



# Reaching new heights

Central and Eastern European strategic  
resilience in insurance: outlook 2025

**forv/s**  
**mazars** x  **EMIS**



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# Foreword

The insurance sector in Central and Eastern Europe (CEE) is entering a defining decade. With the six key markets covered in this report — Croatia, Czech Republic, Hungary, Romania, Poland and Slovakia—showing both remarkable operational efficiency and sustained premium growth, the region is no longer a peripheral story but an increasingly central part of Europe’s financial landscape. As highlighted in the EMIS overview, combined ratios remain well-managed, expense ratios continue to be a regional strength and digital transformation is gaining momentum—supported by EU funding and local innovation. However, the persistent gap in insurance penetration compared to Western Europe reveals the scale of untapped potential ahead.

This report, jointly prepared by Forvis Mazars and EMIS, aims to shed light on both the opportunities and challenges shaping the sector’s evolution. By combining independent market intelligence with insights from our practitioners advising insurers across CEE, we offer not only a snapshot of current performance but also a forward-looking agenda.

Artificial intelligence and digitalisation are already redefining business models. From automated claims handling to predictive underwriting and personalised products, insurers in our region are leveraging technology to improve resilience and client engagement. However, as our article on AI demonstrates, innovation does not come without regulatory complexity—the EU AI Act requires institutions to balance efficiency with transparency, fairness and data governance.

Regulatory change is, in fact, one of the defining forces in today’s market. As described in our analysis of Solvency II and the Insurance Recovery and Resolution Directive, insurers face enhanced requirements for capital, governance and transparency, as well as the landmark Digital Operational Resilience Act (DORA), which brings ICT resilience to the forefront. In parallel, the Corporate Sustainability Reporting Directive (CSRD) extends ESG disclosure obligations, pushing companies to embed sustainability into both reporting and strategy.

Accounting reforms add another layer of complexity. Two years into IFRS 17 adoption, global practice shows greater comparability of reporting formats, but also divergence in methodologies and assumptions. For many CEE insurers—especially those still reporting under local GAAP—the transition remains a challenge, with implications for transparency and investor confidence.

Finally, no discussion of the insurance sector today can ignore the growing weight of climate risk. Recent floods in the region underscored how physical risks translate directly into claims volatility and capital requirements. Regulators are embedding climate risk into solvency frameworks and ORSA, while insurers must invest in modelling capabilities and resilience strategies. The sector’s ability to meet this challenge will define not only its profitability but also its societal role in protecting households and businesses.

The pages that follow tell a story of resilience, adaptation and ambition. They also reflect a broader truth: the CEE insurance sector is not simply catching up with Western peers—it is developing its own competitive strengths, from cost efficiency to regulatory adaptability and digital readiness.

Drawing on the experience of consultants working closely with insurers across CEE, this collaboration with EMIS brings forward an analysis designed to support insurers, investors, regulators and policymakers. The goal is to deliver insights that help navigate a rapidly evolving environment with clarity and strategic foresight. This report is intended to serve as both a practical reference guide and a source of strategic inspiration for all stakeholders committed to advancing a stronger, more sustainable and innovative insurance sector throughout the CEE region.



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## Executive summary

The insurance sector in six of the leading economies of Central and Eastern Europe being analysed in this report (Croatia, Czech Republic, Hungary, Romania, Poland and Slovakia) is experiencing a compelling transformation, demonstrating strong operational performance and significant growth momentum. The region's insurers have achieved notably efficient operations, with several markets posting exceptional combined ratios—Czech Republic leading with 86%, Slovakia with 90% and Hungary with 91%—indicating robust underwriting discipline and operational excellence. Over the past six years, the Central and Eastern European (CEE) insurance market has shown consistent expansion, with non-life premiums growing from € 18 billion in 2018 to €28.5 billion in 2024, representing a healthy trajectory that outpaces many mature markets.

While CEE insurance penetration currently stands at 2.2% of GDP compared to Western Europe's 6%-9.5% range, this gap represents substantial untapped potential rather than a fundamental weakness. The region's continued economic convergence with Western Europe, coupled with rising disposable incomes and evolving consumer sophistication, positions these markets for accelerated growth. Key opportunities for further development include expanding consumer awareness, broadening product offerings and strengthening insurance culture adoption—all achievable goals given the solid operational foundation already in place.

Moreover, the region remains heavily skewed towards non-life products. As of the end of 2024, Poland and the Czech Republic lead with gross written non-life premiums of €14 billion and €6 billion, respectively, while the other six analysed markets show significantly lower volumes.

Non-life insurance, particularly the motor and property categories, dominates the regional mix. Life insurance has underperformed due to weak savings culture, limited tax incentives and the lasting impact of past regulatory reforms. Poland exhibits seasonality, with life premium spikes occurring in the first quarter of the year due to single-premium

products and group renewals. Profitability remains relatively strong, with combined ratios below one in most non-life markets. In insurance, there is an inverse relationship between the combined ratio and profitability, specifically underwriting profitability. The combined ratio is a cost measure, i.e. it explains how much of the premiums are being consumed by claims and operating expenses. This means that a lower combined ratio indicates the company is spending less on claims and costs relative to what it earns from premiums, while a higher combined ratio means it is spending more, and possibly more than it earns.

The regulatory environment is evolving through EU-wide reforms, notably the 2024 Solvency II Directive review and the upcoming Insurance Recovery and Resolution Directive implementation. These changes will unlock capital for long-term investments, while increasing supervisory expectations and compliance costs, particularly for smaller insurers. Hungary and Poland are adapting supervisory practices to integrate environmental, social and governance (ESG) priorities, while concentrated markets, such as Slovakia and Romania, face pressure to build robust resolution frameworks.

Consumer protection is gaining regulatory traction, with Czech and Polish supervisory bodies introducing stricter disclosure requirements. Digital channel adoption through insurtech and AI solutions is prompting Hungarian and Slovakian regulators to experiment with sandbox environments and digital risk supervision.

Despite limitations, the CEE insurance sector offers significant long-term growth potential. The combination of low penetration rates, rising wealth, evolving regulatory frameworks and technological adoption creates expansion opportunities, particularly in underinsured segments such as health, property and life protection. Realising this potential requires insurers to invest in tailored product development, digitised distribution and consumer education strategies that bridge protection gaps and build trust in insurance as a financial safety net.



# Chapter one

## Premium growth, profitability pressures and capital strength

### Premium growth

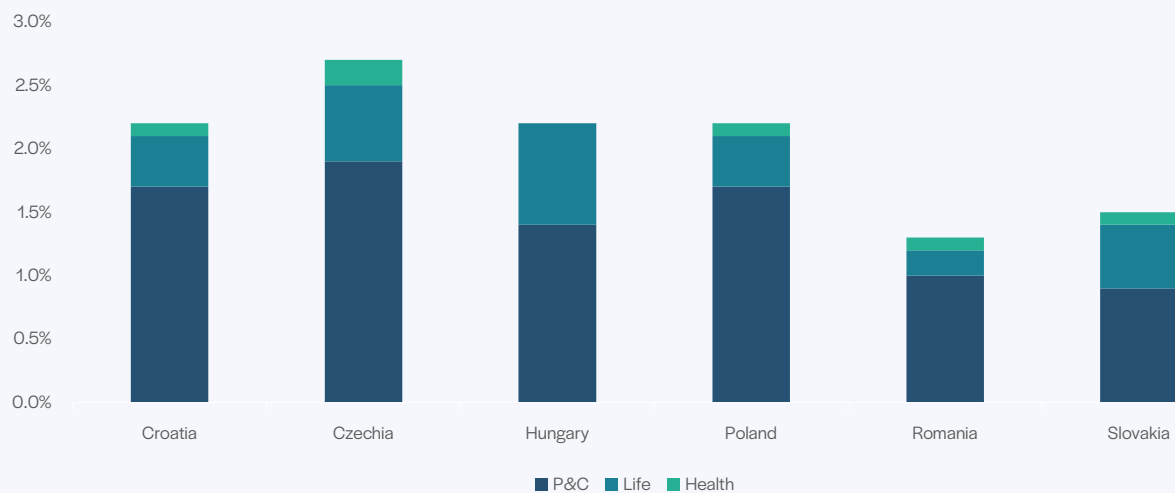
The CEE insurance market exhibits marked variations across countries, maintaining a substantial gap with Western European benchmarks. According to the May 2025 Allianz Global Insurance Report 2025: Rising Demand for Protection, total insurance penetration (premiums earned as a % of GDP) in 2024, combining property & casualty (P&C) life and health insurance, varies significantly across regions. Major EU economies show strong penetration rates, with France at 8.8% (3.2% P&C, 6% life, 1.6% health), Germany at 5.7% (2.3% P&C, 2.2% life, 1.2% health) and Belgium at 5.1% (1.9% P&C, 2.8% life, 0.4% health).

While CEE markets still report lower penetration levels compared to their Western counterparts, recent years have shown encouraging momentum across the region. Croatia has emerged as a standout performer, with total insurance

penetration increasing sharply from just 0.5% in 2022 (0.2% P&C, 0.1% life, 0.2% health) to an estimated 2.2% by the end of 2024 (1.7% P&C, 0.4% life, 0.1% health), according to Allianz estimates. Penetration across the other five CEE countries remained largely stable over the same period.

As of the end of 2024, Czech Republic leads the region with 2.7% insurance penetration (1.9% P&C, 0.6% life, 0.2% health) followed by Poland and Croatia with 2.2% each (1.7% P&C, 0.4% life, 0.1% health), Hungary at 2.2% (1.4% P&C, 0.8% life, 0% health) and Slovakia at 1.5% (0.9% P&C, 0.5% life, 0.1% health). Insurance penetration in Romania remains comparatively low 1.3% (1% P&C, 0.2% life, 0.1% health). Overall, the region presents large untapped potential and a solid foundation for long-term growth.

### Insurance penetration, premiums earned as % of GDP, 2024



Source: Allianz

According to insurance statistics provided by the European Insurance and Occupational Pensions Authority (EIOPA), non-life insurance dominates the regional structure, accounting for 73% of total premiums (€28.5 billion) as of the end of 2024, while life insurance represents 27% (€10.4 billion). This allocation reflects both risk management priorities and the developing nature of long-term savings markets across CEE countries.

Non-life insurance continues to be the market engine, with gross written premiums growing by 10.8% y/y to €28.5 billion in Q4 2024. The sector maintains strong underwriting discipline, with the aggregate net combined ratio holding steady at 0.93, indicating consistent profitability despite inflationary pressures. Claims incurred reached €15.8 billion versus €12.8 billion in Q4 2023, growing proportionally with premiums and maintaining healthy underwriting margins.

Life insurance in the six countries of the CEE region (Poland, Czech Republic, Slovakia, Hungary, Romania and Croatia) shows signs of renewed growth, with gross written premiums increasing by 4% y/y to €10.4 billion in Q4 2024. Claims decreased to €7.2 billion in Q4 2024 from €7.9 billion in Q4 2023, potentially reflecting an improved mortality trend and the maturing of portfolios. The sector benefits from demographic trends and increasing retirement planning awareness across the region.

The CEE market demonstrates superior operational efficiency compared to the EU average, with net expense ratios averaging 0.38, creating compelling investment opportunities. Premium growth rates significantly exceed regional GDP growth, indicating both market penetration increases and product innovation success. The net expense ratio measures how efficiently an insurance company operates relative to its premium income, excluding claim costs. A high net expense ratio puts pressure on underwriting profit, even if claims are under control, while a low net expense ratio supports profitability and competitiveness. The stability of key financial ratios despite rapid growth suggests mature risk management capabilities and effective regulatory oversight, positioning CEE as one of Europe's most dynamic insurance regions.

Notwithstanding the steady CEE economic growth, the Western Europe—CEE penetration gap continues to persist, revealing substantial development potential. Insurance adoption has not automatically followed economic progress, suggesting structural or cultural adoption barriers that can be addressed

through product innovation, improved distribution or consumer education. CEE insurers must prioritise closing protection gaps through more accessible, relevant products, while educating consumers about insurance value. The low penetration rates, despite years of economic growth, represent both significant challenges and opportunities, as regional economies develop and consumer awareness expands.

### CEE life and non-life premiums written, €m



Source: EIOPA

### Claims trends and profitability metrics

The CEE insurance landscape in 2024 was a complex tapestry of intensifying profitability pressures, with the full-year data revealing an accelerating divergence between deteriorating non-life underwriting performance and stabilising life insurance dynamics across the region.

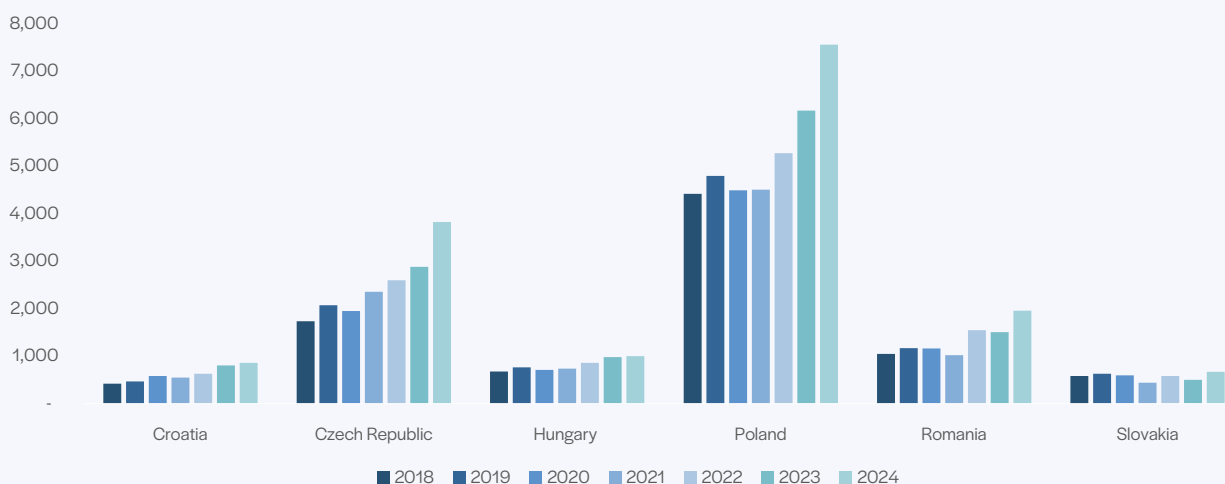
### Non-life insurance: regional claims inflation crisis

The CEE non-life insurance segment experienced notable claims growth in 2024, with regional net claims increasing by 18.7% to €12.8 billion in Q4 2024, according to the European Insurance and Occupational Pensions Authority (EIOPA). This growth was driven by several macroeconomic factors

affecting the broader European insurance landscape, including persistent claims inflation and upwards pressure on costs, as well as natural catastrophe losses including the significant floods that affected Central, Eastern and Southern Europe in 2024. Despite this rise in claims, the regional combined ratio remained stable at 0.93, demonstrating the resilience of CEE insurers' underwriting practices and their ability to maintain operational discipline during challenging market conditions.

The six-year trajectory reveals the magnitude of structural change, with regional net claims increasing by 77.5% from €7.2 billion in Q4 2018 to €12.8 billion in Q4 2024, with nearly two-thirds of this surge occurring in the final two years alone. Despite robust premium growth in 2024, with CEE net premiums expanding by 12% y/y to €23.9 billion, the pace proved insufficient to offset claims inflation, contributing to upwards pressure on regional claims ratios.

## Non-life gross claims, €m



Source: EIOPA

Poland, as the largest market driving aggregate trends, experienced 20.2% y/y growth in net claims in 2024 to €6.3 billion, against 13.7% y/y premium growth within the same period. Romania showed a significant claims expansion of 43.7% according to the most recent EIOPA data, while both the Czech Republic and Hungary demonstrated strong underwriting discipline. The Czech Republic maintained an impressive 0.86 combined ratio despite a 10.3% claims growth against a 6.3% premium expansion, while Hungary achieved a solid 0.91 combined ratio, reflecting effective risk management across these markets.

## Life insurance: regional stabilisation amid market divergence

The CEE life insurance sector presents contrasting dynamics, with regional net claims stabilising at €7 billion at the end of 2024, while net premiums grew modestly to €10.1 billion, indicating improving margin dynamics at the aggregate level. However, this stability masks significant country-level variations.

Poland maintained its positive trajectory, with net claims relatively stable at €3.8 billion while net premiums grew to €5 billion, demonstrating healthy market expansion. Hungary had the most favourable performance, with net claims declining to €1 billion while premiums remained steady at €1.5 billion,

indicating improved profitability. The Czech Republic showed resilient performance with net claims increasing modestly to €1.1 billion against stable premiums of €1.9 billion. Slovakia experienced some challenges with net claims declining to €528 million alongside relatively flat premiums at €765 million, suggesting portfolio optimisation. Croatia stabilised after previous volatility, with net claims increasing to €306 million while premiums recovered to €321 million. Romania demonstrated strong growth momentum with net premiums expanding significantly to €589 million, although net claims also increased to €272 million, reflecting the market's development phase.

## Regional transformation dynamics

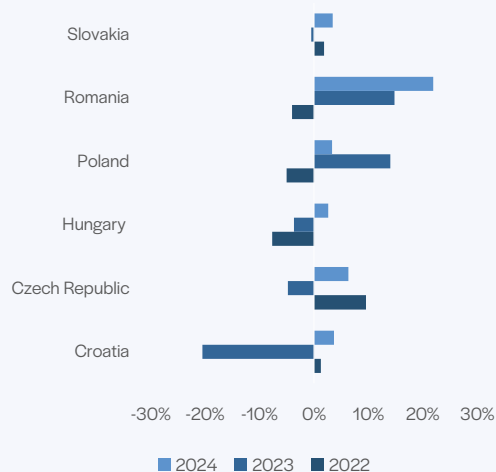
The data reveals expense management as an increasingly critical differentiator, with regional expense ratios improving consistently from 0.43 in Q4 2018 to 0.38 in Q4 2024. Romania's transformation since 2021 exemplifies how targeted regulatory improvements can create sustainable advantages even amid challenging claims environments, providing a template for markets facing similar pressures. This transformation was supported by the Balance Sheet Review conducted by the Financial Supervisory Authority of Romania (ASF) and the EIOPA on June 2020 data, with the report published in December 2021. The review identified solvency and governance concerns at two out of 25 insurance companies, leading to enhanced regulatory oversight and remedial plans. These two entities have since had their licences withdrawn by the ASF, while the broader sector benefitted from strengthened financial resilience and operational efficiency, enabling Romanian insurers to better manage expenses and withstand market shocks. The persistent elevation of combined ratios signals fundamental shifts in capital allocation dynamics. Traditional underwriting profitability models prove inadequate in the current inflationary environments, requiring market participants to balance competing priorities—maintaining market position through premium growth, implementing aggressive expense management and accepting compressed margins, while building enhanced pricing capabilities.

## Strategic implications and outlook

The divergent profitability dynamics across CEE markets highlight several critical strategic considerations. The persistent claims inflation in non-life segments necessitates fundamental

reassessments of pricing strategies, risk selection criteria and operational efficiency initiatives. Markets such as Poland and Hungary may need to accelerate premium adjustments to maintain underwriting profitability, while Romania's experience demonstrates that structural cost management can effectively offset claims pressure. The life insurance segment's varied performance suggests opportunities for capital reallocation, particularly favouring markets such as Poland where improving risk experience enhances overall profitability. However, the volatility observed in Croatia and the emerging pressure in Slovakia indicate that life insurers must remain vigilant concerning portfolio management and product design.

### Life net premiums written, y/y change, %



Source: EIOPA

Regional insurers face the dual challenge of managing immediate profitability pressures, while investing in long-term capabilities. The Czech Republic's proactive approach to premium adjustments and operational efficiency provides a potential model for other markets, while Romania's successful structural transformation demonstrates the possibility of dramatic profitability improvement through targeted reforms. Looking ahead, the sustainability of current trends will depend on insurers' ability to balance competitive positioning with profitability requirements, particularly as claims inflation shows little sign of abating across the region. The markets that successfully navigate this transition will likely emerge with stronger competitive positions and enhanced financial resilience.

## Combined and expense ratio

Underwriting profitability across CEE non-life markets faces unprecedented pressure, with all major countries recording deteriorating combined ratio trends through to Q4 2024. The regional data reveals a systematic breakdown of underwriting discipline, amid accelerating claims inflation and insufficient premium adjustments.

Combined ratios in Q4 2024 range from 0.86 in Czech Republic to 0.97 in Croatia, according to the EIOPA's data, with most markets showing gradual increases from their 2021 levels as the sector adapts to evolving market conditions.

The Czech Republic and Romania maintain the strongest regional performance. The Czech Republic's 0.86 ratio represents a modest increase from 0.83 in 2021, while Romania's 0.95 ratio demonstrates an improvement from 1.02 in 2021, reflecting the benefits of regulatory enhancements and operational restructuring.

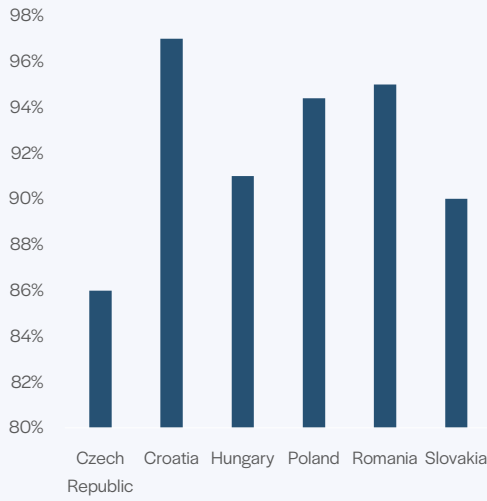
Poland and Hungary show measured adjustments in their underwriting metrics. Poland's combined ratio went up from 0.89 in 2021 to 0.94 in Q4 2024, while Hungary's ratio increased from 0.80 in 2021 to 0.91 in Q4 2024, with both markets maintaining technical profitability while adapting to market dynamics.

Slovakia demonstrates solid performance with its combined ratio at 0.90 in Q4 2024 (up from 0.85 in 2021), while Croatia operates at 0.97, indicating a reliance on investment income contributions alongside underwriting results.

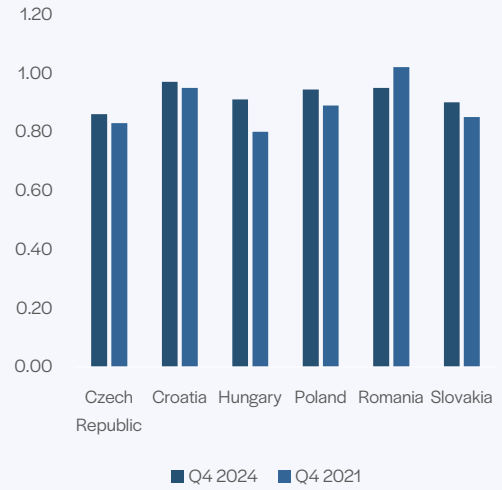
The regional pattern shows aggregate CEE combined ratios at 0.93 in Q4 2024 (compared to 0.87 in 2021), while expense ratios continued their positive trajectory, improving from 0.41 in 2021 to 0.38 in Q4 2024. This indicates that while claims costs have increased alongside broader economic trends, operational efficiency gains continue to support overall market resilience.



## Net combined ratio, 2024

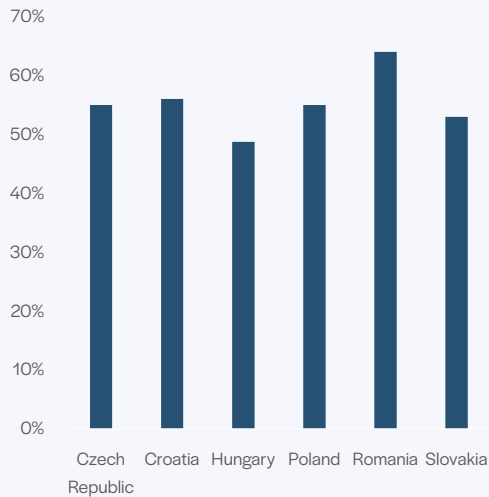


## Net combined ratio evolution

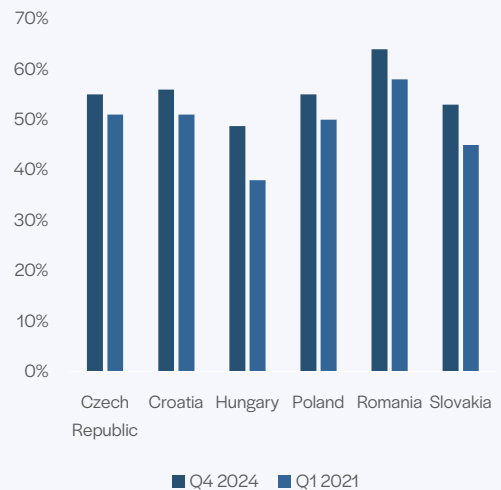


\*The combined ratio is defined as the sum of claims and expenses divided by premiums earned.

## Net claims ratio, 2024



## Net claims ratio evolution



\*The claims ratio is defined as the claims paid divided by premiums earned.

Source: EIOPA

## Expense ratio stability— a regional strength

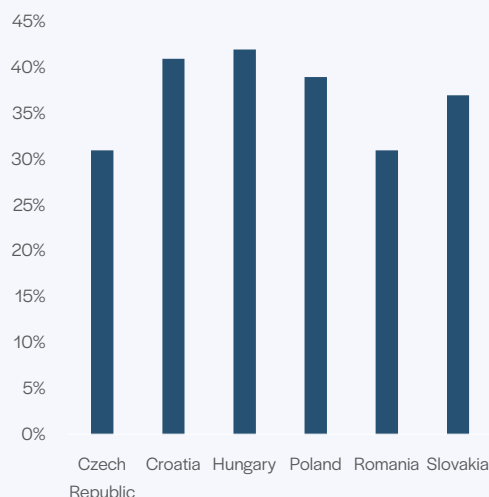
Expense ratio optimisation remains a defining strength of the CEE non-life insurance sector, with the region demonstrating exceptional cost discipline that partially offsets mounting claims pressures.

This regional performance reflects sophisticated operational management across diverse market conditions, with individual country expense ratios converging within a 0.31 to 0.42 range by Q4 2024:

- Romania continues to lead the regional transformation, achieving a remarkable 0.31 expense ratio in Q4 2024, representing a dramatic improvement from 0.45 in 2018. This six-year optimisation likely reflects comprehensive digitalisation, operational restructuring and market consolidation effects following the regulatory enhancements implemented after the 2021 Balance Sheet Review conducted by the ASF and EIOPA.
- The Czech Republic and Poland demonstrate mature operational stability, maintaining expense ratios of 0.31 and 0.39, respectively, through to Q4 2024. Czech Republic's sub-0.32 performance since 2019 and Poland's consistent 0.38-0.39 range underscore sophisticated cost management platforms
- Hungary and Slovakia show a measured improvement, with expense ratios reaching 0.42 and 0.37 respectively, indicating continued operational efficiency gains across smaller regional markets.

This consistent expense optimisation across all major CEE markets, even those facing severe underwriting pressure, demonstrates operational resilience that distinguishes the region from more volatile international peers and provides a crucial buffer against claims inflation.

### Net expense ratio, 2024



Source: EIOPA

## Capital requirements

CEE insurance markets demonstrate robust solvency positions under Solvency II, with all six countries analysed maintaining capital buffers well above regulatory requirements as of 2024. Capital buffers represent the excess capital held by insurers over the minimum required levels, ensuring they can absorb shocks and continue to meet policyholder obligations.

Under Solvency II, the key measures of capital adequacy are the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR). The SCR ratio compares available own funds to the solvency capital requirement, the amount needed to withstand significant adverse events over a one-year period. A ratio above one indicates sufficient solvency. The MCR ratio measures capital relative to the minimum capital requirement, a lower threshold below which regulatory intervention is triggered. Maintaining strong SCR and MCR ratios reflects prudent risk management and financial resilience.

The solvency position of insurance undertakings in CEE remained robust over the 2020–2024 period, with SCR and MCR ratios comfortably above the regulatory thresholds in all six observed markets – Croatia, Slovakia, Romania, Poland, Hungary and the Czech Republic. The data, sourced from the EIOPA, highlights both stability and divergence in capital resilience across the region.

In Croatia, solvency indicators showed steady improvement. The SCR ratio increased from 2.14 in 2020 to 2.30 in 2024, while the MCR ratio remained consistently high at around 6.8, underscoring a strong capital buffer. Poland also demonstrated resilience, maintaining one of the strongest positions in the region with SCR ratio above 2.3 and MCR ratio above 6.4, reflecting stable capitalisation and effective risk management practices.

Hungary displayed more volatility, with the SCR ratio declining from 2.21 in 2020 to 1.73 in 2022 before recovering to 1.97 in 2024. A similar pattern was visible in the MCR ratio, which rebounded to 6.09 in 2024 after a dip in 2022, suggesting that insurers successfully strengthened their solvency positions following a period of pressure.

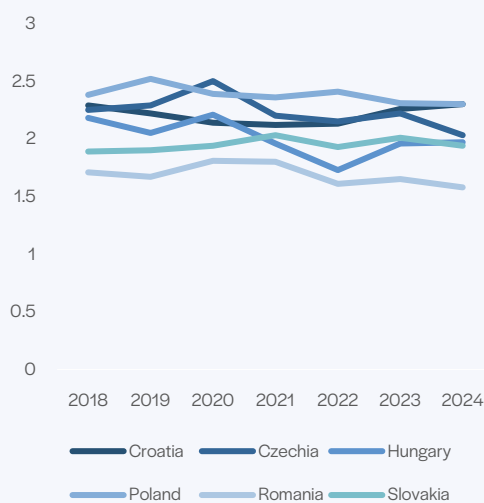
By contrast, Romania recorded a downwards trend. Its SCR ratio fell from 1.81 in 2020 to 1.58 in 2024, while the MCR ratio declined from 4.50 to 3.69 over the same period. Although still above minimum regulatory requirements, these levels indicate a reduced solvency buffer compared to regional peers. Slovakia also experienced some weakening,

with its SCR ratio fluctuating around two and the MCR ratio slipping from 5.28 in 2020 to 4.83 in 2024, pointing to a gradual erosion of capital adequacy. The Czech Republic followed a similar trajectory, with the SCR ratio dropping from 2.5 in 2020 to 2.03 in 2024 and the MCR ratio from 6.33 to 5.01, suggesting a slow but steady decline in buffers.

When benchmarked against the European average, the region presents a mixed picture. The EIOPA’s Financial Stability Report for 2024 noted that EU insurers held median SCR ratios of 2.39 for life undertakings and 2.13 for non-life undertakings. Against this background, Croatia and Poland remain broadly aligned with or above European averages, while Romania consistently lags behind. Slovakia, Hungary and the Czech Republic oscillate around the EU median, reflecting more vulnerable but still compliant solvency positions.

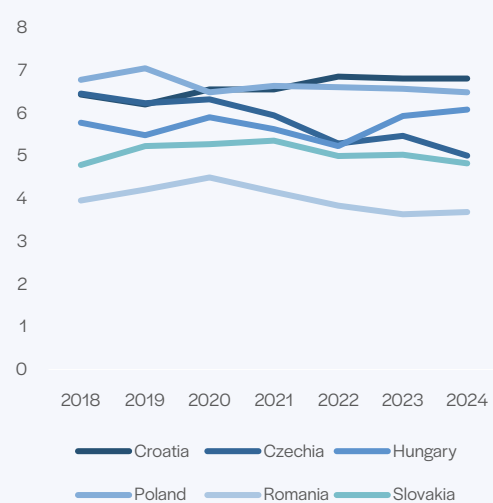
As of May 2025, consumer protection regulations have gained prominence. The Czech and Polish regulators have introduced stricter rules on the transparency of insurance products, pricing disclosures and claims handling. These measures, aligned with EU-wide efforts under the Insurance Distribution Directive (IDD), aim to reduce mis-selling risks, particularly in life and investment-linked policies. Digital distribution has been a focus in Hungary and Slovakia, where regulators are developing sandboxes and guidelines to oversee insurtech innovations and AI use in underwriting.

### Eligible own funds to SCR



Source: EIOPA

### Eligible own funds to MCR



Source: EIOPA



## Chapter two

# Rewiring insurance: AI, cloud and customer-centric innovation



CEE insurers are aggressively modernising their business through advanced digital technologies. Across Poland, Romania, Croatia, the Czech Republic, Slovakia and Hungary, companies are investing in AI, big data analytics, telematics/IoT, blockchain, cloud platforms and digital customer channels to enhance product design, pricing, distribution and service. While progress is evident, the region still trails Western Europe in terms of adoption. However, this is expected to accelerate rapidly, including in 2025. The National Digital Decade plans for 2024 show major public funding pledges –for example, in Poland (€12.4 billion), Romania (€3.6 billion), Croatia (€1.1 billion) and Hungary (€1.7 billion)—to upgrade networks, cloud adoption and AI, which will benefit insurers’ platforms and ecosystems. Chatbots, AI-driven claims analytics and predictive underwriting are being deployed to improve service and efficiency. In Poland, in 2021 Generali Polska launched Leon, one of the first AI-powered virtual assistants, accessible on its website. Within one month, Leon was handling over 97% of routine customer queries (covering claims, policy questions, etc.), boosting interactions 2.5-fold and saving approximately 120 human-agent hours per month.

Similarly, PZU has an in-house AI Factory and digital innovation lab, which was swift to implement ChatGPT services internally in 2022 and managed to expand that to an internal AI assistant in April 2025. These initiatives reflect a wider trend of insurers partnering with insurtech and tech firms to automate servicing.

Usage-based motor insurance (telematics) and advanced risk models are gaining ground. Many CEE auto insurers now offer apps or black box telematics policies that use GPS/accelerometer data to tailor premiums. Larger insurers are integrating big data and IoT sensors to improve pricing and fraud detection.

Insurers are replacing legacy policy and claims systems with modern, cloud-based platforms to enable agility. In May 2025, Croatia osiguranje announced that it would implement the Sapiens Insurance Platform for its Czech Republic operations. This move will replace outdated core systems to speed new product launches, improve policy/claims handling and enhance digital engagement. Similarly, Croatia osiguranje fully digitised its motor portfolio in 2020, launching LAQO, a new direct motor-insurance brand on the Sapiens IDITSuite

platform. These projects highlight a clear trend—insurers are building single, digital-ready policy platforms that can integrate AI/IoT modules and connect to mobile apps.

Insurance companies are rolling out mobile apps, online portals and self-service tools.

In Romania, Groupama undertook a CRM and back-office upgrade in 2024, using SAP to support omnichannel distribution. In Hungary, Groupama Magyarország implemented new multi-channel self-service payment and claims systems, enabling online payments and digital claims submission portals. These projects demonstrate how insurers are extending digital front ends and payment/notification services to improve customer convenience and cut processing times.

Polish insurers have been particularly active in digital transformation. The country's largest insurer PZU Group has institutionalised innovation via a dedicated Innovation Lab, startup accelerator programme (PZU Ready for Startups) and a corporate venturing fund. Its 2021–2024 strategy earmarked PLN100 million per year for digital and innovation projects. PZU's initiatives include AI claims tools, digital health products (e.g. telemedicine) and cyber-risk insurance. It became the first Polish insurer to deploy automated digital claims handling via a partnership with Swedish Insurtech Upptec in September 2022. Generali Polska also improved service efficiency through its IBM-powered chatbot project. Overall, Polish insurers are leveraging AI, insurtech partnerships and digital products to enhance customer experience and operational efficiency. Romania's insurance market is characterised by low penetration and a heavy reliance on mandatory motor insurance. Digital transformation is accelerating but is still lagging behind Western Europe. Groupama Romania began a digital overhaul in 2024 using SAP to streamline operations and speed new product distribution. Other players such as Allianz-Țiriac and Omnisig are enhancing their online channels and analytics capabilities. AI is seen as a key tool to automate fraud detection and enable personalised pricing. Telemedicine and digital health tools gained traction during the pandemic, while

usage-based motor products are gradually emerging. Romanian insurers are catching up by adopting cloud platforms and mobile/web portals, backed by EU funding and international partnerships.

In the Czech Republic, one of the leading global life insurers is rolling out the Sapiens cloud-based insurance suite to replace legacy platforms, aiming to improve product launch speed and customer engagement. Although the name of the client remains confidential, the project highlights a broader industry trend towards digital transformation and modernisation in the life and pensions sector. Czech general insurers such as Česká pojišťovna are also modernising underwriting and claims systems. Usage-based auto insurance is growing via telematics-based discounts and in-car devices. In Slovakia, similar patterns are emerging under the influence of regional groups such as Kooperativa, PZU and Allianz. While detailed initiatives are less publicised, insurers are improving online services, e-signatures and risk scoring through analytics. Slovakia is likely to accelerate adoption of the same core trends—AI, cloud and telematics—as its regional peers, supported by EU funding and national digitisation strategies.

Hungarian insurers are prioritising IT modernisation. Groupama Magyarország renewed its IT systems to offer omnichannel payment options and online claims processing, a project that spanned from 2017 to 2023. Other insurers, such as Allianz and K&H, are piloting telematics-based policies and enhancing cloud infrastructure. Hungary's insurers are expanding digital services (mobile apps, chatbots), investing in cybersecurity and moving towards cloud-based underwriting and distribution platforms. Despite its smaller size, Croatia's insurance sector has seen notable digital progress. In 2020, Croatia osiguranje launched LAQO, a fully digital motor insurance brand built on the Sapiens IDITSuite platform. This enabled rapid online sales and improved service flexibility. Further phases involve automating the entire P&C business, including claims and cross-selling of home/health products. Other insurers in Croatia are investing in web portals, digital claims tools and CRM upgrades to compete more effectively in the digital space.



Expert view

## Navigating AI, innovation, compliance and transformation in CEE

### How AI and regulation are shaping the future of insurance services

Artificial Intelligence (AI) is transforming the insurance sector across Central and Eastern Europe (CEE) at a remarkable pace. From improving operational efficiency and customer experience, to revolutionising risk assessment, the integration of AI technologies offers profound benefits. However, this wave of innovation is accompanied by significant regulatory developments that affect how insurers in the CEE region are deploying AI, along with key trends driving digital transformation in the field.

#### AI use cases in insurance

AI technologies are already having a tangible impact on the operations and offerings of insurers throughout the CEE region. Some of the most significant use cases include:

##### Claims automation

AI-powered systems can process insurance claims quickly and accurately, reducing manual workloads, expediting settlements and enhancing customer satisfaction. Automation also helps in detecting fraudulent claims by analysing patterns and inconsistencies, leading to more secure operations.

##### Risk assessment and underwriting

Machine learning models improve the accuracy of risk profiling, allowing insurers to tailor policies and premiums more precisely. By analysing large datasets, ranging from public records to real-time Internet of Things (IoT) data, AI enables more informed risk decisions. Under the EU AI Act, some AI models used for customer evaluation and underwriting may be classified as high-risk, triggering requirements for transparency, human oversight and data governance.

#### Customer service automation

Chatbots and virtual assistants are employed to manage routine inquiries, policy information requests and basic claims updates on a 24/7 basis, providing cost savings and consistent service. Ensuring these systems are well-trained and secure is essential to positive customer experiences and data protection.

##### Fraud detection

AI systems monitor claims and transactions for suspicious patterns, helping to identify fraud before payments are made. The reduction of false positives and continuous fairness audits are important to the ongoing effectiveness of these solutions.

##### Personalised insurance products

AI enables the creation of tailored insurance products based on individual behaviors and needs, leading to greater customer engagement and satisfaction.

# Country highlights: AI and digital transformation in insurance across CEE

## How digital maturity shapes AI adoption

The adoption of AI in insurance is intricately linked to the digital maturity of organisations. In the CEE region, many insurers are still in the initial stages of digitalisation, with legacy processes and limited cloud infrastructure. This context shapes the current state and progress of AI integration.

- **Poland:** Insurers are investing in AI innovation through digital labs and accelerators, focusing on areas such as customer service automation, claims processing and risk analytics.
- **Romania:** International collaborations and EU funding contribute to the growth of digital platforms for insurers. For example, large language model chatbots are being integrated into insurers' customer service portals to provide automated policy information and claims assistance around the clock.
- **Czech Republic:** AI solutions are being developed to help clients navigate complex insurance documentation and application processes, improving engagement and streamlining claims management.

- **Slovakia:** Insurers are increasingly adopting AI-driven platforms for e-signature, policy management and fraud detection. AI assistants support internal innovation by gathering employee suggestions for new insurance products and process improvements, helping management to prioritise resources.
- **Hungary:** The insurance sector is emphasising IT modernisation and cybersecurity. Robotic Process Automation (RPA) bots and AI are automating routine back-office operations, reducing errors and accelerating policy issuance and claims settlement.
- **Croatia:** The industry is advancing digitalisation with fully digital insurance brands, investments in online portals, policy management tools and customer relationship management upgrades.

In summary, these examples illustrate AI-driven developments and broader digital transformation throughout the CEE region's insurance sector. Progress in areas such as cloud adoption and process automation is enabling further AI integration.



# The regulatory landscape

Artificial Intelligence (AI) is transforming the insurance sector across Central and Eastern Europe (CEE) at The regulatory environment for AI in insurance is rapidly evolving. The EU AI Act applies to all AI systems used within the EU, even if it is developed abroad. It introduces a risk-based classification, under which high-risk systems - such as those for customer profiling, claims processing or biometric identification - are subject to stringent requirements regarding transparency, human oversight, data quality and robustness. Insurers must conduct conformity assessments, maintain comprehensive documentation and register high-risk AI systems in an EU-wide database. Data privacy obligations are particularly strict, with institutions required to comply fully with the General Data Protection Regulation (GDPR), including lawful processing, data minimisation and the right to an explanation.

## Data privacy challenges and mitigation strategies

Deploying AI in insurance brings with it a host of data privacy and security challenges. Some of the most pressing concerns include:

**Bias and discrimination.** Mitigated through explainable AI, regular fairness audits and diverse training data.

**Lack of transparency.** Addressed by rigorous model documentation, user-facing explanations and maintaining human-in-the-loop processes for critical decisions.

**Data breaches.** Defended against via encryption, robust access controls and secure model deployment.

**Unlawful processing.** Avoided by adhering to GDPR-compliant data governance, with clear purpose limitation and consent management.

## The road ahead

AI is already delivering measurable benefits to insurers in the CEE region, improving efficiency, accuracy and customer experience. The regulatory environment, anchored by the EU AI Act, requires institutions to treat many AI systems as high-risk and to implement rigorous compliance measures, particularly around data privacy and accountability. While the region still faces challenges in terms of digital skills and infrastructure, ambitious public funding and the success of early adopters suggest rapid advancement ahead.

For insurance providers that act early, robust, and transparent AI governance can offer not just compliance, but a unique strategic advantage. As adoption accelerates under the watchful eye of regulators, those best able to balance innovation with compliance will shape the future of insurance in Central and Eastern Europe.



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## Expert view

# Compliance in motion: the insurance sector's response to the EU reform

The insurance industry is continuously experiencing significant regulatory changes. These reforms are driven by lessons learnt from past financial crises, the rapid pace of digitalisation and the increasing expectations of consumers. By addressing these factors, the insurance supervisors aim to build a more robust and resilient financial system that leverages technological advancements while prioritising consumer interests.

In 2025, the Digital Operational Resilience Act (DORA) came into force, aiming to enhance the digital resilience of financial entities against Information and Communication Technologies (ICT) disruptions such as system failures and cyber-attacks.

In addition, important regulations were published in the EU Official Journal. Among these is the revision of the Solvency II Directive and the Insurance Recovery and Resolution Directive (IRR), which were both published in the EU official journal on 8 January 2025, to complete the existing supervisory regime. The first publication of sustainability reports in 2025, following the entry into force of the Corporate Sustainability Reporting Directive (CSRD) in 2024, marked a significant development for the insurance sector.

In the CEE region, the implementation of these directives is expected to have several impacts. The DORA will enhance the digital resilience of insurance companies, ensuring they are better prepared to handle ICT disruptions. This is particularly important for the CEE region, where the financial sector is rapidly evolving and is increasingly reliant on digital infrastructure, while the revision of the Solvency II Directive will help insurers in the CEE region manage new risks more effectively and reduce regulatory burdens for smaller entities.

## DORA, a challenging regulation for the insurance industry

The Digital Operational Resilience Act (DORA) was adopted by the European Commission at the end of 2022, and it came into force on 17 January 2025. This regulation mandates financial institutions to establish specific governance and control frameworks to ensure Information and Communication Technologies (ICT) operational resilience. DORA sets forth rules and obligations concerning cybersecurity, third-party management and ICT risk management. Financial institutions are required to develop a digital operational resilience strategy, which management must implement. Despite the regulation coming into force, only a small number of firms have declared themselves fully compliant with all areas of DORA. The European Supervisory Authorities (ESAs) have outlined the minimum requirements firms should meet in 2025, with the first supervisory reviews scheduled for the second half of the year. The initial year is expected to be a testing phase, where ESAs will assess the progress and maturity of key players in the financial sector regarding DORA compliance. Implementing DORA has proven challenging for risk management professionals due to the diverse ways operational principles can be applied across each DORA pillar. However, the financial sector has previously faced similar robust risk management requirements, such as the Solvency II regulation. Many firms already have operational processes for managing and ensuring the resilience of information systems. For these firms, aligning existing policies, procedures and practices with DORA requirements has been a matter of adjustment. More significant investments were needed to bring less mature processes into compliance, particularly concerning ICT third-party risk management.

In terms of preparedness, the Central and Eastern European region presents a mixed picture compared to Western European countries:

- Western Europe – particularly countries such as Germany, France and the Netherlands – already had more mature cybersecurity and IT risk management frameworks in place. For these countries, DORA often represents a refinement of existing practices.
- In contrast, in CEE countries (e.g. Hungary, Romania, Bulgaria), the implementation will be subject to amendments as a consequence of emerging market practice and results of supervisory inspections. While insurers belonging to international insurance groups will have less burden in this respect, the process is probably run centrally or supported by their groups. Local insurance entities will have more challenges.

Market participants in these regions are actively seeking practical guidance and regulatory support to meet the requirements.

Firms may undergo organisational transformation due to DORA, requiring various stakeholders' involvement. Adopting a programme to integrate DORA into a firm's culture, including all operational stakeholders, is a useful tool to support organisational transformation. DORA compliance will lead to new realities for financial institutions as they implement the first regulatory controls. It is essential to remember DORA's goal: to guarantee coherent and coordinated digital resilience in conjunction with supervisory authorities. Insurance companies' responses to DORA must be proportionate to their size to ensure sustainability over time.



## Enhancing prudential framework: Solvency II revision

Since its implementation in 2016, the Solvency II Directive has undergone significant revisions to enhance the prudential framework and simplify its requirements. The amending directive was published on 8 January 2025, in the Official Journal of the European Union. Member States have two years to transpose it, with the measures set to apply by 30 January 2027, at the latest.

The amendments to the Solvency II Directive aim to promote long-term investments, address emerging risks—particularly those related to climate change—and strengthen governance and risk management frameworks.

The revised directive introduces methodological adjustments for calibrating the discount rate curve, risk margin and solvency capital requirements, along with a simplified framework for smaller and non-complex undertakings, adhering to the principle of proportionality.

Additionally, changes have been made to improve the transparency and reliability of publicly disclosed solvency information. These include enhancements to the structure of the Solvency and Financial Condition Report (SFCR) and the introduction of a requirement for an external audit of the Solvency II Balance sheet. Several countries in the CEE region have already implemented the external audit requirements for the Solvency II Balance Sheet (e.g. Poland, Romania, Hungary, Bulgaria and the Czech Republic). This new requirement is expected to impact especially in countries such as Slovakia and Croatia, where local supervisory authorities have not yet enforced such audits.

Finally, the revised regulation introduces enhanced guidance for explicitly considering climate risks in the Own Risk and Solvency Assessment (ORSA) scenario and strategic planning. This ensures that climate-related risks are adequately addressed and integrated into the company's overall risk management framework.

As the amended Directive takes effect in January 2027, insurers should anticipate its implications and conduct quantitative impact assessments to measure the sensitivity of key performance indicators (KPIs) such as the solvency ratio and free surplus (the excess of assets over required capital). These assessments should inform strategic decisions, including risk appetite and profitability testing. While preparatory work should begin well ahead of 2027, the first SFCR reports reflecting the revised directive will be those covering the 2027 financial year, to be published in 2028.

Reporting processes shall be refined to address operational aspects of the revision, including calibrating the entity-specific volatility adjuster and documenting eligibility criteria for long-term investments.

Some insurers may also consider optimisation strategies, such as utilising long-term investment equity, but must navigate the complexities of meeting eligibility criteria.



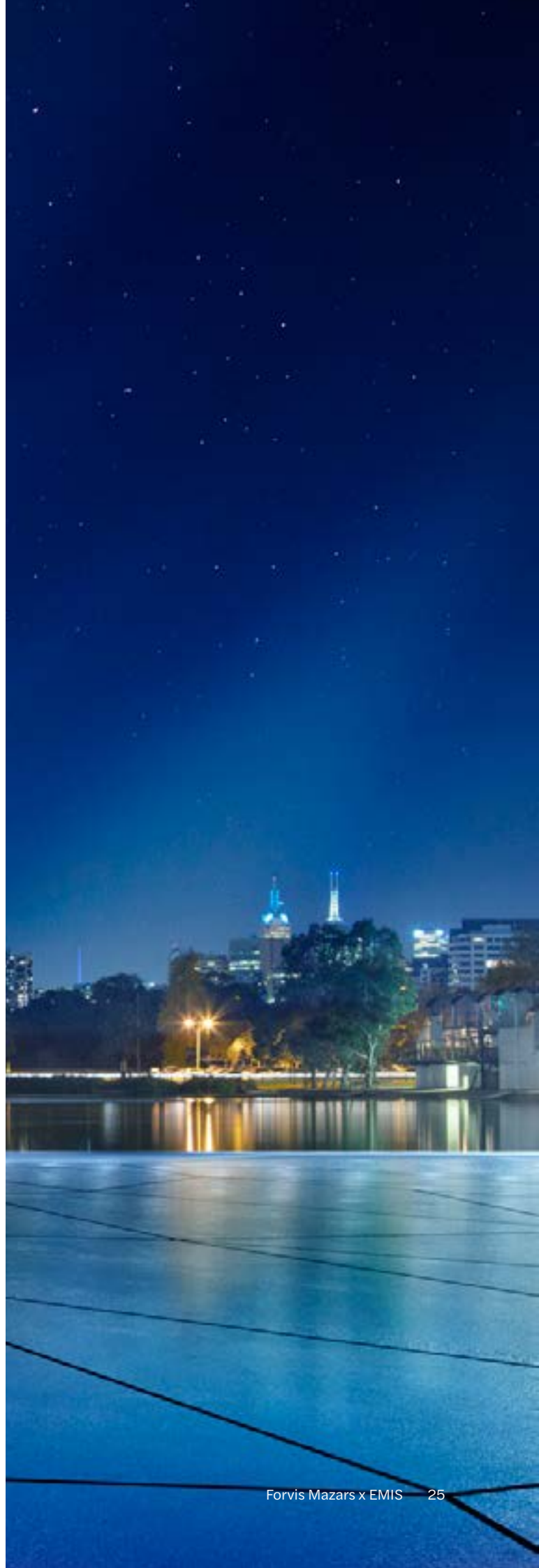
## Insurance Recovery and Resolution Directive (IRRD): strengthening resilience

The current landscape is marked by diverse national regulations, posing significant challenges for insurers operating across borders. The Insurance Recovery and Resolution Directive (IRRD) aims to harmonise the recovery framework for insurance companies, facilitating early intervention by supervisors in cross-border contexts. It establishes tools and mechanisms to reduce the likelihood of insurance failures and mitigate their impact.

The IRRD also promotes coordination and cooperation among authorities, complementing the existing regulatory framework. Under the Directive, qualifying insurance undertakings must submit a preventive recovery plan to the supervisory authority, outlining actions to be taken in case of significant financial deterioration. CEE insurers will be subject to the IRRD, but not all of them will be required to submit full recovery and resolution plans. The Directive applies to all insurers and reinsurers under Solvency II. Based on the Directive, each Member State must ensure that at least 60% of its insurance market is covered by pre-emptive recovery plans, and at least 40% by resolution plans prescribed by the Directive. Large and systemically important insurers in CEE countries will almost certainly be required to prepare recovery and resolution plans. Smaller or less complex insurers may qualify for simplified obligations, depending on national implementation and European Insurance and Occupational Pensions Authority (EIOPA) guidelines.

The ultimate goal is to protect policyholders and beneficiaries, while minimising impacts on economic and financial stability.

The EIOPA has been tasked with developing a cooperation framework and submitting 19 technical standards and guidelines to the European Commission. The insurance industry has raised concerns about potential timing overlaps between IRRD implementation and the release of these technical standards (to be submitted in phases throughout 2025 and 2026). Key aspects to be clarified include market share determination, pre-emptive recovery plan criteria and eligibility for simplified obligations. The EIOPA has announced arrangements to develop and deliver the material on time, with a tentative timeline prioritising key topics for completion by the end of July 2025.



## Navigating CSRD implementation challenges: Insights from the first publications

The Corporate Sustainability Reporting Directive (CSRD) entered into force in 2024 and expanded the scope of companies subject to sustainability reporting obligations. This expansion broadened the range of insurance companies required to adhere to these reporting standards.

The initial application of the Corporate Sustainability Reporting Directive (CSRD) in 2025 has posed significant challenges for the insurance sector. Some insurers have reported difficulties in assessing the materiality of their exposure to the sustainability matters across the value chain and in collecting all the data points required by the European Sustainability Reporting Standards (ESRS).

In the context of Central and Eastern Europe (CEE), the situation differs significantly from Western Europe. Most insurers in the CEE region are subsidiaries of larger international groups, and only a limited number of local insurers are directly subject to the CSRD requirements. For example, PZU, the largest insurer in CEE, based in Poland, has taken notable steps by publishing its first ESG report in accordance with the European Sustainability Reporting Standards (ESRS), including a double materiality assessment and assurance procedures. While some progress has been made in countries such as Hungary, Romania and Czech Republic, where partial CSRD legislation has already been adopted, the overall ESG maturity in the region remains relatively low.

Despite these facts, the minimum disclosure requirements introduced by the ESRS have significantly enhanced the comparability of sustainability statements and increased the transparency regarding policies and actions put in place to fulfil ESG commitments.

Nevertheless, the absence of sector-specific standards has resulted in some information or indicators to be deemed irrelevant by the financial industry stakeholders. In response to the feedback received, the European Commission has introduced simplification proposals through the Omnibus package, aimed at making the publication of sustainability information more streamlined and effective. The Commission has announced measures to reduce the administrative burden on businesses by 25% by the end of its mandate in 2029. However, due to the legislative calendar at the European level, these proposals will likely not be applicable for the 2026 reporting period.

In July 2025, the European Commission adopted a targeted “quick fix” to the first set of European Sustainability Reporting Standards (ESRS). This amendment provides significant relief for Wave 1 companies—those already reporting for the financial year 2024—by allowing them to maintain the same level of disclosure for financial years 2025 and 2026. Specifically, they are not required to report additional information, such as the anticipated financial effects of sustainability-related risks. Moreover, companies with more than 750 employees will benefit from phase-in provisions previously reserved for smaller entities.

In response to feedback and the broader simplification goals of the EU’s Omnibus I package, EFRAG published draft amended ESRS exposure drafts in July 2025. These revisions aim to streamline sustainability reporting by reducing the number of mandatory datapoints by approximately 66%. The changes include eliminating overlaps between general and topical standards, simplifying the double materiality assessment and enhancing interoperability with global frameworks. Voluntary disclosures have been removed or reclassified as illustrative guidance, further easing the compliance burden for preparers.

The revision of the Sustainable Finance Disclosure Regulation (SFDR), originally scheduled for Q4 2025, may face delays. While the European Commission has confirmed its intention to propose legislative changes aimed at simplifying the framework and addressing greenwashing, sources close to the process suggest that the review could be postponed to Q1 2026. This delay is linked to ongoing negotiations around the Omnibus package and the finalisation of the revised ESRS, which are expected to significantly influence the SFDR’s future structure and data requirements.

Monitoring future CSRD provisions will allow for a comparative analysis of targets and metrics and for the assessment of progress made in terms of actions and policies implementation. These future developments will provide valuable insights into the effectiveness of the CSRD and the ESRS standards in promoting transparency and accountability in sustainability reporting.

## The outlook

The insurance industry is on the verge of significant regulatory changes that will boost resilience, transparency and sustainability. DORA will enhance digital resilience, Solvency II revision and IRRD will reinforce the supervisory framework, while CSRD will ensure more transparency in sustainability reporting. These changes promise greater security, transparency and trust in the insurance sector within the CEE region. By embracing these regulatory advancements and fostering innovation, the industry can build a more robust and resilient financial system that benefits all stakeholders.

For further information, subscribe to our global quarterly RegCentre newsletter ([here](#)), and also read our latest articles below.



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# Solvency II Directive - what insurers need to know by 2027

The Solvency II Directive amendments, published in January 2025, represent a major regulatory evolution for the European insurance sector. With implementation required by January 2027, the revised framework aims to enhance resilience, simplify compliance for smaller players and address systemic and climate-related risks. Key changes by pillar are summarised below.

## Pillar I – quantitative requirements:

- **A new method for extrapolating the risk-free interest rate:** The First Smoothing Point (FSP) approach will make it possible to better assess the level of interest rates observed in the markets, beyond the first extrapolation point, which is set at 20 years. The range of impacts and the sensitivity of insurers to this change is expected to depend on the economic context, the duration of the underlying liabilities and the portfolio risk profile of each insurer. Given the significant impact, a phasing-in mechanism is proposed allowing insurers to defer the full application of the new approach to 2032.
- **The calibration of the volatility adjustment using an entity specific parameter:** This factor will depend on the sensitivity of assets and liabilities to changes in interest rates. In addition, the general Application Ratio (GAR) will be increased from 65% to 85%. Finally, the new formula will allow the illiquidity premium to be calculated based on the insurer's own bond portfolio.
- **A recalibration of the interest rate shock used in the standard formula for the solvency capital requirement (SCR) calculation,** through the introduction of an interest rate translation and multiplication approach. This recalibration is expected to result in a significant increase in the interest rate SCR. The level of interest rates when the new approach comes into force will be a key factor in measuring the impact.
- **A clarification and simplification of the eligibility criteria for the long-term investment asset subclass (LTEI) to benefit from the reduced shock of 22% when calculating the capital requirement** for equity risk. To be eligible, insurers must clearly identify the asset portfolio and manage it separately from other activities, hold these investments for an average of more than five years, and demonstrate their ability to avoid forced sales of these investments over the next five years in a central, stressed situation.
- **A reduction of the cost of capital (CoC) rate used to determine the risk margin,** from 6% to 4.75% of the projected future capital requirements and the introduction of a time-dependent parameter to reduce the value and volatility of the RM for long-term commitments. The objective of these measures is to reduce the sensitivity of the risk margin to changes in interest rates and to better reflect the level of interest rates observed in recent years.

## Pillar II – governance and risk management:

- **Macroeconomic risk integration: own risk and solvency assessment (ORSA)** must now include new elements, such as macroprudential risks and stress testing. The ORSA will still be required annually, except for small and non-complex undertakings (SNCUs) under certain conditions, where it will be required every two years.
- **Supervisory authorities' powers:** supervisory authorities will have the power to take all necessary measures to safeguard the interests of policyholders where (re)insurers are in a

deteriorating financial position. Amendments have been included to ensure that these powers are aligned with the provisions of the Insurance Resolution and Recovery Directive (IRRD). For example, authorities can impose recovery plans, restrict dividends and suspend redemption rights in extreme cases.

- **Cybersecurity risk: cyber risk** is now a core operational risk in the operational risk management system of the insurers.
- **An enhanced guidance on climate risk:** This guidance emphasises that climate risk should be explicitly considered in the ORSA scenario and strategic planning. This ensures that climate-related risks are adequately addressed and integrated into the company's overall risk management framework. As part of the new requirements, insurers must evaluate their exposure to climate risks at least once every three years. Additionally, they are required to outline at least two long-term climate change scenarios: one where the global temperature increase remains below two degrees Celsius and another where the increase is significantly higher than two degrees Celsius (exemption from this analysis is applicable to SNCUs).
- **Governance enhancements:** insurers will need to implement a policy promoting diversity in administrative, management or supervisory body, including gender-balance. The European Insurance and Occupational Pensions Authority (EIOPA) will issue guidelines on the notion of diversity. Notification of changes in key function holders to the supervisory authority will be required, while the latter will have the power to request the

removal of a person from a key function if they do not fulfil the requirements. A simplification for SNCUs includes the possibility, under certain conditions, of a person in a key function to perform multiple key roles (other than internal audits).

- **Sustainability integration:** sustainability risks must be embedded in risk management, business models and investment strategies and, to this end, insurers will be required to have strategies, policies, processes and systems for identifying, measuring, managing and monitoring sustainability risks.

### Pillar III – reporting and disclosure:

- **An audit requirement for Solvency II balance sheet, to improve the transparency and reliability of publicly disclosed solvency information.** This change is expected to impact the CEE region, particularly in countries such as Slovakia and Croatia, where local supervisory authorities have not yet enforced such audits. However, potential synergies are anticipated in the governance and control documentation related to Best Estimate modelling in countries where the IFRS 17 standard is locally implemented.
- **A change to Solvency and Financial Condition Report (SFCR) structure:** The structure of the SFCR has been revised to improve clarity and usability. Additionally, the deadlines for both the SFCR and the Regular Supervisory Report (RSR) have been extended (from 14 to 18 weeks and from 20 to 22 weeks for group SFCRs), allowing for more comprehensive and accurate reporting.



## Proportionality measures from smaller entities

With a potential impact in the CEE region, the Solvency II Directive reform reduces the regulatory burden on smaller entities, which may be classified as SNCUs based on a set of eligibility criteria (including risk-based criteria, quantitative thresholds and qualitative factors) which must be met for two consecutive years. Key measures include:

- **Simplified valuation:** deterministic models allowed for life guarantees
- **Flexible governance:** key functions (except internal audit) may be combined
- **Reduced ORSA:** biennial submission; climate and macro risks optional
- **Streamlined reporting:** Shorter SFCR/RSR; audit exemptions

## Implications of the Solvency II reform on insurers

As the amended Directive takes effect in January 2027, insurers will face significant challenges. They must conduct quantitative impact assessments to measure the sensitivity of key performance indicators (KPIs) and strengthen their risk management systems, refine/improve their reporting processes to address operational aspects of the revision and meet increased transparency requirements and may also consider optimisation or adjustment of their investment strategies to meet the new capital requirements.

## CEE specific considerations

While the legislative changes apply EU-wide, their impact in CEE may be shaped by:

- **Local market maturity:** smaller insurers in CEE may benefit more from proportionality measures.
- **Exposure to climate risks:** events like the 2024 floods in CEE (affecting mostly Poland, Romania, Slovakia and Czech Republic) highlight the importance of integrating climate risk into solvency frameworks.
- **Cross-border operations:** enhanced supervision will affect insurers operating across CEE borders.



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## Expert view

# IFRS 17 in practice: stabilisation, divergence and the road ahead

## Stability and divergence: global insurers settle into IFRS 17 framework

Two years into the adoption of the IFRS 17 standard, the global insurance industry is beginning to exhibit signs of stabilisation, but key differences in interpretation and implementation remain.

While the International Accounting Standards Board (IASB) has not yet finalised any IFRS 17 specific changes, the post-implementation review (PIR) is well underway, gathering global feedback on implementation challenges. Preliminary analysis is expected to inform future amendments or interpretative guidance by late-2025 or 2026. IASB meetings in June 2025 mainly addressed the standard setting work plan and other projects, with no IFRS 17 updates proposed so far.

The IFRS 17 Benchmark Study 2025 published by Forvis Mazars in July 2025, offers a revealing snapshot, based on 31 December 2024 annual reports, into how 23 major insurers and reinsurers across the globe, including insurance groups operating in the CEE region are navigating this landmark accounting change.

## Convergence on disclosures, divergence on methodologies

The study notes that disclosures across financial statements are showing increased uniformity in terms of the presentation of key IFRS 17 aggregates such as liabilities and insurance service results. However, successful outcomes hinge on addressing the underlying complexities. While the format of reporting is converging, the underlying assumptions, methodologies and judgment areas continue to diverge, the report notes.

This divergence is particularly evident in the use and disclosure of discount rates, risk adjustments and the modelling of contractual service margin (CSM) “bow wave” adjustment—the cornerstone of profitability reporting for long-duration contracts.

## Life insurers focus on CSM, non-life players on combined ratios

For life insurers, the CSM continues to dominate financial communications. Most players provide detailed roll-forwards sensitivities and new business ratio analyses. Notably, 38% of CSM stock is expected to be released within five years, while 42% will unwind over a horizon exceeding a decade. The average release rate in 2024 stood at 12.6% for insurers and at 35.9% for reinsurers—reflecting their mix of shorter-duration non-life risk.

In contrast, non-life insurers continue to emphasise the combined ratio as their headline profitability indicator, although practices on calculating and disclosing the metric remain fragmented. Only 11 of 14 players present a discounted view of claims and definitions vary on what is included in expense bases and reinsurance treatment.

## Transparency improves, but regulator feedback is yet to bear fruit

Despite calls from regulators, especially the European Securities and Markets Authority (ESMA), for enhanced transparency on key assumptions such as coverage units and “bow wave” effects in direct participating contracts, only a handful of insurers have meaningfully improved their disclosures in 2024. The depth of actuarial disclosure remains uneven, echoing potential concerns that the comparability IFRS 17 aims to achieve is not yet fully realised.

## Economic value emerges as a new norm

Ten insurers now include the CSM in their reported equity or a derived economic value, highlighting a growing trend to bridge IFRS 17 accounting figures with internal views of long-term profitability. Some companies go further by reconciling IFRS 17 metrics with Solvency II or Embedded Value frameworks—an effort to reassure investors seeking familiar touchpoints.

## New business profitability holding strong

Despite macroeconomic challenges, insurers continue to generate value through new business. The average new business CSM contribution to the total CSM stood at 9% in 2024 (vs. 8% in 2023) for insurers and 23% (vs. 21% in 2023) for reinsurers. Notably, non-European insurers reported a higher new business profitability (CSM to NPV of inflows) at 9.82%, compared to 7.19% among their European counterparts.

Losses on new business remain minimal, with the loss component as a percentage of inflows at less than 0.3% across the board—suggesting that underwriting remains robust under the new standard

## Reinsurance adds complexity and volatility

Reinsurance continues to contribute to reporting complexity under IFRS 17. While the overall share of reinsurance within the total CSM remained relatively stable between 2023 and 2024, averaging 9% for non-EEA players and 5% for EEA players, the accounting treatment of newly issued reinsurance contracts varied. This variation led to noticeable volatility in new business CSM (NB CSM) ratios, where the reinsurance share ranged from as low

as 1% to as high as 24% across the benchmarked entities. These discrepancies are further exacerbated by the widespread use of multi-year treaties and the asymmetry in contract boundaries between reinsurance and underlying contracts, which affect both the recognition and timing of profit emergence.

## What lies ahead

With 2024 marking the second full year of IFRS 17 application, many insurers are now entering a phase of optimisation rather than transformation. However, the road to full comparability is not yet fully achieved. Forvis Mazars' study highlights that, while form may be converging, substance still differs. The industry, regulators and investors will need to keep engaging in dialogue to ensure IFRS 17 delivers its promise of greater clarity and consistency in insurance accounting.

As insurers fine-tune their models and disclosures, stakeholders will be watching closely—particularly as global economic uncertainties continue to test the resilience and transparency of the sector's financial reporting.

In the CEE region, IFRS 17 has not yet been widely implemented. Across the region, IFRS reporting is predominantly adopted by large insurance groups for the preparation of consolidated financial statements. For statutory financial statements, most jurisdictions continue to rely on local accounting standards, with a few notable exceptions, such as Bulgaria, Croatia, Slovakia, etc., where the use of IFRS is required.



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## Expert view

# Stress testing the future: climate risk, regulation and readiness in CEE

As climate risks intensify across Europe, the Central and Eastern European (CEE) financial sector is facing mounting pressure to elevate its approach to climate risk management. European regulators, including the EIOPA (European Insurance and Occupational Pensions Authority) and national supervisors, are now driving a transformation that requires institutions to embed climate considerations deeply into their operations, modelling frameworks and governance structures.

## Regulatory push for climate resilience in insurance and banking

Recent years have seen intensified regulatory scrutiny aimed at integrating climate risks into financial decision-making. Key regulatory developments shaping the CEE financial landscape include:

- **The European Central Bank (ECB) and European Insurance and Occupational Pensions Authority's (EIOPA's) joint paper, Towards a European System for Natural Catastrophe Risk Management (December 2024):** States that only around a quarter of natural catastrophe losses in the EU were insured and recommends a two-pillar EU-level solution—including a public–private reinsurance scheme and an EU disaster financing fund—to increase insurance coverage and improve public disaster risk management among member states.

- **EIOPA's Climate Guidelines:** The EIOPA recommends integrating physical and transition risks into ORSA (Own Risk and Solvency Assessment), calling on insurers to build internal climate models that go beyond average projections.

## Changes at national level:

In Q3 2023, the Polish financial supervision authority KNF conducted a stress test for property insurers using a flood scenario, concluding that insurers are currently well-prepared, but future climate change may increase risks—prompting plans to enhance analytical tools.

The Czech Republic is planning to integrate climate metrics into its annual supervisory review and evaluation process (SREP) based on data to be reported under Corporate Sustainability Reporting Directive (CSRD) requirements.

These initiatives collectively aim to build a more climate-resilient financial system, particularly in CEE countries that are still developing their climate risk capabilities.

## Understanding climate risk modelling: expectations and insights

In recent years, regulatory efforts to integrate climate risk into financial frameworks have intensified. The EIOPA has recommended incorporating climate risk into the ORSA framework. Utilising scenarios from the Network for Greening the Financial System (NGFS), methodologies for assessing physical and transition risks have been developed, although these have also exposed the limitations of existing tools and models.

The generation of climate scenarios heavily relies on integrated assessment models (IAMs), which link economic activity to climate outcomes. However, creating these scenarios is fraught with challenges, including model limitations and uncertainties. IAMs, which commonly assume average deterministic responses to global warming, may underestimate risks, as climate impacts are often shaped by extreme scenarios. Actuaries and risk managers depend on climate scenarios to anticipate the impacts of global warming and the transition to a low-carbon economy. Critical literature on IAMs suggests using a range of models and scenarios to address uncertainties. Given the current state of IAMs, it is necessary not to rely solely on NGFS-produced climate scenarios. Results must be nuanced and interpreted as a lower bound of the impact of transition scenarios on economic and financial systems. Actuaries need

to be trained in the limitations of these models. Supervisors can also share scenarios produced by other models to obtain a wider range of risk estimations. Centralising the production of these scenarios would enable both supervisors and the industry to better compare the risks to which different companies are exposed.

The regulatory landscape is poised to demand more precise, data-driven approaches to climate risk assessment and management. For the EU insurance and actuarial industry, this presents both opportunities and challenges. Regulators are likely to mandate advanced scenario analyses, robust risk modelling and actionable adaptation measures. Actuaries must refine their skills in interpreting complex scenarios and their implications for financial stability. Insurers will need to invest in resilience-building strategies to align with increasing regulatory expectations. As the EU seeks to harmonise climate risk frameworks across member states, it positions itself to lead globally in addressing the financial and societal challenges of climate change. By embracing these changes, the EU insurance sector can set a benchmark for innovation, collaboration and resilience, strengthening its role as a global leader in the transition to a low-carbon, climate-resilient future.



## Key regulatory updates on Sustainability Reporting

### Context

On 26 February 2025, the European Commission (EC) proposed a set of changes to corporate sustainability reporting (the Corporate Sustainability Reporting Directive – CSRD and EU green taxonomy), the Corporate Sustainability Due Diligence directive – CSDDD, and the carbon border adjustment mechanism – CBAM.

The proposals aim to reduce the regulatory burden and streamline sustainability reporting.

### Measures adopted / partially adopted:

#### ESRS quick fix (adopted by the European Commission on 11 July 2025, not yet entered into force)

As stated by the European Commission, according to the current European Sustainability Reporting Standards (ESRS), companies reporting on the financial year 2024 can omit information on, among other items, the anticipated financial effects of certain sustainability related risks. The “quick fix” delegated act, which applies from the financial year 2025, will allow them to omit that same information for financial years 2025 and 2026.

This means wave one companies, the first group of companies that are required to comply with the CSRD reporting requirements, will not have to report additional information compared to the financial year 2024. Moreover, for financial years 2025 and 2026, wave one companies with more than 750 employees will benefit from most of the same phase-in provisions that currently apply to companies with up to 750 employees.

## EU Taxonomy Delegated Act: partial adoption (4 July 2025)

### Main simplification measures:

- Introduction of optional materiality thresholds amounting to 10% of the denominator of each of the three key performance indicators (KPIs): turnover, CapEx, OpEx. For financial undertakings, this rule would permit them not to assess the taxonomy eligibility and alignment of up to 10% of their financial assets.
- Assessment of this threshold KPI by KPI (independent analysis of each KPI)
- Materiality analysis on aggregated activities (for example, for the turnover KPI, all activities that represent a total of less than 10% of the total consolidated turnover can be considered non-material)
- Exemption of non-material activities from eligibility analysis or alignment analysis (technical analysis underway on this point)
- Publication by the commission on 4 July 2025: the text is now subject to a four-month scrutiny period, possibly extended by two months, by the parliament and the council. Publication in the Official Journal of the European Union (OJEU) only at the end of this scrutiny period, with entry into force 20 days after publication in the OJEU.
- If the process follows through, the new provisions will apply from 1 January 2026, for fiscal year 2025 reporting, but companies will have the option of applying the old version of the amended regulations for fiscal year 2025 reporting, for the last time, if they consider that they do not have time to implement the new provisions.

### CSRD stop-the-clock (April 2025) Legislative change that formally:

- Postponed Wave 2 (non-listed large firms) for two years.
- Excluded Wave 3 (listed SMEs) from CSRD scope entirely.

These changes are legally binding, they apply EU-wide and need to be transposed in national law by 31 December 2025.



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## Methodology

This publication was developed through a collaboration between EMIS Insights and Forvis Mazars, combining data interpretation with expert analysis to provide a comprehensive view of the insurance sector in Central and Eastern Europe. EMIS collected and analysed publicly available data from six key markets: Croatia, Czech Republic, Hungary, Poland, Romania and Slovakia. Their team applied a consistent methodology to ensure comparability across countries, focusing on indicators such as premium volumes, profitability, solvency and market dynamics. Building on this foundation, Forvis Mazars contributed expert commentary and authored thematic articles that contextualise the data within broader industry trends. These insights reflect the company's experience advising insurers on regulatory compliance, strategic transformation and operational challenges. The report was jointly reviewed to ensure clarity, accuracy and relevance for stakeholders in the region. This dual approach - data-driven analysis from EMIS and expert interpretation from Forvis Mazars - ensures the study delivers both depth and practical relevance in a rapidly evolving insurance landscape.

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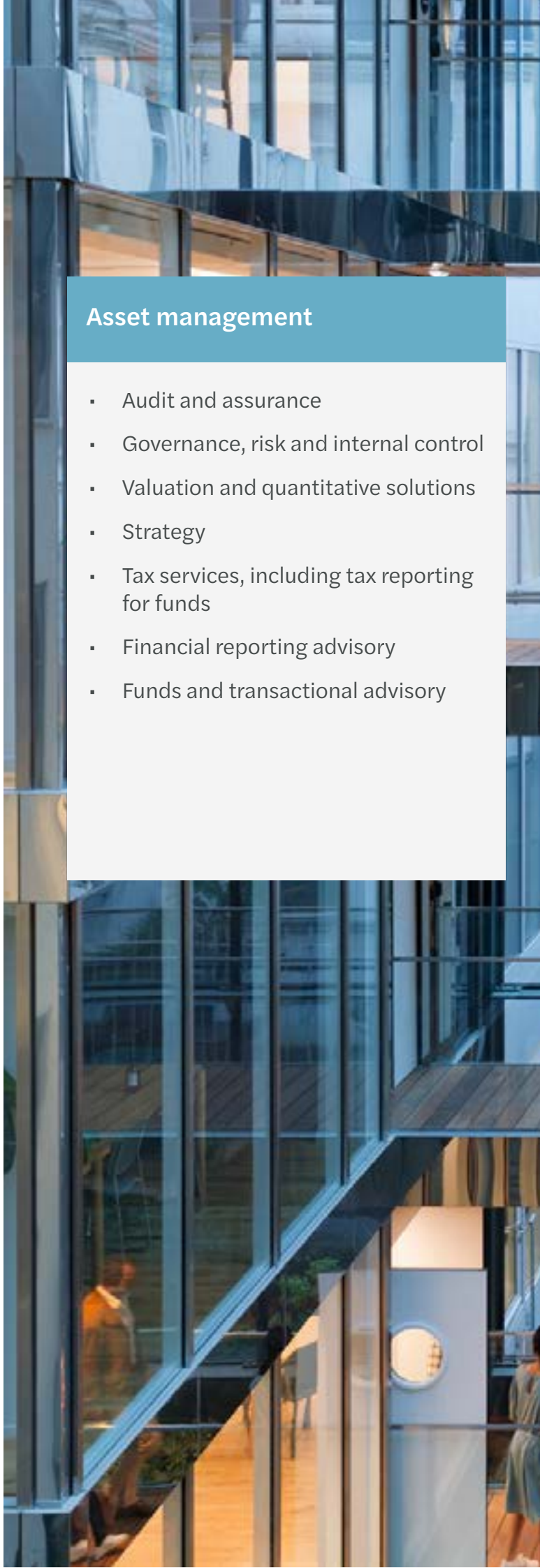


## Our financial services offering

At Forvis Mazars, our financial services team understands the complexities of this increasingly competitive and disruptive industry. We provide a range of audit and assurance, tax, advisory and consulting services and we help find practical solutions to the issues that matter most to companies across asset management, banking and capital markets, and insurance.

### Asset management

- Audit and assurance
- Governance, risk and internal control
- Valuation and quantitative solutions
- Strategy
- Tax services, including tax reporting for funds
- Financial reporting advisory
- Funds and transactional advisory





## Banking & capital markets

- Audit and assurance
- Risk management
- Quantitative model development, review, and validation (including IFRS 9 and Basel)
- Stress testing (including regulatory and climate)
- Regulation and compliance
- ESG strategy and transformation
- Sustainability reporting and assurance
- Sustainable finance

## Insurance

- Audit and assurance
- Regulation and compliance
- Actuarial and risk management
- IT Consulting
- Financial advisory
- Tax
- ESG strategy and transformation
- Sustainability reporting and assurance
- Sustainable finance

# Forvis Mazars' global coverage



As at 1 January 2025

- Forvis Mazars
- Correspondents of Forvis Mazars Group

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