



Key Trends in Core Banking This Week

S30-2026-BNK • Reporting Period: July 20-26, 2026

Credit Standards Tighten as Sector Risk Re-enters Loan Pricing. The ECB's July 2026 bank lending survey shows a moderate tightening of corporate credit standards in the second quarter, driven by higher perceived sector risk. The adjustment is most visible in automotive and energy-intensive manufacturing, while business loan demand increased only slightly. The development marks a shift from generalized monetary tightening toward selective risk discrimination: banks are not simply reducing credit supply but repricing sectors according to trade exposure, energy intensity, margin pressure, and refinancing vulnerability. The question is whether sectoral risk appetite frameworks, early-warning systems, and loan pricing models are evolving quickly enough to distinguish temporary cyclical weakness from structural deterioration, and whether supervisory assessments, conducted with the benefit of hindsight, will ultimately validate those lending decisions.

Model Benchmarking Moves from Compliance Exercise to Capital-Control Instrument. The EBA is consulting on amendments to the 2027 EU-wide market risk benchmarking exercise, expanding the institutions and portfolios subject to comparison and giving supervisors greater visibility into the dispersion produced by internal models. The consultation remains open until 3 September 2026. Market-risk benchmarking is evolving from a purely statistical comparison into a mechanism for identifying unexplained capital variability.

The implication extends beyond market risk. As banks introduce AI into risk assessment and decision support, supervisors will expect model sophistication to produce greater explainability, not wider unexplained divergence from industry benchmarks.

AI Governance Moves into the Executive Operating Model. Bank of Ireland appointed a Chief Artificial Intelligence Officer on 20 July and framed responsible AI as a banking risk imperative rather than a technology initiative. The move illustrates AI accountability shifting from innovation teams to formal executive ownership, following the earlier phase of AI centers of excellence and experimentation units. The emerging governance model places AI strategy, data controls, business implementation, and regulatory accountability under a single identifiable senior executive.

The decisive question is no longer whether an institution has an AI policy. It is whether one executive function can reconcile enterprise deployment, model governance, cybersecurity, third-party dependence, and regulatory accountability in a single, auditable decision architecture.

"AI is becoming too operationally consequential to remain governed as a technology program."

MY TAKE

This week's developments point to a convergence between credit judgment, model governance, and executive accountability. Banks are being required to explain not only why they lend but also how their analytical systems produce that decision and who owns the resulting risk. The institutions most exposed will not necessarily be those using the most AI, but those whose governance remains fragmented across business, risk, data, and technology functions and whose models produce unexplained divergence at precisely the moment supervisors have the tools to measure it.

TECH TERM OF THE WEEK: "Model Dispersion"

The degree to which different institutions, or different internal models within the same institution, produce materially different risk estimates, capital requirements, or valuations when applied to comparable portfolios. Dispersion is not inherently evidence of error: institutions with genuinely different risk profiles or more granular data may legitimately diverge. It becomes a supervisory concern when differences cannot be explained by portfolio characteristics, methodology, data quality, or documented risk assumptions, a distinction that benchmarking exercises are increasingly designed to test.



Key Trends in Insurance This Week

S30-2026-INS • Reporting Period: July 20-26, 2026

Mandatory Catastrophe Insurance Exposes the Gap between Purchase and Protection. Reuters reported this week that businesses affected by Cyclone Harry discovered that Italy's mandatory catastrophe insurance framework did not respond to cyclone damage or storm surge despite compulsory purchase requirements. Speaking at ANIA's annual assembly, Industry Minister Adolfo Urso acknowledged that the episode illustrates the continuing protection gap despite the introduction of mandatory catastrophe insurance. The episode exposes the central design problem of compulsory schemes: mandatory purchase does not necessarily translate into effective protection. Italy recorded one of the EU's largest natural catastrophe protection gaps in 2025, with only €18.7 billion of €101 billion in cumulative losses since 2014 insured. The credibility of mandatory schemes will depend on whether policy wording reflects the hazards that justify the mandate—a standard Italy's Nat-Cat framework has yet to meet.

Private Credit Scrutiny Moves toward Affiliation and Asset Provenance. U.S. federal prosecutors are investigating Delaware Life and Clear Spring Life, subsidiaries of TWG Global, over whether they adequately disclosed private credit investments connected to affiliated entities. Both insurers received grand jury subpoenas in February. Following an internal review, Delaware Life reclassified affiliated investments from 3% to approximately 42% of invested assets, revealing roughly \$16 billion in affiliated private credit. S&P Global Ratings revised its outlook on Delaware Life from stable to negative. The supervisory concern is no longer private credit itself but whether asset sourcing, valuation, and governance remain independent when an insurer, asset manager, and borrower sit within the same economic network. This represents the operational consequence of the supervisory concern introduced in FARO S29: the focus has shifted from portfolio composition to related-party governance and arm's-length investment controls.

AI Coverage Analysis Begins to Industrialize. Qumis launched AI agents operating under attorney-reviewed coverage frameworks on 21 July, deploying specialist AI systems across 16 commercial insurance lines, to analyze full insurance programs and deliver citation-backed coverage assessments in minutes. The platform operates on isolated private infrastructure, with each specialist agent using a line-specific framework reviewed by coverage counsel. Unlike earlier tools, each agent analyzes the full insurance program rather than individual policies. For insurers and brokers, this creates machine-readable coverage intelligence at scale, potentially exposing silent gaps earlier and with greater consistency. The governance question is whether AI-generated interpretation operating under attorney-reviewed frameworks remains decision support or gradually becomes the operative interpretation for placement, claims handling, and disputes, a boundary current regulation has yet to define.

"The new insurance automation frontier is not claims handling; it is deciding what the contract means."

MY TAKE

Insurance is entering a phase in which formal compliance, contractual wording, and economic protection can no longer be treated as equivalent. Mandatory catastrophe schemes may leave hazards uncovered; private credit may conceal network concentration; and AI may create new dependence on automated legal interpretation. The strategic risk is not simply underinsurance or model error. It is the widening gap between the apparent structure of protection and the actual transfer of risk.

TECH TERM OF THE WEEK: "Coverage Intelligence"

The structured analysis of insurance policies, endorsements, exclusions, limits, and conditions to determine how coverage responds across a complete insurance program. When supported by AI, coverage intelligence can identify inconsistencies, overlaps, and gaps at scale across thousands of pages of policy documentation. Its reliability depends on traceable citations, version control, legal review, and a clear separation between automated analysis and authoritative coverage determination.