RSM

CBI Supervisory Outlook 2026

Insurance sector

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

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.

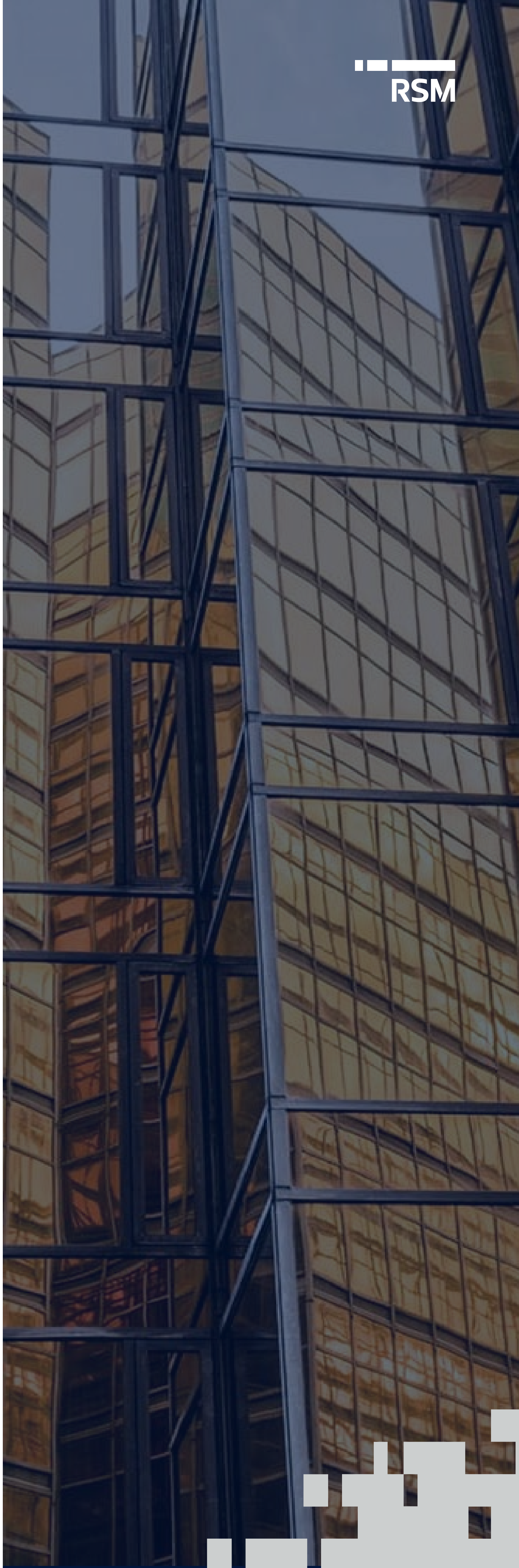
These forces are reshaping the risk environment across the entire financial system, and the CBI has made clear that firms must demonstrate resilience, strong governance, and the ability to operate in a rapidly shifting environment.

2

Operational and cyber risks remain the most elevated cross sector threats, fuelled by rising digitalisation, complex outsourcing chains, and geopolitical instability.

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 remains large, internationally significant and broadly stable from a solvency perspective. However, 2026 brings intensified supervisory expectations due to the combined pressures of climate change, inflation, geopolitical risk, digital transformation and significant regulatory reforms scheduled for 2027. The CBI emphasises that insurers must demonstrate robust, forward looking governance and risk management to remain resilient in this environment.

- A substantial focus for 2026 is on **customer treatment, product design and governance.** Insurers must ensure products deliver value for money, are transparent, and remain appropriate over their lifecycle. The CBI has launched thematic reviews into health product governance, No Claims Discount communications, in-force business processes—including claims and surrenders—and the treatment of vulnerable policyholders. Poor product oversight, inadequate resourcing and weak controls have been associated with consumer harm, and supervisors expect firms to elevate their customer centric culture.

- **Financial resilience** is another core priority. Inflationary effects on claims costs, investment market volatility and geopolitical uncertainty create an unpredictable risk landscape for underwriting and reserving. The CBI stresses the need for prudence, disciplined pricing and resilient reserving practices. Insurers will undergo assessments of investment risk management, geopolitical sensitivity, and overall responsiveness to market softening or shocks.

- Climate change remains one of the most significant medium to long term risks facing the sector. Insurers are expected to demonstrate deeper integration of **physical, transition**, and **litigation** risks into underwriting, pricing, capital planning and governance. Work on addressing national protection gaps—particularly for flood insurance—continues, with the CBI positioned as a key contributor to government strategy.

- Digitalisation and the growing adoption of AI within the sector bring both opportunity and heightened risk. Supervisors have observed shortcomings in explainability, data governance, and accountability frameworks—issues that must be addressed ahead of the EU AI Act's implementation.

- Finally, operational and cyber resilience continues to require attention, especially due to large outsourcing footprints and multinational group dependencies. Insurers will be assessed for DORA alignment and the robustness of their continuity planning. Overall, 2026 represents a year of significant supervisory intensity for the insurance industry.

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.

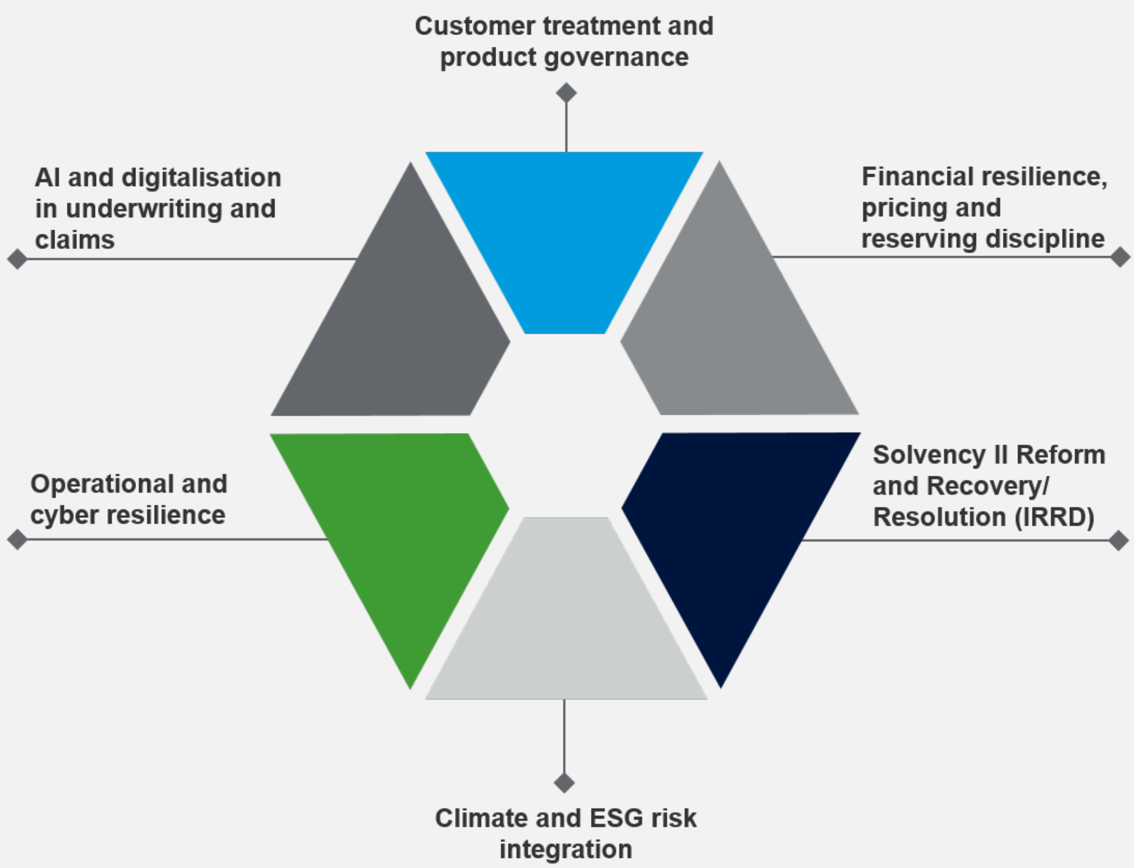
Climate and ESG risk integration - Climate and ESG are major multi-year priorities, covering embedding physical and transition risk in underwriting, pricing and capital, supporting government work on flood insurance and protection gaps, and monitoring greenwashing and SFDR alignment.

Operational and cyber resilience - As there seems to be an increasing reliance on outsourcing, cloud, group service providers, the CBI will review ICT risk management, operational resilience frameworks, DORA alignment, and contingency plans for critical services.

AI and digitalisation in underwriting and claims - The CBI acknowledges the benefits of AI and digitalisation in underwriting and claims, but notes risks including bias, opacity, data quality and model risk. The CBI will therefore focus on inspecting AI model governance and the EU AI Act.

Customer treatment and product governance - The CBI highlights recurring issues in product design, value for money, clarity of disclosures, claims handling and the treatment of vulnerable customers, and as such will include reviews across health insurance governance, NCD (No Claims Discount) communications, and commissions and intermediary conflicts in force policy servicing, claims and switches.

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	More frequent storms, floods and weather events are already increasing payouts. Transition risk may reprice assets suddenly. Protection gaps are widening.	The CBI highlights record storm insurance costs (e.g., Storm Éowyn) and warns that delays in climate action increase the likelihood of abrupt market adjustments and litigation. Insurers must integrate climate into governance and capital planning.
Consumer outcomes/ product governance	High	Poorly designed products, unclear disclosures, or weak claims processes can lead to widespread customer harm and loss of trust.	The CBI found issues in product value-for-money, claims servicing, No Claims Discount disclosures, and treatment of vulnerable customers, and product oversight deficiencies seem to be recurring.
Pricing underwriting and reserving	High	Inflation, climate change, and geopolitical volatility create uncertainty in claims costs and underwriting assumptions.	The CBI warns that weak reserving or mispriced policies create solvency risk. Pricing failures often precede insurer distress, and that market volatility adds additional strain.
Operational and cyber resilience	High	High outsourcing levels, complex administration models, and reliance on group IT create structural vulnerabilities.	Insurers rely on third party administrators, cloud services and IT platforms. The CBI's prior reviews found ICT (Information & Communication Technology) weaknesses and insufficient oversight of outsourced functions. In addition to these, DORA also brings stricter expectations.
AI/ data risk	High	Rapid AI adoption without strong governance may lead to unfair pricing, discriminatory outcomes, or inaccurate risk assessments.	The CBI noted gaps in explainability, data governance and accountability. AI is increasingly used in pricing and claims, but oversight hasn't kept pace.
Financial crime (AML/CFT)	Moderate	Insurance is less exposed than banking or crypto, but fraud and AML risks are increasing as services digitalise.	The CBI notes lower inherent risk but emerging vulnerabilities from digital claims and onboarding processes.

Severity ratings represent RSM's interpretation of the relative supervisory and control risk based on the Central Bank's 2026 Regulatory & Supervisory Outlook and related MiCAR supervisory priorities. 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 are now the dominant driver of supervisory activity

The CBI’s thematic work has repeatedly identified weaknesses in product design, value for money, No Claims Discount (NCD) disclosures, claims servicing and the treatment of vulnerable customers. These recurring issues signal that conduct risk and product governance will be front and centre in 2026, with extensive thematic reviews already underway across health insurance governance, NCD communication, and in force servicing.

Climate and ESG risks have reached “severe” supervisory priority

The CBI highlights escalating physical risks—evidenced by record storm and flood claims—and warns that delayed climate transition increases the likelihood of abrupt market adjustments and litigation risks. Climate integration is now explicitly tied to underwriting discipline, capital adequacy and long term solvency planning.

Insurers must prepare now for major regulatory change (Solvency II reforms & IRRD)

2026 is a transition year ahead of Solvency II amendments and the Insurance Recovery & Resolution Directive (IRRD), both effective from 2027. Insurers are expected to demonstrate meaningful progress in 2026 on recovery planning, proportionality applications, governance enhancements and crisis readiness.

In essence: The CBI is moving the sector from policy frameworks to demonstrable, evidence-based governance, particularly around customer outcomes, climate resilience, and long-term financial soundness.

RSM recommended focus areas for Insurers to take in 2026 (Q2–Q4 priority roadmap)

Elevate product governance and customer outcome frameworks

- Conduct product lines assessments for all product lines.
- Review transparency and accuracy of NCD communications, policy wording, and renewal documentation.
- Strengthen in force book oversight, including claims handling, surrenders and policy switches.
- Enhance vulnerable customer frameworks and staff training.

Strengthen pricing, underwriting and reserving governance

- Update pricing and reserving assumptions for inflation, NATCAT frequency, geopolitical volatility and market softening.
- Reinforce actuarial oversight and the quality of management challenge.
- Review investment risk management in light of heightened geopolitical exposures 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 national protection gap work.
- Strengthen ESG disclosures and sustainability data controls to avoid greenwashing risks.

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.
- Prepare the DORA Register of Information, critical business service mapping and sector relevant impact tolerances.

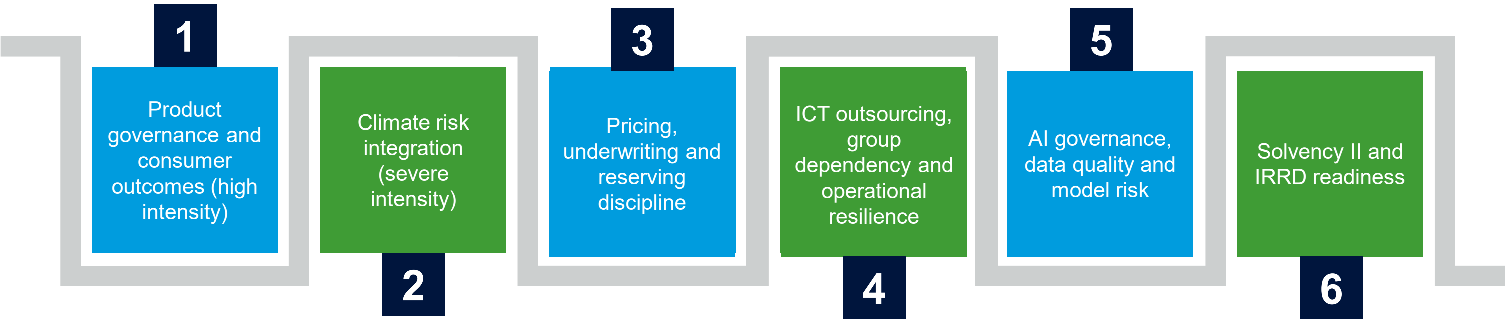
Prepare for Solvency II Reform and IRRD (effective 2027)

- Assess eligibility for Small and Non-Complex Undertaking (SNCU) proportionality measures.
- Update recovery plans, liquidity strategies and resolution playbooks, which the CBI expects to see materially progressed during 2026.
- 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 explainability, bias monitoring and accountability controls ahead of EU AI Act obligations.
- Address long standing data quality issues in underwriting, ESG disclosure and product oversight frameworks.

Areas of expected supervisory intensification in 2026



Area	Rational behind the 2026 key focus risk areas
1. Product governance and consumer outcomes (high intensity)	Insurers should expect thematic reviews and potential enforcement in areas including: • product design and approval governance • NCD transparency • claims servicing and policy switching • treatment of vulnerable customers These areas are linked directly to repeated consumer harm findings in 2025.
2. Climate risk integration (severe intensity)	The CBI has explicitly assigned a **"severe"** rating to climate and environmental risks. Intensified scrutiny will focus on: • underwriting exposure to high-risk geographies • adequacy of climate informed pricing and reserving • reinsurance dependency and market capacity constraints • ORSA climate scenario rigour
3. Pricing, underwriting and reserving discipline	Weak or poorly challenged pricing assumptions are seen as a leading indicator of insurer distress. The CBI will heighten oversight of: • portfolio profitability monitoring • reserving adequacy • investment risk against geopolitical shocks
4. ICT outsourcing, group dependency and operational resilience	Given the sector's heavy reliance on group IT platforms and external providers, insurers should expect intensified review of: • outsourcing and sub outsourcing oversight • resilience of critical services • DORA alignment
5. AI governance, data quality and model risk	Rapid adoption of AI in underwriting and claims without adequate governance has prompted concerns around fairness, accuracy and transparency. The CBI will scrutinise: • explainability frameworks • bias and drift monitoring • data governance for model inputs
6. Solvency II and IRRD readiness	Supervisors will test whether firms have progressed sufficiently on recovery and resolution measures ahead of the 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 vulnerable customer frameworks and CPC aligned conduct controls.

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 testing frameworks for inflation, Natural Catastrophe (NATCAT) and volatility risks.

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.
- ESG data and disclosure reviews to prevent greenwashing and meet supervisory expectations.

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.
- Impact tolerance setting, Critical and Important Business services (CIBS) mapping and scenario testing aligned to CBI guidance.
- 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 (explainability, fairness, accountability).
- 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 plans, resolution playbooks and liquidity strategies.
- Strengthening ORSA governance (scenario design, stress calibration, Board challenge).

The RSM team

Colm Laird

Partner, Risk and Governance
colm.laird@rsmireland.ie

Michael Mulholland

Head of Audit, Financial Services Leader
mmulholland@rsmireland.ie

Ian McCartney

Director, Risk and Governance
ian.mccartney@rsmuk.com

Divan Steyn

Senior Manager, Risk and Governance
divan.steyn@rsmireland.ie

Ann Marie Conroy

Senior Manager, Risk and Governance
annmarie.conroy@rsmireland.ie

Sive Riznyczok

Manager, Risk and Governance
sive.riznyczok@rsmireland.ie

Yevgen Shuvalov

Consultant, Risk and Governance
yshuvalov@rsmireland.ie

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

RSM Ireland

Block D, Iveagh Court,
Harcourt Rd,
Dublin 2,
D02 VH94
T +353 (0)1 496 5388
www.rsmireland.ie