11

DECREE
of Národná banka Slovenska
of 5 October 2015

on solvency for insurance undertakings subject to a special regime

Národná banka Slovenska, in accordance with Article 179(12) and (14) of Act No 39/2015 Coll. on insurance (hereinafter “the Insurance Act”) and in accordance with Article 35(2) of Act No 747/2004 Coll. on financial market supervision, as amended, has adopted this Decree:

Article 1

This Decree lays down:

a) calculation and reporting methods for eligible basic own funds, and related reporting instructions;
b) calculation and reporting methods for the solvency capital requirement, and related reporting instructions;
c) the reporting period for eligible basic own funds, for the solvency capital requirement and for the minimum solvency capital requirement;
d) what is meant by capital-at-risk and the calculation method for capital-at-risk;
e) the absolute floor of the minimum solvency capital requirement.

Article 2

(1) The solvency capital requirement for insurance undertakings subject to a special regime under Article 167 of the Insurance Act (hereinafter the “solvency capital requirement”) in regard to life insurance classes listed in points 1, 2 and 9 in Part B of Annex 1 of the Insurance Act (except for insurance supplementary to life insurance under point 1(c) of Annex 1 part B of the Insurance Act) is equal to the sum of the values calculated in accordance with Annexes 1 and 2.

(2) The solvency capital requirement for life insurance classes listed in points 4 and 6 in Part B of Annex 1 of the Insurance Act is equal to the value calculated in accordance with Annex 1.

(3) The solvency capital requirement for life insurance classes listed in points 3, 5 and 7 in Part B of Annex 1 of the Insurance Act is equal to the sum of the values calculated in accordance with:

a) Annex 1, where the investment risk is borne by the insurance undertaking;
b) Annex 3, where the investment risk is borne by the policyholder and the allocation to cover management expenses is fixed for a period exceeding five years;
c) Annex 4, where the investment risk is borne by the policyholder and the allocation to cover management expenses is not fixed or is fixed for a period not exceeding five years;
d) Annex 2, where the insurance undertaking covers a death risk.

(4) The calculation of the solvency capital requirement for insurance supplementary to life insurance under point 1(c) of Annex 1 Part B of the Insurance Act is also subject to Article 3.

(5) The solvency capital requirement for life insurance is calculated as a sum of the values calculated in accordance with paragraphs 1 to 4.

Article 3

(1) The solvency capital requirement for non-life insurance and for insurance supplementary to life insurance specified under point 1(c) of Annex 1 Part B of the Insurance Act is calculated on the basis of the annual amount of premiums for the previous year in accordance with Annex 5 or on the basis of the average claims paid for the last three years in accordance with Annex 6. If an insurance undertaking conducts insurance business exclusively in the insurance classes listed in points 8(c), 8(d), 9 (for cases of insurance against hail or frost damage), and point 14 in Part A of Annex 1 of the Insurance Act, the solvency capital requirement for non-life insurance is calculated on the basis of the annual amount of premiums for the previous year in accordance with Annex 5 or on the basis of the average claims paid for the last seven years in accordance with Annex 6.

(2) The solvency capital requirement for non-life insurance referred to in paragraph 1 is determined from the higher value calculated in accordance with Annex 5 and 6.

(3) If the solvency capital requirement referred to in paragraph 2 is lower than the solvency capital requirement for the previous year, the minimum value of the solvency capital requirement is calculated in accordance with Annex 7.

Article 4

The calculation of the solvency capital requirement for reinsurance business is also subject to Article 3.

Article 5

(1) Capital-at-risk means the amount payable in the event of the death of the insured reduced by technical provisions created.

(2) Capital-at-risk is calculated in accordance with Annex 8.

Article 6

The absolute floor of the minimum solvency capital requirement of insurance undertakings subject to a special regime under Article 167 of the Insurance Act is:

a) EUR 2,500,000 for non-life insurance,

b) EUR 3,700,000 for life insurance.

Article 7

(1) Insurance undertakings subject to a special regime under Article 167 of the Insurance Act must report their available solvency margin, required solvency margin and guarantee fund by submitting statement Ppn (SOI) 20-01 “Solvency of the insurance undertaking”.

(2) The statement under paragraph 1 must be produced annually, based on audited data, as at the last day of the accounting period. Where the accounting period is a non-calendar year, the statement must be produced as at the end of the accounting period, based on audited data, and as at the end of the calendar year, based on interim data.

(3) The statement under paragraph 1 must be submitted to Národná banka Slovenska electronically, via the Statistics Collection Portal information system.

(4) A statement under paragraph 1 that is based on audited data must be submitted within 14 weeks following the end of the accounting period and a statement produced on the basis of interim data must be submitted within 14 weeks following the end of the calendar year for which it is being produced.

(5) A template of the statement referred to in paragraph 1 is given in Annex 9. The Annex also includes instructions regarding this reporting template.

Article 8

This Decree enters into force on 1 January 2016.

Jozef Makúch
Governor
represented by
Ján Tóth
Deputy Governor

Issuing unit:	Regulation Department	Tel.: +421 2 5787 3301
	Insurance Regulation Section	Fax: +421 2 5787 1118
Produced by:	Ing. Andrea Gondová,	Tel.: +421 2 5787 3404
	Insurance Regulation Section	E-mail: andrea.gondova@nbs.sk

Calculation of the solvency capital requirement for life insurance related to the value of technical provisions

The solvency capital requirement is calculated as follows:

$$SCR = 0.04 \times TP \times R_R,$$

where

SCR denotes the solvency capital requirement,

TP denotes the sum of technical provisions for life insurance and technical provisions for unearned premiums, established for insurance contracts of the classes listed in points 1, 2, 4, 6 and 9 in Part B of Annex 1 of the Insurance Act (except for insurance supplementary to life insurance specified in point 1(c) in Part B of Annex 1 of the Insurance Act) and the sum of technical provisions for unit-linked investment risk, technical provisions for life insurance and technical provisions for unearned premiums, established for insurance contracts of the classes listed in points 3, 5 and 7 in Part B of Annex 1 of the Insurance Act, where the investment risk is borne by the insurance undertaking,

R_R denotes the reinsurance ratio, which has a lower boundary of 0.85 and is calculated as follows:

$$R_R = \max(0.85; \frac{TP - RS}{TP}),$$

where

RS denotes the reinsurers' share of technical provisions mentioned above.

Calculation of the solvency capital requirement for life insurance based on the value of capital-at-risk

The solvency capital requirement is calculated as follows:

$$SCR = (0.003 \times CaR_1 + 0.0015 \times CaR_2 + \\ + 0.001 \times CaR_3 + 0.003 \times CaR_4) \times R_R,$$

where

SCR denotes the solvency capital requirement,

CaR_1 denotes the capital-at-risk for contracts of the insurance classes listed in points 1, 2 and 9 in Part B of Annex 1 of the Insurance Act (except for insurance supplementary to life insurance specified in point 1c in Part B of Annex 1 of the Insurance Act and for short-term death insurance) with a term not exceeding five years,

CaR_2 denotes the capital-at-risk for short-term death insurance with a term exceeding three years but not exceeding five years, including contracts of the insurance classes listed in points 1, 2 and 9 in Part B of Annex 1 of the Insurance Act (except for insurance supplementary to life insurance specified in point 1(c) in Part B of Annex 1 of the Insurance Act),

CaR_3 denotes the capital-at-risk for short-term death insurance of a term not exceeding three years, including contracts of insurance classes listed in points 1, 2 and 9 in Part B of Annex 1 of the Insurance Act (except for insurance supplementary to life insurance specified in point 1(c) in Part B of Annex 1 of the Insurance Act),

CaR_4 denotes capital-at-risk for contracts of the insurance classes listed in points 3, 5 and 7 in Part B of Annex 1, if the insurance undertaking covers a death risk,

R_R denotes the reinsurance ratio, which has a lower boundary of 0.5 and is calculated as follows:

$$R_R = \max(0.5; \frac{CaR - RS}{CaR}),$$

where

CaR denotes the capital-at-risk,

RS denotes the reinsurers' share of the capital-at-risk.

Solvency capital requirement for the life insurance classes listed in points 3, 5 and 7 in Part B of Annex 1 of the Insurance Act, where the investment risk is borne solely by the policyholder and the allocation to cover management expenses is fixed for a period exceeding five years

The solvency capital requirement is calculated as follows:

$$SCR = 0.01 \times TP \times R_R,$$

where

SCR denotes the solvency capital requirement,

TP denotes the sum of technical provisions for unit-linked investment risk, technical provisions for life insurance and technical provisions for unearned premiums, established for insurance contracts of the classes listed in points 3, 5 and 7 in Part B of Annex 1 of the Insurance Act, where the investment risk is borne solely by the policyholder and the allocation to cover management expenses is fixed for a period exceeding five years,

R_R denotes the reinsurance ratio, which has a lower boundary of 0.85 and is calculated as follows:

$$R_R = \max(0.85; \frac{TP - RS}{TP}),$$

where

RS denotes the reinsurers' share of technical provisions mentioned above.

Solvency capital requirement for life insurance classes listed in points 3, 5 and 7 in Part B of Annex 1 of the Insurance Act, where the investment risk is borne solely by the policyholder and the allocation to cover management expenses is not fixed or is fixed for a period not exceeding five years

The solvency capital requirement is calculated as follows:

$$SCR = 0.25 \times OE_{net},$$

where

SCR denotes the solvency capital requirement,

OE_{net} denotes the net operating expenses for the reporting period and is calculated as follows:

$$OE_{net} = AC + AE - CE,$$

where

AC denotes the acquisition costs for insurance contracts,

AE denotes the administrative expenses,

CE denotes the commission expenses.

Calculation of the solvency capital requirement for non-life insurance based on the annual amount of premiums

The solvency capital requirement is calculated as follows:

$$SCR = [0.18 \times \min(VP - VP_{non-life}; L) +$$
$$+ 0.16 \times \max(0; VP - VP_{non-life} - L) + \frac{0.18}{3} \times \min(VP_{non-life}; L) +$$
$$+ \frac{0.16}{3} \times \max(0; VP_{non-life} - L)] \times R_R,$$

where

SCR denotes the solvency capital requirement,

VP denotes the annual amount of premiums and is calculated as follows:

VP = max (P, EP),

where

P denotes all amounts of premiums adjusted for cancelled premiums and for given premium discounts, payable in accordance with insurance contracts for the period under review,

EP denotes earned premiums of insurance contracts for the period under review,

$VP_{non-life}$ denotes the volume of premiums from non-life insurance contracts relating to sickness insurance, if the insurance undertaking provides sickness insurance on a similar technical basis to that of life insurance, or the reinsurance undertaking or the branch of a foreign reinsurance undertaking provides reinsurance of sickness insurance on a similar technical basis to that of life insurance, and if the following conditions are met:

a) the amount of premium is calculated in accordance with actuarial methods used in life insurance;
b) the technical provision reflects how the risk increases as the age of the insured increases;
c) the premium includes an adequate safety margin;

d) the insurance undertaking, branch of an insurance undertaking, reinsurance undertaking or branch of a foreign reinsurance undertaking may cancel the insurance contract up until the end of the third year of insurance;
e) the insurance undertaking, branch of a foreign insurance undertakings, reinsurance undertaking or branches of foreign reinsurance undertaking may, under the terms of insurance, increase or decrease premiums for existing contracts;

L = EUR 61,300,000,

R_R denotes the reinsurance ratio, which has a lower boundary of 0.5 and is calculated as follows:

$$R_R = \max(0.5; \frac{C - RS}{C}),$$

where

C denotes all amounts of claims (hereinafter the “claims”), including the change in technical provisions for claims, in the last three years,

RS denotes the reinsurers' share of claims, including the change in technical provisions for claims, in the last three years,

Calculation of the solvency capital requirement for non-life insurance based on average claims paid

The solvency capital requirement is calculated as follows:

$$SCR = [0.26 \times \min(AvC - AvC_{non-life}; L) +$$
$$+ 0.23 \times \max(0; AvC - AvC_{non-life} - L) +$$
$$+ \frac{0.26}{3} \times \min(AvC_{non-life}; L) +$$
$$+ \frac{0.23}{3} \times \max(0; AvC_{non-life} - L)] \times R_R ,$$

where

SCR denotes the solvency capital requirement,

AvC denotes the average claims, including the change in technical provisions for claims, and is calculated as follows:

AvC = C / N

where

C denotes the claims, including the change in technical provisions less claims paid by an insurance undertaking under Article 813 and 827 of the Civil Code, during the period referred to in Article 3(1),

N denotes the number of years referred to in Article 3(1),

$AvC_{non-life}$ denotes the average claims including the change in technical provisions for claims under non-life insurance contracts relating to sickness insurance, if the insurance undertaking provides sickness insurance on a similar technical basis to that of life insurance, or the reinsurance undertaking or the branch of a foreign reinsurance undertaking provides reinsurance of sickness insurance on a similar technical basis to that of life insurance, and if the following conditions are met:

a) the amount of premium is calculated in accordance with actuarial methods used in life insurance;

b) the technical provision reflects how the risk increases as the age of the insured increases;
c) the premium includes an adequate safety margin,
d) the insurance undertaking, branch of an insurance undertaking, reinsurance undertaking or branch of a foreign reinsurance undertaking may cancel the insurance contract up until the end of the third year of insurance;
e) the insurance undertaking, branch of a foreign insurance undertaking, reinsurance undertaking or branches of foreign reinsurance undertaking may, under the terms of insurance, increase or decrease premiums for existing contracts;

L = EUR 42,900,000,

R_R = the reinsurance ratio, which has a lower boundary of 0.5 and is calculated as follows:

$$R_R = \max(0.5; \frac{C - RS}{C}),$$

where

C denotes the claims, including the change in technical provisions for claims, in the last three years,

RS denotes the reinsurers' share of claims, including the change in technical provisions for claims, in the last three years.

Minimum value of the solvency capital requirement for non-life insurance

The minimum value of the solvency capital requirement is calculated as follows:

$$MSCR = SCR_{t-1} \times \min(1; I_{TPC}),$$

where

MSCR denotes the minimum value of the solvency capital requirement,

CSR_{t-1} denotes the solvency capital requirement for the previous year (in the calculation for 2016, the solvency capital requirement is replaced by the required solvency margin),

I_{TPC} denotes the index of an increase in technical provisions for claims and is calculated as follows:

$$I_{TPC} = \frac{TPC_{EoY}}{TPC_{BoY}},$$

where

TPC_{EoY} denotes the technical provisions for claims at the end of the previous year,

TPC_{BoY} denotes the technical provisions for claims at the beginning of the previous year.

Capital-at-risk

Capital-at-risk is calculated as follows:

$$CaR = \max(SI - TP;0)\ ,$$

where

CaR denotes the capital-at-risk,

SI denotes the sum insured payable in the event of the death of the insured,

TP denotes the sum of the technical provisions for life insurance and technical provisions for unearned premiums.

TEMPLATE

Ppn (SOI) 20-01
Solvency of the insurance undertaking

Part 1

Summary (in EUR)

Item	Line No	Life insurance	Non-life insurance	Reinsurance of life and non-life insurance	Total
a	b	1	2	3	4
Solvency capital requirement	**1**				
Eligible own funds	**2**				
The absolute floor of the minimum solvency capital requirement	3				
1/3 of the solvency capital requirement	4				
Minimum solvency capital requirement	**5**				

Part 2

Eligible own funds (in EUR)

	Line No	Amounts to:
a	b	1
Eligible own funds	**1**	
Surplus of assets over liabilities	**2**	
Paid up share capital	3	
Legal reserve fund	4	
Other funds to which none of the insurance or reinsurance liabilities relate	5	
Accumulated losses and retained earnings from previous years	6	
Loss or profit from the current period	7	
Dividends to be paid	8	
Items reducing surplus of assets over liabilities	**9**	
Intangible assets	10	
Own shares	11	
Participating interests under Article 179(4) c) of the Insurance Act	12	
Financial instruments under Article 179(4) c) of the Insurance Act	13	
Items under Article 179(6) of the Insurance Act	**14**	
Loans which fulfil the conditions under Article 179(7) of the Insurance Act	15	
of which: loans with a fixed maturity	16	
Securities meeting the conditions under Article 179(9) of the Insurance Act	17	
of which: securities with a fixed maturity	18	
Items under Article 179(10) of the Insurance Act	**19**	
Hidden reserves arising from the valuation of assets	20	
Difference between non-Zillmerised technical provisions for life insurance and Zillmerised or partially Zillmerised technical provisions for life insurance	21	
The total sum insured in life insurance	22	
Non-Zillmerised technical provisions for life insurance or partially Zillmerised technical provisions for life insurance	23	
Deferred acquisition costs of insurance contracts in life insurance	24	
One-half of non-paid up share capital	25	
Subscribed share capital not paid up	26	

Part 3

Solvency capital requirement (in EUR)

Item	Line No	Life insurance	Non-life insurance	Reinsurance of life and non-life insurance
a	b	1	2	3
Solvency capital requirement as provided in Annex 1, insurance classes listed in points 1, 2 and 9 in Part B of Annex 1 to the Act				
Technical provisions as provided in Annex 1	1			
of which: the reinsurers' share	2			
Reinsurance coefficient as provided in Annex 1	3			
Solvency capital requirement as provided in Annex 1	**4**			
Solvency capital requirement as provided in Annex 2				
Capital-at-risk	5			
of which: all insurance except for short-term death insurance of a term not exceeding to five years	6			
of which: short-term death insurance of a term exceeding three years but not exceeding five years	7			
of which: short-term death insurance of a term not exceeding three years	8			
Reinsurers' share of the capital-at-risk	9			
Reinsurance coefficient as provided in Annex 2	10			
Solvency capital requirement as provided in Annex 2	**11**			
Solvency capital requirement as provided in Annex 1, insurance classes listed in points 4 and 6 in Part B of Annex 1 to the Act				
Technical provisions as provided in Annex 1	12			
of which: the reinsurers' share	13			
Reinsurance coefficient as provided in Annex 1	14			
Solvency capital requirement as provided in Annex 1	**15**			
Solvency capital requirement, insurance classes listed in points 3, 5 and 7 in Part B of Annex 1 to the Act				
Technical provisions as provided in Annex 1	16			
of which: the reinsurers' share	17			
Reinsurance coefficient as provided in Annex 1	18			
Technical provisions as provided in Annex 3	19			
of which: the reinsurers' share	20			
Reinsurance coefficient as provided in Annex 3	21			
Net operating expenses as provided in Annex 4	22			
Capital-at-risk	23			
of which: the reinsurers' share	24			
Reinsurance coefficient as provided in Annex 2	25			
Solvency capital requirement as provided in Annex 1	**26**			
Solvency capital requirement as provided in Annex 3	**27**			
Solvency capital requirement as provided in Annex 4	**28**			
Solvency capital requirement as provided in Annex 2	**29**			

Part 3

Solvency capital requirement (in EUR)

Item	**Line No**	**Life insurance**	**Non-life insurance**	**Reinsurance of life and non-life insurance**
a	b	1	2	3
Solvency capital requirement for non-life insurance, insurance supplementary to life insurance and reinsurance as provided in Annex 5				
Written premiums	30			
Earned premiums	31			
Partial premium transfers as provided under Article 68 of the Insurance Act	32			
Volume of insurance premiums	33			
Volume of insurance premiums of up to EUR 61,300,000 including	34			
of which: Volume of sickness insurance premiums ($VP_{non-life}$) as provided in Annex 5	35			
Volume of insurance premiums exceeding EUR 61,300,000	36			
of which: Volume of sickness insurance premiums ($VP_{non-life}$) as provided in Annex 5	37			
Claims, including the change in technical provisions, in the last three years	38			
of which: the reinsurers' share	39			
Reinsurance coefficient as provided in Annex 5	40			
Solvency capital requirement as provided in Annex 5	41			
Solvency capital requirement for non-life insurance, insurance supplementary to life insurance and reinsurance as provided in Annex 6				
Number of years as referred to under Article 3(1)	42			
Claims for a period as referred to under Article 3(1)	43			
Change in technical provisions for claims for a period as referred to under Article 3(1)	44			
Recourses as provided in Annex 6 incurred for a period as referred to under Article 3(1), if they are not reflected in the claims paid	45			
Average claims including the change in provisions	46			
Average claims, including the change in provisions, not exceeding EUR 42,900,000	47			
of which: Average claims in sickness insurance ($AvC_{non-life}$) as provided in Annex 6	48			
Average claims, including the change in provisions, exceeding EUR 42,900,000	49			
of which: Average claims in sickness insurance ($AvC_{non-life}$) as provided in Annex 6	50			
Reinsurance coefficient as provided in Annex 6	51			
Solvency capital requirement as provided in Annex 6	52			

Minimum value of the solvency capital requirement for non-life insurance, insurance supplementary to life insurance, and reinsurance as provided in Annex 7				
Solvency capital requirement for the previous year	53			
Technical provision for claims reduced by reinsurers' share at the end of the year	54			
Technical provision for claims reduced by reinsurers' share at the beginning of the year	55			
Index of an increase in technical provisions for claims, maximum 1	56			
Minimum value of the solvency capital requirement	**57**			
Solvency capital requirement for non-life insurance, insurance supplementary to life insurance and reinsurance				
Solvency capital requirement	**58**			

Part 4

Coverage of solvency capital requirements (in EUR)

Line No	Asset name	Accounting value
a	1	2
1	**Total**	

Instructions regarding reporting template Ppn (SOI) 20-01

Data to be completed for insurance business broken down by the type of insurance and for reinsurance business.

The boxes shaded grey are not to be completed.

For Part 2

Eligible own funds

In the box **Accumulated losses and retained earnings from previous years**, profit/loss from previous years and profit/loss in the approval period are to be stated. Profit is to be stated with a positive sign and loss with a negative sign.

In the box **Loss or profit from the current period**, the current period profit/loss is to be stated. A profit is to be stated with a positive sign and a loss with a negative sign.

In the box **Other funds to which none of the insurance or reinsurance liabilities relate**, the share premium, capital funds, valuation differences and funds created from profits except for the reserve fund are to be stated.

The content of boxes **Intangible assets** and **Deferred acquisition costs of insurance contracts in life insurance** is defined by IAS/IFRS international accounting standards under Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ Special edition, Chapter 13/Volume 29) as amended and Commission Regulation (EC) No 1725/2003 of 29 September 2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ Special edition, Chapter 13/Volume 32), as amended.

In the calculation of eligible own funds, acquisition costs of insurance contracts and insurance contracts acquired within the portfolio transfer are not to be included in intangible assets.

The box **Total sum insured in life insurance** is to be completed if non-Zillmerised technical provisions for life insurance or partially Zillmerised technical provisions for life insurance have been established.

The box **Deferred acquisition costs of insurance contracts in life insurance** is to be completed if non-Zillmerised technical provisions for life insurance or partially Zillmerised technical provisions for life insurance have been established.

In the box **Average residual insurance period**, the average term of life insurance contracts as at the reporting day is to be stated.

For Part 3

Solvency capital requirement

Written premiums are all amounts of premiums adjusted for cancelled premiums and for given premium discounts, payable in accordance with insurance contracts for the period under review.

Earned premiums are premiums adjusted for the change in the provision for unearned premiums with the exception of provisions for unexpired risks.

To Part 4

Coverage of solvency capital requirements

All assets which are intended to cover solvency capital requirements and minimum solvency capital requirement are to be listed.

In the box **Name of asset**, the code given in the code list of the Statistics Collection Portal is to be stated.