

**Full wording of Decree  
of National Bank of Slovakia No.25/2008  
of 9 December 2008  
concerning the solvency and the minimum amount of the guarantee fund of an  
insurance company, branch of a foreign insurance company, reinsurance  
company and a branch of a foreign reinsurance company after amending by  
Decree of the National Bank of Slovakia No. 12/2009**

The National Bank of Slovakia, pursuant to Article 34 par. 12 and 21 of Act No. 8/2008 Coll. on Insurance and on amendments and supplements to certain laws as amended by Act No. 270/2008 Coll. (hereinafter referred to as the "Act") and pursuant to Article 35 par. 2 of Act No. 747/2004 Coll. on Supervision of the Financial Market and on amendments and supplements to certain laws hereby lays down the following:

**Article 1**

(1) The required solvency margin for the life insurance classes specified in Annex No. 1 Part A par. 1, 2 and 5 of the Act shall equal to the sum of amounts calculated according to Annexes No. 1 and 2.

(2) The required solvency margin for the life insurance class specified in Annex No. 1 Part A par. 3 of the Act shall equal to the amount calculated according to Annex No. 1.

(3) The required solvency margin for the life insurance class specified in Annex No. 1 Part A par. 4 of the Act shall equal to the sum of amounts calculated according to

- a) Annex No. 1, if the economic risk of the fluctuating character of yields or of the growth of the invested means is carried by an insurance company or a branch of a foreign insurance company,
- b) Annex No. 3, if the economic risk of the fluctuating character of yields or of the growth of the invested means is carried exclusively by a person that has concluded an insurance contract with the insurance company or the branch of a foreign insurance company, and the fees for the coverage of costs for the management of insurance contracts are set for a period longer than five years,
- c) Annex No. 4, if the economic risk of the fluctuating character of yields or of the growth of the invested means is carried exclusively by a person that has concluded an insurance contract with the insurance company or the branch of a foreign insurance company, and the fees for the coverage of costs for the management of insurance contracts are not or are set maximum for five years,
- d) Annex No. 2, if the insurance company or the branch of a foreign insurance company underwrites the death risk.

(4) To the calculation of the required solvency margin for the life insurance class specified in Annex No. 1 Part A par. 6 of the Act, Article 2 shall apply equally.

(5) The required solvency margin for life insurance shall be calculated as the sum of amounts calculated according to paragraphs 1 to 4.

## **Article 2**

(1) The required solvency margin for non-life insurance shall be calculated from the volume of premiums of the previous year according to Annex No. 5 or of the average costs for insurance benefits for the last three years according to Annex No. 6. If the insurance company or the branch of a foreign insurance company pursues an insurance activity only in the insurance classes specified in Annex No. 1 Part B par. 8 c) and d), par. 9 for the case of insurance against damages and losses due to hail or frost and in par. 14 of the Act, the required solvency margin for non-life insurance shall be calculated from the volume of premiums of the previous year according to Annex No. 5 or of the average costs for insurance benefits for the last seven years according to Annex No. 6.

(2) The required solvency margin for non-life insurance according to paragraph 1 shall be set from the higher amount calculated according to Annexes No. 5 and 6.

(3) If the required solvency margin according to paragraph 2 is lower than the required solvency margin for the previous year, the minimum amount of the required solvency margin shall be calculated according to Annex No. 7.

## **Article 3**

To the calculation of the required solvency margin for the reinsurance activity, Article 2 shall apply equally.

## **Article 4**

The modified solvency margin shall be calculated according to Articles 1 to 3 on the basis of information from the consolidated financial statements.

## **Article 5**

(1) Capital at risk means an amount payable in the event of death of the insured person reduced by the technical provision established.

(2) Capital at risk shall be calculated according to Annex No. 8.

## **Article 6**

(1) The minimum amount of the guarantee fund of an insurance company or a branch of a foreign insurance company for life insurance shall be EUR 3,500,000.

(2) The minimum amount of the guarantee fund of an insurance company or a branch of a foreign insurance company for one insurance class of non-life insurance or for several insurance classes of non-life insurance stated in Annex No. 1 Part B of the Act

- a) paragraphs 1 to 9 and 16 to 18 shall be EUR 2,300,000,
- b) paragraphs 10 to 15 shall be EUR 3,500,000.

(3) The minimum amount of the guarantee fund of an insurance company or a branch of a foreign insurance company for several insurance classes of non-life insurance with various minimum amounts of the guarantee fund under paragraph 2 shall be EUR 3,500,000.

(4) The minimum amount of the guarantee fund of a reinsurance company or of a branch of a foreign reinsurance company shall be EUR 3,500,000.

## **Article 7**

(1) The statements in which an insurance company, branch of a foreign insurance company, reinsurance company and a branch of a foreign reinsurance company submits to the National Bank of Slovakia information and details on the actual solvency margin, required solvency margin, modified solvency margin and on the guarantee fund shall be the following:

Specification of statement	Name of statement
a) Ppn (SOI) 20-01	Solvency of an insurance company and a branch of a foreign insurance company,
b) Za (SOI) 20-01	Solvency of a reinsurance company and a branch of a foreign reinsurance company,
c) Ppn (USO) 23-01	Modified solvency margin.

(2) Submission of the Statement under paragraph 1 a) applies to an insurance company and to a branch of a foreign insurance company.

(3) Submission of the Statement under paragraph 1 b) applies to a reinsurance company and to a branch of a foreign reinsurance company.

(4) Submission of the Statement under paragraph 1 c) applies to the controlling person.

(5) Statements under paragraph 1 shall be drawn up on a yearly basis from audited data as of the last day of the accounting period. If the accounting period is not identical with the calendar year, the Statement shall be drawn up as of the end of the accounting period from audited data and as of the end of the calendar year from preliminary data.

(6) Statements under paragraph 1 shall be submitted to the National Bank of Slovakia in electronic form, through the STATUS DFT information system – collection, processing and storage of the data of Slovak financial market entities.

(7) Statements under paragraph 1 drawn up from audited data shall be submitted within three months upon the lapse of the accounting period, and statements drawn up from preliminary data shall be submitted within three months upon the lapse of the calendar year for which they are drawn up.

(8) Statements under paragraph 1 shall be drawn up in the legal currency.

(9) The templates of Statements under paragraph 1 are stated in Annexes No. 9 to 11. Part of the Annexes constitutes the Methodology for drawing up these Statements.

### **Article 8**

By this Decree the legal acts of the European Communities and the European Union listed in Annex No. 12 shall be adopted.

### **Article 9**

Statements under Article 7 par. 1 shall be drawn up for the first time according to the status as of 31 December 2008 in the Slovak currency.

### **Article 10**

The Decree of the National Bank of Slovakia of 5 February 2008 No. 2/2008 laying down the minimum amount of the guarantee fund of an insurance company or a branch of a foreign insurance company (Notice No. 54/2008 Coll.) shall be repealed.

### **Article 11**

This Decree shall come into effect on 31 December 2008.

The Decree of National Bank of Slovakia No. 12/2009 came into effect on 31 December 2009.

**Ivan Šramko**  
**The Governor**

**Required solvency margin for life insurance determined from the value of technical provisions**

The required solvency margin shall be calculated according to the following formula:

$$PMS = 0,04 \times TR \times K_Z,$$

where

PMS = required solvency margin,

TR = the sum of technical provision for life insurance and of technical provision for unearned premiums established for the contracts of insurance classes specified in Annex No. 1 Part A paragraphs 1, 2, 3 and 5 of the Act, and the sum of technical provision to cover the risk of investing the financial means on behalf of the insured, technical provision for life insurance and of technical provision for unearned premiums established for the contracts of insurance classes specified in Annex No. 1 Part A paragraph 4 of the Act, where the economic risk of the fluctuating character of yields or of the growth of the invested means is carried by an insurance company or a branch of a foreign insurance company,

$K_Z$  = reinsurance ratio, whereas the reinsurance ratio is limited from below by 0.85 and it shall be calculated as follows:

$$K_Z = \max(0,85; \frac{TR - PZ}{TR}),$$

where

PZ = reinsurers' share of the technical provisions stated above.

**Required solvency margin for life insurance determined from the value of capital at risk**

The required solvency margin shall be calculated according to the following formula:

$$PMS = (0,003 \times RK_1 + 0,0015 \times RK_2 + 0,001 \times RK_3 + 0,003 \times RK_4) \times K_Z,$$

where

PMS = required solvency margin,

$RK_1$  = capital at risk for the contracts of insurance classes specified in Annex No. 1 Part A paragraphs 1, 2 and 5 of the Act, except temporary insurance against death with the period of insurance up to five years inclusive,

$RK_2$  = capital at risk for temporary insurance against death with the period of insurance from three to five years inclusive, including the contracts of insurance classes specified in Annex No. 1 Part A paragraphs 1, 2 and 5 of the Act,

$RK_3$  = capital at risk for temporary insurance against death with the period of insurance up to three years, including the contracts of insurance classes specified in Annex No. 1 Part A paragraphs 1, 2 and 5 of the Act,

$RK_4$  = capital at risk for the contracts of the insurance class specified in Annex No. 1 Part A paragraph 4 of the Act, if the insurance company or a branch of the foreign insurance company underwrites the death risk,

$K_Z$  = reinsurance ratio, whereas the reinsurance ratio is limited from below by 0.85 and it shall be calculated as follows:

$$K_Z = \max(0,5; \frac{RK - PZ}{RK}),$$

where

RK = capital at risk for the contracts of insurance classes specified in Annex No. 1 Part A paragraphs 1, 2, and 5 of the Act, and for the contracts of the insurance class specified in Annex No. 1 Part A paragraph 4 of the Act, if the insurance company or a branch of the foreign insurance company underwrites the death risk,

PZ = reinsurers' share of the capital at risk.

**Required solvency margin for the life insurance class specified in Annex No. 1 Part A paragraph 4 of the Act, if the economic risk of the fluctuating character of yields or of the growth of the invested means is carried exclusively by a person that has concluded an insurance contract with the insurance company or the branch of a foreign insurance company, and the fees for the coverage of costs for the management of insurance contracts are set for a period longer than five years**

The required solvency margin shall be calculated according to the following formula:

$$PMS = 0,01 \times TR \times K_Z,$$

where

PMS = required solvency margin,

TR = the sum of technical provision to cover the risk arising from the investment of resources on behalf of the insured, technical provision for life insurance and technical provision for unearned premium established for the contracts of the insurance class specified in Annex No. 1 Part A paragraph 4 of the Act, where the economic risk of the fluctuating character of yields or of the growth of the invested means is carried exclusively by a person that has concluded an insurance contract with the insurance company or the branch of a foreign insurance company, and the fees for the coverage of costs for the management of insurance contracts are set for a period longer than five years,

$K_Z$  = reinsurance ratio, whereas the reinsurance ratio is limited from below by 0.85 and it shall be calculated as follows:

$$K_Z = \max(0,85; \frac{TR - PZ}{TR}),$$

where

PZ = reinsurers' share of the technical provisions stated above.

**Required solvency margin for the life insurance class specified in Annex No. 1 Part A paragraph 4 of the Act, if the economic risk of the fluctuating character of yields or of the growth of the invested means is carried exclusively by a person that has concluded an insurance contract with the insurance company or the branch of a foreign insurance company, and the fees for the coverage of costs for the management of insurance contracts are not or are set for a period of maximum five years**

The required solvency margin shall be calculated according to the following formula:

$$PMS = 0,25 \times PN_{netto},$$

where

PMS = required solvency margin,

$PN_{netto}$  = net operating expenses for the reported period shall be calculated as follows:

$$PN_{netto} = ON + SR - PR,$$

where

ON = acquisition costs for insurance contracts,

SR = management expenses,

PR = commission expenses.



**Required solvency margin for non-life insurance calculated on the basis of the volume of premiums**

The required solvency margin shall be calculated according to the following formula:

$$PMS = [0,18 \times \min(OP - OP_Z; L) + 0,16 \times \max(0; OP - OP_Z - L) + \frac{0,18}{3} \times \min(OP_Z; L) + \frac{0,16}{3} \times \max(0; OP_Z - L)] \times K_Z,$$

where

PMS = required solvency margin,

OP = volume of premiums,

OP<sub>Z</sub> = volume of premiums from non-life insurance contracts related to illness insurance, if an insurance company or a branch of a foreign insurance company pursues illness insurance on a technical basis similar to life insurance, or a reinsurance company or a branch of a reinsurance company pursues reinsurance of illness insurance on a technical basis similar to life insurance provided that the following conditions are met:

- a) the amount of the premium is calculated on the basis of actuarial methods applied in life insurance,
- b) technical provision reflects the growth of risk with an increasing age of the insured person,
- c) the premium includes an adequate safety margin,
- d) an insurance company, branch of a foreign insurance company, reinsurance company or a branch of a foreign reinsurance company may cancel an insurance contract before the lapse of the third policy year at the latest,
- e) the conditions of insurance authorise an insurance company, branch of a foreign insurance company, reinsurance company or a branch of a foreign reinsurance company to increase or decrease the premiums for valid contracts as well,

L = EUR 57,500,000.

K<sub>Z</sub> = reinsurance ratio, whereas the reinsurance ratio is limited from below by 0.5.

The volume of premiums shall be calculated as follows:

$$OP = \max(PZ_{B1-10,B14-18} + 1,5 \times PZ_{B11-13}; ZP_{B1-10,B14-18} + 1,5 \times ZP_{B11-13}),$$

where

$PZ_{B1-10,B14-18}$  = all sums of premiums adjusted by cancelled premiums and by premium discounts, payable according to insurance contracts for the period under review (hereinafter referred to as "technical premiums") under the contracts of the insurance classes specified in Annex No. 1 Part B paragraphs 1 to 10 and 14 to 18 of the Act reduced by the amount of the levy of a part of the insurance premium according to Article 33 of the Act,

$PZ_{B11-13}$  = technical premiums under the contracts of the insurance classes specified in Annex No. 1 Part B paragraphs 11 to 13 of the Act reduced by the amount of the levy of a part of the insurance premium according to Article 33 of the Act,

$ZP_{B1-10,B14-18}$  = earned premiums under the contracts of the insurance classes specified in Annex No. 1 Part B paragraphs 1 to 10 and 14 to 18 of the Act reduced by the amount of the levy of a part of the insurance premium according to Article 33 of the Act,

$ZP_{B11-13}$  = earned premiums under the contracts of the insurance classes specified in Annex No. 1 Part B paragraphs 11 to 13 of the Act reduced by the amount of the levy of a part of the insurance premium according to Article 33 of the Act.

Reinsurance ratio shall be calculated as follows:

$$K_z = \max(0,5; \frac{NPP - PZ}{NPP}),$$

where

NPP = all sums of insurance benefits (hereinafter referred to as "technical insurance benefits"), including any alteration of the technical provision for insurance benefits of the last three years,

PZ = reinsurers' share of technical insurance benefits, including an alteration of the technical provision for insurance benefits of the last three years.

**Required solvency margin for non-life insurance calculated on the basis of the average cost for insurance benefits**

The required solvency margin shall be calculated according to the following formula:

$$\begin{aligned}
 PMS = & [0,26 \times \min(PNPP - PNPP_Z; L) + \\
 & + 0,23 \times \max(0; PNPP - PNPP_Z - L) + \\
 & + \frac{0,26}{3} \times \min(PNPP_Z; L) + \\
 & + \frac{0,23}{3} \times \max(0; PNPP_Z - L)] \times K_Z,
 \end{aligned}$$

where

PMS = required solvency margin,

PNPP = average technical insurance benefits, including an alteration of the technical provision for insurance benefits,

PNPP<sub>Z</sub> = average technical insurance benefits, including an alteration of the technical provision for insurance benefits under non-life insurance contracts related to illness insurance, if an insurance company or a branch of a foreign insurance company pursues illness insurance on a technical basis similar to life insurance, or a reinsurance company or a branch of a reinsurance company pursues reinsurance of illness insurance on a technical basis similar to life insurance provided that the following conditions are met:

- a) the amount of the premium is calculated on the basis of actuarial methods applied in life insurance,
- b) technical provision reflects the growth of risk with an increasing age of the insured person,
- c) the premium includes an adequate safety margin,
- d) an insurance company, branch of a foreign insurance company, reinsurance company or a branch of a foreign reinsurance company may cancel an insurance contract before the lapse of the third policy year at the latest,
- e) the conditions of insurance authorise an insurance company, branch of a foreign insurance company, reinsurance company or a branch of a foreign reinsurance company to increase or decrease the premiums for valid contracts as well,

L = EUR 40,300,000.

$K_Z$  = reinsurance ratio, whereas the reinsurance ratio is limited from below by 0.5.

Average technical insurance benefits shall be calculated as follows:

$$PNPP = (NPP_{B1-10,B14-18} + 1,5 \times NPP_{B11-13}) / N,$$

where

$NPP_{B1-10,B14-18}$  = technical insurance benefits, including an alteration of the technical provision for insurance benefits reduced by the compensation of insurance benefits for insurance claims of an insurance company pursuant to Articles 813 and 827 of the Civil Code (hereinafter referred to as the "recourse") during the period pursuant to Article 2 par. 1 for the insurance classes specified in Annex No. 1 Part B paragraphs 1 to 10 and 14 to 18 of the Act,

$NPP_{B11-13}$  = technical insurance benefits, including an alteration of the technical provision for insurance benefits reduced by the recourses during the period pursuant to Article 2 par. 1 for the insurance classes specified in Annex No. 1 Part B paragraphs 11 to 13 of the Act,

$N$  = number of years pursuant to Article 2 par. 1.

Reinsurance ratio shall be calculated as follows:

$$K_Z = \max(0,5; \frac{NPP - PZ}{NPP}),$$

where

$NPP$  = technical insurance benefits, including an alteration of the technical provision for insurance benefits of the last three years,

$PZ$  = reinsurers' share of technical insurance benefits, including an alteration of the technical provision for insurance benefits of the last three years.

**Minimum amount of the required solvency margin for non-life insurance**

The minimum amount of the required solvency margin shall be calculated according to the following formula:

$$MPMS = PMS_{t-1} \times \min(1; I_{RPP}),$$

where

MPMS = minimum amount of the required solvency margin,

$PMS_{t-1}$  = required solvency margin for the previous year,

$I_{RPP}$  = growth index for the technical provision for claims outstanding shall be calculated as follows:

$$I_{RPP} = \frac{RPP_{EoY}}{RPP_{BoY}},$$

where

$RPP_{EoY}$  = technical provision for claims outstanding at the end of the previous year net of reinsurer's share,

$RPP_{BoY}$  = technical provision for claims outstanding at the beginning of the previous year net of reinsurer's share.

### **Capital at Risk**

Capital at risk shall be calculated according to the following formula:

$$RK = \max(PS - TR; 0),$$

where

RK = capital at risk,

PS = insured sum payable on death of the insured person,

TR = sum of the technical provision for life insurance and of the technical provision for unearned premiums.