporting Standards (ESRS) to reduce data points and removing certain reporting obligations.

EU Taxonomy: Simplifying reporting templates and making taxonomy reporting voluntary for certain large undertakings.

CSDDD: Postponing phase-in dates for the first wave of companies, limiting SME information requests, and adjusting financial penalties for non-compliance.

Next Steps: The legislative process is expected to take three to four months, followed by approval and publication in the Official Journal of the EU, with a 12-month transposition period for member states.

The package aims to streamline sustainability reporting while ensuring compliance and maintaining high standards. A PwC article on this provides further insight which can be found here.

Other updates

The CBI Publishes Insurance Newsletter for March 2025

On 10 March, the CBI published its Quarterly Insurance Newsletter for March 2025.

The newsletter provides insights on the RSO Report as well as highlighting the increased use of Asset Intensive Reinsurance. It also provides updates on the Revised Consumer Protection Code, Central Bank Portal update, NCID Motor Report and Stakeholder Engagement along with recent speeches and publications.

CBI Quarterly Bulletin Q1 2025

On 19 March, the CBI released their latest assessment of the Irish and euro area economies. The assessment showed that the current domestic economy has continued to perform well. Inflation has reduced to less than 2%, and unemployment rates have remained low.

However, the pace of economic growth is projected to slow, with a gradual increase in unemployment. This could affect insurance demand, particularly in life and health insurance sectors.

The bulletin highlights significant policy uncertainty impacting the Irish economy, with slower growth projected due to shifts in global trade relationships. This could particularly impact multinational insurers operating in Ireland, with exposure to US markets.

Despite this, the domestic economy overall remains strong, with low unemployment and steady wage growth. Inflation is expected to rise slightly in 2025 due to higher energy prices but will decline thereafter.

CBI's 2025 Annual Employers' Liability, Public Liability and Commercial Property Insurance Report

On 20 March, the CBI published its latest National Claims Information Database (NCID) Employers' Liability (EL), Public Liability (PL) and Commercial Property Insurance Report. Key findings from the report are:

Premium Trends: The average premium for package policies increased by 4% in 2023.

Claims Settlement: Most injury claims were settled through litigation before a court award. These cases made up 87% of total injury claim costs - highlighting how expensive and complex litigation can be.

Loss Ratios: The combined loss ratio for EL, PL and Commercial Property insurance was 53% in 2023, indicating that claims accounted for just over half of earned premiums.

Personal Injuries Guidelines Impact: The new Guidelines, which replaced the Book of Quantum, led to significant reductions in average compensation amounts - up to 36% lower in some channels for EL and PL claims.

Profitability: The insurance sector showed an operating profit of 13% of total income in 2023.

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