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EU REGULATIONS

COMING INTO EFFECT OF THE EUROPEAN COMMISSION DELEGATED REGULATION 2021/1256²

The European Commission Delegated Regulation 2021/1256 of April 2021 amended some aspects of the Regulation 2015/35 relevant for the integration of sustainability risk into governance of insurance and reinsurance undertakings. The amended Regulation was published in the Official Gazette of the European Union at the beginning of August 2021 and entered into force in the same month, whereas the implementation thereof is expected to commence in August 2022. The amendments were adopted taking into account the current deeds such as the Directive 2009/138 / EC of the European Parliament and of the Council of 2009 on the establishment and performance of insurance and reinsurance activity (Solvency II), the Paris Agreement on Climate Change 2015 and the European Green Agenda (COM (2019) 640 final) regulating the tendencies towards a *climate-neutral* Union (i.e. neutral impact of the EU on the emission of green gasses) before the mid-century. The amendments stipulate more detailed definitions of sustainability-related concepts and aspects.

The very beginning of the document includes a statement that, in accordance with the 2018 European Commission's action plan for financing sustainable growth (COM (2018) 97 final), it is necessary to ensure the improvement of the governance system of insurance and reinsurance undertakings whose solvency should be harmonized with sustainability risks. Furthermore, insurance undertakings that exercise an adverse impact on the sustainability elements stipulated under the Regulation 2019/2088 need to align their business and to establish internal acts explaining how the sustainability aspect will be integrated into the risk management profile, following the goals of the European Commission to provide for the management of climate and environmental challenges.

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² European Commission, Commission delegated regulation (EU) 2021/1256 of 21 April 2021 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings, Brussels, 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1256&from=EN>, accessed on: 27/08/2021.

The first Article of the previous Regulation (2015/35) has been amended to include a more detailed definition of concepts and aspects such as sustainability risk (Item 55.c), sustainability factors (55.d), preferences regarding sustainability, whereby it specifies financial instruments in the context of environmental protection (55.e). The Article 260 of the previous Regulation has been amended with regard to the following items:

- 1. (a) (i), clarifying that these are measures taken by the insurer / reinsurer to assess / manage the risks or challenges of alterations in the value of liabilities due to various factors, including the sustainability aspect;
- 1. (c) (vi), emphasizing the measures taken by the insurer / reinsurer to adequately identify, analyze and manage the sustainability risks of the investment portfolio;
- paragraph 1 (a) is added, noting that insurers and reinsurers will integrate sustainability risks into their policies in the above mentioned and in other areas.

The third Article stipulates the amendment to the Article 269, adding under the paragraph 1 (e) that sustainability risks will be identified and assessed, including the emerging ones; moreover, the paragraph 1 (a) is added, specifying that the identified risks referred to under the item 1 (e) should be covered by the construing of the Article 262, paragraph 1 (a). In the next, fourth Article, it is defined that the Article 272 paragraph 6 (b) is amended to cover the aspects listed in areas such as inflation, legal risk, but also fluctuations in the amount of the insurance premium. Under the Article 275, paragraph 4 is added, stating that the payment aspect should contain particular details on the systemic integration of the sustainability risks.

The investment-related section six is included under the part 9 of the first Chapter. The Article 275 (a) regulates the domain of integration of sustainability risk in accordance with the principle of prudence, whereby insurers and reinsurers undertake to systematically approach this risk (paragraph 1) and/or be guided by the potential long-term effects of their investment strategy and activities on sustainability aspect, bearing in mind the preferences of consumers.

The Regulation entered into force in the second half of August 2021 and shall apply as of August next year in all EU member states.

Source

- European Commission, Commission delegated regulation (EU) 2021/1256 of 21 April 2021 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings, Brussels, 2021, <https://eurlex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32021R1256&from=EN>, accessed on: 27/08/2021.

*Translated from Serbian by: **Bojana Papović***