PRIORITIES FOR THE INSURANCE SECTOR

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Evolving risk context calls for evolving supervisory practices

If we want to find one underlying feature that reflects the current risk context, I think we could say that it is characterized by a number of very dynamic, emerging trends that, in various ways, influence the materialization of more traditional, specific risks, both in terms of frequency and intensity of possible losses.

Current geopolitical trends could affect many types of market risks, for example in terms of increase in interest rates, pushed up by inflation, or credit and real estate risks, due to reduced growth or detrimental effects on trades or activities; but geopolitical trends could also have a number of other, less predictable effects on risks, such as cyber risk, that could significantly influence the business.

Also, climate change and, more generally, the transition to a more sustainable world, could -in many ways - affect the value of assets and liabilities of insurance companies and, at the same time, increase more qualitative risks, such as reputational or legal risks.

Again, the increasing use of IT innovations leads to the exacerbation of operational and cyber risks, but also to repercussions on business risks, in case of non-alignment with technological developments, and on legal and conduct risks, in relation to the way the relationship with policyholders is managed.

Overall, this landscape entails at least two main challenges for companies and supervisors. First of all, it reduces risk predictability, as it limits the capability of historic data to anticipate the future and increases the variety of ways in which certain risk factors could materialize. Secondly, due to the very nature of these risk trends and the consequent high correlation between the exposures in different firms and regions, it increases the probability of widespread, and therefore potentially systemic, impacts.

One could wonder if the current regulatory and supervisory framework in the EU is sufficiently equipped to face these challenges.

Without having the ambition to answer this question, in my view there are at least three areas to consider if one aims to reduce, in the current context, the probability of insolvencies as well as of systemic externalities, while reinforcing the social role of insurance in the economy.

Obviously, the first focus is on the approach of the prudential regulation. It should be sufficiently risk based and flexible to adapt to new risks; it should significantly rely on good and wide-ranging enterprise risk governance; and it should provide supervisors with tools and information that effectively help focussing on the real threats, early enough. I think that all these aspects are fundamental features of Solvency II. One could certainly question some elements of this framework, like its complexity, the volatility of its indicators or the calibration of some financial requirements, but I think it is apparent that its structure and forward looking approach constitute the preconditions to properly deal with an evolving and unpredictable risk context. It obviously remains to be seen how the framework is implemented in practice across jurisdictions.

Secondly, the ability of supervisors to promptly detect systemic threats at global, regional and national level and to intervene timely and effectively. Also in this case, I think that the insurance sector can rely on a framework that allows successfully achieving these objectives. The IAIS Holistic Framework, which also inspired the European macro-prudential framework, is indeed based on three key elements: on measures, to be applied on a proportional basis, that are aimed at mitigating the probability and intensity of the materialization of risks with systemic potential; on thorough monitoring of the main potential sources of systemic impacts, both at individual and market wide level; and finally on a toolkit of supervisory powers to be used as necessary. In this case too, however, the framework needs to be properly implemented in practice by national supervisors in order to be effective. The IAIS is committed to pursue this objective with its implementation assessment plan.

> **We need good supervisory practices applied consistently and effectively across jurisdictions.**

Finally, and I think this is maybe the area with the most room for improvement, we need good supervisory practices applied consistently and effectively across jurisdictions. The ability of supervisors to understand new and complex risk sources and their potential transmission channels, to be timely, effective and balanced in their interventions, to concretely cooperate on common challenges, is certainly key. In this regard, the role of supranational institutions, like IAIS and EIOPA, is of utmost importance. It is essential, however, that in each jurisdiction, supervisors have sufficient resources, knowledge and powers to reinforce their supervisory approach and keep up with the evolution of the context.

PETRA HIELKEMA
Chairperson – European Insurance and Occupational Pensions Authority (EIOPA)

Priorities for the next political cycle

Ten years ago the focus was very much on preparing for the introduction of a new regulatory framework for the insurance sector in response to a global financial crisis. The result – Solvency II – better aligned capital to risk, introduced a risk-based approach to assess and mitigate risks, strengthened governance models and introduced forward-looking risk management.

The framework has proved its robustness with the insurance sector weathering a series of crisis: a global pandemic, Russia's unlawful invasion of Ukraine, an energy crisis and inflation. It is not surprising that outside of Europe, many countries are mirroring Solvency II in their own regulatory frameworks.

Fast forward to today and Solvency II is one of a myriad of regulations affecting the insurance sector. Technological developments, climate change, and the interconnectedness of financial services – these are all factors that have contributed to new legislation in particular, horizontal legislation, that cuts across sectors. Indeed, following the extensive legislative activity, the European Insurance and Occupational Pensions Authority (EIOPA) believes that a first priority for the new Commission and co-legislators is to focus on implementation so that both industry and supervisors have sufficient time to ensure frameworks operate effectively.

Beyond implementation, however, there are other more specific areas requiring attention.

First and foremost are protection gaps. Whether talking about climate or cyber, success will stem from increasing knowledge of the source of gaps at policy maker and industry level, and raising awareness at consumer level. Access to good data on losses and exposures underpins both, and EIOPA sees a role in collecting data, ensuring open access to data, as well as supporting any future data-exchange, for example of cyber incidents, under different frameworks.

There is also a need to make sure that insurance is available, affordable and is also taken up. Again, awareness is important here. EIOPA would recommend the development of a tool to increase consumer awareness of their risk exposure and facilitate the adoption of risk prevention measures.

Pension gaps also require attention, with a growing number of people at risk of poverty in older age. In addition to further work on pensions tracking systems and dashboards, EIOPA also recommends taking a second look at the pan-European personal pension product (PEPP). While PEPP uptake has not been as high as hoped, EIOPA firmly believes that there is still demand for a simple, transparent, portable, digital-first savings product to help close savings gaps. More broadly, increasing pension savings will contribute to the development of the Capital Markets Union (CMU) through retail investment. However, the shift from defined benefit to defined contributions requires proper oversight of products, which could be achieved through a convergent EU approach to conduct supervision of personal pensions products. This will help ensure that products offer value to consumers.

In this regard, EIOPA has already made advances in the area of value for money and will continue to place consumer protection at the heart of its work, furthering work on the development of supervisory benchmarks and continuing to engage on the Retail Investment Strategy.

Improvements to the supervision of insurers operating across borders will also help to safeguard consumer protection and ensure trust in the Single Market. EIOPA has long argued that when home national competent authorities fail to act and policyholder protection is at risk, there should be effective last-resort measures in place to protect policyholders. The EU supervisory community via EIOPA's Board of Supervisors should be able to take a directly binding decision to stop consumer detriment immediately. A minimum harmonisation of IGSs would also help ensure adequate and consistent consumer protection across the Single Market.

While there has been much progress in the areas of sustainable finance and digitalisation, now is not the time for complacency. Regarding sustainable finance, further incorporating sustainability risks into both the prudential and conduct frameworks can ensure a more resilient and sustainable financial system. With digitalisation, it is important to continue to support innovation, but not at the expense of good consumer outcomes.

The next political cycle should build aim to strengthen competitiveness, deepen the Capital Markets.

Data is at the heart of the insurance and pensions sectors, for industry, consumers, and for supervisors. For this reason, EIOPA supports standardized, high-quality, and available data, as well as the smarter use of data and technology for supervision to improve products and services for consumers, and the ethical use of data to combat financial exclusion and safeguard privacy.

Much has been accomplished under the last political cycle to build robust and resilient insurance and pensions sectors. The next political cycle should build on this to strengthen competitiveness, deepen the CMU and foster good consumer outcomes.

UGO BASSI
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Solvency II – Navigating through rough waters with a robust regulatory framework

One of insurers' key competencies consists in calculating and managing risks. Nevertheless, recent years have been extremely challenging for the insurance sector in Europe and globally, as uncertainty has increased and risks have become more interconnected. It is time to take stock of the most recent global crisis events and to assess to what extent the European insurance sector has been affected.

Overall, the European insurance sector managed well to withstand shocks, which is largely due to the robust regulatory framework of Solvency II. Yet, some lessons were drawn and targeted adjustments to the framework proved necessary to keep the framework fit for purpose. It is important to highlight therefore some of the modifications that are currently implemented under the Solvency II review on the back of recent and future challenges for the sector.

During the last years, financial markets and financial institutions have been repeatedly shocked by different crisis events. In early 2020, the global Covid-19 pandemic triggered an unprecedent economic crisis including a massive plunge of stock prices and a surge of risk premia on bond markets. Nevertheless, solvency ratios of European insurers remained overall fairly high because of the sound capital regulation in place. In February 2022, while the hangover of Covid-19 was still nagging, Russia started its invasion of Ukraine. The Russian invasion came along with increasing geopolitical tensions, a globally reduced economic outlook and an increase in commodity prices, which further fuelled the rise of inflation in Europe and beyond. As a result, central banks increased their policy rates to counter inflationary effects. While the massive hike in interest rates caused financial distress for some of the financial institutions in the US, Switzerland and to some extent for the pension fund sector in the UK, the European insurance sector overall fared well during the period of rising interest rates.

Against the backdrop of these events, Solvency II has worked well as a prudential regulatory framework. As a consequence, the review of Solvency II was not intended to constitute a revolution but rather a refinement of the regulation in light of current and future challenges.

Thus, for instance, in view of excessive market volatility, which repeatedly occurred over the last years, the new volatility adjustment method is expected to shield insurers more efficiently in periods of market turmoil while taking the insurers' risk profile better into account. As regards insurers' ability to pay policyholder claims, in particular for life insurers, the new extrapolation method for long term guarantees involves a new procedure that increases the amount of market information, which is considered to ensure an adequate level of stability. As discussed before, risks for insurers have become increasingly interconnected and require a macroprudential dimension for a comprehensive regulation. To that end, the review introduces for the first time a macroprudential toolkit into Solvency II. Specifically, insurers will need to consider systemic effects into their investment decisions and prepare forward looking liquidity risk management plans. Even beyond those risks that materialised during past crises, there are future risks to be considered. We are living in a world of constant change and climate related risks and perils are on the rise. Pertaining to sustainability risks, the review ensures that climate risks will be better taken into account. Insurance undertakings will be required to develop prudential transition plans. The review will furthermore support the Capital Markets Union in Europe, as it contains, for instance, a preferential treatment on long-term equity investments subject to lighter criteria. In addition to these regulatory modifications, the Solvency II review comprises, inter alia, improvements for cross-border supervision and reporting and contributes to a more proportionate way in applying the regulatory requirements.

Yet, the review is not yet fully completed, as the Solvency II framework is made up of two instruments, the directive and a delegated regulation. The latter one, is currently under preparation and will implement the political decisions agreed in the directive.

Solvency II – a robust regulatory framework for current and future challenges.

Following the events over the last years, one might ask: What will be the next crisis, when will it occur and to what extent will it affect the insurance sector? A precise answer to these questions we certainly cannot give. Though, we certainly cannot exclude that there will be again periods of rough waters ahead of us. The Commission will regularly monitor market developments and the adequacy of the regulatory framework in light of new challenges. The implementation of the new framework will be a priority, as the insurance sector is not only managing risks but also instrumental in contributing to growth and to the green and digital transitions.

MARTIN LANDAIS

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Insurance sector's resilience amid supervision, climate, and cyber challenges

Over the past decade, the insurance sector has demonstrated remarkable resilience despite the challenges of a low or even negative interest rate environment and the disruptions caused by the COVID-19 pandemic. The robustness of the prudential framework has been a cornerstone of this resilience, ensuring that insurers remain solvent and capable of fulfilling their commitments to policyholders. This period underscored the sector's ability to withstand economic shocks and highlighted the effectiveness of regulatory measures in safeguarding financial stability.

Over the past years, the financing of the economy, the ecological transition and the protection of policyholders have been our three main goals. In this regard, the agreements found on Solvency 2 and IRRD are welcomed. The new prudential rules are an incentive for insurers to invest in the European economy, and in particular in the ecological transition. Prudential requirements will be better suited to different interest rate environments while avoiding excessive volatility through a dedicated prudential treatment for long-term equity investment. Those rules also pave the way for the adaptation of the prudential treatment of securitization, which is a cornerstone for the CMU to be completed.

As regulators, our next step is to work hand in hand with the Commission on the delegated act of Solvency 2, which is pivotal for the long-term equity and securitisation to scale up. Then, it will be in the hands of insurers to demonstrate their ability to reap the benefits of this favourable framework, as Solvency 2 was often described as deterring insurers to invest in equity. Regarding policyholder protection, the implementation of the IRRD will encourage insurers to be fully prepared for potential financial difficulties.

When supervision measures are not enough to avoid insolvency, a range of resolution tools, which we wanted to keep sufficiently broad and effective, will enable the authorities to avoid cases of disorderly bankruptcy, and therefore to better protect policyholders and financial stability while protecting public funds and ensuring the continuity of critical functions.

Over the past decade, the insurance sector has demonstrated remarkable resilience.

Regarding the green agenda, we welcome the introduction of "prudential" transition plans in Solvency 2, in addition to those provided for in CSRD. Now it is important to pay attention to their implementation, framed by EIOPA guidelines, which should be well articulated with CSRD's and ensure a level playing field with the banking sector. We also acknowledge the work of EIOPA to better tackle climate-related risks, notably their propositions of prudential treatment of sustainability risks and their work to address climate protection gaps. Alongside national authorities, we believe their work is crucial to be at the edge of climate-related concerns. At national level, the insurance stress-test recently conducted by the ACPR will help insurers to better anticipate the impact of climate change on their solvency position in the short and long term. However, this exercise is only a part of a long-term process, in conjunction with the long-term climate scenarios introduced into the ORSA by Solvency 2.
We also have to deal with a busy digital agenda.

First, the AI Act has just entered into force, and frames a risk-based approach where high risk AI systems will have to respect strengthened obligations. The insurance sector is concerned since AI systems designed for risk assessment and pricing in relation to natural persons in the case of life and health insurance are considered high risks. In this regard, we support EIOPA's work on AI which aim at assessing the impacts of the AI Act in the Member States and at defining guidance on how to use and supervise AI in the insurance sector.

Second, cybersecurity is at the core of our concerns, and we welcome the provisions introduced by the DORA regulation which aims at reinforcing the governance of cyber risks in European financial services.

Finally, the negotiations on FIDA have been ongoing for more than a year now. This new regulation aims at establishing new rules regarding the sharing, access and use of the European customers data by third parties for them to provide more innovative and personalized financial services. France is committed to several fundamental principles: customer protection, level-playing field among all stakeholders in the EU and preservation of the European sovereignty. In particular we have asked for the most sensitive data to be excluded from the scope of FIDA, for setting limits to the possibility for the gatekeepers to access the customer data and for prohibiting the non-European entities to become FISPs. In any case, this regulation will have significant consequences on competitiveness but more broadly on the economic model of the European financial sector, hence the need to be particularly cautious regarding the framework we are currently shaping for the future.

FRÉDÉRIC DE COURTOIS
Group Deputy Chief Executive Officer – AXA Group

Insurers are an important piece of the answer to the main challenges ahead

Over the past decades, the European insurance sector has demonstrated its ability to cope and adapt to a changing environment impacted by multiple crisis while remaining extremely robust. The regulatory environment, through the adoption of the Solvency II Directive in Europe accompanied the financial resilience of the sector. However today, the current insurance business model is sometimes questioned in the light of insurability issues arising from for example more frequent extreme climate events or aging population, all of this coupled with more stringent national budget constraints. In front of these challenges, insurers want to act proactively to reaffirm their societal role while recognizing that the society transformation requires more cooperation between private and public stakeholders to find the right solutions to the challenges.

Firstly, insurers can contribute to enhancing societal resilience by both promoting a more prevention mindset but also by managing a large number of insurance claims. In 2023, the global insurance industry paid out 100 billion euros for Nat Cat claims, aiding communities in post-disaster reconstruction. Insurers hold unique risk knowledge through risk modeling and precise data on geo-coded risks and perils, empowering them to promote individual and collective resilience through public authorities' action towards more prevention measures. Furthermore, insurers can also incentivize good practices through justified premium reductions. Additionally, in the event of major events, insurers can provide effective support to citizens by managing massive claims through the mobilization of expert networks and repairers. Nevertheless, all this requires more and more partnerships with public stakeholders on topics such as risk management plans, prevention measures and disaster indemnifications.

Secondly, demographic changes are impacting societies, economies, and pension systems. The insurance industry can provide protection for old age peace of mind as the number of people aged 80 years or older is expected to triple between 2020 and 2050, while one third of people are not saving for their old age. The ongoing discussions on the Capital Market Union (CMU) present an opportunity to address the challenges of an aging Europe and incentivizing investment in capital markets. By creating the right conditions favoring long-term investment saving products, the CMU can channel investment flows into the European economy and orient these towards the financing of the transition. The insurance industry is willing to play a pivotal role in raising awareness and offering solutions to encourage long-term savings and protection for old age dependency.

Improved dialogue with all stakeholders will empower insurers to tackle future challenges.

Thirdly, as digitalization revolutionizes our society, our industry has historically been a responsible user of digital solutions and data. The insurance sector is fully committed to develop and use Artificial Intelligence (AI) responsibly and also investing in the digital transition. This contributes to a better understanding of risks and enables insurers to enhance prevention to the benefit of our consumers, for example, in the case of floodings. In the path to increased digitalization of our society, achieving a well-balanced legislation is crucial. This requires notably to reflect on private-public partnerships for large cyber risks presenting systemic features that could challenge the economy's ability to absorb massive shocks in the event of an extreme cyber event.

To benefit citizens and society at large, addressing climate and digital risks challenges will require collective action involving private actors and public authorities to establish strong partnerships. Embracing cross-sectoral approaches to major risks will create synergies for the entire society. The rapidly evolving landscape presents an opportunity for insurers to be even more proactive than before in addressing current and future societal needs. Moreover, by enhancing prevention solutions based on new technologies, deploying ambitious risk transfer solutions (including Insurance Linked Securities for not only Natural catastrophes but also newer risks such as cyber), or providing more automatic risk coverage through parametric insurance policies, insurers have a range of solutions to explore and develop further.

These innovations, combined with increased cooperation with various relevant stakeholders including consumers as well as public authorities, will enable insurers to tackle current and future challenges and fulfill their societal role effectively.

THIERRY FRANCQ

General Director for Regulatory and Economic Affairs – Covéa

Minimize regulatory cost and reduce insurance gap

The European insurance agenda has for years focused on financial stability, management of the risks weighing on the sector (such as cyber risk) and the protection of customers/policyholders. Many directives or delegated regulations are still to be finalized or implemented in these areas, and we can safely say that the legal and prudential corpus, combined with the European supervisory system, constitute a very solid... and costly framework. Added to this is the expected contribution of insurers to sustainable development, the contours of which are gradually becoming clearer in an abundance of text whose consistency is not always assured.

There is therefore no need to strengthen this regulatory arsenal, quite the contrary. It is now time to focus on the concerns of our fellow citizens and the needs of our economies, in view of the challenges they face and in which insurance plays a role. In other words, to focus on the ultimate objective, namely broader insurance coverage, at an affordable cost for all European citizens and businesses.

It is not a question here of proposing a list of new regulations, but of analyzing the challenges and questioning what the European level can (or cannot) provide, through its multiple tools: regulation of course, but also attention paid to the proportionate and coherent implementation of the rules, vigilance of competition authorities, legal framework for access to data, purpose and conditionality of European aid, etc.

What are the challenges we face, if we focus on non-life insurance:

- Increasing climate risks. These risks are clearly growing rapidly. However, the comparison with the United States shows that Europe still suffers from a substantial “Insurance Gap” for these risks. There is also a risk of seeing certain areas neglected by insurers. This situation is harmful for our citizens and for our economies.
- A strong inflationary trend in the costs incurred by insurers and therefore in insurance prices, while many citizens are experiencing purchasing power difficulties. Phenomenon linked to climatic and social risks, but also to inflationary trends due to adaptation to global warming (electric vehicles, renovation of buildings, etc.) or the behavior of automobile manufacturers. The regulatory avalanche has also significantly increased management costs for insurers.
- Insufficient risk prevention action, both concerning climate risks and health risks for example, which harms the insurability of economic agents.

It’s time to focus on the final objective, i.e a broader insurance coverage, at an affordable cost.

Facing these challenges, what kind of actions we should consider:

Reduction of the Insurance gap on climate risks:

- Member States undoubtedly have the largest share of responsibility on this subject, given the disparity of situations between Member States.
- But the European level can also make its contribution: for example, by ensuring that the regulatory environment favors the intervention of reinsurers under optimal conditions in Europe, or by encouraging collaboration and sharing of experience within the EU. Reduction or limitation of costs incurred by insurance: - It is necessary to continue the examination of the regulations weighing on insurers to optimize their cost, in capital and in operational terms, in the light of experience, like the modification of the S2 prudential rules which has just been adopted. This must go as far as removing disproportionate regulation: FIDA is a clear example of ineffective regulation at exorbitant cost, as its application to banks shows. In any case, it is imperative not to burden the regulations with future delegated regulations and recommendations (guidelines) issued by the authorities.
- We must encourage - and not inhibit - innovation, for example through the use of AI which constitutes a real lever of productivity in insurance: the implementation of the AI Act must pursue this objective, the legitimate safeguards must be strictly proportionate.
- The inflation of automobile repair costs and in particular spare parts, perhaps linked to the transition to electric vehicles, deserves careful examination by the competition authorities.- Access to automobile data by insurers is also a key area for understanding risk more precisely and optimizing prices, especially as insurers will face a substantial change with the transition to electric.
- Finally, prevention is key to reducing the cost of climate and health risks (see below).

Amplification of prevention actions:- Limiting the costs of climate disasters requires prevention above all. Europe could contribute to this through regional aid and funding research on this theme.- Prevention is also key in terms of health. Europe should promote access to individual health data to allow insurers to fully play their role in this area.

HIDEHIKO SOGANO

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Global challenges call for greater public-private sector collaboration

Reflecting on the past decade, the financial sector has maintained stability despite geopolitical risks, supply chain disruptions, pandemics, and inward-looking political shifts. This resilience can be attributed to proactive measures and emergency collaborations by both private and public sectors, leveraging past lessons effectively.

In the insurance sector, we are introducing the ICS, an economic value-based framework for assets and liabilities, and a holistic framework based on an activities-based approach to capture systemic risks. This framework, linking macro and micro perspectives, is proving effective.

However, insurance affordability has decreased among low-income groups in some countries, especially the younger generation, partly due to ineffective income distribution policies. Moreover, there is insufficient understanding of insurance in both emerging and developed economies, leading to a lack of awareness and coverage. Consequently, even in times of increased uncertainty, people are not necessarily turning to insurance for their anxieties.

On the supply side, the insurance sector faces challenges from increased risks due to environmental degradation, such as natural catastrophes (NAT-CAT). The focus is on absorbing risk transfers from municipalities, businesses, and individuals (e.g., infrastructure, fire, flood, and agricultural insurance). As uncertainties rise, the sector struggles to manage risks, leading to increased reliance on reinsurance and, in some cases, a reduction in insurance services.

While the sector has strengthened risk management and maintained sound management, it is not a perfect solution. As economic, political, and social uncertainties are expected to increase over the next decade, public-private cooperation is crucial to broaden the understanding of insurance. The protection gap is not merely about penetration rates; it represents a loss of opportunities when neither sector takes on risks, hollowing out the meaning of insurance.

A few years ago, there were concerns about non-insurance industries like GAFA entering the insurance market. Today, enhancing the attractiveness of the insurance industry itself is perhaps more important. The industry is also accelerating its expansion into peripheral businesses, prompting a re-evaluation of the fundamental meaning of insurance.

Public-private sector cooperation is further needed amid uncertainties in the next 10 years.

Considering the next 10 years, with the retreat of globalization, building consensus becomes significantly more difficult compared to ten years ago. Amidst this, both insurance authorities and the industry should boldly tackle global challenges like the introduction of ICS, climate change issues, and cyber risks.

Regarding climate change, it is necessary to design policies and financial supervision that incentivize the expansion of decarbonization finance to reduce climate change risks and enhance resilience across the economy in the long term. Cyber risks, often intertwined with geopolitical risks like hybrid attacks by specific nations, require technological cooperation and risk information sharing between the public and private sectors, although complete prevention remains elusive. In Japan, cross-industry cybersecurity exercises, such as Delta Wall, are effective.

The use of AI in insurance, particularly in underwriting decisions, raises consumer concerns about transparency, necessitating discussions on ethical utilization rules. Additionally, companies committing fraud and harming consumer interests by focusing too much on sales performance need cultural change. Strengthening penalties through regulations is not a fundamental solution; fostering a healthy insurance company culture, including a DE&I perspective, is essential. The industry needs to focus on indicators beyond short-term profitability, and public-private discussions are needed to determine effective insurance regulation and industry efforts.

Given potential new regulations and supervisory enhancements, regulatory frameworks should adopt a principle-based approach, considering varying circumstances across countries. Application should be tailored to fit each insurance market. Private insurance companies must prioritize benefiting policyholders and recognize that ensuring the long-term sustainability of services generates social value.

The growing awareness among authorities to keenly detect private sector movements is positive. However, unintended consequences are emerging due to varied actions of different authorities. For instance, recent US bank failures have heightened interest in liquidity risks. While this is a critical risk in the banking sector, opinions diverge on its significance in the insurance sector. Careful consideration is needed to avoid introducing unnecessary regulations that could hinder the role of insurance companies and reduce societal utility. Moreover, excessive intervention can significantly increase compliance costs for the private sector and this situation is widely recognized, yet often overlooked.