



## Insurance Comparative Guide

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since 1970

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## 1. Legal framework

1. 1. Which legislative and regulatory provisions govern the insurance sector in your jurisdiction?

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The legislative and regulatory provisions which govern the insurance sector in Croatia are as follows:

- Legislation regulating the establishment and operation of insurers, reinsurers, and insurance intermediaries:
  - the Insurance Act (*Official Gazette* 30/15, 112/18, 63/20, 133/20), which implements the Solvency II and other EU directives in the insurance sector and secures the prerequisites for the implementation of EU regulations on insurance; and
  - secondary legislation.
- Legislation regulating the terms and conditions of insurance, as well as the rights and obligations of the contractual parties:
  - the Civil Obligations Act (*Official Gazette* 35/05, 41/08, 125/11, 78/15, 29/18 and 126/21), excluding reinsurance and creditor insurance;
  - the Act on the Nullity of Certain Types of Insurance Contracts and Loan Agreements (*Official Gazette* 9-160/1994);
  - the Compulsory Traffic Insurance Act (*Official Gazette* NN 151/05, 36/09, 75/09, 76/13 and 152/14);
  - the Maritime Code (*Official Gazette* 181/04, 76/07, 146/08, 61/11, 56/13, 26/15 and 17/19) for marine insurance and insurance of goods carried by road;
  - the Act on Obligatory and In Rem Relations in Air Transport (*Official Gazette* 132/98, 63/08, 134/09 and 94/13) for insurance and reinsurance in air transport;
  - the Railroad Act (*Official Gazette* 32/19, 20/21) for compulsory liability insurance of railroad carriers; and
  - other acts and secondary legislation regulating individual aspects of various types of insurance, some of which is provided by state insurers (eg. compulsory health insurance, pension and social security).

1. 2. Which bilateral and multilateral instruments on insurance have effect in your jurisdiction?

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There are no bilateral or multilateral instruments on insurance in effect in Croatia in the traditional sense.

However, as part of the EU *acquis communautaire*, EU regulations directly apply; while the Insurance Act and other laws implement EU directives regulating insurance and ensure the fulfilment of the prerequisites for the application of EU regulations in the insurance sector. Some of the many EU directives implemented by the Insurance Act are the Solvency II Directive (2009/138/EC) and the Omnibus II Directive (2014/51/EC).

Therefore, it may be considered that the writing of insurance in Croatia is in line with the *acquis communautaire*.

### 1. 3. Which bodies are responsible for enforcing the applicable laws and regulations? What powers do they have?

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The main body responsible for enforcing the applicable laws and regulations is the Financial Services Supervisory Agency (HANFA). HANFA exercises supervision and enforcement according to the Insurance Act, the HANFA Act (*Official Gazette* 140/05, 154/11 and 12/12) and other applicable legislation.

HANFA's objectives are to:

- supervise the national insurance market and its effectiveness, safety and stability as part of the national financial market; and
- ensure the lawfulness of insurance activities through the approval process, supervision and enforcement of corrective measures.

When conducting supervision, HANFA acts as the authorised administrative body and may impose supervisory measures. HANFA is also obliged to press charges for misdemeanours prescribed by the Insurance Act.

### 1. 4. What is the regulators' general approach in regulating the insurance sector?

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The regulator's general approach in regulating the insurance sector is to implement an enhanced level of policyholder protection and ensure the stability of the financial market within the scope of its licensing, supervisory and enforcement role. This is in line with EU legislative trends concerning the 'Three Pillars' of the Solvency II Directive:

- financial requirements;
- governance and supervision; and
- reporting and disclosure.

## 2. Insurance contracts

## 2. 1. What are the main types of insurance available in your jurisdiction?

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The two main types of insurance available in Croatia, as prescribed by the Insurance Act, are:

- general (non-life) insurance; and
- life insurance.

Each of these has many sub-types.

Approval may be issued for the following types of insurance:

- all types of general (non-life) insurance;
- all types of life insurance;
- individual sub-types of general and life insurance;
- risks belonging to certain types of insurance; and
- sub-types of certain types of general insurance.

Insurance companies cannot obtain approval for the simultaneous performance of both general (non-life) and life insurance activities.

Approval for reinsurance activities may be issued for just one or both groups of general (non-life) and life insurance.

Specific and separate types of insurance include the compulsory insurance provided by state insurers – health, pension and social insurance – which are part of the Croatian social security scheme.

## 2. 2. Are all insurance contracts regulated? What terms do they typically include?

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Not all insurance contracts are expressly regulated in Croatia. Insurance contracts (excluding marine, transport and air transport insurance) are generally regulated by the Civil Obligations Act as the main substantive law regulating insurance contracts. The Civil Obligations Act contains both general provisions and special provisions regarding the insurance of property and persons (life and accident insurance).

Insurance contracts typically include provisions on:

- the formation of the insurance contract;
- the rights and duties of the insurer and insured;
- the terms and period of cover;
- exclusions;
- loss of cover;
- notification of occurrence of the insured event; and
- other contractual terms.

These are also generally prescribed by the Civil Obligations Act.

The main principle of the Croatian law of obligations is freedom of contract. The parties' freedom of contract is limited by mandatory substantive law provisions. This also applies to insurance contracts.

However, the parties may derogate only from those provisions of Civil Obligations Act which expressly permit this or authorise the parties to act as they wish. Derogation from other provisions, unless forbidden by the Civil Obligations Act or another act, is permitted only if it is undoubtedly in the interests of the insured.

The terms of compulsory traffic insurance and liability insurance of railroad carriers are additionally regulated by the Compulsory Traffic Insurance Act and the Railroad Act respectively.

The Civil Obligations Act does not apply to:

- reinsurance;
- creditor insurance;
- marine insurance;
- air transport insurance and reinsurance; and
- the insurance of goods carried by road.

These are all regulated by other pieces of legislation as *lex specialis* (see question 1.1).

## 2. 3. What are the formal and documentary requirements for conclusion of an insurance contract?

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There are no specific formal or documentary requirements for the conclusion of an insurance contract.

According to the general rule of law of obligations, the insurance contract is executed once the offer made by the offeror has been accepted by the offeree. A 'meeting of the minds' must exist.

Upon execution of the insurance contract, the insurer must issue, without delay, the insurance policy, endorsement slip or other certificate of insurance. The Civil Obligations Act prescribes the minimum information that the insurance policy must contain. If the insurer's general terms and conditions apply, this must be expressly stated in the policy. The general terms and conditions must either be printed on the policy or be handed over with the policy.

Some exceptions exist, as follows:

- A contract of insurance of persons is executed once the parties have executed the insurance policy.
- An offer made to the insurer in writing binds the offeror for eight days unless the offeror states that the offer is binding for a shorter period. If a medical examination is required, the offer is binding for 30 days unless the offeror shortens the period. If the insurer does not decline and the offer is in line with the insurer's terms, it is considered that the insurance contract was executed on the date of receipt of the offer by the insurer.
- If so prescribed by the insurance terms, the contract may be executed by payment of the insurance



premium.

The Civil Obligations Act also regulates the execution of the insurance contract in the name and on behalf of another.

## 2. 4. What are the procedural requirements for conclusion of an insurance contract?

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There are no procedural requirements for the conclusion of an insurance contract. Under the Insurance Act, the insurer is obliged to provide written notice to the other contracting party which must contain, at a minimum, the notices and information prescribed by the Insurance Act. The contents of the notices differ for life and general (non-life) insurance.

The insurer must also provide certain notices during the period of cover.

If the insurer fails to provide the notices, misdemeanour liability exists and monetary fines may be imposed by the Financial Services Supervisory Agency.

## 2. 5. What are the respective obligations and liabilities of insurer and insured, both on concluding an insurance contract and during its term? What are the consequences of any breach?

Croatia

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The respective obligations and liabilities of the insurer and insured, both on concluding an insurance contract and during its term, as well as the consequences of their breach, are as follows.

**Insured:** Under the Civil Obligations Act, the principal obligations of the insured are:

- the duty of disclosure;
- payment of the premium; and
- notification of occurrence of the insured event.

Prior to execution of the insurance contract, the insured must disclose all material circumstances significant for the rating of risk of which the insured is aware or could not have been unaware.

After execution of the contract, different disclosure obligations apply in the case of insurance of property and insurance of persons:

- In the case of insurance of property, the insured is due to disclose any change in circumstances which might be significant for the rating of risk; and
- In the case of insurance of persons, the obligation of disclosure exists only if the risk has increased due to a change in the person's occupation.

The Civil Obligations Act prescribes different remedies which are available to the insurer in case of misrepresentation/non-disclosure, depending on whether the misrepresentation/non-disclosure was intentional.

If the premium is to be paid simultaneously with execution of the insurance contract, the insurer's obligation to pay the insurance claim arises the day after payment of the premium.

If the insured's obligation to pay the premium falls due after execution of the contract, the insurer's obligation to pay the insurance claim arises on the first day of the period of cover. If the insured is in default, the insurance contract is automatically terminated once 30 days have expired from the later of:

- the day of the maturity of the obligation to pay the premium; or
- the day on which the insured received the insurer's notice of maturity of premium.

The occurrence of the insured event must be notified within three days. The deadline does not apply to life insurances. If the notification is not timely, the insured is liable for any damage which the insurer might incur due to the delay in notification.

**Insurer:** Under the Civil Obligation Act, the insurer's main obligation is to pay the insurance claim in case of an insured event.

The insurance claim must be paid by the deadline agreed in the insurance contract, which cannot be longer than 14 days counting from the date of receipt of the notice of the insured event.

However, if the insurer requires additional time to determine its obligation to pay the insurance claim, the deadline is 30 days. Alternatively, within that same period, the insurer may notify the insured that the claim is rejected as groundless.

If the amount of the insurance claim to be paid is not determined within the deadline, but the insured's claim is grounded, the insurer must pay the undisputed amount of the insurance claim as an advance.

The insurer is not obliged to pay the insurance claim if the insured caused the insured event intentionally or by committing fraud.

### 3. Making a claim

#### 3. 1. What are the formal and documentary requirements for making a claim?

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There are no formal or documentary requirements for making a claim. However, the terms of the insurance contract may contain clauses regarding notification of the occurrence of an insured event and making a claim.

It is standard practice that the notification of the occurrence of an insured event and the claim are made in written form, with supporting documentation regarding the nature, cause and extent of the damage suffered by the insured. The format in which the notification of an insured event is submitted is usually prepared and made available to the insured by the insurer.



The insurer may request additional documentation from the insured and conduct an additional investigation into the circumstances of the insured event relevant for liquidation of the claim.

### 3. 2. What are the procedural requirements for making a claim?

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There are no procedural requirements for making a claim.

The Insurance Act allows an insured to file an objection with the insurer through out-of-court dispute resolution in relation to placed claims. It is also possible to file a complaint or initiate mediation with the Croatian Insurance Bureau.

### 3. 3. On what grounds can the claim be denied? How can the insured challenge the denial of claim?

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Claims can be denied on many grounds. The most common grounds for denying a claim include that:

- it falls outside the scope or period of agreed insurance cover; or
- the cover has been terminated or withdrawn, or has ceased.

Claims may also be partially or entirely denied if the insurer finds that the insured contributed to or exacerbated the damage that has arisen.

In the case of insurance of property, claims might also be rejected due to the lack of an insurable interest on the part of the insured.

The insured can challenge the denial of the claim outside court by:

- filing an objection with the insurer; and
- filing a complaint or initiating mediation before the Croatian Insurance Bureau.

The insured can also challenge the denial of the claim in court.

Currently, there is a trend of Croatian insurers groundlessly rejecting claims out of court, either partially or entirely, to avoid making payments. The underlying reasoning appears to be their predictions that fewer claimants will pursue these claims in court. This is because it takes considerable time for the court to issue a final decision and the costs of pursuing the claim can be quite high.

### 3. 4. How can third parties make a claim?

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Third parties can make a claim under liability insurance, up to the insured amount. This includes the costs of the dispute and other costs connected with determining the insured's liability, but only up to the insured amount.

Third parties can also make a claim against the insurer in case of the assignment of contractual rights from the insured to the third party (eg, mortgage, vinculation of the insurance policy).

## 4. Form and structure of insurers

### 4. 1. What types of insurance companies are typically found in your jurisdiction?

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The following types of insurance companies may operate and are found in Croatia:

- insurance and reinsurance companies with their registered seat in Croatia and with branches abroad;
- insurance companies from outside the European Union that conduct insurance activity in Croatia through branches; and
- insurance and reinsurance companies with their registered seat in EU member states that conduct insurance activities in Croatia through freedom of establishment or freedom to provide services.

The operation of insurance companies in Croatia is subject to approval by the Financial Services Supervisory Agency (HANFA).

### 4. 2. How are these insurance companies typically structured and funded?

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Insurance companies in Croatia must be structured as joint stock companies.

Under the Insurance Act, insurance companies are defined as:

- legal entities;
- that perform life or non-life insurance activities; and
- that are approved by HANFA.

Additionally, insurers may be established as mutual insurance associations, which provide services only to members on a mutual basis, without the aim of earning a profit ('insurance at cost'). There are regulatory differences between insurance companies and mutual insurance associations. However, there are no domestic mutual insurance associations to date.

Regarding funding, insurance companies must comply with the minimum solvency requirements prescribed by the Solvency II Directive and prescribed by the Insurance Act. The minimum share capital requirements prescribed by the Insurance Act are as follows:

- €2.5 million for general (non-life) insurance companies;

- €3.7 million for general (non-life) insurance companies which provide liability, credit, and/or guarantee insurance;
- €3.7 million for life insurance companies;
- €3.6 million for reinsurance companies;
- €1.2 million for captive reinsurance companies; and
- €6.2 million for general (non-life) and life insurance companies.

#### 4. 3. Are there any restrictions on foreign ownership of insurance companies?

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There are no restrictions on foreign ownership of insurance companies. Foreign and domestic shareholders or holders of a qualifying share in ownership or control over insurance companies are in an equal legal position.

However, there are requirements for transparency via qualifying holdings, which are defined as:

- a direct or indirect share of 10% or more of the company's capital;
- a direct or indirect share of 10% or more of the company's voting rights; or
- any share that allows the holder to exert a significant influence on the management.

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

Violations concerning the transparency, holding and acquisition of qualifying holdings may result in:

- a rejection of the application for approval;
- misdemeanour liability; and
- potentially, rescinded approval for insurance/reinsurance activities.

### 5. Authorisation

#### 5. 1. What authorisations are required to provide insurance services in your jurisdiction?

What activities do they cover?

Croatia

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The Financial Services Supervisory Agency's (HANFA) authorisation is required to provide insurance services in Croatia. The procedure for issuing the authorisation is regulated by the Insurance Act.

Approval may be issued for the following types of insurance:

- all types of general (non-life) insurance;
- all types of life insurance;
- individual sub-types of general and life insurance;
- risks belonging to certain types of insurance; and
- sub-types of certain types of general insurance.

Insurance companies cannot obtain approval for the simultaneous performance of both general (non-life) and life insurance activities. Authorisation for reinsurance activities may be issued for individual groups of general and life insurance, or for both.

Insurance companies may be issued authorisation for both insurance and reinsurance activities; while reinsurance companies can only be issued authorisation for reinsurance activities.

## 5. 2. What requirements must be satisfied to obtain authorisation?

Croatia

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The requirements which must be satisfied to obtain authorisation from HANFA might best be summarised by the mandatory content of the application for authorisation prescribed by the Insurance Act. The application must include:

- a specification of the types of insurance/reinsurance activities;
- the company bylaws;
- a list of shareholders, accompanied by a statement of compliance and the details and nature of association, the legal source of share capital and the respective shareholding of each shareholder;
- a list of supervisory board members and evidence that they have obtained permission from HANFA;
- a list of senior executives, evidence that they have 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 minimum capital requirements according to EU Delegated Regulation 2015/35;
- evidence on the solvency capital requirements according to EU Delegated Regulation 2015/35; and
- the company's internal supervision anti-money laundering/counter-terrorist financing mechanism.

There are additional requirements which differ for general (non-life) and life insurance. The minimum contents of the business plan must also be submitted.

Regarding subsidiaries, prior to issuing authorisation, HANFA will consult with the regulatory body of the EU member state in which the parent company has authorisation to conduct insurance activities. This also applies when the applicant insurance company is controlled by the same natural or legal person that controls another insurance company with authorisation in another EU member state.

HANFA will issue the authorisation if the insurance company fulfils all requirements prescribed by the Insurance Act. If there is a close link between the applicant insurance company and other natural or legal persons in Croatia, authorisation will be issued only if that link will not prevent HANFA from effectively conducting its regulatory role.

## 5. 3. What is the procedure for obtaining authorisation? How long does this typically take?

Croatia

The procedure for obtaining authorisation is, in essence, an administrative proceeding, prescribed by the Insurance Act and the General Administrative Proceedings Act. HANFA should reach a decision within 60 days of the date of receipt of the application. If a decision is not reached within 60 days or the application is dismissed, the applicant is entitled to initiate administrative litigation proceedings against HANFA before the competent administrative court.

## 6.Regulatory capital and liquidity

### 6. 1. What minimum capital requirements apply to insurance companies in your jurisdiction?

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The minimum capital requirements which apply to insurance companies in Croatia correspond to minimum share capital requirements (see question 4.2).

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

The minimum capital may not be lower than 25% or higher than 45% of the required solvency capital, calculated according to the standard formula provided by the Insurance Act. The minimum capital must be reported to the Financial Services Supervisory Agency after the quarterly calculations.

The minimum capital requirements prescribed by the Insurance Act are in line with the Solvency II Directive.

### 6. 2. What liquidity requirements apply to insurance companies in your jurisdiction?

Croatia

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The main liquidity requirement which applies to insurance companies is that an insurance company must have sufficient own funds to fulfil the necessary solvency capital requirements, which will be calculated on the presumption that the company will pursue its business as a going concern.

The solvency capital requirements are calibrated to ensure that all quantifiable risks are considered. They cover existing business (only unexpected losses), as well as new business expected to be written over the following 12 months, and cover at least the following risks:

- non-life underwriting risk;
- life underwriting risk;
- health underwriting risk;
- market risk;
- credit risk; and

- operational risk.

The solvency requirements prescribed by the Insurance Act are in line with the Solvency II Directive.

## 7. Supervision of insurance groups

7. 1. What requirements apply with regard to the supervision of insurance groups in your jurisdiction?

Croatia

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The main requirements which apply with regard to the supervision of insurance groups in Croatia are prescribed by the Insurance Act. The Insurance Act sets out the supervision procedure for groups of insurance companies from the European Union as well as third countries.

Generally, groups must meet the same requirements as individual insurers, but some requirements and supervision procedures are adapted.

EU groups and, if possible, groups from third countries are supervised in cooperation with the European Insurance and Occupational Pensions Authority and other EU or third country competent regulatory bodies.

## 8. Reporting, governance and risk management

8. 1. What key disclosure requirements apply to insurance companies in your jurisdiction?

Croatia

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The key disclosure requirements which apply to insurance companies in Croatia is the obligation to submit annual financial reports to the Financial Services Supervisory Agency (HANFA).

In the report, an insurance company must report on its solvency and financial condition. The minimum contents of the report are prescribed by the Insurance Act. The report must contain all prescribed information (in full or by way of references), including:

- a description of the company's business and performance;
- its system of governance and an assessment of its adequacy for the company's risk profile;
- risk exposure, concentration, mitigation and sensitivity;
- assets;
- technical provisions;
- other liabilities; and
- capital management.

The report must be audited by a licensed auditor.



## 8. 2. What key reporting requirements apply to insurance companies in your jurisdiction?

Croatia

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The key reporting requirement which applies to insurance companies in Croatia, apart from financial reporting (see question 8.1), is the obligation to notify HANFA of any occurrence which might cause or has already caused significant changes to the company's business and performance, system of governance, risk profile, solvency or financial position. This includes, but is not limited to:

- the convening of, and all decisions reached by, the general assembly;
- the shareholders and changes in qualified holdings;
- changes in the membership of the board;
- changes of personnel in key functions;
- significant changes to the capital structure; and
- investments through which the company directly or indirectly acquired qualified holdings.

The insurance company must also collect, manage and report on various statistical data.

## 8. 3. What key governance requirements apply to insurance companies in your jurisdiction?

Croatia

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The key governance requirements which apply to insurance companies in Croatia pertain to the establishment and maintenance of an effective system of governance which facilitates the sound and prudent management of the business. The system must include, at a minimum:

- an adequate and transparent organisational structure with a clear allocation and appropriate segregation of responsibilities; and
- an effective system for ensuring the transmission of information.

The system of governance must be proportionate to the nature, scale and complexity of the operations of the insurance or reinsurance company.

The system of governance is subject to regular internal audits and supervision by HANFA.

## 8. 4. What key risk management requirements apply to insurance companies in your jurisdiction?

Croatia

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The key risk management requirements which apply to insurance companies in Croatia pertain to the implementation of an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on a continuous basis on the risks to

which they are or could be exposed.

That risk management system must be effective and well integrated into the organisational structure and decision-making processes, with proper consideration of the persons who effectively run the undertaking or have other key functions.

## 9. Senior management

9. 1. What requirements apply with regard to the management structure of insurance companies in your jurisdiction?

Croatia

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The requirements which apply with regard to the management structure of insurance companies in Croatia are prescribed by:

- the Companies Act (*Official Gazette* 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19 and 34/22) (general requirements); and
- the Insurance Act (special requirements).

The two main bodies of insurance companies are the board of directors and the supervisory board.

The board of directors is responsible for the day-to-day management and operation of the insurance company and represents the company.

The supervisory board supervises the management and operation of the insurance company by the board of directors. The supervisory board is prohibited from running the day-to-day management and operations of the company.

9. 2. How are directors and senior executives appointed and removed? What selection criteria apply in this regard?

Croatia

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The directors and senior executives who are members of the board of directors are appointed and removed by the supervisory board; while the members of the supervisory board are appointed by the general assembly. The appointment of members of both boards must be pre-approved by the Financial Services Supervisory Agency (HANFA).

The selection criteria which apply to the appointment of members of the board of directors and supervisory board are:

- general (set out in the Companies Act); and
- special (set out in the Insurance Act).

The purpose of these criteria is to ensure that the members of both boards have the necessary reputation, integrity and knowledge to perform their functions honestly and diligently.

### 9. 3. What are the legal duties of directors and senior executives of insurance companies?

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The legal duties of directors and senior executives of insurance companies who are members of the board of directors and the supervisory board are prescribed by the Companies Act. The Insurance Act prescribes additional special duties.

Apart from the general duties of day-to-day management and operation, the board of directors must ensure that the insurance company operates in line with the Insurance Act and other laws, as well as established good practices of the insurance trade. To this end, the board of directors must:

- establish, maintain and periodically review a reliable and effective system of governance (see question 8.3);
- enforce all supervisory measures imposed by HANFA; and
- report to the supervisory board on the financial position of the insurance company and any measures imposed by HANFA or another public authority.

On the other hand, apart from the general duties of supervision of the management and operation of the company, the supervisory board's main duties are:

- to supervise
  - systems of internal review and governance;
  - the implementation of business policies, strategic goals and strategies; and
  - risk management; and
- to review the annual financial reports and present them to the general assembly.

### 9. 4. How is executive compensation regulated in your jurisdiction?

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Executive compensation is not specifically regulated in Croatia.

Members of the board of directors and the supervisory board do not become employees of insurance companies solely by virtue of their appointment. That is why directors and senior executives usually execute 'manager employment contracts' with the insurance company, which regulate compensation in line with the internal compensation structure.

## 10. Change of control and transfers of insurance companies

## 10. 1. How are the assets and liabilities of insurance companies typically transferred in your jurisdiction?

Croatia

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The assets and liabilities of insurance companies are transferred in Croatia through the transfer of the insurance portfolio.

Insurance companies may transfer all or part of their portfolio. The transfer must be pre-approved by the Financial Services Supervisory Agency (HANFA). The consent of insureds is not required, but insureds may cancel their insurance contracts due to a 'change in circumstances' pursuant to the Civil Obligations Act.

An insurance portfolio can also be transferred to EU and non-EU insurance companies if the requirements prescribed by the Insurance Act are met.

## 10. 2. What requirements must be met in the event of a change of control?

Croatia

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In the event of a change of control – that is, if the acquirer would gain significant influence or control over the insurance company by acquiring a qualified holding – the acquirer must meet certain requirements prescribed by the Insurance Act and obtain HANFA's approval. The acquirer must file the following supporting documentation together with its application:

- its business strategy;
- its business plan for the next three years, including projections of the company's financial position and profits;
- planned changes in the organisational, management and personnel structure;
- a plan of activities for drafting new or amending existing bylaws; and
- a plan of activities for the alteration of the existing or the introduction of a new IT system.

## 11. Consumer protection

### 11. 1. What requirements must insurance companies comply with to protect consumers in your jurisdiction?

Croatia

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Insurance companies must comply with the general consumer protection requirements under the Consumer Protection Act (*Official Gazette* 19/22). Additional consumer protection requirements are prescribed by the Insurance Act.

Insurers must provide written notice to consumers which must contain, at a minimum, the notices and information prescribed by the Insurance Act. They must also provide notices during the period of insurance (see question 2.4).

The Insurance Act also prescribes the requirements which must be met by insurance intermediaries concerning informing clients and rules of business etiquette.

## 11. 2. What other measures has the state implemented to protect consumers in the insurance sector?

Croatia  
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No other measures, apart from those outlined in question 11.1, have been implemented by the state to protect consumers in the insurance sector.

## 12. Data security and cybersecurity

### 12. 1. What is the applicable data protection regime in your jurisdiction and what specific implications does this have for insurance companies?

Croatia  
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The applicable data protection regime is the EU regime prescribed by the General Data Protection Regulation (GDPR). The regulatory body is the Personal Data Protection Agency.

The specific implications of this data protection regime are more significant for insurance companies and groups of insurance companies from third (non-EU) countries, since the GDPR regime prescribes strict requirements for the transfer of personal data to entities in third countries.

### 12. 2. What is the applicable cybersecurity regime in your jurisdiction and what specific implications does this have for insurance companies?

Croatia  
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There is still no comprehensive cybersecurity regime in Croatia for insurance companies. The Financial Services Supervisory Agency (HANFA) exercises supervision over insurance companies' IT system and data processing. Insurance companies must enable such supervision and provide all documentation with a complete description of the functioning of the IT system, affording HANFA insight into:

- programming solutions;
- data processing;
- control mechanisms which ensure correct data processing; and
- control mechanisms which ensure the confidentiality, integrity and availability of data.

Auditors must audit the insurance company's IT system and issue a report to HANFA. HANFA may order the company to make improvements to the IT system if necessary.

### 13. Financial crime

13. 1. What provisions govern money laundering and other forms of financial crime in your jurisdiction and what specific implications do these have for insurance companies?

Croatia

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The main statute governing anti-money laundering and counter-terrorist financing (AML/CFT) is the Anti-money Laundering and Prevention of Terrorism Financing Act (*Official Gazette* 108/17 and 39/19). Other forms of financial crime are regulated by the Penal Act.

The main implication of these provisions, especially those concerning AML/CFT, is the duty of insurance companies to perform specific due diligence on clients and insureds.

Insurance companies must implement measures, actions and procedures for the prevention and detection of money laundering and terrorist financing before and/or during every transaction or undertaking by virtue of which assets might be used or disposed of for the purpose of money laundering and/or terrorist financing.

Insurance companies and intermediaries must:

- determine and verify the identity of their clients based on documentation and information obtained from credible, reliable and independent sources;
- determine and verify the identity of beneficial owners of their clients;
- determine and verify the identity of the insured, where the insured is a specifically named natural or legal person or other entity (eg, a trust); and
- gather information that is necessary for the positive identification of the insured at the moment of payment of the insurance claim (where the insured is an unnamed group of persons/entities or is specified by certain characteristics).

The identity of the insured, including political exposure, must be determined:

- at the moment of payment of the insurance claim; or
- if the insurance policy is assigned (wholly or partially), at the moment of assignment.

If the insured is a politically exposed person, the insurance company and intermediaries must conduct enhanced due diligence. If it is determined that there is a higher risk of money laundering or terrorist financing, senior management must be informed prior to payment of the insurance claim and the whole relationship with the client must be thoroughly examined.

The board of directors must:

- establish and implement an efficient and effective AML/CTF system, including policies, controls and processes, due diligence of clients and insureds; and
- appoint an authorised person for implementation of such system.



Failure to implement these measures will result in misdemeanour liability and monetary fines may be imposed.

## 14. Competition

14. 1. What specific challenges or concerns does the insurance sector present from a competition perspective? Are there any pro-competition measures that are targeted specifically at insurance companies?

Croatia

Macesic & Partners

The specific challenge and concern from a competition perspective is market concentration, which is a consequence of consolidation in the Croatian insurance market. However, there are no pro-competition measures targeted specifically at insurance companies.

The regulatory body is the Croatian Competition Agency (AZTN), which monitors the levels of concentration on the insurance market.

The last report that the AZTN issued for the insurance market, for 2019, stated that 16 insurance companies were operating in the market that year – three fewer than in 2018; but that the insurance market was relatively well structured and competitive, with moderate market concentration.

## 15. Restructuring and insolvency

15. 1. What provisions govern insolvency in your jurisdiction and what specific implications do these have for insurance companies?

Croatia

Macesic & Partners

The provisions which govern the insolvency of insurance companies in Croatia may be divided into two main groups:

- those governing the restructuring of insurance companies, set out in the Insurance Act and the Companies Act; and
- those governing the bankruptcy of insurance companies, set out in the Insurance Act and the Bankruptcy Act (*Official Gazette* 71/15, 104/17, 36/22).

**Restructuring:** Restructuring measures may be ordered by the Financial Services Supervisory Agency (HANFA) to maintain or re-establish the financial stability of an insurance company. Measures may only be imposed on insurance companies with their registered seat in Croatia. HANFA appoints a special board of directors to implement the measures. Restructuring does not preclude bankruptcy; in fact, unsuccessful restructuring leads to bankruptcy.

Restructuring measures will be ordered if HANFA determines that:

- the company's liquidity or solvency is endangered;

- the board of directors is not constituted according to the applicable legislation;
- the company has impeded supervision by HANFA in any way; or
- the company is not implementing supervisory measures imposed by HANFA.

**Bankruptcy:** Bankruptcy proceedings involving an insurance company may be opened only by the competent commercial court, which will issue an order on the opening of bankruptcy proceedings. Bankruptcy proceedings will be opened only if one of the two reasons for bankruptcy exist: insolvency or over-indebtedness. HANFA must be notified prior to the ruling of the order or, if that is not possible, immediately thereafter. Once it has been notified accordingly, HANFA will revoke its approval for the insurance activities.

The commercial court will appoint a bankruptcy trustee. In addition to satisfying all general conditions for appointment prescribed by the Bankruptcy Act, the trustee must have knowledge and experience in the insurance industry. HANFA will be consulted prior to the appointment.

All insurance contracts cease 30 days from the opening of the bankruptcy proceedings. Creditors must register their claims with the trustee within three months of the opening of the bankruptcy proceedings.

Creditors with claims arising from life-insurance contracts or similar insurance for which the insurer is due to establish mathematical reserves will be settled from the assets intended to cover such mathematical reserves or from funds accrued by selling those assets. Creditors whose claims cannot be settled in this manner have priority in settlement from the bankruptcy estate (liquidated assets). Creditors with claims arising from general insurance for which the insurer is due to establish technical reserves (apart from mathematical reserves) also have priority.

Once the bankruptcy estate has been divided between the creditors, the court will order the closure of the bankruptcy proceedings and the erasure of the insurance company from the Company Register.

## 16. Trends and predictions

16. 1. How would you describe the current insurance landscape and prevailing trends in your jurisdiction? Are any new developments anticipated in the next 12 months, including any proposed legislative reforms?

Croatia

Macesic & Partners

The prevailing trend on the market is one of consolidation. The current insurance landscape has fewer insurance companies, since the number of insurance companies operating in Croatia has been steadily decreasing for the past several years.

New market entrants have mostly been international insurance providers. Domestic insurance companies still have a strong market share, especially Croatia osiguranje, which is the oldest domestic insurance provider. However, Allianz assumed a leading position in 2021.

Insurers are progressively shifting towards the provision of fully digitally integrated insurance services. The prime example is the Laqo platform launched by Croatia osiguranje, through which customers may contract and file claims for both compulsory and gap auto insurance.

## 17. Tips and traps

17. 1. What are your top tips for insurance companies operating in your jurisdiction and what potential sticking points would you highlight?

Croatia

Macesic & Partners

The top tip – and potential sticking point – for insurance companies operating in Croatia is to accept, implement and accelerate digital innovation. Although progress has been made in this regard, the insurance market has generally been somewhat slow to embrace digital innovation. This is a two-way process, and both insurers and insureds and intermediaries must adapt. The traditional approach to conducting business is still preferred. The new market leaders might be those which adapt most quickly to this new trend.

Environmental, social and governance (ESG) is another sticking point which might influence the insurance market. Insurance companies are subject to EU ESG regulation and oversight by the Financial Services Supervisory Agency (HANFA) in this regard.

Apart from the Insurance Act, which has implemented EU directives, ESG is also implemented through European Insurance and Occupational Pensions Authority (EIOPA) guidelines, which are regularly accepted and endorsed by HANFA. The seven key areas of activity for sustainable financing in the period between 2022 and 2024 declared by EIOPA are as follows:

- integrating ESG risks in the prudential framework of insurers and pension funds;
- consolidating the macro/micro-prudential risk assessment of ESG risks;
- promoting sustainability disclosures and a sustainable conduct of business framework;
- supporting the supervision of ESG risks and supervisory convergence in the European Union;
- addressing protection gaps;
- promoting the use of open-source modelling and data in relation to climate change risks; and
- contributing to international convergence for the assessment and management of sustainability risks

Therefore, it may be predicted that new ESG regulation will be passed in these key areas and implemented in Croatia through the Insurance Act and guidelines issued by EIOPA. Insurance companies must be fully prepared for this new regulation.



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