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# The Legal 500 Country Comparative Guides

## Croatia

# INSURANCE & REINSURANCE

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This country-specific Q&A provides an overview of insurance & reinsurance laws and regulations applicable in Croatia.

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# CROATIA

## INSURANCE & REINSURANCE



### 1. How is the writing of insurance contracts regulated in your jurisdiction?

Insurance and reinsurance in Croatia are affected by three major events that took place in the regulatory realm in recent years, and consequently influenced the aspect of writing of contracts. The first one is Croatia's EU membership from 2013, the second one is privatisation of national insurance companies, especially Croatia *osiguranje d.d.* (Croatia Insurance Ltd) in 2014, and the third one is competition with foreign EU insurers who entered the domestic market through subsidiaries or directly by passporting. Although these events started six or seven years ago as the ongoing process, their real combined consequences have been coming into effect in the last few years. The process is visible from legislative activities. During EU accession negotiations the old Insurance Act ("InA") was replaced by a new one in 2008 with the aim to harmonize Croatian insurance legislation with EU law. By the end of 2015, there were four amendments to the InA, and from 1 January 2016 the new InA replaced the previous one. The latest InA was amended three times since 2016. The amended and currently effective InA integrates all the relevant EU regulations and refers to all the relevant EU directives. Specifically, these are the Solvency II Directive 2009/138/EC, the Omnibus II Directive 2014/51/EC and the Delegated Regulation 2015/35/EU. It should be considered that today the writing of insurance contracts is fully harmonised with *acquis communautaire*. Although the domestic insurance industry and the insurance market were both properly developed when Croatia was a part of the former Federate Republic of Yugoslavia, the above three major events brought about two recognizable consequences. Firstly, the insurers became exposed to competition, not only on the national and EU level, but also on a global level. This was not the case when national state-owned insurance companies actually had monopoly. The second consequence is on the side of the insured. Customer protection regulations were not applicable to insurance on the way and as the case is now. The Croatian Financial Services Supervisory Agency (HANFA) is a regulatory body that performs all regulatory and supervisory activities provided by the

InA. The other body provided by the InA in Chapter XXIII is the Croatian Insurance Bureau (CIB). CIB as a professional organisation is an association of Croatian insurance companies. It is the national Green Card Bureau authorised to perform certain activities in the insurance industry, among other activities envisaged under international agreements on insurance against third-party liability of motor vehicle owners. Mandatory pension insurance and mandatory health insurance are not considered insurances in the sense defined in the InA. However, voluntary, additional and complementary health and pension insurance are regulated by the InA, unless otherwise provided by health and pension *lex specialis* legislation.

### 2. Are types of insurers regulated differently (i.e. life companies, reinsurers?)

The InA defines insurance companies as (i) legal entities (ii) that perform life or non-life insurance activities (iii) approved by HANFA. Reinsurance companies are defined as (i) legal entities (ii) that perform life or non-life insurance activities (iii) approved by HANFA. The InA further distinguishes between domestic insurance companies which have their seat in Croatia and are entered in the Company Register, insurance companies from other EU member states, foreign insurance companies from non-member states (third countries) and insurance companies owned by other financial institutions. Additionally, the InA distinguishes between insurance companies and mutual insurance associations. The difference is in their openness, insurance companies provide services to third persons on the market, while mutual insurance associations provide services only to members on a mutual basis. There are regulatory differences between insurance companies and mutual insurance associations. However, although they are regulated, there are no domestic mutual insurance associations. Specific legislative framework is provided for insurance companies, mutual insurance associations, reinsurance companies, groups of insurers and pools of insurance and reinsurance. Although there are certain regulatory

specifics between life and non-life insurances, different types of insurers are not regulated differently in principle. Considering groups and categories of insurance, there are 5 types of life insurance, and 18 types of non-life insurance.

### 3. Are insurance brokers and other types of market intermediary subject to regulation?

Yes, insurance mediators as insurance distributors are subject to regulations (InA Chapter II). In order to be officially listed as licenced mediators, they must pass a specialized exam with HANFA and uphold continuous annual education in order to keep their licence. Mediators may work as independent professionals or as the employees in mediation companies which also must be licenced. Insurance agents act as insurance distributors in the name and on behalf of the insurers. Insurance brokers act for the benefit of the policy holders. In addition, the InA provides that authorised financial institutions, authorised institutional investors, Croatian Post, Financial Agency ("FINA") and authorised leasing companies may act as mediators on the side of some particular insurers or the insured.

### 4. Is authorisation or a licence required and if so how long does it take on average to obtain such permission? What are the key criteria for authorisation?

A licence from the regulatory authority HANFA is required for insurance and/or reinsurance companies to perform insurance or reinsurance activities. Insurance companies may obtain a licence for both insurance and reinsurance, while reinsurance companies can only hold a licence for reinsurance activities. An insurance licence may be issued for five types of insurances: entire group of non-life insurances, entire group of life insurances, some categories from non-life and life insurance, risks belonging to certain insurance categories, sub-categories of some non-life insurances. A reinsurance licence may be issued for an entire group of non-life, or an entire group of life insurance, or both entire groups. A licenced insurance and reinsurance company must be registered in the company register of a Commercial Court, as a publicly available register. An application for licence, apart from the specification of the types of insurance or reinsurance activities, must include: a legally binding by-law, list of shareholders, accompanied by a statement of compliance and the details and nature of association; the legal source of the share capital; and the respective share of each shareholder, list of Supervisory Board members and evidence that they obtained permission from HANFA, list of senior

executives, evidence that they obtained permission from HANFA and evidence of compliance with the prescribed governance structure, the company's organisational structure and three-year business plan, the terms and conditions for mandatory traffic insurance, if applicable, evidence on the availability of minimum capital requirements according to the Delegated Regulation (EU) No.2015/35, evidence on the availability of solvency capital requirements according to the Delegated Regulation (EU) No.2015/35, The company's internal supervision mechanism with regard to money laundering and terrorist financing prevention. HANFA's decision on a licence is due within 60 days from the date of receipt of due application. If HANFA does not decide within 60 days or dismisses the application, the applicants are entitled to an administrative trial against HANFA in two instances, an administrative writ with the Administrative Court and the remedy with the Appellate Administrative Court. Further, the InA provides for the establishment of companies of EU member state insurance companies. It also prescribes the licence requirements for third-country insurance companies wanting to perform insurance and reinsurance activities in Croatia through branch offices.

### 5. Are there restrictions or controls over who owns or controls insurers (including restrictions on foreign ownership)?

There are no direct restrictions regarding ownership or control of (re)insurance companies. However, there are very strong requirements for transparency of ownership and transparency of control of (re)insurance companies via qualifying holdings.

There are very strict mandatory provisions and requirements on qualifying holdings and their acquisition. A qualifying holding is defined as every direct or indirect:

- (i) share of 10 or more percent of the company's capital, or
- (ii) share of 10 or more percent in voting rights, or
- (iii) any share that enables significant influence on the management.

HANFA's permission is required for holding and acquisition of a qualifying holding.

A violation related to transparency, holding and acquisition of a qualifying holding may result in a rejection of the application for licence, penalties for misdemeanour or even withdrawal and loss of licence for (re)insurance activities.

There are no restrictions on foreign ownership or control of insurers. Foreign and domestic shareholders or

holders of a qualifying share in ownership or control over insurance companies are in an equal legal position.

### **6. Is it possible to insure or reinsure risks in your jurisdiction without a licence or authorisation? (i.e. on a non-admitted basis)?**

It is not possible to insure or reinsure risks in Croatia without a licence, passporting, branch office establishment, or some other type of authorisation and approval applicable in a particular case.

The difference is only whether the potential insurer is from the EU or a third country and is there an international treaty applicable in a particular case.

### **7. Is a branch of an overseas insurer, insurance broker and/or other types of market intermediary in your jurisdiction subject to a similar regulatory framework as a locally incorporated entity?**

Yes, branches of an overseas insurers/brokers/other intermediaries are subject to a similar regulatory framework as domestic entities. Foreign insurers/brokers/other intermediaries can write business directly, providing certain prerequisites, prescribed by the InA, are met. The prerequisites differ with regards to EU and non-EU insurers/brokers/other intermediaries. EU insurers/brokers/other intermediaries may write business through freedom of establishment and do not require approval from HANFA but are only obliged to notify the competent supervisory authority of their country of their intent to operate in Croatia, and provide certain information and documentation, which is forwarded to HANFA. Non-EU insurers/brokers/other intermediaries require prior approval from HANFA.

### **8. What penalty is available for those who operate in your jurisdiction without appropriate permission?**

Performing insurance or reinsurance activities without valid authorisation from HANFA is a misdemeanour offence punishable under the InA (Art. 439 para 1 and 2, and 440 para 1 and 2).

The fines imposed on legal entities are from 67.000,00 eur to 134.000,00 eur. Executives of the legal entity are also penalised with a monetary fine from 2.700,00 eur to 6.700,00 eur.

Mediation in insurance without a licence is also forbidden for agents or brokers. The fine for a legal entity is from 100.000,00 eur to 200.000,00 eur, and for executives from 3.350,00 eur to 6.700,00 eur.

The InA does not provide the consequences for an insurance contract entered into by an unauthorised insurer or via an unauthorised mediator. In such case the general provisions of the Obligations Act regarding the validity or nullity of a particular insurance contract should apply, and in case of nullity of an insurance contract, the in-tort liability of the culpable party applies.

### **9. How rigorous is the supervisory and enforcement environment? What are the key areas of its focus?**

HANFA is the regulatory and supervisory authority for all financial services organisations. The establishment, organisation, authorisation, structure and governance of such organisations is provided for in the Act on the Croatian Financial Services Supervisory Agency ("HANFA Act").

InA is a *lex specialis* that in the Chapter XIV appoints HANFA as the supervisory and enforcement authority for insurance and reinsurance organisations, as specific financial institutions, and other companies engaged in insurance and reinsurance activities. In supervision HANFA acts as the authorised administrative body.

HANFA's supervisory objectives are to supervise the national insurance market and its effectiveness, safety and stability, as part of the national financial market.

Further, HANFA's supervision ensures the lawfulness of insurance activities of the participants in the insurance industry, through licencing process and supervision measures imposed.

The supervision is an administrative procedure. General Administrative Procedure Act and Act on Administrative Disputes are supplementary procedural regulations applicable unless differently provided in the InA.

If HANFA finds any irregularities during supervision, it may order 11 different supervisory measures: (1) warning, (2) correction of irregularities, (3) specific supervisory measures, (4) appointment of a trustee, (5) licence revocation, (6) revocation or annulment of the approval to acquire a qualifying holding, (7) revocation of a manager's licence, (8) revocation of an actuary licence and temporary suspension of actuary activities,

(9) reorganisation and appointment of a special management, (10) winding up and (11) filing a motion

for bankruptcy with the court.

The InA stipulates the terms and requirements for the application of the above supervisory measures.

The administrative supervisory procedure and a wide spectrum of supervisory measures create a rigorous environment for the insurance and reinsurance industry.

Transparency and the financial strength of the industry are the focus of HANFA's supervisory activities. The last three supervisory measures have not been imposed so far.

In addition to the supervisory measures HANFA is obligated to press misdemeanour charges for offences caused by irregular performance of insurance activities. Monetary fines, sometimes very high, are levied as a set amount or a percentage of profit on legal and natural persons who are found to be offenders.

## 10. How is the solvency of insurers (and reinsurers where relevant) supervised?

Supervision of (re)insurers' solvency is HANFA's regular, but also specific duty according to the InA. HANFA is obliged to perform regular solvency supervisions, but also specific supervisions of solvency whenever an insurance company is supervised for any other reason.

Solvency requirements follow the Solvency II Directive.

For irregularities related to solvency requirements HANFA may order any appropriate of the 11 different supervisory measures, subject to the extent of irregularities found and possible consequences.

## 11. What are the minimum capital requirements?

The minimum capital requirements follow the Solvency II Directive guidelines (Chapter V, Article 157 and 158 of the InA).

Insurance and reinsurance companies must continuously maintain the minimum capital required and perform quarterly calculations. The minimum capital calculation process includes a number of variables which are calibrated according to asset values.

On the last day of every passing year the minimum capital should be at least 2.500.000,00 eur for a group of non-life insurances, or 3.700.000,00 eur for a group of life insurances.

The minimum capital for reinsurers is 3.600.000,00 eur,

or 1.200.000,00 eur if another reinsurance company is the shareholder

Further, the minimum capital may not be lower than 25 percent or higher than 45 percent of the required solvency capital, calculated according to the standard formula provided in the InA.

Minimum capital must be reported to HANFA after quarterly calculations.

## 12. Is there a policyholder protection scheme in your jurisdiction?

InA generally states that the transparency requirements for insurance companies, inter alia the solvency and minimum capital requirements, have the aim of protecting the policyholders.

In addition, there are particular policyholder protection schemes provided by the InA.

Insurance mediators have the duty to inform the policyholders on the terms and conditions of their insurance cover, at the time of entering into an insurance contract and during insurance validity.

Insurers must establish an internal procedure for the resolution of policyholders' complaints, and for an out-of-court dispute resolution procedure.

This scheme derives from the Consumer Protection Act as *lex generalis* for consumer protection.

In the chapter on insurance contracts, the Obligations Act holds several provisions which protect policyholders as the weaker party in insurance contracts against insurers who are experts in the field, who are obliged to exercise a higher level of due diligence, and who determine the terms and conditions as provisions of an adhesion contract.

The case law of the Supreme Court has been more inclined to policyholders in recent years when considering due performance of contractual obligations by the parties.

## 13. How are groups supervised if at all?

The InA prescribes the supervision procedure for groups of insurance companies in the designated Chapter V consisting of 47 articles. This includes groups from the EU and groups from third countries.

In principle, groups need to meet the same requirements as individual insurers. Some requirements and

supervision procedures are adapted for associated entities.

EU groups and, if possible, groups from third countries are supervised in cooperation with EIOPA and other EU or third country competent bodies.

#### **14. Do senior managers have to meet fit and proper requirements and/or be approved?**

Senior managers have to meet certain qualification, experience and knowledge requirements in order to receive permission for appointment from HANFA.

Obstacles for appointment of senior managers are also provided, as well as obstacles for granting permission.

From the receipt of permission, all changes in senior management appointments must be duly reported to HANFA, even if such changes do not require a new permission.

#### **15. To what extent might senior managers be held personally liable for regulatory breaches in your jurisdiction?**

Senior managers are responsible for the lawful work of an insurance company. Consequently, they are liable for any unlawfulness or irregularity in business performance, including breach of regulatory requirements.

Senior managers' personal liability exposure for a regulatory breach might be three-way.

The first one is liability found by HANFA during supervision of lawful activity and measures ordered to senior managers as sanctions, from warning to licence withdrawal. All final sanctions are published on HANFA's website.

The second type of liability are misdemeanour monetary fines ordered by the court, from several thousand to several dozens of thousands of euro.

The third one is civil liability for damages caused by careless and negligent management in accordance with the Company Act.

#### **16. Are there minimum presence requirements in order to undertake insurance activities in your jurisdiction**

#### **(and obtain and maintain relevant licences and authorisations)?**

Foreign insurers must appoint a representative with domicile or establishment in Croatia who will collect all necessary information regarding claims, and have sufficient authority to represent the insurer, including paying out indemnity and representing the insurer before HANFA, the Croatian courts and other public authorities regarding claims.

#### **17. Are there restrictions on outsourcing services and/or operational resilience requirements relating to the business?**

Although there are no specific restrictions for outsourcing insurance activities and functions, art. 104 of the InA requires that objective reasons for outsourcing must exist and that the aim of outsourcing is to increase efficiency, considering the size of the insurance company. Outsourcing must not jeopardise activity, diminish quality, increase the insurer's operative risks nor cause conflict of interests between the insurer and the service provider.

The outsourcing company and its staff must meet all the regulatory requirements, when applicable.

An insurance company must notify HANFA in advance about its intention of outsourcing and keep HANFA informed about any changes in outsourcing activities while they are ongoing.

Outsourcing does not release the insurance company from the applicable regulatory duties and the insurer is fully liable for all outsourcing activities and functions.

The InA prescribes general principles and obligations, as well as specific requirements regarding key functions (risk management, compliance, internal audit and actuary function) concerning operational resilience of the management system.

An insurer is obliged to operate in such a way that the risks to which it is exposed to do not exceed prescribed thresholds, especially those related to the adequacy of premiums and technical provisions according to accounting regulations. The insurer is obliged to operate in such a way that it can fulfill due obligations in a timely manner and in a way that it is permanently capable of fulfilling all its obligations.

#### **18. Are there restrictions on the types of**

### **assets which insurers or reinsurers can invest in or capital requirements which may influence the type of investments held?**

The insurer is due to design and maintain an effective and reliable management system by taking into account the nature, extent and complexity of its business. Are there restrictions on the types of assets which insurers or reinsurers can invest in or capital requirements which may influence the type of investments held?

Investment restrictions refer to the principles of investing, rather than to the types of assets used for investments.

Article 159 of the InA stipulates that insurance companies must make investments in accordance with the Delegated Regulation 2015/35/EU and other EC regulations on quality investment requirements, in addition to the principles provided in the InA.

The InA's investment principles that ensure the safety, quality, profitability, availability and liquidity of the portfolio are risk control, risk measurement and risk management.

In the case when the policyholder bears the risks of investment, in addition to general principles, investments in capital markets are allowed but technical reserves must secure the value of invested assets.

### **19. How are sales of insurance supervised or controlled?**

All insurance mediators, licenced legal entities or professionals, and their employees, whether agents for sale of insurance, or brokers acting for policyholders, are registered with HANFA.

In order to obtain a licence, legal entities must meet the regulatory requirements, while natural persons must pass a competency exam held by HANFA. In addition, natural persons must undergo continuous education in order to keep their licence.

HANFA, inter alia, supervises the sale of insurance on the market and is authorised to order supervision measures (see Question 8) to mediators and other insurance sellers when irregularities are found.

### **20. To what extent is it possible to actively market the sale of insurance into your**

### **jurisdiction on a cross border basis and are there specific or additional rules pertaining to distance selling or online sales of insurance?**

Distance selling, online sales and especially mobile applications for selling insurance mark a significant

increase in recent times, with the Covid-19 protection measures contributing to their widespread use.

There are no specific regulations for distance insurance sales. However, the relevant provisions of the Electronic Commerce Act, Consumer Protection Act and Obligations Act apply as additional rules for distance insurance sales.

Apps appear to be the most suitable way of distance online selling because they are adjusted and meet the requirements of various regulations. They are also adapted to a particular insurer's target market and the particular insurance cover which varies from insurer to insurer.

### **21. Are consumer policies subject to restrictions, including any pricing restrictions? If so briefly describe the range of protections offered to consumer policyholders**

A policy is not an insurance contract according to the Obligations Act. A policy is just evidence that an insurance contract exists. The terms and conditions of each individual insurance cover state the terms and conditions of the insurance contract. The contract itself is informal, not necessary in written form, and works as an adhesion contract to the terms and conditions via policy.

There is no specific consumer policyholder protection and consequently there are also no restrictions. General consumer protection restrictions for distance sales apply to policyholders because of adhesion nature on the insurance contract as well.

### **22. Are the courts adept at handling complex commercial claims?**

Commercial claims are within the jurisdiction of seven first instance Commercial Courts. The second instance appellate ordinary court for commercial disputes is the High Commercial Court.

Some judges in some of these Courts are adept at

handling complex commercial and insurance matters.

The judges of the Supreme Court are adept at complex commercial matters. However, the Supreme Court acts if leave for revision of the final judgment is granted. Leave for revision is an extraordinary legal remedy.

### 23. Is alternative dispute resolution well established in your jurisdictions?

Alternative dispute resolution is established through two remedies provided in the InA and are available to the insured.

The first one is the insurer's duty to establish a body for consideration of complaints of the insured unsatisfied with the services provided, including issues in dispute as well. The body must reach a decision on the complaint within 15 days.

The second one is mediation established with the CIB, which is available to the insured as a voluntary means of consumer protection. Mediation is free of charge for the insured since the CIB covers the administrative costs and the mediator's fee. The CIB announced the list of mediators, rules of procedure and the form of the mediation agreement.

In addition, an Insurance Ombudsman acts within the CIB as an independent body for consideration of complaints about violations of the accepted by all (re)insurance companies who are members of the Croatian Chamber of Commerce, and good professional practice in general.

### 24. Is there a statutory transfer mechanism available for sales or transfers of books of (re)insurance? If so briefly describe the process.

Chapter VII of the InA distinguishes the transfer of portfolio (i) between two Croatian insurers, (ii) from a Croatian insurer to an EU member state insurer, (iii) from an EU member state insurer to a Croatian insurer and (iv) from the branch office of a third country insurer to a Croatian or an EU member state insurer.

There is no difference between transfer of an entire portfolio or part of the portfolio, in both cases the requirements are the same.

With minor variations, the process is equal in its major requirements for all the four cases:

- the intention of performing the transfer must

be reported to HANFA, whose consent must be obtained before the transfer,

- portfolio acquisition must take place within a certain time period, subject to the elements of the transfer,
- HANFA must be notified without delay upon the completion of the transfer,
- Each insured person or entity must be notified about the transfer of portfolio that includes their insurance contract. Furthermore, the transfer must be published in the Official Gazette and two local daily newspapers if the transfer is occurring between Croatian insurers.
- Consent of the insured party is not required. However, each insured person or entity is entitled to terminate the insurance contract according to the laws applicable for the termination of contracts because of "changed circumstances" (*clausula rebus sic stantibus*).
- If a foreign element of an EU member state is involved in the transfer of portfolio, the competent regulatory agency of the respective country will be notified on all the relevant details of the transfer, and/or consent or approval requested if such is required by applicable laws, as the case might be. A foreign element is involved if the portfolio contains foreign insurers' insurance contracts or if one of the participants of the portfolio transfer is a foreign insurer.

### 25. What are the primary challenges to new market entrants? Are regulators supportive (or not) of new market entrants?

The insurance market is in development and restructuring. New entries are faced with several challenges.

The first challenge is to place traditional insurance products which are still prevalingly held by national insurance companies. The market share of Croatia *osiguranje* and other national insurance companies decreases from year to year. Croatia *osiguranje* lost its market-leading position for the first time in 2020. This process will continue for some time. New entries must compete with national insurance companies and others who offer the same traditional insurance products.

Further, a new entry should recognise the specifics of the local insurance market which is affected by the still ongoing economic transition in Croatia.

The regulation, primarily InA, which implements EU directives, is supportive of new market entries, especially those from the EU, which must not seek approval from HANFA to write business in Croatia, unlike non-EU insurers. Most new market entries are EU entries. Consequently, regulators are supportive of new entries as well.

## 26. To what extent is the market being challenged by digital innovation?

Generally, the market has not been sufficiently affected by digital innovations. Acceptance of digital innovations is a two-way process. Insurers, the insured and mediators must adapt to innovations. They all prefer a traditional approach and to make changes slowly and gradually.

However, the fourth industrial revolution combined with the Covid-19 pandemic influence the market players and force them to change their traditional ways of running a business and to adapt to digital innovations.

## 27. How is the digitization of insurance sales and/or claims handling treated in your jurisdiction, for example is the regulator in support (are there concessions to rules being made) or are there additional requirements that need to be met?

So far the Croatian insurance market has not been significantly digitized. Most insurers still write business the "old-fashioned" way, through branch offices. Insurance contracts are mostly still physical, paper documents. Claims handling is also still on somewhat of an "analog" level. Consequently, regulation has not changed significantly. There is a consumer protection scheme with regards to digital - distance insurance contracts but this is the standard EU consumer protection scheme. However, this does not mean that the Croatian insurance market has not recognized the need, and advantages of digitalization. Couple of years ago Croatia *osiguranje* launched a fully digital auto-insurance (liability and gap insurance). Other insurers might follow suit with regards to other insurances as well. To what extent is insurers' use of customer data subject to rules or regulation?

Apart from GDPR, general regulations which are also applicable to insurers, the InA in Chapter XXI on Business Secrecy additionally provides the specific duties of insurers, mediators and the CIB regarding protection of personal data which they collect in their activities, and

when they are released from personal data protection duties.

These InA's specific rules also prescribe when and how the personal data collected may be processed, and the processed data used for their activity.

## 28. To what extent are there additional restrictions or requirements on sharing customer data overseas/on a cross-border basis?

InA does not prescribe any particular additional restrictions or requirements on overseas data sharing. In this respect GDPR applies.

## 29. To what extent are insurers subject to ESG regulation or oversight? Are there regulations/requirements specific to insurers? If so, briefly describe the range measures imposed.

Insurers are subject to EU ESG regulation and oversight by HANFA in line with such regulation. InA implements all such ESG regulation. Apart from EU directives, ESG regulation is implemented through EIOPA guidelines, which are regularly accepted and endorsed by HANFA as the local competent authority. EIOPA has recently declared 7 key areas of activity for sustainable financing in the period between 2022 and 2024. These are:

1. Integrate ESG risks in the prudential framework of insurers and pension funds
2. Consolidate the macro/microprudential risk assessment of ESG risks
3. Promote sustainability disclosures and a sustainable conduct of business framework
4. Support supervision of ESG risks and supervisory convergence in the EU
5. Address protection gaps
6. Promote the use of open source modelling and data in relation to climate change risks
7. Contribute to international convergence for the assessment and management of sustainability risks

Therefore, it may be predicted that new ESG regulation will be in these 7 key areas, and implemented in Croatia through InA and guidelines by EIOPA.

## 30. Over the next five years what type of business do you see taking a market lead?

Although small, the local insurance market is dynamic, with new players, new services and products, new consumers with new needs.

Digitalisation is definitely a process which will create opportunities for the insurers on the one side, but also specific needs of the customers on the other side. The insurance market will be strongly affected by digitalisation, cyber technology and artificial intelligence in all aspects.

In this regard the role of mediators grows more important not only in sale and purchase of insurance, but in recognising the specific needs of consumers and

influencing insurers to offer target products to meet the specific needs of the target market.

The number of life insurance policies is decreasing, while non-life insurance is on the rise. Third parties' liability in various and new forms is the risk which needs and will need more and more insurance cover. New digitalised services and cyber products in combination with artificial intelligence are developing rapidly and creating new and previously unknown liability exposures.

It may also be expected that slowly but surely insurers will be moving to digitize, primarily, sale of insurance, and, secondly, claims handling procedures.

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