



Regulatory developments in the global insurance sector

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Executive summary¹

Region	No	Organisation(s)	Date	Regulatory developments
Global	1	International Association of Insurance Supervisors (IAIS)	2 July 2025	<ul style="list-style-type: none"> ■ The IAIS finalised its application paper on the supervision of artificial intelligence (AI), which provides additional guidance to assist implementation of the existing Insurance Core Principles (ICPs) in the context of using AI. ■ The application paper provides an AI governance framework that is comprised of the following four pillars. <ul style="list-style-type: none"> ➤ Governance and accountability (relating to risk management systems, corporate culture, human oversight, use of third-party AI systems/data and traceability and record-keeping) ➤ Robustness, safety and security ➤ Transparency and explainability (including explanations of AI system outcomes and those adapted to recipient stakeholders) ➤ Fairness, ethics and redress (relating to data management, inferred causal relationships, monitoring of outcomes of AI systems, adequate redress mechanisms for claims and complaints and societal impacts of granular pricing)
	2	International Association of Insurance Supervisors (IAIS)	26 June 2025	<ul style="list-style-type: none"> ■ The IAIS published its mid-year Global Insurance Market Report (GIMAR). Three key themes of the 2025 Global Monitoring Exercise (GME) and the IAIS's analyses of these themes presented in the report are as follows. <ul style="list-style-type: none"> ➤ Goeconomic fragmentation impacting insurers' management of assets and liabilities: Increased economic uncertainty and goeconomic fragmentation may widen spreads, increase defaults, intensify FX risks and have an impact on liquidity risk. ➤ Insurers' increased investment in private credit: Heavily investing in the private credit sector may increase insurers' credit risk, counterparty risk, concentration risk and liquidity risk and also amplify systemic risks. ➤ Insurers' adoption and governance of artificial intelligence: Insurers need to mitigate risks associated with the use of AI with effective governance and risk management.
	3	Financial Stability	19 June	<ul style="list-style-type: none"> ■ The FSB published a report entitled 'Vulnerabilities in non-bank commercial real estate investors' that focuses on REITs and property funds. Three main vulnerabilities mentioned in

¹ Volumes 1 to 12 of the report 'Regulatory developments in the global insurance sector' are available only in Japanese. This executive summary is a summary of the Japanese version of the Volume 60 report. It is advised that you refer to the respective original materials for accurate information.

		Board (FSB)	2025	<p>the report are as follows.</p> <ul style="list-style-type: none"> ➤ Some open-ended property funds show significant liquidity mismatches and may therefore be vulnerable to runs. ➤ There are pockets of high financial leverage in some REITs and property funds, which can impact the CRE market. ➤ There is inherent opacity in valuations of CRE assets, which may lead to financial instability.
Europe	4	European Insurance and Occupational Pensions Authority (EIOPA)	30 June 2025	<p>■ The EIOPA published a report on biodiversity risk management by insurers that analyses market practices in terms of biodiversity risk management. Main findings from the analysis include the following.</p> <ul style="list-style-type: none"> ➤ While insurers are taking a number of initiatives to support the identification and management of biodiversity and nature-related risks, the identification, measurement and management of these risks are still at an early stage, in particular, for underwriting activities. ➤ Biodiversity risk is often viewed through the lens of reputational risk, but biodiversity risk should be assessed beyond treating the risk as a mere potential reputational risk under the Solvency II. ➤ The nexus between climate change and biodiversity or nature-related loss potentially limits the risk assessment of specific biodiversity risks. While biodiversity risk should not be assessed solely through the lens of climate change, it is necessary to ensure that there is consistency between climate risk assessment and biodiversity risk assessment.
	5	European Supervisory Authorities (ESAs)	27 June 2025	<p>■ The ESAs, which are the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), released a draft of the guidelines on ESG stress testing for banks and insurers. Proposed requirements include the following.</p> <ul style="list-style-type: none"> ➤ Competent authorities should precisely define their objectives when performing ESG stress testing, adopt a risk-based approach and aim to fully integrate ESG factors into their overall stress testing framework. ➤ The choice of the time horizon for stress testing should be aligned with the intended objective of the exercise. A short- to medium-term horizon should be used when assessing financial resilience; a longer-term horizon should be used when assessing the resilience of

				<p>financial institutions' business models.</p> <ul style="list-style-type: none"> ➤ Competent authorities should maintain effective and structured dialogue with financial institutions throughout their stress testing process.
	6	European Insurance and Occupational Pensions Authority (EIOPA)	19 June 2025	<ul style="list-style-type: none"> ■ The EIOPA published the 1st half of its 2025 Financial Stability Report. Key messages of the report include the following. <ul style="list-style-type: none"> ➤ Geopolitical risk is a major driver of cyber threats. The financial stability implications for the insurance sector can be considered in terms of cyber underwriting risk and cyber resilience. ➤ Many life insurers sought higher-yielding investments, which made up about 25% of their asset portfolio in Q4 2024. ➤ Insurance supervisors have identified the reduction in underwriting due to decreased disposable income available for purchasing insurance policies as the most prominent risk.
	7	European Insurance and Occupational Pensions Authority (EIOPA)	17 June 2025	<ul style="list-style-type: none"> ■ The EIOPA published the results of its first mystery shopping exercise that examined sales processes for insurance-based investment products (IBIPs) across eight EU member states. Key findings from the exercise include the following. <ul style="list-style-type: none"> ➤ Information gathering during the sales process: Most distributors assess consumers' investment horizon, but risk tolerance and ability to bear losses in case of early surrender are not assessed uniformly. ➤ Disclosure and transparency: The level of detail and type of information on the product varied across cases. ➤ Product consistency with consumer needs: 84% of the products offered were consistent with at least one product feature out of the following four: objective, risk, liquidity and sustainability preference.
Americas	8	U.S. National Association of Insurance Commissioners (NAIC)	4 June 2025	<ul style="list-style-type: none"> ■ The NAIC urged the Senate to reject a draft bill that aims to impose a 10-year moratorium on state AI legislation or regulation. The One Big Beautiful Bill Act had the following requirement in its section for Artificial Intelligence and Information Technology Modernization: No State may enforce, during the 10-year period, any law or regulation of that State limiting, restricting or otherwise regulating artificial intelligence models, artificial intelligence systems or automated decision systems entered into interstate commerce. ■ Concerns expressed by the NAIC and state insurance regulators include the following.

				<ul style="list-style-type: none"> ➤ The proposed AI moratorium would have unintended consequences due to its broad definition of AI. ➤ The moratorium could disrupt the well-established processes that state regulators use to review models and ensure fairness and transparency in insurance markets. ➤ Federal pre-emption of state regulatory authority would represent a significant departure from the current successful insurance regulation model.
Asia Pacific	9	Australian Prudential Regulation Authority (APRA)	5 June 2025	<ul style="list-style-type: none"> ■ The APRA, together with the Australian Securities and Investments Commission (ASIC), released the results of their review on how life insurers have addressed issues related to premium increases, product design and disclosure and marketing materials. Key findings include the following. <ul style="list-style-type: none"> ➤ Right to re-rate: Life insurers revised unilateral variation clauses that allow them to re-rate premiums to reduce the risks of these clauses being considered unfair contractual terms. ➤ Marketing and disclosures: Life insurers adopted the new premium labels ‘variable premium’ and ‘variable age-stepped premium’, replacing ‘level premium’ and ‘stepped premium’, respectively. ➤ Product design: Most life insurers updated their target market determinations (TMDs) to specify how each premium structure is likely to be consistent with the needs of the target market.

Sources:

1. IAIS 'The IAIS publishes Application Paper on the supervision of artificial intelligence'
2. IAIS 'IAIS mid-year Global Insurance Market Report 2025 reflects insurance sector resilience'
3. FSB 'Vulnerabilities in Non-bank Commercial Real Estate Investors'
4. EIOPA 'EIOPA notes positive early steps by insurers in addressing biodiversity risk but calls for stronger collaboration in key areas'
5. EIOPA 'ESAs launch consultation on how to integrate ESG risks in the financial stress tests for banks and insurers'
6. EIOPA 'EIOPA tells insurers and pension funds to remain vigilant about their exposure to geopolitical and macroeconomic risks'
7. EIOPA 'EIOPA publishes the results of the first coordinated mystery shopping exercise in the EU's insurance sector'
8. NAIC 'NAIC Letter to Senate Urging Removal of AI Moratorium in Reconciliation'
9. APRA 'ASIC and APRA provide update on review of life insurance premium practices'

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