Insurance bulletin

PwC Ireland

Q2 2025

Contents

Executive summary

We welcome you to the Q2 2025 edition of our Insurance Bulletin which provides key updates and developments in the insurance industry at both domestic and European levels during the second quarter of 2025.

From an Irish perspective key updates include the Central Bank of Ireland (CBI) removing external audit requirements for captive (re)insurers under Solvency II.

Another notable update includes the CBI's publication of its revised "General Good Requirements for Insurance Undertakings 2025", which outlines cross-border regulatory expectations for insurance and reinsurance firms operating in Ireland, including reporting obligations and compliance with the revised Consumer Protection Code.

The CBI also published its Q2 2025 Insurance newsletter detailing updates and insights in the sector.

At a European level relevant updates include EIOPA launching six consultations to implement the Insurance Recovery and Resolution Directive (IRRD), which will be operational by 2027.

EIOPA also launched a survey on generative AI adoption in insurance operations with the aim to inform future supervisory expectations.

EIOPA released a new study around natural catastrophe coverage and transparency which revealed vague language in home insurance policies leading to the "illusion of being insured".

Finally in this bulletin, EIOPA conducted its first coordinated mystery shopping across eight member states to investigate how well products are matching consumer needs.

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 2025 Cost and Past Performance Report

On 15 April, EIOPA published its 2025 Cost and Past Performance Report, which analyses the costs, charges, and value for money of retail investment products within its remit from 2020 to 2023.

Key findings from the report include:

- Declining Costs: The average cost of retail investment products has decreased over the past few years, but significant differences remain across EU Member States.
- Product Performance: The report examines unit-linked (UL), profit participation (PP), hybrid (HY), and personal pension products (PPP), assessing their returns relative to costs.
- Investor Considerations: Retail investors should carefully evaluate fund fees, as active equity funds remain more expensive than passive funds and ETFs, leading to lower net performance on average.
- ESG Funds: Environmental, Social, and Governance (ESG) funds underperformed compared to non-ESG equivalents in 2022, likely due to the energy crisis, but showed better performance over a three-year horizon.

These insights aim to enhance transparency and improve consumer protection in the European pension and insurance markets.

Clearer and more consumer-friendly information is needed to prevent the ‘illusion of being insured’ for natural catastrophe coverage, EIOPA study finds

On 19 May, EIOPA released a new study emphasising the need for clearer and more consumer-friendly disclosures regarding natural catastrophe coverage in home insurance policies.

The study found that while many insurers provide essential information, some policyholders struggle to fully understand the scope of their coverage due to vague or complex wording.

Best practices from certain insurers include using detailed taxonomies of natural catastrophe perils in policy terms, which improve consumer comprehension.

However, EIOPA emphasises that effective disclosures should balance clarity and detail without overwhelming policyholders. A significant issue identified is that unclear wording can lead to consumer misconceptions, where some believe they are covered for specific natural catastrophe risks when they are not.

EIOPA recommends greater transparency through standardised Insurance Product Information Documents (IPIDs) to help consumers make well-informed decisions about their home insurance policies.

Complaints Handling

On 13 June, the CBI published its Quarterly Insurance Newsletter for June 2025, which included an insight on Complaints Handling. In this insight the CBI highlights that complaints – particularly around insurance – are rising, with over 6,000 received by the FSPO in 2024. Firms are reminded to treat complaints as potential indicators of deeper issues, and to handle them fairly and efficiently. Under the 2012 Consumer Protection Code, they must promptly acknowledge complaints, keep customers updated, and resolve cases within 40 business days. The CBI also urges regular analysis of complaints and escalation of findings. With a revised Code set to take effect in March 2026, firms are expected to strengthen their approaches even further.

EIOPA publishes the results of the first coordinated mystery shopping exercise in the EU's insurance sector

On 17 June, EIOPA published the results of its first EU-coordinated mystery shopping exercise, which assessed how insurance-based investment products (IBIPs) are sold across eight EU member states. Trained shoppers visited insurers, banks, brokers, and other distributors to evaluate how well these entities gathered customer information, disclosed product details, and matched offerings to consumer needs.

The findings were mixed. While 74% of distributors asked about shoppers' financial situations and investment horizons, fewer inquired about risk tolerance or sustainability preferences. Over two-thirds provided information on risks and returns, but less than half gave complete cost disclosures. When provided, Key Information Documents (KIDs) helped shoppers better understand product features.

Encouragingly, 84% of the products offered aligned with at least one of the shoppers' stated needs, though the depth of the sales conversation didn't always correlate with better product alignment. This suggests that a more streamlined, outcome-focused sales process might serve consumers better.

Supervision

EIOPA follows a comprehensive and balanced approach to simplification amid push for competitiveness

On 8 April, EIOPA published its approach to simplifying regulation and reducing administrative burdens to enhance European competitiveness.

EIOPA's approach centres on five key principles:

1. **Smarter Regulation** – Streamlining rules while maintaining effective supervision.

2. **Avoiding Fragmentation** – Preventing divergence across EU markets.

3. **Proportionality & Efficiency** – Reducing reporting complexity, especially for Solvency II.

4. **Sustainability Simplification** – Ensuring clearer, more accessible climate risk data.

5. **Early Policymaking Involvement** – Influencing EU legislation from the start to avoid unnecessary burdens.

The document outlines how EIOPA is exploring reducing the regulatory burden in the following areas:

- Prudential Reporting
- Proportionality
- Sustainability
- Digitalisation & AI
- Financial Stability
- Consumer Protection

ESAs publish Joint Annual Report for 2024

On 16 April, The Joint Committee of the European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) published its 2024 Annual Report, providing an overview of the joint ESAs work completed during the past year.

Some major themes from the report include:

- Joint risk assessments to monitor emerging financial risks.
- Sustainable finance initiatives, including updates on the Sustainable Finance Disclosure Regulation (SFDR).
- Digital resilience and operational risk, with a focus on implementing the Digital Operational Resilience Act (DORA).
- Consumer protection and financial innovation, ensuring fair practices in financial markets.
- Coordination on securitisation and financial conglomerates to enhance market stability.
- Progress on the European Single Access Point (ESAP), improving financial data accessibility.

EIOPA’s risk dashboard shows stable risk landscape for occupational pension funds although geopolitical uncertainties bring macro and market risks to the fore

On 30 April, EIOPA published its Risk Dashboard on Institutions for Occupational Retirement Provision (IORPs), which presents a stable risk landscape, though geopolitical uncertainties are increasing macro and market risks.

Macro Risks are generally stable but forecasted inflation and lower GDP growth signal emerging weaknesses.

Market & Asset Return Risks continue to be assessed at a high level, with worsening risk outlook due to heightened market volatility in equity and bond markets.

Liquidity Risks are increasing, driven by margin calls on IORPs hedging long-term liabilities following sharp interest rate hikes.

Within Reserve & Funding Risks, defined benefit IORPs remain financially robust, despite market fluctuations.

Digitalisation & Cyber Risks remain unchanged, but geopolitical tensions continue to create uncertainties.

EIOPA's insurance dashboard shows overall stable risk landscape but geopolitical uncertainties worsen the outlook for macro, market and digitalisation risks

On 30 April, EIOPA published its April 2025 Insurance Risk Dashboard, indicating that risks in the European insurance sector are stable though geopolitical uncertainties are worsening the outlook for macro, market, and digitalisation risks.

Key findings include:

- **Macro Risks** – Remain at a medium level, with slightly lower GDP growth and higher inflation forecasts.
- **Market Risks** – Elevated due to high volatility in bonds and equities, with insurers increasing bond exposures while equity holdings remain steady.
- **Liquidity Risks** – Medium level, with stable cash holdings, but lapse rates remain elevated.
- **Solvency & Profitability** – Robust solvency ratios, though profitability shows mixed signals.
- **Insurance Risks** – Premium growth rising, while loss ratios show a slight decline.
- **Market Sentiment** – Medium risk level, with European insurance stocks impacted by broader market trends.

CBI – General Good Requirements for Insurance Undertakings

On 8 May, the CBI published the revised "General Good Requirements for Insurance Undertakings 2025", outlining key regulatory expectations for insurance and reinsurance firms operating in Ireland, particularly those providing services on a branch or cross-border basis from other EU or EEA states. It consolidates a range of national rules that go beyond EU harmonised requirements, aiming to protect Irish consumers and ensure market integrity.

The document covers several areas, including adherence to the Consumer Protection Code, the Minimum Competency Code, and specific reporting obligations such as National Claims Information Database (NCID) submissions and National Specific Templates (NSTs). It also includes requirements related to life assurance disclosures, unclaimed life policies, motor and health insurance, and applicable levies like the Non-Life Premium Levy and the Funding Levy.

EIOPA surveys European insurers on their use of generative AI

On 15 May, EIOPA launched a survey on the use of generative AI in insurance companies to assess its adoption, governance, and risk management across the EU's insurance sector.

The survey's main objectives are:

- **Understanding AI Adoption** – Evaluating how insurers are implementing generative AI and how it differs from traditional AI systems.
- **Governance & Risk Management** – Identifying the measures insurers are taking to ensure responsible AI use.
- **Consumer Protection** – Ensuring AI-driven innovations maintain strong safeguards for policyholders.
- **Supervisory Insights** – Helping regulators monitor AI trends and enhance oversight.

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

DORA update

On 13 June, the CBI published its Quarterly Insurance Newsletter for June 2025, which provided an update on the implementation of DORA. The CBI emphasized that financial entities, including (re)insurers, must enhance their resilience to ICT disruptions and cyber threats. While firms are required to maintain registers of information on third-party ICT service providers, the CBI announced that (re)insurance firms will not need to submit these registers in 2025 due to the significant compliance workload. The update also signalled ongoing supervisory engagement and support to help firms meet DORA's requirements.

EIOPA publishes its 2024 Annual Report

On 13 June, EIOPA published its Annual Report for 2024, outlining its accomplishments in the past year. The 2024 Annual Report highlights a year marked by geopolitical tensions, inflationary pressures, and rapid technological change.

Despite limited resources, EIOPA maintained regulatory momentum, focusing on long-term resilience and public interest. The report underscores EIOPA's efforts in integrating sustainability into insurance and pensions, enhancing AI preparedness, and strengthening cyber resilience. EIOPA contributed to EU-level discussions on the AI Act, launched a Catastrophe Data Hub, and pushed for streamlined climate risk disclosures aligned with CSRD and ESRS frameworks.

Consumer protection remained central, with initiatives like mystery shopping and oversight of cross-border conduct risks. EIOPA also pushed for regulatory simplification while safeguarding financial stability and supporting EU market competitiveness.

EIOPA responds to the European Commission's consultation on capital markets integration in the EU

On 19 June, EIOPA published its response to the European Commission's consultation on the integration of EU capital markets.

In their response, EIOPA backed the need for deeper integration of EU capital markets but says stronger EU-wide supervision is needed. It wants better tools to enforce rules and consistent consumer protection across borders to build trust and protect policyholders.

EIOPA's June 2025 Financial Stability Report

On 19 June, EIOPA published its June 2025 Financial Stability Report, which paints a picture of resilience amid volatility for Europe's insurance, reinsurance and occupational pensions sectors.

Some key takeaways from the report are:

- Sectors remain well-capitalised, despite a challenging macroeconomic environment marked by exchange rate swings, interest rate shifts, and equity market volatility.
- Geopolitical risks – including cyber threats – are a growing concern, prompting EIOPA to urge insurers and pension funds to stay vigilant.
- The insurance sector's solvency ratios dipped slightly from 2023 levels but remain robust under Solvency II. Life insurers' median SCR ratio fell to 230% from 246%, while non-life and reinsurance also saw modest declines.
- Premium growth was strong in 2024: non-life premiums rose 8.2%, and life premiums surged 13.8% to €758 billion.
- For occupational pensions (IORPs), market turmoil in Q2 2025 raised concerns about funding ratios and liquidity – especially in the Netherlands, where a shift from DB to DC schemes is underway.

Overall, EIOPA sees the sectors as fundamentally sound but warns that persistent macro-financial and geopolitical pressures require close monitoring.

EIOPA publishes research paper on insurers' contrarian investments in mutual funds

On 25 June, EIOPA published their second occasional research paper of 2025, exploring how European insurers behave as contrarian investors in mutual funds, stepping in to buy shares during periods of large outflows.

This behaviour helps to stabilise markets in times of stress, especially when other investors are pulling out.

The paper highlighted that a large portion of these contrarian investments are directed toward funds affiliated with the insurers themselves, which tend to exhibit lower volatility and reduced sensitivity to short-term performance pressures.

These affiliated funds provide a kind of liquidity backstop, similar to banks, particularly when insurers are well-capitalised.

However, EIOPA also cautioned that this stabilising role may be compromised during systemic crises when insurers' own financial strength is under strain.

Using detailed regulatory data, the study sheds light on the important role insurers can play in enhancing market resilience – while also acknowledging the limits of their support in times of broader financial instability.

Prudential

EIOPA introduces new research paper series showcasing the joint work of in-house experts and external researchers

On 2 April, EIOPA launched a new publication series called "Occasional Research Papers", which aims to inform regulatory and policy discussions on key topics affecting the European insurance and occupational pensions sectors. These papers feature research from both EIOPA experts and external contributors, offering analytical insights into key industry issues. The series aims to enhance understanding of market dynamics and inform decision-making.

The inaugural paper in the series, titled "International Portfolio Frictions", explores the global asset allocation decisions of European insurers and banks, particularly in fixed-income portfolios. It highlights previously overlooked investment behaviours and examines how domestic financial market characteristics influence international portfolio allocations.

EIOPA consults on new rules related to group supervision, related undertakings and volatility adjustments following Solvency II Review

On 3 April, EIOPA launched three public consultations related to the review of Solvency II. The three consultations focus on:

- guidelines on exclusions from group supervision
- revised guidelines on the treatment of related undertakings and
- a revised opinion on the use of volatility adjustments.

The window for providing feedback for these consultations has now closed.

EIOPA launches Europe-wide liquidity stress test of occupational pension funds

On 7 April, EIOPA launched its fifth Europe-wide liquidity stress test for occupational pension funds. This 2025 exercise aims to assess the sector's resilience to rapid movements in yield curves and focuses on liquidity risks, particularly for institutions exposed to synthetic leverage through derivatives or liability-driven funds.

The stress test features two distinct scenarios:

1. **Yield Curve Up** – Interest rates rise sharply due to geopolitical tensions, leading to trade disruptions, higher commodity prices, and a weaker euro.

2. **Yield Curve Down** – Interest rates plummet as prolonged geopolitical tensions trigger market uncertainty, lower GDP growth, and a depreciating euro.

These scenarios aim to evaluate how Institutions for Occupational Retirement Provision (IORPs) manage liquidity risks and potential spillover effects from their responses. The test includes IORPs from European Economic Area countries where total assets exceed €600 million, covering at least 60% of each national market, with priority given to IORPs using derivatives.

Results are expected to be published in mid-December 2025.

The CBI publishes revised Requirement for External Audit of Solvency II Regulatory Returns / Public Disclosures

On 17 April, the CBI published its revised Requirements for External Audit of Solvency II Regulatory Returns / Public Disclosures. These revised requirements introduce targeted updates to the original 2016 framework.

The key change is the removal of captive insurance and reinsurance undertakings from audit scope, reflecting a more proportionate approach. The revised requirements also include minor updates to reflect regulatory developments and clarify expectations.

These changes apply to financial years ending on or after 30 April 2025, and they aim to enhance the reliability of Solvency II disclosures while maintaining supervisory effectiveness.

EIOPA opens first set of consultations in preparation for the EU's insurance recovery and resolution framework

On 25 April, EIOPA launched six consultations as part of its preparation for the EU's Insurance Recovery and Resolution Directive (IRRD), which is set to become operational in 2027.

These consultations focus on pre-emptive planning and crisis management to ensure the stability of Europe's insurance sector while allowing for the orderly wind-down of failing insurers.

The six consultation papers cover the below areas:

- Content of pre-emptive recovery plans
- Addressing impediments to resolvability
- Assessment of resolvability
- Pre-emptive recovery plan criteria and methods to determine market shares
- Content of resolution plans
- Identification of critical functions

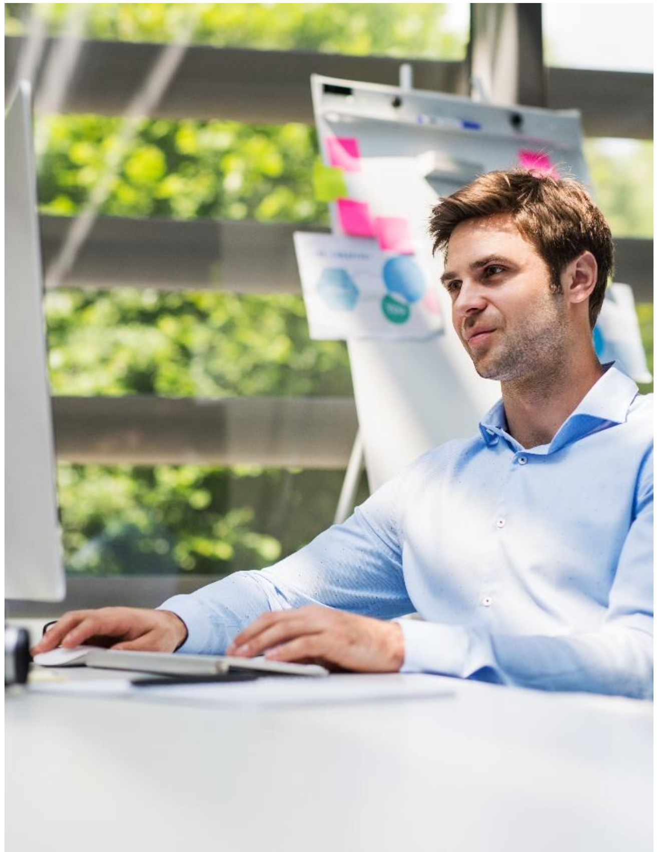
Insurance Recovery & Resolution Directive – Upcoming Consultation

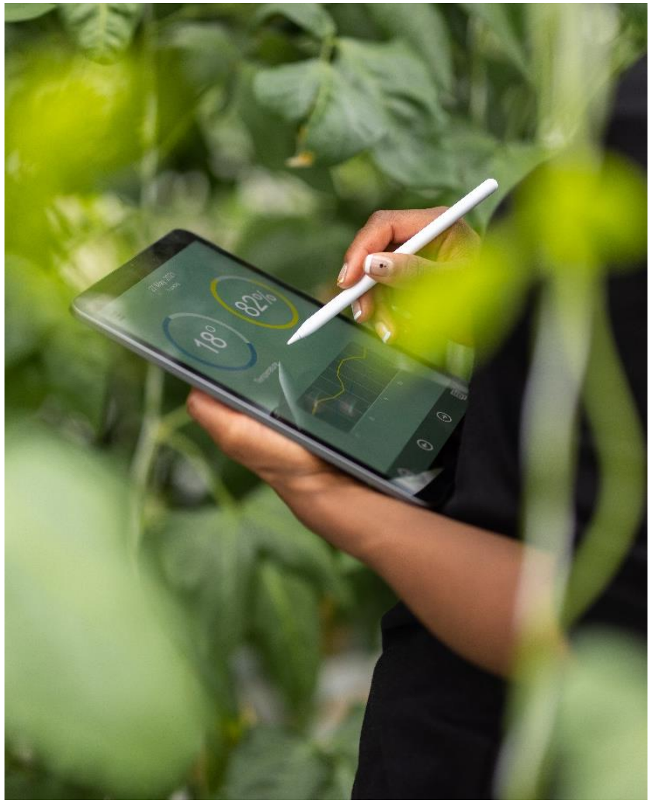
On 13 June, the CBI published its Quarterly Insurance Newsletter for June 2025, which included an insight on the recently published Insurance Recovery & Resolution Directive (IRRD).

The IRRD is a European Union directive focused on establishing a framework for the recovery and resolution of insurance and reinsurance undertakings. It aims to enhance the stability and resilience of the EU insurance sector by providing harmonized tools and procedures for handling financially distressed insurers.

Following engagement with the CBI, the Department of Finance expects to launch a public consultation on the transposition of the Directive. The consultation will seek public input on the exercise of Member State discretions under the Directive and the financing arrangements, which are to be established.

It is expected that this public consultation will take place this year.





Sustainability

ESAs launch consultation on how to integrate ESG risks in the financial stress tests for banks and insurers

On 27 June, the ESAs launched a public consultation on their draft Joint Guidelines on ESG stress testing in the banking and insurance sectors.

These guidelines aim to harmonise how environmental, social, and governance (ESG) risks are integrated into supervisory stress tests across the EU's financial system.

The draft sets out a common framework for designing ESG stress tests, including principles for methodology, scenario analysis, and governance. It emphasises proportionality, long-term consistency, and the need for high-quality ESG data.

The consultation is open until 19 September 2025, and a public hearing will be held online on 26 August 2025.

EIOPA notes positive early steps by insurers in addressing biodiversity risk but calls for stronger collaboration in key areas

On 30 June, EIOPA published a report examining how European insurers are addressing biodiversity-related risks, which are increasingly recognised as a threat to financial stability. The report highlights that biodiversity loss – such as the decline in ecosystems and species – can undermine the natural services that support over half of global GDP, including agriculture, healthcare, and construction.

EIOPA found that around 30% of insurers' investments are exposed to assets dependent on nature, yet only about 20% of undertakings mention biodiversity in their Own Risk and Solvency Assessments (ORSAs), and most of these assessments are still qualitative. While some insurers are beginning to integrate biodiversity into their risk frameworks, the report calls for stronger collaboration, better data, and more robust modelling to quantify financial impacts.

The report also stresses the interconnection between biodiversity and climate risks, noting that natural catastrophes can amplify both. EIOPA plans to promote structured dialogue between supervisors and insurers to build capacity and improve risk management practices.

Other updates

Central Bank of Ireland publish Annual Report 2024 and Annual Performance Statement 2024-2025

On 28 May, the Central Bank of Ireland published their Annual Report and Annual Performance Statement for 2024-2025. This report outlines how the CBI delivered on its mandate in 2024 and sets priorities for 2025. It reflects on economic developments, regulatory changes, and strategic progress amid global uncertainty.

In relation to insurers and the insurance industry, the report details how the CBI maintained regular supervisory dialogue with insurance firms to ensure sound risk management and consumer protection.

The CBI conducted targeted assessments, including a Consumer Protection Risk Assessment (CPRA), which evaluated how insurers identify and mitigate risks to consumers.

The CBI also published the sixth annual Private Motor Insurance Report via the National Claims Information Database (NCID), offering insights into premiums, claims costs, and settlement channels.

They released a Flood Protection Gap Report, identifying challenges in accessing flood insurance and forecasting increased risk due to climate change.

The CBI also engaged with insurers extensively on outsourcing and operational resilience, including preparedness for upcoming EU regulations such as DORA. This work is complemented by an ongoing thematic review of third party administers, which will continue into 2025.

The CBI looked to deepen their understanding of digital transformation in insurance sector by assessing firms' IT risk processes and infrastructure. They also hosted a workshop on responsible use of Big Data, covering governance, ethical data use, and consumer protection.

The report also provides detail on the CBI's authorisation process. The CBI reviewed 9 insurance authorisation requests during the year. All 9 were approved and it took on average 21 calendar days to process the applications.

The CBI publishes Insurance Newsletter for June 2025

On 13 June, the CBI published its Quarterly Insurance Newsletter for June 2025, which covers several regulatory and supervisory updates relevant to insurers and reinsurers operating in Ireland.

The newsletter provides insights into the:

- EU Anti-Money Laundering Package
- Insurance Regulatory & Resolution Directive
- Protective Disclosures
- FSPO Claims Handling Report

The newsletter also provides updates in relation to the:

- CBI Portal
- Digitalisation
- EIOPA

Stakeholder Engagement: CBI Quarterly Bulletin Q2 2025

On 19 June, the Central Bank of Ireland released their latest assessment of the Irish and euro area economies. The bulletin outlines a cautious outlook for the Irish economy amid global turbulence and domestic challenges.

Growth in Modified Domestic Demand is expected to slow as uncertainty around international trade – especially with the U.S. – dampens investment and consumer confidence.

Overall inflation is projected to ease; however, services are keeping some upward pressure on prices.

The labour market remains resilient, with unemployment edging up slightly but staying under 5%.

The Bulletin also warns that if U.S. tariffs and fiscal shifts persist, Ireland could face a significant hit to corporate tax revenues and employment levels, posing risks to the country's broader fiscal health.

Overall, the report emphasizes the need for strong domestic policy responses to shield the economy from external shocks.

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