

UNION-WIDE STRATEGIC SUPERVISORY PRIORITIES – Focus areas for 2025

Oversight Department
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INTRODUCTION

In March 2024, EIOPA published the Union-wide Strategic Supervisory Priorities (USSP) for the period 2024-2026¹.

Accordingly, national competent authorities shall take into account when drawing up their 2024-2026 work programmes the following two strategic priorities:

- Financial robustness of insurance and reinsurance undertakings, and
- Consumer protection in a disruptive environment.

The concrete and insurance-specific focus areas, within the umbrella of the strategic priorities, for each of the years' cycle, are subject to a yearly revision in order to capture recent developments and trends.

In 2024, the focus areas as described in the abovementioned statement corresponded to:

- Continuous monitoring of the impact of the macroeconomic environment
- Risk transfers including the capacity and appropriateness of risk transfers
- Value for money including in relation to inflation and current macro-economic trends

The establishment of the focus areas for 2025 considered the relevance of following-up in 2025 on the focus areas identified for 2024 and of introducing new focus areas namely on the areas of digitalisation and climate change.

Considering the macroeconomic developments in 2024 whereby concerns over an economic slowdown/recession still persist but are perceived as lower, the impact of the macroeconomic environment is still considered relevant to monitor but not established anymore as an USSP focus area for 2025.

Conversely, as regards risk transfers, their complexity and consequences in case of inadequate reinsurance management, are considered to justify keeping this topic as a focus area in 2025.

Likewise, key issues remain regarding value for money – in the unit-linked and hybrid insurance market but also in relation to some ancillary products – as reflected in the EIOPA's 2023 consumer risks heatmap and ongoing work, which makes it appropriate to be kept as a focus area for 2025.

On the digitalisation area, significant dedicated work has been pursued in the context of the Artificial Intelligence (AI) Act, the Fintech Forum of the IAIS and the European Forum for Innovation Facilitators (EFIF). Although the AI Act will apply as of the middle of 2026, some details concerning its implementation need to be further clarified. As such, the supervision of AI may be better suited as an USSP priority in 2026 and 2027 given the pace of change, while EIOPA will continue to prioritise and

¹ [Union-wide Strategic Supervisory Priorities 2024-2026](#)

support in 2025 the preparation for the implementation and supervision of the AI Act provisions and other relevant AI requirements in the context of the insurance value chain.

On the climate change and sustainability area, the frequency and severity of natural disasters have increased in the last years resulting in higher insurance claims and losses, also with repercussions on the availability and price of reinsurance. This may also lead to the increase of risk-based premium levels over time, potentially impairing mid- to long-term affordability for policyholders, and availability of insurance products with coverage against climate-related hazards - thus further widening the protection gap. On the other hand, the revision of the Solvency II Directive, that will establish new requirements namely as regards governance and risk management within the undertaking's framework, is expected to only enter into force by mid or late 2026. Also the follow-up of the EIOPA's Opinion on the supervision of the use of climate change risk scenarios in the ORSA is on-going and the follow-up of the EIOPA's Opinion on the supervision of greenwashing is planned for mid-2026. In this context, it is considered that climate change and sustainability related issues although having an important place in supervisory activities on an on-going basis, may be better suited as an USSP priority in 2026.

Finally, the Digital Operational Resilience Act (DORA) deserves a particular attention given it is entering into force on 16 January 2023 and into application as of 17 January 2025. On the other hand, discussions about supervisory convergence are still ongoing and it could be expected that during the first half of 2025 both the industry and the competent authorities will be finalising the implementation of requirements. Many supervisors participate in this work, which is seen as crucial for a good preparation for Day 1. As a result, DORA shall be considered in more detail as a focus area in 2026, although in 2025 it shall already deserve special attention also from a supervisory perspective.

FOCUS AREAS FOR 2025

For 2025, the following **focus areas** are established :

1) Risk transfers including the capacity and appropriateness of risk transfers

A particular supervisory focus shall be put on the following:

- Assessment of the adequacy of the risk-mitigation techniques considering the insurance and reinsurance undertakings' risk profile and the effective transfer of risk for the purposes of recognition in the solvency capital requirement (SCR) calculation;
- Assessment of whether risk-mitigation techniques lead to a SCR relief that is not commensurate with the risk transfer or create basis risk or other risks not properly captured in the Standard Formula, which can result in a significant deviation of the risk profile of the insurance and reinsurance undertaking from the assumptions underlying the SCR as calculated using the Standard Formula;

- Assessment of exposures of undertakings in a group to counterparties within the group under significant contracts of reinsurance, including if those transactions are structurally disadvantageous for specific undertakings, if may indicate regulatory arbitrage, or lead to concentration risk and contagion risk;
- Assessment of the extent to which reinsurance recoverables are collateralised, the recoverables' valuation, the strength of the (re)insurer, and potential liquidity mismatches.

2) Value for money

While, through its value for money workstream and the work on credit protection insurance, EIOPA is carrying out significant work on value for money, a particular supervisory focus shall be put on the following:

- Identification of products which may not offer value and respective assessment. Once an assessment is finalised, if national competent authorities determine that a product does not offer value, appropriate actions shall be taken to ensure that such products are reviewed and/or no longer distributed and consumers are provided with appropriate remedy;
- Assurance that insurance manufacturers monitor whether a product offers value throughout the lifetime of that product;
- Explore – beyond credit protection insurance – what value for money may mean for non-life insurance products.

Additionally, **DORA** is identified as an **area for attention** for 2025, which shall be considered also in more detail as a focus area in 2026.

The policy work on DORA has been delivered by the European Supervisory Authorities (ESAs) and it is being adopted by the European Commission. The next steps will now be mostly focused on the achievement of supervisory convergence, particularly in relation to the supervisory approach to Day 1.

As the joint-ESAs work on DORA will continue in the 2nd half of 2024 and in the 1st half of 2025, it is important that national competent authorities continue to contribute and follow the work developed and in parallel effectively develop their own Supervisory Review Process to assess the Information and Communication Technology (ICT) risks of the financial entities. The ICT risk should be incorporated in the national competent authorities' risk-based supervisory framework which should allow the identification of the most exposed entities to ICT risk.

Some individual assessments can also be considered in 2025, focusing on the high risk and/or more mature entities, understanding the tone from the top regarding the implementation of DORA requirements, how the ICT risk management framework was implemented and to ensure that the foundations for incidents reporting (focus on completeness of incidents reports and classification processes) and the new register of information are in place.

The national competent authorities are also expected to be in the position during 2025 to identify (or cooperate with the Threat-Led Penetration Test (TLPT) authority in the identification of) the entities subject to the first cycle of TLPT and to inform the respective market participants.

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