CBI Supervisory Outlook 2026

Insurance sector

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Insurance Sector

Regulatory & Supervision Outlook (key areas of focus by the CBI for 2026):

1

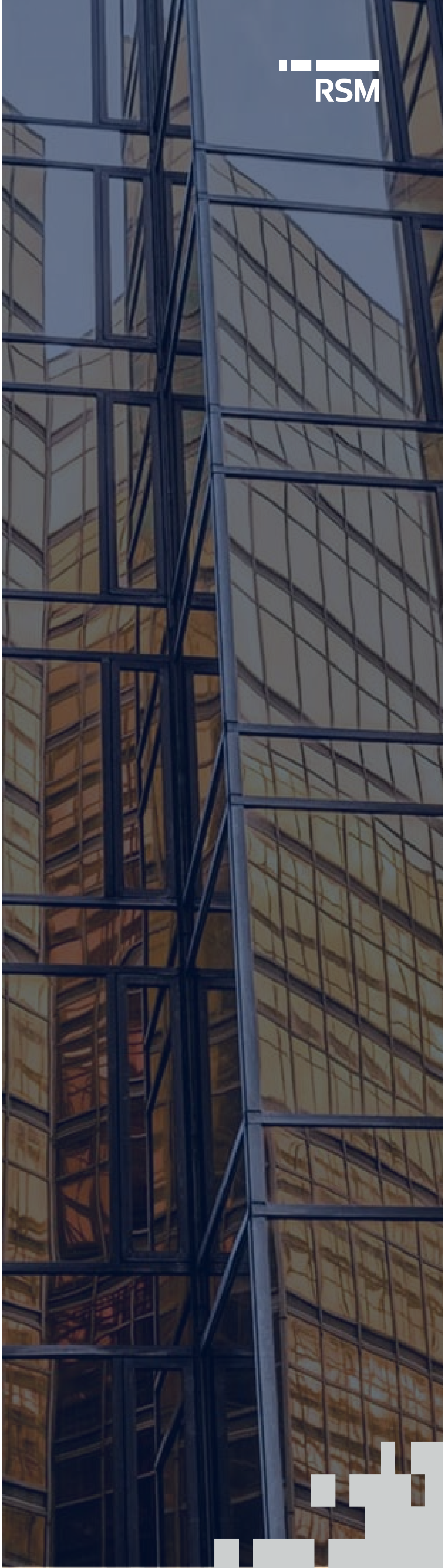
The Central Bank of Ireland's 2026 Regulatory & Supervisory Outlook is published against a backdrop of accelerating structural change, geopolitical fragmentation, rapid technological innovation, and evolving consumer expectations.

These forces are reshaping the risk environment across the entire financial system, and the CBI has made clear that firms must demonstrate resilience, strong governance, and the ability to operate in a rapidly shifting environment.

2

Operational and cyber resilience remain key cross-sector supervisory priorities, reflecting increased digitalisation, cyber threats, third-party dependencies and geopolitical uncertainty.

Alongside this, consumer protection, financial crime, climate risk, and the responsible adoption of AI are central pillars of the supervisory agenda for 2026.



Introduction

What follows are the Insurance specific considerations for 2026:

- Ireland’s insurance and reinsurance sector is large, internationally significant and has maintained a stable and robust solvency position in recent years. The CBI nevertheless notes that (re)insurers are operating in an increasingly challenging and volatile macroeconomic and geopolitical environment, with important regulatory changes taking effect over 2026/2027, including the revised Consumer Protection Code, Solvency II reforms and the EU Insurance Recovery and Resolution Directive.

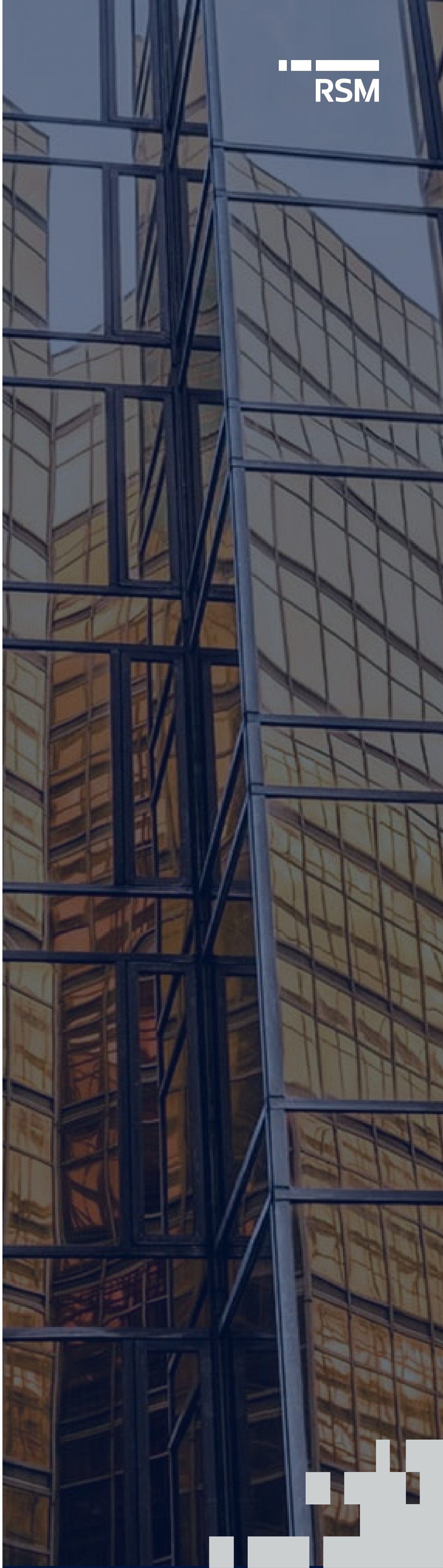
- **Customer treatment, product oversight** and **governance** are core insurance focus areas for 2026. The CBI expects products to be designed, approved and monitored so that they continue to meet target market needs, provide value for money and deliver good customer outcomes. Planned and ongoing supervisory work includes reviews of domestic health insurance product governance, No Claims Discount communications, customer service and complaints handling, in-force business administration processes, and the identification and treatment of customers in vulnerable circumstances.

- **Financial resilience** is another core priority. The CBI emphasises prudent and fair pricing, robust underwriting and reserving practices, capital adequacy, effective model risk management and operational resilience as fundamental to the sector’s safety and soundness. Planned supervisory activity includes monitoring resilience through stress scenarios and reviewing pricing, underwriting and reserving practices for international and reinsurance firms in the context of heightened geopolitical risks, market softening and other risk factors.

- Climate change and sustainability remain significant supervisory focus areas for the sector. The CBI identifies **physical**, **transition** and **litigation** risks as relevant to (re)insurers and expects firms to continue embedding climate risk into underwriting, pricing, reserving, capital planning, risk management and governance frameworks. The CBI will also continue focused engagement with stakeholders on climate protection gaps, particularly flood insurance risk in Ireland.

- **Digitalisation** and **AI** adoption bring both opportunities and additional operational and consumer risks. The CBI highlights risks relating to fairness, transparency, human oversight, data management, privacy, security and governance where AI is used in pricing, claims and other insurance activities. It will also support the effective implementation of the EU AI Act and incorporate it within supervisory strategies across the insurance sectors.

- Operational and cyber resilience remain key focus areas, reflecting some insurers’ significant reliance on third-party or group service providers for ICT, policy administration, claims management, underwriting support and investment management. The CBI’s planned work includes reviews of ICT risk management, DORA embeddedness, and operational resilience across domestic non-life, domestic life and international insurance firms.



Key 2026 supervision themes

Financial resilience, pricing and reserving discipline - In a volatile macro environment, the CBI stresses prudent underwriting, adequate reserving, investment risk oversight (especially geopolitical exposures), and stress testing for inflation, market shocks and climate risks.

Solvency II Reform and Recovery/Resolution (IRRD) - IRRD is effective 2027, as such 2026 is a preparation year for major regulatory changes affecting reporting requirements, proportionality measures, and recovery planning and crisis management.

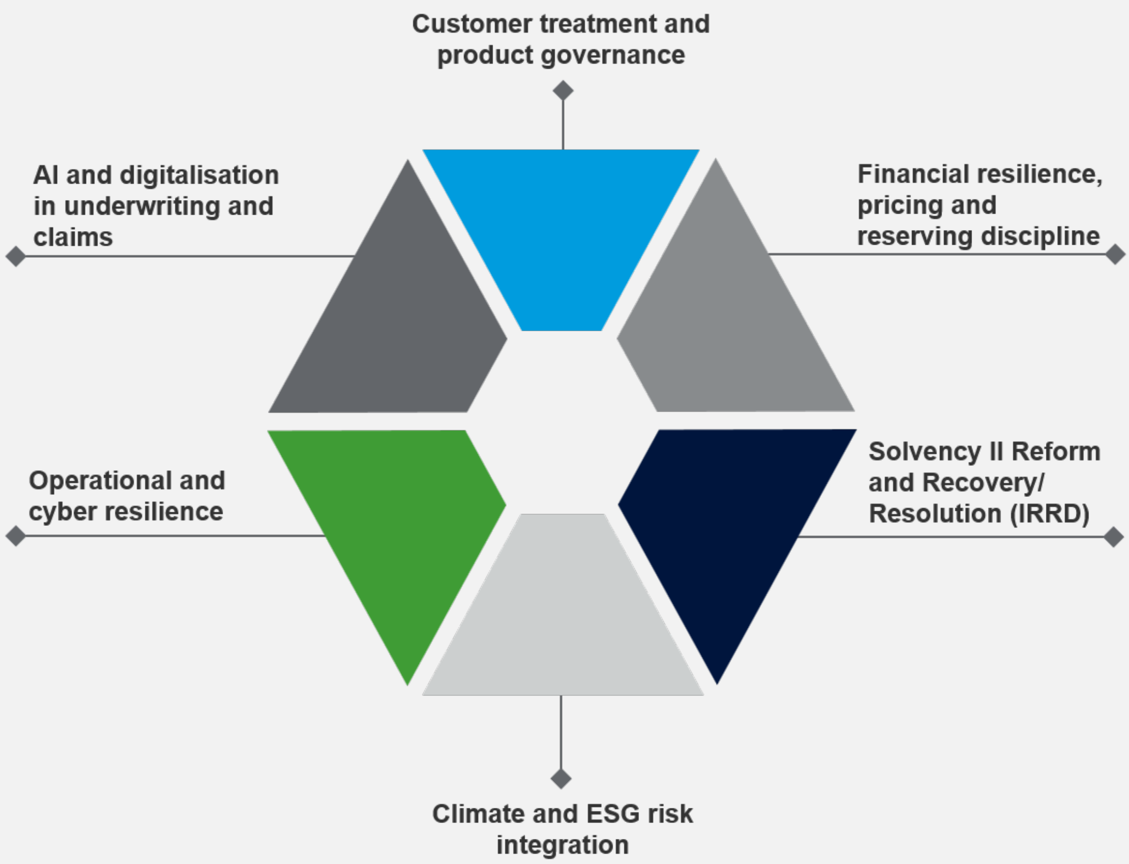
Climate and sustainability risk integration - Climate change and sustainability remain key supervisory focus areas, covering the integration of physical, transition and litigation risks into business models, strategy, underwriting practices, pricing, reserving, capital planning, risk management and governance. The CBI will also continue stakeholder engagement on climate protection gaps, particularly flood insurance risk in Ireland.

Operational and cyber resilience - Given some insurers' significant reliance on third-party and group service providers, the CBI will focus on ICT risk management, DORA embeddedness, operational resilience, outsourcing oversight, sub-outsourcing, and continuity arrangements for critical or important business services.

AI and digitalisation in underwriting and claims - The CBI recognises that AI and digitalisation can support efficiency, data analysis, pricing and claims assessment, but highlights risks relating to discrimination, transparency, human oversight, data management, privacy, security and governance. Planned work includes engagement with firms on their current use of and strategy for AI and supporting effective implementation of the EU AI Act..

Customer treatment and product governance - The CBI's customer treatment focus includes product design, approval and monitoring; value for money; clear customer information; No Claims Discount communications; customer service and complaints handling; in-force business administration processes; and the identification and treatment of customers in vulnerable circumstances. Planned work also includes a cross-sectoral review of commission arrangements involving intermediaries..

Figure 1: Key 2026 supervisory themes



RSM assessment: heat map of key regulatory and supervisory risks in the Insurance sector

Key risk area of focus for 2026	Severity	Rational behind the 2026 key focus risk areas	Further consideration
Climate and ESG	Severe	Extreme weather events, transition risks and litigation risks are increasing the importance of climate risk management for insurers. The CBI notes that Storm Éowyn resulted in over €300m in insurance claims and that climate protection gaps, particularly flood insurance risk, remain an area of supervisory and policy focus.	The CBI notes that Storm Éowyn resulted in over €300m in insurance claims and describes climate risks across physical, transition and litigation dimensions. It expects firms to continue embedding climate risk into underwriting, pricing, reserving, capital planning, risk management and governance frameworks.
Consumer outcomes/ product governance	High	Poor product design, unclear customer information or weak servicing processes can lead to poor customer outcomes and undermine trust.	The CBI's planned and ongoing work covers product oversight and governance, value for money, customer service and complaints handling, No Claims Discount communications, in-force business administration processes, and the identification and treatment of customers in vulnerable circumstances.
Pricing underwriting and reserving	High	Macroeconomic and geopolitical volatility, climate change and market softening increase the importance of robust pricing, underwriting and reserving practices.	The CBI emphasises prudent and fair pricing, robust underwriting and reserving practices, capital adequacy and effective model risk management as fundamental to safety and soundness. Its planned work includes a review of pricing, underwriting and reserving practices for international and reinsurance firms in the context of heightened geopolitical risks, market softening and other risk factors.
Operational and cyber resilience	High	Significant reliance on third-party or group service providers can create dependencies that need to be actively managed.	The CBI notes that some insurers rely significantly on third-party or group service providers for ICT, policy administration, claims management, underwriting support and investment management. Its planned work includes thematic reviews covering ICT risk management, DORA embeddedness, operational resilience and progress against the Central Bank's Cross-Industry Guidance on Operational Resilience.
AI/ data risk	High	AI adoption without appropriate controls and human oversight may create risks relating to discrimination, transparency, fairness and explainability in pricing and claims decisions.	The CBI highlights the need for robust governance, clear accountability, oversight and monitoring where AI and analytical technologies are used across the insurance sector.

Severity ratings represent RSM's interpretation of relative supervisory and control risk based on the Central Bank's 2026 Regulatory & Supervisory Outlook. They are not CBI-assigned risk ratings.

What the CBI’s 2026 outlook means for the insurance sector

Three strategic implications stand out for insurers in 2026.

Customer outcomes remain a core supervisory focus.

The CBI’s planned and ongoing supervisory work covers product oversight and governance, value for money, customer service and complaints handling, No Claims Discount communications, in-force business administration processes, and the identification and treatment of customers in vulnerable circumstances. This indicates that product governance, customer communications and customer outcomes will remain key areas of supervisory attention in 2026.

Climate change and sustainability remain significant supervisory focus areas.

The CBI identifies climate-related physical, transition and litigation risks for (re)insurers and notes that Storm Éowyn resulted in over €300m in insurance claims. It expects firms to continue embedding climate risk into underwriting, pricing, reserving, capital planning, risk management and governance frameworks.

Insurers should prepare for Solvency II reform and IRRD implementation.

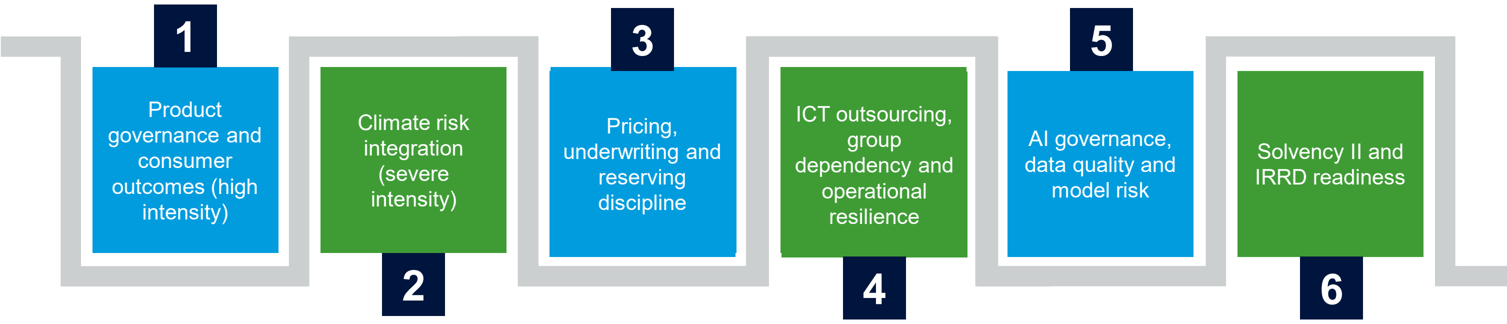
2026 is an important preparation year ahead of Solvency II amendments and IRRD implementation in January 2027. The CBI will engage with industry on Solvency II implementation, including SNCU and proportionality measures, and will support firms in establishing recovery planning and resolution capabilities.

RSM view: The 2026 Outlook points to a continued shift from policy design to demonstrable implementation, particularly in relation to customer outcomes, climate risk integration, financial resilience, AI governance and operational resilience.

RSM recommended focus areas for Insurers in 2026

Elevate product governance and customer outcome frameworks	▪ Conduct product-lines assessments across relevant product portfolios. ▪ Review the transparency and accuracy of NCD communications, policy wording, and renewal documentation. ▪ Strengthen oversight of in-force business administration, including claims handling, surrenders and policy switches. ▪ Enhance frameworks and training for identifying and treating customers in vulnerable circumstances.
Strengthen pricing, underwriting and reserving governance	▪ Review pricing, underwriting and reserving assumptions in light of climate-related physical risks, geopolitical volatility, market softening and other relevant risk factors. ▪ Reinforce actuarial oversight and the quality of management challenge. ▪ Review financial resilience and stress scenario analysis in light of geopolitical and market uncertainty.
Integrate climate and ESG risks end-to-end	▪ Embed physical, transition and litigation risks into underwriting, pricing, capital planning and ORSA processes. ▪ Conduct flood risk gap analysis to support protection gap work, particularly in relation to flood insurance risk in Ireland. ▪ Strengthen sustainability and climate-related data controls where relevant to risk management, governance and external disclosures.
Accelerate operational and cyber resilience / DORA alignment	▪ Complete ICT risk assessments and outsourcing/ sub outsourcing mapping. ▪ Validate incident management, business continuity and cyber recovery processes. ▪ Maintain DORA-related ICT third-party registers, map critical or important business services, and validate impact tolerances and recovery arrangements.
Prepare for Solvency II Reform and IRRD (effective 2027)	▪ Assess eligibility for Small and Non-Complex Undertaking (SNCU) proportionality measures. ▪ Progress recovery planning and resolution capability development ahead of the January 2027 IRRD implementation timeline. ▪ Enhance ORSA scenario design for geopolitical, inflation and climate driven shocks.
Strengthen AI, data and model governance	▪ Catalogue all AI-enabled pricing, underwriting and claims tools. ▪ Implement governance, accountability, human oversight, transparency and fairness controls for AI-enabled tools, aligned with emerging EU AI Act requirements. ▪ Review data quality, lineage and governance supporting underwriting, product oversight, climate risk assessment and AI-enabled activities.

RSM view: areas of increased supervisory attention in 2026



Area	Rational behind the 2026 key focus risk areas
1. Product governance and consumer outcomes (high intensity)	Insurers should expect continued supervisory attention, including thematic review activity, in areas such as: ▪ product design and approval governance ▪ NCD transparency ▪ customer service and complaints handling ▪ in-force business administration ▪ treatment of customers in vulnerable circumstances
2. Climate risk integration	Climate change and sustainability are identified by the CBI as insurance focus areas. Supervisory attention is expected to include integration of climate risks into business models, strategy, underwriting practices, pricing, reserving, risk management and governance, as well as climate protection gaps, particularly flood insurance risk in Ireland.
3. Pricing, underwriting and reserving discipline	The CBI emphasises prudent and fair pricing, robust underwriting and reserving practices, capital adequacy and effective model risk management. Planned work includes reviewing pricing, underwriting and reserving practices for international and reinsurance firms in the context of heightened geopolitical risks, market softening and other risk factors.
4. ICT outsourcing, group dependency and operational resilience	Given some insurers' significant reliance on third-party and group service providers, supervisory attention is expected to include: ▪ Outsourcing and sub-outsourcing oversight ▪ Resilience of critical or important business services ▪ ICT risk management ▪ DORA embeddedness
5. AI governance, data quality and model risk	The CBI highlights risks relating to fairness, transparency, human oversight, data management, privacy, security and governance where AI is used in insurance activities. Firms should expect engagement on their current use of and strategy for AI, and on the effective implementation of the EU AI Act.
6. Solvency II and IRRD readiness	The CBI will engage with industry on Solvency II reform implementation and support firms in establishing recovery planning and resolution capabilities ahead of the January 2027 implementation timeline.

How we can help

Product governance and customer outcomes

Our client-selectable services include:

- Product governance framework reviews (value for money, target market, lifecycle oversight).
- Review of No Claims Discount (NCD) communications, policy wording clarity, renewal materials.
- In force book reviews (claims handling, surrenders, switches).
- Assessment of frameworks for identifying and treating customers in vulnerable circumstances, aligned to the revised Consumer Protection Code.

Pricing, underwriting and reserving governance

Our client-selectable services include:

- Independent challenge of pricing assumptions, portfolio monitoring and underwriting governance.
- Reserving adequacy assessments and actuarial governance reviews.
- Review of investment risk oversight and sensitivity to geopolitical/market shocks.
- Assessment of stress and scenario testing frameworks for geopolitical, market, climate-related physical and other relevant risk factors.

Climate and ESG risk integration

Our client-selectable services include:

- Integration of physical, transition and litigation risks into underwriting, pricing and Own Risk and Solvency Assessment (ORSA).
- Flood risk gap analysis aligned to national protection gap initiatives.
- Climate and sustainability data reviews to support risk management, governance and external disclosures where relevant.

Operational and cyber resilience / DORA alignment

Our client-selectable services include:

- DORA readiness assessments (ICT governance, incident management, business continuity).
- Outsourcing and sub outsourcing oversight reviews, including group dependency analysis.
- Critical or Important Business Services mapping, impact tolerance assessment and scenario testing aligned to the Central Bank's Cross-Industry Guidance on Operational Resilience and DORA requirements.
- Cyber maturity assessments and Treat-led penetration testing (TLPT) preparation.

AI, data and model governance

Our client-selectable services include:

- AI governance reviews aligned to EU AI Act readiness and CBI expectations for governance, accountability, oversight, fairness and transparency.
- Data quality and data lineage reviews across underwriting, ESG reporting and product oversight.
- Validation of pricing, reserving and claims automation models.
- Bias and drift monitoring recommendations for AI enabled tools.

Solvency II reform and IRRD (2027) preparation

Our client-selectable services include:

- Assessment of eligibility for Small and Non-Complex Undertakings (SNCU) proportionality measures.
- Review and enhancement of recovery planning, resolution preparedness and related governance arrangements ahead of IRRD implementation.
- Strengthening ORSA governance (scenario design, stress calibration, Board challenge).

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