

## DECISION

Národná banka Slovenska, as the competent supervisory authority under Section 79(1) and (2), Section 16(5) and Section 17(7) of Act No 39/2015 on insurance (and amending certain laws), as amended (hereinafter 'Act No 39/2015') — with its Financial Market Supervision Unit / Supervision and Financial Consumer Protection Division being the competent body for conducting proceedings and taking decisions of the first instance pursuant to Section 1(2) and (3)(a), in conjunction with Section 5(1) and (2), Section 16(1) and (2) and Section 29(1), of Act No 747/2004 on financial market supervision (and amending certain laws), as amended (hereinafter 'Act No 747/2004') — (hereinafter 'the supervisory authority')

### has decided,

in the proceedings brought against NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poist'ovňa, a.s. – whose company registration number (IČO) is 47 251 301 and which has its registered office at Námestie Ľudovíta Štúra 2, 811 02 Bratislava and is registered in the Commercial Register maintained by Bratislava I District Court (Section: Sa; File number: 5851/B) (hereinafter 'the party to proceedings' or 'the party'), being represented by the law firm Prosman a Pavlovič advokátska kancelária, s.r.o., whose company registration number (IČO) is 36 865 281 and whose registered office is at Hlavná 31, 917 01 Trnava (hereinafter 'the legal representative') – initiated by the notification of 4 October 2021 of the commencement of sanction proceedings (recorded under document number 100-000-308-211 and file number NBS1-000-064-454) for shortcomings in the party's activities which the supervisory authority has demonstrated on the basis of facts established through its off-site supervision activity and on the basis of evidence established during these sanction proceedings (recorded under file number NBS1-000-064-454), as follows:

The party, in its conduct of insurance business from 30 June 2021 to 17 August 2021, **did not proceed prudently, i.e. in a manner which takes into account and mitigates the party's risk exposure and which is not detrimental to the party's financial situation, nor did it**

**have sufficient own funds eligible to cover the Solvency Capital Requirement as defined in Section 48(1) of Act No 39/2015 (hereinafter ‘the SCR’);** specifically, the party:

- in its best estimate calculation for technical provisions made pursuant to Section 38(2) of Act No 39/2015 (hereinafter ‘the TP best estimate’), did not use realistic assumptions for:
  - o the probability of insurance contract cancellation in the Italian and Icelandic markets (hereinafter ‘cancellation probability’) and
  - o the unit costs per insurance contract (hereinafter ‘the insurance cost’)(together hereinafter referred to as the ‘selected assumptions’);
- by using the unrealistic selected assumptions, was generally underestimating its TP best estimate;
- applied the selected assumptions, which as at 30 June 2021 were set in an inconsistent and groundless manner, and so in its calculations based thereon came to the incorrect conclusion that it sufficiently covers the SCR with eligible own funds;

and as at 30 June 2021 the party did not have sufficient own funds eligible to fully (100%) cover the SCR contrary to the obligation laid down in Section 48(1) of Act No 39/2015.

The party thereby committed an administrative delict – breaching Section 23(3)(a) and (c) of Act No 39/2015, in conjunction with Section 37(2) and 38(2) of Act No 39/2015, with Article 22(1)(a), (c) and (d) and Article 27 of Commission Delegated Regulation (EU) 2015/35 of 10 October 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) (hereinafter ‘Delegated Regulation 2015/35’), and with Section 48(1) of Act No 39/2015 – for which the supervisory authority, acting in accordance with Section 139(11) of Act No 39/2015, orders the party:

I. in accordance with Section 139(1)(k) of Act No 39/2015 to increase its technical provisions to the obligatory level within 15 days after receiving this decision ordering the party to ensure that its technical provisions pursuant to Sections 37 to 44 of Act No 39/2015, calculated as at 31 December 2021, amount to at least minus EUR XXX (XXX euro) and to maintain this level of technical provisions until 31 December 2022 or until such time as the party receives the supervisory authority’s written approval of new assumptions that the party has used to calculate technical provisions in a different amount (hereinafter ‘the recalculated TPs’),

such approval having been issued in response to the party’s written request to the supervisory authority containing the following:

1. a complete statement of the values of all the assumptions used in the best estimate calculation for the recalculated TPs (hereinafter ‘new assumptions’);
2. the documentation specified in Article 265(3)(b) of Delegated Regulation No 2015/35;

3. the input data that the party used as the basis for the new assumptions and a description of these data;
4. the date between 31 December 2021 and 31 December 2022 as at which the party is requesting approval of the new assumptions;
5. a detailed justification of all the differences between the new assumptions and the assumptions that the party used for the TR best estimate calculated as at 30 June 2021 on the basis of a request for information of 29 July 2021 (recorded under document number 100-000-299-211, with that request being hereinafter referred to as 'the request of 29 July 2021' and the assumptions used for the calculations based on that request being hereinafter referred to as 'the assumptions as at 30 June 2021'), with this justification clearly showing that the assumptions used to calculate the best estimate for the recalculated TPs are realistic as defined in Section 38(2) of Act No 39/2015;
6. specification of the amount of the recalculated TPs;
7. specification of the risk margin value used in the calculation of the recalculated TPs and a justification of the difference between this value and the risk margin value of EUR XXX set as at 30 June 2021 and stated by the party in a PDF (Adobe Acrobat) document entitled '20210817\_NBS\_Poskytnutie informácií\_final\_signed' (hereinafter 'the submission of 17 August 2021');

no later than 30 days after receiving the party's request containing the elements stated in points 1 to 7 above, the supervisory authority will send the party its decision on whether it approves or rejects the use of the new assumptions; until 31 December 2022 the party may change the amount of the recalculated TPs, applying the new assumptions approved in accordance with this Decision's operative part, only from the moment when it receives a written approval for such change from the supervisory authority in the way stated in this part of this Decision's operative part;

II. in accordance with Section 139(1)(a) of Act No 39/2015, to eliminate and remedy the identified shortcomings by requiring it:

1. to recalculate its SCR in accordance with Section 48(1) of Act No 39/2015 and its own funds eligible to cover the SCR as at 31 December 2021, with the amount of technical provisions not lower than minus EUR XXX (XXX euro), and to notify the supervisory authority of the recalculated figures by no later than 15 March 2022; if the party has had new assumptions approved by the supervisory authority and, by applying them, has changed the amount of the recalculated TPs in accordance with part I of this Decision's operative part, the party shall, instead of performing the recalculation as stated in the part of this point preceding the semicolon, perform the recalculation using the recalculated TPs as at the date approved by the supervisory authority, and the party shall notify the supervisory authority of the amount of the SCR and the own funds eligible to cover the SCR within 15 days after receiving the supervisory authority's written approval pursuant to part I of this Decision's operative part, but, for the first time, by no later than 15 March 2022;

2. to top up its own funds eligible to cover the SCR in accordance with Section 47(1) and (3) of Act No 39/2015, in conjunction with Articles 69 to 79 and Article 82 of Delegated Regulation 2015/35, so that the SCR calculated pursuant to part II, point 1, of this Decision's operative part is duly covered by these own funds, and to demonstrate to the supervisory authority that it has topped up these own funds; this shall be done within the same time limits as those stated in part II, point 1, of this Decision's operative part for notifying the supervisory authority of the amounts of the SCR and the own funds eligible to cover the SCR;

3. to maintain eligible own funds in the amount necessary to duly cover the SCR as calculated under part II, point 1, of this Decision's operative part, from when these funds are topped up in accordance with part II, point 2, of this Decision's operative part until 31 December 2022.

III. in accordance with Section 139(1)(g) of Act No 39/2015, in conjunction with Section 139(8) of the same, to refrain until 15 March 2022 from any use of assets other than required in the ordinary course of its business, in particular from:

1. performing any acts whose purpose, whether in return for payment or free of charge, is to transfer the right of ownership in, or establish a security interest in, a thing, right or other asset;
2. performing any acts leading to a decrease in the value of assets;
3. paying out any claims to persons in a specific relationship to the party, in particular to persons whose relationship to the party is that of its shareholder, a member of its statutory body, a member of its supervisory board, any other of its managers or key function holders, or a person closely linked with one of these, or that of a legal person whose statutory body, supervisory board or other members of management include anyone whose relationship to the party is that of a member of its statutory body, a member of its supervisory board, any other of its managers or key function holders, or a person closely linked with one of these, or in which any one of these persons has a participating interest, or that of a legal person that has controlling interest in the party (hereinafter 'persons related to the party');
4. increasing liabilities in excess of the amount required for the performance of ordinary business activities.