

# Policyholders of the insurer NOVIS may face financial losses as no liquidator has yet been appointed

On 1 June 2023, Národná banka Slovenska (NBS), the Slovak national supervisory authority, withdrew the authorisation of NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poist'ovňa a.s. (collectively referred to as "NOVIS") and petitioned the relevant competent Slovak court to dissolve NOVIS and appoint a liquidator for the company. However, a liquidator has still not been appointed to this day.

NOVIS has been prohibited from conducting new insurance business since June 2023 and can only carry out activities necessary to service existing insurance contracts, i.e. collect premiums, enforce its claims and settle its liabilities. NOVIS is subject only to limited supervision in anticipation of the possible appointment of a liquidator. Due to pending court procedures, it is currently uncertain if and when that decision will be taken by the court.

The current situation may lead to consumer detriment. Policyholders may face the risk of financial losses as they continue to pay premiums to a company that has no authorisation, for which the NBS requested liquidation, and which is under limited supervision by the NBS.

Given these circumstances, [the European Insurance and Occupational Pensions Authority \(EIOPA\)](#), in its role as coordinator of the NOVIS cooperation platform, is informing policyholders of NOVIS about the stalled liquidation process and the risks associated with it. Against the lack of progress, policyholders need to carefully re-evaluate their options based on the information available and, having sought professional advice, decide what the best course of action for them would be, including, among others, the cessation of premium payment or the surrender of their contracts.

Some of the most frequently asked questions and answers that may be useful for policyholders of NOVIS are provided below.

# Questions and Answers

## What happened?

NOVIS was established as a life insurance undertaking in 2014 in Slovakia under the supervision of the NBS. Besides its home market, NOVIS pursued life insurance activity through freedom of establishment, typically branches, in Austria, Czechia and Germany, and through freedom to provide services in Finland, Hungary, Iceland, Italy, Lithuania, Poland, and Sweden.

In June 2023, the NBS issued a decision withdrawing NOVIS' authorisation and petitioned the court to dissolve NOVIS, appoint a liquidator and commence liquidation proceedings. In October 2023, NOVIS challenged that decision, requesting the court to review the legality of the NBS' decision.

The proceeding relating to the dissolution of NOVIS and the appointment of liquidator is currently suspended until a final decision on the other proceeding on the withdrawal of authorisation is issued by the court.

## What is NOVIS' current situation?

NOVIS no longer holds an authorisation to conduct insurance business in the European Union (EU). Since June 2023, NOVIS may not conclude new insurance contracts and can only carry out activities necessary to enforce its claims and settle its liabilities, including collecting premiums from policyholders. Moreover, under the Slovak Act on Insurance<sup>1</sup>, NOVIS is not obliged to submit standard reporting information to the NBS. The NBS has only limited oversight and supervisory power over the company.

The fact that NOVIS requested the court to review the legality of the NBS' decision, and a liquidator has not yet been appointed, does not affect the current withdrawal of NOVIS' authorisation.

## Why did the NBS withdraw NOVIS' authorisation?

The strictest sanction that a supervisor can impose on a supervised entity is the withdrawal of authorisation, which is, therefore, only used in the most serious cases.

The NBS withdrew the authorisation from NOVIS due to shortcomings in NOVIS' activities. The NBS found that NOVIS conducted insurance business in an imprudent manner that posed a threat to the interests of its policyholders and had an adverse effect on its own financial situation.

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<sup>1</sup> Act No 39/2015 of 3 February 2015, available [here](#).

Prior to withdrawing the authorisation, the NBS had taken a number of supervisory measures against NOVIS and issued multiple sanctions<sup>2</sup>. These measures intended to address serious shortcomings identified since 2018 by the NBS and by the supervisors of host Member States where NOVIS carried out insurance activities. These included serious issues with the system of governance, not investing premiums received from policyholders to the extent NOVIS committed to in insurance contracts, and serious under reserving and capital issues.

Since these steps did not result in any long-term improvements in NOVIS' operations, in order to protect policyholders, the NBS decided to withdraw the company's authorisation to conduct insurance business.

### What are the risks for policyholders?

As NOVIS is subject only to limited supervision following the withdrawal of the authorisation, there is currently no reliable information on the financial status of NOVIS, including whether sufficient financial assets are held or whether premiums are being invested in accordance with terms and conditions of the underlying insurance contracts.

### When will possible liquidation start?

The court with exclusive jurisdiction to appoint a liquidator for NOVIS and to place NOVIS into liquidation is the Bratislava City Court. Liquidation commences when the court registers the company's liquidator in the Commercial Register.

There is no deadline for the appointment of a liquidator for NOVIS and, hence, no estimate can be made of when NOVIS may enter into liquidation.

### What are the implications for policyholders if NOVIS goes into liquidation?

The role of the liquidator is to assume the management of NOVIS, examine NOVIS' assets and, accordingly, decide whether NOVIS should be declared insolvent or whether its assets are sufficient to satisfy the claims of its policyholders and other creditors. The liquidator will act on behalf of NOVIS once NOVIS enters into liquidation and will inform all policyholders about what the next steps are.

NOVIS policyholders should bear in mind that the NBS withdrew the authorisation because, amongst other issues identified, NOVIS did not comply with capital requirements at the time. Depending on the actual financial situation of NOVIS at the time when it enters into liquidation, the value of NOVIS' assets might not be sufficient to settle all claims, meaning policyholders might not receive the benefits which, in normal conditions, would be payable under their insurance contract. Policyholders

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<sup>2</sup> Which are published on the NBSs' website ([www.nbs.sk](http://www.nbs.sk)).

holding NOVIS investment products might receive less than the amount of premiums paid and accrued investment returns.

### Are policyholders with regular premium contracts at a greater risk than policyholders with single premium contracts?

All policyholders might face a risk of financial losses. However, the current situation may particularly result in consumer detriment for policyholders with regular premium contracts. Under NOVIS' contractual terms, policyholders with regular premium contracts retain contractual claims and obligations, including the payment of due premiums until a decision is taken by the competent court.

This implies that policyholders with regular premium contracts continue to put money into products of a company that could go into liquidation. Premiums being currently paid might not be recouped in full by policyholders if and when NOVIS enters liquidation.

### What should NOVIS policyholders do?

Policyholders should carefully assess their own circumstances and how the current situation might financially impact them before taking any decision or action.

When deciding on the best course of action, policyholders should read the terms and conditions of their contracts and assess the possible options under it. When assessing the overall situation policyholders should take into account the potential impact of continuing to pay premiums, also considering the uncertainty of the situation.

Policyholders should seek professional advice from, for example, a financial intermediary, a lawyer or a consumer association.

### What options do policyholders have?

Taking into account their own circumstances, the current absence of progress in ongoing legal proceedings and the fact that NOVIS is subject only to limited supervision following the withdrawal of authorisation, policyholders should consider whether to remain in the contract until NOVIS enters possibly into liquidation or surrender the contract.

Policyholders should consider whether they can cancel or surrender the contract and should obtain from NOVIS or the distributor, information on the expected surrender value, net of fees. Policyholders should assess this option and the surrender value they can obtain against the option of remaining in the contract and obtaining, at some unknown future time, the amounts resulting from the possible liquidation procedure.

## What should policyholders with regular premium contracts additionally take into consideration in assessing their options?

In the case of policyholders with regular premium contracts and still making payments towards their contracts, policyholders should review and interpret with an independent expert or legal advisor the options for and implications of (based on national law and terms and conditions of the insurance contract) the possible suspension of regular premium payments as well as the options for terminating the contract before its expiry date.

Policyholders with regular premium contracts should consider the expected surrender value, net of fees, they can obtain if they surrender or cancel the contract against the option of remaining in the contract and continuing to pay premiums until NOVIS possibly enters into liquidation and then obtaining, at some unknown future time, the amounts resulting from the liquidation procedure.