



Life-Re Europe 2026

Driving European Harmonisation

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❑ The importance of harmonization

❑ Systemic and geopolitical risks

- *Macroeconomic and political risk: impact on insurance sector*
- *Global wars and shifting political alliances: where the world is heading and how regulators can shape it*

❑ Emerging trends and risks for the life insurance sector

- *Alternative assets and asset intensive reinsurance*
- *Role of private equity*
- *Cyber risk*
- *Longevity and pension gap*

❑ Driving European harmonization

- ❑ In presence of multiple emerging risks, improved harmonization is the more pressing need for the European insurance market and for the Single Market as a whole to create a **level playing field** for European insurers and reinsurers
- ❑ The EU Single market is still beset with numerous regulatory hurdles and internal barriers amounting in effect to internal tariffs equivalent to 45% for manufacturing and 110% for services (Draghi, 2024)
- ❑ Main strategic benefits of harmonization and convergence:
 - Ensuring a well functioning Single Market
 - Uniform policyholder protection
 - Greater market stability and financial resilience
 - Improved supervisory consistency and legal certainty
 - More efficient regulation and reduced administrative burden
 - Global influence and competitiveness
 - Reduced regulatory arbitrage

Systemic & geopolitical risks

macroeconomic and political risk

❑ Energy Supply Disruption as the Main Transmission Channel

- The Iran conflict is driving volatility through energy supply disruptions affecting oil and gas prices and broad market dynamics

❑ Inflation Dynamics

- Higher headline inflation expected due to elevated energy prices
- Key uncertainty: spillover into core inflation
 - No second-round effects → central banks may look through temporary inflation
 - Second-round effects → monetary tightening required

❑ Systemic & Tail Risks

- Main tail risk: persistent damage to energy infrastructure, already partially impaired
- Long repair times could severely constrain energy supply, leading to:
 - stagflationary environment
 - material GDP losses
 - abrupt market repricing of risk premia

Systemic & geopolitical risks

macroeconomic and political risk

❑ The Iran shock is not a repeat of 2022:

- **Monetary policy:** in 2022 rates extremely low; today neutral, allowing a “wait-and-see” stance.
- **Fiscal space:** governments now have less room for household support.
- **Energy disruption:** current disruption is geographically broader, but Europe is less gas-dependent than in 2022.
- **Demand:** in 2022 pent-up post-COVID demand helped cushion impacts; this is absent now.

❑ Market reactions:

- **Oil shock is more persistent today:** natural gas spikes were larger in 2022
- **Inflation expectations** remain better anchored now.
- **Yield curves:** in 2022 curves inverted; now the curves are flattening.
- **Credit spreads** widened less now, although high-yield CDS shows stronger increases.
- **Equity volatility** is higher in 2026 vs 2022

Systemic & geopolitical risks

EU gas dependence

- **EU gas imports shifted from Russia-Centric pipeline supply to LNG- centric and more diversified**

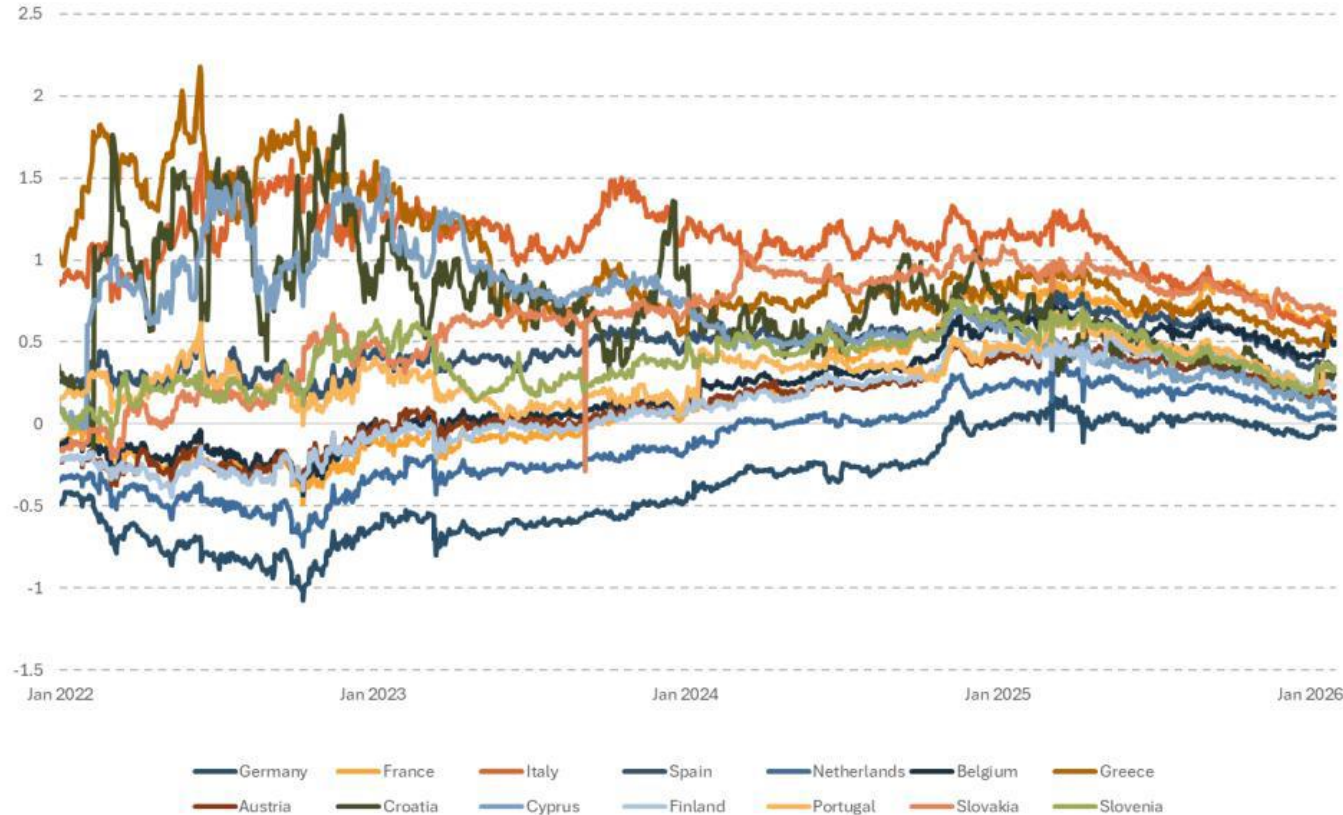
Gas imports by Source % of total imports		
Source	2022	2025
Russia Pipeline	15-30%	13%
Norway (pipeline)	25%	30%
LNG Total	25%	45-50%
of which United States	10-12%	25-30%
Algeria	10-12%	10%
UK, Azerbaijan, others	10-15%	12-15%
Domestic EU production	3-5%	3-4%

Source: European Commission, Bruegel

Systemic & geopolitical risks

EU Rates

10 year bond yield over EUR swap rate



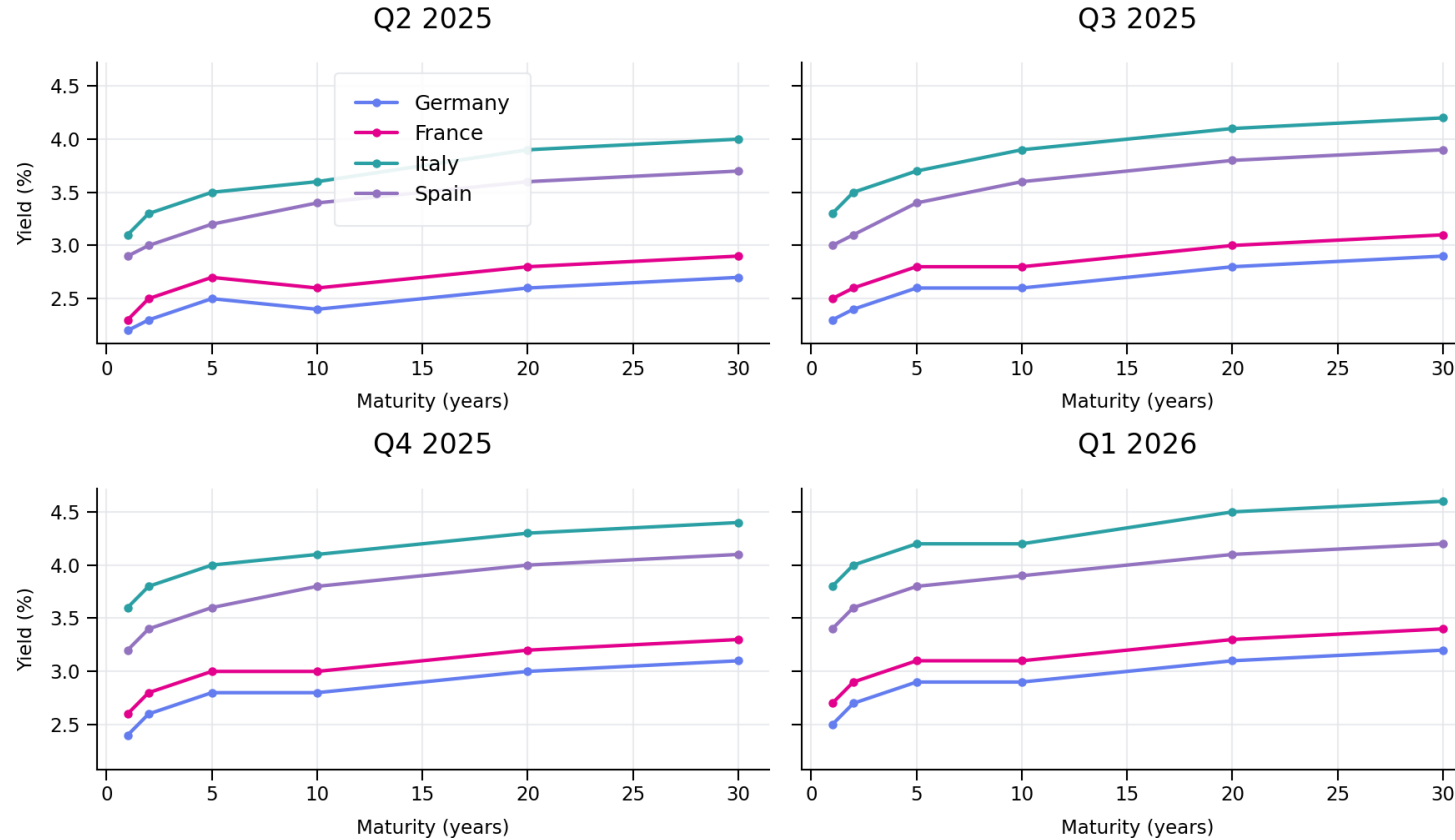
Premium for high-yields corporate bonds over investment grade bonds at the lowest end of the range

Source: Bloomberg Cut Off date Jan 31 2026

Systemic & geopolitical risks

EU Yield curves

Illustrative Sovereign Yield Curves by Quarter



Source: ECB

Systemic & geopolitical risks

Global wars and shifting political alliances: the role of regulators



- Europe now operates in a regime where geopolitical shocks are frequent, alliances are less stable, and financial transmission is faster and more volatile
- Energy-driven inflation, rate repricing, spread movements, and volatility spikes are not anomalies.
- Life insurers must strengthen resilience, risk-management frameworks, and forward-looking preparedness.
- A more inward-looking US raises the value of European unity, integrated markets, and an interoperable resilience architecture
- Due to demographic and market trend, the industry shows a growing appetite for emerging trends. Industry will invest more in alternative assets

In a regime defined by geopolitical shocks and complex interdependencies, harmonization is Europe's strategic advantage

Systemic & geopolitical risks

Global wars and shifting political alliances

...What This Means for Insurers

- **Insurers face market-driven pressures** which can weaken solvency and amplify asset–liability mismatches
- **Claims inflation** is rising as higher energy and input costs make motor, property and specialty claims more expensive
- **Business models may be affected:**
 - the appeal of short-term savings products,
 - raising lapse risk for long-duration life policies;
 - certain lines - aviation, marine, war, political violence, supply chain and trade credit - may face direct conflict-related exposures, with limited visibility and potential for concentrated losses or spillovers to reinsurers.
- **Market signals:** investors see market risk rather than underwriting risk as the main threat, with sector corrections less driven by reinsurers than during the Ukraine 2022 shock.



Alternative assets and asset intensive reinsurance

- ❑ **Increasing allocation to alternative assets**, in particular to **private credit**
- ❑ **Rising adoption of cross-border Asset Intensive Reinsurance (AIR)**, (big non-European reinsurance players)
- ❑ In Europe, **financial stability risks currently remain low**; volumes have boomed in the US, UK and Japan. International competition, demographic trends and the benefits in terms of diversification and capital requirements may encourage an increase in this trend across European countries as well
- ❑ Also in **Property and casualty insurance (P&C)**, reinsurance has become indispensable for addressing a broadening spectrum of complex and high-severity risks – such as **cyber** threats, **natural and catastrophic** events (NAT-CAT) and exposures stemming from **geopolitical instability and public –health crisis**.

Across the industry, reinsurance is increasingly central to **ensuring insurability, enabling accurate/sustainable pricing** and ultimately **sustain the resilience and stability** of insurance markets.



Some Numbers

- ❑ Global Private credit assets in 2023 including undeployed capital, reached USD 2.1 trillion (mostly North America and Europe.)
- ❑ IMF indicates that in North America, private credit accounts for 7% of credit to non-financial corporations.
- ❑ In Europe insurers' private credit exposure c.a. €514 billion (or 5.1% of total assets) in 2024 (EIOPA)
- ❑ Exposure for IORPs : €128 billion (or 4.4% of total assets).
- ❑ Mortgages and loans accounted for 2/3 of private credit exposures, followed by unlisted or untraded corporate bonds and collateralised securities subject to credit risk.



Alternative assets and asset intensive reinsurance

□ Supervisory perspective:

- Supervisory should strike the right balance between prudential rules, that in part incentivize investment in alternative assets, and the actual risk of these instruments, ensuring adequate protection of policyholders
- AIR deals are often very complex structures that involve large non-European reinsurance players. This makes it essential to compare supervisory approaches and maintain ongoing dialogue also at the IAIS level increasing supervisory convergence.
- Reinsurance is increasingly central to ensuring insurability, enabling accurate/sustainable pricing and ultimately sustain the resilience and stability of insurance markets.
- The aim should not be to ban certain deals or to impose restrictions on the reinsurance market, but to get more transparency and to better understand the actual risks of these deals



Role of private equity

Private equity (PE) is increasingly involved in the insurance industry

- PE ownership of (re)insurance undertakings poses supervisory challenges and risks especially for life insurers: potential mismatch between short-term objectives of PE firms and the long-term nature of insurance life business

Supervisory perspective:

- PE can contribute positively to the development of the insurance market, provided ownership structures remain transparent, financially sound, long-term oriented, and fully aligned with policyholder protection.
- Robust supervisory frameworks that prevent short-term incentives from undermining long-term commitments are needed
- Strong coordination and convergence among supervisors is needed. The draft supervisory statement prepared by EIOPA, and currently publicly consulted, goes in the right direction.



Cyber risk

The conflict has triggered a surge in state-backed and hacktivist cyber activity,

The boundary between cyber and physical attacks is blurring

Claims & Coverage Uncertainty

- No major insured cyber losses have been disclosed yet, but claims uncertainty is high.
- It's hard to determine “war-related” events, increasing the risk of disputes around war exclusions

Rising Systemic Risk

- Exposure to high-capacity sectors: energy & utilities, finance with Middle East links, telecoms & cloud, defense, logistics.
- Cyber operations increasingly include physically destructive components: High probability of large-scale, cross-border cyber catastrophes

Recommended Supervisory Actions

- Request more granular reporting on large corporate cyber exposures
- Improve clarity on cyber war exclusions
- incorporate emerging hybrid cyber–physical perils.



Longevity and pension gap

Longevity and population ageing

- Impact on duration of life insurance benefits, volatility of technical provisions and capital requirement
- Predictive models capable of incorporating forward-looking trends and scenario variability
- Investment models have to include assets which support long-term commitments
- LTC products: the protection gap.
- Products innovation have to contribute to the sustainable development of the country.
- Pension gap: pressure on the sustainability and adequacy of EU's public pension systems. Supplementary pension schemes are still insufficiently developed

Supervisory perspective:

- POG as a central governance tool and Value for Money ensuring strong protection for citizens.
- The Retail Investment Strategy: reinforcing VfM approach to IBIPs and to financial instruments to strengthen consumer trust.
- Stronger and more efficient supplementary pensions with broader coverage, greater accessibility, enhanced simplicity and transparency and higher real returns (Revision of PEPP Regulation)

- ❑ More supervisory convergence is needed to deal with financial innovation and the multiple emerging trends and risks
- ❑ It should leverage on the elements of the institutional architecture already in place in Europe

❑ SOLVENCY II

- Risk-based framework for all EEA countries
- the framework is fit for purpose, ensuring insurers be well capitalized to deal with the crises occurred in the first 10 years.
- The recent review targeted at improving specific aspects

❑ EIOPA

- is a central forum where NCAs share experiences, best practices, and information to promote consistent implementation of regulatory requirements through common supervisory practices, effective enforcement measures, and sound technical advice

- ❖ Improved harmonization built on the existing framework,
- ❖ Not necessarily increasing regulation but simplification
- ❖ **Improving convergence and consistent application of prudential rules through the constant and ongoing dialogue between supervisors,**
- ❖ Enhancing and further promoting common supervisory expectations

Thank You

