

Translation from Bulgarian

REPUBLIC OF BULGARIA
FINANCIAL SUPERVISION COMMISSION

DECISION No. 701-0Z

10.05.2017

“Nadejda” AD insurance company, city of Sofia, entered under No. RG-10-82 in the register of insurers kept by the Financial Supervision Commission (FSC), has the status of an insurance company, and as such, is an addressee of the regulations of the Insurance code (IC) and regulations associated with its application.

Factual and legal grounds for issuing of the present decision are as follows:

With a letter to FSC, outgoing No. RG-10-82-13 of 10.03.2017, “Nadejda” AD insurance company was sent Decision No. 410-OZ of 10.03.2017 of FSC, by which the insurer is instructed, within a one-month period of its receiving, to prepare and present at the Financial Supervision Commission a short-term plan in accordance with the requirements of art. 215, par. 2 and 4 of the Insurance Code, envisaging within a period of three months starting from 03.02.2017 (the date of accepting and publishing of final reports from the review of balances):

- Restoring eligible basic own funds at a level ensuring coverage of the minimum capital requirement, or
- Limiting the risk profile, so as to guarantee compliance with the minimum capital requirement with the available eligible basic own funds.

With letter, our incoming No. RG-10-82-13 of 13.04.2017, a short-term plan was presented for restoring the eligible basic own funds of “Nadejda” AD insurance company for coverage of the minimum capital requirement (MCR) in compliance with art. 215, par. 2 of the Insurance code (IC). The following documents were also attached to the letter:

1. A three-month plan for restoring the eligible basic own funds of the “Nadejda” AD insurance company to a level ensuring coverage of the minimum capital requirement as of 30.06.2016, and appendices to it, as follows:
 - 1.1. Forecast evaluation of acquisition, administrative, and other management expenses, including commissions to insurance and reinsurance intermediaries as of 30.04.2017;
 - 1.2. Forecast evaluation of profit and loss with regard to direct insurance activity, active and passive reinsurance as of 30.04.2017;
 - 1.3. Forecast balance sheet as of 30.04.2017;
 - 1.4. Forecast evaluation of financial funds intended to cover technical reserves and minimum capital requirement as of 30.04.2017;
 - 1.5. General policy in the sphere of reinsurance;
 - 1.6. Sources of the funds to implement the plan;
 - 1.7. Agreement for financial loan under the terms of subordinated fixed-term debt between “Nadejda” AD insurance company and “Vi-Vesta Holding” EAD with FSC notes reflected, for the amount of BGN 2,400,000;

1.8. Financial loan agreement under the terms of subordinated fixed-term debt between “Nadejda” AD insurance company and “Perla” AD with FSC notes reflected, for the amount of BGN 300,000;

1.9. Preliminary agreement between “Nadejda” AD insurance company and CapitalGrowthFundL.I.C for hedging of the entire volume of risks taken from the sale of “guarantees” insurance on the Italian market for the year 2016;

In accordance with the contents of the letter presented at the FSC, the short-term plan only encompasses the measures taken during the period 03.02.-03.05.2017. It does not include the measures taken in the second half of 2016, and the company believes that as of 31.12.2016, “Nadejda” AD insurance company had sufficient eligible own funds needed to cover not only the minimum, but also the main capital requirement.

Measures suggested by the company in the presented short-term plan to achieve the necessary level of eligible basic own funds ensuring coverage of the minimum capital requirement:

1. “Nadejda” AD insurance company shall utilize a financial loan in the form of subordinated fixed-term debt provided by the company’s shareholders for the amount of BGN 2,700,000 /two million and seven hundred thousand / under the terms of art. 71 of Delegated regulation 2015/35 of the European commission
A deadline is indicated for implementation of the measure, 31.03.2017.

“Nadejda” AD insurance company has presented two agreements for financial loan under the terms of subordinated fixed-term debt with a total value of BGN 2,700,000. The two agreements have identical content and serve to repay liabilities under the two agreements for financial loan under the terms of subordinated fixed-term debt concluded on 13.02.2017 or 01.02.2017 (cannot be established from the text of the agreements), which the FSC has commented on in Decisions No. 409/10.03.2017 and Decision No. 410/10.03.2017, and new obligations are taken with new content (novation) between the same parties as of 01.02.2017 in order for the agreements to be in compliance with the indicated decisions.

The agreements are limited with a deadline until 31.03.2027. Overall, the provisions of the presented agreement create confusion regarding the reached agreements. Funds from the subordinated fixed-term debt, as they are defined under the agreement, resemble simultaneously both some features of second-ranking elements and characteristics of first-ranking elements under Delegated regulation 2015/35 of the European commission. The agreements are limited with a deadline until 31.03.2027 under the clause of i. 3 of the Preamble, for which reason they may not be classified as first-ranking own funds under Delegated regulation 2015/35 of the European commission.

Paragraph 4 of the Preamble specifies compensation – interest amounting to the monthly LIBOR with the addition of 10% of the loan amount for the period until 31.03.2017, whereas the interest rate is fixed, and art. 3, par. 1 defines a grace period of 5 years from the date of conclusion of the agreement, and under art. 4, an interest rate of 4% is established for the grace period. This way, the provisions of the agreement create an incentive for the insurer to prepay the loan in contradiction to art. 8, par. 3, i. 1 of Ordinance No 51 of 28.04.2016 on own funds and the requirements for solvency of insurers, reinsurers, and groups of insurers and reinsurers, and art. 71, p. 1, i. “I” of Delegated regulation 2015/35 of the European commission (lack of incentives to redeem). Next, the requirement under art. 73, p. 1, i. “e” of

Delegated regulation 2015/35 should be taken into account, according to which the position of basic own funds may include limited incentives to repay or redeem this positions from basic own funds under the condition that repayment or redemption does not occur earlier than 10 years from the date of issuing. In this particular case, the presented agreements include clauses (art. 3 and art. 4 of the agreements), under which repayment of the loan amount, together with interest under art. 4, may occur earlier than 10 years after the agreement is concluded. **For this reason, the funds may not be classified as second-ranking.**

Considering the above, this measure from the plan does not lead to an increase of the amount of the eligible own funds of “Nadejda” AD insurance company for coverage of the minimum capital requirement. The amount received as a financial loan in the form of subordinated fixed-term debt provided by the company’s shareholders, amounting to BGN 2,700,000, may not be used to cover MCR, because it cannot be classified as first-ranking or second-ranking basic own funds.

2. A part of the profit of “Nadejda” AD insurance company for the financial year 2016, amounting to BGN 700,000 (seven hundred thousand) after taxation shall be capitalized, thus increasing the undertaking’s equity from BGN 7.4 million to BGN 8.1 million.

A deadline is indicated for implementation, 30.04.2017.

This item of the plan may not be accepted due to the following:

Financial results for the purposes of mandatory reporting is calculated in accordance with the Accounting Act, respectively in accordance with the international accounting standards, whereas capital requirements, and respectively the balance for the purposes of calculating of capital requirements under Solvency II are determined within a different regulatory framework. Capital requirements and respectively the balance sheet for the purposes of calculating capital requirements under Solvency II are defined in Delegated regulation (EU) 2015/35 of the commission of 10 October 2014 supplementing Directive 2009/138/EC of the European parliament and the Council of on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Delegated regulation) and for reporting purposes insurers are required to prepare and present at FSC samples for quantitative reporting. Under Regulation 2015/2450, in report S.02.01.02 – Balance sheet, which should be prepared by the insurer for the purposes of calculating of compliance with capital requirements, the financial result for a present or past period is not mentioned at all, but only the surplus of assets over liabilities is calculated. Hence, the use of an argument for profit from 2016 is not applicable to the calculations under Solvency 2, for which only the evaluation of owned assets and liabilities is of importance /the same is stated in Decision No. 410 – OZ of 10.03.2017 of FSC/.

Considering the fact that a deadline until 30.04.2017 is indicated for implementation of the measure for the company’s equity to be increased from BGN 7.4 million to BGN 8.1 million, it should be noted that after a check in the Commercial Register performed on 09.05.2017, it is evident that no increase of equity has taken place and the same is valued at BGN 7,400,000.

Considering the above, this measure from the plan cannot be considered implemented.

3. Investing the company's free cash funds at the amount of BGN 6,434,950 /six million four hundred thirty-four thousand nine hundred and fifty / in deposits and government securities with a minimum maturity of 1 year.

A deadline is indicated for implementation, 30.04.2017.

With regard to the indicated "free cash funds" of the company, the following can be noted:

3.1. With regard to profit and loss

According to the letter with incoming No. RG-10-82-13 of 13.04.2017, the source of the amount BGN **6,434,950 /six million four hundred thirty-four thousand nine hundred and fifty /** intended for investment into deposits government securities until 30.04.2017 is the company itself through its achieved premium income.

The insurer presents "Projection of profit and loss with regard to direct insurance activity, active and passive reinsurance as of 30.04.2017", according to which:

	31.12.2016	31.03.2017	30.04.2017
GROSS PREMIUMS	8,935,717	5,020,769	6,974,490
EXPENSES (incl. paid reimbursements)	3,699,143	2,131,789	2,832,434

It is evident from the above table, that for the entire 2016, the insurer has achieved premium income of TBGN 8,936, and plans to achieve TBGN 6,974 in the first four months of 2017, indicating significant growth in the volume of business. Accordingly, expenses for 2016 amount to TBGN 3,699, whereas the projection for the first four months of 2017 is TBGN 2,832, which shows also growing expenses at the same rate as income. Also, the short-term plan presented by "Nadejda" AD insurance company does not envisage expenses for the payment of reimbursements under "Guarantees" insurance.

Two contracts are presented for concluded term deposits with a total amount of deposited funds of EUR 1,500,000, with the following features:

- With bank "Unicredit Bulbank" AD for TEUR 1,000, and "Piraeus Bank Bulgaria" AD for TEUR 500 of 07.04.2017 and of 10.04.2017 respectively;
- 12-month maturity.

It is evident from the documents presented by "Nadejda" AD investment company together with the short-term plan, that the insurer has invested TBGN 2,934 (TBGN 1,500) of the funds intended under the measure.

The presented projection does not sufficiently explain the realization of the measure indicated in the plan, namely having "free cash funds" at the amount of BGN 6,434,950 by 30.04.2017, provided that according to the "Projection of profit and loss with regard to direct insurance activity, active and passive reinsurance as of 30.04.2017", the difference between the gross premium income and expenses as of the indicated ate amounts to BGN 4,142,056. In this regard, the source of funding remains unclear. The reviewed measure from the short-term plan cannot be accepted as justified and realistic.

It should also be noted that investment of funds into a specific type of assets – in this case into deposits and government securities – has no connection with increasing of the eligible own funds of the company, which may be used to cover MCR, and respectively is not associated with improvement of the insurer's solvency.

3.2. With regard to the projection of financial funds intended to cover the minimum capital requirement as of 30.04.2017, provided with the short-term plan.

		Projection of financial funds intended to cover technical reserves and the minimum capital requirement as of 30.04.2017		
	Value Solvency II (after adjustments by the independent external expert)	Value Solvency II	Value Solvency II	Value Solvency II
	30.06.2016	31.12.2016	31.03.2017	30.04.2017
Assets				
Goodwill				
Deferred acquisition costs				
Intangible assets	539,692	0	146,217	143,780
Deferred tax assets	171,502	91,226	91,226	91,226
Surplus of pension reimbursements	0			
Real Estate, machinery and equipment held for own use	12,486	18,070	20,800	19,933
Investments (other than assets held for contracts associated with an index and with shares in an investment fund)	1,940,500	7,445,356	9,852,424	16,083,679
Real Estate (other than that for own use)	390,360	1,009,012	2,509,008	2,507,155
Interests in related entities, including shares	1,254,410	4,911,934	6,318,866	6,318,866
Stock	56,134	266,260	1,260	1,260
Stock – listed	29	1,260	1,260	1,260
Stock – unlisted	56,105			
Bonds	239,596	234,860	0	821,448
Government bonds	239,596	234,860	0	821,448
Corporate bonds	0			
Structured bonds	0			
Backed securities	0			
Collective investment schemes	0			

Derivatives	0			
Deposits other than cash equivalents	0	1,023,290	1,023,290	6,434,950
Other investments	0			
Assets held for contracts associated with an index and with shares in an investment fund	0			
Loans and mortgages	0			

Loans for policies	0			
Loans and mortgages of private persons	0			
Other loans and mortgages	0			
Reinsurance reimbursements from:	0			
General insurance and health, similar to general insurance	0			
General insurance other than health	0			
Health, similar to general insurance	0			
Life insurance and health, similar to life insurance, with the exception of health and associated with an index and with shares in an investment fund	0			
Health, similar to life insurance	0			
Life insurance, with the exception of health and associated with an index and associated with shares in an investment fund	0			
Life insurance, associated with an index and associated with shares in an investment fund	0			
Deposits with reinsurers	0			
Receivables from insurances and intermediaries	1,450,100	1,086,236	861,919	635,336
Receivables from reinsurances	0			
Receivables (commercial, other than insurance)	516,418	679,282	2,047,937	2,074,937
Own shares (held directly)	0			
Sums due with regard to positions from own funds or initial funds requested, but not paid in yet	0			
Cash and cash equivalents	46,163	4,889,871	6,539,417	1,119,443
Other assets, which are not indicated elsewhere	0			
Total assets	4,676,861	14,210,041	19,559,940	20,168,334
Liabilities	0			
Technical reserves – general insurance	639,755	1,428,844	1,898,203	2,066,930

Technical reserves – general insurance (with the exception of health)	49,164	584,733	933,042	1,040,761
Technical reserves calculated as a whole	0			
Best projection	47,356	404,089	644,794	719,235
Risk premium	1,808	180,644	288,248	321,526
Technical reserves – health (similar to life insurance)	590,591	844,111	965,161	1,026,168
Technical reserves calculated as a whole	0			
Best projection	566,378	583,337	666,990	709,150
Risk premium	24,213	250,775	298,171	317,018
Technical reserves – life insurance (with the exception of those associated with an index and associated with shares in an investment fund)	0			
Technical reserves – health (similar to life insurance)	0			
Technical reserves calculated as a whole	0			
Best projection	0			
Risk premium	0			

Technical reserves – life insurance (with the exception of health and associated with an index and associated with shares in an investment fund)	0			
Technical reserves calculated as a whole	0			
Best projection	0			
Risk premium	0			
Technical reserves – associated with an index and associated with shares in an investment fund	0			
Technical reserves calculated as a whole	0			
Best projection	0			
Risk premium	0			
Other technical reserves	0			
Contingent liabilities	0			
Provisions, other than technical reserves	50,000			
Pension liabilities	0			
Deposits from reinsurers	0			
Liabilities for deferred taxes	0			

Derivatives	0			
Debt to credit institutions	0			
Financial liabilities other than debt to credit institutions	0			
Liabilities under insurances and to intermediaries	53,250	86,424	212,745	192,200
Liabilities under reinsurance	26,143	0		
Liabilities (commercial, other than insurance)	201,136	1,279,325	867,036	290,550
Subordinated liabilities	0			
Subordinated liabilities, which are not in the basic own funds	0			
Subordinated liabilities in the basic own funds	0		2,700,000	2,700,000
Other liabilities, which are not subordinated elsewhere	0			
Total liabilities	970,284	2,794,593	5,677,984	5,249,680
Surplus of assets over liabilities	3,706,577	11,415,448	13,881,448	14,918,654

It is evident from the above table that the surplus of assets over liabilities as of 30.06.2016 is BGN 3,706,577. As of 31.12.2016, the insurer has reported an increase of the surplus of assets over liabilities by **BGN 7,708,871**, reaching BGN 11,416,448.

After a review was performed, it was found that the main change in the insurer's assets as of 31.12.2016 compared to 30.06.2016 is reported in the following categories:

- ✓ Subsidiaries – from BGN 1,254,410 as of 30.06.2016 to BGN 4,911,934 – evident from the Statement No. TV.2 “Investments as of the end of the fourth quarter of 2016” presented at the FSC with incoming No. 10-10-P-88 of 27.02.2017, the insurer has invested in the following companies “In properties” SPE and “Betatur” OOD, whereas the reported value, BGN 1,481,000 and BGN 1,551,642 respectively. The investment in “Betatur” OOD and the determined value of the company is discussed in Decisions No. 409/10.03.2017 and 410/10.03.2017;
- ✓ Cash and cash equivalents – from BGN 46,000 as of 30.06.2016 to BGN 4,889,871;
- ✓ Deposits, other than cash equivalents – from BGN 0 as of 30.06.2016 to BGN 1,023,290;
- ✓ Immovable property – from BGN 390,360 as of 30.06.2016 to BGN 1,009,012;
- ✓ Intangible assets – from BGN 539,692 as of 30.06.2016 to BGN 0;
- ✓ Stocks – from BGN 56,134 as of 30.06.2016 to BGN 266,260.

From the “Forecast balance sheet as of 30.04.2017” under Solvency II presented in the short-term plan, it is evident that compared to 30.06.2016, an increase of the following assets is envisaged:

- ✓ Immovable property – from BGN 390,360 as of 30.06.2016 to BGN 2,507,155;
- ✓ Government bonds – from BGN 239,596 as of 30.06.2016 to BGN 821,448;
- ✓ Subsidiaries – from BGN 1,254,410 as of 30.06.2016 to BGN 6,318,866;
- ✓ Deposits other than cash equivalents – from BGN 0 to BGN 6,434,950;
- ✓ Cash and cash equivalents – from BGN 46,000 as of 30.06.2016 to BGN 1,119,443.

With regard to technical reserves as of 31.12.2016:

According to the statements presented at FSC under Ordinance No. 30 of 19.07.2006 on the requirements to accounting, the form and content of financial statements, certificates, reports, and appendices of insurers and reinsurers (Ordinance No. 30) and Ordinance No. 53 of 23.12.16 on the requirements to reporting, evaluation of assets and liabilities, and forming of technical reserves of insurers, reinsurers, and the Guarantee fund (Ordinance No. 53), with incoming No. 10-10-P-88/27.02.2017 and incoming RG-10-00-3/04.2.2017 respectively, the insurer's core business is "Guarantees" insurance concluded under the terms of freedom of providing of services in the R. of Italy.

3.2.1. Based on the above certificates, the technical reserves set for "Guarantees" insurance amount to BGN 3,820,770. The company has not created a reserve for claims which have emerged, but have not been made (RCEN) for the same period. Based on art. 91, par. 6 of Ordinance No. 53, the reserve for claims which have emerged, but have not been made shall be calculated individually for each country where the risk is located, i.e. on the territory of the R. of Italy.

According to data provided by the Italian supervision body on the "Guarantees" insurance and the company's statements with regard to the volume of RCEN as of the end of 2016, the following calculations have been made at FSC:

Table 1: market data on the "Guarantees" insurance for the Italian market compared to data from "Nadejda" AD insurance company:

Average weighted claims ratio for the "Guarantees" insurance (2011-2015) for the Italian market (line 3/ line 2)	64.28%
Total earned premiums under "Guarantees" insurance in TEUR for the period (2011 – 2015) for the Italian market	2,008,817
Total expenses for claims for the current and previous financial years for the "Guarantees" insurance in TEUR for the period (2011 – 2015) for the Italian market	1,311,328
Earned premiums for "Guarantees" insurance by "Nadejda" AD insurance company as of 31.12.2016 in BGN	4,180,975

Reserve for claims made but not paid (RCMN) for "Guarantees" insurance of "Nadejda" AD insurance company as of 31.12.2016 in BGN.	0
Evaluation of the amount of RCEN of "Nadejda" AD insurance company for "Guarantees" insurances as of 31.12.2016 in BGN (line 1 multiplied by line 4).	2,729,282

It is evident from the table above, taking into account the data on the market in the R. of Italy, that the sufficient amount of RCEN under Ordinance No. 53 as of the end of 2016 should be BGN 2.7 million.

- 3.2.2. Based on the information according to the quantitative statements received by FSC under Regulation 2015/2450, the allocated reserves for the “Guarantees” insurance amount to BGN 405,907. The company has reported BGN 15,892 allocated reserve for claims for the same period

According to data provided by the Italian supervision body about the Italian market regarding “Guarantees” insurance for 2016 under Solvency II and the company’s quantitative statements, the following evaluation can be made of the amount of RCEN under Solvency II as of the end of 2016:

Table 2: Market data on “Guarantees” insurance for the Italian market, compared to the date of “Nadejda” AD insurance company (statement S.05.01.02):

Gross registered premiums under direct insurance for the Italian market in Euro (2016)	449,292,548
Gross claims emerging under direct insurance for the Italian market in Euro (2016)	185,986,908
Gross claims ratio for Italy (2016)	41%
Gross registered premiums of “Nadejda” AD insurance company as of 31.12.2016 in BGN	7,985,854
RCMN as of 31.12.2016	0
Paid claims by “Nadejda” AD insurance company as of 31.12.2016 in BGN	15,891
Evaluation of the amount of RCEN of “Nadejda” AD insurance company under “Guarantees” insurances as of 31.12.2016 in BGN	3,258,309

It is evident from the table above that when taking into account the data on the market in the R. of Italy, the sufficient amount of RCEN as of the end of 2016 is BGN 3.3 million under Solvency II.

Allocation of a sufficient and adequate amount of RCEN as of 31.12.2016 will have the effect of reducing the surplus of the insurer’s assets over liabilities, respectively reducing the eligible own funds.

Taking into account the above, the measure presented under i. 3 of the short-term plan is not realistic and sufficiently relevant to the insurer’s solvency due to:

- *The indicated in i. 3.1. with regard to investment in a certain type of assets and the availability of “free cash funds”;*

- *Increase of investments in subsidiaries. The investment in “Betatur” OOD and its value is discussed in Decisions No. 409/10.03.2017 and Decision No. 410/10.03.2017 of the FSC, whereas in the present short-term plan the insurer does not present information, from which it would be evident what the evaluation of the investments is and whether the evaluation is in compliance with the requirements of Solvency II;*
- *Insufficient amount of technical reserves as of 31.12.2016, which will also have a reflection on subsequent reporting periods throughout 2017.*

4. Effective collection of all the company’s due and matured receivables.

A deadline is indicated for implementation, 30.04.2017.

The indicated measure cannot be accepted, because the insurer has not indicated specific actions for implementation in the short-term plan.

5. In order to limit the risk profile of the “Nadejda” AD insurance company, a contract shall be concluded with Capital GrowthFund for hedging of the risk from its business of issuing guarantees on the territory of the Republic of Italy.

A draft for a preliminary agreement for the sale of alleged claims and acquired risks is presented, signed on 01.04.2017 between CapitalGrowthFund and “Nadejda” AD insurance company. With this agreement, the parties undertake to conclude a final agreement, with which “Nadejda” AD insurance company would transfer to CapitalGrowthFund the full package of loans and risks arising from them, as a result of which “Nadejda” AD insurance company would be released from any future obligations arising from the transferred loans and risks. Conclusion of the final agreement is intended to be effected no later than 4 weeks from signing of the preliminary agreement and no later than 1 week after presenting an attestation report prepared by RiskGroupSuisseSA, evaluating the transferred risk.

According to the preliminary agreement, the total amount of the transferred loans and risks is EUR 267,082,576.00, corresponding to the total value of guarantees issued by “Nadejda” AD insurance company in 2016.

In this regard, it should be noted that the activity of accepting under an agreement of all or a part of risks covered by an insurer against cession of an insurance premium constitutes reinsurance activity which is pursued under a system of prior authorization, is subject to supervision and regulation by FSC.

Reinsurance activity may be pursued by: 1. An insurance company or a European company which has acquired a license for active reinsurance under the Insurance code (local insurer); 2. An entity which has acquired a license for active reinsurance at its seat in another Member State (reinsurer from another member state); 3. An entity which has acquired a permit for active reinsurance at its seat in a third country (reinsurer from a third country) through a branch registered under the Commerce act, and which has acquired a license under the Insurance code. Pursuit of reinsurance activity by an entity which is not licensed in the due manner is impermissible.

On the other hand, the Insurance code permits transfer of insurance risk by creating a so-called Special-purpose vehicle for alternative transfer of insurance risk. Under art. 22 of the

Insurance code, a special-purpose vehicle for alternative transfer of insurance risk is a legal entity or a non-personified undertaking, other than an insurer or reinsurer, which, based on an agreement, accepts risks from an insurer or reinsurer and which finances its risk exposure entirely by issuing debt or through another financing mechanism, provided that the rights of creditors, respectively participants in the financing mechanism, are subordinated to the reinsurance obligations of the vehicle.

However, it should be stressed that the creation of a special-purpose vehicle for alternative transfer of insurance risk is also subject to a system of prior authorization under the terms and in the manner of Regulation (EU) 2015/35. The terms themselves for the pursuit of activity through a special-purpose vehicle for alternative transfer of insurance risk, ongoing supervision over it, the measures of rectifying found violations, the terms and manner of withdrawing the issued license are defined with Implementing regulation (EU) 2015/462. In unregulated cases, the rules for reinsurance entities under the Insurance code apply.

Since in this specific case the subject of the intended final agreement in its essence constitutes transfer of risks covered by an insurer in its pursuit of its insurance activity, then it should be considered that the acquirer under this agreement must constitute a reinsurer within the meaning of art. 12, par. 2 of the Insurance code or a Special-purpose vehicle for alternative transfer of insurance risk within the meaning of art. 22, par. 1 of the Insurance code, and the corresponding activity must be pursued under the terms of the system of prior authorization provided for by applicable law.

Considering all the above, the conclusion is reached that the intended measures in the short-term plan for restoring of the eligible basic own funds to cover MCR under art. 215, par. 2 of the IC, presented by “Nadejda” AD insurance company with a letter, our incoming No. RG-10-82-13 of 13.04.2017, are not realistic and do not guarantee to a sufficient degree the insurer’s solvency, since the described measures do not lead to restoring the eligible basic own funds to a level ensuring coverage of MCR or limiting the risk profile so as to guarantee compliance with MCR using the available eligible basic own funds.

Considering the above and based on art. 13, par. 1, i. 26 of the FSCA with regard to art. 215, par. 5 of the IC and art. 59, par. 1 and par. 2 of the Administrative procedure code,

**THE FINANCIAL SUPERVISION COMMISSION
DECIDED:**

It denies approval of the short-term plan under art. 215, par. 2 of the Insurance code for restoring the eligible basic own funds for coverage of the minimum capital requirement presented by “Nadejda” AD insurance company with letter, incoming No. RG-10-82-13 of 13.04.2017.

Based on art. 13, par. 3 of the FSCA, individual administrative acts of the Commission are subject to appeal before the Supreme Administrative Court within a 14-day period of their announcing. Appealing does not stop implementation of the individual administrative act.

The present decision is to be sent to the “Nadejda” AD insurance company.

No expenses have been made for the administrative proceedings.

CHAIRPERSON:

KARINA KARAIANOVA