

UDK:342.537.3: 347.77.04 (672-EEZ):336.743.2:368.811:328.188:348.124.4:338.266

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EU REGULATIONS

PROPOSED AMENDMENTS TO DIRECTIVE SOLVENCY II

In September 2021, the European Commission proposed a set of amendments in insurance relating to the Directive 2009/138/EC, better known as Solvency II.² The Directive is the gold standard in insurance sector which goes beyond the borders of the European Union.³ Proposal for its amendments followed after one year of consultation with an expert body in the field of European insurance - EIOPA (*European Insurance and Occupational Pensions Authority*), whose recommendations were influenced by the escalation of the current pandemic crisis, which seriously disrupted macroeconomic and market conditions.⁴ This paper will briefly present possible outcomes of the adoption of these proposals.

Aim of the amendments is to strengthen the insurance sector regarding future economic and other turmoil, but also to improve user protection, in line with other EU standards in this area. Faced with the far-reaching consequences of the Covid-19 crisis, the European Union recognized that the insurance sector, as a particularly affected financial sector, needs to be more strongly supported at the systemic level.⁵ Amendments to the Directive should result in the generation of new

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² Full text is available on the official website EUR-lex: Proposal for a Directive of the European Parliament and of the Council amending Directive 2009/138/EC as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks, group and cross-border supervision (COM/2021/581 final), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0581> (accessed on 11.10.2021).

³ Jelena Kočović, Marija Koprivica, „Problemi obračuna riziko-margine u regulatornom okviru Solventnost II“. *Tokovi osiguranja*, Beograd, 1/2021, str. 8.

⁴ Consult EIOPA's Opinion on the Solvency II Directive from 17th December 2020, p. 4: https://www.eiopa.europa.eu/document-library/opinion/opinion-2020-review-of-solvency-ii_en

⁵ Miloš Petrović, „Pandemija Kovida 19: zdravstveni rizici i opsežne štetne posledice po privredne i druge tokove“. *Tokovi osiguranja*, Beograd 1/ 2021, p. 70–85.

funds at the amount of up to 90,000,000,000 Euros, which could be used for the implementation of investment projects.⁶ However, the long-term benefit could exceed 120,000,000,000 Euros.⁷ Completion of the capital market union is also encouraged.

In addition to the expected incentives to new investments, potential changes are expected to improve the position of insured persons, starting with a more comprehensive insight into insurers' business activities, through closer contacts between competent national authorities, to better supervision.⁸ Adjustments are also expected in accordance with the European Green Deal, which is one of the priorities of the European Commission's mandate led by Ursula von der Leyen and envisages a number of mechanisms to achieve the goal of climate neutrality by the middle of this century.⁹

On this occasion, it should be noted that the European Commission, in addition to amending Solvency II, also proposed the so-called Insurance Recovery Directive.¹⁰ That document would seek to provide a greater degree of security in terms of financial turmoil at the institutional level, especially in cases of insolvency, and to generally contribute to a more resilient system, inter alia by encouraging closer cooperation among members.

As a part of the usual decision-making procedure, the European Parliament and the Council of Europe have yet to decide on the set of proposed amendments. Adoption of the above stated documents would be accompanied by the introduction or amendment of other supranational as well as national regulations. Given the relevance of the Solvency II Directive in insurance, the proposed amendments, if adopted, would certainly affect the business of insurers outside the physical borders of the European Union, especially in the Western Balkans, which is obliged to comply with the EU standards on the path to full economic (and political) integration.

Sources

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⁶ European Commission, Reviewing EU insurance rules: encouraging insurers to invest in Europe's future, 2021, https://ec.europa.eu/commission/presscorner/detail/en/IP_21_4783, (accessed: 11. 10. 2021).

⁷ Hew Jones, EU plans 120 billion euro economic boost by easing insurance rules, Reuters, 2021, <https://www.reuters.com/business/finance/eu-plans-120-billion-euro-economic-boost-by-easing-insurance-rules-2021-09-22/>, (accessed: 11. 10. 2021).

⁸ Ibid.

⁹ European Commission, Press remarks by President von der Leyen on the occasion of the adoption of the European Green Deal Communication, 2019, https://ec.europa.eu/commission/presscorner/detail/fr/speech_19_6749, (accessed: 11. 10. 2021).

¹⁰ European Commission, Reviewing EU insurance rules: encouraging insurers to invest in Europe's future, 2021, https://ec.europa.eu/commission/presscorner/detail/en/IP_21_4783, (accessed: 11. 10. 2021).

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Translated by: **Jelena Rajković**