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Council of the European Union

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"I/A" ITEM NOTE

From:	Presidency
To:	Permanent Representatives Committee (Part 2)/Council
No. prev. doc.:	14263/14 + ADD1 to ADD15
No. Cion doc.:	C (2014) 7230 final
Subject:	COMMISSION DELEGATED REGULATION (EU) No …/.. of 10.10.2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) = intention not to raise objections to a delegated act

STATEMENT BY CROATIA

Croatia supports the adoption of the Commission Delegated Regulation (EU) No …/.. supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (doc. 14263/14 + Annexes from ADD1 to ADD 15) and the framework of rules envisaged under the Solvency II regime.

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Bearing in mind the underlying purpose of the new rules to ensure financial stability through robust risk management practices by insurance undertakings in the Union, we regret that the application of the Solvency Capital Requirement with the standard formula in the case of the Croatian insurance sector is likely to produce very serious negative consequences for the domestic sovereign debt market, thus undermining and in our view outweighing the intended benefits in the foreseeable period.

For reasons of policy and legislative background, euro-denominated domestic government bonds which are settled and traded in the domestic currency account for 34% (9.7 billion HRK) of total investments of Croatian insurance companies, and furthermore 59% (8.7 billion HRK) of total life technical provision. Given that these instruments have not been included in the scope of risk-free exposures referred to in Article 180 and Article 187, the resulting capital requirements on Croatian insurance companies are expected to be entirely unattainable without vast disinvestment from the currency clause domestic-issue government bonds. We have serious concerns about the impact of this behaviour on the sovereign borrowing in the domestic market. It is regretful that this overarching domestic financial stability issue could not be taken into consideration.

Looking towards a possible solution, we strongly encourage early action under the review clause set out in Recital (150) regarding the market risk module, according to which the Commission is to re-examine the methods, assumptions and standard parameters used to calculate the SCR with the standard formula by December 2018. In particular, it is stated that the "review should make use of the experience gained by insurance and insurance undertakings during the transitional period and the first years of application of these delegated acts".

We will continue a constructive dialogue and submission of relevant data and analyses on this matter. We trust that evidence of justifiable concerns will contribute to the decision to undertake steps under the review as urgently as possible.

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STATEMENT BY HUNGARY

Hungary regrets the fact that sufficient time for the proper examination of the Delegated Regulation was not made available, especially considering the importance and the length of this regulation, which is crucial for the implementation of Solvency II.

In any case, Hungary has not found any reason to oppose the Delegated Regulation, but hopes that at least some significant mistranslations will be corrected by the Commission. As the Regulation will be directly applicable, it is important that it is understandable, workable and coherent with existing pieces of legislation.

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