

## **From Analysis to Action: AI in Financial Markets**

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*Strengthening the regulatory and supervisory framework and market practices  
for the use of artificial intelligence in the Italian financial markets*

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### ***Data sharing frameworks and AI-driven innovation in financial and insurance services***

Artificial intelligence in financial services and insurance depends critically on the availability, quality and governance of data. For this reason, safe, interoperable and trusted data-sharing frameworks are a core policy issue for the future of AI-driven financial services in Europe.

From a supervisory perspective, the key question is how data is shared, under which safeguards and with what accountability.

Well-designed data-sharing frameworks can accelerate innovation in at least three ways.

First, trusted data ecosystems improve the quality and fairness of AI models. Fragmented or opaque data flows tend to amplify bias, discrimination, and excessive personalization. Conversely, governed data-sharing, combined with clear rules on data quality, representativeness, and purpose limitation, supports more robust risk models that respect the principles of risk pooling and solidarity that are foundational for insurance markets.

Second, interoperability and shared governance facilitate cross-sector collaboration between insurers, banks, fintechs, and start-ups. AI innovation increasingly happens at the intersection of sectors and - without common technical and legal standards - scale and adoption remain limited.

Lastly, they reduce barriers to entry. Shared and interoperable data standards allow start-ups and smaller firms to develop AI-driven services without needing to replicate costly data infrastructures. This fosters competition and diversification in insurance products, supporting inclusion and better products / services benefitting customers and reducing protection gaps, particularly relevant in underinsured areas such as climate risk, health, and long-term care.

These benefits materialize only if trust is preserved. In insurance, trust and reputation are not abstract values; they are strategic assets. Customers will not share data, and firms will not innovate responsibly, unless they trust that data use is transparent, explainable, and secure.

To maintain a highly trustworthy insurance sector it is important to limit excessive personalization, not undermining the principle of solidarity and mutualisation; avoid uncontrolled reliance on algorithms resulting in the exclusion of vulnerable segments of the population; reduce discrimination where certain groups of customers (the elderly, people with disabilities, residents of high-risk areas) may be disadvantaged and receive less favourable offers; increase transparency in data use, removing fears of abuse, especially in the life and health sectors. Distrust also stems from unclear communication by insurers regarding control mechanisms and the explainability of algorithms and concerns about cybersecurity and data protection.

This is where public coordination and supervision could play a constructive role.

The European framework, including GDPR, the AI Act, and DORA, does not aim to restrict innovation, but to anchor it in trust and resilience. At IVASS, we see regulation as a coordination device: it aligns incentives, clarifies expectations, and reduces uncertainty for market participants. Clear rules lower reputational risks for firms, making innovation more sustainable and scalable.

IVASS aims at actively contributing to this through:

- Structured dialogue with the market, including the management of innovation hubs, sandboxes, and engagement with start-ups;
- Providing guidance and expectations on transparency, explainability, and governance of AI systems;
- Coordination at EU level, notably through EIOPA, to ensure consistency and proportionality across markets.

Supervision, when forward-looking and proportionate, can contribute to create the conditions for adoption of innovation, protecting consumers and, ultimately, supporting market development.

## ***Skills, talent and culture, and the integration of AI in firms and supervision***

AI innovation is not only about technology, but also about people, skills, and organizational culture.

Insurance has always relied on data and risk modelling. AI raises this tradition to a new level, but also challenges existing roles, competences, and decision-making structures. The policy issue here is how to ensure that human expertise and AI systems reinforce each other, rather than compete or operate in silos.

From the perspective of IVASS as a supervisor, the skills challenge has two dimensions: within the market and within supervision itself.

IVASS strongly focuses on considering coordination, regulation, and supervision as enablers, not obstacles, of innovation and market development.

For firms, attracting AI specialists is necessary but not sufficient. What truly matters is integration. AI cannot remain confined to isolated data science units. It must be embedded into underwriting, claims management, pricing, distribution and risk management, under clear governance arrangements.

This requires organizational changes:

- Cross-functional teams, where actuaries, IT specialists, compliance officers, and business leaders work together;
- Clear accountability, so that human decision-makers remain responsible for outcomes, especially in consumer-facing applications;
- Continuous upskilling of existing staff, enabling them to understand AI outputs, challenge models, and explain decisions to customers.

From a supervisory angle, IVASS mirrors this transformation. We are planning to strengthen internal capabilities in data analytics and AI, not to replace traditional supervision, but to enhance it. This allows us to better understand firms' models, monitor risks, engage in a more informed and credible dialogue with the industry.

A key element of our approach is proportionality. Not all AI systems pose the same risks. Even systems not classified as "high-risk" under the AI Act must comply, under sector-specific rules such as Solvency II and the IDD, with principles of fairness, transparency and consumer protection. The focus is on the actual impact of AI systems in terms of data sensitivity, number of vulnerable customers, systems' autonomy.

Here again, coordination and supervision support innovation:

- by clarifying non-negotiable guardrails, especially on consumer protection;
- by encouraging testing and experimentation, including in monitored environments such as sandboxes;
- by reducing uncertainty, helping firms invest in skills and technology with confidence.

When human expertise and AI systems are properly aligned, innovation becomes more trustworthy, more inclusive and more valuable for customers.

In this sense, the role of IVASS is not to choose technological winners, but to monitor the ecosystem, allowing innovation to flourish responsibly. Skills, culture, regulation and supervision should not become obstacles to AI adoption, but grow into conditions that make it durable, credible and beneficial for customers and the market.