

UNION-WIDE STRATEGIC SUPERVISORY PRIORITIES 2027-2029 AND FOCUS AREAS FOR 2027

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INTRODUCTION

The Union-Wide Strategic Supervisory Priorities (USSP) are an important instrument, established in Article 29a of Regulation (EU) No 1094/2010, through which EIOPA in cooperation with the national competent authorities, foster a common Union supervisory culture and consistent supervisory practices. Competent authorities shall take the USSP into account when drawing up their work programmes. The Union-wide priorities identified by EIOPA do not prevent competent authorities from applying their best practice and acting on additional priorities and developments considering national specificities.

The USSP are set at a strategic level every three years. Within each annual cycle, EIOPA publishes insurance-specific 'Focus Areas' for the upcoming year, supporting national competent authorities in applying the strategic priorities in light of relevant developments and trends. With the conclusion of the 2024–2026 USSP cycle, EIOPA now establishes the strategic USSPs for the cycle 2027–2029 and the Focus Areas for 2027. The Focus Areas for 2028 and 2029 will be identified as part of the yearly revision.

The 2027–2029 USSP cycle is grounded in EIOPA's Strategy towards 2030, through which EIOPA aims to strengthen societal resilience in Europe by ensuring the stability and sustainable development of the Union's insurance and occupational pensions sectors, at a time when demographic pressures, natural catastrophes, and digital vulnerabilities are becoming increasingly acute. In developing the USSP, EIOPA has also drawn on the work of the Union institutions, including analyses, warnings, and recommendations published by the European Systemic Risk Board, as well as insights from EIOPA's ongoing supervisory activities, the Insurance Risk Dashboard 2026 and the annual Consumer Risk Heatmaps 2024–2025.

A forward-looking risk assessment for 2027–2029 suggests that the European Economic Area (EEA) insurance sector will operate in a structurally more complex, interconnected, and volatile environment. The nature of risks may be shifting from cyclical financial pressures towards more structural, systemic, and technology-driven vulnerabilities. From a conduct perspective, disruption and change are not only affecting providers, products, and consumers but are also transforming business models and the risks stemming from the broader operating environment. The main challenge for the next three years is not perceived as a single dominant risk, but rather the interaction of multiple risks which can potentially materialise simultaneously.

Despite the current stabilisation of interest rates, the medium-term macro-financial outlook remains uncertain driven by geopolitical fragmentation with implications for trade, energy markets, and investments; higher sovereign debt levels in some Member States increasing sensitivity to spread widening and rating adjustments; and valuation risks particularly in lower-rated corporate bonds and growing private assets exposure and risks. For insurance undertakings, these factors can translate into higher exposures to spread risk and credit downgrades, increased volatility in own funds, and pressure on asset-liability management and liquidity risk in stressed scenarios. On the conduct side, geopolitical volatility raises concerns about widening protection gaps and difficulties for consumers, SMEs, and corporates in obtaining coverage or being compensated in the event of losses materialising.

Over the medium term, insurance undertakings may face profitability pressures due to claims inflation exceeding premium growth in certain retail lines of business, higher repair and replacement costs, and increased reinsurance pricing. In life insurance, competition from non-insurance savings products and digital players may further compress margins. These dynamics can incentivise aggressive pricing strategies and riskier asset allocations, while increasing the need for prudential and conduct supervisory monitoring to ensure underwriting discipline and assess the sustainability of business models.

The insurance sector is also increasingly interconnected with capital markets, reinsurance markets, banking groups, and technology service providers. Stress in one domain may propagate to others. Notably, reinsurance capacity constraints can amplify underwriting volatility, financial market stress can coincide with large catastrophic loss events, and Information and Communication Technology (ICT) interruptions or the need for rapid preventative measures can simultaneously disrupt multiple insurance undertakings and other financial entities. This interconnectedness may also have a direct impact on consumers, as evidenced by EIOPA's supervisory work on credit protection insurance and travel insurance, as well as increasing risks related to new entrants and atypical distribution models.

Climate change is expected to adversely impact the EEA insurance sector over the coming years. Increased physical risks driven by the growing frequency and severity of extreme weather events can lead to greater claims volatility and higher reinsurance costs, while potential transitional risks may arise from regulatory changes and the re-pricing of assets. A growing concern is the widening natural catastrophe protection gap in high-risk regions, where reduced underwriting appetite, higher deductibles, and exclusions may undermine insurance penetration and increase reliance on public compensation schemes. Climate change is therefore both a prudential and a conduct issue, with potential systemic implications for financial stability.

The accelerated use of artificial intelligence (AI) is reshaping the insurance value chain. While digitalisation enhances efficiency and risk-based pricing, it also raises concerns regarding model governance, algorithmic bias, opaque pricing practices, new third party dependencies and sovereignty risks, and data privacy. AI is also entering the insurance distribution sphere, with AI chatbots already carrying out distribution activities in some markets, bringing opportunities but also requiring close supervisory monitoring. Finally, cyber risk continues to evolve rapidly, representing both an operational threat to insurance undertakings and a material underwriting exposure. A major cyber event affecting critical infrastructure could have cross-sectoral and cross-border impacts, including of a systemic nature. The European Supervisory Authorities are working closely with the EU supervisory community to ensure that financial entities across the EU proactively identify and mitigate cyber risks in line with the requirements of the Digital Operational Resilience Act (DORA), which establishes a harmonised framework for mitigating ICT risks in the financial sector¹².

¹ [The ESAs support ESRB warning on systemic cyber risks from frontier AI models - European Insurance and Occupational Pensions Authority](#)

² [The ESAs published a statement calling for a cross-sectoral, risk-based and consistent supervisory approach to mitigate the ICT risks stemming from frontier AI models](#)

UNION-WIDE STRATEGIC SUPERVISORY PRIORITIES FOR 2027-2029

The environment calls for strong capital and liquidity resilience, forward-looking underwriting and climate risk management, robust digital operational resilience, as well as close monitoring of AI-driven conduct risks. It is important to understand how business models change, respond, and adapt to current and emerging risks.

(Re)insurance undertakings need to ensure that their system of governance framework, risk management practices, financial and solvency positions, and operational infrastructure are sufficiently robust to withstand the interaction of multiple risks materialising simultaneously.

The insurance sector should support societal resilience by mitigating conduct risks in business models and distribution practices, and by promoting innovation that delivers good consumer outcomes.

Against this background, EIOPA has identified two strategic priorities that national competent authorities shall take into account when drawing up their work programmes for 2027–2029:

- **Priority 1 - Enhancing resilience in a structurally evolving and volatile risk environment**
- **Priority 2 - Supporting societal resilience by mitigating conduct risks in business models and distribution**

These encompass a prudential and a conduct dimension, reflecting the dual nature of supervisory challenges facing the European insurance sector. The strategic priorities build upon and reinforce the foundational priorities of the 2024–2026 cycle, namely the financial robustness of insurance undertakings and consumer protection in a disruptive environment, while responding to the evolving risk landscape ahead.

The Focus Areas for 2027 are presented below. The specific supervisory focus to be given in 2028 and 2029 will be identified and published as part of the yearly revision of developments and trends.

FOCUS AREAS FOR 2027

In 2027, EIOPA and national competent authorities shall pay particular supervisory attention to the following Focus Areas.

➤ Focus Area 1 - Continuity and contingency planning, including on digital operational resilience

In the current geopolitical environment, it is essential that (re)insurance undertakings have robust continuity planning for safeguarding policyholders, maintaining market confidence, and strengthening the resilience of the insurance sector in the face of evolving operational and systemic risks. This requires integration of continuity planning with risk management and governance frameworks, treatment of operational disruptions, including ICT-related incidents and outsourcing dependencies and also coordination with broader crisis management and recovery/resolution frameworks, where applicable.

In 2027, national competent authorities shall give a particular supervisory focus, on a risk-based and proportional basis, to (re)insurance undertakings' measures as regards the:

- Integration of continuity planning with risk management and governance frameworks; in coordination with broader crisis management and recovery/resolution frameworks where applicable. (Re)insurance undertakings are required to have robust continuity planning in place, ensuring proper protection of policyholders, maintaining market confidence, and strengthening the resilience of the insurance sector in the face of evolving operational and potentially systemic risks;
- Compliance with the DORA including continuously monitoring of threats to their ICT landscape and allocation of the necessary resources to maintain secure ICT systems. This includes, among other measures, reducing the surface of attacks and ensuring the timely patching of both internal and third-party software, the treatment of ICT-related incidents, outsourcing dependencies, and operational disruptions more broadly, including compliance with the EIOPA Opinion on Artificial Intelligence governance and risk management;
- Whether the Own Risk and Solvency Assessment (ORSA) reflects all relevant risks for the entity, including cyber and private assets risks, and that macroeconomic and actuarial assumption risks especially for contracts with long contract boundaries are adequately identified, assessed, and integrated into the undertaking's overall risk management.

EIOPA shall continue fostering discussions in colleges of supervisors while supporting national competent authorities especially in the context of the volatile macroeconomic environment. A particular attention shall be given to cases of long contract boundaries and/or high Expected Profit In Future Premiums. EIOPA shall also launch a questionnaire to collect evidence-based insights as regards the use of AI by (re)insurance undertakings and AI risks, while following the discussions on cyber risk in colleges of supervisors, where cyber is expected to be prioritised in a risk-based and proportionate manner.

➤ **Focus Area 2 - Supporting societal resilience by mitigating conduct risks in business models and distribution**

Building on the work carried out in the context of the 2024–2026 cycle on credit protection insurance and value for money, it has become clear that some product design elements are significantly shaped by the business model of the relevant undertakings, with the consideration of the full value chain of the products including potential mis-use of different business model arrangements in the context of poor Value-for-Money.

In 2027, national competent authorities shall give a particular supervisory focus, on a risk-based and proportional basis, to (re)insurance undertakings' measures as regards the:

- Identification and mitigation of conflicts of interest that may lead to poor product design across the insurance value chain;
- Assessment of affordability trends and related risks where these are not driven by risk-based factors;
- Monitor and assess the evolution of digital distribution mechanisms - including the emerging use of chatbots formally distributing insurance or potentially conducting preparatory work as a form of intermediation - and where relevant perform supervisory activities to ensure they operate in a manner conducive to good consumer outcomes.

EIOPA shall continue fostering discussions and the sharing of practices, leveraging on the established European operational structure and its participation in college of supervisors.

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