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# Emerging insurance risks require better data and stronger supervision

European insurers remain resilient, but the sources of risk are evolving. Alongside traditional market and underwriting risks, supervisors are increasingly focusing on private credit and other illiquid assets, as well as on the complexity of cross-border group structures. While these developments support diversification and long-term investment, they also create risks that are not always fully visible through conventional solvency indicators and require more granular information and stronger supervisory cooperation.

Private credit has attracted increasing attention in recent years. EIOPA analysis based on Solvency II reporting shows that private assets represent around 11% of insurers' total assets at both solo and group level. Aggregate exposures do not currently point to a systemic concern. However, these figures conceal significant heterogeneity across undertakings and groups. A small number of large insurance groups account for approximately 37% of all private-asset investments, while concentration is particularly pronounced in private credit. These findings suggest that concentration risk may be a more relevant supervisory concern than the overall volume of exposures.

From a supervisory perspective, the key issue is not merely the size of private credit investments but the complexity of the associated risks. Illiquidity, valuation uncertainty, concentration towards specific sectors, borrowers or asset managers, and the interaction between investment and liability strategies may become particularly relevant during periods of market stress. For life insurers, additional challenges may arise if policyholder behaviour generates unexpected liquidity needs. Since 2021, IVASS has encouraged undertakings to strengthen governance, valuation methodologies, risk management frameworks and the application of the prudent person principle. Increasingly, supervisory attention focuses on firms' ability to understand and manage these risks rather than on headline exposure figures alone.

Effective supervision in this area depends on access to sufficiently granular information. Current reporting frameworks still present important limitations, particularly for investments held through funds, where information on underlying assets, issuer sectors and geographical exposures may not always be readily available. These data gaps make it more difficult to assess concentration, liquidity and interconnectedness risks consistently across Europe. Better transparency would enhance both firm-level supervision and the monitoring of potential vulnerabilities across the sector.

**Better data and stronger supervision are becoming as important as capital.**

The concentration of private credit exposures among a limited number of large groups also highlights the importance of effective group supervision. Insurance groups generate important diversification benefits and support efficient capital allocation across jurisdictions. At the same time, they create interconnections that are not always visible from a purely national perspective. Investment strategies, reinsurance arrangements, treasury functions and other key activities are increasingly managed at group level, while risks often materialise locally within individual entities.

In this context, supervisory colleges remain a cornerstone of effective supervision. Through information sharing, joint risk assessments and coordinated supervisory actions, home and host authorities can develop a common understanding of risks and identify vulnerabilities before they crystallise. As insurance business models become more integrated and increasingly transcend national borders, no single authority can fully assess all relevant risks in isolation. Effective supervision depends on both timely access to information and a shared view of emerging vulnerabilities across the group.

The experience gained from monitoring private credit provides a broader lesson for insurance supervision. In an increasingly interconnected financial system, risks may emerge through concentrations, interdependencies and common exposures that are not readily observable from balance-sheet information alone. Identifying such vulnerabilities requires supervisors to combine firm-specific assessments with a group-wide and cross-border perspective.

As insurance business models continue to evolve, the visibility of emerging risks will depend not only on capital metrics but also on supervisors' ability to access comparable data and cooperate across jurisdictions. Stronger supervisory colleges, closer home-host coordination and more granular reporting become essential building blocks of a forward-looking supervisory framework.

Better data and stronger supervisory cooperation should not be viewed as alternative solutions but as complementary pillars of effective supervision. Coordinated supervision provides the institutional framework, while granular information provides the tool to identify vulnerabilities early and address them consistently across Europe. In an increasingly complex insurance sector, both are becoming as important as capital itself.