

LEVERAGING THE ROLE OF INSURANCE IN THE EU ECONOMY



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Insurance, innovation and investment: delivering for Europe's economy

Europe's insurance sector plays a central role in supporting households, businesses, and the broader European economy. As the EU advances its digital and green transitions and deepens the Savings and Investments Union (SIU), insurers can contribute through long-term investments, risk management and innovation. Unlocking this potential requires a balanced approach that enables the use of data and artificial intelligence (AI) while preserving trust, consumer protection, and financial stability.

AI is already reshaping insurance across the value chain. EIOPA's survey on generative AI in insurance shows many insurers are already experimenting with or deploying these technologies, mainly to improve efficiency, customer interaction and decision-making. Many

use cases are concentrated in back-office functions such as claims management, document processing, fraud detection and software development. These applications make processes faster, cheaper and more reliable, allowing insurers to process claims more quickly, reduce operational costs and free resources for innovation. Over time, such productivity gains can translate into better customer outcomes, broader access to insurance and more tailored products. Technology also makes it easier to communicate complex products, helping to demystify insurance and make services viable that were previously uneconomic. Concurrently, the survey results highlight that adoption remains cautious and often human-in-the-loop, underlining the importance of governance, transparency and oversight.

Supervisors therefore face a dual task: enabling experimentation while managing risks. EIOPA's Opinion on AI governance and risk management aims to support innovation by providing clarity on how existing legislation already applies to AI systems. The European framework — including the Solvency II Directive, the Insurance Distribution Directive and the Digital Operational Resilience Act — already provides strong foundations. The challenge today is not to create entirely new rules, but to apply existing principles consistently in a fast-paced landscape. A risk-based and proportionate approach is key: low-impact applications should benefit from light-touch governance, while higher-impact uses require stronger safeguards, including explainability, outcome monitoring, and human oversight. Maintaining consumer trust is essential to support the responsible uptake of these technologies.

Digitalisation and trust can strengthen Europe's insurance sector.

Digital transformation also calls for stronger supervisory convergence across Europe. EIOPA's Strategy towards 2030 stresses that digitalisation is reshaping markets financial markets fast and that supervisory frameworks must keep pace. Digitalisation is inherently cross-border. Fragmented supervisory approaches create uncertainty and risk slowing

innovation. This is an area where more centralised coordination would provide greater integration in the Single Market. EIOPA continues to promote common supervisory practices, strengthen knowledge sharing among national authorities and support the responsible adoption of new technologies.

In an era of rapid technological change, supervisors themselves must also become more digital. The use of supervisory technology, shared tools and improved data sharing can enhance risk monitoring, improve efficiency and contribute to a level playing field across Europe.

Regulatory simplification remains another key priority, but it should not be understood as deregulation. Europe benefits from a strong prudential framework that has contributed to the resilience of its insurance sector. The greatest scope for reducing burden lies not in weakening safeguards, but in applying proportionality and modernising supervision. EIOPA's strategy highlights the importance of reducing duplication, streamlining reporting and making better use of data. Digitalisation can make reporting and exchanges between supervisors and industry more efficient and eliminate unnecessary burdens. This is particularly important for smaller and medium-sized insurers, for whom compliance costs can be relatively high.

Beyond digital transformation, insurers remain natural long-term investors. Their long-dated liabilities align closely with the needs of the real economy and society at large – supporting retirement provision and channelling investments into capital markets. The revised Solvency II framework offers an opportunity to strengthen insurers' contribution to long-term investment, provided its implementation maintains strong risk sensitivity and avoids creating unintended incentives for excessive risk-taking.

By combining innovation with trust, simplification with strong safeguards and investment with resilience, Europe's insurance sector can continue to support growth, resilience and consumer confidence across the Union.