INSURANCE ACT  
(ZZavar-1)  

Chapter 1:  
GENERAL PROVISIONS  

1.1. Content of the Act  

This Act shall regulate:  
1. the conditions for the establishment, operation and supervision of insurance and reinsurance undertakings with the head office in the Republic of Slovenia;  
2. the conditions for the supervision of insurance and reinsurance groups;  
3. the conditions for the reorganisation and winding up of insurance and reinsurance undertakings;  
4. the conditions under which entities with the head office outside the Republic of Slovenia may pursue insurance business in the Republic of Slovenia;  
5. the status, organisation and operating rules of the Insurance Supervision Agency when exercising its powers and responsibilities under this Act and other acts;  
6. the conditions for conducting insurance agency and insurance mediation business;  

Article 2  
(Transposition of EU directives)  

This Act shall transpose the following directives of the European Parliament and of the Council into the legislation of the Republic of Slovenia:  

**Article 3**  
(Application of the Act with regard to reinsurance)

This Act shall also apply to reinsurance undertakings unless otherwise stipulated by individual provisions of this Act. The provisions of articles 127 to 132, 241, 343, 421 to 425, and 521 to 526 of this Act do not apply to reinsurance undertakings or to insurance undertakings that conduct reinsurance business.

1.2. **Definition of terms and abbreviations**

1.2.1. **General provisions**

**Article 4**  
(purpose of definition of terms)
Section 1.2 of this Act defines the meanings of terms for their application in this Act unless a certain term is intended to have a narrower purpose of its definition.

**Article 5**  
(Abbreviations of EU regulations)

In this Act, the following short titles shall apply to regulations of the European Union (hereinafter: EU):

**Article 6**  
(Terms whose meanings are defined in other acts)

(1) The meaning of the terms stated in this paragraph shall be the same as defined in the Act governing banking:
1. bank,
2. financial undertaking,
3. investment firm,
4. financial holding,
5. credit institution,
6. financial institution.

(2) The meaning of the terms stated in this paragraph shall be the same as defined in the Act governing financial conglomerates:
1. asset management company,
2. mixed financial holding company.

(3) The meaning of the terms stated in this paragraph shall be the same as defined in the Act governing financial instruments:
1. investment services and transactions,
2. regulated market,
3. collective investment undertaking.

1.2.2. Terms concerning insurance and reinsurance business

Article 7
(Insurance business)

(1) Insurance business shall include the conclusion and implementation of contracts on non-life and life insurance and reinsurance, other than compulsory social insurance.

(2) With regard to the main risks to be covered, insurance shall be divided into the following insurance classes:
1. accident insurance (including industrial injuries and occupational diseases) shall be insurance covering, in the event of death or loss of health due to injury, as follows:
   - payment of agreed monetary indemnities, compensations and repayments;
   - payments due to injury, injury to health or death of passengers;
2. health insurance shall be insurance covering, in cases of illness, injury or a special medical condition, as follows:
   - the costs of health and other related services, the costs of supply of medicines and medical and technical devices;
   - payment of agreed pecuniary compensation;
   - a combination of payments under the previous indents;
3. land vehicle insurance (other than rolling stock) shall be insurance covering all damage to or loss of:
   - self-propelled land vehicles;
   - non-self-propelled land vehicles;
4. rolling stock insurance shall be insurance covering all damage to, or loss of, rolling stock;
5. aircraft insurance shall be insurance covering all damage to, or loss of, aircraft or other flying machines, and loss of aircraft or other flying machines;
6. ship insurance shall be insurance covering all damage to, or loss of, sea, river and lake vessels;
7. goods in transit insurance shall be insurance covering all damage to, or loss of, goods, including luggage, regardless of the transport type;
8. Insurance against fire and natural forces shall be insurance covering all damage to, or loss of, property (other than damage to property included in points 3 to 7 hereunder) due to:
   - fire,
   - explosion,
- storm,
- natural forces other than storms,
- nuclear energy,
- subsidence and landslides;

9. other damage insurance shall be insurance covering all damage to, or loss of, property
(other than damage to property included in points 3 to 7 hereunder) due to hail or frost,
and causes (e.g. theft) other than those included in point 8 hereunder;

10. vehicle liability insurance shall be insurance covering all liabilities arising from the use
of self-propelled land vehicles (including the liability of the carrier);

11. liability insurance when using aircraft or other flying machines shall be insurance
covering all liabilities arising from the use of aircraft or other flying machines (including
the liability of the carrier);

12. liability insurance when using vessels shall be insurance covering all liabilities arising
from the use of sea, river and lake vessels (including the liability of the carrier);

13. general liability insurance shall be insurance covering all other types of liabilities, other
than the liabilities included in points 10 to 12 below;

14. credit insurance shall be insurance covering:
- risk of non-payment (or late payment) due to insolvency or other events (actions or
facts);
- export credits and other risks related to exports, trade and investment in foreign and
domestic markets;
- loans with instalment repayment;
- mortgages and Lombard loans;
- agricultural credits;
- other credits and loans;

15. suretyship insurance shall be insurance covering, and directly or indirectly
guaranteeing, the meeting of debtors' obligations;

16. miscellaneous financial loss insurance shall be insurance covering financial loss arising
from:
- employment risks;
- insufficient income (in general);
- bad weather;
- loss of profit;
- unforeseen general expenses;
- unforeseen operating expenses;
- loss of market value
- loss of rent or revenue;
- indirect operating losses, other than those mentioned in the preceding indents;
- other non-operating losses;
- other financial losses;

17. legal expenses insurance shall be insurance covering legal expenses and costs of
litigation;

18. tourist assistance insurance shall be insurance covering assistance provided to
persons encountering problems when travelling or in other events of absence from
home or permanent residence;

19. life assurance (other than the insurance referred to in points 20 to 24 hereunder) shall
be insurance comprising, in particular, endowment insurance, insurance in the event of
death, mixed life assurance, annuity insurance, life insurance with the repayment of
premiums, and additional insurance comprising, in particular, insurance against
disability due to accident or illness, accidental death insurance and injury insurance,
including insurance against professional incapacity due to injury, but only when
additional insurance is concluded with life assurance from the insurance group of life
assurances referred to in point 2 of paragraph four of this Article;

20. marriage assurance or birth assurance;
21. unit-linked life insurance shall be insurance whereby the policyholder assumes the investment risk linked to changes in the value of units of undertakings for collective investment in transferable securities (hereinafter: UCITS fund) as stipulated by the Act governing investment funds and management companies, or the value of assets included in the internal fund of an insurance undertaking, or the value of the index of securities or other reference value;

22. a tontine shall be insurance whereby a group of policyholders agree to jointly capitalise their contributions and distribute the capitalised assets among insured persons upon the attainment of a certain age or among the heirs of the deceased insured persons or among the beneficiaries named by the deceased insured persons;

23. capital redemption insurance shall be insurance based on actuarial calculations, whereby, in return for single or periodic payments of premiums, the policy holder, insured person or any other beneficiary receives payments of a specified duration and amount;

24. insurance of loss of income due to accident or illness, which the insurance undertaking may not revoke.

(3) Insurance business that includes several classes of insurance shall be classified in the following insurance subgroups:

1. accident and health insurance shall cover the classes of insurance referred to in points 1 and 2 of the preceding paragraph;
2. vehicle insurance shall cover the classes of insurance referred to in indent 4 of point 1, and points 3, 7 and 10 of the preceding paragraph;
3. marine and transport insurance shall cover the classes of insurance referred to in indent 2 of point 1, and points 4, 6, 7 and 12 of the preceding paragraph;
4. vehicle insurance shall cover the classes of insurance referred to in indent 2 of point 1, and points 5, 7 and 11 of the preceding paragraph;
5. insurance against fire and other damage insurance shall cover the classes of insurance referred to in points 8 and 9 of the preceding paragraph;
6. liability insurance shall cover the classes of insurance referred to in points 10 to 13 of the preceding paragraph;
7. credit and suretyship insurance shall cover the classes of insurance referred to in points 14 and 15 of the preceding paragraph;
8. damage and accident insurance shall cover the classes of insurance referred to in points 1, 3 to 13, and 16 of the preceding paragraph.

(4) Insurance business that includes several classes of insurance shall be combined in the following insurance groups:

1. non-life insurance under this Act shall cover the classes of insurance referred to in points 1 to 18 of paragraph two of this Article;
2. non-life insurance under this Act shall cover the classes of insurance referred to in points 19 to 24 of paragraph two of this Article;

Reinsurance shall mean the activity of assuming risks ceded by an insurance undertaking, an insurance undertaking from a Member State or an insurance undertaking from a third country or a reinsurance undertaking, a reinsurance undertaking from a Member State or a reinsurance undertaking from a third country.

(6) Compulsory insurance in transport shall mean insurance business regulated by the Act governing compulsory insurance in transport.

(7) Supplementary health insurance shall mean voluntary health insurance representing the public interest of the Republic of Slovenia, carried out according to the principles of intergenerational reciprocity and reciprocity between genders among all insured persons within supplementary health insurance. All insurance undertakings engaged in
supplementary health insurance must be included in the equalisation schemes designed to equalise differences between insurance undertakings relating to the costs of health services arising from differences in the age structure and gender structure of portfolios of individual insurance undertakings pursuant to the Act governing health care and health insurance. Detailed arrangements shall be stipulated by regulations on health care and health insurance.

1.2.3. Terms related to persons who conduct insurance and reinsurance business, and other persons

Article 8
(Insurance undertaking and reinsurance undertaking)

(1) An insurance undertaking shall be a legal entity that conducts insurance business on the basis of an authorisation to conduct insurance business.

(2) A reinsurance undertaking shall be a legal entity that conducts reinsurance business on the basis of an authorisation to conduct reinsurance business by the supervisory authority.

(3) The term insurance undertaking that does not include “from a Member State” or “from a third country” shall apply to insurance undertakings with the head office in the Republic of Slovenia.

(4) The term insurance undertaking that does not include “from a Member State” or “from a third country” shall apply to insurance undertakings with the head office in the Republic of Slovenia.

(5) Upon entry in the companies' register and the business register, the registered name must not include the constituent “insurance undertaking” or “reinsurance undertaking” or derivatives thereof if a legal entity is not authorised by the supervisory authority to conduct insurance business.

Article 9
(Persons by state affiliation)

(1) A Member State shall mean a member of the European Union or a Signatory State of the Agreement on The European Economic Area (OJ L 1, 3 January 1994, p. 3).

(2) “Third-country” shall mean a country that is not a Member State.

(3) A citizen of an individual country shall be a natural person with residence in the aforementioned country or a legal person whose head office is located in the aforementioned country.

Article 10
(Country of head office and host Member State)

(1) The country where the head office is located shall be the country where an insurance undertaking is authorised to conduct insurance business.

(2) Host Member State shall mean a Member State:
1. that is not the country where the head office of an insurance undertaking is located; and
2. where an insurance undertaking has established a branch or where it directly conducts insurance business.

(3) A branch shall mean an agency or a branch of an insurance undertaking located in the territory of the host Member State. Any permanent presence of an insurance undertaking in the territory of a Member State that is not the country of the head office of this insurance undertaking shall be treated in the same way as a branch, even if that presence does not take the form of a branch, but consists merely of an office managed by the undertaking's own staff or by an independent person with permanent authority to act for the undertaking in the capacity of an agent.

(4) An establishment shall mean the head office or branch of an insurance undertaking.

Article 11
(Supervised financial undertaking, supervisory authority and authorisation to conduct insurance business)

(1) A supervised financial undertaking shall be a financial undertaking supervised by the supervisory authority responsible for supervising financial undertakings.

(2) A supervisory authority shall be an authority responsible for supervising insurance undertakings, unless a provision of this Act stipulates that this provision refers to the supervisory authority responsible for supervising other financial undertakings.

(3) An authority concerned shall be a supervisory authority which, pursuant to this Act or an act passed due to the transposition of Directive 2009/138/EC, is included in the supervision of an insurance undertaking, unless a provision of this Act stipulates that this provision refers to supervisory authorities included in supervising other financial undertakings.

(4) An authorisation to conduct insurance business shall be a legal act issued in any form by the supervisory authority of the head office of an insurance undertaking, on the basis of which the insurance undertaking shall acquire the right to conduct insurance business.

Article 12
(European Commission, EIOPA and OECD)

(1) European Commission shall be the Commission of the EU.

(2) The European Insurance and Occupational Pensions Authority (hereinafter: EIOPA) shall be the authority established under Regulation 1094/2010.


1.2.4. Qualifying holding, control and relationships of connection
Article 13
(Qualifying holding and participation)

(1) A qualifying holding shall be a direct or indirect holding of holdings, shares or other rights in a certain legal entity, based on which the owner acquires:

1. at least 10 per cent of the voting rights or at least 10 per cent of the capital of this legal entity, or
2. a share of the voting rights or the capital of this legal entity which is less than 10 per cent, but still makes it possible to exercise significant influence over the management of that legal entity.

(2) Participation shall be the direct or indirect holding of holdings, shares or other rights in a certain legal entity, based on which the owner acquires at least a 20 per cent of the voting rights or at least 20 per cent of the capital of this legal entity.

Article 14
(Parent entity and subsidiary undertaking)

(1) A parent undertaking shall be an undertaking which, in relation to another undertaking (hereinafter: subsidiary undertaking), meets one of the following conditions:

1. it holds the majority of the voting rights in the subsidiary undertaking;
2. it has the right to appoint or recall most members of the Management Board or the Supervisory Board or another management or supervisory body of the subsidiary undertaking, and is, at the same time, a partner or shareholder of that undertaking;
3. it has the right to exercise a decisive influence over the subsidiary undertaking on the basis of an enterprise contract under corporation law or on other legal grounds; or
4. it is a partner or shareholder of the subsidiary undertaking, and has the majority of the subsidiary undertaking's voting rights on the basis of a contract or another legal transaction entered into with other partners or shareholders.

(2) In the application of this Act, an undertaking that directly controls another undertaking shall be treated at the same time as an undertaking that controls all undertakings that are subsidiaries of such an undertaking.

(3) In the application of points 1, 2 and 4 of paragraph one of this Article, the voting rights and rights of appointment and recall held by the parent undertaking shall be compounded by the voting rights, and the rights of appointment and recall held by another undertaking that is controlled by the parent undertaking, and the aforementioned rights held by persons acting for the account of the parent undertaking or other undertakings that are controlled by the parent undertaking.

(4) In the application of points 1., 2. and 4. of paragraph one of this Article, the voting rights or the rights to appoint or recall, which result from shares held by a parent undertaking or another undertaking controlled by such parent undertakings shall not include the aforementioned rights arising from shares which are lawfully held by such an undertaking, and which meet one of the following conditions:

1. the undertaking has acquired the shares and holds them for the account of another person that is neither a parent undertaking nor its subsidiary, or
2. the undertaking has acquired shares as collateral for its claim, and has been exercising its aforementioned rights in accordance with the instructions received from the person that placed such shares as collateral for its liabilities to the undertaking.

(5) In the application of points 1 and 4. of paragraph one of this Article, for the purpose of calculating the majority of voting rights in a subsidiary undertaking, the total
shares or voting rights in such undertakings shall not include voting rights arising from shares held by:
1. the undertaking itself;
2. a subsidiary undertaking of such an undertaking; or
3. another person that holds such shares for the account of undertakings referred to in point 1 or 2 hereunder.

(6) Another parent entity shall mean any natural person or legal entity which is not a parent undertaking, and which meets the conditions specified by the provisions of paragraphs one through five of this Article regarding voting rights or rights to appoint and recall in the subsidiary undertaking.

(7) The term parent entity shall be used to collectively denote the parent undertaking and another parent entity.

**Article 15**
(Control)

Control shall be a relationship between a parent and its subsidiary undertaking or a similar relationship between another parent entity and its subsidiary undertaking.

**Article 16**
(Close connection)

A close connection shall be a situation in which two or more natural persons or legal entities are connected in one of the following manners:
1. one of them holds a direct or indirect holding of holdings, shares or other rights, based on which it participates in the management of another entity or in its capital with at least a 20 per cent share;
2. through control;
3. the same third party has full control.

**Article 17**
(Undertakings related by joint management)

Undertaking related by joint management shall be undertakings that are not closely connected, but one of the following links exists between them:
1. they are managed on a uniform basis in accordance with a concluded contract or statutory provisions; or
2. most members of the management or supervisory bodies are the same persons.

**Article 18**
(Groups of related entities and close family members)

(1) A group of related entities shall be:
1. a group of two or three natural persons or legal entities of which one directly or indirectly controls the others;
2. a group of two or three natural persons or legal entities of which one of them does not control the others, as they are mutually related by the fact that the operation or results of one of them may significantly affect the operation or results of the others.

(2) A group of related entities shall include persons who are mutually related:
1. as close family members;
2. in such a manner that an entity or entities deemed to be related entities pursuant to other provisions of this Article directly or indirectly jointly participate in another entity;
3. in such a manner that the same entity or entities deemed to be related entities pursuant to other provisions of this Article participate in the two entities in question;
4. by constituting a concern of companies under the Act governing companies;
5. as members of the Management or Supervisory Board or procurators or employees holding special authorisations and powers in the undertaking where they perform this function or where they are employed, and close family members of such a person.

(3) Close family members of an individual person pursuant to this Act shall be:
1. that person's spouse or a person with whom they cohabit in a committed relationship that under the Act governing marital union and family relations has the same legal consequences as a marital union, a partner in a registered civil partnership, and a partner in an unregistered civil partnership;
2. this person's child or a child of the person referred to in the preceding point who does not have full legal capacity;
3. other persons this person must maintain.

Article 19
(Insurance groups)

An insurance group (hereinafter: group) shall be a group defined by the Act governing financial conglomerates within which at least one undertaking has the position of:
1. a controlling insurance undertaking or an insurance undertaking that participates in at least one other insurance undertaking;
2. an insurance undertaking that is related to another insurance undertaking by joint management; or
3. a controlling insurance holding company, a mixed activity insurance holding company or a mixed financial holding company that controls at least one insurance undertaking.

Article 20
(Indirect holding)

(1) An indirect holder of shares, holdings or other rights ensuring participation in management or capital shall be a person for whose account another person, as a direct holder, has acquired the aforementioned shares, holdings or other rights ensuring participation in management or capital.

(2) Unless proven otherwise, a subsidiary undertaking shall be considered to have acquired shares, holdings or other rights ensuring participation in management or capital for the account of its parent undertaking or another parent entity.

1.3. Basic rules on conducting insurance business

Article 21
(Conducting insurance business)

In the territory of the Republic of Slovenia, insurance business may be conducted by:
1. an insurance undertaking that has obtained an authorisation to conduct such business from the Insurance Supervision Agency;
an insurance undertaking in an EU Member State that, pursuant to this Act, has established a branch in the territory of the Republic of Slovenia or may, pursuant to this Act, directly conduct insurance business in the territory of the Republic of Slovenia; 
3. an insurance undertaking from a third country that, pursuant to this Act, may directly conduct insurance business in the territory of the Republic of Slovenia, or a branch of an insurance undertaking from a third country that has obtained an authorisation from the Insurance Supervision Agency to establish a branch.

**Article 22**
(Direct conduct of insurance business)

An insurance undertaking shall be deemed to directly conduct insurance business in the territory of the Republic of Slovenia if:
1. it concludes legal transactions whose subject is insurance business covering risks in the Republic of Slovenia;
2. it provides its services in the territory of the Republic of Slovenia to persons with a residence or head office in the territory of the Republic of Slovenia in one of the following manners:
   - through advertising sent to these persons by post or in any other manner;
   - through male or female insurance agents (hereinafter: insurance agent) or male or female insurance brokers (hereinafter: insurance broker).

**Article 23**
(Risk areas)

(1) Insurance business shall be deemed to cover risks in the Republic of Slovenia:
1. when insuring risks related to land, building or movable property in these buildings insured by the same insurance contract if the land or buildings are located in the territory of the Republic of Slovenia;
2. when insuring means of transport if the latter are registered in the territory of the Republic of Slovenia;
3. when insuring risks related to travel and holidays if the insurance contract is valid for a maximum of four months, and if the policyholder concluded the insurance contract in the Republic of Slovenia;
4. in other classes of insurance not included in the preceding points when the policyholder is:
   - a natural person if the residence of this person is located in the territory of the Republic of Slovenia; or
   - a legal entity if the head office of this entity is located in the territory of the Republic of Slovenia.

(2) A means of transport shall be a land vehicle, rolling stock, a vessel, an aircraft or other flying machines.

Chapter 2:
STATUS PROVISIONS

2.1. General provisions

**Article 24**
(Legal organisational form)
(1) An insurance undertaking shall be established in the legal organisational form of a public limited company, a European public limited liability company (SE), or a mutual insurance company.

(2) Notwithstanding the provision of the preceding paragraph, a reinsurance undertaking may be organised only as a public limited company or a European public limited liability company (SE).

Article 25
(Application of the provisions of the Companies Act)

(1) The provisions of the Act governing companies that apply to public limited companies and European public limited liability companies shall apply to insurance undertakings organised as a public limited company or a European public limited liability company, unless otherwise stipulated by this Act.

(2) The provisions of the Act governing companies shall apply mutatis mutandis to mutual insurance companies, unless otherwise stipulated by this Act.

2.2. Activities of insurance undertakings

Article 26
(Activities of insurance undertakings)

(1) An insurance undertaking may only conduct insurance business.

(2) An insurance undertaking may conduct insurance business within an individual class or a group of insurance. Several insurance businesses may only be conducted within one of the following insurance groups:
   1. life assurance,
   2. non-life insurance.

(3) Notwithstanding the preceding paragraph, an insurance undertaking that has obtained an authorisation to conduct insurance business in classes of insurance in the life assurance group may also conduct insurance business in the classes of insurance in accident and health insurance referred to in points 1 and 2 of paragraph two of Article 7 of this Act if it has obtained an authorisation to conduct insurance business in a suitable class of insurance.

(4) Notwithstanding paragraph two of this Article, an insurance undertaking that has obtained an authorisation to conduct insurance business only in the classes of insurance referred to in points 1 and 2 of paragraph two of Article 7 of this Act may also conduct insurance business in the classes of insurance in the life assurance group if it has obtained an authorisation to conduct insurance business in classes of insurance in the life assurance group.

(5) Notwithstanding the provision of paragraph two of this Article, an insurance undertaking that, on 1 May 2004, conducted insurance business in the life assurance group and in the non-life insurance group at the same time may continue to conduct the aforementioned insurance business (hereinafter: composite insurance company).

(6) Notwithstanding paragraph one of this Article, an insurance undertaking may also conduct business that is directly related to insurance business.
(7) The following, in particular, shall be deemed to be business as referred to in
the preceding paragraph:
1. futures contracts, options and other derivatives if they contribute to reducing market
risks (protection against market risks);
2. brokerage services in the sale and sale in contingencies of damaged items which
become the property of the insurance undertaking when resolving loss events;
3. implementation of measures to prevent and eliminate threats which pose a risk to
insured property and persons;
4. assessment of the exposure level of insurance facility and assessment of damage;
5. provision of other intellectual and technical services related to insurance business;
6. representation or mediation in the conclusion of insurance business for other insurance
undertakings.

(8) Notwithstanding paragraph one of this Article, an insurance undertaking may
also conduct business for other undertakings in an insurance group, but only if it does not
increase the risks to the insurance group and only in those classes which form part of the
operations of the insurance undertaking within its basic activity.

(9) Notwithstanding the preceding paragraph of this Article, an insurance
undertaking conducting insurance business in the life assurance group may, pursuant to the
Act governing pension funds, also engage in the management of pension funds if it meets
the conditions stipulated by the aforementioned act.

(10) An insurance undertaking that has obtained an authorisation to conduct
insurance business in one or several classes of insurance that include non-life insurance
may also conduct insurance business in those classes of insurance that include non-life
insurance for which it has not obtained an authorisation, provided that the following
conditions are met:
1. the insurance covers risk which:
   - is related to the risk covered by insurance in the class of insurance for which the
     insurance undertaking has obtained an authorisation (hereinafter: main risk);
   - is related to the same object as the main risk;
   - is covered by the same insurance contract;
2. is a risk which, in relation to the main risk, is of less significance;
3. is not a risk covered by insurance referred to in points 14, 15 and 17 of paragraph two
   of Article 27 of this Act;

4. Notwithstanding the preceding point, an insurance undertaking may also conduct
insurance business for risks referred to in point 17 of paragraph two of Article 7 of this
Act if such insurance is added to the insurance that covers the main risk referred to in
point 18 of paragraph two of Article 7 of this Act, and if the conditions referred to in
point 1 hereunder and one of the following conditions are met:
   - the main risk refers only to assistance provided to persons encountering problems
     when travelling or in other events of absence from home or habitual residence; or
   - insurance refers to risks arising from the use of sea-going vessels or risks related to
     them.

(11) An insurance undertaking may conduct reinsurance business if it has
obtained an authorisation to conduct reinsurance business.

Article 27
(Reinsurance activity)

(1) A reinsurance undertaking may only conduct reinsurance business.
(2) A reinsurance undertaking may conduct reinsurance business in the non-life insurance group, the life assurance group or in both insurance groups referred to in paragraph two of the preceding Article.

(3) An insurance undertaking may conduct reinsurance business in the insurance group referred to in paragraph two of the preceding Article for which it has obtained an authorisation to conduct insurance business.

Article 28
(Separate management of life assurance and non-life insurance)

(1) A composite insurance company:
- shall keep books of account, draw up a profit and loss account, and a balance sheet to establish capital adequacy, and business reports separately for life assurance and non-life insurance;
- shall draw up a separate profit and loss account by showing all revenues, particularly premiums, payments from reinsurers, and investment income, and expenditure, particularly insurance settlements, changes in technical provisions, reinsurance premiums, and operating costs related to insurance business according to their origin. Items common to both insurance groups shall be entered in accordance with the method of apportionment. The method of distribution of revenue and expenditure shall be laid down by the insurance undertaking, which shall seek consent for it subsequently from the Insurance Supervision Agency. Consent from the Insurance Supervision Agency shall also be required for changes in the method of distribution;
- shall prepare a statement which, on the basis of the balance sheet, will include clearly defined items of suitable basic own funds that cover the theoretical minimum capital requirement for each insurance group separately, as determined by paragraph two of Article 200 of this Act, to establish capital adequacy;
- shall establish the theoretical minimum capital requirement referred to in Article 232 of this Act separately for the life assurance and non-life insurance groups;
- shall provide suitable basic own funds to meet the theoretical minimum capital requirement separately for the life assurance and non-life insurance groups, whereby the fulfilment of these financial obligations must not be based on funds for another insurance group.

(2) If an insurance undertaking meets the theoretical minimum capital requirement referred to in indent 4 of the preceding paragraph and notifies the Insurance Supervision Agency thereof, it may use items of suitable basic own funds available for one or the other insurance group to meet the solvency capital requirement.

(3) If the minimum capital requirements in the life assurance and non-life insurance groups are not met, the Insurance Supervision Agency shall take measures to eliminate violations, regardless of the results of the other activity. If the minimum capital requirements are not met, the Insurance Supervision Agency may also allow the transfer of free items of suitable basic own funds from one insurance group to the other.

2.3. Share capital and shares

Article 29
(Share capital)
The minimum amount of share capital shall equal the amount of the minimum capital requirement (absolute threshold) referred to in paragraph two of Article 233 of this Act.

Article 30
(Shares)

(1) The shares of an insurance undertaking may be registered shares only.

(2) The shares of an insurance undertaking may be paid for only in cash.

(3) The shares of an insurance undertaking shall be fully paid prior to the entry of the establishment, or an increase in share capital, in the companies' register.

(4) Paragraph two of this Article shall not apply upon:
   1. the establishment of an insurance undertaking or an increase in the share capital of the insurance undertaking due to a merger or a division;
   2. an increase in the share capital of an insurance undertaking by a non-cash contribution consisting in shares of any other insurance undertaking if such an increase has been authorised by the Insurance Supervision Agency.

(5) With regard to the authorisation referred to in the preceding paragraph, the provisions of this Act which regulate merger and break-up shall apply mutatis mutandis.

2.4. Qualifying holdings

Article 31
(Authorisation to acquire qualifying holdings)

(1) Any person intending to directly or indirectly acquire the shares of an insurance undertaking in order to achieve or exceed a qualifying holding (hereinafter: future qualifying holder) shall obtain an authorisation from the Insurance Supervision Agency prior to obtaining such holding (hereinafter: authorisation to acquire a qualifying holding).

(2) In the operative part of its decision on issuing authorisation to acquire a qualifying holding, the Insurance Supervision Agency shall lay down the share of the voting rights or capital of the insurance undertaking for which the authorisation is issued as one of the following scopes:
   1. the share of the voting rights or capital of the insurance undertaking which is equal to, or higher than, the qualifying holding, but lower than 20 per cent;
   2. the share of the voting rights or capital of the insurance undertaking which is equal to, or higher than, 20 per cent, but lower than one third;
   3. the share of the voting rights or capital of the insurance undertaking which is equal to, or is higher than, one third, but lower than 50 per cent;
   4. the share of the voting rights or capital of the insurance undertaking which is equal to, or is higher than, 50 per cent;
   5. the share based on which the future qualifying holder becomes the parent undertaking of the insurance undertaking.

(3) Prior to any subsequent acquisition of shares that might enable the qualifying holder to exceed the range subject to the already issued authorisation to acquire a qualifying holding, the qualifying holder shall be required to obtain a new authorisation to acquire the qualifying holding.
(4) The persons who have agreed on coordinated actions in the acquisition of the insurance undertaking’s shares or in exercising the management rights arising from such shares (hereinafter: joint qualifying holders), and who intend to acquire the holding based on which they would achieve or exceed the qualifying holding shall, prior to the acquisition of such a share, obtain an authorisation to acquire a qualifying holding.

(5) Unless proven otherwise, it shall be considered that they have agreed, and that the following persons perform coordinated actions in the acquisition of the insurance undertaking’s shares or in exercising the management rights arising from such shares:
1. members of the Management Board or the Supervisory Board, and legal entities where they perform such a task;
2. persons interconnected as close family members;
3. the asset management company and investment funds managed by this asset management company; or
4. persons who:
   - have proposed to the general meeting of the insurance undertaking to adopt a resolution on the appointment or recall of members of the Management Board or the Supervisory Board, or another resolution which, according to ZGD, is to be adopted by at least a three-fourths majority in decisions made by the represented share capital; and
   - have achieved the adoption of this resolution by exercising voting rights or otherwise.

(6) Prior to any subsequent acquisition of the insurance undertaking’s shares based on which their joint holding would exceed the range subject to the already issued authorisation to acquire a qualifying holding, joint qualifying holders possessing a valid authorisation to acquire a qualifying holding shall obtain a new authorisation to acquire a qualifying holding.

(7) Paragraph one and two of this Article, Articles 34 to 42, and 45 to 47 of this Act governing the authorisation to acquire a qualifying holding, and the rights and duties of individual qualifying holders, shall apply mutatis mutandis to joint qualifying holders.

Article 32
(Determination of qualifying holding)

(1) In determining the qualifying holding on the basis of voting rights, all the insurance undertaking’s shares with voting rights shall be taken into consideration, including own shares and shares if exercising the voting rights is restricted by law or by the Articles of Association of the insurance undertaking pursuant to the law.

(2) In determining the qualifying holding of an individual person (hereinafter: potential qualifying holder) on the basis of voting rights, the following voting rights arising from the shares shall be considered:
1. held by a potential qualifying holder for their own account;
2. held by a third party with whom a potential qualifying holder has concluded an agreement which obliges them to adopt, by coordinated exercise of the voting rights they hold, a lasting common policy on the management of the insurance undertaking;
3. held by a third party with whom a potential qualifying holder has concluded an agreement on the basis of which it temporarily transferred the exercise of such rights to the third party;
4. which have been temporarily transferred to the potential qualifying holder as collateral, provided that the holder controls the voting rights attached to such shares, and declares the intention to exercise the rights;
5. regarding which the potential qualifying holder has the right of usufruct;
6. held by a controlled undertaking of a potential qualifying holder, or which enables a controlled undertaking of a potential qualifying holder to exercise voting rights within the meaning of points 2 to 5 hereunder;
7. which are held by a potential qualifying holder for the account of a third party, and which enable such holder to exercise the voting rights arising from such shares at their own discretion, unless otherwise instructed by the third party;
8. which are held by the third party in its own name and for the account of a potential qualifying holder;
9. which enable a potential qualifying holder to exercise voting rights as a proxy at their own discretion, unless otherwise instructed by their holder.

(3) All shares into which the share capital of an insurance undertaking is divided, including own shares, shall be considered as the basis for establishing the qualifying holding on the basis of participation in the capital.

(4) In determining the qualifying holding of a qualifying holder on the basis of participation in capital, points 1, 2, 3, 5, 6 and 8 of paragraph two of this Article shall apply mutatis mutandis.

Article 33
(Exceptions to the determination of the qualifying holding)

(1) The following shall not be taken into account when determining the qualifying holding:
1. shares which a potential qualifying holder has acquired exclusively for settlement within a usually short settlement period; and
2. shares which a potential qualifying holder has acquired on behalf of a third party in relation to the provision of trust services, if the voting rights arising from such shares may be exercised only on the basis of instructions provided by the person for whose account they are managed, in writing or by electronic means.

(2) When determining the qualifying holding of a company that is the parent undertaking of the asset management company, the holdings from the investments of undertakings for collective investment managed by the asset management company under the terms stipulated in the Act governing investment fund management – or an act of the Member State of the asset management company which transposes Directive 2009/65/EC into the legislation of this Member State – in shares of the insurance company shall not be taken into account if the asset management company exercises the voting rights arising from such holdings independently of the parent undertaking.

The preceding paragraph shall not apply if:
1. the parent undertaking or its controlled undertaking is the holder of shares of the insurance undertaking with voting rights managed by an asset management company; and
2. the asset management company is unable to exercise the voting rights arising from such shares at its own discretion, but only through the direct or indirect instructions of the parent undertaking or its controlled undertaking.

(4) When determining the qualifying holding of the company that is the parent undertaking of the investment company entitled to provide investment services and activities under the act governing the financial instruments market – or an act of the Member State of the investment company which transposes Directive 2004/39/EC into the legislation of this Member State – the holdings from investments in shares of the insurance undertaking managed by this investment company in the scope of providing financial instrument
management services shall not be taken into account, provided that the following conditions are met:

1. the investment company has a suitable authorisation from the supervisory authority to provide investment services of financial instrument management;
2. the investment company:
   - exercises the voting rights arising from investments in the shares of the insurance undertaking with voting rights only on the basis of instructions provided by the client for whose account they are managed, in writing or by electronic means;
   - by taking adequate measures, has been able to provide appropriate conditions equal to the conditions stipulated by the Act governing investment fund management or an act of the Member State of the asset management company which transposes Directive 2009/65/EC into the legislation of this Member State for financial instrument management services to be provided independently of other services and activities provided by the investment company;
3. the investment company exercises its voting rights independently of the parent undertaking.

(5) The preceding paragraph shall not apply if:

1. the parent undertaking or its controlled undertaking is the holder of shares of the insurance undertaking with voting rights managed by the investment company; and
2. the investment company is unable to exercise the voting rights arising from such shares at its own discretion, but merely through the direct or indirect instructions of the parent undertaking or its controlled undertaking.

(6) When determining the qualifying holding of a bank or an investment company, the shares acquired by such a bank or an investment company during the provision of services related to the performance of the first or any further sale of financial instruments on a firm commitment basis shall not be taken into account, provided that the following conditions are met:

1. the bank or the investment company is entitled to provide services related to the performance of the first or any further sale of financial instruments on a firm commitment basis pursuant to the Act governing the financial instruments market or an act of the Member State which transposes Directive 2004/39/EC into the legislation of this Member State;
2. the bank or the investment company does not exercise any voting rights attached to the shares or other management rights arising from such shares in order to/in such a way which would influence the management of the business of the insurance undertaking;
3. the bank or the investment company disposes of the shares within one year after acquisition.

Article 34
(Request for authorisation to acquire a qualifying holding)

(1) A request for the issue of an authorisation to acquire a qualifying holding shall include:

1. the share of the voting rights or the capital of the insurance undertaking which the future qualifying holder intends to obtain;
2. other information specified in paragraph one of Article 478 of this Act included in each request.

(2) A request for an authorisation to acquire a qualifying holding shall be accompanied by evidence and information on the future qualifying holder's compliance with the criteria stipulated by Article 36 of this Act.
Article 35
(Consultation with supervisory authorities)

(1) Prior to making a decision to issue an authorisation to acquire a qualifying holding, the Insurance Supervision Agency shall consult the supervisory authority of a Member State if the future qualifying holder is:
   1. an insurance undertaking from that Member State;
   2. a credit institution, an investment company or an asset management company from that Member State; or
   3. a parent entity of the persons referred to in points 1 or 2 hereunder.

(2) Prior to making a decision to issue an authorisation to acquire a qualifying holding, the Insurance Supervision Agency shall consult the supervisory authority of the Republic of Slovenia if the future qualifying holder is:
   1. a credit institution, a stock broking company or an asset management company from the Republic of Slovenia; or
   2. a parent entity of the persons referred to in the preceding point.

(3) The Insurance Supervision Agency shall consult and exchange information with the supervisory authorities of Member States and the Republic of Slovenia concerning the suitability of future qualifying holders, the reputation and experience of members of the companies' management boards within the same group, as well as other information necessary or important to assess the future qualifying holder's compliance with the criteria stipulated by Article 36 of this Act.

(4) When the Insurance Supervision Agency is obliged, pursuant to paragraphs one or two of this Article, prior to making a decision to issue an authorisation to acquire a qualifying holding, to consult the supervisory authorities, the substantiation of the grounds for such a decision on issuing an authorisation to acquire a qualifying holding or rejecting the request to issue such an authorisation shall take into account, in addition to the contents included in each substantiation of the grounds for a decision, the position of the Insurance Supervision Agency on the views and reservations of other supervisory authorities.

(5) If the future qualifying holder is a supervised financial undertaking from a third country, the request for authorisation to acquire a qualifying holding shall also be accompanied by the consent or opinion of the supervisory authority or a notification that no such consent or opinion is required subject to the regulations that apply to the future qualifying holder in its country of establishment.

Article 36
(Assessing the future qualifying holder's eligibility)

(1) In order to ensure the safe and prudential management of an insurance undertaking in which a future qualifying holder intends to acquire a qualifying holding, the Insurance Supervision Agency, when deciding on the issue of an authorisation to acquire a qualifying holding, by taking account of the possible influence of the future qualifying holder if obtaining the required qualifying holding on the management of the insurance undertaking, shall assess the future qualifying holder's eligibility on the basis of the following criteria:
   1. reputation of the future qualifying holder;
   2. reputation and experience of the persons who will have the opportunity to manage the insurance undertaking or otherwise influence its operations if the future qualifying holder acquires the required qualifying holding;
   3. financial soundness of the future qualifying holder, in particular as regards the types of business conducted or planned by the insurance undertaking;
4. possible consequences if the future qualifying holder acquires the required qualifying holding for the capability of the insurance undertaking to act in accordance with the risk management rules, and to meet the requirements and restrictions stipulated by this Act.

(2) When assessing the future qualifying holder's eligibility, the Insurance Supervision Agency shall also assess whether the insurance undertaking will be able to act in accordance with the risk management rules, and to meet the requirements and restrictions stipulated by this Act, whereby it is particularly important whether the group of which it will become part has the structures to facilitate efficient supervision and efficient information exchange between supervisory authorities, and to delimit supervisory powers and responsibilities between supervisory authorities.

(3) When assessing the future qualifying holder's eligibility, the Insurance Supervision Agency shall also assess whether there is a suspicion:
1. that the acquisition of the required qualifying holding involved or will involve an act of money laundering or terrorist financing as defined by the Act governing the prevention of money laundering and terrorist financing, or an attempted act of such kind; or
2. that such an acquisition will increase the risk of money laundering or terrorist financing as defined by the Act governing the prevention of money laundering and terrorist financing.

(4) The Insurance Supervision Agency shall not assess the future qualifying holder's eligibility in terms of the economic needs of the market.

(5) If the Insurance Supervision Agency addresses two or more requirements for the acquisition of a qualifying holding in the same insurance undertaking at the same time, all future qualifying holders shall be treated in a non-discriminatory manner.

Article 37
(Rejection of a request to issue authorisation to acquire a qualifying holding)

(1) The Insurance Supervision Agency shall reject a request to issue an authorisation to acquire a qualifying holding if:
1. the future qualifying holder does not comply with the criteria set out in points 1 to 3 of paragraph one of the preceding article;
2. it assesses on the basis of the criteria stipulated in the preceding article that the following is possible if the future qualifying holder acquires the required qualifying holding:
   - that the insurance undertaking’s ability to act in accordance with the risk management rules, and to meet requirements and restrictions stipulated by this Act is at risk;
   - the implementation of efficient supervision, efficient information exchange between supervisory authorities, or delimitation of supervisory powers and responsibilities between supervisory authorities is hindered or made difficult;
3. if there is a suspicion:
   - that the acquisition of the required qualifying holding involved or will involve an act of money laundering or terrorist financing as defined by the Act governing the prevention of money laundering and terrorist financing, or an attempted act of such kind; or
   - that such an acquisition will increase the risk of money laundering or terrorist financing as defined by the Act governing the prevention of money laundering and terrorist financing.
4. the future qualifying holder does not submit the documents and information required for the assessment of eligibility under the criteria stipulated by the preceding article within
the time limit specified by the requirement referred to in paragraphs six and seven of Article 483 of this Act.

(2) The Insurance Supervision Agency shall also reject a request to issue an authorisation to acquire a qualifying holding to a future qualifying holder from a third country if, with regard to the regulations applicable in the country of this entity or with regard to the practice of the application and implementation of such regulations, it is likely that the implementation of efficient supervision, efficient information exchange between supervisory authorities or delimitation of supervisory powers and responsibilities between supervisory authorities will be hindered or made difficult.

Article 38
(Time limit for the acquisition of the holding to which the authorisation refers)

(1) In a decision regarding an authorisation to acquire a qualifying holding, the Insurance Supervision Agency shall impose an obligation on the future qualifying holder to acquire, within a specified time limit, the shares of the insurance undertaking by means of which they shall acquire the range subject of the already issued authorisation to acquire a qualifying holding. The time limit must not be shorter than six months after the service of the Insurance Supervision Agency's decision laying down such a time limit.

(2) At the request of the future qualifying holder, the Insurance Supervision Agency may extend the time limit referred to in the preceding paragraph.

(3) The future qualifying holder must file a request to extend the time limit for the acquisition of a qualifying holding prior to the expiry of the time limit referred to in paragraph one of this Article.

Article 39
(Expire of the authorisation to acquire a qualifying holding)

(1) If the Insurance Supervision Agency has laid down a time limit for the acquisition of shares of an insurance undertaking under the preceding article, and the future qualifying holder fails to acquire the shares of the insurance undertaking within the specified time limit, which would enable them to obtain the qualifying holding, the authorisation shall expire in its entirety.

(2) If the Insurance Supervision Agency has laid down the time limit for the acquisition of shares of an insurance undertaking, and the qualifying holder acquires a qualifying holding within the specified time limit, but fails to acquire the range for which the authorisation has been issued, the authorisation shall cease to be valid with respect to the part which exceeds the range acquired by the holder.

(3) If the qualifying holder disposes of the shares of the insurance undertaking after having acquired a holding in the range subject to authorisation so that its share of the voting rights or the capital of the insurance undertaking fails to reach the range for which the authorisation has been issued, the authorisation shall cease to be valid with respect to the part which exceeds the range still held by the holder after such disposal of shares.

(4) The preceding paragraph shall also apply mutatis mutandis if the qualifying holder's share decreases due to an increase in the share capital or other corporate activities of the insurance undertaking.
The Insurance Supervision Agency shall issue a declaratory decision on the complete or partial expiry of the authorisation to acquire a qualifying holding.

**Article 40**
*(Voting rights attached to the shares of the insurance undertaking acquired in contravention of the law)*

(1) A holder of the shares of the insurance undertaking that acquires or holds such shares in contravention of this Act (hereinafter: ineligible holder) shall have no voting rights.

(2) The number of shares for which an ineligible holder may exercise their voting rights shall be calculated in the following manner:
   1. if the holder's shares amount to, or exceed, 10 per cent of the voting rights or the capital of the insurance undertaking, without having obtained an authorisation to acquire a qualifying holding, or if the holder's authorisation to acquire a qualifying holding has been withdrawn by subtracting one share from the number of shares which represents 10 per cent of the voting rights or the capital of the insurance undertaking;
   2. if the holder's shares exceed the range subject to the authorisation to acquire a qualifying holding so that their number equals the number of shares which is the upper limit of the range for which the holder is granted a valid authorisation.

(3) The voting rights which an ineligible holder is not entitled to exercise shall be added to the voting rights of other shareholders in proportion to their participation in all voting rights attached to the shares of the insurance undertaking.

(4) If an ineligible holder files a request for an authorisation to acquire a qualifying holding within one month of acquisition, and if they receive such authorisation from the Insurance Supervision Agency, the holder, as of the date of finality of the decision regarding an authorisation to acquire a qualifying holding, shall acquire the voting rights attached to shares up to the number of shares which constitute the share for which this authorisation is issued.

(5) Prior to the session of the General Meeting, an insurance undertaking shall verify whether the holder has obtained an authorisation for a qualifying holding, and notifies the president of the General Meeting.

(6) This Article, and Articles 41 and 42 of this Act shall apply to the example referred to in paragraph one of this Article. The paragraphs one to five of this Article, and Articles 41 and 42 of this Act shall also apply *mutatis mutandis* if the qualifying holder's share increases due to a decrease in the share capital or other corporate activities of the insurance undertaking. In the application *mutatis mutandis* of the provisions of the preceding paragraph, the one-month time limit on requesting an authorisation to acquire a qualifying holding shall start on the day when the qualifying holder is, or could be, informed of the increase in his share due to the corporate activity of the insurance undertaking.

**Article 41**
*(Order on the disposal of shares)*

(1) If the ineligible holder fails to file a request for authorisation to acquire a qualifying holding within one month from the acquisition of the shares of the insurance undertaking, the Insurance Supervision Agency shall issue an order imposing on such an ineligible holder the obligation to dispose of the shares held in contravention of this Act (hereinafter: order to dispose of shares). In its order to dispose of shares, the Insurance
Supervision Agency shall set a time limit for the disposal of shares, which must not be shorter than three months or longer than six months. Notwithstanding paragraph three of the preceding article, if the ineligible holder obtains or exceeds a 90 per cent share of the voting rights or the capital of the insurance undertaking, the Insurance Supervision Agency shall determine in its order on the disposal of shares that the voting rights attached to the shares held by the ineligible holder in contravention of this Act shall be exercised by the Insurance Supervision Agency until the shares have been disposed of.

(2) Prior to the expiry of the time limit specified by the order to dispose of shares, the ineligible holder shall submit the following to the Insurance Supervision Agency:
   1. a report on the disposal of shares, which shall include information about the acquirer(s) of shares; and
   2. evidence of disposal.

(3) The Insurance Supervision Agency may request the acquirer of the shares referred to in the preceding paragraph to explain whether the shares were acquired on their own behalf and for their own account. In the procedure to assess whether the holder has acted in accordance with the order to dispose of shares, the Insurance Supervision Agency may take appropriate evidence on the facts regarding the account for which the acquirer has acquired the shares. In the procedure, Article 480 of this Act shall apply mutatis mutandis.

(4) Paragraphs one to three of this Article shall also apply mutatis mutandis in the following cases:
   1. the ineligible holder files a request for authorisation to acquire a qualifying holding within one month after the acquisition of shares, and the request is rejected, dismissed or withdrawn;
   2. the holder’s authorisation to acquire a qualified holding is withdrawn.

(5) The provisions of this Act concerning the order to eliminate violations shall apply mutatis mutandis to the order to dispose shares.

Article 42
(Decision prohibiting the exercise of rights arising from shares)

(1) If the ineligible holder fails to dispose of the shares within the time limit determined by the order on the disposal of shares, or if, in the procedure according to paragraph three of the preceding article, the Insurance Supervision Agency determines that the acquirer holds shares which were subject to an order on the disposal of shares on their own behalf or for the account of an ineligible holder (hereinafter: ineligible acquirer), the Insurance Supervision Agency will issue a decision prohibiting the ineligible holder and eventual ineligible holders from exercising any rights arising from the shares of the insurance undertaking held in contravention of this Act, and prohibiting the insurance undertaking from enabling the aforementioned persons from exercising the rights arising from such shares in any manner (hereinafter: decision prohibiting the exercise of rights arising from shares).

(2) If the decision prohibiting the exercise of rights arising from shares has been issued, the ineligible holder and potential ineligible acquirers may only exercise the rights arising from the number of shares calculated by subtracting one share from the number of shares which represent the holder’s qualifying holding.

(3) The operative part of the decision prohibiting the exercise of rights arising from shares shall include the following:
1. information about the ineligible holder if the holder disposes of his share to an ineligible acquirer, including information about the ineligible acquirer;
2. the number of shares for which the ineligible holder and potential ineligible acquirers might jointly exercise rights arising from the aforementioned shares.

(4) The decision prohibiting the exercise of rights arising from the shares of the insurance undertaking shall also be delivered to the insurance undertaking. The insurance undertaking shall not allow any rights arising from the shares to which the decision refers to be exercised by the ineligible holder or ineligible acquirers after such a decision has been served.

(5) If the insurance undertaking pays a dividend in the period from the serving of the decision prohibiting the exercise of rights arising from shares to the date of the acquisition of the shares to which the decision referred by a new holder of the shares in accordance with this Act, the insurance undertaking shall pay the dividend pertaining to the aforementioned shares to the new holder within eight days of receiving the new holder's notice of the acquisition of shares.

Article 43
(Shareholders' agreement)

(1) The shareholders of an insurance undertaking who jointly own shares and whose share ownership is insufficient for a qualifying holding in the insurance undertaking, and who enter into an agreement on the coordinated exercise of the management rights arising from such shares (hereinafter: shareholders' agreement) shall notify the Insurance Supervision Agency thereof within eight days of entering into such an agreement.

(2) The shareholders of an insurance undertaking who jointly own shares on the basis of which they reach or exceed a qualifying holding in the insurance undertaking, and who intend to enter into a shareholders' agreement (hereinafter: qualifying shareholders' agreement) shall obtain the authorisation to acquire a qualifying holding from the Insurance Supervision Agency prior to entering into such an agreement.

(3) Prior to any subsequent acquisition of the shares of an insurance undertaking based on which their joint holding would exceed the scope subject to the already issued authorisation to acquire a qualifying holding, parties to a qualifying shareholders' agreement in possession of a valid authorisation to acquire a qualifying holding shall obtain a new authorisation to acquire a qualifying holding.

(4) The preceding paragraph shall also apply mutatis mutandis if:
1. a new participant intends to join the qualifying shareholders' agreement; or
2. upon entering into the shareholders' agreement referred to in paragraph one of this Article for the purpose of acquiring additional shares or on account of a new participant's joining the agreement, the total holding of parties to the agreement achieved or exceeded a qualifying holding in the insurance undertaking.

(5) The provisions of Articles 31, 34 to 42, and 45 to 47 of this Act on the authorisation to acquire a qualifying holding, and on the rights and obligations of individual qualifying holders, shall also apply mutatis mutandis to the parties to a qualifying shareholders' agreement.

Article 44
(Other cases of acquiring the status of a parent entity)
(1) A person who intends to enter into an enterprise contract under corporation law or other legal transaction as a basis for acquiring the status of a parent entity of an insurance undertaking shall obtain the authorisation to acquire a qualifying holding as referred to in paragraph two of Article 31 of this Act prior to entering into such a legal transaction, regardless of whether the aforementioned person is, at the same time, a shareholder of the insurance undertaking or their shareholding in the insurance undertaking.

(2) The provisions of Articles 34 to 42, and 45 to 47 of this Act shall apply mutatis mutandis to the authorisation for the acquisition of a qualifying holding, and to the rights and obligations of the qualifying holder referred to in the preceding paragraph.

**Article 45**

(Withdrawal of the authorisation to acquire a qualifying holding)

(1) The Insurance Supervision Agency may withdraw the authorisation to acquire a qualifying holding if the circumstances referred to in paragraphs one and two of Article 37 of this Act arise.

(2) The finality of the decision to withdraw the authorisation to acquire a qualifying holding shall have the legal consequences referred to in Article 40 of this Act.

**Article 46**

(Conditional withdrawal of the authorisation to acquire a qualifying holding)

(1) With the decision to withdraw the authorisation to acquire a qualifying holding, the Insurance Supervision Agency may also declare that the withdrawal may not be carried out if the qualifying holder during the trial period determined by the Insurance Supervision Agency, which must not be shorter than six months and not longer than one year, does not commit another violation due to which it is possible to withdraw the authorisation.

(2) The Insurance Supervision Agency shall revoke the conditional withdrawal of the authorisation and withdraw the authorisation if the qualifying holder commits another violation due to which it is possible to withdraw the authorisation.

**Article 47**

(Notifications of a qualifying holder to the Insurance Supervision Agency)

(1) If a qualifying holder who has obtained the authorisation to acquire a qualifying holding intends to dispose of his shares such that his holding is reduced below the lower limit of the range subject to the authorisation, he must notify the Insurance Supervision Agency of this in advance.

(2) If the qualifying holder’s holding is reduced below the lower limit of the range subject to the authorisation on account of an increase in the share capital or other corporate activities of the insurance undertaking, the qualifying holder must notify the Insurance Supervision Agency thereof.

(3) A controlling insurance holding company and a mixed activity insurance holding company which, in accordance with the authorisation to acquire a qualifying holding, have the position of a parent undertaking of the insurance undertaking, must also notify the Insurance Supervision Agency of any change of members of the Management Board.
Article 48
(Regulation on qualifying holders)

The Insurance Supervision Agency shall prescribe the following:
1. detailed criteria for the assessment of suitability of a future qualifying holder as referred to in Article 36 of this Act;
2. detailed contents of the documentation and information to be attached to the request for the issue of the authorisation to acquire a qualifying holding;
3. detailed contents, method and time limit for the submission of the notifications referred to in the preceding article.

Article 49
(Prior written notification of intended acquisition of a qualifying holding in a foreign financial undertaking)

(1) Prior to acquiring a qualifying holding in another insurance undertaking or other financial undertaking with the head office in a third country, an insurance undertaking shall notify the Insurance Supervision Agency in writing of its intention at least two months prior to the acquisition.

(2) Prior to any subsequent acquisition of the shares based on which its holding will exceed the level of 20 per cent, one third or 50 per cent share of the voting rights or the capital in an insurance undertaking or a financial undertaking from a third country or based on which the insurance undertaking will become a controlling company of an insurance undertaking or a financial undertaking from a third country, the insurance undertaking referred to in the preceding paragraph must notify the Insurance Supervision Agency in writing of its intention at least three months prior to the acquisition.

(3) If an insurance undertaking intends to dispose of shares or shareholdings in such a manner that its share in an insurance undertaking or a financial undertaking from a third country will be reduced below the limit referred to in paragraphs one and two of this Article, it must notify the Insurance Supervision Agency of this in advance.

(4) The following must be attached to the prior written notification referred to in the first or second paragraph of this Article:
1. a list of holders of qualifying holdings in the insurance undertaking or financial undertaking from a third country, including information on their shares, and a translation of a certified extract from the companies' register or another public register for each of them;
2. a translation of the certified extract from the companies' register or another public register for the insurance undertaking or financial undertaking from the third country concerned;
3. annual reports of the insurance undertaking or financial undertaking from a third country for the last two financial years;
4. if, pursuant to the regulations of the country of its head office, the insurance undertaking or financial undertaking from a third country is subject to audit: auditor's reports, with opinions on the annual reports for the last two financial years;
5. a list of persons connected with the insurance undertaking or financial undertaking from a third country with a description of the manner of their connection;
6. the management strategy of the insurance undertaking or financial undertaking from a third country with an assessment of the economic efficiency of the investment.

2.5. Insurance undertaking management system
Article 50
(Sound and reliable management system)

(1) An insurance undertaking shall establish and realise a solid and reliable management system that includes at least the following:
1. a clear organisational structure, with precisely defined, clear and consistent internal relations in terms of responsibilities;
2. an efficient system of information transfer;
3. efficient and key management functions integrated in the organisational structure and decision-making processes of the insurance undertaking. The key management functions shall be the functions for managing risks, compliance monitoring and internal audit, and actuarial function;
4. risk management strategy, written rules, processes and procedures;
5. measures to ensure regular and permanent operations which comply with its systems, resources and procedures, including the preparation of a contingency plan.

(2) An insurance undertaking must determine in writing the rules of the management system which stipulate the manner of risk management, compliance monitoring, internal control and internal audit, actuarial functions and outsourced operations if the insurance undertaking transfers some of its operations to a third party. The management system rules must be clear and comprehensible.

(3) The management system rules must be revised at least once per year. The management system rules must be approved by the Board of Directors or the Management Board of an insurance undertaking with the consent of the Supervisory Board of an insurance undertaking.

(4) The management system must be proportional to the nature, volume and complexity of the business of an insurance undertaking.

(5) Regarding the management system, an insurance undertaking, in addition to this Act, shall also observe the acts and regulatory technical standards adopted by the European Commission pursuant to Article 50 of Directive 2009/138/EC, and regulations issued by the Insurance Supervision Agency.

Article 51
(Function)

Within the insurance undertaking management system, this shall mean the capacity of the insurance undertaking to carry out practical tasks.

Article 52
(Holders of key functions)

(1) The holder of a key function in an insurance undertaking shall be a person authorised by the Board of Directors or the Management Board with the consent of the Supervisory Board as a person responsible for one or several key functions in the insurance undertaking.

(2) The holder of a key function may only be a person who meets the following conditions:
1. is suitably professionally qualified, and has qualities and experience required for the reliable and prudent performance of the tasks of the key function;
2. has not been convicted *res judicata* of a criminal offence;
3. they have not be subject to bankruptcy proceedings;
4. is not a person who is a member of the Management Board or a procurator in the insurance undertaking;
5. is not a person on whom the Insurance Supervision Agency has finally imposed the withdrawal of the authorisation for a key function in the last five years due to a severe violation of Chapter 4 or 8 of this Act or on whom the Insurance Supervision Agency has finally imposed on a pension fund to dismiss the appointed certified actuary in the last five years due to a severe violation of the tasks of a certified actuary stipulated by Article 604 of this Act;
6. is a person with a good reputation and integrity.

(3) In addition to the conditions referred to in the preceding paragraph, the holder of the internal audit function shall also meet the conditions referred to in Article 163 of this Act. In addition to the conditions referred to in the preceding paragraph, the holder of the actuarial function shall also meet the conditions referred to in Article 169 of this Act.

(4) An insurance undertaking shall notify the Insurance Supervision Agency of the granting of an authorisation to a holder of a key function within eight days of granting the authorisation. The notification shall include the evidence of the suitability of the newly authorised holder of a key function.

(5) If, regarding the holder of a key function, circumstances arise such that the holder of a key function no longer meets the conditions referred to in paragraph two of this Article, the insurance undertaking shall withdraw their authorisation for a key function.

(6) An insurance undertaking shall notify the Insurance Supervision Agency in writing of the reasons for the withdrawal of the authorisation of the holder of a key function or the cessation of the tasks by the holder of a key function within eight days of the withdrawal of the authorisation of the holder of a key function or the cessation of the tasks by the holder of a key function.

(7) The holder of a key function shall notify the Insurance Supervision Agency of the reasons for ceasing to perform the tasks of a key function within eight days from the day that they voluntarily ceased to perform the said tasks.

(8) If the authorisation of the holder of a key function or the cessation of the tasks of a key function is withdrawn, the insurance undertaking shall authorise a new holder of a key function as soon as possible, but no later than within three months from the day the authorisation of the holder of a key function was withdrawn or the tasks of the key function ceased to be performed.

(9) To establish and supervise the meeting of conditions for holders of key functions, the Insurance Supervision Agency and the insurance undertaking shall acquire the information referred to in point 2 of paragraph two of this Article from the holder of a key function or from the criminal record.

(10) To establish and supervise the meeting of conditions for holders of key functions, the Insurance Supervision Agency and the insurance undertaking shall acquire the information referred to in point 3 of paragraph two of this Article from the business register or another register.

(11) For persons who are not nationals of the Republic of Slovenia, the Insurance Supervision Agency and the insurance undertaking shall acquire, as sufficient evidence regarding points 2 and 3 of paragraph two of this Article, equivalent documents from the
competent authorities of countries where the foreign national has resided in the last ten years prior to being authorised as the holder of a key function.

**Article 53**

(Violations of duties by holders of key functions)

(1) Violations of the duties by holders of key functions shall mean violations of the duties by holders of key functions as stipulated by this Act for individual key functions in Chapters 4 and 8.

(2) The Insurance Supervision Agency shall order an insurance undertaking to withdraw the authorisation for the holder of a key function, and to authorise a new holder of a key function if:
   - the holder of a key function does not meet the conditions referred to in paragraph two of the preceding article;
   - the holder of a key function commits a severe violation of the duties stipulated by this Act.

(3) If the holder of a key function commits a severe violation defined in paragraph four of this Article, the insurance undertaking shall withdraw this person’s authorisation for a key function and notify the Insurance Supervision Agency of this, pursuant to paragraph six of the preceding article.

(4) A violation of the duties of the holder of a key function will have the characteristics of a severe violation if:
   1. the violation of the duties of the holder of a key function puts the operations of the insurance undertaking in accordance with the risk management rules at risk; or
   2. the holder of a key function commits another violation at least once in the three years following the same violation.

(5) The Insurance Supervision Agency shall issue a reminder to the holder of a key function if the latter violates his/her obligations as referred to in Chapter 4 or 8 of this Act which refer to the duties of the holder of a key function, and if the conditions for the withdrawal of the authorisation are not provided.

2.6. Insurance undertaking management and supervisory bodies

2.6.1. Common provisions

**Article 54**

(Selection of the insurance undertaking management system)

(1) An insurance undertaking may opt for a two-tier management system, including a management board and a supervisory board, or a one-tier management system with a board of directors.

(2) This Act and the provisions of the Act governing companies which govern management and supervisory boards of public limited companies shall apply to the Management Board and the Supervisory Board of an insurance undertaking. The provisions of the Act governing companies shall apply mutatis mutandis to a mutual insurance company, whereby the provisions governing the participation of members of the Management Board in profit shall not apply.
(3) The provisions of this Act which apply to all members of management and supervisory bodies, including the conditions stipulated by Articles 57 and 67 of this Act, also apply to members who are workers' representatives. When imposing the measure referred to in paragraph three of Article 67 of this Act, the body that appointed the workers' representative to the Supervisory Board of an insurance undertaking shall be taken into account in the case of a member of the Supervisory Board who is a workers' representative. When imposing the measure referred to in point 5 of paragraph one of Article 308 of this Act and in point 4 of paragraph one of Article 312 of this Act, the body that appointed the workers' representative to the Management Board of an insurance undertaking shall be taken into account in the case of a member of the Management Board who is a workers' representative.

(4) Unless otherwise stipulated by this Act, the provisions of this Act on the Supervisory Board of an insurance undertaking shall apply mutatis mutandis to the Management Board of an insurance undertaking with a one-tier management system, and the provisions of this Act on the Management Board shall apply mutatis mutandis to executive directors. The provisions of this Act on a member of the Supervisory Board of an insurance undertaking shall apply mutatis mutandis to individual members of the Management Board, and the provisions on a member of the Management Board shall apply mutatis mutandis to individual executive directors.

(5) Executive directors and other members of the Management Board of an insurance undertaking with a one-tier management system shall be subject to the following special rules:
   1. the Management Board of an insurance undertaking shall appoint at least two executive directors;
   2. not more than one half of members of the Management Board of an insurance undertaking may be appointed executive directors;
   3. members of the Management Board who are not executive directors shall not manage the business of the insurance undertaking.

(6) The following shall apply to managers, members of the Supervisory Board and holders of key functions of an insurance undertaking:
   1. the provisions of Sections 2.5 and 2.6 of this Act;
   2. the act issued by the European Commission pursuant to paragraphs one and two of Article 50 of Directive 2009/138/EC; and
   3. regulations issued by the Insurance Supervision Agency.

**Article 55**

*(Regulation on members of the Management Board)*

The Insurance Supervision Agency shall prescribe detailed documentation which a candidate for a member of the Management Board must use to demonstrate that they meet the conditions referred to in Article 57 of this Act.

**2.6.2. Insurance undertaking Management Board**

**Article 56**

*(Management Board of an insurance undertaking)*

(1) The Management Board of an insurance undertaking shall have at least two members who jointly represent the insurance undertaking in legal transactions. None of
members of the Management Board of an insurance undertaking may be authorised to represent the insurance undertaking independently in any transactions included in the activity of the insurance undertaking.

(2) Members of the Management Board of an insurance undertaking who perform their tasks on the basis of an employment contract shall carry out the insurance undertaking management tasks full time.

(3) The level of Slovenian of at least one member of the Management Board of an insurance undertaking must be suitable to perform the obligations of a member of the Management Board.

(4) The Management Board of an insurance undertaking shall manage the business of the undertaking in the Republic of Slovenia.

(5) The Management Board of an insurance undertaking shall be so composed that it provides suitable diverse qualifications, knowledge and experience for the professional management of the undertaking.

**Article 57**

*(Conditions for members of the Management Board)*

(1) Only persons meeting the following conditions may be a member of the Management Board:
   1. is suitably professionally qualified, and has qualities and experience required to manage the business of an insurance undertaking;
   2. has not been convicted *res judicata* of a criminal offence;
   3. bankruptcy proceedings have not been instigated against them;
   4. is a person with a good reputation and integrity.

(2) The condition referred to in point 1 of the preceding paragraph is met if the person has sufficient theoretical and practical knowledge to be a manager of insurance business. Unless proven otherwise, it is deemed that the condition in point 1 of the preceding paragraph is met if the person has at least five years' experience in managing the business of an insurance undertaking or an undertaking of a comparable size and activity to an insurance undertaking or other comparable business.

(3) The information referred to in point 2 of paragraph one of this Article shall be acquired by the Insurance Supervision Agency from a candidate for a member of the Management Board or from the criminal record.

(4) The information referred to in point 3 of paragraph one of this Article shall be acquired by the Insurance Supervision Agency from the business register.

(5) For foreign nationals, the Insurance Supervision Agency shall acquire, as sufficient evidence regarding points 2 and 3 of paragraph one of this Article, equivalent documents from the competent authorities of countries where the foreign national has resided in the last ten years prior to being appointed member of the Management Board of an insurance undertaking.

(6) When the competent authority of the Member State or the third country where the foreign national resides or has resided does not submit the information referred to the preceding paragraph, a notarised statement by the foreign national shall be equally valid.
The documents referred to in paragraphs five and six of this Article shall be submitted within three months of the date of their issue.

Article 58
(Decision of the Supervisory Board on the appointment of a member of the Management Board of an insurance undertaking)

(1) The Supervisory Board shall decide on the appointment of a certain person as a member of the Management Board of an insurance undertaking prior to this person’s filing a request for the issue of the authorisation to perform this function.

(2) A decision of the Supervisory Board on the appointment of a certain person as a member of the Management Board of an insurance undertaking shall take effect:
   1. under a suspensive condition, which occurs if this person obtains the authorisation to perform this function; and
   2. under a resolutory condition, which occurs if:
      - this person does not file a request for the issue of the authorisation to perform this function or if they withdraw such a request within 15 days of receiving the decision on their appointment as a member of the Management Board of an insurance undertaking; or
      - the Insurance Supervision Agency dismisses or rejects this person’s request for the issue of the authorisation to perform this function.

Article 59
(Authorisation to perform the function of a member of the Management Board of an insurance undertaking)

(1) A person who has not obtained the authorisation to perform the function of a member of the Management Board of an insurance undertaking from the Insurance Supervision Agency may not take office.

(2) A candidate for a member of the Management Board shall attach the following to the request or the issue of the authorisation to perform the function of a member of the Management Board:
   1. evidence that the conditions referred to in Article 57 of this Act have been met;
   2. a decision of the Supervisory Board of the insurance undertaking on the appointment of a member of the Management Board of the insurance undertaking.

(3) The Insurance Supervision Agency may decide that a candidate for a member of the Management Board shall present the management of the business of an insurance undertaking during the process of decision making on the authorisation.

(4) The Insurance Supervision Agency will issue the authorisation to perform the function of a member of the Management Board if a candidate meets the conditions for membership of the Management Board of an insurance undertaking, if they have been appointed pursuant to the preceding article, and if, in view of the anticipated obligations of individual members of the Management Board in the anticipated composition, suitably diverse qualifications, knowledge and experience to professionally manage the insurance undertaking will be provided.

(5) The Insurance Supervision Agency shall acquire the information it needs in the process of decision making on the authorisation to perform the function of a member of the Management Board ex officio without charge from the competent state authorities or holders
of public authority. To assess the reputation and experience of an individual candidate, the Insurance Supervision Agency shall also acquire information processed by EIOPA on potential measures and sanctions imposed by other competent authorities.

(6) The authorisation to perform the function of a member of the Management Board of an insurance undertaking will cease to be valid if:
- the person's function of a member of the Management Board of an insurance undertaking to which the authorisation refers ends; or
- the person has not begun to perform the function of a member of the Management Board of an insurance undertaking to which the authorisation refers within three months of receiving the authorisation to perform the function of a member of the Management Board of an insurance undertaking.

(7) The Supervisory Board shall notify the Insurance Supervision Agency of the fact that a person's function of a member of the Management Board of an insurance undertaking has been terminated no later than five business days from the termination of the function.

(8) If the authorisation to perform the function of a member of the Management Board of an insurance undertaking ceases to be valid, the Insurance Supervision Agency shall issue a decision to establish that the authorisation has ceased to be valid.

Article 60
(Procuration)

(1) An insurance undertaking may grant procuration and enters this accordingly in the companies' register only to a person who meets the conditions from paragraph one of Article 57 of this Act.

(2) If the authorisation of a member of the Management Board of an insurance undertaking is withdrawn, the insurance undertaking must not grant procurement to this person and procurement must not be entered in the companies' register for five years from the finality of the decision on the withdrawal of the authorisation.

(3) With a decision, the Insurance Supervision Agency shall require the Management Board and the Supervisory Board of an insurance undertaking to dismiss the procurator if:
- the procurator does not meet the conditions referred to in paragraph one of Article 57 of this Act; or
- the preceding paragraph is violated.

Article 61
(Obligations of members of the Management Board)

(1) Members of the Management Board of an insurance undertaking shall ensure that the insurance undertaking operates in accordance with this Act and regulations issued pursuant thereto, or with other laws governing the operations of insurance undertakings and regulations issued pursuant thereto.

(2) Members of the Management Board of an insurance undertaking shall be jointly and severally liable for any damages incurred as a consequence of violations of their
tasks, unless they can prove that they have honestly and conscientiously carried out their obligations.

(3) Individual members of the Management Board of an insurance undertaking shall be relieved of their liability for the damages referred to in paragraph two of this Article if they can prove one of the following reasons for acquittal:

1. that they could not have carried out the actions referred to in paragraph one of this Article individually; and:
   - they made a proposal at a meeting of the Management Board that such actions be carried out, but were opposed by other members of the Management Board; or
   - the member of the Management Board of an insurance undertaking who, among members of the Management Board, was responsible for the area of the operations of the insurance undertaking where a violation that resulted in damage was established failed to promptly prepare suitable expert groundwork; or

2. that they could not have known about, or prevented, the violation of the provision of paragraph one of this Article, despite the required professional diligence.

Article 62
(Reporting to the Supervisory Board)

(1) The Management Board of an insurance undertaking must promptly notify the Supervisory Board of the insurance undertaking in writing:

1. if either the liquidity or solvency of the insurance undertaking is at risk;
2. if reasons occur for the revocation or withdrawal of the authorisation to conduct insurance business, and for the prohibition of the performance of individual types of insurance business;
3. if the financial situation of the insurance undertaking changes so that appropriate funds of the undertaking do not cover the solvency capital requirement;
4. if the financial situation of the insurance undertaking changes so that appropriate basic funds of the undertaking do not reach the minimum capital requirement;
5. of the findings of the Insurance Supervision Agency, tax inspectors and other supervisory authorities engaged in supervisory procedures of the insurance undertaking.

(2) A member of the Management Board of an insurance undertaking shall promptly notify the Supervisory Board in writing:

1. that they have been appointed or that their function in the management or supervisory bodies of other legal entities has terminated;
2. of legal transactions on the basis of which either the member or their close family members have directly or indirectly acquired shares or shareholdings in a legal entity on the basis of which the member, together with their close family members, have achieved or exceeded the qualifying holding in the aforementioned legal entity or their holding has been reduced below the qualifying holding limit;
3. of the withdrawal of the authorisation to perform the function of a member of the Management Board of the insurance undertaking.

Article 63
(Withdrawal of the authorisation to perform the function of a member of the Management Board)

(1) The Insurance Supervision Agency shall withdraw the authorisation to perform the function of a member of the Management Board of an insurance undertaking if:

1. the authorisation has been acquired by means of false statements;
2. the Management Board of the insurance undertaking of which they are a member violates the obligations referred to in Article 158 of this Act, unless the member of the Management Board is able to prove one of the reasons for acquittal stated in paragraph three of Article 61 of this Act;
3. the member of the Management Board of the insurance undertaking severely violates the obligations of members of the Management Board determined by the regulations or rules referred to in paragraph one of Article 61 of this Act;
4. the member of the Management Board of the insurance undertaking has been convicted *res judicata* of a criminal offence;
5. the member of the Management Board of the insurance undertaking no longer meets the conditions referred to in paragraph one of Article 57 of this Act.

(2) A violation of the obligations referred to in point 3 of paragraph one of this Article will be deemed a severe violation if:
1. if the violation puts either the liquidity or capital adequacy of the insurance undertaking at risk; or
2. a member of the Management Board of an insurance undertaking commits the same violation for a second time within two years, whereby the first violation does not have to be finally established.

**Article 64**
(Conditional withdrawal of the authorisation to perform the function of a member of the Management Board)

(1) With a decision to withdraw the authorisation to perform the function of a member of the Management Board of an insurance undertaking, the Insurance Supervision Agency may also declare that the authorisation shall not be withdrawn if the member of the Management Board of an insurance undertaking during the trial period determined by the Insurance Supervision Agency, which must not be shorter than six months and not longer than two years, does not commit another violation due to which it is possible to withdraw the authorisation or issue a reminder.

(2) The Insurance Supervision Agency will revoke the conditional withdrawal of the authorisation and withdraw the authorisation if the member of the Management Board of an insurance undertaking commits another violation due to which it is possible to withdraw the authorisation or issue a reminder.

**Article 65**
(Reminder)

The Insurance Supervision Agency shall issue a reminder to a member of the Management Board of an insurance undertaking if the member of the Management Board of an insurance undertaking violates the obligations of members of the Management Board determined by the regulations or rules referred to in paragraph one of Article 61 of this Act, and the conditions for the withdrawal of the authorisation to perform the function of a member of the Management Board are not met.

2.6.3. Supervisory Board of an insurance undertaking

**Article 66**
(Members of the Supervisory Board of an insurance undertaking)
(1) The function of a member of the Supervisory Board of an insurance undertaking cannot be performed by a person who is closely connected with a legal entity in which the insurance undertaking has more than a 5 per cent share of the voting rights or capital, and which is not a subsidiary undertaking within the group, as defined by the Act governing financial conglomerates.

(2) Notwithstanding the Act governing companies, a person who performs the function of a member of the Supervisory Board or another supervisory body only in insurance undertakings and other undertakings which are part of the group, as defined by the Act governing financial conglomerates, may perform this function:
1. if the performance of the function is their permanent employment in a member of the group, and they are not separately paid to perform this function, other than via regular employment-based income: in an unlimited number of supervisory boards of insurance undertakings and other undertakings included in this group;
2. in other cases: in a total of seven supervisory boards of insurance undertakings and other undertakings included in this group.

Article 67
(Conditions for performing the function of a member of the Supervisory Board of an insurance undertaking)

(1) Only persons meeting the following conditions may be appointed to the Supervisory Board of an insurance undertaking:
1. is suitably professionally qualified, and has qualities and experience required to supervise the management of the business of an insurance undertaking;
2. has not been convicted res judicata of a criminal offence;
3. civil bankruptcy proceedings have not been instigated against them; and
4. is a person with a good reputation and integrity.

(2) Unless proven otherwise, it is deemed that the condition in point 1 of paragraph one of this Article is met if the person has at least five years' experience in managing or supervising the business of an undertaking of a comparable size and activity as an insurance undertaking or other comparable business.

(3) The Insurance Supervision Agency will require the Management Board of an insurance undertaking to convene the General Meeting of the insurance undertaking and propose the dismissal of a member of the Supervisory Board of the insurance undertaking if:
1. the member of the Supervisory Board violates the obligations of a member of the Supervisory Board;
2. there is, or arises, an obstacle to the appointment of the member of the Supervisory Board referred to in the preceding article;
3. the member of the Supervisory Board does not meet, or no longer meets, the conditions referred to in paragraph one of this Article;
4. the appointment of a member of the Supervisory Board of the insurance undertaking does not provide suitably diverse qualifications, knowledge or experience to professionally supervise the insurance undertaking.

Article 68
(Powers of the Supervisory Board of an insurance undertaking)

In addition to the competences of the Supervisory Board in accordance with the Act governing companies, the Supervisory Board of an insurance undertaking shall have the following powers:
1. to approve the Management Board’s business strategy for the insurance undertaking;
2. to approve the Management Board’s financial plan for the insurance undertaking;
3. to approve the Management Board’s written management system rules referred to in paragraph two of Article 50 of this Act;
4. to approve the Management Board’s annual internal audit work plan;
5. to decide on other matters stipulated by this Act.

**Article 69**

*(Obligations of members of the Supervisory Board of an insurance undertaking)*

(1) Members of the Supervisory Board of an insurance undertaking shall:
1. supervise the accuracy of procedures and the efficiency of internal audit operations;
2. address the findings of the Insurance Supervision Agency, tax inspectors and other supervisory authorities engaged in supervisory procedures of the insurance undertaking;
3. verify annual and other financial reports, and prepare a written report for the General Meeting of shareholders of the insurance undertaking;
4. explain their opinion of the annual internal audit and insurance undertaking reports to the General Meeting of shareholders.

(2) Members of the Management Board of an insurance undertaking shall be jointly and severally liable for any damages incurred as a consequence of violations of their tasks, unless they can prove that they have honestly and conscientiously carried out their obligations.

(3) Individual members of the Management Board of an insurance undertaking shall be relieved of their liability for the damages referred to in paragraph two of this Article if they can prove one of the following reasons for acquittal:
1. that they could not have carried out the actions referred to in paragraph one of this Article individually; and:
   - they made a proposal at meeting of the Supervisory Board for such actions to be carried out, but were opposed by other members of the Supervisory Board; or
   - the member of the Supervisory Board who, among the members of the Supervisory Board, was responsible for the area of operations of the insurance undertaking in which a violation that resulted in damage was established failed to promptly prepare suitable expert groundwork; or
2. that they could not have known about, or prevented, the violation of the provision of paragraph one of this Article, despite the required professional diligence.

(4) A member of the Supervisory Board of an insurance undertaking shall promptly notify the Insurance Supervision Agency:
1. that they have been appointed or that their function in the management or supervisory bodies of other legal entities has terminated;
2. of legal transactions on the basis of which either the member or their close family members have directly or indirectly acquired shares or shareholdings in a legal entity on the basis of which the member, together with their close family members, have achieved or exceeded the qualifying holding in the aforementioned legal entity, or their holding has been reduced below the qualifying holding limit.

**Article 70**

*(Audit Committee)*
The Supervisory Board of an insurance undertaking shall appoint the Audit Committee.

2.7. Regular liquidation of an insurance undertaking

Article 71
(Resolution of the General Meeting on the liquidation of an insurance undertaking)

(1) The General Meeting of an insurance undertaking may decide to wind up the insurance undertaking and commence the liquidation of the insurance undertaking (hereinafter: liquidation decision).

(2) The General Meeting of an insurance undertaking with a branch in another Member State may take the decision referred to in the preceding paragraph only after acquiring the opinion of the Insurance Supervision Agency.

(3) In its opinion referred to in paragraph two of this Article, the Insurance Supervision Agency shall assess the suitability of guarantees insuring claims by the creditors of the insurance undertaking. The Insurance Supervision Agency shall issue its opinion within 30 days of receiving a request to issue the opinion. If the Insurance Supervision Agency does not issue its opinion within 30 days, the General Meeting of the insurance undertaking may take the decision to liquidate immediately after this period expires.

(4) The provisions of the Act governing companies on the liquidation of a public limited company based on the decision of the General Meeting shall apply to the liquidation of an insurance undertaking based on the liquidation decision, unless otherwise stipulated in Section 2.7 of this Act. The provisions of the Act governing companies shall apply mutatis mutandis to mutual insurance companies.

(5) paragraph two of Article 329, and articles 335 to 339 of this Act shall apply mutatis mutandis to the liquidation of an insurance undertaking with a branch in another Member State, unless otherwise stipulated by paragraph six of this Article.

(6) The liquidator shall publish the liquidation decision as a summary in the Official Journal of the European Union and in two daily newspapers published throughout the Member State where the branch of the insurance undertaking is located.

Article 72
(Liquidator of an insurance undertaking)

(1) Only a person who has obtained the authorisation to perform the function of a member of the Management Board of an insurance undertaking from the Insurance Supervision Agency may be appointed as a liquidator of an insurance undertaking.

(2) Notwithstanding paragraph one of this Article, a person who has not obtained the authorisation to perform the function of a member of the Management Board of an insurance undertaking from the Insurance Supervision Agency may be appointed the liquidator of an insurance undertaking if, prior to taking office, they obtain the authorisation to perform the function of a liquidator of an insurance undertaking from the Insurance Supervision Agency.

(3) The provisions of this Act on the authorisation to perform the function of a member of the Management Board of an insurance undertaking shall apply mutatis mutandis
to the authorisation to perform the function of a liquidator of an insurance undertaking referred to in paragraph two. The authorisation to perform the function of a liquidator of an insurance undertaking shall apply only to the liquidation of the insurance undertaking for which it has been obtained.

Article 73  
(Limitations on the authorisation to conduct insurance business)  
(1) The Management Board of an insurance undertaking shall notify the Insurance Supervision Agency of the liquidation decision on the business day after it receives the decision.

(2) Based on the notification referred to in paragraph one of this Articles, the Insurance Supervision Agency shall issue a decision with which it:
   1. limits the validity of the authorisation to conduct insurance business to such business as is required to carry out the liquidation of the insurance undertaking;
   2. determines the extent to which the rules of this Act and regulations based on it apply to the insurance undertaking undergoing liquidation.

(3) Following the service of the decision referred to in paragraph two of this Article, the insurance undertaking may only conduct business determined by this decision and other business required to carry out the liquidation.

(4) If the Insurance Supervision Agency issues the decision referred to in paragraph two of this Article to an insurance undertaking with a branch in a Member State prior to the issue of the decision, it shall notify the supervisory authority of this Member State. The notification shall also indicate the legal consequences and actual effects of the issued decision.

(5) If, in order to protect the interests of clients of the insurance undertaking or for other public interests, the issuing of the decision referred to in paragraph four of this Article cannot be delayed, the Insurance Supervision Agency shall inform the competent supervisory authority of the Member State immediately after the decision is issued.

Article 74  
(Recovery of the authorisation to conduct insurance business)  
(1) If the General Meeting of an insurance undertaking decides that the insurance undertaking will continue to operate, the insurance undertaking may recommence insurance business only if it obtains a new authorisation to conduct insurance business from the Insurance Supervision Agency.

(2) A proposal to enter the decision referred to in paragraph one of this Article in the companies' register must be accompanied by a new authorisation to conduct insurance business from the Insurance Supervision Agency.

Article 75  
(Termination of insurance business due to a modification of the activity of an insurance undertaking)  
(1) The provisions of Section 2.7 of this Act shall apply mutatis mutandis if the General Meeting of an insurance undertaking decides to modify the activity of the insurance undertaking so that the insurance undertaking no longer conducts insurance business.
(2) In the application *mutatis mutandis*:
1. “a decision modifying the activity” shall apply instead of “a liquidation decision”;
2. “business required to fulfil the obligations arising from the concluded insurance business” shall be used instead of “business required to carry out the liquidation”.

2.8. Mutual insurance company

2.8.1. General provisions

**Article 76**

**(Term)**

(1) A mutual insurance company shall be a legal entity which conducts insurance business for its members in accordance with the principle of mutuality, and which has obtained an authorisation to conduct such business from the Insurance Supervision Agency.

(2) Pursuant to paragraph two of Article 81, a mutual insurance company may also conduct insurance business for non-members if so determined by its Articles of Association or another act of the company.

**Article 77**

**(Registered name)**

The registered name of a mutual insurance company must include a designation denoting that it is a mutual insurance company (“d.v.z.”).

2.8.2. Establishment of a mutual insurance company

**Article 78**

**(Establishment)**

A mutual insurance company shall be founded by the founders by adopting and signing the Articles of Association and paying the initial capital.

**Article 79**

**(Articles of Association)**

(1) The Articles of Association of a mutual insurance company shall be drawn up in the form of a notarial deed.

(2) The Articles of Association for a mutual insurance company shall determine the following:
1. registered name and head office of the company;
2. the type of insurance business to be conducted by the mutual insurance company;
3. the form and method of communicating information relevant to the company or its members;
4. the beginning and termination of membership;
5. whether the company conducts business for non-members;
6. the amount of initial capital, and the conditions and method of repaying funds paid into the initial capital;
7. the conditions and method of paying funds by members, and the payment of funds to members;
8. the amount and method of forming contingency reserves;
9. the criteria for profit sharing;
10. the conditions and method of profit utilisation and loss coverage;
11. whether the company conducts business according to the principle of subsequent payments or the reduction of the liabilities of the insurance undertaking arising from insurance contracts;
12. management system (one-tier or two-tier);
13. the number of members of management or supervisory bodies;
14. the term of office of members of management or supervisory bodies;
15. whether the General Meeting of the company is organised as a meeting of members or as a representatives' meeting;
16. if the General Meeting is organised as a representatives’ meeting, the arrangement of elections to the representatives’ meeting;
17. the lowest number of members of the General Meeting who may realise minority rights;
18. the method of winding up the company;
19. the rules and procedures regarding members' contributions, members' and non-members' premiums, and the implementation of subsequent payments.

(3) Other issues relevant to a mutual insurance company not regulated by the Articles of Association may, pursuant to this Act, be regulated by other acts of the company.

(4) The Insurance Supervision Agency may reject a request for the issue of an authorisation to conduct insurance business to a mutual insurance company also if the provisions of the Articles of Association pose a risk to members' interests.

(5) With the conclusion of an insurance contract which is the basis for membership of the company, a mutual insurance company shall provide members with insight into the applicable Articles of Association in written or electronic form, and into amendments to the Articles of Association.

Article 80
(Entry in the companies’ register)

(1) A mutual insurance company shall acquire legal personality upon being entered in the companies’ register.

(2) With regard to mutual insurance companies, the information entered in the companies’ register when the subject of the entry is a public limited company, other information on the number of shares, and on the founders, shareholders or members of the company, shall be entered in the companies’ register.

2.8.3. Relations between a mutual insurance company and its members

Article 81
(Membership of a mutual insurance company)

(1) Membership of a mutual insurance company shall be related to the existence of an insurance contract entered into by the company.
(2) A mutual insurance company may also enter into insurance contracts in such a way that, by entering into the insurance contract, the policyholder does not acquire the status of a member of the mutual insurance company, particularly if the contract is concluded for less than one year.

(3) By entering into supplementary health insurance contracts, the policyholder, who is not simultaneously the insured person, does not acquire the status of a member of the company, but the insured person does.

Article 82
(Rights, obligations and responsibilities of members)

(1) Members shall not be responsible for the obligations of a mutual insurance company.

(2) Members may not settle the payment of contributions, subsequent payments and other obligations to the mutual insurance company with a claim on the mutual insurance company.

(3) Contributions and subsequent payments of members, as well as the obligations of the mutual insurance company in relation to its members, may be determined only upon equal assumptions by applying the same criteria.

2.8.4. Own funds of a mutual insurance company

Article 83
(Initial capital)

(1) Upon the establishment of a mutual insurance company, the initial capital must be formed to cover the establishment costs, organisational costs and other costs relating to the start-up of operations. Unless otherwise stipulated in the Articles of Association, the initial capital may also be used to form contingency reserves.

(2) The minimum amount of the initial capital of a mutual insurance company shall equal the amount of the minimum capital requirement (absolute threshold) referred to in paragraph two of Article 233 of this Act.

(3) When, following its establishment, a mutual insurance company applies for the authorisation to conduct insurance business in additional classes of insurance or to conduct reinsurance business, the Insurance Supervision Agency shall require, as a condition for issuing the authorisation, an appropriate increase in the initial capital, if the expenses relating to the commencement of operations in new classes of insurance or the conduct of reinsurance business cannot be covered otherwise.

Article 84
(Funds in accounts of members of a mutual insurance company)

(1) Funds in the accounts of members of a mutual insurance company shall be considered as basic own funds of the company.

(2) The classification of funds in the accounts of members of a mutual insurance company shall be carried out pursuant to Article 197 of this Act.
Article 85
(Payment and repayment of the initial capital)

(1) A mutual insurance company may commence its operations only when funds in the amount of the initial capital have been fully paid in cash.

(2) The funds paid to form the initial capital may be repaid only from the profits of individual business years if the repayment does not reduce own funds of the mutual insurance company by violating the fulfilment of the solvency capital requirement or the minimum capital requirement.

(3) The Articles of Association of a mutual insurance company may determine that persons who have provided funds to form the initial capital have the right to participate in the management of the mutual insurance company or the right to be paid interest from annual revenues, and to participate in profit as established in the annual report. The payment of interest and participation in profit are possible only if the conditions referred to in the preceding paragraph are met.

Article 86
(Premiums, subsequent payments and reduction of liabilities)

(1) The funds required for the operations of a mutual insurance company in an individual year shall be provided from premiums which may be predetermined and fixed or from premiums for which the general conditions and the Articles of Association determine the possibility of subsequent payments or the reduction of the liabilities of the insurance undertaking arising from the insurance contract.

(2) If a mutual insurance company concludes insurance with the possibility of subsequent payments or the reduction of the liabilities of the insurance undertaking arising from the insurance contract, the general conditions, and the Articles of Association determine the method that the mutual insurance company will use to determine the amount of subsequent payments or the amount by which the liabilities of the insurance undertaking arising from the insurance contract will be reduced by the mutual insurance company to replace the loss or unfavourable business fluctuations.

(3) If the general conditions and Articles of Association stipulate the obligation to make subsequent payments, persons who have become members during the year or persons whose membership has terminated during that year must also carry out subsequent payments in proportion to the duration of their membership during that year. If contributions, premiums or insurance sums which are the basis for determining the amount of subsequent payments are modified during the financial year, subsequent payments will be measured according to a higher base.

(4) The general conditions and Articles of Association shall determine subsequent payments or the reduction of the liabilities of the insurance undertaking arising from insurance contracts separately by insurance in individual classes of insurance.

Article 87
(Contingency reserves)

(1) The Articles of Association of a mutual insurance company shall determine the method of forming contingency reserves to cover operating losses, including the lowest amount that may be reached by contingency reserves of the mutual insurance company.
(2) Contingency reserves will be formed on the basis of the net profit of the financial year or of distributable profit if the General Meeting so decides.

**Article 88**
(Subordinated debt instruments)

On the basis of an approval from the General Meeting, a mutual insurance company may accumulate basic own funds by issuing subordinated debt instruments.

**Article 89**
(Use of the annual profit)

(1) The profit disclosed in the annual report may be distributed to members, except in the cases referred to in paragraph one of Article 248 of this Act.

(2) The profits disclosed in the annual report may be distributed to members or brought forward to the next financial year excluding the portion which is not required to:
1. form contingency reserves; or
2. form any other reserves determined in the Articles of Association, whereby such reserves may be used for the provision of capital in the event of conducting insurance business in other classes of insurance, and for the provision of capital in the event of conducting insurance business in another insurance group; or
3. repay the initial capital or make other repayments determined in the Articles of Association (paragraph three of Article 85 of this Act).

(3) The Articles of Association shall determine the criteria according to which profit shall be distributed among members and, in particular, whether the profit of an individual financial year shall also be distributed to persons who have withdrawn from membership during the year.

**Article 90**
(Loss coverage)

Loss brought forward or net loss shall be covered from the following sources and according to the following order:
- undistributed net profit from past years;
- other reserves intended to cover loss;
- statutory reserves intended to cover loss;
- contingency reserves;
- initial capital.

2.8.5. General Meeting of a mutual insurance company

**Article 91**
(General Meeting of a mutual insurance company)

(1) Members of a mutual insurance company shall exercise their rights in the mutual insurance company by means of the General Meeting, unless otherwise stipulated by law.
(2) The General Meeting may be organised as a general meeting of all the members (hereinafter: meeting of members) or as a meeting of representatives who themselves must be members of a mutual insurance company (hereinafter: representatives’ meeting).

(3) Notwithstanding paragraph two of this Article, the General Meeting of a mutual insurance company with 1,500 members or more shall be organised only as a representatives’ meeting.

(4) The provisions of this Act regarding the representatives’ meeting shall apply to the General Meeting of a mutual insurance company with fewer than 1,500, which is organised as a representatives’ meeting.

(5) If the number of members in the current financial year falls below 1,500 and is lower than 1,500 by no more than 10 per cent throughout the current financial year and the following year (the second financial year), members shall decide at the meeting in the year following the second financial year of members whether the mutual insurance company is to retain the representatives’ meeting, or if its powers will terminate and the members exercise their rights at the meeting of members.

(6) If the number of members of a mutual insurance company with the General Meeting organised as a meeting of members in the current financial year increases beyond 1,500 and is higher than 1,500 throughout the current financial year and the following year, the powers of the meeting of members shall cease to exist at the end of the second financial year and the mutual insurance company shall form a representatives’ meeting in the next financial year.

(7) The General Meeting shall decide matters on which the law or the Articles of Association explicitly state that the General Meeting should decide. The General Meeting may decide on issues related to management of business only when requested to do so by the Management Board of an insurance undertaking or the Supervisory Board if the provisions of the Act governing companies which regulate the powers of the Supervisory Board permit.

(8) When the provisions of the Act governing companies which apply to the General Meeting of a mutual insurance company pursuant to this Act specify minority rights of shareholders in which the total share reaches a certain share of the initial capital, the Articles of Association should determine an adequate number (the minority) of members of the General Meeting.

**Article 92**

*(Composition of representatives’ meetings and alternate representatives)*

(1) The representatives' meeting shall consist of 45 representatives of members.

(2) Each representative of a member shall have a first alternate representative and a second alternate representative.

(3) With the early termination of office of a representative of a member, the first alternate representative of the member shall become a member of the representatives’ meeting, in accordance with Article 93 of this Act. With the early termination of office of the first alternate representative of the member, the second alternate representative of the member shall become a member of the representatives’ meeting, in accordance with Article 93 of this Act.
Article 93
(System of elections to the representatives' meeting)

(1) A mixed system of elections shall be used for elections to the representatives' meeting.

(2) General elections (election period) shall be held every six years. The members of the mutual insurance company shall elect members of the representatives' meeting and two alternate representatives for each member of the representatives' meeting.

(3) Upon the expiry of the first two years, the office of the first third of representatives of the members elected at the general elections shall terminate. With the elections carried out by the remaining two thirds of the representatives elected at the general elections, the first third of new representatives of members shall be elected (elections with the co-option system).

(4) Following the expiry of a four-year election period, the office of the second third of the representatives of members elected at the general elections shall terminate. With elections carried out by the remaining third of the representatives elected at the general elections and new representatives of members elected with the co-option system, the second third of new representatives of members shall be elected.

(5) Of the total number of representatives elected in the general election who compose the General Meeting, one third of the representatives of members whose terms of office expire at that time shall be determined by drawing lots following the expiry of two years of the election period. Following the expiry of a four-year election period, half of the members whose term of office expires at that time shall be determined by drawing lots of the remaining two thirds of representatives of members elected at the general elections.

(6) The term of office of representatives of members whose term of office has not terminated early shall be terminated by the election of new representatives of members in elections with the co-option system or in the next general election. The term of office of new representatives of members elected with the co-option system whose function has not terminated early shall be terminated by the election of new representatives of members in the next general election. The function of alternate representatives of members whose term of office has not terminated early shall be terminated by the election of new alternate representatives of members in the next general election.

(7) Re-election shall be permissible.

Article 94
(Representatives’ meeting of a mutual insurance company which carries out supplementary health insurance or life assurance)

(1) All the provisions of this Act concerning the representatives' meeting shall apply to the representatives' meeting of a mutual insurance company carrying out supplementary health insurance or life assurance.

(2) Representatives’ meeting of the company referred to in paragraph one of this Article should also reflect the age structure of its members classified into age classes. When classifying members into age classes, the date of birth shall be taken into account. Each age class shall have the same number of members during the time of compiling the electoral list. Only derogations which are urgent due to a potentially greater number of members born on the same day shall be permissible. There shall be five classes.
(3) If the insured person and the policyholder are not the same person, the mutual insurance company referred to in paragraph one of this Article shall classify insured persons into age classes.

(4) The same number of representatives of members must be elected from each age class.

(5) During the election period, elected representatives of members and alternate representatives may not transfer from one age class to another.

(6) Voters may only elect representatives of members from their age class in the representatives' meeting.

(7) paragraph five of Article 93 shall apply to each age class separately.

Article 95
(Application of statutory provisions regarding classification into classes for a mutual insurance company that does not carry out supplementary health insurance or life assurance)

For a mutual insurance company which does not carry out supplementary health insurance or life assurance, and stipulates in the Articles of Association that the composition of the representatives’ meeting should reflect interests of various groups of members, the provisions of Article 94 shall apply mutatis mutandis with regard to the classification into classes.

Article 96
(Early termination of the term of office of a representative of members)

(1) The term of office of a representatives of members, the first alternate representative, and the second alternate representative of members shall terminate early:
- if the representative withdraws early;
- if circumstances arise which exclude the right to stand as a candidate;
- if personal bankruptcy proceedings are initiated against a members’ representative.

(2) Upon the early termination of a term of office of a members’ representative, the first alternate representative shall take office.

(3) If the term of office of the first alternate representative of members terminates early, the office of a representative of members is taken by the second alternate representative.

(4) If also the term of office of the second alternate representative of members terminates early, and the number of representatives of members at the representatives’ meeting in which there are no age classes or in an individual age class of representatives’ meeting with age classes falls by one third, the General Meeting of the remaining representatives of members, from among all members with the right to stand as a candidate, shall elect with the co-option system new representatives of members and two alternate representatives of members for each representative of members at the next regular session.

Article 97
(Voting rights)
(1) The right to vote for representatives of members at general elections (hereinafter: right to vote) shall be held by every natural person with legal capacity who is a member of a mutual insurance company. A member of a mutual insurance company may not authorise another person to vote for them, nor is it possible to transfer the right to vote to another person.

(2) The right to be elected to the representatives’ meeting at general elections and at elections with the co-option system (hereinafter: right to stand as a candidate) shall be held by every natural person with legal capacity who has been a member of a mutual insurance company for at least one year, and a person who has been an insured person for at least one year on the basis of an agreement concluded between a member and a mutual insurance company.

(3) Notwithstanding the provision of paragraph two of this Article, representatives of members may not be employed in a mutual insurance company, members of management or supervisory bodies of a mutual insurance company, members of management or supervisory bodies, and employees in an insurance undertaking which conducts insurance business in the same classes of insurance as the mutual insurance company, and members of management or supervisory bodies in a controlled or controlling company of a mutual insurance company.

Article 98
(Election commission)

(1) General elections and elections with the co-option system and potential other related decisions shall be prepared, run and adopted by an election commission.

(2) An election commission shall carry out the drawing of lots as stipulated in paragraph five of Article 93 of this Act.

(3) The members of an election commission shall be composed of a certain number of members of the Management Board, a certain number of members of the Supervisory Board, and a certain number of members of a mutual insurance company, whereby the number of members of a mutual insurance company should exceed the total number of members of the Management Board and members of the Supervisory Board who compose the election commission.

(4) Members of the Management Board who are members of an election commission shall be appointed by the Management Board, and members of the Supervisory Board who are members of an election commission shall be appointed by the Supervisory Board. Members of a mutual insurance company who are members of an election commission shall be elected by the meeting of members or representatives’ meeting.

Article 99
(Articles of Association and Rules)

(1) With regard to elections to representatives’ meeting, a mutual insurance company whose General Meeting is organised as a representatives’ meeting shall determine in the Articles of Association particularly:
- the number and composition of the Electoral Commission;
- the method of drawing of lots referred to in paragraph five Article 93 of this Act;
- the basic rules on the election procedure and implementation of elections.
(2) The General Meeting of a mutual insurance company whose General Meeting is organised as a representatives' meeting shall also adopt the rules on elections to the representatives' meeting. In the Rules on elections to the representatives' meeting, it shall regulate in more detail the issues referred to in paragraph one of this Article, and all other issues needed to prepare and implement elections.

(3) The part of the Articles of Association which regulates elections to the representatives' meeting, the rules on elections to the representatives' meeting, and their amendments shall enter into force when the Insurance Supervision Agency consents to them. In the case of a company which carries out supplementary health insurance, the consent of the minister responsible for health shall also be required for their entry into force.

Article 100
(Convocation of the meeting of members and decision making)

(1) The provisions of the Act governing companies regarding the meeting of members of a public limited company and regulating the option for members of the Management Board to take part in the meeting of members also if they are not shareholders, the powers of the meeting of members, the convocation of the meeting of members, the content and publication of the convocation, the period of notice to convene the meeting and participation, the provision of information, amendments to the agenda, shareholders’ motions and voting proposals, the minutes of the meeting of members, the shareholders’ right to information and the court decision upholding the right to information shall apply mutatis mutandis to the convocation of the meeting of members, participation in the meeting of members, the minutes of the meeting of members, and the members’ right to information.

(2) A general meeting of a mutual insurance company must be convened when requested in writing by at least 5 per cent of the members of the mutual insurance company. The request of members to convene a general meeting shall be sent to the Management Board, and shall contain a draft agenda and draft decisions, and provide substantiation for specific points on the agenda. The Management Board of the mutual insurance company shall convene a general meeting within 15 days of receiving the members' request to convene the meeting. Such a general meeting may not be held later than 30 days from the publication date of the convocation of the meeting. A general meeting convened at the request of members may only make decisions concerning the points on the agenda provided in the request to convene the meeting.

(3) If the Management Board of a mutual insurance company, upon the receipt of a members' request to convene a general meeting, fails to convene it within the period referred to in the preceding paragraph, the court may authorise members or their proxies to convene the meeting.

(4) During a general meeting organised as a meeting of members, a list of the members and their proxies present shall be compiled, stating their names and addresses. The list, to be signed by the chairperson, shall be made available to the participants of the General Meeting for their inspection prior to voting.

(5) In order for the General Meeting to adopt a decision, a majority of the votes cast (simple majority) is required, unless a higher majority is stipulated by law or the Articles of Association. The Articles of Association may lay down different requirements for elections.

(6) If members’ voting rights are exercised by their proxy holders, all proxies must be submitted to the mutual insurance company no later than seven days prior to the General Meeting. Proxies shall also be retained by the mutual insurance company.
(7) A member of a general meeting organised as a meeting of members may not, either in their own name or as a proxy holder of another member, participate in decision making with regard to either their being relieved of their obligations or a claim by the company being filed against them.

(8) Each general meeting shall elect a chairperson. A proposal to appoint the chairperson shall be made by the Management Board of a mutual insurance company or by at least one third of the members present or represented at the General Meeting.

**Article 101**

*(Convocation of the representatives' meeting and decision making)*

(1) The preceding article shall apply *mutatis mutandis* to the convocation and decision making of a general meeting of a mutual insurance company which is organised as a representatives’ meeting.

(2) Notwithstanding paragraph one of this Article, a general meeting of a mutual insurance company which is organised as a representatives’ meeting should be convened when required in writing by at least 5 per cent of the members of the mutual insurance company or one third of the representatives of members. A general meeting of a mutual insurance company with more than 50,000 members should be convened when required by at least 1.5 per cent of members of the mutual insurance company.

(3) The provisions of the Act governing companies regarding the application of participation at the General Meeting shall not apply to a general meeting of a mutual insurance company which is organised as a representatives’ meeting.

(4) The Management Board of a mutual insurance company with a general meeting organised as a representatives’ meeting should, on the fifth day of the publication of the convocation, inform in writing each representative of members about the convocation of the General Meeting, and attach the documents required by the provisions of the Act governing companies which govern the provision of information.

(5) Notwithstanding the provisions of the Act governing companies which govern amendments to the agenda, shareholders' motions and voting proposals, at least 5 per cent of members of a mutual insurance company or every representative of members may make proposals to the General Meeting to amend the agenda, proposals for decisions on points on the agenda, and voting proposals. If a mutual insurance company has more than 50,000 members, at least 1.5 per cent of members of the mutual insurance company are required to make proposals to the General Meeting to amend the agenda, proposals for decisions on points on the agenda, and voting proposals.

(6) A representative of members can neither transfer their rights related to the function of a representative of members to another representative of members or anybody else nor authorise someone to exercise them.

**Article 102**

*(Proxies)*

(1) Natural persons with legal capacity, and legal entities who intend to exercise proxy voting rights (hereinafter: proxy holders) at the General Meeting of a mutual insurance company organised as a meeting of members shall have a written authorisation. Proxies shall be solicited separately for each general meeting.
(2) Proxies shall specify the name and surname of the member, the number of the insurance contract which is the basis for membership, the name, surname and unique personal identification number or title and registration number of the proxy holder, proposals for decisions, the proxy holder's voting proposal for specific proposals for decisions, with reasons stated in the authorisation, an invitation to a member of a mutual insurance company to give instructions for exercising voting rights, and an indication that a member of a mutual insurance company may revoke the proxy at any time prior to voting at the General Meeting.

(3) Members of management and supervisory bodies, and employees of a mutual insurance company, and members of management and supervisory bodies of an insurance undertaking conducting the same class of insurance business as the mutual insurance company and its controlled or controlling companies, shall not be included in the procedure of organised solicitation of proxies or act as proxy holders exercising voting rights at a general meeting of a mutual insurance company organised as a meeting of members, unless they vote under a proxy of the persons referred to in paragraph three of Article 10 of this Act if they are members of the mutual insurance company.

(4) A proxy holder shall disclose in writing, as an appendix to the proxy, to a member of a mutual insurance company any circumstances important to the member when assessing the risk of the proxy holder acting in interests that differ from the interest of the member (hereinafter: conflict of interest).

(5) Conflicts of interest may primarily arise if a proxy holder:
- is a related entity pursuant to this Act;
- is in a contractual relationship with the mutual insurance company;
- has received a donation in cash or other moveable or immoveable property free of charge from the mutual insurance company.

(6) Proxy holders who have decided to solicit proxies in an organised manner shall notify a mutual insurance company thereof no less than 21 days prior to the session of the General Meeting of the mutual insurance company. Any solicitation of proxies involving more than ten members of the mutual insurance company shall be deemed to constitute organised solicitation of proxies. The notification shall specify the contact information of the proxy holder, and proposals of the proxy holder for voting on specific proposals for decisions, and shall also disclose circumstances constituting a potential conflict of interest as referred to in paragraph four of this Article. A mutual insurance company shall publish the notifications in the media or electronic media of the company or on the company's website, if it exists, no later than 18 days prior to the session of the General Meeting.

(7) A proxy holder with more than ten proxies shall notify the mutual insurance company about the number of solicited proxies no later than 7 days prior to the session of the General Meeting. The notification shall include the members' instructions to the proxy holder on voting and the number of members.

(8) The notice referred to in the preceding paragraph shall be published by a mutual insurance company in the media or electronic media of the company or on the company's website, if it exists, no later than 5 days prior to the session of the General Meeting.

(9) Proxies solicited contrary to this Article shall be void.

Article 103
(Rendering decisions adopted by the General Meeting null and void)
The provisions of the Act governing companies which govern nullity or contestability, other than the provisions governing the contesting of decisions on share capital increase, shall apply mutatis mutandis to the procedure to annul or contest decisions of the General Meeting of a mutual insurance company. If the provision refer to a shareholder and are applies mutatis mutandis, it is deemed that they refer to a member of the General Meeting, except in the case of the provision which governs lodging of legal actions to contest a decision of the General Meeting, where it is deemed that they refer to a member of a mutual insurance company.

2.8.6. Winding up of a mutual insurance company

**Article 104**
(Reasons for winding up)

A mutual insurance company shall wind up:
1. when the period for which the company was established expires;
2. based on a court decision;
3. based on a decision by the General Meeting on the winding-up of the company, and upon the initiation of liquidation proceedings (liquidation decision);
4. if bankruptcy proceedings or compulsory liquidation of the company have concluded;
5. if it merges with another company;
6. if it is transformed into a public limited company;
7. by transferring all insurance contracts of the mutual insurance company;
8. if its authorisation to conduct insurance business is withdrawn;
9. in other cases determined in the Articles of Association.

**Article 105**
(Liquidation of a mutual insurance company based on a liquidation decision by the General Meeting)

(1) In addition to articles 71 to 75 of this Act, these Articles shall also apply to the voluntary liquidation of a mutual insurance company.

(2) An authorisation from the Insurance Supervision Agency shall be required for a decision of the General Meeting to be valid. The Insurance Supervision Agency may only reject a request for the issue of authorisation if, due to the winding-up of the mutual insurance company, the interests of policyholders, insured persons or other beneficiaries are not sufficiently safeguarded.

(3) The funds paid to form the initial capital and the funds on the accounts of members of a company which were basic own funds may be repaid only after the remaining obligations of the company also to its members arising from insurance have been met or adequate security has been provided to meet the aforementioned obligations.

(4) The assets that remain after the repayment or the provision of security for the repayment of obligations referred to in the preceding paragraph shall be distributed to persons who were members of the mutual insurance company when the decision to liquidate the company was adopted by the General Meeting. The distribution shall be subject to the criteria determined by the Articles of Association regarding the distribution of profit to members.

**Article 106**
(Merger)

(1) Two or several mutual insurance companies may merge:

1. by transferring the assets of one or several companies (acquired company) to another company (acquiring company), whereby members of the acquired companies become members of the acquiring company (merger by acquisition);
2. by establishing a new mutual insurance company to which the assets of the acquired companies are transferred, whereby members of the acquired companies become members of the newly-established acquiring company (merger).

(2) Mergers shall require the consent of the General Meetings of the merging companies. If no higher majority is determined by the Articles of Association, a three-quarters majority of all the votes cast is required for a decision approving the merger to be adopted by the General Meeting.

(3) Through mergers, acquired companies shall wind up without prior liquidation.

(4) Through mergers, all assets and rights of acquired companies shall be transferred to the acquiring company. The acquiring company as the universal legal successor shall enter all legal relations whose subject is the acquired company.

(5) Unless otherwise stipulated by the preceding paragraphs, the provisions of the Act governing companies which govern merger by acquisition shall apply mutatis mutandis to mergers of mutual insurance companies.

Article 107
(Authorisation for a merger)

(1) Prior to merging with other mutual insurance companies, mutual insurance companies must obtain an authorisation from the Insurance Supervision Agency. The provisions of Articles 115, 117, and 119 to 121 of this Act shall apply mutatis mutandis to decisions on the authorisation for a merger.

(2) The Insurance Supervision Agency will reject a request for an authorisation for a merger if the body responsible for the protection of competition rejects a request to authorise the merger or prohibits the merger pursuant to the Act governing the protection of competition.

(3) If the merger results in the creation of a new legal entity for conducting insurance business, the new legal entity, prior to the registration of the merger in the companies' register, must obtain an authorisation to conduct insurance business from the Insurance Supervision Agency.

(4) If a mutual insurance company merges by acquisition by a company that is not a mutual insurance company or if part of the assets and liabilities of a mutual insurance company on the basis of a division by acquisition are acquired by an acquiring company that is not a mutual insurance company, and if the acquiring company in the aforementioned instances will conduct insurance business, the acquiring company, prior to the registration of the merger in the companies' register, must obtain an authorisation to conduct insurance business from the Insurance Supervision Agency.

5) In the instances referred to in paragraphs three and four of this Article, the Insurance Supervision Agency shall combine the decision-making procedure on the
authorisation for a merger and the decision-making procedure on the authorisation to conduct insurance business.

(6) The provisions of the preceding paragraphs shall also apply *mutatis mutandis* in the event of the division of a mutual insurance company.

**Article 108**
*(Transfer of assets to an insurance public limited company)*

(1) The total assets of a mutual insurance company may, without preceding liquidation, be transferred to an insurance public limited company.

(2) The provisions of the Act governing companies which govern merger by acquisition shall apply *mutatis mutandis* to the transfer of the assets of a mutual insurance company to an insurance public limited company.

The mutual insurance company shall be deemed an acquired company and the insurance public limited company shall be deemed an acquiring company.

(3) If no higher majority is determined by the Articles of Association, a three-quarters majority of all the votes cast is required for a decision approving the acquisition contract to be adopted by the General Meeting of the mutual insurance company.

(4) An authorisation from the Insurance Supervision Agency shall be required to transfer the assets to an public limited insurance company. The Insurance Supervision Agency shall deny a request for authorisation if the transformation may threaten the interests of members.

**Article 109**
*(Transformation into a public limited company)*

(1) A mutual insurance company may be transformed into a public limited company on the basis of a decision adopted by the General Meeting. If no higher majority is determined by the Articles of Association, a three-quarters majority of all the votes cast is required for a decision to be adopted by the General Meeting.

(2) Any member may object to transformation by sending a registered letter by the end of the third day prior to the General Meeting.

(3) No later than by the time the General Meeting is convened, the Management Board of a mutual insurance company must notify all members of the company of the contents of the proposed decision on transformation according to the method of the company's notifications determined by the Articles of Association. The notification must inform members of the right to object referred to in the preceding paragraph and the rights arising from the objection lodged.

(4) An authorisation from the Insurance Supervision Agency shall be required to initiate and carry out the procedure to transform a mutual insurance company into a public limited company. The Insurance Supervision Agency shall deny a request for authorisation if the transformation may threaten the interests of members.

**Article 110**
*(Decision on transformation)*
(1) A decision on transformation must determine the share capital and the amounts for which the shares will be issued, and other amendments to the Articles of Association required for the transformation. The nominal amount of the share capital must not exceed the value of the mutual insurance company's assets, reduced by the amount of its liabilities. Shares with a nominal amount must be equal to at least the minimum amount stipulated by the Act governing companies.

(2) Unless otherwise stipulated by the decision on transformation, members of a mutual insurance company shall participate in the share capital. When the decision does not determine that all members of the mutual insurance company are to participate with equal holdings, the holding of an individual member may be determined only on the basis of one or several criteria as follows:

1. the amount of the insurance sum;
2. the amount of the contribution (premium);
3. the amount of coverage required in the case of life assurance;
4. the criteria for the distribution of profit;
5. the duration of membership.

(3) If the participation of an individual member does not reach the minimum nominal amount of a share, their holding in the share capital shall be disregarded. Other holdings shall be rounded out so as to be divisible by the minimum nominal amount of a share, whereby the entire share capital shall be divided.

(4) If the nominal amount through which a member participates in the share capital of the public limited company exceeds the holding determined on the basis of paragraphs one and two of this Article, the difference must be paid by the member to the public limited company. If the nominal amount through which a member participates in the share capital of the public limited company is lower than the holding determined on the basis of paragraphs one and two of this Article, or if a member does not participate in the share capital of the public limited company, the difference or the holding must be paid by the public limited company to the member.

Article 111
(Implementation of transformation)

(1) Unless otherwise stipulated by this Act, the provisions of the Act governing companies which govern the establishment of a public limited company with reference to special benefits for particular shareholders, and to establishment costs, the establishment report, establishment audit, and disagreements between founders and establishment auditors, and the provisions of the Act governing companies which govern the notification of transformation shall apply mutatis mutandis to the conversion of a mutual insurance company into a public limited company.

(2) A public limited company shall exist as of the date it is entered in the companies’ register. From that date, members of the mutual insurance company shall also be shareholders pursuant to the decision on transformation.

(3) Any member who, according to the method referred to in paragraph two of Article 109, has lodged an objection against transformation may make their shares available to the company. In this case, the provisions of the act governing companies which govern members raising objections shall apply mutatis mutandis.
Article 112
(Transfer of insurance contracts)

(1) In order to transfer insurance contracts, the approval of the General Meeting shall be required, in addition to the conditions determined in Articles 516 to 519 of this Act. If no higher majority is determined by the Articles of Association, a three-quarters majority of all the votes cast is required for a decision to transfer insurance contracts to be adopted by the General Meeting.

(2) The Insurance Supervision Agency may reject the issue of the authorisation to transfer insurance contracts if, due to the transfer of insurance contracts, the interests of members arising from their membership in the mutual insurance company are not sufficiently safeguarded.

Chapter 3:
CONDUCT OF INSURANCE BUSINESS

3.1. General provisions

Article 113
(Eligibility to conduct insurance business)

(1) An insurance undertaking may conduct insurance business in the territory of the Republic of Slovenia if it obtains an authorisation to conduct insurance business from the Insurance Supervision Agency (hereinafter: authorisation to conduct insurance business).

(2) An insurance undertaking that obtains an authorisation to conduct insurance business from the Insurance Supervision Agency may also conduct insurance business that it may conduct in the territory of the Republic of Slovenia in:
   1. the territory of another Member State: through a branch or directly if it meets the conditions determined in Subsection 3.2.2 of this Act;
   2. the territory of a third country: through a branch or directly if it meets the conditions determined in Subsection 3.2.3 of this Act.

3.2. Conduct of insurance business

3.2.1. Conduct of insurance business in the territory of the Republic of Slovenia

Article 114
(Authorisation to conduct insurance business)

An insurance undertaking shall obtain an authorisation to conduct insurance business prior to the entry of its establishment in the companies' register.

Article 115
(Request for an authorisation to conduct insurance business)

(1) The following must be attached to a request for an authorisation to conduct insurance business:
1. the Articles of Association of the insurance undertaking in the form of a certified copy of a notarial deed;
2. a scheme of operations of the insurance undertaking, and a description of the management system of the insurance undertaking as referred to in Article 50 of this Act;
3. a list of persons who will acquire a qualifying holding in the insurance undertaking, and the amount of the qualifying holding that will be acquired by each holder, or, if the insurance undertaking has no qualifying holdings, a list of the 20 biggest shareholders of the insurance undertaking, and the amount of the share that will be acquired by each shareholder when the insurance undertaking is established;
4. other evidence proving that the conditions for the issue of the authorisation to conduct insurance business are met.

(2) A request for an authorisation to conduct insurance business shall include evidence proving, in view of the class of insurance and the volume of business of the insurance undertaking, that:
1. the insurance undertaking has eligible own own funds to cover share capital;
2. the insurance undertaking will be able to provide eligible own funds to cover the solvency capital requirement;
3. the insurance undertaking will be able to provide eligible basic own funds to cover the minimum capital requirement;
4. the insurance undertaking will be able to meet the requirements referred to in Chapter 4 of this Act, and in regulations issued on its basis.

Article 116
(Scheme of operations)

(1) The scheme of operations referred to in point 2 of paragraph one of Article 115 of this Act shall contain:
1. the basic features of business policy;
2. an indication of individual classes of insurance within which the insurance undertaking intends to conduct insurance business;
3. a programme of anticipated reinsurance, including tables of maximum coverage for all classes of insurance;
4. a definition of the individual components of basic own funds which cover the share capital referred to in Article 29 of this Act;
5. the anticipated volume of establishment and organisational costs, and the sources to finance these costs.

(2) In addition to the requirements referred to in paragraph one of this Article, a scheme of operations for the first three financial years shall also include:
1. the balance sheet planned to establish capital adequacy;
2. an assessment and method for calculating the solvency capital requirement, based on the planned balance sheet referred to in the preceding point;
3. an assessment of the minimum capital requirement, based on the planned balance sheet referred to in point 1 hereunder;
4. an assessment of funds intended to cover technical provisions, the minimum capital requirement, and the solvency capital requirement;
5. a detailed report on anticipated profit and loss, particularly on premium revenue, anticipated compensations or insurance fees, anticipated commission costs and other operating costs, and anticipated formation of technical provisions and reserves.
(3) If the scheme of operations refers to reinsurance business, it must include the components referred to in points 1, 4 and 5 of paragraph one of this Article, the components referred to in the preceding paragraph, and information or evidence of:

1. the risk the insurance undertaking plans to cover;
2. types of reinsurance arrangements that the reinsurance undertaking plans to conclude through ceding;
3. key principles regarding retrocession.

(4) If an insurance undertaking intends to carry out compulsory insurance in transport or supplementary health insurance, its scheme of operations must also include general or special insurance conditions, premium systems, and other insurance bases for the calculation of insurance premiums and for the formation of technical provisions.

(5) If an insurance undertaking intends to conduct insurance business in the class of insurance referred to in point 18 of paragraph two Article 7 of this Act, its scheme of operations must also include a description of the funds available to the insurance undertaking required to meet the non-pecuniary obligations (provision of assistance) of the insurance undertaking arising from this class of insurance.

**Article 117**

*(Combining the decision-making procedure on authorisations)*

The Insurance Supervision Agency shall decide at the same time on the following requests for authorisations:

1. a request for an authorisation to conduct insurance business;
2. a request by future shareholders of the insurance undertaking referred to in the preceding point for an authorisation to acquire a qualifying holding;
3. requests by candidates for members of the Management Board of the insurance undertaking referred to in point 1 of this Article for the issue of an authorisation to perform the function of a member of the Management Board.

**Article 118**

*(Scope of the authorisation to conduct insurance business)*

(1) The Insurance Supervision Agency shall decide on the issue of an authorisation for each class of insurance in which the insurance undertaking may conduct insurance business.

(2) The Insurance Supervision Agency shall issue the authorisation to conduct insurance business in an individual class of insurance if it establishes that the insurance undertaking meets the conditions to conduct insurance business in this class of insurance.

(3) In the operative part of the authorisation, the Insurance Supervision Agency shall explicitly state the classes of insurance to which the authorisation applies. If the authorisation applies to all classes of insurance in an individual insurance subgroup, the Insurance Supervision Agency may state this insurance subgroup in the operative part of the authorisation.

(4) Notwithstanding paragraphs one to three of this Article, the Insurance Supervision Agency shall decide on the issue of the authorisation to a reinsurance undertaking to conduct reinsurance business in the non-life insurance group, the life assurance group or in both insurance groups referred to in paragraph two of Article 26 of this
Act, and state in the operative part of the authorisation that the latter applies exclusively to reinsurance business.

(5) Notwithstanding paragraphs one to three of this Article, the Insurance Supervision Agency shall decide on the issue of the authorisation to an insurance undertaking to conduct reinsurance business in the insurance group referred to in paragraph two of Article 26 of this Act in which the insurance undertaking has an authorisation to conduct insurance business or in both insurance groups if a composite insurance company requests the issue of an authorisation to conduct reinsurance business in both insurance groups.

(6) The provisions of this Chapter which refer to individual classes of insurance regarding decision making on the issue of the authorisation to conduct insurance business shall apply mutatis mutandis to individual insurance groups when making a decision on the issue of the authorisation to conduct reinsurance business.

Article 119
(Decision making on a request for an authorisation to conduct insurance business)

The Insurance Supervision Agency shall issue an authorisation to an insurance undertaking to conduct insurance business if:
1. the status of the insurance undertaking complies with Chapter 2 of this Act;
2. the shareholders who are holders of qualifying holdings have obtained authorisations to acquire qualifying holdings in the insurance undertaking;
3. candidates for members of the Management Board of the insurance undertaking have obtained authorisations to perform the function of a member of the Management Board of the insurance undertaking;
4. the planned risk management system referred to in Article 154 of this Act is appropriate and suitable to manage the risk to which the insurance undertaking will be exposed when conducting anticipated business.

Article 120
(Consulting the supervisory authorities of other Member States)

(1) Prior to the issue of an authorisation to conduct insurance business, the Insurance Supervision Agency shall consult the supervisory authorities of other Member States if the insurance undertaking to which the request for authorisation refers is:
1. a controlled undertaking of an insurance undertaking, a credit institution or an investment company with its head office in the EU which has obtained an authorisation to conduct insurance business or provide banking services or securities-related services in another Member State;
2. a controlled undertaking that is the parent undertaking of an insurance undertaking, a credit institution or an investment company with its head office in the EU which has obtained an authorisation to conduct insurance business or provide banking services or securities-related services in another Member State.

(2) Prior to the issue of the authorisation to conduct insurance business, the Insurance Supervision Agency shall also consult the supervisory authorities of other Member States if the insurance undertaking to which the request for authorisation refers is an undertaking controlled by the same natural person or legal entity which controls an insurance undertaking, a credit institution or an investment company with its head office in the EU.
(3) The Insurance Supervision Agency shall consult, and exchange information with, the supervisory authorities of other Member States particularly on the suitability of shareholders, the reputation and experience of members of the management boards, and holders of key functions within the same group, and on the meeting of staff, organisational and technical conditions for conducting insurance business.

Article 121
(Rejection of a request for an authorisation to conduct insurance business)

(1) The Insurance Supervision Agency shall reject a request for the issue of the authorisation to conduct insurance business if the conditions referred to in this Act or other acts or regulations issued on their basis to conduct insurance business or to conduct insurance business in the class of insurance to which the request for the issue of the authorisation refers to are not met.

(2) Notwithstanding the preceding paragraph, the Insurance Supervision Agency shall reject the part of a request for the issue of the authorisation to conduct insurance business which refers to compulsory insurance in transport if the general and social insurance conditions contravene the Act governing compulsory insurance in transport.

Article 122
(Termination of the authorisation to conduct insurance business)

(1) An authorisation to conduct insurance business shall terminate:
1. if the insurance undertaking does not commence up operations within one year of the issue of the authorisation;
2. if the insurance undertaking suspends its insurance business for more than six months;
3. if a decision by the Insurance Supervision Agency establishing the conditions to initiate bankruptcy proceedings or compulsory liquidation of the insurance undertaking is issued;
4. if the liquidation of the insurance undertaking is concluded;
5. if the activity of the insurance undertaking is modified;
6. if all insurance contracts are transferred to another insurance undertaking.

(2) If the authorisation to conduct insurance business of an insurance undertaking terminates in all classes of insurance in an individual insurance group for which it has obtained the authorisation to conduct reinsurance business, the authorisation to conduct reinsurance business in the same insurance group shall also terminate.

(3) If the reason referred to in paragraph one or two of this Article arises, the Insurance Supervision Agency shall issue a decision establishing that the authorisation has terminated.

(4) An insurance undertaking shall not conclude any new insurance business:
1. in the case referred to in points 1 and 2 of paragraph one of this Article, if the time limit during which the authorisation ceases to be valid has expired;
2. in the case referred to in point 3 of paragraph one of this Article, if a decision of the Insurance Supervision Agency establishing the conditions to initiate bankruptcy proceedings or compulsory liquidation is served;
3. in the case referred to in point 4 of paragraph one of this Article, if the General Meeting of the insurance undertaking takes a decision to initiate liquidation proceedings;
4. in the case referred to in point 5 of paragraph one of this Article, if the General Meeting of the insurance undertaking takes a decision to modify the activity of the insurance undertaking;

5. in the case referred to in point 6 of paragraph one of this Article, when the insurance undertaking obtains an authorisation to transfer all insurance contracts from the Insurance Supervision Agency.

(5) If the authorisation to conduct insurance business terminates, the Insurance Supervision Agency shall notify the supervisory authorities of other Member States.

Article 123
(Notification from the Insurance Supervision Agency on the commencement of insurance business in individual classes of insurance)

An insurance undertaking shall notify the Insurance Supervision Agency of the taking-up or termination of the conduct of insurance business in individual classes of insurance for which its has obtained authorisation.

Article 124
(Modification of classes of insurance)

(1) An insurance undertaking that has obtained an authorisation to conduct insurance business in certain classes of insurance must obtain an authorisation to modify the classes of insurance from the Insurance Supervision Agency if it plans to conduct insurance business in other classes of insurance.

(2) The provisions of Articles 114 to 121 of this Act shall apply *mutatis mutandis* to decisions on a request for an authorisation to modify the classes of insurance referred to in the preceding paragraph.

(3) The Insurance Supervision Agency shall reject a request for an authorisation to modify the classes of insurance if:
   1. it establishes that conducting business in the class of insurance to which the request for the authorisation refers would put at risk the operation of the insurance undertaking pursuant to the provisions of this Act or the risk management regulations issued on its basis;
   2. the insurance undertaking does not meet other conditions to conduct insurance business in the class of insurance to which the request for authorisation refers.

(4) Paragraphs one to three shall also apply if an insurance undertaking that has obtained an authorisation to conduct insurance business in certain classes of insurance plans to engage in reinsurance business.

Article 125
(Authorisation for a merger or division)

(1) If an insurance undertaking takes part in a merger or division of undertakings, it must obtain authorisation for a merger or division from the Insurance Supervision Agency.

(2) The provisions of Articles 114 to 121 of this Act shall apply *mutatis mutandis* to decisions on a request for an authorisation for a merger or division.
(3) If the merger results in the creation of a new undertaking that will conduct insurance business, the new undertaking, prior to the registration of the merger or division in the companies’ register, must obtain an authorisation to conduct insurance business from the Insurance Supervision Agency.

(4) Paragraphs one to three of this Article shall also apply mutatis mutandis to other status reorganisations in which the insurance undertaking is involved.

(5) The insurance undertaking referred to in paragraph one of this Article shall notify policyholders with announcements in the mass media in the territory where the insurance being transferred covers risks, except in the case of the insurance of export credits, whereupon it must notify policyholders with announcements in the mass media in the territory of their head office. Reinsurance undertakings shall not be obliged to notify policyholders with announcements in the mass media.

3.2.2. Conduct of insurance business in the territory of a Member State

Article 126
(Conduct of insurance business in the territory of a Member State)

(1) An insurance undertaking may conduct insurance business for which it has obtained an authorisation from the Insurance Supervision Agency in the territory of a Member State through a branch or directly.

(2) An insurance undertaking shall be deemed to be conducting insurance business in a Member State if it underwrites insurance policies that cover risks in that Member State or if it pursues the activities referred to in point 2 of Article 22 of this Act in the territory of a Member State.

(3) Article 23 of this Act shall apply to determining the Member State where insurance covers risks.

Article 127
(Notification of intention to establish a branch of an insurance undertaking in a Member State)

(1) An insurance undertaking that intends to establish a branch in a Member State shall notify the Insurance Supervision Agency thereof, and state the Member State where it intends to establish a branch.

(2) An insurance undertaking shall include the following information in the notification of the intention to establish a branch, which shall be prepared in Slovenian and in the language of the Member State:
   1. a scheme of operations, including the types and volume of business it intends to conduct through the branch, the organisational structure of the branch, and other points stipulated by Article 116 of this Act as appropriate;
   2. its address in the Member State where the documentation regarding the branch and messages to authorised persons referred to in point 3 hereunder may be acquired and delivered;
   3. names and surnames, addresses of permanent or temporary residences, tax ID numbers and unique personal identification numbers of persons authorised to manage the branch’s operations.
(3) The notification referred to in paragraph one of this Article shall be deemed to comprise the request for the Insurance Supervision Agency to submit the notification with attachment to the supervisory authority of the Member State where the insurance undertaking intends to establish a branch (hereinafter: request for the submission of the notification to the supervisory authority of a Member State).

**Article 128**

*(Submission of the notification to the supervisory authority of a Member State)*

(1) The Insurance Supervision Agency shall reject a request for the submission of the notification to the supervisory authority of a Member State if, in view of the volume and types of business, there is reasonable doubt regarding the suitability of the organisation and management of the insurance undertaking or the financial situation of the insurance undertaking, and the suitability of authorised representatives pursuant to Article 57 of this Act.

(2) If the Insurance Supervision Agency does not reject a request pursuant to paragraph one of this Article within three months of receiving the notification of the insurance undertaking with attachments referred to in the preceding article, it shall submit this notification with attachments to the supervisory authority of the Member State concerned, and notify the insurance undertaking thereof.

(3) Together with the notification referred to in paragraph two of this Article, the Insurance Supervision Agency shall also submit a statement to the supervisory authority of the Member State which shows that the insurance undertaking covers the solvency capital requirement and the minimum capital requirement.

(4) If the Insurance Supervision Agency rejects a request for the submission of the notification to the supervisory authority of a Member State within the time limit referred to in paragraph two of this Article, it will notify the insurance undertaking of the reasons for its rejection.

**Article 129**

*(Commencement of operations of a branch in a Member State)*

An insurance undertaking may engage in insurance business through a branch:

1. on the date it receives a notification from the supervisory authority of a Member State on the conditions for conducting business in the Member State, which are intended to protect public interest; or
2. two months from the date when the supervisory authority of the relevant Member State received a notification from the Insurance Supervision Agency pursuant to the preceding article if the insurance undertaking does not receive the notification referred to in the preceding point by the end of this period.

**Article 130**

*(Notification of changes regarding a branch in a Member State)*

(1) If an insurance undertaking intends to change one of the facts or circumstances referred to in paragraph two of Article 127 of this Act, it will notify the Insurance Supervision Agency and the supervisory authority of the Member State concerned thereof one month prior to carrying out such a change.
(2) Articles 127 to 129 of this Act shall apply *mutatis mutandis* to the change referred to in the preceding paragraph, whereby the time limit referred to in paragraph two of Article 128 and in point 2 of Article 129 shall be one month.

**Article 131**  
*(Direct conduct of insurance business in a Member State)*

(1) An insurance undertaking that plans to take up direct conduct of insurance business in a Member State must notify the Insurance Supervision Agency and state the Member State where it intends to engage in the direct provision of this service. The notification of the intention to directly conduct insurance business of the insurance undertaking shall include information on the type and volume of business by individual classes of insurance which it intends to conduct in the Member State.

(2) Within one month of receiving the notification of the insurance undertaking referred to in the preceding paragraph, the Insurance Supervision Agency shall submit this notification to the supervisory authority of the Member State, and notify the insurance undertaking thereof. Together with the notification, the Insurance Supervision Agency shall also submit the following to the supervisory authority of the Member State:

1. a statement that shows that the insurance undertaking covers the solvency capital requirement and the minimum capital requirement; and
2. information on the classes of insurance in which the insurance undertaking may conduct insurance business according to the authorisation to conduct insurance business.

(3) An insurance undertaking may engage in the direct conduct of insurance business stated in the notification referred to in paragraph one of this Article in a Member State on the date when it receives the notification referred to in the preceding paragraph.

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3.2.3. Conduct of insurance business in the territory of a third country

**Article 132**  
*(Conduct of insurance business in the territory of a third country)*

(1) An insurance undertaking shall conduct insurance business in a third country through a branch or directly by observing the regulations of this country.

(2) To establish a branch in a third country, an insurance undertaking shall obtain an authorisation from the Insurance Supervision Agency (authorisation to establish a branch of an insurance undertaking in a third country).

(3) Paragraphs one and two of Article 127, paragraph one of Article 128, and Article 130 of this Act shall apply *mutatis mutandis* to decisions on a request for an authorisation to establish a branch of an insurance undertaking in a third country.

(4) The Insurance Supervision Agency shall reject a request for an authorisation to establish a branch of an insurance undertaking in a third country if the implementation of supervision pursuant to this Act might be hindered, while taking into account the regulations of the country where it intends to establish a branch and taking into account the practice of implementing these regulations.

(5) Paragraph one of the preceding article shall apply *mutatis mutandis* to the direct conduct of insurance business in a third country. An insurance undertaking may
engage in the direct conduct of insurance business in a third country as of the date when it notifies the Insurance Supervision Agency. The notification shall also include written evidence from the supervisory authority of the third country that the country permits the direct conduct of insurance business.

3.3. **Conduct of insurance business by insurance undertakings from Member States**

**Article 133**

*(Conduct of insurance business by insurance undertakings from Member States)*

(1) An insurance undertaking that is authorised to conduct insurance business in individual classes of insurance in a third country may also conduct insurance business in the territory of the Republic of Slovenia through a branch office or directly under the conditions stipulated by this Act.

(2) paragraph one of this Article shall not apply to insurance undertakings which may conduct insurance business in the Member State of the head office and to which Directive 2009/138/EC does not apply.

(3) The following provisions of acts and regulations issued regarding their implementation shall apply to insurance undertakings in a Member State which conduct insurance business in the territory of the Republic of Slovenia:

1. Articles 521 to 528 of this Act;
2. Article 560 of this Act;
3. the provisions of the acts referred to in paragraphs six and seven of Article 7 of this Act;
4. the provisions of other acts which, in order to safeguard public interest, govern consumer protection, the prevention of money laundering, and other fields, and apply to insurance undertakings with head offices in the Republic of Slovenia.

**Article 134**

*(Conduct of insurance business through a branch)*

(1) An insurance undertaking from a Member State may establish a branch in the Republic of Slovenia and engage in insurance business through that branch after two months from the date when the Insurance Supervision Agency receives a notification with attachments, including the contents referred to in paragraphs one and two of Article 127 and in paragraph three of Article 128 of this Act, from the supervisory authority of the Member State of the head office of the aforesaid insurance undertaking.

(2) If an insurance undertaking from a Member State intends to change one of the facts or circumstances referred to in paragraph two of Article 127 of this Act regarding its branch in the Republic of Slovenia, it shall notify the Insurance Supervision Agency thereof one month prior to carrying out such a modification.

**Article 135**

*(Direct conduct of insurance business)*

An insurance undertaking from a Member State may engage in up direct conduct of insurance business in the Republic of Slovenia when the Insurance Supervision Agency receives a notification with attachments, including the contents referred to in paragraphs one
and two of Article 131 of this Act, from the supervisory authority of the Member State of the head office of the aforesaid insurance undertaking.

**Article 136**

*(Conduct of compulsory insurance in transport)*

(1) In addition to the conditions stipulated by Articles 134 and 135 of this Act, prior to engaging in compulsory insurance in transport, an insurance undertaking from a Member State shall submit to the Insurance Supervision Agency a certificate from the Slovenian Insurance Association which shows that the insurance undertaking from the Member State:

1. is a member of the Slovenian Insurance Association;
2. has joined the uninsured motorist fund and compensation office as prescribed by the Act governing compulsory insurance in transport, and has undertaken the financing of the uninsured motorist fund and compensation office, and the fulfilment of other obligations required for the operation of the uninsured motorist fund and compensation office;
3. has communicated the name and address of the representative as stipulated by the Act governing compulsory insurance in transport.

(2) Notwithstanding the provisions of paragraphs one and two of this Article, an insurance undertaking from a Member State may engage in compulsory insurance in transport only if it notifies the Insurance Supervision Agency in advance of the general and special insurance conditions at least one month prior to their application.

(3) If the Insurance Supervision Agency concludes that the insurance conditions referred to in the preceding paragraph do not comply with regulations, it shall order an insurance undertaking from a Member State to harmonise its insurance conditions with the regulations. If the insurance undertaking from a Member State fails to comply with the order within the time limit specified by the order, the Insurance Supervision Agency shall notify the supervisory authority of the Member State of the insurance undertaking.

3.4. *Conduct of insurance business by insurance undertakings from third countries*

3.4.1. Branch of an insurance undertaking from a third country

**Article 137**

*(Conduct of insurance business by insurance undertakings from third countries)*

(1) An insurance undertaking from a third country may conduct insurance business for which it has obtained authorisation in the country of its head office in the territory of the Republic of Slovenia only through a branch, and under the conditions stipulated by this Act.

(2) Notwithstanding the preceding paragraph:

1. an insurance undertaking from a third country which holds an authorisation to conduct reinsurance business in the territory of the Republic of Slovenia may also perform reinsurance business directly; such reinsurance will be deemed a suitable risk-mitigation instrument if:
   - in accordance with Directive 2009/138/EC, the European Commission has decided that the requirements regarding the reinsurance activity in the country of the head office are equivalent to the requirements in the EU;
   - the European Commission has not yet decided on the third country, and the Insurance Supervision Agency decides, pursuant to the act issued by the European Commission
on the basis of paragraph one of Article 172 of Directive 2009/138/EC, that the requirements regarding reinsurance activity in the country of the head office are equivalent to the requirements in the EU;

- the act or another implementing regulation issued by the European Commission on the basis of paragraph one of Article 111 of Directive 2009/138/EC determines that such reinsurance shall be included in risk-mitigation instruments;

2. an insurance undertaking from a third country which holds an authorisation to conduct insurance business regarding vehicle insurance, marine and transport insurance or aircraft or other flying machine insurance may conduct insurance business in these insurance subgroups in the territory of the Republic of Slovenia directly only when the conditions referred to in paragraph three of this Article are met. Notwithstanding the previous clause, in the territory of the Republic of Slovenia, an insurance undertaking from a third country may not directly conduct insurance business regarding the insurance of passengers in public transport against the consequences of accidents and third-party vehicle liability as regulated by the Act governing the field of compulsory insurance in transport.

(3) The direct provision of services in accordance with point 2 of the preceding paragraph is allowed if:

1. the Supervision Insurance Agency, on the basis of an application of an insurance undertaking from a third country which intends to directly conduct insurance business in the territory of the Republic of Slovenia or on the basis of an application of the supervisory authority of a third country, establishes by means of a decision that the requirements regarding the operation of insurance undertakings in the country of its head office are equivalent to the requirements in the EU;

2. the supervisory body of an insurance undertaking from a third country, by means of a cooperation agreement, shall undertake to cooperate with the Insurance Supervision Agency.

(4) Articles 133, 135 and 136 of this Act shall apply mutatis mutandis to the insurance undertakings referred to in point 2 of paragraph two of this Article.

**Article 138**

*(Authorisation to establish a branch of an insurance undertaking from a third country)*

(1) An insurance undertaking from a third country shall be allowed to establish a branch if it obtains an authorisation to establish a branch from the Insurance Supervision Agency (hereinafter: authorisation to establish a branch of an insurance undertaking from a third country).

(2) The following must be attached to a request for the issue of the authorisation to establish a branch:

1. the Memorandum of Association of the branch;

2. a copy from the companies’ register or another relevant register kept in the country of the head office of the insurance undertaking from a third country;

3. the Articles of Association or other relevant rules of the insurance undertaking from a third country;

4. names and surnames, addresses of permanent or temporary residences of members of management and supervisory bodies of the insurance undertaking from a third country, and tax ID numbers as stipulated by the Act governing tax procedure if they were assigned to members of management and supervisory bodies of the insurance undertaking from a third country, and unique personal identification numbers if members of the management and supervisory bodies of the insurance undertaking from a third country have been entered in the Central Population Register;
5. audited annual reports of the insurance undertaking from a third country for the preceding three financial years;
6. an appropriate document containing an authentic record of shareholders and their shares in the management of the insurance undertaking from a third country if the copy referred to in point 1 does not contain information on the shareholders of the insurance undertaking from a third country;
7. a copy from the companies’ register or another relevant register kept in the country of the head offices of legal entities which are holders of qualifying holdings in the insurance undertaking from a third country;
8. the scheme of operations, containing the contents referred to in Article 116 of this Act;
9. the authorisation to conduct insurance business issued to the insurance undertaking from a third country by the supervisory authority of the country of its head office;
10. the authorisation to establish a branch from the supervisory body of the insurance undertaking from a third country or a statement of this body that the insurance undertaking does not need the authorisation pursuant to the regulations of this country;
11. a statement by the insurance undertaking from a third country that it will keep all documents which refer to its operations in Slovenia at the head office of the branch, and keep separate financial statements pursuant to this Act and regulations issued on its basis;
12. a statement by the insurance undertaking from a third country that it will meet the requirements of this Act regarding technical provisions, the minimum capital requirement, and the solvency capital requirement;
13. other documents on the basis of which it is possible to establish whether the branch is qualified in terms of personnel, technical matters and organisation to conduct the business to which the request refers.

(3) As a condition for issuing an authorisation to establish a branch of an insurance undertaking from a third country, the Insurance Supervision Agency shall require that the insurance undertaking from a third country deposit cash in a credit institution in the Republic of Slovenia as a guarantee to settle all liabilities arising from insurance contracts concluded in the territory of the Republic of Slovenia which cover risks in the Republic of Slovenia in the amount of at least one fourth of the share capital referred to in Article 29 of this Act (hereinafter: escrow deposit).

(4) The Insurance Supervision Agency shall issue the authorisation to establish a branch of an insurance undertaking from a third country within three months of receiving the request referred to in paragraph two of this Article if, on the basis of information available to the Agency and documents attached to the request for the issue of the authorisation, it assesses that the branch is qualified in terms of finance, management, organisation, personnel and technical matters to conduct business in accordance with the provisions of this Act.

(5) The Insurance Supervision Agency shall reject a request for the issue of the authorisation to establish a branch of an insurance undertaking from a third country if, with regard to the regulations applicable in the country of the head office of the insurance undertaking from a third country or with regard to the practice of the application and implementation of such regulations, it is likely that the implementation of supervision pursuant to this Act will be hindered.

(6) An insurance undertaking from a third country that has obtained the authorisation referred to in paragraph one of this Article may conduct insurance business in the Republic of Slovenia through a branch, which is stated in its authorisation to establish a branch of an insurance undertaking from a third country.
(7) If an insurance undertaking from a third country intends to conduct other insurance business through a branch in the Republic of Slovenia which is not stated in the issued authorisation to establish a branch of the insurance undertaking from a third country, it must obtain prior additional authorisation to conduct such business from the Insurance Supervision Agency.

(8) point 7 of paragraph two, and paragraphs four and five of this Article shall apply mutatis mutandis to the additional authorisation referred to in paragraph seven of this Article.

Article 139
(Financial requirements for branches)

(1) To manage risks, a branch of an insurance undertaking from a third country shall:
   1. evaluate assets and liabilities pursuant to Section 4.7 of this Act;
   2. determine own funds pursuant to Section 4.9 of this Act;
   3. establish technical provisions pursuant to Section 4.8 of this Act;
   4. calculate the solvency capital requirement and the minimum capital requirement of the branch pursuant to Sections 4.10 and 4.11 of this Act, whereby it must consider only the business it conducts.

(2) A branch shall dispose of eligible own own funds as stipulated by paragraph two of Article 200 of this Act in the amount of at least one half of the share capital as prescribed by Article 29 of this Act.

(3) A branch of an insurance undertaking from a third country shall dispose of funds in the amount of at least the minimum capital requirement in the Republic of Slovenia, and excess funds up to the amount of the solvency capital requirement in Member States.

Article 140
(Application of provisions)

(1) The following shall apply to managers of branches of insurance undertakings from a third country which have established a branch in the Republic of Slovenia:
   1. the provisions of Section 12.2, and Chapters 4, 5, 6, 7, 14, 15 and 16; of this Act;
   2. the provisions of other acts which apply to insurance undertakings with head offices in the territory of the Republic of Slovenia;
   3. the provisions of regulations issued to implement the provisions of the acts referred to in points 1 and 2 of this paragraph.

(2) The provisions of this Act regarding management boards of insurance companies shall apply mutatis mutandis to managers of branches.

(3) The Insurance Supervision Agency shall withdraw the authorisation to establish a branch of an insurance undertaking from a third country if the supervisory authority of the country of the head office of the insurance undertaking withdraws its authorisation to conduct insurance business.

Article 141
(Special provisions for a branch of an insurance undertaking from Switzerland)
(1) Paragraph three of Article 138 and paragraph three of Article 139 of this Act shall not apply to insurance undertakings from Switzerland which conduct non-life insurance business in the territory of the Republic of Slovenia.

(2) Prior to making a decision to issue an authorisation to establish a branch of an insurance undertaking from Switzerland which intends to conduct non-life insurance business in the territory of the Republic of Slovenia, the Insurance Supervision Agency shall notify the supervisory authority of the Swiss Confederation thereof, and request its opinion. If the supervisory authority of the Swiss Confederation does not respond within three months of receiving the request, it shall be deemed that it does not oppose the establishment of the branch.

(3) Prior to making a decision to withdraw the authorisation to establish a branch of an insurance undertaking from Switzerland which has been conducting non-life insurance business in the territory of the Republic of Slovenia, the Insurance Supervision Agency shall notify the supervisory authority of the Swiss Confederation thereof, and request its opinion. If the Insurance Supervision Agency, prior to acquiring the opinion, prohibits the branch of an insurance undertaking from Switzerland from concluding insurance contracts, it shall promptly notify the supervisory authority of the Swiss Confederation thereof.

### Article 142
(Benefits for insurance undertakings from a third country with branches in several Member States)

(1) An insurance undertaking from a third country which has requested or obtained an authorisation to establish a branch to conduct insurance business in several Member States may request the Insurance Supervision Agency to grant it the following benefits that may only be granted together:
   1. to calculate the solvency capital requirement referred to in paragraph one of Article 139 of this Act for the business conducted in the EU;
   2. to lodge an escrow deposit pursuant to paragraph three of Article 138 of this Act only in one Member State;
   3. for the funds that represent the minimum capital requirement to be located in any Member State where it conducts insurance business.

(2) The insurance undertaking referred to in the preceding paragraph shall submit the following information to the Insurance Supervision Agency:
   1. on the Member States where it conducts, or intends to conduct, insurance business;
   2. on the supervisory authority which will supervise, or supervises, the conduct of insurance business by the insurance undertaking from a third country in the territory of the EU, and the reasons for selecting this authority (hereinafter: selected supervisory authority);
   3. on the Member State where it will lodge an escrow deposit.

(3) The Insurance Supervision Agency shall grant the requested benefits if all the relevant supervisory authorities of Member States where the request has been filed agree with such benefits.

(4) The benefits referred to in paragraph one of this Article become effective when:
   1. the selected supervisory authority referred to in point 2 of paragraph two of this Article notifies the Insurance Supervision Agency that the authority will supervise the capital adequacy of all branches of the insurance undertaking from a third country in the EU; or
2. the Insurance Supervision Agency as the selected supervisory authority determines that the Agency will supervise the capital adequacy of all branches of the insurance undertaking from a third country in the EU.

(5) If the Insurance Supervision Agency is the selected supervisory authority, it shall notify other relevant supervisory authorities of its decision on the supervision of all branches of an insurance undertaking from a third country.

(6) The Insurance Supervision Agency shall submit information on the branch in the Republic of Slovenia to the selected supervisory authority of the Member State which supervises the capital adequacy of all branches of an insurance undertaking from a third country in the EU at the authority's request.

(7) The Insurance Supervision Agency may require the bonuses referred to in paragraph one of this Article to be discontinued. The bonuses shall also be discontinued at the request of the relevant supervisory authority of another Member State.

(8) In the case of two or several requests from various Member States to enforce the deposit lodged in the Republic of Slovenia pursuant to point 2 of paragraph one of this Article, the deposit shall be paid in the order of arrival of requests.

Article 143
(Withdrawal of the authorisation to conduct insurance business of a branch of an insurance undertaking from a third country with authorisations in more than one Member State)

(1) If the Insurance Supervision Agency is the selected supervisory authority referred to in point 2 of paragraph two of the preceding article and it withdraws the authorisation to conduct insurance business of a branch of an insurance undertaking from a third country with the granted benefits referred to in paragraph one of the preceding article, it shall notify all the relevant supervisory authorities in the EU thereof.

(2) If the Insurance Supervision Agency receives a notification as per paragraph one of this Article from the supervisory authority of another Member State, it shall take certain supervisory measures in a branch of an insurance undertaking from a third county. If the reason for the withdrawal of authorisation is the non-fulfilment of the requirements regarding technical provisions, the capital requirement, or the solvency capital requirement, it shall withdraw the authorisation to conduct insurance business of the branch of an insurance undertaking from a third county.

Chapter 4:
RISK MANAGEMENT

4.1. Terms related to risk management

Article 144
(Risk management)

Risk management shall include the determination, measurement or assessment, management and monitoring of risks at all levels, including reporting on the risks to which an insurance undertaking is or could be exposed in its operations.
Article 145  
(Underwriting risk)  

Underwriting risk shall be the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and the provisioning assumptions taken into account when calculating technical provisions.

Article 146  
(Market risk)  

Market risk shall be the risk of loss or of adverse change in the financial situation of an insurance undertaking, resulting from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments.

Article 147  
(Credit risk)  

Credit risk shall be the risk of loss or of adverse change in the financial situation of an insurance undertaking resulting from fluctuations in the credit standing of issuers of securities, counterparties or any debtors to which insurance and reinsurance undertakings are exposed in the form of counterparty default risk, or spread risk, or market risk concentrations.

Article 148  
(Operational risk)  

Operational risk shall be the risk of loss to an insurance undertaking arising from inadequate or failed internal processes, personnel or systems, or from external events.

Article 149  
(Liquidity risk)  

Liquidity risk shall be the risk taken by insurance undertakings not to be able to realise investments and other assets in order to settle their financial obligations when they fall due.

Article 150  
(Concentration risk)  

Concentration risk shall be all risk exposures with a loss potential great enough to threaten the solvency or financial position of insurance undertakings.

Article 151  
(Risk-mitigation techniques)  

Risk-mitigation techniques shall be any technique which enables insurance undertakings to transfer part or all of their risks to another party.

Article 152
Diversification effects shall mean the reduction in the risk exposure of insurance undertakings or groups related to the diversification of their business resulting from the fact that an adverse outcome from one risk can be offset by a more favourable outcome from another risk, although those risks are not fully correlated.

Article 153
(Risk measure and probability distribution forecast)

(1) Risk measure shall mean a mathematical expression which assigns a monetary value to a given probability distribution forecast, and increases with the level of risk exposure underlying that probability distribution forecast.

(2) Probability distribution forecast shall mean a mathematical expression that assigns to an exhaustive set of mutually exclusive future events a probability of realisation.

4.2. Basic rules on risk management

Article 154
(Risk management system)

(1) The risk management system shall cover at least the following fields:
   1. underwriting and reserving;
   2. asset–liability management;
   3. investment, in particular derivatives and similar commitments;
   4. liquidity;
   5. underwriting, market, credit, operational, liquidity and concentration risk management, and the management of all other risks to which an insurance undertaking is exposed;
   6. reinsurance and other risk-mitigation techniques.

(2) When an insurance undertaking applies the matching adjustment of the risk-free interest rate curve referred to in Article 182 of this Act or the volatility adjustment of the risk-free interest rate curve referred to in Article 184 of this Act, the insurance undertaking must set up a liquidity plan projecting incoming and outgoing cash flows in relation to the assets and liabilities subject to those adjustments. When an insurance undertaking applies the volatility adjustment of the risk-free interest rate curve referred to in Article 184 of this Act, the insurance undertaking must draft a written policy on the criteria for the application of this adjustment.

(3) An insurance undertaking shall organise the risk management function so as to facilitate the implementation of the risk management system.

Article 155
(Additional tasks in an insurance undertaking using an internal model)

The risk management function in insurance undertakings using a partial or full internal mode pursuant to Articles 2018 and 2019 of this Act shall include the following additional tasks:
   1. to form and place the internal model in the management system;
   2. to test and assess the suitability of the internal model;
3. to document the internal model, and modify and document modifications of the internal model;
4. to analyse the efficiency of the internal model, and prepare reports on it;
5. to notify the Management Board of the insurance undertaking on the efficiency of the internal model, proposed improvements and efforts to make improvements.

Article 156
(Own risk and solvency assessment)

(1) The risk management system also includes own risk and solvency assessment regarding the business strategy of the insurance undertaking. Following each significant change in the risks referred to in paragraph two of Article 154 of this Act, the insurance undertaking shall immediately carry out own risk and solvency assessments. In the assessments, the insurance undertaking shall take into account the risks to which it is exposed, risk tolerance limits and the business strategy.

(2) The assessments referred to in the preceding paragraph shall contain at least:
1. an assessment of the solvency needs of the insurance undertaking;
2. an assessment of the regular fulfilment of capital requirements pursuant to Sections 4.10 and 4.11 of this Act, and requirements regarding technical provisions pursuant to Section 4.8 of this Act;
3. an assessment as to how significant the deviation of the risk to which the insurance undertaking is exposed from the assumptions pursuant to paragraph four of Article 203 of this Act, which were the basis for determining the solvency capital requirements according to the standard formula referred to in Subsection 4.10.2 of this Act or in partial or full internal model referred to in Subsection 4.10.3 of this Act.

(3) To carry out the assessment referred to in point 1 of the preceding paragraph, an insurance undertaking shall have procedures in place which shall facilitate a suitable definition and assessment of the short-term and long-term risks to which it is, or may be, exposed. The insurance undertaking shall disclose the methods used for its own risk and solvency assessment. The procedures and methods shall be proportional to the nature, scope and complexity of the risks to which the insurance undertaking is exposed.

(4) When an insurance undertaking applies the matching adjustment of the risk-free interest rate curve referred to in Article 182 of this Act or the volatility adjustment of the risk-free interest rate curve referred to in Article 184 of this Act or the transitional measures referred to in Article 639 or 640 of this Act, the insurance undertaking must carry out its own risk and solvency assessment as referred to in point 2 of paragraph two of this Article, taking into account any adjustments or transitional measures that may or not have been applied.

(5) When an insurance undertaking applies an internal model, it must calibrate the risk measure of the solvency capital requirement when carrying out the assessment referred to in point 3 of paragraph two of this Article.

(6) An own risk and solvency assessment shall not be used to calculate the solvency capital requirement.

Article 157
(Risk management regulations)

(1) The Insurance Supervision Agency shall prescribe the following:
1. restrictions regarding the funds and reference values to which the benefits, from insurance contracts with insurance where the policyholder assumes investment risk if a policyholder may be a natural person, are bound. Regulations must not be more restrictive than the restriction determined in Directive 2009/65/EC;

2. detailed rules on the treatment of participation from the act issued by the European Commission on the basis of point 1a of paragraph one of Article 92 of Directive 2009/138/EC, and the manner and deadlines for reporting;

3. a detailed definition of the characteristics of items in own funds referred to in Article 191 of this Act, and detailed rules on their classification pursuant to Article 197 of this Act and the list referred to in Article 195 of this Act, as well as a detailed definition of their suitability pursuant to Articles 199 and 200 of this Act, measures if the solvency and minimum capital requirements are not met, and a detailed definition of the items of own funds referred to in Article 625 of this Act;

4. a detailed definition of the conditions and procedure to approve and classify items of own funds which have not yet been included on the list of own funds referred to in Article 195 of this Act;

5. a detailed definition of the conditions and procedure for approving potential items of ancillary own funds and their classification on the list of own fund, and to regularly monitor whether the approved items of ancillary own funds still meet the criteria for approval;

6. detailed characteristics and possible types of ring-fenced funds referred to in paragraph one of Article 241 of this Act, detailed rules on the calculation of the theoretical solvency capital requirement of a ring-fenced fund, the establishment of surplus or deficit of own funds of a ring-fenced fund in view of the solvency capital requirement, and the manner and deadlines for reporting;

7. detailed rules and the content of own risk and solvency assessment;

8. detailed rules on the evaluation of technical provisions;

9. the conditions and method for the coverage of losses by reducing technical provisions and deferred taxes;

10. application of the market risk, credit risk, and the counterparty default risk modules;

11. application of the life underwriting risk module;

12. application of the non-life catastrophe risk sub-module and health catastrophe risk sub-module;

13. application of internal models or parameters specific to individual undertakings.

(2) With the regulation referred to in:

- point 2 of the preceding paragraph, the Insurance Supervision Agency shall take into account the act or transfer the arrangement from the second implementing regulation issued by the European Commission on the basis of point 1a of paragraph one of Article 92 of Directive 2009/138/EC;

- point 3 of the preceding paragraph, the Insurance Supervision Agency shall take into account the act or transfer the arrangement from the second implementing regulation issued by the European Commission on the basis of point 1a of paragraph one of Article 97 of Directive 2009/138/EC;

- point 4 of the preceding paragraph, the Insurance Supervision Agency shall take into account the act or transfer the arrangement from the second implementing regulation issued by the European Commission on the basis of point 1a of paragraph one of Article 97 of Directive 2009/138/EC;

- point 5 of the preceding paragraph, the Insurance Supervision Agency shall take into account the act or transfer the arrangement from the second implementing regulation issued by the European Commission on the basis of point 1a of paragraph one of Article 92 of Directive 2009/138/EC;

- point 6 of the preceding paragraphs, the Insurance Supervision Agency shall take into account the act or transfer the arrangement from the second implementing regulation
issued by the European Commission on the basis of point b of Article 99 and point 5 of paragraph one of Article 111 of Directive 2009/138/EC;
- point 11 of the preceding paragraph, the Insurance Supervision Agency shall take into account the act or transfer the arrangement from the second implementing regulation issued by the European Commission on the basis of point 1a of paragraph one of Article 111 of Directive 2009/138/EC;

4.3. General risk management standards

Article 158
(Responsibilities of management and supervisory bodies regarding observation of risk management rules)

(1) The management and supervisory bodies of insurance undertakings shall ensure within their powers that insurance undertakings operate in accordance with legislation, and in this context:
1. determine in writing accurate, transparent and consistent internal relations regarding responsibilities which:
   - provide a clear delimitation of powers and tasks in the insurance undertaking, and an efficient information transfer system;
   - prevent conflicts of interest;
2. approve and regularly monitor strategies and written rules on risk management, the internal control system, internal auditing, the actuarial function and, if appropriate, on outsourcing, and ensure their implementation.

(2) The strategies and written rules on risk management referred to in point 2 of the preceding paragraph shall include at least the fields referred to in Article 154 of this Act.

(3) The strategies and written rules referred to in point 2 of paragraph one shall be subject to internal audit at least once annually.

Article 159
(Planning and implementation of risk management measures and internal risk management procedures)

(1) An insurance undertaking shall prepare a risk management plan which comprises:
1. internal risk management procedures;
2. risk management measures and internal procedures to implement these measures;
3. internal procedures to monitor the implementation of risk management measures.

(2) In the plan referred to in the preceding paragraph, risk management procedures, and procedures to implement and monitor the implementation of these measures shall be determined for each type of risk to which an insurance undertaking is exposed in the individual types of business it carries out, and for risks to which it is exposed in all types of business that it carries out.

(3) An insurance undertaking shall determine and implement the risk management measures stipulated by this Act, regulations on risk management and other measures required, in terms of the characteristics and types of the risks to which an insurance undertaking is, or could be, exposed in its operations in order to manage those risks.

(4) An insurance undertaking shall establish an efficient internal control system to:
- establish and measure the risks to which the insurance undertaking is, or could be, exposed in its operations;
- calculate and verify the fulfilment of the requirements stipulated by this Act and regulation on risk management regarding technical provisions, the solvency capital requirement, the minimum capital requirement and investments; and
- establish the compliance of the risks of the insurance undertaking with the risks anticipated in strategies in the written rules of the insurance undertaking.

(5) An insurance undertaking shall organise its operations and regularly keep books of account, business documents, and other administrative and business records so that it may be verified at any time whether the operations of the undertaking are in accordance with the risk management rules.

Article 160
(Internal control systems and compliance function)

(1) An insurance undertaking shall establish and consistently realise suitable administrative and accounting procedures, and suitably organise reporting at all levels for the internal control system to function.

(2) Within its internal control system, an insurance undertaking shall also establish the function of compliance monitoring, which shall function independently and have the following responsibilities:
   1. to monitor and regularly assess the suitability and efficiency of regular procedures and measures taken to eliminate potential shortcomings in the field of compliance of the operations of the insurance undertaking with regulations and other commitments;
   2. to advise and assist in the harmonisation of operations of the insurance undertaking with obligations determined by regulations and with other commitments;
   3. to assess the potential effects of modifications in the legal environment on the operations of the insurance undertaking from the aspect of the compliance of its operations with regulations and other commitments;
   4. to define and assess risks regarding the compliance of the operations of the insurance undertaking with regulations and other commitments;
   5. to notify the Management Board and the Supervisory Board of the compliance of the operations of the insurance undertaking with regulations and other commitments, and of risk assessment regarding the compliance of the operations of the insurance undertaking.

4.4. Internal audit function

Article 161
(Internal audit)

(1) An insurance undertaking shall organise the internal audit function which shall be directly subordinated to the Management Board of the insurance undertaking, and separated from other departments of the undertaking in terms of functions and organisation.

(2) The holder of the internal audit function shall be authorised by the Board of Directors or the Management Board of an insurance undertaking, which may also withdraw the holder's authorisation, in agreement with the Supervisory Board.
(3) The Board of Directors or the Management Board of an insurance undertaking shall adopt an act on the operation of internal audits in agreement with the Supervisory Board.

(4) Persons who carry out internal audit tasks shall have access to all information and documents of the insurance undertaking in any form which they require to perform their tasks. The holder of the internal audit function shall direct and unlimited access to members of the Management Board, the Audit Committee and the Supervisory Board of an insurance undertaking.

**Article 162**

*(Tasks of the internal audit function)*

(1) Internal auditing is risk assessment-based regular and comprehensive supervision of the operations of an insurance undertaking, which verifies and assesses whether the risk management processes, control procedures and management procedures of the insurance undertaking are suitable and operate in a manner that facilitates the attainment of the following important objectives of the undertaking:

1. successful and efficient operations of the undertaking, also by attaining the objectives of business and financial performance, and protection of funds against loss;
2. reliable, prompt and transparent internal and external financial and non-financial reporting;
3. compliance with laws and other regulations, and internal rules.

(2) The internal audit function shall perform internal audits of operations in accordance with the Hierarchy of Rules on Internal Auditing adopted by the Slovenian Institute of Auditors on the basis of the Act governing auditing, and with written rules on the internal audit operations.

**Article 163**

*(Performance of internal auditing)*

The holder of the internal audit function shall be a person who has acquired the title of a certified internal auditor pursuant to the Act governing auditing.

**Article 164**

*(Internal audit work plan)*

(1) The internal audit function shall prepare, implement and maintain a work strategy for a period which covers all the operations of the insurance undertaking, including the entire management system of the undertaking. The work strategy shall be based on risk assessment.

(2) On the basis of the work strategy referred to in the preceding paragraph, the internal audit function shall prepare an annual work plan for the next year based on a risk assessment, which shall comprise:

1. fields of operations where the internal audit function will carry out the audit; and
2. a description of the content of the planned audits of operations by individual fields.

(3) The annual work plan of the internal audit function shall be adopted by the Board of Directors or the Management Board of an insurance undertaking in agreement with its Supervisory Board.
Article 165
(Internal audit report)

(1) The internal audit function shall prepare a biannual internal audit report which shall contain:
   1. a description of all audits of operations carried out;
   2. an assessment of the suitability and effectiveness of risk management in the fields of operations which were subject to audit;
   3. an assessment of the suitability and effectiveness of the operation of internal control systems in the fields of operations which were subject to audit;
   4. internal audit findings and recommendations on the basis of individual audits of operations;
   5. findings related to the realisation of the recommendations of the internal audit function.

(2) The internal audit function shall prepare an annual internal audit report which shall contain:
   1. a report on the realisation of the internal audit annual work plan;
   2. a summary of the most important findings of the internal audit function on the basis of audits of operations carried out, including an assessment of the suitability and effectiveness of the operation of internal control and risk management systems in audited fields.

(3) Semi-annual and annual reports shall be submitted by the internal audit function to the Management Board and the Supervisory Board.

(4) The Management Board of an insurance undertaking shall inform the General Meeting of the annual internal audit report, including the opinion of the Supervisory Board.

Article 166
(Notification to the Management Board and the Supervisory Board of an insurance undertaking)

(1) All findings and recommendations shall be reported by the internal audit function to the Management Board of an insurance undertaking.

(2) The Management Board of an insurance undertaking shall determine the measures regarding the findings and recommendations of the internal audit function and ensure their implementation.

(3) If the internal audit function establishes during an audit of operations that the insurance undertaking is violating risk management rules and is therefore at risk of illiquidity or capital inadequacy or if such violations put at risk the safety of its operations, it must promptly notify the Management Board of the undertaking.

(4) If the internal audit function establishes during an audit of operations that the insurance undertaking is violating risk management rules, it must promptly notify the Management Board and the Supervisory Board.

4.5. Actuarial function

Article 167
(General provisions)
(1) An insurance undertaking shall have an actuarial function.

(2) In agreement with the Supervisory Board, the Board of Directors or the Management Board shall adopt an act in which it shall define the tasks of the actuarial function, the powers of the holder of the function, the authorisation procedure for the holder of the function, and knowledge possessed by the holder of the function.

(3) Persons who carry out the tasks of the actuarial function shall have knowledge proportional to the nature and complexity of the tasks they carry out.

(4) The holder of the actuarial function and other persons who carry out the tasks of the actuarial function in an insurance undertaking shall have access to all the information of the insurance undertaking required to carry these tasks out.

(5) The holder of the actuarial function must be able to prove to the Insurance Supervision Agency that the actuarial methods, techniques and assumptions used correspond to the risks to which the insurance undertaking is exposed, and to its operations.

**Article 168**

(1) The tasks of the actuarial function shall be:

1. to coordinate the calculation of technical provisions;
2. to ensure that suitable methods, models and assumptions are used to calculate technical provisions;
3. to assess the suitability, sufficiency and quality of information required to calculate technical provisions;
4. to compare the amount of technical provisions against experience;
5. to notify the management and supervisory bodies of the insurance undertaking of the reliability and suitability of the methods, models and assumptions used to calculate technical provisions, and of the suitability of the calculation of technical provisions;
6. to supervise the calculation of technical provisions when approximations are used for such calculations;
7. to verify the suitability of the general policy on the assumption of underwriting risks, and the suitability of the amount of insurance premiums for individual products in terms of whether the premiums for individual products are sufficient to cover all the obligations defined in insurance contracts;
8. to verify the suitability of reinsurance or of the transfer of risks to a dedicated company;
9. to participate in the implementation of the risk management system, particularly in the development, use and monitoring of the suitability of models for calculating capital requirements and the implementation of own risk and solvency assessment.

**Article 169**

(1) The holder of the actuarial function meets the conditions referred to in point 1 of paragraph two of Article 52 of this Act if they:

1. have knowledge of actuarial science and financial mathematics;
2. at least two years prior to being authorised, have performed the actuarial function or the tasks of a certified actuary in a portfolio comparable with the portfolio for which they will be responsible as the holder of the actuarial function, or at least two years prior to being authorised, they have carried out the tasks that the holder of the actuarial function or a certified actuary supervises, controls or coordinates in a portfolio
comparable with the portfolio for which they will be responsible as the holder of the actuarial function.

(2) The Insurance Supervision Agency shall prescribe the content of knowledge of actuarial science and financial mathematics referred to in point 1 of the preceding paragraph.

Article 170
(Notifications and actions of the Management Board of an insurance undertaking)

(1) The holder of the actuarial function shall notify the Management Board and the Supervisory Board of an insurance undertaking of findings regarding:
   1. the reliability and suitability of the methods, models and assumptions used to calculate technical provisions, and whether the technical provisions established are suitable to cover all obligations under insurance assumed;
   2. the policy on the assumption of underwriting risks, including findings regarding the amount of insurance premiums for individual products in terms of whether premiums for individual products are sufficient to cover all the obligations arising from those products;
   3. the suitability of reinsurance or of the transfer of risks to a dedicated company.

(2) The findings and opinions of the holder of the actuarial function shall be objective and independent of the impact of other business areas.

(3) The holder of the actuarial function shall prepare a written report on the findings referred to in paragraph one of this Article for the previous financial year, and according to the situation on the last day of the previous financial year.

(4) The Management Board of an insurance undertaking shall determine the measures regarding the findings and opinion of the holder of the actuarial function, and ensure their implementation.

(5) If, when carrying out their tasks, the holder of the actuarial function establishes that insurance premiums for individual types of insurance and other sources of such insurance do not suffice to cover all liabilities arising from insurance contracts, and that the insurance undertaking has not established technical provisions in accordance with the regulations, the holder shall promptly, but no later than within eight days, report on their findings to the Management Board of the insurance undertaking.

4.6. Outsourcing

Article 171
(Outsourcing)

(1) Outsourcing is a function or activity of an insurance undertaking which is contracted out and is crucial or important for the operations of the insurance undertaking.

(2) Regarding outsourcing, an insurance undertaking shall adopt an act to determine its approach to outsourcing and outsourcing implementation procedures for the duration of an outsourcing contract, which shall include in particular:
   1. the criteria to determine whether the function or activity is crucial or important;
   2. the manner of selecting an outsourcer of suitable quality, and the manner or frequency of assessing their results or the provision of services;
3. the methods and procedure to monitor compliance and the efficiency of outsourcing implementation;
4. the conditions to be met by an outsourcer;
5. other components to be included in a contract with an outsourcer.

(3) An insurance undertaking shall keep a list of all outsourced activities. The content shall be determined in written rules on outsourcing prepared by the insurance undertaking.

(4) An insurance undertaking shall be fully responsible for the fulfilment of its obligations even when it outsources a significant part of its operations.

(5) Outsourcing a significant part of the operations of an insurance undertaking must not:
1. reduce the quality of the management system of the insurance undertaking;
2. unjustifiably increase the operational risk;
3. limit the ability of the Insurance Supervision Agency to monitor the compliance of the insurance undertaking with its obligations;
4. put at risk the consistency and suitability of services for policyholders.

(6) Outsourcing shall be subject to risk management and internal control.

(7) An insurance undertaking shall notify the Insurance Supervision Agency of an outsourced activity or its modifications six weeks prior to concluding an outsourcing contract.

(8) The Insurance Supervision Agency shall prohibit a contract on an outsourced activity or its modifications from being concluded if, in view of the type and volume of the outsourced activity, this puts at risk the interests of policyholders, insured persons or other beneficiaries, or if the outsourced activity prevents the supervision of insurance business conducted by the insurance undertaking or makes it difficult, or if the provisions of paragraphs four and five of this Article are violated.

Article 172
(Outsourcing contract)

An outsourcing contract is a contract with which an insurance undertaking transfers a function or activity of the undertaking which, pursuant to the preceding article, is an outsourced activity to another entity which is the outsourcer. In the outsourcing contract, the outsourcer shall undertake at least:
1. to operate in accordance with legislation, and cooperate with the Insurance Supervision Agency;
2. to guarantee that the insurance undertaking, its auditors and the Insurance Supervision Agency will have efficient access to information referring to the outsourced activity; and
3. that the Insurance Supervision Agency will have access to its business premises and the possibility to supervise.

Article 173
(Transfer of key functions)

(1) When an insurance undertaking transfers the performance of a key function to another entity, the outsourcer must meet the conditions regarding knowledge and experience, and other possible conditions stipulated by this Act or implementing regulations issued on its basis for the performance of the key function being transferred.
(2) If an insurance undertaking outsources the performance of a key function within a group of companies in which the insurance undertaking is included, the outsourcer shall document the functions that apply to a certain legal entity, and ensure that such an arrangement does not obstruct the performance of key functions at the level of the insurance undertaking.

4.7. Valuation of assets and liabilities of an insurance undertaking for the calculation of capital requirements

Article 174
(Valuation of assets and liabilities)

(1) To establish whether an insurance undertaking is fulfilling its obligations regarding the risk management, assets and liabilities of the undertaking shall be evaluated in the manner determined in:
- this Article;
- the act issued by the European Commission pursuant to paragraph two of Article 75 and paragraph one of Article 86 of Directive 2009/138/EC;
- the regulatory and implementing technical standards issued by the European Commission pursuant to paragraph three of Article 75, and paragraphs two and three of Article 86 of Directive 2009/138/EC; and
- regulations issued by the Insurance Supervision Agency.

(2) An insurance undertaking shall evaluate its assets according to the amount at which they would be exchanged between two well-informed parties with the right to dispose in a strictly business relationship.

(3) An insurance undertaking shall evaluate its liabilities according to the amount at which they would be transferred or settled between two well-informed parties with the right to dispose in a strictly business relationship. The value of liabilities shall not be adjusted to the creditworthiness of the insurance undertaking.

Article 175
(Assessment of the sensitivity of assets and liabilities)

(1) Within the scope of asset and liability management, an insurance undertaking shall regularly assess the sensitivity of technical provisions and eligible own funds according to the assumptions taken into account in the extrapolation of the risk-free interest rate curve referred to in Article 181 of this Act.

(2) When an insurance undertaking applies the matching adjustment of the risk-free interest rate curve referred to in Article 182 of this Act, it must also regularly assess:
   a) the sensitivity of technical provisions and their eligible own funds according to the assumptions on which the calculation of the matching adjustment is based, taking into account the fundamental spread referred to in point b of paragraph one of Article 183 of this Act, and potential impacts of the compulsory sale of assets on their eligible own funds;
   b) the sensitivity of these technical provisions and their eligible own funds to modifications in the structure of the portfolio of assets that cover liabilities to which this adjustment applies;
   c) impacts in the event that the matching adjustment of the risk-free interest rate curve is reduced to zero.
(3) When an insurance undertaking applies the adjustment of the risk-free interest rate curve referred to in Article 184 of this Act, it must also regularly assess:
   a) the sensitivity of technical provisions and their eligible own funds according to the assumptions on which the calculation of the volatility adjustment referred to in Article 184 of this Act is based, and potential impacts of the compulsory sale of assets on their eligible own funds;
   b) impacts in the event that the volatility adjustment of the risk-free interest rate curve is reduced to zero.

(4) When the reduction of the matching adjustment of the risk-free interest rate curve referred to in Article 182 of this Act or the volatility adjustment of the risk-free interest rate curve referred to in Article 184 of this Act to zero results in the non-compliance of an insurance undertaking with regard to the capital requirements referred to in Article 202 of this Act, the insurance undertaking must carry out an analysis of potential measures to re-establish the levels of eligible own funds up to at least the amount of solvency capital requirement, or to reduce the risk profile so that it complies with the solvency capital requirement.

(5) Within the own risk and solvency assessment, an insurance undertaking shall report to the Insurance Supervision Agency on the assessments referred to in the preceding paragraphs.

**Article 176**
**(Application of external rating)**

When insurance undertakings apply external ratings to calculate technical provisions or the solvency capital requirement, they must regularly assess the suitability of external ratings by means of additional assessments if practicable.

**4.8. Technical provisions to calculate capital requirements**

**Article 177**
**(General provisions)**

(1) Regarding its obligations to policyholders, insured persons and other beneficiaries under insurance contracts, an insurance undertaking shall establish technical provisions.

(2) The value of technical provisions are equal to the amount paid by an insurance undertaking to another insurance undertaking if the other insurance undertaking promptly assumes its obligations to policyholders, insured persons and other beneficiaries under insurance contracts.

(3) Information from financial markets and generally available information on underwriting risks shall be taken into account and applied to the calculation of technical provisions.

(4) Technical provisions shall be calculated in a prudent, reliable and objective manner, pursuant to:
   - Section 4.8 of this Act;
   - the act issued by the European Commission pursuant to paragraph one of Article 86 of Directive 2009/138/EC;
- the regulatory and implementing technical standards issued by the European Commission pursuant to Article 86 of Directive 2009/138/EC; and
- regulations issued by the Insurance Supervision Agency.

(5) An insurance undertaking shall calculate or establish technical provisions for each quarter according to the situation on 31 March, 30 June, 30 September and 31 December.

### Article 178
**(Calculation of technical provisions)**

(1) The value of technical provisions shall be equal to the sum of the best estimate and the risk margin.

(2) The best estimate and the risk margin shall be calculated separately.

(3) When future cash flows arising from obligations to policyholders, insured persons and other beneficiaries under insurance contracts may be reliably and fully replaced or covered by financial instruments whose market value may be reliably determined at any time, the value of technical provisions for these obligations shall be determined on the basis of the value of those financial instruments. In this case, a separate calculation of the best estimate and the risk margin is not required.

### Article 179
**(Best estimate)**

(1) The best estimate shall correspond to the probability that the weighted average of future cash flows will be realised, taking into account the temporal value of cash (current value of expected future cash flows). A suitable risk-free interest rate curve shall be used to calculate the current value of expected future cash flows.

(2) The cash flows projection shall take into account all cash inflows and outflows required to settle obligations to policyholders, insured persons and other beneficiaries under insurance contracts.

(3) The calculation of the best estimate shall be based on updated and credible information, and real assumptions. It shall be calculated through the application of suitable, useful and appropriate actuarial and statistical methods.

(4) The best estimate in the cash flows projection shall not take into account amounts recoverable under reinsurance contracts or from dedicated companies. These amounts shall be calculated separately pursuant to Article 188 of this Act.

### Article 180
**(Risk margin)**

(1) The risk margin shall be such that, together with the best estimate, it ensures that the value of technical provisions is equivalent to the amount that another insurance undertaking that assumed these obligations would require to assume and meet obligations to policyholders, insured persons and other beneficiaries under insurance contracts.
(2) The risk margin shall be calculated by determining the costs to ensure the amount of eligible own funds in the amount of the solvency capital requirement needed to cover insurance obligations during their validity or until their expiry.

(3) The rate used to determine the costs to ensure the amount of eligible own funds in the amount of the solvency capital requirement referred to in the preceding paragraph (cost-of-capital rate) shall be the same for all insurance undertakings. The cost-of-capital rate is an add-on above the relevant risk-free interest rate which an insurance undertaking would take into account to ensure eligible own funds as determined in paragraph two of this Article.

Article 181
(Extrapolation – risk-free interest rate curve)

(1) Information derived from suitable financial instruments shall be used to determine the risk-free interest rate curve referred to in paragraph one of Article 179 of this Act. Suitable financial instruments with maturities for which the markets of financial instruments, including bonds, are deep, liquid and transparent shall be taken into account to determine the risk-free interest rate curve.

(2) For maturities for which the markets of financial instruments, including bonds, are no longer deep, liquid or transparent, the risk-free interest rate curve shall be extrapolated.

(3) The extrapolated section of the risk-free interest rate curve shall be based on forward rates which continually converge from one or several forward rates for the longest maturity of those financial instruments, including bonds, for which the market is deep, liquid and transparent to the final forward rate.

Article 182
(Matching adjustment of the risk-free interest rate curve)

(1) Insurance undertakings may apply the matching adjustment of the risk-free interest rate curve to the calculation of the best estimate of the portfolio of life assurance obligations, including annuities arising from non-life insurance and reinsurance contracts, if they obtain authorisation from the Insurance Supervision Agency.

(2) The Insurance Supervision Agency shall permit the application of the matching adjustment of the risk-free interest rate curve if the following conditions are met:
   c) the insurance undertaking determines the portfolio of assets comprised of bonds and other assets with similar cash flows characteristics to the best estimate of the portfolio of obligations which the portfolio of assets will cover, and maintains this situation throughout the commitment, except in order to preserve the replication of expected cash flows between assets and liabilities if cash flows have significantly changed;
   d) the insurance undertaking determines the portfolio of assets for which the matching adjustment is used, and the portfolio of assets which are organised and managed separately from other activities of the insurance undertaking;
   e) the insurance undertaking may not use the portfolio of assets referred to in point b hereunder to cover losses arising from other activities of the insurance undertaking;
   f) the expected cash flows in the portfolio of assets referred to in point a hereunder replicate all expected cash flows in the portfolio of obligations in the same currency, and potential discrepancies do not result in significant risks in view of the risks associated with the business to which the matching adjustment is applied;
g) contracts which are the basis of the portfolio of obligations do not include future payments of premiums;

h) the only underwriting risks related to the portfolio of obligations are longevity, cost, audit and mortality risks;

i) when an insured risk related to the portfolio of obligations includes mortality risk, the best estimate of the portfolio of obligations does not increase by more than 5 per cent, taking into account the mortality risk calculated in accordance with Section 4.10 of this Act;

j) contracts which are the basis of the portfolio of obligations do not include options for policyholders;

k) when an insured risk related to the portfolio of obligations includes only the purchase option, the surrender value does not exceed the value of the portfolio of obligations referred to in point b hereunder, evaluated in accordance with Section 4.7 of this Act at the moment when the purchase option is being exercised;

l) the cash flows in the portfolio of obligations referred to in point a hereunder are fixed, and the issuers of assets or third parties may not modify them;

m) when drawing up the portfolio of obligations for the purposes of this paragraph, the obligations under insurance or reinsurance contracts are not divided into different parts.

(3) Notwithstanding point k of the preceding paragraph, insurance undertakings may use funds whose cash flows are fixed, expect their dependence on inflation, provided that such funds replicate the cash flows in the portfolio of insurance and reinsurance obligations which depend on inflation.

(4) When issuers or third parties have the right to modify cash flows of individual assets by ensuring sufficient payment for investors by facilitating equal cash flows through reinvestment in assets of the same or better credit quality, the right to modify cash flows does not preclude the possibility of including those assets in the portfolio referred to in point a of paragraph two of this Article pursuant to point k of paragraph two of this Article.

(5) Insurance undertakings which apply the matching adjustment of the risk-free interest rate curve to the portfolios of obligations must not apply an approach that does not include the matching adjustment of the risk-free interest rate curve. When an insurance undertaking which applies the matching adjustment of the risk-free interest rate curve can no longer meet the conditions referred to in paragraph two of this Article, it must notify the Insurance Supervision Agency and take suitable action to meet the conditions again. When an insurance undertaking cannot meet the conditions again within two months of the date of non-fulfilment, it shall lose all authorisations to apply the matching adjustment of the risk-free interest rate curve and may not obtain an authorisation to apply the matching adjustment of the risk-free interest rate curve for the next 24 months.

(6) The matching adjustment of the risk-free interest rate curve may not be applied if the risk-free interest rate curve for the calculation of the best estimate of the portfolio of obligations includes the volatility adjustment pursuant to Article 184 of this Act or the transitional measures regarding risk-free interest rates referred to in Article 639 of this Act.

Article 183

(Calculation of the matching adjustment of the risk-free interest rate curve)

(1) The matching adjustment referred to in the previous Article shall be calculated for each currency in accordance with the following principles:

1. the matching adjustment is equal to the difference between:

   a) when used for cash flows of the portfolio of obligations, the annual effective interest rate calculated as a uniform discount rate which results in a value equal to the value
of the portfolio of assets referred to in point b of paragraph two of the preceding article calculated pursuant to the provisions of Section 4.7 of this Act;

b) when used for cash flows of the portfolio of obligations, the annual effective interest rate calculated as a uniform discount rate which results in a value equal to the value of the best estimate of the portfolio of obligations while taking into account the temporal value of cash and applying the matching adjustment of the risk-free interest rate curve referred to in Article 181 of this Act;

2. the matching adjustment must not include the fundamental spread which reflects the risks kept by the insurance undertaking;

3. notwithstanding point 1 of paragraph one, the fundamental spread shall be increased when necessary to ensure that the matching adjustment for assets whose credit quality is lower than the investment class does not exceed the matching adjustments for assets with credit quality of the investment class with the same maturity and the same asset class;

4. the application of external credit rating when calculating the matching adjustment shall comply with the act that will be adopted by the European Commission pursuant to point n of paragraph one of Article 111 of Directive 2009/138/EC.

(2) For the purposes referred to in point 2 of the preceding paragraph, the fundamental spread shall be:

1. equal to the sum of the following:
   a) the credit spread that corresponds to the probability of a loss or default;
   b) the credit spread that corresponds to the expected loss that is the consequence of the reduced credit rating of assets;

2. in exposure to Member States and central banks of Member States, it must not be lower than 30 per cent of the long-term average spread from the risk-free interest rate of assets with the same maturity and credit quality and, from the same asset class as it may be established in financial markets;

3. in assets not exposed to Member States and central banks of Member States, it must not be lower than 35 per cent of the long-term average spread from the risk-free interest rate of assets with the same maturity and credit quality and, from the same asset class as may be established in financial markets.

(3) The probability of default referred to in point 1 of the preceding paragraph shall be based on long-term default statistics for assets regarding their maturity, credit quality and class. When a credible credit spread cannot be calculated on the basis of the default statistics, the fundamental spread is equal to the share of the long-term average spread from the basic risk-free interest rate referred to in points 2 and 3 of the preceding paragraph.

Article 184
(Volatility adjustment of the risk-free interest rate curve)

(1) Insurance undertakings shall obtain from the Insurance Supervision Agency an authorisation to apply the volatility adjustment of the risk-free interest rate curve to calculate the best estimate referred to in Article 179 of this Act.

(2) The volatility adjustment of the risk-free interest rate curve for each currency shall be based on the spread between the interest rate that could be acquired from assets included in the reference portfolio of assets in the relevant currency and values from the risk-free interest rate curve for this currency.

(3) The reference portfolio of a currency shall be representative of the assets in this currency in which insurance and reinsurance undertakings are invested to cover the best estimate obligations in this currency.
(4) The amount of the volatility adjustment of the risk-free interest rate curve shall correspond to 65 per cent of the risk-corrected currency spread. The risk-corrected currency spread shall be calculated as the difference between the spread referred to in paragraph two of this Article and the part of this spread which may be attributed to a realistic estimate of expected losses or unexpected credit or another asset-related risk. The volatility adjustment shall apply only to the part of the risk-free interest rate curve which is not calculated by extrapolation pursuant to Article 181 of this Act. The extrapolation of the extrapolated part of the curve shall be based on the application of interest rates which take into account volatility adjustments.

(5) For each country in question, the volatility adjustment of the risk-free interest rate curve referred to in the preceding paragraph for the currency of this country shall, prior to applying the 65-per-cent factor, be increased by the difference between the risk-corrected country spread and twice the risk-corrected currency spread, whenever that difference is positive and the risk-corrected country spread is higher than 100 base points. The increased volatility adjustment shall be applied to the calculation of the best estimate for the insurance and reinsurance obligations of products sold in the insurance market of the country concerned. The risk-corrected country spread shall be calculated in the same way as the risk-corrected currency spread of that country, but based on a reference portfolio that is representative of the assets in which insurance and reinsurance undertakings are invested to cover the best estimate for the insurance and reinsurance obligations of products sold in the insurance market of that country and denominated in the currency of that country.

(6) The volatility adjustment shall not be applied to obligations where the relevant risk-free interest rate curve to calculate the best estimate of the portfolio of those obligations includes the matching adjustment of the risk-free interest rate curve referred to in Article 182 of this Act.

(7) Notwithstanding Article 202 of this Act, the solvency capital requirement shall not cover the risk of loss of basic own funds resulting from modifications to the volatility adjustment.

Article 185
(Other elements taken into account when calculating technical provisions)

When calculating technical provisions, an insurance undertaking shall also take into account:

1. all expenses that will be incurred in fulfilling or servicing obligations to policyholders, insured persons and other beneficiaries under insurance contracts;
2. inflation, including expenses and claims inflation;
3. all payments to policyholders, insured persons and beneficiaries, including future attributed profits, whether or not those payments are contractually guaranteed.

Article 186
(Valuation of financial guarantees and other rights included in insurance contracts)

(1) When calculating technical provisions, an insurance undertaking shall take into account the value of financial guarantees and other rights included in insurance contracts.

(2) Assumptions with respect to the probability that policyholders or insured persons will exercise the rights from insurance contracts, including lapses and surrenders, shall be realistic and based on updated and credible information. The assumptions of an
insurance undertaking shall take into account the impact that future changes in financial and non-financial conditions may have on the exercise of those rights.

**Article 187**  
(Segmentation)

When calculating technical provisions, insurance undertakings shall divide their obligations to policyholders, insured persons and other beneficiaries under insurance contracts into homogeneous risk groups, and as a minimum by lines of business.

**Article 188**  
(Recoverables from reinsurance contracts and dedicated companies)

(1) Recoverables from reinsurance contracts and dedicated companies shall not be taken into account when calculating technical provisions.

(2) Insurance undertakings shall calculate recoverables from reinsurance contracts and dedicated companies pursuant to Articles 177 to 187 of this Act.

(3) When calculating recoverables from reinsurance contracts and dedicated companies, insurance undertakings shall take into account the time difference between recoveries and direct payments.

(4) The value of the calculated recoverables shall take into account expected losses due to the default of the counterparty. Expected losses due to the default of the counterparty shall be based on an assessment of the probability of the default of the counterparty and the average loss due to default.

**Article 189**  
(Data quality and application of approximations)

(1) An insurance undertaking shall establish internal processes and procedures to ensure the appropriateness, completeness and accuracy of the data used to calculate their technical provisions.

(2) Where, in specific circumstances, an insurance undertaking has insufficient data to apply a reliable actuarial method to calculate obligations to policyholders, insured persons and other beneficiaries under insurance contracts, or recoverables from reinsurance contracts and dedicated companies, appropriate approximations, including case-by-case approaches, may be used in the calculation of the best estimate.

**Article 190**  
(Comparison against experience)

(1) An insurance undertaking shall establish processes and procedures to ensure that best estimates, and the assumptions underlying the calculation of best estimates, are regularly compared against experience.

(2) Where the values of technical provisions calculated with the best estimate and assumption method used in this calculation systematically deviate from actual experience, the insurance undertaking concerned must make appropriate adjustments to the actuarial method and the assumptions used in the calculation.
4.9. Own funds of insurance undertakings

4.9.1. Determination of own funds

Article 191
(Own funds)

(1) To establish the fulfilment of obligations of an insurance undertaking regarding risk management, the own funds of the insurance undertaking (hereinafter: own funds) shall be determined, classified and used in the manner stipulated by:
- Section 4.9 of this Act;
- the act issued by the European Commission pursuant to paragraph one of Article 92, paragraph one of Article 97 and Article 99 of Directive 2009/138/EC;
- implementing technical standards issued by the European Commission pursuant to paragraphs one and three of Article 92, and paragraphs one and two of Article 97 of Directive 2009/138/EC; and
- regulations issued by the Insurance Supervision Agency.

(2) Own funds shall be the sum of basic own funds and ancillary own funds.

(3) The Insurance Supervision Agency shall prescribe the volume, manner and time limits for reporting on own funds.

Article 192
(Basic own funds)

(1) Basic own funds shall include:
1. the excess of assets of an insurance undertaking over its liabilities, valued in accordance with Articles 174, and 177 to 190 of this Act; and
2. subordinated liabilities of an insurance undertaking.

(2) The excess of assets of an insurance undertaking over its liabilities referred to in point 1 of the preceding paragraph shall be reduced by the amount of own shares.

Article 193
(Ancillary own funds)

(1) Ancillary own funds shall consist of items other than basic own funds which can be called up by an insurance undertaking to absorb losses.

(2) Ancillary own funds may comprise the following points to the extent that they are not items of basic own funds:
1. unpaid share capital or initial capital that has not been called up;
2. letters of credit and guarantees;
3. any other legally binding commitments received by an insurance undertaking.

(3) In the case of a mutual insurance company, ancillary own funds may also comprise any future claims which the company may have against its members by way of a call for supplementary contributions within the following 12 months.
(4) Where an item of ancillary own funds has been paid in or called up, it shall be treated by an insurance undertaking as an asset and is no longer part of points of ancillary own funds.

Article 194
(Supervisory approval of ancillary own funds)

(1) The amounts of points of ancillary own funds to be taken into account by an insurance undertaking when determining own funds shall be subject to the prior approval of the Insurance Supervision Agency.

(2) The amount attributed to each item of ancillary own funds shall reflect the loss-absorbency of the item, and shall be based on realistic and prudent assumptions. Where an item of ancillary own funds has a fixed nominal value, the amount attributed to that item must be equal to its nominal value, whereby it appropriately reflects its loss-absorbency.

(3) With a decision, the Insurance Supervision Agency shall approve:
   1. an amount for each item of ancillary own funds; or
   2. a method to determine the amount of each item of ancillary own funds, in which case the approval of the amount determined in accordance with that method shall be granted for a specified period.

(4) The issue of an authorisation for each item of ancillary own funds by the Insurance Supervision Agency shall be based on:
   1. an assessment of the status of the counterparty in relation to its ability and willingness to pay;
   2. an assessment of the recoverability of the funds, taking into account the legal form of the item and any conditions which could prevent the item from being paid in or called up;
   3. any information on the outcome of past calls which insurance undertakings have made for such ancillary own funds, to the extent that the information can be reliably used to assess the expected outcome of future calls.

4.9.2. Classification of own funds

Article 195
(Classification of own funds into classes)

(1) Items of own funds shall be classified into three classes.

(2) Insurance undertakings shall classify items of own funds on the basis of the criteria stipulated by Article 197 of this Act, and according to the list of own funds referred to in the act issued by the European Commission pursuant to paragraph one of Article 97 of Directive 2009/138/EC, and regulations on own funds issued by the Insurance Supervision Agency.

(3) If an item of own funds is not included in the list of own funds referred to in the preceding paragraph, the insurance undertaking assesses it according to the criteria for classification referred to in Article 197 of this Act, and to the criteria or rules in the act issued by the European Commission pursuant to paragraph one of Article 97 of Directive 2009/138/EC, and regulations issued by the Insurance Supervision Agency, and classifies it into a suitable class subject to the prior approval of the Insurance Supervision Agency.
Article 196
(Characteristics and features used to classify own funds)

(1) Items of own funds shall be classified depending on whether they are items of basic own funds or ancillary own funds, and according to the extent to which they have the following characteristics:
   1. the item is constantly available or may be called up without previous warning to fully absorb losses on a going-concern basis, as well as in the case of winding up;
   2. in the case of winding up, the total amount of the item is available to absorb losses, and the repayment of the item is refused to its holder until all other obligations, including insurance obligations to policyholders, insured persons and beneficiaries under insurance contracts, have been met.

   (2) When assessing the extent to which items of own funds possess and will continue to possess the characteristics referred to in the preceding paragraph, due consideration shall be given to the following:
      1. the duration of the item, particularly whether the item is dated or not. Where an item of own funds is dated, the relative duration of the item as compared to the duration of the insurance and reinsurance obligations of the undertaking is considered;
      2. whether the item is free from requirements or incentives to redeem the nominal sum;
      3. whether the item is free of mandatory fixed charges;
      4. whether the item is clear of encumbrances.

Article 197
(Main criteria for classification into classes)

(1) Items of basic own funds which substantially have the characteristics referred to in points 1 and 2 of paragraph one of the preceding article, taking into consideration the characteristics referred to in paragraph two of the preceding article, shall be classified in Class 1.

   (2) Class 2 shall include:
      1. items of basic own funds which substantially have the characteristics referred to in point 2 of paragraph one of the preceding article, taking into consideration the characteristics referred to in paragraph two of the preceding article;
      2. items of basic own funds which substantially have the characteristics referred to in point 2 of paragraph one of the preceding article, taking into consideration the characteristics referred to in paragraph two of the preceding article;

   (3) Any items of basic and ancillary own funds not falling into classes 1 and 2 shall be classified in Class 3.

Article 198
(Classification of specific items of own funds)

(1) Letters of credit and guarantees which are held in trust for the benefit of insurance creditors by an independent trustee and provided by credit institutions authorised in accordance with Directive 2013/36/EU shall be classified in Class 2.

   (2) Any future claims which mutual insurance companies may have on their members on the basis of calls for subsequent payment in the next 12 months are classified in Class 2 if they substantially have the characteristics referred to in points 1 and 2 of
paragraph one of the Article 196 of this Act, taking into consideration the characteristics referred to in paragraph two of Article 196 of this Act.

4.9.3. Suitability of own funds

Article 199
(Eligible own funds to cover the solvency capital requirement)

(1) Eligible own funds to cover the solvency capital requirement shall be without limitation items of own funds included in Class 1, and items of own funds included in classes 2 and 3 to the extent determined in paragraph three of this Article.

(2) The value of eligible own funds to cover the solvency capital requirement referred to in Article 202 of this Act shall be the sum of values of items of own funds included in Class 1, and values of items of own funds included in classes 2 and 3.

(3) Limitations on eligible own funds shall ensure that:
   1. the share of values of items of own funds included in Class 1 exceeds one third of the full value of eligible own funds;
   2. the share of values of items of own funds included in Class 3 is less than one third of the full value of eligible own funds.

Article 200
(Eligible basic own funds to cover the minimum capital requirement)

(1) Eligible basic own funds to cover the minimum capital requirement shall be without limitations items of basic own funds included in Class 1, and items of basic own funds included in Class 2 to the extent determined in paragraph three of this Article.

(2) The value of eligible basic own funds to cover the minimum capital requirement shall be the sum of values of items of own funds included in Class 1, and values of items of eligible basic own funds included in Class 2.

(3) Limitations on eligible own funds shall ensure that the share of values of items of own funds included in Class 1 exceeds half of the full value of eligible basic own funds.

4.9.4. Adjustment of own funds

Article 201
(Adjustment in the case of a ring-fenced fund)

The amount of own funds of each ring-fenced fund referred to in Article 241 of this Act shall be, in an amount that exceeds the theoretical solvency capital requirement of the aforementioned fund, a deductible item from the amount of eligible own funds of an insurance undertaking to cover the solvency capital requirement and from the amount of eligible basic own funds to cover the minimum capital requirement of the insurance undertaking, as stipulated by the act issued by the European Commission pursuant to Article 99 of Directive 2009/138/EC, and the implementing regulation referred to in point 6 of paragraph one of Article 157 of this Act.
4.10. Solvency capital requirement

4.10.1. General provisions

Article 202
(General provision)

(1) The value of eligible own funds of an insurance undertaking referred to in paragraph two of Article 199 of this Act shall be at least equal to the solvency capital requirement.

(2) Insurance undertakings shall regularly monitor the value of eligible own funds and the amount of the solvency capital requirement.

Article 203
(Calculation of the solvency capital requirement)

(1) The solvency capital requirement shall be calculated by an insurance undertaking according to the standard formula or by the application of an internal model pursuant to:
- Section 4.10 of this Act;
- the act issued by the European Commission pursuant to paragraphs one and two of Article 111, and Articles 114 and 127 of Directive 2009/138/EC;
- implementing technical standards issued by the European Commission pursuant to Article 109.a, paragraph two of Article 111 and paragraph two of Article 114 of Directive 2009/138/EC;
- regulatory technical standards referred to in paragraph four of Article 111 of Directive 2009/138/EC;
- the information published by EIOPA pursuant to paragraph three of Article 109.a of Directive 2009/138/EC.

(2) For each ring-fenced fund, an insurance undertaking with a ring-fenced fund as referred to in Article 241 of this Act shall calculate the theoretical solvency capital requirement of the aforementioned fund pursuant to the act referred to in the preceding paragraph and the implementing regulation referred to in point 6 of paragraph one of Article 157 of this Act.

(3) The solvency capital requirement shall be calculated on the assumption that the insurance undertaking will conduct its business as a going concern.

(4) An insurance undertaking shall calibrate the calculation of the solvency capital requirement by:
  1. taking into account all quantifiable risks to which the insurance undertaking is exposed;
  2. covering existing business and the new business expected to be written over the following 12 months;
  3. with respect to existing business, covering only unexpected losses.

(5) The amount of the solvency capital requirement shall correspond to the value-at-risk of basic own funds of an insurance undertaking subject to a confidence level of 99.5 per cent over a one-year period (risk measure).

(6) The solvency capital requirement shall cover at least:
- non-life underwriting risk;
- life underwriting risk;
- health underwriting risk;
- market risk;
- counterparty default risk; and
- operational risk.

(7) The operational risk referred to in the preceding paragraph shall include legal risks, and exclude risks arising from strategic decisions, and reputation risks.

(8) When calculating the solvency capital requirement, an insurance undertaking shall take into account the impacts of risk-mitigation measures and techniques, provided that the counterparty default risk and other risks arising from the use of such measures and techniques are appropriately reflected in the solvency capital requirement.

**Article 204**  
(Frequency of calculation)

(1) An insurance undertaking shall calculate the solvency capital requirement at least once annually and report the result of the calculation to the Insurance Supervisory Agency.

(2) If the risk profile of an insurance undertaking deviates significantly from the assumptions underlying the last reported calculation of the solvency capital requirement, the undertaking concerned must promptly recalculate the solvency capital requirement and report it to the Insurance Supervision Agency.

(3) If there is evidence to suggest that the risk profile of an insurance undertaking has changed significantly since the date on which the solvency capital requirement was last reported, the Insurance Supervisory Agency may require the insurance undertaking to recalculate the solvency capital requirement.

4.10.2. Calculation of the solvency capital requirement according to the standard formula

**Article 205**  
(Structure of the standard formula)

The solvency capital requirement calculated on the basis of the standard formula shall be the sum of:
1. the basic solvency capital requirement;
2. the capital requirement for operational risk;
3. the adjustment for the loss-absorbing capacity with a simultaneous reduction in technical provisions and a reduction due to deferred taxes.

**Article 206**  
(Basic solvency capital requirement)

(1) The basic solvency capital requirement shall include at least:
1. a non-life underwriting risk module;
2. a life underwriting risk module;
3. a health underwriting risk module;
4. a market risk module;
5. a counterparty default risk module.
(2) For the purposes of points 1 to 3 of the preceding paragraph, the activity of an insurance undertaking shall be classified in the module which most corresponds to the technical nature of the risks assumed.

(3) Each module referred to in paragraph one shall correspond to the value-at-risk of basic own funds of an insurance undertaking subject to a confidence level of 99.5 per cent over a one-year period. Where appropriate in view of the nature of the risk, diversification effects shall be taken into account in the design of each module.

(4) The same design and specifications for the risk modules shall be used for all insurance undertakings.

(5) In non-life, life and health underwriting risk modules, an insurance undertaking may use special geographical features for risks arising from catastrophes if this corresponds to the nature and characteristics of the risks.

(6) When calculating non-life, life and health underwriting risk modules, an insurance undertaking may replace the parameters in the standard formula with parameters adjusted to its operations or insurance business. The insurance undertaking shall calibrate the parameters by applying standardised methods based on its information or information directly related to the operations of the insurance undertaking.

(7) Any replacement of standardised parameters with the parameters of an insurance undertaking referred to in the preceding paragraph shall be approved by the Insurance Supervision Agency in advance, whereby the latter shall verify the completeness, accuracy and suitability of the information used by the insurance undertaking to calibrate the parameters, and the method used.

Article 207

(Non-life underwriting risk module)

(1) The non-life underwriting risk module shall reflect risks in relation to the perils covered and the processes used in the conduct of business which arise from non-life insurance, except the health insurance obligations of the insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts.

(2) The non-life underwriting risk module shall take into account the uncertainty in the results of insurance undertakings related to the existing obligations to policyholders, insured persons and other beneficiaries under insurance contracts on the basis of insurance contracts concluded, and related to the expected new obligations under insurance contracts concluded in the next 12 months.

(3) The non-life underwriting risk module shall include at least the following risk sub-modules:
   6. premium and reserve risk sub-module;
   7. catastrophe risk sub-module.

(4) The premium and reserve risk sub-module shall include the risk of loss or adverse change in the value of obligations to policyholders, insured persons and other beneficiaries under insurance contracts which arise from fluctuations in the timing, frequency and severity of insured loss events, and in the timing and amount of claim settlements.

(5) The catastrophe risk sub-module in non-life insurance shall include the risk of loss or of adverse change in the value of obligations to policyholders, insured persons and
other beneficiaries under insurance contracts arising from the characteristic uncertainty due to formed premiums and unsuitable assumptions taken into account in the calculation of technical provisions related to extreme or exceptional events.

**Article 208**  
*(Life underwriting risk module)*

(1) The life underwriting risk module shall reflect risks in relation to the perils covered and the processes used in the conduct of business arising from non-life or life insurance obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts.

(2) The life underwriting risk module shall include at least the following risk sub-modules:

1. mortality risk sub-module;
2. longevity risk sub-module;
3. disability/morbidity risk sub-module;
4. expense risk sub-module;
5. audit risk sub-module;
6. lapse risk sub-module;
7. catastrophe risk sub-module.

(3) The mortality risk sub-module shall include the risk of loss or adverse change in the value of obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts arising from changes in the value, trend or volatility of the considered probability of death, whereby an increase in the considered probability of death results in an increase in obligations to policyholders, insured persons and other beneficiaries under insurance contracts.

(4) The mortality risk sub-module shall include the risk of loss or adverse change in the value of obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts arising from changes in the value, trend or volatility of the considered probability of death, whereby an increase in the considered probability of death results in an increase in obligations to policyholders, insured persons and other beneficiaries under insurance contracts.

(5) The disability/morbidity risk sub-module shall include the risk of loss or adverse change in the value of obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts arising from changes in the value, trend or volatility of the considered probability of disability, sickness and morbidity.

(6) The expense risk sub-module shall include the risk of loss or adverse change in the value of obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts arising from changes in the value, trend or volatility of expenses arising during the fulfillment of obligations of the insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts.

(7) The audit risk sub-module shall include the risk of loss or adverse change in the value of obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts arising from changes in the value, trend or volatility of audits considered when determining the value of future annuities due to changes in the legal environment or in the state of health of the person insured.
(8) The lapse risk sub-module shall include the risk of loss or adverse change in the value of obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts arising from changes in the value or volatility of the considered probability of lapses, terminations, renewals and surrenders of insurance contracts.

(9) The catastrophe risk sub-module in life insurance shall include the risk of loss or adverse change in the value of obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts arising from the characteristic uncertainty due to formed premiums and unsuitable assumptions taken into account in the calculation of technical provisions related to extreme or exceptional events.

Article 209
(Health underwriting risk module)

(1) The health underwriting risk module shall reflect risks in relation to the perils covered and the processes used in the conduct of business arising from the health insurance obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts.

(2) The health underwriting risk module shall include at least the following risks:

1. the risk of loss or adverse change in the value of insurance obligations arising from changes in the value, trend or volatility of expenses arising during the fulfilment of obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts;
2. the risk of loss or adverse change in the value of obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts arising from fluctuations in the timing, frequency and severity of insured loss events, and in the timing and amount of claim settlements;
3. the risk of loss or of adverse change in the value of obligations of an insurance undertaking to policyholders, insured persons and other beneficiaries under insurance contracts arising from the characteristic uncertainty due to formed premiums and unsuitable assumptions taken into account in the calculation of technical provisions related to large-scale epidemics and an unusual accumulation of risks in such extreme circumstances.

(3) If the provisions of the Act governing health insurance permit the sharing of claims payments in respect of health risk among insurance and reinsurance undertakings, and meet the criteria determined below and any additional criteria established by acts adopted by the European Commission pursuant to paragraph five of Article 109.a of Directive 2009/138/EC, implementing technical standards on standard deviations related to such insurance, adopted by the European Commission pursuant to paragraph four of Article 109.a of Directive 2009/138/EC, apply to the insurance undertaking. The criteria referred to in the preceding sentence shall be:

1. that the mechanism for sharing claims is transparent and fully specified in advance of the annual period to which it applies;
2. the mechanism for sharing claims, the number of insurance undertakings that participate in the health risk equalisation system and the risk characteristics of the business subject within the health risk equalisation system ensure that for each undertaking participating in this system the volatility of annual losses of the business subject to the health risk equalisation system is significantly lower, both in relation to premium and to non-life insurance provisions;
3. health insurance subject to the health risk equalisation system is compulsory and serves as a partial or complete alternative to health cover provided by social security systems;
4. in the event of a default of insurance undertakings participating in the health risk equalisation system, one or several Member States' governments guarantee to meet the policyholder claims of the insurance business that is subject to the health risk equalisation system.

Article 210
(Market risk module)

(1) The market risk module shall reflect risks arising from changes in the value or volatility of market prices of financial instruments. In the market risk module, an insurance undertaking shall take into account those financial instruments that affect the value of its assets and liabilities, and the structural mismatch between assets and liabilities, in particular with respect to the duration thereof.

(2) The market risk module shall include at least the following risk sub-modules:
1. interest rate risk sub-module;
2. equity risk sub-module;
3. property risk sub-module;
4. spread risk sub-module;
5. currency risk sub-module;
6. market concentration sub-module.

(3) The interest rate risk sub-module shall reflect the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

(4) The equity risk sub-module shall reflect the sensitivity of the values of assets, liabilities and financial instruments to changes in the value or volatility of market prices of equities.

(5) The property risk sub-module shall reflect the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of market prices of real estate.

(6) The spread risk sub-module shall reflect the sensitivity of the values of assets, liabilities and financial instruments to changes in the value or volatility of credit spreads over the risk-free interest rate.

(7) The currency risk sub-module shall reflect the sensitivity of the values of assets, liabilities and financial instruments to changes in the value or volatility of currency exchange rates.

(8) The market concentration sub-module shall reflect additional risks to an insurance undertaking stemming either from lack of diversification in the portfolio of assets or from significant exposure to default risk by a single issuer of securities or a group of related issuers.

Article 211
(Counterparty default risk module)
(1) The counterparty default risk module shall reflect possible losses due to an unexpected default or deterioration in the credit standing of counterparties and debtors of insurance undertakings over the next 12 months. The counterparty default risk module shall cover risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from insurance brokers, as well as any other credit exposures not covered in the spread risk sub-module.

(2) The counterparty default risk module shall take suitably into account collateral or other security held by, or for the account of, the insurance undertaking and the risks associated therewith.

(3) For each counterparty, the counterparty default risk module shall take into account the overall exposure to that counterparty, irrespective of the legal form of its contractual obligations to that undertaking.

**Article 212**  
(Equity risk sub-module: symmetric adjustment)

(1) The equity risk sub-module calculated in accordance with the standard formula shall include a symmetric adjustment that adjusts the capital requirement of this module to the risk of an insurance undertaking arising from changes in the level of equity prices.

(2) The symmetric adjustment shall be based on a function of the current level of an appropriate equity index and a weighted average level of that index. The weighted average shall be calculated by taking into account an appropriate period of time which shall be the same for all insurance undertakings.

(3) The symmetric adjustment may increase or reduce the solvency capital requirement of the equity risk sub-module calculated according to the standard formula by a maximum of 10 percentage points.

**Article 213**  
(Equity risk sub-module: duration-based approach)

(1) To calculate the solvency capital requirement of the equity risk sub-module, an insurance undertaking shall apply the duration-based approach calibrated with the value-at-risk of basic own funds of an insurance undertaking stipulated by Article 206 of this Act during the period which corresponds to the usual holding period of equity securities of this insurance undertaking to manage pension funds subject to a confidence level that complies with the compliance level referred to in paragraph five of Article 203 of this Act.

(2) To calculate the capital requirement of the equity risk sub-module, which refers to the assets and liabilities managed separately by an insurance undertaking to manage pension funds, the insurance undertaking may apply the approach referred to in the preceding paragraph if it has obtained an authorisation from the Insurance Supervision Agency.

(3) The Insurance Supervision Agency shall issue the authorisation to apply the duration-based equity risk sub-module to an insurance undertaking which has obtained an authorisation to conduct insurance business in the life assurance group and manages pension funds pursuant to the Act governing pension funds or the act of a Member State which has been adopted to transpose Directive 2003/41/EC or carries out other forms of pension insurance where premiums paid are deductible from the insured person’s tax base if:
1. it manages pension funds separately as per paragraph one of Article 28 of this Act;
2. it manages pension funds as referred to in the introductory sentence to this paragraph only in Member States where it has obtained an authorisation to pursue this activity; and
3. the average duration of the commitment to which the equity risk sub-module is applied exceeds 12 months.

(4) The Insurance Supervision Agency shall issue the authorisation referred to in paragraph two of this Article only to an insurance undertaking whose capital and liquidity position, and strategies and procedures, including reporting procedures on the management of assets and liabilities, ensure that the insurance undertaking is capable of possessing equity securities during the period which corresponds to the usual holding period of equity securities of this insurance undertaking to manage pension funds or to carry out other forms of pension insurance where premiums paid are deductible from the insured person's tax base. The insurance undertaking must demonstrate to the Insurance Supervision Agency that this condition has been met with the compliance level stipulated by paragraph five of Article 203 of this Act.

(5) Insurance undertakings must not discontinue the application of the duration-based approach except in suitably justified cases for which they have previously obtained an authorisation from the Insurance Supervision Agency.

Article 214
(Capital requirements for operational risk)

(1) Capital requirements for the operational risk shall take into account those operational risks which have not been taken into account in the calculation of the basic solvency capital requirement referred to in Article 206 of this Act.

(2) The solvency capital requirement for operational risks shall correspond to the value-at-risk of basic own funds subject to a confidence level of 99.5 per cent over a one-year period.

(3) In life assurance when the policyholder assumes the investment risk, the calculation of capital requirements for the operational risk shall take into account the amount of annual costs of an insurance undertaking arising from these obligations of the undertaking to policyholders, insured persons and other beneficiaries under insurance contracts.

(4) In insurance business, except insurance business as referred to in the preceding paragraph, the calculation of capital requirements for the operational risk arising from such business shall take into account the scope of insurance business in terms of premiums earned and the amount of the established technical provisions for such business.

(5) In insurance business as referred to in the preceding paragraph, capital requirements for the operational risk must not exceed 30 per cent of the basic solvency capital requirement referred to in Article 206 of this Act which refers to such insurance business.

Article 215
(Adjustment for the loss-absorbing capacity with simultaneous reduction in technical provisions and for deferred taxes)
(1) The adjustment for the loss-absorbing capacity with a simultaneous reduction in technical provisions and for deferred taxes shall reflect the potential settlement of unexpected losses with a simultaneous reduction in technical provisions and for deferred taxes.

(2) The adjustment for the loss-absorbing capacity with a simultaneous reduction in technical provisions and for deferred taxes shall take into account the impact of risk mitigation due to future discretionary bonuses to the extent where the insurance undertaking may demonstrate that it may use the reduction in such bonuses to absorb losses when they occur. The amount of the adjustment for the loss-absorbing capacity with a simultaneous reduction in technical provisions and for deferred taxes must not be higher than the sum of technical provisions and deferred taxes which refer to future discretionary bonuses.

(3) An insurance undertaking shall establish the value of future discretionary bonuses by comparing the value of payments to insured persons or other beneficiaries under insurance contracts in adverse conditions to payments under the underlying assumptions of the best-estimate calculation.

(4) At the request of the Insurance Supervision Agency, an insurance undertaking must demonstrate the amount of the adjustment for the loss-absorbing capacity with a simultaneous reduction in technical provisions and for deferred taxes referred to in paragraph one of this Article taken into account in the calculation of the solvency capital requirement.

Article 216
(Simplifications in the standard formula)

Insurance undertakings may use a simplified calculation for a specific risk module or sub-module when the nature, scope and complexity of the risks they face within a specific risk module or sub-module justify it, and where it would be unreasonable to require the application of the standardised calculation. Simplified calculations of the solvency capital requirement shall meet the condition referred to in paragraphs four and five of Article 203 of this Act.

Article 217
(Significant deviations from the assumptions underlying the calculation according to the standard formula)

(1) The Insurance Supervision Agency, by means of a decision stating the reasons, may require an insurance undertaking to use parameters adjusted to the undertaking or its assumed risks when calculating the solvency capital requirement for the life, non-life and health underwriting risk modules pursuant to paragraph six of Article 206 of this Act if the undertaking’s risks deviate significantly from the assumptions underlying the calculation of the solvency capital requirement according to the standard formula.

(2) The parameters adjusted to an insurance undertaking or its assumed risks shall be determined by meeting the conditions referred to in paragraphs four and five of Article 203 of this Act.

4.10.3. Calculation of the solvency capital requirement using a full or partial internal model

Article 218
(General provisions for the application of full and partial internal models)
(1) To calculate the solvency capital requirement by applying a full or partial internal model, an insurance undertaking must obtain an authorisation from the Insurance Supervision Agency.

(2) The Insurance Supervision Agency shall issue the authorisation to apply an internal model at the request of an insurance undertaking on the basis of evidence that the model meets the conditions referred to in Articles 225 to 230 of this Act, and if the Insurance Supervision Agency concludes that the risk management, measurement, monitoring and reporting systems of the undertaking are appropriate.

(3) The Insurance Supervision Agency shall decide on the issue of the authorisation to apply an internal model to the calculation of the solvency capital requirement within six months of receiving a complete request.

(4) The Insurance Supervision Agency, by means of a decision stating the reasons, may require an insurance undertaking which has obtained an authorisation to apply an internal model to submit to the Agency an assessment of the solvency capital requirement calculated according to the standard formula.

Article 219
(Additional provisions for the application of partial internal models)

(1) A partial internal model may be applied by an insurance undertaking to calculate:
1. one or several risk modules or sub-modules of the solvency capital requirement;
2. capital requirements for the operational risk;
3. adjustment for the loss-absorbing capacity with a simultaneous reduction in technical provisions and for deferred taxes.

(2) A partial internal model may be applied by an insurance undertaking to calculate the solvency capital requirement for its entire business or for one or several business segments.

(3) To receive an authorisation to use the internal model, an insurance undertaking, in addition to the requirements referred to in paragraph two of the preceding article, must also meet the following conditions:
1. the undertaking suitably justifies the reason for the limited scope of the application of the internal model;
2. a partial internal model assesses the risks of the insurance undertaking more suitably than the value of the solvency capital requirement calculated according to the standard formula;
3. the structure of a partial internal model facilitates complete inclusion in the standard formula to calculate the solvency capital requirement.

(4) In the decision-making procedure on the application of a partial internal model which only comprises certain sub-modules of a certain risk module or only certain business segments of the insurance undertaking, the Insurance Supervision Agency may require the undertaking to submit the timetable for the expansion of the application of a partial internal model.

(5) The timetable for the expansion of the application of a partial internal model referred to in the preceding paragraph shall determine the manner according to which the insurance undertaking plans to expand the application of a partial internal model to other
sub-modules of a certain risk module or to other business segments in order to ensure that the partial internal model will include the majority of insurance business or most risks.

**Article 220**

*Procedure for changing full and partial internal models*

(1) When issuing the authorisation to apply a partial or full internal model, the Insurance Supervision Agency shall also approve the policy for changing an internal model. An insurance undertaking may change a partial or full internal model in accordance with the approved policy.

(2) The policy for changing an internal model shall separately include a detailed description of minor and major changes to the internal model.

(3) For minor and major changes to an internal model, an insurance undertaking must obtain an authorisation from the Insurance Supervision Agency pursuant to paragraph one of Article 218 of this Act.

(4) For minor changes to a partial or full internal model which comply with the policy for changing an internal model, an insurance undertaking does not need an authorisation from the Insurance Supervision Agency.

**Article 221**

*Responsibility of management bodies of an insurance undertaking during the application of a partial or full internal model*

(1) Requests for the issue of an authorisation to apply a partial or full internal model or requests for the approval of major changes to a partial or full internal model shall be approved by the Management Board of an insurance undertaking.

(2) The Management Board of an insurance undertaking shall be responsible for:
   1. establishing systems to facilitate regular and correct performance of a partial or full internal model;
   2. ensuring the suitability of a partial or full internal model, and its constant performance;
   3. a partial or full internal model to regularly reflect the risk profile that it addresses.

**Article 222**

*Return to the calculation of the solvency capital requirement according to the standard formula*

After obtaining an authorisation to apply a partial or full internal model to the calculation of the solvency capital requirement, insurance undertakings must not calculate the part of capital requirements for which they have obtained the authorisation to apply an internal model according to the standard formula. The standard formula for a part of, or the whole of, solvency capital requirement subject to the authorisation may only be used in extreme suitably justified circumstances approved as such by the Insurance Supervision Agency.

**Article 223**

*Non-compliance of the internal model*
(1) If, after receiving approval from the Insurance Supervision Agency to apply an internal model, an insurance undertaking ceases to comply with the requirements referred to in paragraph two of Article 218 of this Act, the undertaking must immediately either present to the Insurance Supervision Agency a plan including the actions and deadlines to restore the compliance of a partial or full internal model with the requirements referred to in paragraph two of Article 218 of this Act or demonstrate that the financial impact resulting from non-compliance is immaterial.

(2) If an insurance undertaking fails to implement the plan submitted to the Insurance Supervision Agency pursuant to the preceding paragraph, the Insurance Supervision Agency may require the insurance undertaking to calculate the solvency capital requirement according to the standard formula.

Article 224
(Deviations from the assumptions underlying the calculation of the solvency capital requirement according to the standard formula)

If the risks of an insurance undertaking deviate significantly from the assumptions underlying the calculation of the solvency capital requirement according to the standard formula, the Insurance Supervision Agency shall issue a decision requiring the undertaking to apply a full or partial internal model to calculate the solvency capital requirement or suitable risk modules.

Article 225
(Use test)

An insurance undertaking shall demonstrate to the Insurance Supervision Agency that:
1. the internal model is regularly applied and plays an important role in its management system, in particular:
   - in the risk management system and decision-making processes;
   - in business decisions, capital requirements and operation processes, including own risk and solvency assessment;
2. the frequency of calculation of the solvency capital requirement by applying an internal model complies with the frequency of the application of an internal model for other purposes prescribed in the preceding point.

Article 226
(Statistical data quality standards)

(1) Internal models and the calculation of the probability distribution forecast underlying them shall comply with the criteria referred to in the next paragraphs of this Article.

(2) The methods used to calculate a probability distribution forecast shall be based on applicable and adequate actuarial and statistical techniques be consistent with the methods used to calculate technical provisions. The methods used to calculate a probability distribution forecast shall be based on current and credible information, and realistic assumptions.

(3) At the request of the Insurance Supervision Agency, an insurance undertaking shall justify the selection of assumptions underlying an internal model.
(4) An internal model shall include all significant risks to which an insurance undertaking is exposed. It shall include all risks prescribed in paragraph six of Article 203 of this Act.

(5) The data used in an internal model shall be accurate, complete and appropriate. An insurance undertaking shall update the parameters used in the calculation of the probability distribution forecast at least once annually.

(6) In the internal model, an insurance undertaking shall take into account all payments to policyholders, insured persons and other beneficiaries under insurance contracts it assumes will arise, whether or not these payments are contractually guaranteed.

(7) In the internal model, an insurance undertaking may take into account diversification effects within or among individual risks if it has received an authorisation from the Insurance Supervision Agency. The Insurance Supervision Agency shall issue an authorisation to take into account diversification effects if an insurance undertaking has established a suitable system for measuring such effects, and if the Insurance Supervision Agency is convinced that the system used to measure diversification effects is suitable.

(8) In the internal model, an insurance undertaking shall take into account diversification effects, provided that the internal model takes appropriate account of credit and other risks arising from risk-mitigation measures.

(9) An insurance undertaking shall assess the risks related to financial guarantees and other bonuses under insurance contracts taken into account in internal models. In addition, insurance undertakings shall also assess sales and purchase bonuses they possess. For this purpose, they shall take into account the impact of future changes in financial and non-financial conditions on the implementation of such sales and purchase bonuses.

(10) In the internal model, an insurance undertaking shall also take into account future actions of management bodies that they would reasonably expect to carry out in specific circumstances.

Article 227
(Calibration standards)

(1) An insurance undertaking may use a different period or risk measure than that set out in paragraphs four and five of Article 203 of this Act internal modelling purposes. A different period or risk measure may be used if the solvency capital requirement calculated with the internal model provides policyholders, insured persons and beneficiaries under insurance contracts with a level of protection equivalent to that set out in Article 203 of this Act.

(2) An insurance undertaking shall calculate the solvency capital requirement directly from the probability distribution forecast generated by the internal model. For the direct calculation of the solvency capital requirement, the insurance undertaking must use the value-at-risk measure referred to in paragraph five of Article 203 of this Act.

(3) If an insurance undertaking cannot calculate the solvency capital requirement in accordance with paragraph two of this Article, the Insurance Supervision Agency may issue an authorisation to use approximations to the insurance undertaking. To obtain the authorisation to use approximations for the calculation of the solvency capital requirement, an insurance undertaking must demonstrate to the Insurance Supervision Agency that
policyholders, insured persons and beneficiaries under insurance contracts are provided with a level of protection equivalent to that provided for in Article 203 of this Act when using approximations.

(4) The Insurance Supervision Agency shall verify the calibration standards of the internal model. The calibration standards of the internal model may also be verified by the Insurance Supervision Agency requiring, by means of a decision, insurance undertakings to run their internal model on relevant benchmark insurance portfolios, and use assumptions based on external or market data rather than the internal data of the insurance undertaking.

**Article 228**
(Determination of the reasons and sources for profit or loss)

(1) An insurance undertaking which applies an internal model to calculate the solvency capital requirement shall review, at least annually, the causes and sources of profits and losses for each major business segment.

(2) During each review referred to in the preceding paragraph, an insurance undertaking shall report to the Insurance Supervision Agency on how the categorisation of risks in the internal model explains the causes and sources of profits and losses.

**Article 229**
(Adequacy verification standards)

(1) An insurance undertaking shall regularly monitor the performance of an internal model, review the ongoing appropriateness of its constituents, and compare its results with previous experience.

(2) The verification procedure of the appropriateness of the internal model performance shall include an effective application of statistical methods to validate the internal model which enables an insurance undertaking to demonstrate to the Insurance Supervision Agency that the resulting solvency capital requirement calculated with the internal model is appropriate. The statistical methods applied shall show that the probability distribution forecast is appropriate in view of previous experience and new data and information relating thereto.

(3) An insurance undertaking shall also carry out the internal model stability analysis, and in particular verify the sensitivity of the results of the internal model to changes in key assumptions. The analysis shall also include an assessment of the accuracy, completeness and appropriateness of the data used by the internal model.

**Article 230**
(Documentation standards)

(1) An insurance undertaking shall document and archive all details regarding the structure and performance of its internal model.

(2) The documents referred to in the preceding paragraph shall:
1. demonstrate the compliance of the internal model with Articles 225 to 229 of this Act;
2. include a detailed description of the theory, assumptions, and mathematical and empirical bases underlying the internal model;
3. state all circumstances in which the internal model does not work effectively;
4. document and archive all major changes in the internal model as stipulated by Article 220 of this Act.

Article 231
(External models and data)

The application of an internal model or data obtained from a third party shall not exempt an insurance undertaking from applying Article 225 to 229 of this Act.

4.11. Minimum capital requirement

Article 232
(General provision)

The value of eligible own funds of an insurance undertaking referred to in paragraph two of Article 200 of this Act shall be at least equal to the minimum capital requirement.

Article 233
(Minimum capital requirement principles)

(1) The minimum capital requirement must be equal to the amount of eligible own funds under which policyholders, insured persons and other beneficiaries under insurance contracts would be exposed to an unacceptable risk level if the undertaking were allowed to continue operations.

(2) The minimum capital requirement must never be lower than (absolute threshold):
1. EUR 2,500,000 for insurance undertakings which conduct business in the non-life insurance group, except in cases of risk coverage from classes of insurance 10 to 15 as determined in paragraph two of Article 7 of this Act, when the amount must never be lower than EUR 3,700,000;
2. EUR 3,700,000 for insurance undertakings which conduct business in the life assurance group;
3. EUR 3,600,000 for insurance and reinsurance undertakings which have the authorisation to conduct reinsurance business;
4. the sum of the amounts referred to in points 1 and 2 hereunder for insurance undertakings referred to in paragraphs three to five of Article 26 of this Act.

Article 234
(Calculation of the minimum capital requirement)

(1) An insurance undertaking shall calculate the minimum capital requirement pursuant to:
- Section 4.11 of this Act; and
- the act issued by the European Commission pursuant to Article 130 of Directive 2009/138/EC.

(2) The minimum capital requirement shall be calculated in a clear and simple manner to ensure that the calculation can be audited.
The minimum capital requirement shall be calculated as the linear function of the group or subgroup of the following variables:
1. technical provisions;
2. written premiums;
3. venture capital;
4. deferred taxes; and
5. management costs.

(4) The variables referred to in the preceding paragraph shall not take reinsurance into account.

(5) The linear function referred to in paragraph three shall be calibrated to the value-at-risk of basic own funds of an insurance undertaking subject to a confidence level of 85 per cent over a one-year period.

(6) Notwithstanding paragraph two of the preceding paragraph, the minimum capital requirement of an insurance undertaking must not be lower than 25 per cent or higher than 45 per cent of the solvency capital requirement of the insurance undertaking calculated pursuant to Section 4.10 of this Act, including the potential capital add-on referred to in Article 309 of this Act.

Article 235
(Frequency of the calculation of the minimum capital requirement)

(1) An insurance undertaking shall calculate the minimum capital requirement at least once quarterly, and report the calculation to the Insurance Supervisory Agency.

(2) To calculate the limit values referred to in paragraph six of the preceding article, insurance undertakings do not have to calculate the solvency capital requirement for each quarter.

(3) If the minimum capital requirement reaches a limit value referred to in paragraph six of the preceding article, the insurance undertaking shall notify the Insurance Supervision Agency and suitably explain the reasons for this.

4.12. Investments

Article 236
(Investments of an insurance undertaking)

(1) An insurance undertaking shall invest its assets pursuant to:
- Section 4.12 of this Act; and
- the acts issued by the European Commission pursuant to paragraph one, and points a and b of paragraph two of Article 135 of Directive 2009/138/EC.

(2) An insurance undertaking shall invest only in assets and financial instruments whose risks may be properly identified, measured, monitored, managed, controlled and reported, and suitably taken into account in the assessment of its solvency needs referred to in point 1 of paragraph two of Article 156 of this Act.

(3) All assets, in particular those covering the minimum capital requirement and the solvency capital requirement, shall be invested by an insurance undertake in such a
manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition, the localisation of these assets shall be such as to ensure their availability.

Article 237
(Additional rules on investments of an insurance undertaking)

(1) An insurance undertaking may invest assets in derivative instruments only if they contribute to reducing risks or facilitating efficient portfolio management.

(2) An insurance undertaking shall keep investments and assets which are not admitted to trading on a regulated financial market to prudent levels.

(3) An insurance undertaking shall properly diversify its assets in such a way as to avoid excessive reliance on any particular investment, issuer, group of undertakings or geographical area, and an excessive accumulation of risks in the portfolio as a whole.

(4) The investments of an insurance undertaking in assets issued by the same issuer or by issuers belonging to the same group shall not expose the undertaking to excessive risk concentration.

(5) Additional rules on the investments of an insurance undertaking referred to in this Article shall not apply to investments referred to in paragraphs two, three and four of Article 239 of this Act, except in the case stated in paragraph five of Article 239 of this Act.

Article 238
(Investments covering technical provisions)

(1) When investing assets intended to cover future obligations arising from non-life and life insurance regarding which an insurance undertaking must establish technical provisions, the undertaking, in addition to Articles 236 and 237 of this Act, must also take into account this Article.

(2) The amount of assets intended to cover future obligations arising from non-life insurance regarding which an insurance undertaking must establish technical provisions shall be at least equal to the amount of technical provisions.

(3) The amount of assets intended to cover future obligations arising from life assurance regarding which an insurance undertaking must establish technical provisions shall be at least equal to the amount of technical provisions.

(4) An insurance undertaking shall also invest the assets referred to in paragraph one of this Article in a manner that corresponds to the nature and duration of insurance and reinsurance obligations, and in the best interests of all policyholders, insured persons and other beneficiaries under insurance contracts, taking into account any disclosed objectives of insurance contracts. In the event of a conflict of interest, an insurance undertaking or the entity which manages the portfolio of assets of policyholders, insured persons and other beneficiaries under insurance contracts shall ensure that the investment is made in the best interests of policyholders, insured persons and other beneficiaries under insurance contracts.

(5) If an asset is encumbered for the benefit of a third party, investments in such an asset are not suitable for covering technical provisions.

Article 239
(Special provisions for insurance business when policyholders assume the investment risk)

(1) Notwithstanding paragraphs two and three of Articles 236 and 238 of this Act, the provisions of this Article shall apply to investments of assets of an insurance undertaking regarding life assurance contracts when the investment risk is borne by the policyholders.

(2) When bonuses arising from insurance contracts are directly related to the value of fund units in UCITS funds, investments under such insurance contracts will include investments in fund units of such funds to the maximum extent possible. Technical provisions regarding such bonuses shall be bound by the fund units of UCITS funds.

(3) When bonuses arising from insurance contracts are directly related to the value of assets managed by an insurance undertaking or which an insurance undertaking has transferred to another entity (hereinafter: internal fund of an insurance undertaking), as many assets under such insurance contracts shall be invested in assets defined by an insurance contract as possible. Technical provisions regarding such bonuses are linked to units of the internal fund or, when the internal fund is not divided into units, by assets in this fund.

(4) When bonuses arising from insurance contracts are directly related to the value of assets managed by an insurance undertaking or which an insurance undertaking has transferred to another entity (hereinafter: internal fund of an insurance undertaking), as many assets under such insurance contracts shall be invested in assets defined by an insurance contract as possible. If such units have not been established, investments regarding such insurance contracts must be of appropriate security and marketability, and correspond as closely as possible to investments on which the particular reference value is based. The technical provisions regarding these bonuses shall be bound by units deemed to represent the reference value, or if units are not established, by assets of appropriate security and marketability which correspond as closely as possible to investments on which the particular reference value is based.

(5) When the insurance contracts referred to in paragraphs two, three and four of this Article include a guaranteed return on invested assets or other guaranteed payments to policyholders, insured persons and other beneficiaries, Article 237 of this Act shall apply to investments covering the corresponding additional technical provisions for a guaranteed return on invested assets or other guaranteed payments.

(6) For the account of the internal fund referred to in paragraph three of this Article, an insurance undertaking shall conclude a contract with a trustee to provide trust services for the internal fund, and ensure that the property of the internal fund, the property of the insurance undertaking and other property managed by the undertaking, the property of the manager of the internal fund and other property managed by the manager of the internal fund when the undertaking transfers the management of the internal fund to another entity are kept separate. The insurance undertaking shall calculate and publish the net asset value of the internal fund and the value per unit of the internal fund when the latter is divided into units. The provisions of the Act governing investment funds and asset management companies which apply to the provision of trust services for mutual funds, unless otherwise stipulated by the regulation referred to in paragraph seven of this Article, shall apply to trust services regarding the management of the internal fund.

(7) The Insurance Supervision Agency shall prescribe the following:
   1. detailed rules on trust services for the internal fund;
   2. detailed rules on the separation of the property of the internal fund, and regarding the type of business which must not be concluded for the account of the internal fund by the manager of the fund (prohibited business with certain persons);
3. the manner of calculating the net asset value of the internal fund when the internal fund is divided into units, and the manner and deadlines for publishing the net asset value of the internal fund or value per unit of the internal fund when the latter is divided into units.

Article 240
(Registers of assets)

(1) An insurance undertaking shall keep a register of assets which cover technical provisions.

(2) An insurance undertaking which conducts insurance business in the life assurance group and in the non-life insurance group shall keep a separate register of assets of non-life insurance which cover the technical provisions under insurance contracts in the non-life insurance group, and a register of assets of life assurance which cover the technical provisions under insurance contracts in the life assurance group.

(3) An insurance undertaking shall determine rules according to which it keeps its registers of assets referred to in this Article.

4.13. Ring-fenced funds

Article 241
(general provision)

(1) A ring-fenced fund exists in an insurance undertaking if the law, insurance conditions, other legal bases or business rules of the undertaking determine that the assets arising from a certain part of business conducted by the undertaking and the risks arising from such business are limited, so that the undertaking may use them only to meet its obligations or cover the risks arising from such business (hereinafter: assets of a ring-fenced fund). The insurance undertaking must not use the assets of a ring-fenced fund and own funds of a ring-fenced fund (hereinafter: limited own funds) to meet its obligations or cover the risks arising from other types of business.

(2) If an insurance undertaking has a ring-fenced fund, it must adjust its own funds in the manner determined in Article 201 of this Act, and calculate the solvency capital requirement of the aforementioned fund (hereinafter: theoretical solvency capital requirement) in the manner determined in paragraph two of Article 201 of this Act.

(3) An insurance undertaking shall manage the assets of a ring-fenced fund separately, so that it is able to fulfil its obligations regarding those assets which arise from the law, insurance conditions, other legal bases or business rules of the undertaking.


Article 242
(Reinsurance obligation)

An insurance undertaking shall use reinsurance to cover the part of the assumed risks that, according to the maximum coverage tables, exceed own shares in equalising risks.
Article 243
(Programme of anticipated reinsurance)

(1) An insurance undertaking shall adopt a programme of anticipated reinsurance for each financial year.

(2) A programme of anticipated reinsurance shall comprise:
   1. calculated own shares in individual homogeneous risk groups, but not more than by types of business;
   2. a maximum coverage table prepared on the basis of the calculations referred to in the preceding point;
   3. procedures, bases and criteria for establishing the greatest probability of loss for individual risks assumed by insurance.

(3) When calculating own shares in the individual homogeneous risk groups referred to in point 1 of the preceding paragraph, an insurance undertaking shall take into account particularly the following:
   1. Its own risk and solvency assessment related to capital requirements and the amount of own capital;
   2. total business volume;
   3. written premiums and established technical provisions;
   4. shares in the homogeneous risk group in the bases referred to in points 2 and 3 hereunder;
   5. corrections due to variability in the homogeneous risk group.

Article 244
(Liquidity risk management)

(1) An insurance undertaking shall manage its sources and investments in such a manner that, at any time, it can meet its obligations as they fall due.

(2) The liquidity management policy shall comprise:
   1. planning of expected known and eventual cash outflows and sufficient cash inflows to cover these, taking into account the conduct of business in usual circumstances and in the event of liquidity crises;
   2. regular monitoring and management of liquidity;
   3. definition of appropriate measures to prevent or eliminate the causes of non-liquidity, and specify other possibilities for such measures.

(3) An insurance undertaking shall regularly monitor its liquidity, and verify the correctness and appropriateness of assumptions used in the determination of the liquidity management policy.

Article 245
(Operational risk management)

(1) An insurance undertaking shall establish and implement a suitable policy and processes to assess and manage the operational risk, which shall include a description of approaches to the treatment of rare but serious events which pose a significant operational risk.
(2) To suitably establish and implement the policy and processes referred to in the preceding paragraph, an insurance undertaking shall precisely and thoroughly define the operational risk factors to which it is or may be exposed.

Article 246
(Insurance statistical standards)

(1) An insurance undertaking shall apply insurance statistical standards to the statistical processing of concluded insurance policies, risks that cover insurance, insurance cases and damages.

(2) Insurance statistical standards shall be adopted by the Slovenian Insurance Association with the previous consent of the Insurance Supervision Agency.

Article 247
(Determining of, and notifications of, deterioration in the financial condition of an insurance undertaking)

(1) An insurance undertaking shall establish mechanisms to establish a deterioration in the financial condition.

(2) An insurance undertaking shall notify the Insurance Supervision Agency of a deterioration in its financial condition promptly or within three days of establishing such deterioration.

Article 248
(Prohibition of the payment of profit)

(1) An insurance undertaking must not pay profit either as an interim dividend or a dividend or as a payment arising from profit-sharing of the Management Board, the Supervisory Board and employees of the undertaking in the following cases:
   1. if the eligible own funds of the undertaking are lower than the solvency capital requirement or if the eligible own funds of the undertaking are reduced to the point when they no longer comply with the solvency capital requirement;
   2. if the eligible basic own funds of the undertaking are lower than the minimum capital requirement or if eligible basic own funds of the undertaking are reduced to the point when they no longer comply with the minimum capital requirement;
   3. if the undertaking does not ensure suitable liquidity or if the payment of profit would mean that the insurance undertaking would no longer ensure suitable liquidity;
   4. if the Insurance Supervision Agency has required that the undertaking eliminate violations in relation to an incorrect disclosure of items of assets and liabilities in the balance sheet whose correct disclosure could significantly affect the insurance undertaking’s profit and loss account.

(2) The prohibition referred to in the preceding paragraph shall apply:
   1. in the case referred to in point 1: until the insurance undertaking ensures a suitable amount of eligible own funds;
   2. in the case referred to in point 2: until the insurance undertaking ensures a suitable amount of eligible own funds;
   3. in the case referred to in point 3: until the insurance undertaking ensures a suitable liquidity position;
4. in the case referred to in point 4: until the insurance undertaking ensures correct disclosure of items, unless the reason for the prohibition referred to in point 1 or 2 of the preceding paragraph arises on the basis of correct disclosure.

Article 249
(Measures to comply with the solvency capital requirement)

(1) Promptly or within three working days of establishing non-compliance, an insurance undertaking shall notify the Insurance Supervision Agency that its eligible own funds no longer cover the solvency capital requirement or if it expects non-compliance between eligible own funds and the solvency capital requirement within the next three months.

(2) In the event of the non-compliance referred to in the preceding paragraph, the Management Board of an insurance undertaking shall promptly take measures to ensure compliance with the solvency capital requirement which are under its responsibility, or propose measures which are under the responsibility of its other bodies.

(3) Within two months of establishing the non-compliance referred to in paragraph one of this Article, an insurance undertaking shall submit to the Insurance Supervision Agency a realistic recovery plan to establish compliance between eligible own funds and the solvency capital requirement for approval.

(4) The Insurance Supervision Agency shall require an insurance undertaking to take measures to eliminate the non-compliance referred to in paragraph one of this Article within six months of establishing non-compliance between its eligible own funds and the solvency capital requirement, whereby the Agency may, in special circumstances, extend the deadline to ensure compliance with the solvency capital requirement by an additional three months by:
   1. increasing the value of its eligible own funds at least to the amount of the solvency capital requirement;
   2. reducing risks by ensuring compliance between its eligible own funds and the solvency capital requirement.

(5) When one or several insurance undertakings do not comply with the solvency capital requirement, and such non-compliance is the result of an unforeseen, steep fall in financial markets, the Insurance Supervision Agency shall request EIOPA to decide on the existence of extreme falls in financial markets pursuant to Article 18 of Regulation (EU) No 1094/2010.

(6) If EIOPA decides that there have been extreme falls in financial markets, the Insurance Supervision Agency shall suitably extend the deadline determined by paragraph four of this Article by taking into account the circumstances. The extension of the deadline is in accordance with the act issued by the European Commission pursuant to Article 143 of Directive 2009/138/EC.

(7) If the deadline referred to in the preceding paragraph is extended, an insurance undertaking must submit a report on the progress on establishing or complying with the solvency capital requirement to the Insurance Supervision Agency every three months.

(8) If the Insurance Supervision Agency establishes on the basis of a progress report that no significant improvement has occurred regarding compliance with the solvency capital requirement, the Agency shall revoke the extension of the deadline to establish
compliance of eligible own funds with the solvency capital requirement referred to in paragraph four of this Article.

(9) If the Insurance Supervision Agency believes that extreme falls in financial markets have stopped, it shall notify EIOPA.

(10) The Insurance Supervision Agency shall prohibit or limit the availability of the funds of an insurance undertaking if its eligible own funds no longer cover the solvency capital requirement or if it expects non-compliance between eligible own funds and the solvency capital requirement within the next three months, and also believes that the financial condition of the undertaking will further deteriorate. The Insurance Supervision Agency shall notify the supervisory authorities of the Member States where the insurance undertaking conducts insurance business directly or through a branch. At the request of the Insurance Supervision Agency, the supervisory authorities of Member States shall take the same measures. The Insurance Supervision Agency shall determine the funds subject to measures.

**Article 250**
(Measures to meet the minimum capital requirement)

(1) Promptly or within three working days of establishing non-compliance, an insurance undertaking shall notify the Insurance Supervision Agency that its eligible own funds no longer cover the solvency capital requirement or if it expects non-compliance between eligible own funds and the solvency capital requirement within the next three months.

(2) In the event of the non-compliance referred to in the preceding paragraph, the Management Board of an insurance undertaking shall promptly take measures to ensure compliance with the solvency capital requirement which are under its responsibility, or propose measures which are under the responsibility of its other bodies.

(3) Within one month of establishing that eligible basic own funds no longer cover the minimum capital requirement, an insurance undertaking shall submit to the Insurance Supervision Agency a short-term realistic finance scheme to eliminate the non-compliance of eligible own funds with the minimum capital requirement for approval.

(4) An insurance undertaking shall eliminate the non-compliance referred to in the preceding paragraph within three months of its establishment by:

1. increasing the value of eligible basic own funds at least to the amount of the minimum capital requirement;
2. reducing risks by ensuring compliance with the minimum capital requirement.

(5) The Insurance Supervision Agency shall prohibit or limit the availability of the funds of an insurance undertaking if its eligible basic own funds no longer cover the minimum capital requirement or if it expects non-compliance of eligible basic own funds with the minimum capital requirement within the next three months. The Insurance Supervision Agency shall promptly notify the supervisory authorities of the Member States where the insurance undertaking conducts insurance business directly or through a branch. At the request of the Insurance Supervision Agency, the supervisory authorities of Member States shall take the same measures. The Insurance Supervision Agency shall determine the funds subject to measures.

**Article 251**
(Recovery plan and short-term finance scheme)

(1) The recovery plan referred to in paragraph three of Article 249 of this Act and the short-term finance scheme referred to in paragraph three of the preceding article shall at least include data and documents concerning the following:

1. estimates of insurance undertaking management expenses, in particular current general expenses and commissions;
2. estimates of income and expenditure in respect of direct business, reinsurance acceptances and reinsurance cessions;
3. a forecast balance sheet;
4. an assessment of funds intended to cover technical provisions, the solvency capital requirement, and the minimum capital requirement;
5. the reinsurance policy.

(2) When the Insurance Supervision Agency requires a recovery plan or a short-term finance scheme from an insurance undertaking, the Agency shall refrain from issuing the authorisation to transfer insurance contracts referred to in paragraph three of Article 516 of this Act for as long as they consider that the safety and rights of the policyholders, or the contractual obligations of the reinsurance undertaking are threatened.

Article 252
(Reports on individual facts and circumstances)

(1) An insurance undertaking shall report to the Insurance Supervision Agency on the following facts and circumstances:

1. changes to data entered in the companies' register;
2. convocations of general meetings and all decisions adopted at the meetings;
3. holders of qualifying holdings of the insurance undertaking, and acquisitions or changes in qualifying holdings;
4. the appointment and dismissal of members of the Management Board;
5. the dismissal, or cessation of the tasks, of the holder of a key function, and the appointment of the holder of a key function;
6. adoption of, and amendments to, the business strategy of the insurance undertaking referred to in point 1 of Article 68 of this Act;
7. adoption of, and amendments to, the finance scheme of the insurance undertaking referred to in point 2 of Article 68 of this Act;
8. adoption of, and amendments to, written rules on the management system, risk management, monitoring of compliance, internal control, internal audit and outsourced activities of the insurance undertaking referred to in point 3 of Article 68 of this Act;
9. intended opening, move, closure or suspension of a branch or changes in the types of business conducted by the branch;
10. taking-up and termination of the conduct of insurance business in certain classes of insurance;
11. all facts and circumstances relevant to assessing whether the insurance undertaking is included in an insurance group, and about persons and the manner of connections in the insurance group in which the undertaking is included;
12. own risk and solvency assessment;
13. all facts and circumstances relevant to assessing whether the operations of the insurance undertaking comply with the risk management rules;
14. all matters important to supervision by the Insurance Supervision Agency or to the implementation of other powers and tasks of the Agency.

(2) The Management Board of an insurance undertaking shall promptly notify the Insurance Supervision Agency of the following events:
1. if either the liquidity or compliance with the capital requirements of insurance undertaking is at risk;
2. if reasons occur for the revocation or withdrawal of the authorisation to conduct insurance business;
3. if the financial condition of the insurance undertaking changes such that the undertaking does not comply with the solvency capital requirement, the minimum capital requirement, requirements regarding technical provisions or property that covers the technical provisions;
4. if the insurance undertaking commences an extensive renovation of IT systems or if the insurance undertaking commences the development of new services mainly supported by IT such that the renovation or development constitute a significant part of the operations of the undertaking;
5. other events which may significantly affect the operations of the insurance undertaking according to the risk management rules.

(3) The Insurance Supervision Agency shall prescribe a detailed content of the reports and notifications referred to in paragraphs one and two of this Article, and the volume, manner and time limits for reports or notifications.

Chapter 5:
BOOKS OF ACCOUNT, ANNUAL REPORTS, AND SOLVENCY AND FINANCIAL CONDITION REPORTS

Article 253
(Application of the laws on companies and auditing)

(1) If special rules are not stipulated by Chapter 5 of this Act and the regulation referred to in Article 254 of this Act, the general rules stipulated by the laws governing companies and auditing apply to books of account, annual reports of insurance undertakings, and auditing.

(2) An insurance undertaking shall keep books of account, draw up book-keeping documents, evaluate accounting points, and draw up reports pursuant to the regulations referred to in the preceding paragraph.

Article 254
(Regulations on books of account, annual reports, auditing and disclosures)

(1) Regarding the books of account and annual reports of an insurance undertaking, the Insurance Supervision Agency shall prescribe:
   1. a chart of accounts for the general ledger of the undertaking for the purpose of keeping of books of account;
   2. types and schemes of financial statements and consolidated financial statements of the undertaking;
   3. detailed content of:
      - financial reports, and
      - business reports.

(2) The Insurance Supervision Agency shall prescribe the following in relation to auditing annual reports: detailed volume and content of additional audits, and additional auditor's report referred to in Article 258 of this Act.
Article 255
(Special rules on the financial statements of an insurance undertaking)

(1) The financial year in financial statements and consolidated financial statements which constitute the annual reports of an insurance undertaking shall be the same as the calendar year.

(2) An insurance undertaking shall submit unaudited annual financial statements to the Insurance Supervision Agency within two months of the end of the financial year, and unaudited annual consolidated financial statements within three months of the end of the financial year.

(3) An insurance undertaking shall submit quarterly financial statements to the Insurance Supervision Agency within one month of the end of the quarter.

(4) The Insurance Supervision Agency shall prescribe the detailed content of financial statements referred to in the preceding paragraph.

Article 256
(Report of the holder of the actuarial function)

Together with annual reports, an insurance undertaking shall submit reports of the holder of the actuarial function referred to in paragraph three of Article 170 of this Act to the Insurance Supervision Agency.

Article 257
(Special rules on the auditing of annual reports of an insurance undertaking)

(1) Within eight days of receiving an auditor's report, but no later than four months of the end of the calendar year, an insurance undertaking shall submit the following to the Insurance Supervision Agency:
1. an annual report;
2. an auditor's report on the auditing of the annual report as defined by the Act governing companies; and
3. an additional auditor's report referred to Article 258 of this Act.

(2) If an insurance undertaking draws up a consolidated annual report, the preceding paragraph, and Articles 258 to 260 of this Act shall apply mutatis mutandis to the submission, auditing and publication of the consolidated annual report.

Article 258
(Additional rules on auditing)

(1) In addition to auditing and an auditor's report, the audit of the annual report of an insurance undertaking and the auditor's report shall also comprise additional auditing and an additional auditor's report.

(2) The Insurance Supervision Agency may require the auditing company to provide additional explanations regarding the audit.

(3) If an audit is not carried out or if the auditor's report or an additional auditor's report has not been prepared in accordance with paragraph one of this Article or the regulation referred to in Article 254 of this Act, the Insurance Supervision Agency may:
1. require the insurance undertaking to require the auditing company to suitably correct or amend its reports;
2. reject the auditor's reports and order the insurance undertaking to provide another auditing company to carry out the audit.

(4) For the audit of annual reports referred to in paragraph one of this Article, an insurance undertaking shall appoint an auditing company for a period of no less than three financial years. The audit of annual reports of an insurance undertaking may be carried out by an auditing company continuously for a maximum of ten years with a suspension period for at least the following four financial years.

(5) An insurance undertaking or an auditing company may terminate the contract referred to in the preceding paragraph prior to the expiry of the contractually determined deadline only on substantiated grounds. Differing opinions on accounting treatment or auditing procedures are not substantiated grounds for terminating a contract. An audit contract shall be terminated through court action. The Management Board of an insurance undertaking may terminate an audit contract prior to the expiry of the contractually determined deadline only with the consent of the Supervisory Board and following consultations with the Audit Committee.

(6) An insurance undertaking shall notify the Insurance Supervision Agency in writing of the dismissal or withdrawal of an auditing company prior to the expiry of the contractually determined deadline and suitably explain the grounds for the dismissal or withdrawal.

Article 259
(Obligation of an auditing company in relation to the Insurance Supervision Agency)

(1) The certified auditor who performs the audit of annual reports of an insurance undertaking shall promptly notify the Insurance Supervision Agency of all facts established during the audit of the insurance undertaking which may indicate one of the following positions:
1. that they constitute a significant violation referred to in paragraph one of Article 277 of this Act;
2. that they constitute a deterioration in the smooth operations of the insurance undertaking or that the security of the operations, or policyholders, insured persons or other beneficiaries is at risk;
3. that this could result in the auditor's opinion with reserve, negative opinion or refusal to prepare an opinion;
4. that they constitute non-compliance with the solvency capital requirement or non-compliance with the minimum capital requirement.

(2) The obligation referred to in the preceding paragraph shall also apply to facts or decisions regarding the company that is closely connected with the insurance undertaking in terms of management.

(3) At the request of the Insurance Supervision Agency, an auditing company shall submit to the Agency other data needed by the Agency for the supervision of an insurance undertaking pursuant to this Act.

(4) The submission of data to the Insurance Supervision Agency pursuant to paragraphs one to three of this Article does not have the characteristics of a violation of the obligation to protect confidential information pursuant to the Act governing auditing or on the basis of a contract.
Article 260  
(Publication)

(1) Within six months of the end of the calendar year, an insurance undertaking shall publish its annual report together with the auditor’s report on its websites.

(2) An insurance undertaking shall ensure that the reports referred to in the preceding paragraph are available on its websites at least five years after their publication.

(3) A branch of an insurance undertaking from a member State or a third country shall publish on its websites audited financial statements and audited consolidated financial statements of the insurance undertaking from a member State or a third country together with the auditors’ opinions within 15 days of the expiry of the deadline for publication in the country of the undertaking’s head office.

Article 261  
(Solvency and financial condition report)

(1) An insurance undertaking shall prepare and publish on its websites a solvency and financial condition report pursuant to:
- Chapter 5 of this Act;
- acts issued by the European Commission pursuant to Article 56 of Directive 2009/138/EC; and
- implementing technical standards issued by the European Commission pursuant to Article 56 of Directive 2009/138/EC.

(2) A solvency and financial condition report shall include:
1. a description of the business and operations of the insurance undertaking;
2. a description of the management system, and an assessment of its suitability in view of the risks of the undertaking;
3. a description of the exposure, concentration, sensitivity and techniques used for risk mitigation for each type of risk;
4. a separate description of bases and methods for evaluating assets, technical provisions and other obligations, together with an explanation of significant deviations from the evaluation bases and methods used in financial statements;
5. a description of capital management, in particular:
   - the structure, amount and quality of own funds;
   - the solvency capital requirement and the minimum capital requirement;
   - the option referred to in Article 213 of this Act which applies to the calculation of the solvency capital requirement;
   - a description of the differences between assumptions in the standard formula and the internal model;
   - the amount of non-compliance with the minimum capital requirement or significant non-compliance with the solvency capital requirement in the financial year, with an explanation of its causes and consequences, as well as any measures taken to deal with them.

(3) If the matching adjustment referred to in Article 182 of this Act is applied, a description of the assets, technical provisions and other obligations referred to in point 4 of the preceding paragraph shall also include a description of the matching adjustment, and a portfolio of obligations and pertaining or allocated funds to which the matching adjustment applies, as well as a quality-related definition of the effect of a change in the matching adjustment to zero on the financial condition of the insurance undertaking.
(4) A description of assets, technical provisions and other obligations referred to in point 4 of paragraph two of this Article shall also include a statement on whether the undertaking applies the volatility adjustment for volatility referred to in Article 184 of this Act, and a quality-related definition of the effect of a change in the volatility adjustment to zero on the financial condition of the insurance undertaking.

(5) A description of the structure, amount and quality of own funds referred to in the first indent of point 5 of paragraph two of this Article shall include an analysis of significant changes in comparison with the structure, amount and quality of own funds in the previous reporting period, an explanation of any significant differences regarding the value of such elements in financial statements, and a brief description of the transferability of own funds.

(6) The disclosure of the solvency capital requirement referred to in the second indent of point 5 of paragraph two of this Article shall separately show the solvency capital requirement calculated with the standard formula or the internal model referred to in Section 4.10, and a capital add-on pursuant to Article 309 of this Act. The justification and impact of specific parameters applied by an insurance undertaking pursuant to Article 217 of this Act must also be shown separately. If appropriate, the disclosure of the solvency capital requirement shall include an indication that its final amount is still subject to a supervision assessment.

**Article 262**

*(Non-disclosure of certain information)*

(1) At the request of an insurance undertaking, the Insurance Supervision Agency shall permit the undertaking to fully or partly omit disclosures from the solvency and financial condition report if:

1. the disclosure would provide competitive undertakings with a significant undue advantage;
2. obligations to policyholders or other relationships with counterparties bind the insurance undertaking to protect secrets or confidentiality.

(2) In its solvency and financial condition report, an insurance undertaking shall state potential omissions and the reasons for non-disclosure pursuant to the preceding paragraph.

(3) Non-disclosure with respect to point 5 of paragraph two of the preceding article shall not be possible.

(4) The Insurance Supervision Agency may allow an insurance undertaking to use, or refer to, public disclosures made within the scope of other requirements if such disclosures are equivalent to the disclosures referred to in the preceding article in terms of their nature and scale.

**Article 263**

*(Updates and additional information on a solvency and financial condition report)*

(1) In the event of a major change that affects the suitability of information disclosed in a solvency and financial condition report, an insurance undertaking shall disclose information on the nature and impact of such change.
(2) The following shall be deemed a major change referred to in the preceding paragraph:

1. if non-compliance with the minimum capital requirement is established, and the Insurance Supervision Agency believes that the insurance undertaking will not be able to submit a realistic short-term finance scheme, or if the Insurance Supervision Agency does not receive such a scheme within one month of the establishment of non-compliance;
2. if significant non-compliance with the solvency capital requirement is established, and the Insurance Supervision Agency does not receive a realistic recovery plan within two months of the establishment of non-compliance.

(3) The Insurance Supervision Agency shall require an insurance undertaking to:

3. in the case of the non-compliance referred to in the preceding paragraph, promptly disclose the extent of non-compliance together with an explanation of its origin and consequences, including potential measures to rectify it;
4. if non-compliance with the minimum capital requirement referred to in point 1 of the preceding paragraph is not rectified within three months of its establishment in spite of a short-term finance scheme which has been deemed realistic, it shall promptly disclose non-compliance at the end of this period, together with an explanation of its origin and consequences, including potential measures taken and planned for its solution;
5. if non-compliance with the minimum capital requirement referred to in point 2 of the preceding paragraph is not rectified within three months of its establishment in spite of a short-term finance scheme which has been deemed realistic, it shall promptly disclose non-compliance at the end of this period, together with an explanation of its origin and consequences, including potential measures taken and planned for its solution;

(4) An insurance undertaking may voluntarily disclose any information or explanations referring to its solvency and financial condition the disclosure of which is not stipulated by Article 260 or 261 of this Act or by the first, second or third paragraph of this Article.

Article 264
(Suitable disclosure system of an insurance undertaking)

(1) An insurance undertaking shall establish a suitable system and structure to fulfil the requirements referred to in Articles 261 to 263 of this Act.

(2) The Management Board of an insurance undertaking shall adopt written rules to ensure the constant suitability of the information disclosed pursuant to Articles 261 to 263 of this Act.

(3) A solvency and financial condition report shall be adopted by the Board of Directors or the Management Board with the consent of the Supervisory Board of an insurance undertaking.

Chapter 6:
PROTECTION OF CONFIDENTIAL INFORMATION

Article 265
(Confidential information)
An insurance undertaking shall protect as confidential all information, facts and circumstances on individual policyholders, insured persons or other insurance beneficiaries which it has collected when doing business with them or acquired in any other manner. When such data also constitute personal information, the Act governing personal data protection shall apply to their processing and protection.

**Article 266**
*(Obligation to protect confidential information)*

(1) Members of the bodies, shareholders, employees of an insurance undertaking or other persons with any type of access to the confidential information referred to in the preceding article due to their work in the insurance undertaking or provision of services for the insurance undertaking must not disclose this information contrary to the purpose for which it was collected or disclose it to a third party or enable a third party to gain access to such information.

(2) The prohibition of the disclosure of confidential information shall not apply:
1. if the policyholder agrees in writing that certain confidential information may be communicated;
2. if such information is required by the Insurance Supervision Agency or any other supervisory authority for the needs of the supervision it carries out within its powers;
3. in cases when information on the supervision on consolidated basis pursuant to Chapter 8 of this Act or pursuant to the Act governing financial conglomerates is submitted to the parent company;
4. to acquiring, managing or using personal information databases, as stipulated by Articles 268 to 270 of this Act;
5. in cases stipulated by the Act governing compulsory insurance in transport;
6. if such information is required in writing by the Commission for the Prevention of Corruption or if is required by a court, the State Prosecutor's Office or the Police to carry out a pre-trial investigation or criminal proceedings, except in cases when an order from the investigating judge is required by law to communicate confidential information;
7. in cases stipulated by the Act governing money laundering and terrorist financing;
8. if such information is required to make a decision on legal relations between the insurance undertaking and a policyholder or insured person or another insurance beneficiary involved in a court dispute;
9. if such information is required in estate proceedings, and the submission of such information is required or ordered by the competent court;
10. if such information is required in an enforcement against the property of a policyholder or insured person or another insurance beneficiary, and the submission of such information is required in writing by the competent court or the basis for the submission is provided by the Act governing enforcement and insurance;
11. if such information is required by the tax authority in procedures managed within its powers;
12. in cases stipulated by the Act governing financial operations, insolvency procedures and compulsory dissolution;
13. if such information is required by the ministry responsible for the economy or another authority which carries out natural disaster recovery in the economy following natural disasters pursuant to the Act governing natural disaster recovery;
14. if such information is required to carry out negotiations to conclude a contract or to fulfil a contract concluded by the insurance undertaking within its regular activities, and if the recipient suitably protects the confidentiality of information;
15. in other cases stipulated by law.
(3) The obligation to protect confidential information shall not apply if an insurance undertaking or the person referred to in paragraph one of this Article submits such information to the prosecution service or the police in order to report a criminal offence.

Article 267
(Use of confidential information)

The Insurance Supervision Agency, courts, and other persons and authorities may use the information acquired pursuant to paragraphs two and three of the preceding article only for the purpose for which it was acquired.

Article 268
(Acquisition, management and use of personal information databases)

(1) Insurance undertakings and the Slovenian Insurance Association shall collect, process, store, communicate and use personal information to conclude and implement insurance contracts, which includes the recovery of outstanding liabilities arising from insurance contracts, resolving claims, asserting recourse, and other rights and obligations, including the investigation of suspicious cases of unduly paid compensation or benefits arising from insurance under this Act, in accordance with the Act governing personal data protection and databases in the field of insurance.

(2) Insurance undertakings and the Slovenian Insurance Association shall manage the following databases:
   1. a database of policyholders and insured persons;
   2. a database of loss events;
   3. a database to assess insurance coverage and the amount of compensation or benefit.

(3) The processing of personal information in the databases referred to in the preceding paragraph shall be allowed only to the extent necessary to realise the purposes of the processing referred to in paragraph one of this Article.

(4) Taking into account the preceding paragraph, the following personal information may be collected in the database referred to in point 1 of paragraph two of this Article:
   1. the name and surname, gender, date and place of birth, permanent or temporary residence, tax ID number and personal document number of a policyholder of an insured person, and in the case of health insurance, the health insurance card number of an insured person;
   2. the name of the insurance undertaking, the number of the policy, the duration of insurance, and insurance coverage;
   3. information that refers to the subject of insurance;
   4. insurance undertakings which carry out supplementary voluntary health insurance may also require, in addition to the information referred to in point 1 of this paragraph, the personal identification number to realise the rights of insured persons more easily.

(5) Taking into account paragraph three of this Article, the following personal information may be collected in the database referred to in point 2 of paragraph two of this Article:
   1. the name and surname, gender, date and place of birth, permanent or temporary residence, tax ID number and citizenship of persons involved in the loss event, witnesses and beneficiaries of compensation or benefit;
2. the mark of a claims file, the date when the claim was lodged, and the date of the payment of compensation or benefit;
3. the type, place and time, and a description of the loss event;
4. a description of pecuniary and non-pecuniary damages incurred in the loss event;
5. information on criminal offences and minor offences related to the loss event.

(6) Taking into account paragraph three of this Article, the following personal information may be collected in the database referred to in point 3 of paragraph two of this Article:
1. the name and surname, gender, date and place of birth, permanent or temporary residence, and tax ID number of the insured person and the injured party for whom insurance coverage and compensation or benefit is established;
2. preceding loss events to the extent referred to in the preceding paragraph, preceding injuries and health condition, the type of physical injuries, duration of treatment, and consequences for both the insured person and the injured party;
3. income of the insured person and the injured party, and employment, retirement (regular and disability), retraining and degree of disability of the insured person and the injured party;
4. costs of medical treatment, medications and medical devices of the insured person and the injured party;
5. eligibility to the coverage of the difference to full value of health-care services pursuant to the Act governing health insurance from the budget of the Republic of Slovenia;
6. information on driving licence;
7. historical data on the subject of insurance.

(7) The personal information referred to in paragraphs four, five and six of this Article shall be collected in the following manner:
1. generally, directly from individuals to whom the information refers;
2. from other persons who have knowledge of the loss event;
3. from databases of individual insurance undertakings and the Slovenian Insurance Association when the cases referred to in Article 270 of this Act are involved;
4. the information referred to in points 1, 3, 4 and 5 of paragraph five of this Article may also be collected from databases of state authorities;
5. the information referred to in the preceding paragraph may also be collected from:
   - the information referred to in points 2 and 5: databases of health-care and related service providers, and of the Health Insurance Institute of the Republic of Slovenia;
   - the information referred to in point 3: databases of employers, the Pension and Disability Insurance Institute, and social work centres;
   - the information referred to in point 4: databases of the Pension and Disability Insurance Institute;
   - the information referred to in point 6: databases of the Health Insurance Institute of the Republic of Slovenia and the ministry responsible for social affairs;
   - the information referred to in points 7 and 8: databases of the ministry responsible for transport, the ministry responsible for internal affairs, and organisations that carry out approval and registration of vehicles;
6. from other administrators of databases which keep information which insurance undertakings and the Slovenian Insurance Association may acquire and collect pursuant to this Act.

(8) State authorities, bodies of self-governing local communities, public agencies, public funds, and other entities of public law, holders of public authorisations and providers of public services, holding information or keeping databases referred to in the preceding paragraphs must submit, upon a written request, such data to an insurance undertaking or the Slovene Insurance Association.
(9) The information referred to in point 1 of paragraph two of this Article shall be stored for ten years after the expiry of the insurance contract or, when it refers to a loss event, for ten years after the loss event was concluded, or, in the event of court proceedings regarding the recovery of outstanding liabilities arising from insurance contracts, for ten years after the conclusion of court proceedings. The information referred to in points 2 and 3 of paragraph two of this Article shall be stored for ten years after the loss event was concluded. If either an insured person or an injured party lodges a new claim to enforce rights arising from a loss event within this period or if a new claim is expected to be lodged, the storage period shall be extended as appropriate so that information is stored for five years following the conclusion of this claim or until a new justified claim is lodged. Following the expiry of the aforementioned storage period, the information from the databases referred to in paragraph two of this Article shall be deleted, and the documents shall be destroyed, so that their contents cannot be established and they cannot be used again.

Article 269
(Processing of personal and other information to establish disputable circumstances of a loss event)

(1) The Slovenian Insurance Association may process personal and other information from databases of insurance undertakings and the Slovenian Insurance Association which is kept pursuant to paragraph two of the preceding article, also for the purpose of establishing disputable circumstances regarding a loss event (for example, an unusual frequency of loss events by an individual insured person or injured party, prohibited double insurance, loss events involving the repeated involvement of the same insured persons or participants).

(2) If, from information on loss events, the Slovenian Insurance Association establishes that there are certain disputable circumstances, it shall notify the insurance undertakings which deal with compensation claims regarding these events.

(3) The Slovenian Insurance Association shall keep a register of established disputable circumstances with the information referred to in paragraph one of this Article for five years from the date of submitting the notification to insurance undertakings. Following the expiry of the storage period, the information shall be deleted from the registers, and the documents shall be destroyed so that their contents cannot be established and they cannot be used again.

Article 270
(Exchange of personal information on disputable loss events among insurance undertakings)

(1) When dealing with loss events or investigating suspicious cases of unduly paid compensation or benefits, insurance undertakings which deal with claims in disputable loss events may, in order to establish the actual circumstances and to the extent necessary, exchange personal and other information from the databases of insurance undertakings and the Slovenian Insurance Association which are kept pursuant to paragraph two of Article 268 of this Act with other insurance undertakings and the Slovenian Insurance Association.

(2) Personal and other information required to conclude a loss event in which disputable circumstances are established shall be obtained by insurance undertakings pursuant to Article 268 of this Act.
(3) When disputable circumstances of a loss event indicate that a criminal offence of fraud in the field of insurance business is involved or when an insurance undertaking discovers fraud or another criminal offence when pursuing insurance activity, the insurance undertaking, pursuant to the Act governing criminal proceedings, must lodge a complaint with the competent authority together with the already collected evidence.

(4) If an insurance undertaking, when handling loss events, establishes that disputable circumstances do not affect the obligations of the insurance undertaking under the insurance contract, the information received from the Slovenian Insurance Association or another insurance undertaking shall be deleted within 30 days of the payment of compensation or benefit, and the documents shall be destroyed so that their contents cannot be established and they cannot be used again.

(5) For analytical and statistical purposes, insurance undertakings shall report to the Slovenian Insurance Association once annually on the number of complaints lodged pursuant to paragraph three of this Article, and on the number of loss events concluded pursuant to the preceding paragraph.

Chapter 7:
SUPERVISION OF INSURANCE UNDERTAKINGS

7.1. General provisions

Article 271
(Objective of supervision)

The main objective of the supervision carried out by the Insurance Supervision Agency shall be to protect policyholders, insured persons and other beneficiaries under insurance contracts.

Article 272
(Powers of the Insurance Supervision Agency to supervise insurance undertakings)

(1) The Insurance Supervision Agency shall be competent and responsible for the supervision of insurance undertakings regarding their operations carried out in the territory of the Republic of Slovenia, a Member State or a third country.

(2) If so required to attain the objective of the supervision of insurance undertakings, the Insurance Supervision Agency shall require the following persons and entities to submit suitable reports and information, and shall carry out reviews of their operations:
7. persons or entities which are closely connected with the insurance undertaking;
8. outsourcers;
9. dedicated companies to which the insurance undertaking has transferred risks;
10. holders of qualifying holdings in the insurance undertaking.

(3) If the supervision of a person or entity referred to in the preceding paragraph is the responsibility of another supervisory authority, the Insurance Supervision Agency shall review the operations of this person or entity in cooperation with the aforementioned supervisory authority, in accordance with Section 7.2 of this Act.
(4) To achieve the purpose of the supervision of insurance undertakings, the Insurance Supervision Agency shall also be competent and responsible for the supervision of:

1. members of the Management Board of an insurance undertaking to the extent stipulated by Articles 63 to 65 of this Act;
2. holders of qualifying holdings to the extent stipulated by Section 2.4 of this Act;
3. holders of key functions pursuant to Article 52 of this Act;
4. the management of a dedicated company pursuant to the act issued by the European Commission pursuant to paragraph two of Article 211 of Directive 2009/138/EC.

**Article 273**

(Powers of the Insurance Supervision Agency over an insurance undertaking from a Member State, its branch and outsourcer with its head office in the Member State)

(1) The Insurance Supervision Agency is competent and responsible for the supervision of insurance undertakings from a Member State in terms of their services and operations carried out in the territory of the Republic of Slovenia, and of branches of insurance undertakings established in the Republic of Slovenia, as set out in Sub-section 7.9.22 of this Act.

(2) The Insurance Supervision Agency shall be responsible for the supervision of outsourcers with their head office in a Member State in terms of the provision of outsourcing, and shall notify the supervisory authority of the Member State where the head office of the outsourcer is located of the intended review in the place of the outsourcer.

(3) Pursuant to Article 19 of Regulation (EU) No 1094/2010, the Insurance Supervision Agency shall request the assistance of EIOPA if the supervisory authority of the Member State, following the notification referred to in the preceding paragraph, does not cooperate suitably or if the supervisory authority of the Member State carries out the supervision of the outsourcer with its head office in the Republic of Slovenia without prior notice.

**Article 274**

(Powers of the Insurance Supervision Agency over a branch of an insurance undertaking from a third country)

(1) The Insurance Supervision Agency shall be competent and responsible for the supervision of branches of insurance undertakings from third countries established in the Republic of Slovenia.

(2) In the case of a branch of an insurance undertaking from a third country in the Republic of Slovenia or another Member State which is eligible for the benefits referred to in paragraph one of Article 142 of this Act, the Insurance Supervision Agency shall verify compliance with the requirements regarding technical provisions, the solvency capital requirement and the minimum capital requirement only if it has the powers to supervise all the operations of branches of insurance undertakings from a third country in the EU.

**Article 275**

(Powers of the Insurance Supervision Agency over other persons and entities)

The Insurance Supervision Agency shall be competent and responsible for the supervision of persons and entities which:
1. in contravention of Article 21 of this Act, conduct insurance business in the territory of the Republic of Slovenia;
2. pursue activities related to insurance agency services or insurance brokerage without obtaining or having an authorisation from the Insurance Supervision Agency to pursue such activities.

**Article 276**
*(Application of provisions on supervision)*

(1) The provisions of Chapter 7 of this Act on the supervision of insurance undertakings shall apply *mutatis mutandis* to the supervision referred to in Articles 273 and 274 of this Act, unless otherwise stipulated by law for individual cases.

(2) The provisions of sections 7.3 and 7.4 of this Act shall apply *mutatis mutandis* to the supervision referred to in paragraphs one to four of Article 272 of this Act, unless otherwise stipulated by law for individual cases.

(3) The provisions of Chapter 7 of this Act shall apply *mutatis mutandis* to the supervision referred to in the preceding paragraph, unless otherwise stipulated by law for individual cases.

**Article 277**
*(Purpose and scope of supervision of insurance undertakings)*

(1) The Insurance Supervision Agency shall supervise insurance undertakings to verify the legality of their operations, and particularly whether their operations comply with the risk management rules and other rules determined by this Act, and the regulations issued on their bases, and other laws governing the provision of financial services provided by insurance undertakings and the regulations issued on their basis.

(2) The supervision of the Insurance Supervision Agency shall focus primarily on the future and risks of an insurance undertaking.

(3) When supervising insurance undertakings, the Insurance Supervision Agency shall:
1. review and assess the management system referred to in Article 50 of this Act, and the reporting system referred to in Article 279 of this Act;
2. assess the risks to which an insurance undertaking is, or could be, exposed in its operations; and
3. assess the financial condition and risks to which an insurance undertaking is, or could be, exposed in its operations due to relations with other persons or entities in the insurance group.

(4) The review and assessment pursuant to the preceding paragraph shall particularly include the verification and assessment of:
1. the management system, including own risk and solvency assessment;
2. technical provisions;
3. capital adequacy;
4. investment rules;
5. the quality and quantity of own funds;
6. compliance of the internal model with the requirements referred to in this Act and regulations on risk management.
(5) If an insurance undertaking conducts insurance business in the class of insurance referred to in point 18 of paragraph two of Article 7 of this Act, the Insurance Supervision Agency shall also verify and assess the technical resources of the insurance undertaking to carry out assistance operations.

(6) The Insurance Supervision Agency shall review and assess insurance undertakings in order to establish whether the management system referred to in Article 50 of this Act, the reporting system referred to in Article 279 of this Act established by an insurance undertaking and the insurance undertaking’s own funds provide a solid and reliable management system and suitable mechanisms to manage the risks to which an insurance undertaking is, or could be, exposed in its operations.

(7) When supervising an insurance undertaking, the Insurance Supervision Agency shall take into account the nature, scope and complexity of the risks to which the undertaking is exposed. The nature, scope and complexity of the risks shall be taken into account by the Insurance Supervision Agency also when establishing the frequency and details of verification and assessment.

(8) The Insurance Supervision Agency shall regularly supervise individual insurance undertakings and monitor their operations, which includes a review of the reports insurance undertakings must submit to the Insurance Supervision Agency, and a review of operations on the spot.

Article 278
(Information to be provided for supervision)

(1) Upon request, an insurance undertaking shall submit information needed to carry out supervision to the Insurance Supervision Agency. This information shall include at least the information necessary to:
   1. assess the management system, operations, evaluation principles for solvency purposes, risks, the risk management system and the structure of capital;
   2. take suitable decisions arising from the exercise of the rights and obligations of supervisors.

(2) The information referred to in the preceding paragraph shall also include information related to contracts concluded by an insurance undertaking with insurance brokers and agents, and with insurance brokerage companies and insurance agencies, or to contracts concluded by an insurance undertaking with third parties.

(3) In addition to auditors pursuant to paragraph three of Article 259 of this Act, the Insurance Supervision Agency may also require information on an insurance undertaking from other external experts, particularly persons with suitable knowledge of actuarial or financial mathematics.

(4) The information referred to in the first three paragraphs of this Article shall include:
   1. quality and quantity elements or a combination of such elements;
   2. previous, current or future elements or a combination of such elements;
   3. information from internal or external sources or a combination of both.

(5) The information provided to carry out supervision shall:
   1. reflect the nature, scope and complexity of the operations of an insurance undertaking, particularly risks;
   2. be available, complete, comparable and consistent;
3. be suitable, reliable and comprehensible.

(6) Insurance undertakings shall submit to the Insurance Supervision Agency information pursuant to:
- Articles 272, 273, 274, 275, 276, 277, 278, 280, 284, 293, 294, 296, 297, 298, 299, 300, 304, 323 and 343 of this Act;
- the act issued by the European Commission pursuant to paragraph nine of Article 35 of Directive 2009/138/EC; and
- implementing technical standards issued by the European Commission pursuant to paragraph ten of Article 35 of Directive 2009/138/EC.

Article 279
(Reporting system)

(1) An insurance undertaking shall establish a suitable reporting system to meet the requirements regarding the submission of information required to carry out supervision.

(2) The Management Board of an insurance undertaking shall adopt written rules which facilitate the permanent suitability of submitted information.

(3) An insurance undertaking, and other persons and entities that report information pursuant to this Act or acts issued by the European Commission pursuant to Directive 2009/138/EC shall acquire, and use when reporting, a transnational identification code of a legal entity. The persons and entities referred to in the preceding paragraph shall also acquire, and use when reporting, a transnational identification code of a legal entity for all legal entities in the group for which information is required within their obligations.

(4) The Insurance Supervision Agency shall prescribe the manner of acquisition and deadlines related to acquiring a transnational identification code of a legal entity. Notwithstanding the preceding paragraph, the Insurance Supervision Agency may determine a narrow list of persons or entities which must acquire the transnational identification code of a legal entity.

Article 280
(Methods of supervision)

(1) The Insurance Supervision Agency shall supervise insurance undertakings:
1. by monitoring, collecting and verifying reports and notifications of insurance undertakings and other persons or entities which, pursuant to this Act and other acts, report to the Insurance Supervision Agency and notify it of individual facts and circumstances;
2. by reviewing the operations of the insurance undertaking;
3. by imposing supervisory measures.

(2) Within its supervision, the Insurance Supervision Agency shall develop quantitative tools to assess the ability of insurance undertakings to cope with possible events or future changes in economic conditions that could have unfavourable effects on their financial condition. At the request of the Insurance Supervision Agency, an insurance undertaking shall carry out suitable tests.

Article 281
(Supervision measures)
(1) The Insurance Supervision Agency may impose the following supervisory measures on an insurance undertaking under the conditions stipulated by this Act:
1. recommendations and warnings;
2. an order to eliminate violations;
3. additional measures to realise the risk management rules;
4. withdrawal or conditional withdrawal of authorisation;
5. establishment of special administration;
6. requirement to increase share capital in order to ensure the economic stability of the insurance undertaking;
7. commencement of compulsory liquidation;
8. a decision on the reasons for the bankruptcy of the insurance undertaking;
9. a reminder to a member or members of the Management Board of the insurance undertaking.

(2) The supervisory measures of the Insurance Supervision Agency shall be prompt and proportional to the risks to which an insurance undertaking is exposed.

Article 282
(Recommendations and warnings)

(1) If, when reviewing the operations of an insurance undertaking, an authorised person from the Insurance Supervision Agency establishes a dysfunction or inconsistencies in the operations of the undertaking which do not constitute a violation of the regulations referred to in paragraph one of Article 277 of this Act, the Insurance Supervision Agency shall issue recommendations to improve the operations of the undertaking to the Management Board.

(2) If, when reviewing the operations of an insurance undertaking, an authorised person from the Insurance Supervision Agency establishes violations of the regulations referred to in paragraph one of Article 277 of this Act which, in terms of their characteristics and scope, do not have significant effects, the Insurance Supervision Agency shall issue a warning, instead of an order to eliminate violations, to the undertaking in which it indicates these violations (hereinafter: warning).

(3) With a warning, the Insurance Supervision Agency shall also require that an insurance undertaking eliminate the established violations and determine the deadline for the elimination.

(4) If the insurance undertaking does not comply with the warning referred to in the preceding paragraph, the Insurance Supervision Agency shall issue an order to eliminate violations.

(5) Paragraphs one to four of this Act shall also apply mutatis mutandis to the supervision carried out by the Insurance Supervision Agency on the basis of reports and information submitted by insurance undertakings pursuant to this Act or acquired by the Agency on the basis of the collection and processing of information pursuant to Article 285 of this Act.

Article 283
(Financial stability and pro-cyclicalty)
(1) In the performance of its tasks and powers when supervising insurance business, the Insurance Supervision Agency shall study the potential effects of its decisions on the stability of financial systems in the EU, particularly in extraordinary conditions.

(2) When imposing measures during periods of great volatility of financial markets, the Insurance Supervision Agency shall take into account the potential pro-cyclical effects of its actions.

Article 284
(Regulations on reporting)

For the purpose of statistical processing, the Insurance Supervision Agency shall prescribe that insurance undertakings submit the following in predetermined periods:
- information on the number of insurance policies, written premiums, the number of loss events and calculated compensations or benefits by classes of insurance and individual insurance types in a class of insurance;
- for individual classes of insurance, operating costs, insurance acquisition costs, conclusion commission, costs related to claims handling and costs of preventive activities;
- for credit insurance, information on insurance sums upon conclusion regarding the duration of insurance, information on insurance sums for other guarantees, and information on the payment of persons liable to recourse;
- for individual pension funds, information on the number of members and premiums paid, and the amount of mathematical provisions, information on the number of members and the amount of mathematical provisions, who are in suspension or have retained the rights, information on the number of employers included in the pension plan, and information on the number of employers who do not pay premiums, information on regular and extraordinary termination of insurance policies, payments of redemption values or the transfer of cash to another manager of pension funds, and transfers of redemption values to the payer of pension annuities;
- for compulsory insurance, a profit and loss statement.

7.2. Cooperation between supervisory authorities and exchange of information

Article 285
(Collection and processing of information)

(1) The Insurance Supervision Agency shall collect and process information on facts and circumstances relevant to the performance of its tasks and powers stipulated by this Act.

(2) The following information, in particular, shall be deemed to be information referred to in the preceding paragraph:
1. on authorisations to conduct insurance business and other authorisations issued by the Insurance Supervision Agency pursuant to this Act;
2. on members of management, supervisory boards and audit committees of insurance undertakings, their organisation, holders of key functions and the operation of their internal audit services, whereby the Insurance Supervision Agency processes, for each person, information on the name and surname, date of birth, function the person performs, date of taking up the function, and the duration of the term of office;
3. on branches or the direct conduct of the insurance business of insurance undertakings in Member States and branches or on the direct conduct of the activity of an insurance undertaking from Member States in the Republic of Slovenia;
4. on branches of insurance undertakings in third countries, and on branches of insurance undertakings from third countries in the Republic of Slovenia;
5. on the financial condition and operations of insurance undertakings and other entities which must be supervised;
6. on holders of qualifying holdings;
7. on supervisory measures issued by the Insurance Supervision Agency pursuant to this Act;
8. information acquired during an exchange of information from other supervisory authorities of the Republic of Slovenia, member States or third countries.

(3) Information from registers and records kept by courts and other state authorities shall be acquired by the Insurance Supervision Agency free of charge.

Article 286
(Disclosure of general information on supervision)

(1) The Insurance Supervision Agency shall publish and regularly update the following on its websites:
1. the texts of acts and other regulations, and general guidelines applicable in the Republic of Slovenia regarding the prudential supervision and risk management of insurance undertakings;
2. general criteria and methodologies applicable to supervision, including the quantitative tools referred to in paragraph two of Article 280 of this Act;
3. aggregate statistical data on key aspects of the realisation of prudential supervision and risk management of insurance undertakings;
4. the manner of realising options and discretions determined in EU regulations regarding the prudential supervision and risk management of insurance undertakings;
5. the main objectives, functions and activities of supervision.

(2) The disclosures referred to in the preceding paragraph shall be sufficient to facilitate a reasonable comparison with supervisory approaches taken by supervisory authorities in other Member States.

(3) The information referred to in paragraph one of this Article shall be published by the Insurance Supervision Agency pursuant to:
- the act issued by the European Commission pursuant to paragraph nine of Article 31 of Directive 2009/138/EC; and
- implementing technical standards issued by the European Commission pursuant to paragraph ten of Article 31 of Directive 2009/138/EC.

Article 287
(Cooperation between the supervisory authorities of the Republic of Slovenia)

(1) Upon the request of a supervisory authority, the Insurance Supervision Agency and the supervisory authorities of the Republic of Slovenia responsible for the supervision of other supervised financial undertakings shall submit to the said authority all information on an insurance undertaking or another supervised financial undertaking or another supervised entity required to perform the supervisory tasks of this undertaking or entity in the procedure for issuing authorisations or decision making on other matters.
(2) The supervisory authorities of the Republic of Slovenia responsible for the supervision of other supervised financial undertakings shall notify each other, on their own initiative, of irregularities or other circumstances established during supervision or the performance of their other tasks and powers if such findings are also relevant to the work of other supervisory authorities.

(3) Detailed contents and the manner of cooperation between the supervisory authorities of the Republic of Slovenia responsible for the supervision of other supervised financial undertakings shall be determined by the minister responsible for finance on the basis of a preliminary opinion of supervisory authorities.

(4) The Insurance Supervision Agency may exchange information and data with other supervisory authorities of the Republic of Slovenia in order to perform the supervisory tasks of insurance undertakings or other entities subject to supervision.

(5) The obligation to protect confidential information referred to in Article 507 of this Act shall apply to information and data received pursuant to this Article by the supervisory authorities.

Article 288
(Cooperation between the Insurance Supervision Agency and the Bank of Slovenia)

(1) The Insurance Supervision Agency and the Bank of Slovenia shall send each other information acquired when carrying out micro-prudential or macro-prudential supervision that is required to perform their tasks.

(2) On their own initiative, the Insurance Supervision Agency and the Bank of Slovenia shall notify each other of irregularities or other circumstances established during supervision or the performance of their other tasks and powers if such findings are also relevant to their work.

(3) The obligation to protect the confidential information referred to in Article 507 of this Act shall apply to information received pursuant to this Article by the Bank of Slovenia.

(4) If the Insurance Supervision Agency acquires information from the supervisory authority of another Member State or when reviewing the operations of the branch of an insurance undertaking of a Member State, such information may be disclosed to the Bank of Slovenia only with the consent of the supervisory authority of said Member State.

(5) Detailed contents and the manner of cooperation between the Insurance Supervision Agency and the Bank of Slovenia shall be determined by the minister responsible for finance on the basis of preliminary opinions of the Insurance Supervision Agency and the Bank of Slovenia.

Article 289
(Cooperation with the supervisory authorities of Member States)

(1) The Insurance Supervision Agency shall cooperate with the supervisory authorities of other Member States, and submit to them information they require to perform their tasks. To realise this purpose, the Agency shall submit to the other supervisory authority:
1. upon request, all information it requires to perform its tasks;
2. upon request, all information relevant to the performance of its supervision tasks.
(2) Information is required to perform the tasks of the supervisory authority of a Member State if the authority needs it to perform its tasks for the following purposes:

1. to check that the conditions governing the taking-up of insurance business have been met, and to facilitate the monitoring of such business, particularly regarding the monitoring of technical provisions, the solvency capital requirement, the minimum capital requirement, and the management system;
2. to impose sanctions;
3. in administrative appeals against decisions of the supervisory authority;
4. in court proceedings regarding the work of the supervisory authority.

(3) Paragraphs one and two of this Article shall apply *mutatis mutandis* to the cooperation of the Insurance Supervision Agency and other supervisory authorities of the Republic of Slovenia with the supervisory authority of a Member State if such cooperation requires consultations or information when making a decision on a request to issue a qualifying holding in a supervised financial undertaking from the said Member State filed by:

1. an insurance undertaking with its head office in the Republic of Slovenia;
2. a credit institution, a stock-brokering company or an asset management company with its head office in the Republic of Slovenia; or
3. a parent entity of the entities referred to in points 1 or 2 hereunder.

(4) With its operation in the field of supervision of insurance business, the Insurance Supervision Agency shall promote cooperation between the supervisory authorities of Member States, particularly the exchange of all important information between the supervisory authorities of the country of the head office and of the host Member State.

(5) The obligation to protect confidential information referred to in Article 507 of this Act shall apply to information received pursuant to this Article by the supervisory authorities referred to in this Article.

**Article 290**

(Cooperation with supervisory authorities of third countries)

(1) The Insurance Supervision Agency may conclude agreements on cooperation with the supervisory authorities, other authorities and persons or entities from third countries as defined in this Article which facilitate the exchange of information only if the guarantee of business secrecy applies to the information to be disclosed, and if the exchange of information is required for these authorities or persons or entities to perform their supervisory tasks.

(2) If the information to be disclosed by the Insurance Supervision Agency to a third country originates in another Member State, it may be disclosed only with the express consent of the supervisory authority of that Member State and solely for the purposes for which the aforementioned authorities gave their agreement.

(3) The supervisory authorities, other authorities and persons or entities of third countries referred to in paragraph one shall include:

1. supervisory authorities responsible for the supervision of insurance undertakings;
2. authorities responsible for the supervision of credit institutions and other institutions, and authorities responsible for the supervision of financial markets;
3. authorities and persons or entities which participate in the liquidation or bankruptcy of insurance undertakings or in similar proceedings;
4. persons or entities responsible for the performance of audits of annual financial statements prescribed by law of insurance undertakings and other financial institutions;
5. authorities that manage the compulsory winding-up proceedings of insurance undertakings or manage guaranteed funds, and that require such information for their work;
6. independent actuaries in insurance undertakings that carry out the statutory supervisions of such undertakings, and authorities authorised to supervise such actuaries.

(4) The obligation to protect confidential information referred to in Article 507 of this Act shall apply to information received pursuant to this Article by the authorities and persons or entities referred to in this Article.

Article 291
(Supervisory convergence)

(1) The Insurance Supervision Agency shall cooperate with EIOPA and in its activities.

(2) In its operations, the Insurance Supervision Agency must strive to take into account the guidelines and recommendations issued by EIOPA pursuant to Article 16 of Regulation (EU) No 1094/2010, and state the reasons for non-compliance.

(3) Upon a request from EIOPA, the Insurance Supervision Agency shall submit all information required to perform its tasks pursuant to Regulation (EU) No 1094/2010.

Article 292
(European Parliament powers of investigation)

The Insurance Supervision Agency may submit to the European Parliament confidential information if the latter requires it for an investigation pursuant to Article 226 of the Treaty on the Functioning of the European Union.

7.3. Reporting at the request of the Insurance Supervision Agency, and a review of operations

Article 293
(Reporting at the request of the Insurance Supervision Agency)

(1) At the request of the Insurance Supervision Agency, an insurance undertaking shall submit reports and information on all matters relevant to supervision or the implementation of other powers and tasks of the Agency.

(2) The reports and information referred to in the preceding paragraph may also be required by the Insurance Supervision Agency from members of the Management Board of an insurance undertaking and employees of the insurance undertaking.

(3) The Insurance Supervision Agency may call upon the persons referred to in the preceding paragraph to prepare a written report on the matters referred to in paragraph one of this Article within a time limit, which must not be less than three working days of the date of receiving the call, or invite them to provide an oral statement or explanations and information on those matters.
Article 294  
(Appropriateness of the level of technical provisions)  

An insurance undertaking shall demonstrate to the Insurance Supervision Agency:  
1. the appropriateness of the level of their technical provisions;  
2. the applicability and relevance of the methods applied to the calculation of technical provisions;  
3. the adequacy of the statistical data used as the basis of technical provisions.

Article 295  
(Authorised persons of the Insurance Supervision Agency)  

(1) The review of operations of an insurance undertaking shall be carried out by an expert of the Insurance Supervision Agency, authorised to carry out the review by the director of the Insurance Supervision Agency (hereinafter: authorised person of the Insurance Supervision Agency).

(2) To carry out the tasks related to the review of operations, the director of the Insurance Supervision Agency may authorise a certified auditor or another professionally qualified person.

(3) When performing their tasks during the review of operations for which they have been authorised by the director of the Insurance Supervision Agency, the authorised person referred to in the preceding paragraph shall have the same powers as the authorised person of the Insurance Supervision Agency or as the Insurance Supervision Agency.

(4) To fulfil the obligations arising from treaties and agreements, the director may also authorise other persons not stated in the preceding paragraphs to be present at the review.

Article 296  
(Scope of the review of operations)  

(1) An insurance undertaking shall enable the authorised person of the Insurance Supervision Agency to review all books of account, files and other documents.

(2) At the request of the authorised person of the Insurance Supervision Agency, an insurance undertaking shall submit to the Agency computer printouts or copies of records or other books of account and documents.

(3) At the request of the authorised person of the Insurance Supervision Agency, members of the Management Board and employees of an insurance undertaking shall submit to them reports, information and explanations on all matters relevant to supervision.

(4) The authorised person of the Insurance Supervision Agency may also carry out the review of operations referred to in paragraph two of Article 272 of this Act if a complete review of the operations of the insurance undertaking so requires.

Article 297  
(Review of operations)  

(1) At the request of the Insurance Supervision Agency, an insurance undertaking shall enable it to carry out a review of operations at the head office of the undertaking and at
other premises where the undertaking or another person with its authorisation pursues activities and conducts business regarding which the Insurance Supervision Agency supervises.

(2) At the request of the Insurance Supervision Agency, an insurance undertaking shall enable it to review its books of account, business documents, and administrative and business records to the extent required to carry out supervision.

(3) At the request of the Insurance Supervision Agency, an insurance undertaking shall submit to it computer printouts or copies of business records, business documents, and administrative and business records.

(4) The review of operations referred to in paragraphs one and two of this Article may be carried out by the Insurance Supervision Agency on working days between 8:00 and 18:00. If necessary due to the scope or nature of the review, the Insurance Supervision Agency may also carry out the review after 18:00 or on days which are not working days.

(5) The review of operations shall be carried out by the Insurance Supervision Agency by interrupting usual operations of an insurance undertaking only to the extent necessary to achieve the purpose of supervision.

Article 298
(Request for a review of operations)

(1) A request for a review of operations shall be served on the insurance undertaking at least eight days prior to the review.

(2) Notwithstanding the preceding paragraph, the authorised person of the Insurance Supervision Agency may serve a request for a review of operations when the review commences if the purpose of supervision cannot be achieved in any other way. In this case, the request for a review of operations shall be submitted to members of the Management Board of the insurance undertaking directly during the review of operations at the premises when the review is carried out. If neither the Management Board of the insurance undertaking nor the authorised person are available, a request for a review of operations shall be submitted to an employee responsible for accepting post.

(3) A request for a review of operations shall contain a clear indication of books of account, business documents, and administrative and business records subject to the review.

(4) In the case referred to in paragraph three of the preceding article, the request for a review of operations shall contain a clear indication of books of account, business documents, and administrative and business records which must be submitted in the form of computer printouts or copies, and the deadline for submission.

(5) A request for a review of operations shall also include a legal notice on the legal consequences which may arise if the insurance undertaking does not act in accordance with the request for the review of operations or if the undertaking does not enable the Insurance Supervision Agency to carry out the review of operations in the manner determined in the preceding article.

(6) The Insurance Supervision Agency may supplement a request for a review of operations during the review if this is necessary to achieve the purpose of supervision as
stipulated by paragraph one of Article 277 of this Act. Paragraphs two, three and four of this Article shall apply mutatis mutandis to the supplementation of a request.

**Article 299**  
*(Conditions underlying a review of operations)*

(1) An insurance undertaking shall provide the authorised persons of the Insurance Supervision Agency with suitable premises where they can smoothly and carry out a review of operations smoothly and in private.

(2) An insurance undertaking shall ensure that legal representatives, employees or other authorised persons of the undertaking are present on the premises when authorised persons of the Insurance Supervision Agency carry out a review of operations as referred to in paragraph one of Article 297 of this Act, who, at the request of authorised persons of the Insurance Supervision Agency, may provide appropriate explanations regarding the books of account, business documents, and administrative and business records subject to the review. Legal representatives, employees or other authorised persons of the insurance undertaking shall enable authorised persons of the Insurance Supervision Agency to have direct access to, and insight into, the original business documents, books of account, and administrative and business records subject to review.

**Article 300**  
*(Conditions underlying the review of computer-assisted books of account and records)*

(1) For computer-processed information, and for books of account and other records, except databases with personal information referred to in Article 268 of this Act, an insurance undertaking shall provide suitable aids for the review of books of account and record, and for testing the suitability of computer-processed information at the request of the authorised person of the Insurance Supervision Agency.

(2) An insurance undertaking shall submit to the Insurance Supervision Agency documents which include a complete description of the computer-assisted information systems of the undertaking.

The documents must show their subsystems and files in the computer system. The documents shall provide an insight into:
1. computer solutions;
2. procedures within computer solutions;
3. controls that facilitate correct and reliable data processing;
4. controls that prevent unauthorised additions, changes or deletions of stored computer records.

(3) Any change in computer solutions (computer programmes) referred to in the preceding paragraph must be documented in chronological order, including the date of the change. The documents must show each change in the form of files.

**Article 301**  
*(Record on the review of operations, and a decision to suspend the review of operations)*

(1) The authorised persons of the Insurance Supervision Agency shall keep a record of reviews of operations. The record shall state in particular any established violations
of the regulations stated in paragraph one of Article 277 of this Act, facts and circumstances, and evidence on which those facts are based, regarding which the Insurance Supervision Agency intends to issue a supervisory measure as per Article 281 of this Act.

(2) A record shall be issued within 15 days of the conclusion of the review of operations with an invitation to the client to submit comments on the record within 15 days of the receipt of the record. If so required to clarify the actual situation arising from the stated new facts and proposed evidence, the Insurance Supervision Agency may conduct another review of this part of the operations.

(3) If the authorised person of the Insurance Supervision Agency does not establish any violations referred to in paragraph one of Article 277 of this Act during the review, the Insurance Supervision Agency shall suspend the review of operations with a decision. A decision to suspend the procedure may not be appealed.

7.4. Elimination of violations

Article 302
(Order)

(1) If the Insurance Supervision Agency establishes the violations referred to in paragraph one of Article 277 of this Act during a review, it shall require that the insurance undertaking eliminate the violations or irregularities or eliminate or terminate certain actions (hereinafter: elimination of violations).

(2) In the order to eliminate violations, the Insurance Supervision Agency must determined the deadline for such elimination. The deadline for the elimination of violations must correspond to the anticipated difficulty, and to the significance of the violation for the operations of the insurance undertaking.

Article 303
(Submission of the report by a certified auditor on the elimination of violations)

If the Insurance Supervision Agency establishes violations in books of account or administrative and other records that an insurance undertaking must keep, or any other significant violations in the operations of the insurance undertaking, it may order the insurance undertaking to submit a report that includes an opinion of a certified auditor on the elimination of violations.

Article 304
(Report on the elimination of violations)

(1) Within the deadline for the elimination of violations determined in an order, the insurance undertaking shall eliminate established violations, and submit to the Insurance Supervision Agency a report on its measures to eliminate the violations (hereinafter: report on the elimination of violations).

(2) Documents and other evidence which demonstrate that the established violations have been eliminated, and, in the case referred to in the preceding article, also the report of a certified auditor on the elimination of violations, must be attached to the report on the elimination of violations.
(3) If the report on the elimination of violations is incomplete or the report and evidence attached do not demonstrate that the established violations have been eliminated, the Insurance Supervision Agency shall require, with an order to supplement the report, that the insurance undertaking supplement the report within the deadline determined in the order to supplement the report. In the legal notice, the Insurance Supervision Agency shall warn the insurance undertaking that, otherwise, it will instigate proceedings to withdraw the authorisation to conduct insurance business pursuant to point 3 of paragraph one of Article 312 of this Act.

Article 305
(Declaratory decision on the elimination of violations)

(1) If the report on the elimination of violations and the evidence attached demonstrate that the violations have been eliminated, the Insurance Supervision Agency shall issue a decision which establishes that the violations have been eliminated (hereinafter: decision on the elimination of violations).

(2) Prior to issuing a decision on the elimination of violations, the Insurance Supervision Agency shall carry out another review of operations to the extent required to establish that the violations have been eliminated.

Article 306
(Deadline for the decision on the elimination of violations)

The Insurance Supervision Agency shall issue an order to supplement the report on the elimination of violations or a declaratory decision on the elimination of violations within two months of receiving a report on the elimination of violations; otherwise, the violations shall be deemed to have been eliminated.

7.5. Additional measures for implementing the rules on the management of an insurance undertaking

Article 307
(Reasons for additional measures for implementing the rules on the management of an insurance undertaking)

The Insurance Supervision Agency shall impose on an insurance undertaking additional measures for implementing the rules on the management of an insurance undertaking if:
1. the undertaking has not established or has not been implementing a solid and reliable management system as referred to in Article 50 of this Act in accordance with this Act and the regulations on the management of the undertaking;
2. the undertaking has not established or has not been implementing the reporting system referred to in Article 279 of this Act;
3. the undertaking does not meet the requirements as determined by this Act and the regulations on the management of the undertaking referred to in Article 154 of this Act in accordance with this Act and the regulations on risk management;
4. the undertaking does not carry out its own risk and solvency assessment as referred to in Article 156 of this Act;
5. in its operations, the undertaking does not observe the limitations stipulated by this Act and the regulations on the management of the undertaking;
the undertaking has not calculated the capital requirements or has not reported to the Insurance Supervision Agency on the capital requirements in accordance with sections 4.10 and 4.11 of this Act and the regulations on the management of the undertaking.

**Article 308**

*(Types of additional measures for implementing the rules on the management of an insurance undertaking)*

(1) The Insurance Supervision Agency may impose the following additional measures to implement the rules on the management of an insurance undertaking:

1. order the Management Board of the insurance undertaking to take necessary measures to ensure that the amount of own funds is higher than the solvency capital requirement;
2. limit or prohibit the free disposal of assets to the insurance undertaking;
3. require the insurance undertaking to increase its capital;
4. order the Management Board and the Supervisory Board of the insurance undertaking to convene a general meeting of shareholders of the insurance undertaking, and propose that it adopt a suitable decision such as:
   - a decision to increase the share capital of the insurance undertaking with new contributions;
   - a decision to increase the share capital of the insurance undertaking from the assets of the insurance undertaking;
5. order the Management Board of the insurance undertaking to dismiss a member or members of the Management Board, and appoint a new member or members of the Management Board;
6. prohibit the insurance undertaking from:
   - making certain types of payment to certain persons;
   - concluding new insurance contracts in individual or all classes of insurance;
   - conducting business with individual shareholders, members of the Management Board of the insurance undertaking, members of the Supervisory Board of the insurance undertaking, undertakings that are closely connected with the insurance undertaking, or investment funds managed by an asset management company that is closely connected with the insurance undertaking;
7. prohibit or limit the conduct of individual or all types of business in a certain class of insurance, or the expansion of the branch network of an insurance undertaking;
8. order the Management Board of the insurance undertaking to take and carry out measures to:
   - improve the management system pursuant to Article 50 of this Act;
   - change the fields of business of the insurance undertaking;
   - limit the granting of loans;
   - improve the recovery proceedings of matured receivables of the insurance undertaking;
   - correctly evaluate balance and off-balance sheet items;
   - improve the information system;
   - improve the procedures of internal control and internal audit system;
9. order the insurance undertaking to reduce risks to which it is exposed in future operations;
10. order the Supervisory Board of the insurance undertaking to appoint appropriate committees for individual areas within the competence of the Supervisory Board;
11. order the insurance undertaking to increase the amount of technical provisions to correspond to the level calculated in accordance with Section 4.8 of this Act;
12. order the insurance undertaking to take other measures necessary to realise the rules on the management of the insurance undertaking.
(2) The measure referred to in point 2 of the preceding paragraph may be imposed on an insurance undertaking by the Insurance Supervision Agency:

1. if the funds intended to cover future obligations arising from non-life or life insurance do not cover the technical provisions;
2. if eligible basic own funds are lower than the minimum capital requirement;
3. if, after the measures referred to in Article 249 of this Act have been taken, the financial condition of the insurance undertaking keeps deteriorating;
4. if the insurance undertaking’s authorisation to conduct insurance business is withdrawn.

(3) The Insurance Supervision Agency shall give notification of the measure referred to in point 2 of paragraph one of this Article to the supervisory authority of the Member State where the branch of the insurance undertaking on which the Insurance Supervision Agency has imposed the measure is located. The notification shall also indicate the legal consequences and actual effects of the issued order.

(4) The measure referred to in point 5 of paragraph one of this Article may be imposed on an insurance undertaking by the Insurance Supervision Agency if:

1. the insurance undertaking fails to act in accordance with the order on the elimination of violations;
2. the Management Board of the insurance undertaking does not carry out additional measures as referred to in paragraph one of this Article;
3. the insurance undertaking continues to violate the obligation to promptly and correctly report to, or notify, the Insurance Supervision Agency, or if the undertaking hinders supervision pursuant to Articles 296 to 300 of this Act.

Article 309
(Capital add-on and proportionate additional capital charge)

(1) The Insurance Supervision Agency shall determine the capital add-on of that insurance undertaking pursuant to:
- paragraphs two to seven of this Article;
- acts issued by the European Commission pursuant to paragraphs six and seven of Article 37 of Directive 2009/138/EC; and
- implementing technical standards issued by the European Commission pursuant to paragraph ten of Article 37 of Directive 2009/138/EC.

(2) The sum of the capital add-on and the solvency capital requirement calculated with the standard formula or an internal model is the suitable solvency capital requirement of the insurance undertaking.

(3) With an order that states the reasons, the Insurance Supervision Agency shall prescribe to an insurance undertaking the capital add-on if it assesses that:

1. the risks of the insurance undertaking greatly deviate from the assumptions used in the standard formula; and
   - the application of the internal model is not suitable for the insurance undertaking; or
   - the insurance undertaking which is developing a partial or full internal model;
2. the risks of the insurance undertaking greatly deviate from the assumptions used in the internal model, and the internal model has not been adjusted in a suitable period;
3. the management system of the insurance undertaking greatly deviates from the standards stipulated by this Act or by regulations on risk management, and such
deviation prevents the undertaking from correctly defining, assessing, monitoring, managing and reporting the risks to which it is, or could be, exposed.

(4) In the case referred to in points 1 and 2 of the preceding paragraph, the Insurance Supervision Agency shall determine the capital add-on by taking into account paragraphs four and five of Article 203 of this Act. In the case referred to in point 3 of the preceding paragraph, the capital add-on is proportionate to significant risks that arise from shortcomings due to which the Insurance Supervision Agency has decided to determine the add-on.

(5) In the case referred to in points 2 and 2 of paragraph three of this Act, the Insurance Supervision Agency, with an order with which it determines the capital add-on of the insurance undertaking, shall also determine other measures referred to in paragraph one of the preceding article which must be carried out by the insurance undertaking in order for the capital add-on to cease to apply to the undertaking.

(6) The Insurance Supervision Agency shall study the capital add-on of an insurance undertaking at least once annually, and eliminate it with a decision when it assesses that the undertaking has eliminated the shortcomings that led to its introduction.

(7) The solvency capital requirements must not include a capital add-on in the case referred to in point 3 of paragraph three of this Article to calculate the risk margin referred to in Article 180 of this Act.

(8) The Insurance Supervision Agency shall impose on an insurance undertaking a proportionate additional capital charge pursuant to:
- paragraph nine of this Article;
- the act issued by the European Commission pursuant to point c of paragraph two of Article 135 of Directive 2009/138/EC; and
- regulatory technical standards issued by the European Commission pursuant to paragraph three of Article 135 of Directive 2009/138/EC.

(9) An additional capital charge may be imposed by the Insurance Supervision Agency on an insurance undertaking when the violations stipulated by the acts issued pursuant to points a and b of paragraph two of Article 135 of Directive 2009/138/EC are violated during the investment of funds of the insurance undertaking in market securities and other financial instruments based on repackaged loans.

Article 310
(Application of provisions on the elimination of violations)

The provisions of Section 7.4 of this Act shall apply mutatis mutandis to additional measures to realise the rules on risk management. In the application, mutatis mutandis, the text “the implementation of additional measures to realise the rules on risk management of the insurance undertaking” shall apply instead of the text “the elimination of violations”.

Article 311
(Free disposal of assets of an insurance undertaking from a Member State)

The Insurance Supervision Agency shall prohibit an insurance undertaking from a Member State from freely disposing in the territory of the Republic of Slovenia of those assets to which the prohibition of free disposal of assets applies on the basis of a prohibition...
issued by the supervisory authority of the Member State where the head office of the undertaking is located.

7.6 Withdrawal and conditional withdrawal of the authorisation to conduct insurance business

**Article 312**

(Grounds for the withdrawal of the authorisation to conduct insurance business)

(1) The Insurance Supervision Agency shall withdraw the authorisation to conduct insurance business from an insurance undertaking if:

1. the authorisation was acquired by stating false information;
2. the insurance undertaking fails to meet the conditions regarding the required minimum capital and if the short-term financial plan is unsuitable or the insurance undertaking fails to fulfil it within three months from when it is discovered that the insurance undertaking fails to meet the conditions regarding required minimum capital;
3. an insurance undertaking fails to act in accordance with an order on the elimination of violations;
4. the Agency orders an insurance undertaking to perform an additional measure arising from point 5 of paragraph one of Article 308 of this Act, and if the Supervisory Board fails to discharge a Member or Members of the Board of an insurance undertaking and appoint new ones;
5. there are grounds for withdrawing the authorisation to acquire a qualifying holding from a entity who is a direct or indirect parent entity of the insurance holding.

(2) If, at the same time, there are grounds for withdrawing the authorisation arising from the previous paragraph and grounds to institute compulsory liquidation arising from Article 328 of this Act, the Insurance Supervision Agency shall combine both procedures.

(3) If an insurance holding fails to meet the technical, personnel, organisational or other conditions for performing individual insurance business transactions under individual insurance classes, the Insurance Supervision Agency shall issue a decision by means of which it shall withdraw the authorisation to perform insurance businesses under these insurance classes from the insurance holding.

(4) The Insurance Supervision Agency shall immediately notify the supervisory authorities of other Member States of any withdrawal of an authorisation to conduct insurance business.

(5) With regard to the procedure relating to the withdrawal of the authorisation to conduct insurance business under individual insurance classes, the provisions of Article 10.3.3 of this Act concerning the authorisation withdrawal procedure shall apply *mutatis mutandis*.

**Article 313**

(Conditional withdrawal of authorisation)

(1) With a decision to withdraw the authorisation to conduct insurance business, the Insurance Supervision Agency may also declare that the withdrawal shall not be carried out if the insurance undertaking, during the trial period determined by the Insurance Supervision Agency, which must not be shorter than six months and not longer than two years from the issuing of such decision, does not commit another violation due to which the authorisation may be withdrawn.
(2) When the Insurance Supervision Agency issues an order for a conditional withdrawal of authorisation, it may declare that the withdrawal shall be carried out even if the insurance undertaking fails to eliminate violations within a specific deadline due to which the conditional withdrawal was ordered, or if it fails to carry out any additionally measures that were ordered for the fulfilment of the insurance undertaking’s management rules. The deadline for the fulfilment of these obligations shall be set by the Insurance Supervision Agency within the scope of the trial period.

(3) Paragraphs 1 and 2 of this Article shall not apply in the event of point 2 of paragraph one of the previous Article.

Article 314
(Revocation of the conditional withdrawal of authorisation)

The Insurance Supervision Agency shall revoke the conditional authorisation withdrawal and withdraw an authorisation if the insurance undertaking commits another violation for which an authorisation may be withdrawn during a period of probation, or if it fails to meet the additional conditions referred to in paragraph two of the previous Article.

7.7 Special administration

Article 315
(Grounds for measures)

(1) The Insurance Supervision Agency shall issue a decision on special administration or a decision on the increase of share capital in order to provide the economic stability of an insurance undertaking in the following instances:
   1. if it orders an insurance undertaking to adopt additional measures to comply with insurance undertaking management rules, and if an insurance undertaking fails to commence the performance of such measures within the deadlines set for such performance, or if it fails to perform them altogether;
   2. if an insurance undertaking fails to meet the solvency capital requirement, even though it carries out additional measures;
   3. If the continued operations of an insurance undertaking could harm its liquidity or capital adequacy or the safety of policyholders, insured persons, or other beneficiaries.

(2) The Insurance Supervision Agency may order the performance of both supervisory measures arising from the previous paragraph by means of a single decision.

Article 316
(Duration of special administration)

By means of a decision on special administration, the Insurance Supervision Agency lays down the duration of special administration, which shall not be longer than one year and shall commence as of the day of the service of the decision on special administration.

Article 317
(Notifying the supervisory authorities of other Member States)
(1) If the Insurance Supervision Agency issues a decision on special administration or a decision on an increase of share capital in order to ensure the economic stability of an insurance undertaking with a branch in a Member State, it shall notify the supervisory authority of this Member State prior to the issue of the decision. The notification shall also indicate the legal consequences and actual effects of the issued decision.

(2) The Insurance Supervision Agency shall notify the supervisory authority of a Member State arising from the previous paragraph even if a decision to extend the duration of special administration is issued pursuant to Article 324 of this Act.

(3) If, in order to protect the interests of clients of the insurance undertaking or for other public interests, the issuing of the decision referred to in the first paragraph of this Article cannot be delayed, the Insurance Supervision Agency shall inform the supervisory authority of the Member State immediately after the decision is issued.

Article 318
(Members of Special Administration)

(1) By means of the decision on special administration, the Insurance Supervision Agency shall appoint two or more special administrators who are members of the special administration of the insurance undertaking, and shall set forth the type and scope of the business to be performed by individual special administrators.

(2) A person meeting the conditions for membership of the board of an insurance undertaking arising from Article 57 of this Act may be appointed as a special administrator.

Article 319
(Employment Agreement for members of the Management Board)

(1) As of the date of the appointment of special administration, all special benefits pertaining to members of the Management Board of an insurance undertaking shall cease.

(2) Any provision of the employment agreement for a member of the management board of an insurance undertaking which is contrary to the previous paragraph shall be null and void.

(3) Special benefits referred to in paragraph 1 of this Article shall be benefits that are considered employee benefits under income tax regulations.

Article 320
(Entry in the companies’ register)

(1) The issuing of the decision on special administration and the change of persons authorised to represent an insurance undertaking shall be entered in the companies’ register.

(2) A proposal for entering the data arising from the previous paragraph shall be filed by the special administration within three days of receiving the decision. The special administration shall enclose the decision of the Insurance Supervision Agency on special administration with the proposal.

Article 321
(Legal Consequences of Instituting Special Administration)

(1) During the period of special administration, the Insurance Supervision Agency shall exercise the powers of a supervisory board and powers of the general meeting of an insurance undertaking, excluding the powers arising from Article 325 of this Act.

(2) The Insurance Supervision Agency shall also have the right to provide instructions to the special administrator concerning the management of the business of an insurance undertaking that are mandatory for the special administrator.

(3) The provisions of this act referring to a member of the management board of an insurance undertaking shall also apply to the special administrator, unless otherwise laid down by the Insurance Supervision Agency by means of instructions arising from the previous paragraph.

(4) As of the date of issue of the decision on special administration, all competencies and authorisations of the members of the management board and the supervisory board of an insurance undertaking as well as the competencies of the general meeting shall cease, with the exception of the competencies arising from Article 325 of this Act.

Article 322

(Authorisations during the period of special administration)

(1) The members of the management board of an insurance undertaking shall immediately enable access to all business and other documentation of the insurance undertaking to the special administration, and shall draft a report on the handover of the business.

(2) Upon request, the members of the management board of an insurance undertaking shall provide the special administration or individual administrators with clarifications or additional reports on the operations of the insurance undertaking.

(3) The special administrator shall have the right to remove a person inhibiting their work and, depending on the circumstances of the case, also have recourse to police assistance.

Article 323

(Reports of special administration)

(1) At least for each quarter following the issuing of the decision on special administration, the special administration shall draft a report on the financial state and the operating conditions of an insurance undertaking under special administration and then submit it to the Insurance Supervision Agency.

(2) At the latest three months prior to the end of special administration, the special administration shall file a report on the financial state and operating conditions of an insurance undertaking under special administration to the Insurance Supervision Agency; this shall include an assessment of the economic stability of the undertaking and the possibilities for further operations of the undertaking, including:

1. an assessment of the possibility of the shareholders of an insurance undertaking providing coverage for losses, and the impact of this on the financial state of the company;
2. an assessment of the possibility of redistributing and dispersing other losses of the insurance undertaking;
3. unforeseen expenditures that may affect the obligations of the insurance undertaking;
4. an assessment of possible measures that could be taken to eliminate the financial problems of the insurance undertaking, including the assignment of insurance contracts, which should include an assessment of the costs related to the performance of such measures;
5. an assessment of the conditions for instituting compulsory liquidation or bankruptcy proceedings of the insurance undertaking.

Article 324
(Assessment of the results of special administration)

(1) The Insurance Supervision Agency shall assess the results of the special administration at least once every three months.

(2) The Insurance Supervision Agency shall adopt the final assessment of the special administration results within three months of receiving the report referred to in paragraph two of the previous article.

(3) If the Insurance Supervision Agency assesses that, during special administration, the financial situation of an insurance undertaking improved, so that the insurance undertaking meets the solvency capital requirement and regularly fulfilled its due obligations or it ensured the safety of policyholders, insured persons, or other beneficiaries, the Insurance Supervision Agency shall issue a decision on the termination of special administration and the discharge of special administrators.

(4) If the Insurance Supervision Agency estimates that, during special administration, the financial state of an insurance undertaking has not improved, i.e. the insurance undertaking fails to meet the solvency capital requirement or it is not capable of routinely fulfilling its due obligations, it shall issue a decision on the commencement of compulsory liquidation or on establishing the conditions to initiate bankruptcy proceedings for the insurance undertaking.

(5) If the circumstances described in the previous paragraph obtain, the Insurance Supervision Agency may also issue a decision to extend special administration by a maximum of six months after the expiry of the deadline arising from Article 316 of this Act if there are no conditions to initiate the bankruptcy of the insurance undertaking and if the Insurance Supervision Agency estimates that the insurance undertaking could meet the solvency capital requirement within the next six months or that it will ensure the safety of its policyholders, insured persons, or other beneficiaries.

(6) If the Insurance Supervision Agency estimates that, during special administration, the financial state of the insurance undertaking deteriorated, so that it does not meet the minimum capital requirements and the short-term financial plan is unsuitable or is not met by the insurance undertaking within three months since the non-compliance was discovered, it shall issue a decision to commence compulsory liquidation or to establish the conditions to initiate the bankruptcy of the insurance undertaking.

7.8 Increase of share capital in order to ensure the economic stability of an insurance undertaking
Article 325
(Increase of share capital by means of cash contributions in order to ensure the economic stability of an insurance undertaking)

(1) The Insurance Supervision Agency shall issue a decision on the increase of share capital for the purpose of providing the economic stability of an insurance undertaking, by means of which it orders the shareholders of the insurance undertaking to adopt a procedural decision to increase the share capital of the insurance undertaking with new cash contributions with a value at least equal to the amount prescribed in the Agency’s decision; the insurance undertaking’s decision shall set a final deadline for the subscription and payment of new shares, which shall be no later than one month following the date of the General Meeting.

(2) Regardless of the shortest deadline for convening the General Meeting by the act regulating companies, the General Meeting that is to decide on the increase of share capital arising from the previous paragraph shall be convened at least eight days prior to the General Meeting.

(3) The management of the insurance undertaking shall publish a notification of the convening of the General Meeting that is to decide on the increase of share capital referred to in paragraph one of this Article within eight days after receiving the Agency’s decision on the increase of share capital for the purpose of providing the economic stability of an insurance undertaking, and the General Meeting shall convene no later than one month after receiving such decision.

(4) If the management of an insurance undertaking fails to convene the General Meeting that is to decide on the increase of share capital according to paragraph one of this Article within the deadline arising from the previous paragraph, or if it convenes the General Meeting later than one month after receiving the decision on the increase in share capital for the purpose of providing the economic stability of the insurance undertaking, the Insurance Supervision Agency may convene the General Meeting.

(5) In the notification concerning the convening of the General Meeting, shareholders shall be cautioned on the legal consequences arising from Articles 326 and 327 of this Act.

Article 326
(Increase of share capital by means of in-kind contributions, the subject of which are creditors’ claims on the insurance undertaking)

(1) Instead of the General Meeting, the Insurance Supervision Agency shall adopt a procedural decision on the increase in share capital of an insurance undertaking by means of in-kind contributions, the subject of which are creditor’s claims on the insurance undertaking, if:
   1. the General Meeting rejects the proposal of the procedural decision referred to in paragraph one of the previous Article, or if the first sale of shares based on this decision is not successful, and
   2. if a creditor or creditors whose total amount of claims against an insurance company reaches the issue price of new shares that should be issued upon the increase of share capital for the amount referred to in paragraph one of the previous Article (calculated as the book value of the shares, into which the share capital of an insurance undertaking is divided according to the balance as at the last day of the calendar year prior to the issuing of the decision on the increase of share capital) express a serious intention to subscribe or deposit shares of the insurance undertaking based on the increase in share
capital by means of in-kind contributions, the subject of which are these claims against the insurance undertaking.

(2) By way of a procedural decision to increase the share capital arising from the previous paragraph, the Insurance Supervision Agency shall set the issue price of new shares as assessed by a certified business value appraiser.

(3) By way of a decision to increase the share capital referred to in paragraph one of this Article, the Insurance Supervision Agency shall order that, in order to perform the share capital increase, new ordinary shares or new priority shares shall be issued, giving their holders the following rights:

1. a voting right;
2. a right to a dividend for a particular business year in an amount:
   - that is at least equal to the percentage of the issue price arising from the previous paragraph at the interest rate of a twelve-month EURIBOR according to the balance as at the last day of this business year, increased by 5 percentage points, or
   - that is equal to the amount of the dividend on ordinary shares for this business year if the dividend on ordinary shares is higher than the amount arising from the first indent of this item;
3. in the event of a decrease in share capital intended to cover loss brought forward or net loss of the business year, the right to first cover the nominal amount by which the share capital is decreased to the burden of the nominal or corresponding amount of ordinary shares, and to carry out only a reverse split of priority shares due to the decrease in share capital in the following manner:
   - by entirely revoking ordinary shares,
   - by changing priority shares into ordinary shares and covering, up to the burden of the nominal or corresponding amount of these shares, the portion of the nominal amount by which the share capital is reduced, which is higher than the total nominal or corresponding amount of ordinary shares, which are revoked according to Indent 1 of this Item;
4. in the event of the bankruptcy or liquidation of an insurance undertaking, the right to a portion in the bankruptcy or liquidation estate which remains after all claims of creditors against the insurance undertaking have been paid, namely in an amount:
   - that is equal to the issue price arising from the previous paragraph, or
   - that is equal to the portion belonging to ordinary shares, if this portion is higher than the amount arising from the first Indent of this Item.

(4) Due to the increase in share capital referred to in paragraph one of this Article on behalf of the insurance undertaking, the Insurance Supervision Agency shall be entitled to:

5. propose the entry of the procedural decision on the increase of share capital in the court register;
6. publish a call to creditors to enter and deposit shares based on such procedural decision;
7. appoint an auditor to review the increase in share capital by means of in-kind contributions,
8. compose the consolidated text of the Articles of Association of the insurance undertaking, taking into consideration the increase in share capital;
9. propose the entry of the increase in share capital and the corresponding change of the Articles of Association of the insurance undertaking in the register of companies,
10. provide an order to the Central Securities Clearing Corporation for the issue of new shares of the insurance undertaking.
(Right to sell the shares of an insurance undertaking)

(1) The Insurance Supervision Agency shall acquire the right to sell the shares of an insurance undertaking on its own behalf and for the account of the shareholders (hereinafter: right to sell shares):

1. if the General Meeting rejects the proposal of the procedural decision referred to in paragraph one of Article 325 of this Act or if the first sale of shares based on this decision is not successful, and
2. if another entity expresses a serious intention to invest funds to increase the share capital of an insurance undertaking.

(2) If the Insurance Supervision Agency intends to enforce its right to sell shares, it shall publish a notification on the public auction for the sale of shares of the insurance undertaking within one month after acquiring such right.

(3) In the notification on the public auction, the Insurance Supervision Agency shall determine the starting (reserve) price on the basis of the book value of the shares, determined on the basis of the audited balance sheet of the insurance undertaking as on the last day of the month prior to acquiring the right to sell shares, and published on the assumption that the insurance undertaking is not operating.

(4) At the public auction, the Insurance Supervision Agency shall sell shares to the bidder who offers the highest bid above the reserve price. If no one offers at least the reserve price at the public auction, the Insurance Supervision Agency shall offer the sale at a price which is 5% lower than the reserve price and it shall continue to lower the offered price by the same amount until individual bidders declare that they accept the price offered in the final step of the auction.

(5) In addition to publishing a notification concerning a public auction, the Insurance Supervision Agency shall provide an order to a securities clearance corporation to enter a ban in the central register on the management of any shares to the benefit of the Insurance Supervision Agency.

(6) The central securities depository shall transfer the shares of the insurance undertaking to the account of the highest bidder at the public auction referred to in paragraph four of this Article on the basis of an order provided by the Insurance Supervision Agency. The Insurance Supervision Agency shall issue an order arising from sentence one of this paragraph within eight days after the buyer has conducted a suitable procedure to increase the share capital of the insurance undertaking.

7.9 Compulsory liquidation

7.9.1. General provisions

Article 328

(Grounds for the commencement of compulsory liquidation)

(1) The Insurance Supervision Agency shall issue a decision to initiate compulsory liquidation in the following cases:

1. if the insurance undertaking fails to meet the conditions regarding the required minimum capital and if the short-term financial plan is unsuitable or the insurance undertaking fails to fulfil it within three months from when the non-compliance is discovered and if the conditions for the institution of bankruptcy proceedings have not been met;
2. if it estimates on the basis of the reports arising from Article 323 that, during special administration, the financial state of the insurance undertaking worsened, so that it does not meet the minimum capital requirements, and the short-term financial plan is unsuitable or has not been carried out by the insurance undertaking within three months from when the non-conformity was discovered, or the conditions to initiate bankruptcy are not met;

3. If, on the basis of the report referred to in paragraph two of Article 323 of this Act, it estimates that, during special administration, the financial state of the insurance undertaking did not improve to the extent that would allow the insurance undertaking to meet the solvency capital requirement, and that the conditions to initiate bankruptcy have not been met;

4. if the General Meeting rejects the proposal of the procedural decision referred to in paragraph one of Article 325 of this Act, or if the first sale of shares based on this procedural decision failed and the conditions for increasing share capital arising from Article 326 of this Act for the enforcement of the right to sell the shares arising from the previous article or for the initiation of bankruptcy proceedings have not been met;

5. if its authorisation to conduct insurance business is withdrawn from the insurance undertaking;

6. if the authorisation to perform the function of a member of the management board has been withdrawn from a member of the management board of the insurance undertaking or if a member of the management board of the insurance undertaking is discharged or absolved or if a member of the management board has not been performing the function of a member of the management board for over six months, and one of the following situations arises, due to which the insurance undertaking lacks at least two management board members:
   - the supervisory board does not name a new member of the management board of the insurance undertaking pursuant to this Act within three months,
   - the newly appointed member fails to submit a request for an authorisation to perform this function within the deadline referred to in indent one of point two of paragraph two of Article 58,
   - the newly appointed member withdraws the request for an authorisation to perform this function, or
   - the Insurance Supervision Agency dismisses or rejects this request of the appointed new member to issue an authorisation to perform this function; or

7. if the authorisation to perform insurance business was terminated due to the reasons determined under points 1 and 2 of paragraph one of Article 122 of this Act and the General Meeting of the insurance undertaking has not adopted a procedural decision on the liquidation of the insurance undertaking under Article 71 or the decision on the modification of the insurance undertaking’s activity under Article 75 of this Act within two months after the issue of the decision referred to in paragraph three of Article 122 of this Act,

(2) The Insurance Supervision Agency shall issue a decision on the initiation of compulsory liquidation within eight days.

(3) The deadline arising from the previous paragraph shall apply:

8. In the case referred to in points 1 and 2 of paragraph one of this Article: as of the date of issue of the decision adopted by the Insurance Supervision Agency stating that the short-term plan referred to in paragraph three of Article 250 of this Article is unsuitable, or after the expiry of a three-month period following the discovery of the non-compliance with the minimum capital requirement if the insurance undertaking fails to carry out the financial plan in this time;

9. in the event referred to in point 3, paragraph one of this Article: as of the expiry of the deadline for adopting a final estimate of the results of special administration referred to in paragraph two of Article 324 of this Act or as of the date of a decision by the Insurance
Supervision Agency that, during special administration, the financial state of the insurance undertaking failed to improve sufficiently to meet the solvency capital requirement;

10. in the event arising from point 4 of paragraph one of this Article: as of the date when the General Meeting rejected the proposal for the decision referred to in paragraph one of Article 325 of this Act, or as of the date when the deadline for the entry and deposit of shares based on the unsuccessful first sale of shares expired;

11. in the event of point 5 of paragraph one of this Article: as of the date of the issue of the decision on the withdrawal of authorisation;

12. in the event referred to in indent one of point 6 of paragraph one of this Article: as of the expiry of the three-month deadline for the appointment of a new member of the management board of the insurance undertaking;

13. in the event referred to in indent two of point 6 of paragraph one of this Article: as of the expiry of the deadline for submitting a request for an authorisation to perform the function of a new member of the management board of the insurance undertaking;

14. in the event referred to in indent three of point 6 of paragraph one of this Article: as of the date when the Insurance Supervision Agency receives a withdrawal of the request for an authorisation to perform the function of a new member of the management board of the insurance undertaking;

15. in the event referred to in indent four of point 6 of paragraph one of this Article: as of the date of issue of a decision rejecting or refusing a request for an authorisation to perform the function of a new member of the management board of the insurance undertaking;

16. in the case referred to in point 7 of paragraph one of this Article: as of the expiry of the two-month deadline for adopting a decision to initiate liquidation or to modify the activity of the insurance undertaking;

**Article 329**

**(Liquidator)**

(1) By means of the decision on the initiation of compulsory liquidation, the Insurance Supervision Agency shall appoint one or more liquidators and determine the type and scope of the business to be conducted by individual liquidators.

(2) The liquidator shall regularly and properly notify all creditors concerning the progress of the liquidation proceedings.

(3) The Insurance Supervision Agency shall determine the content of the notifications and the deadlines arising from the previous paragraph by means of the decision referred to in paragraph one of this Article.

(4) The liquidator appointed by means of a decision of the Insurance Supervision Agency on the basis of this Act shall also carry out its competences directly in the territory of the member state where the insurance undertaking has a subsidiary, and the liquidator shall have the same competencies as in the territory of the Republic of Slovenia. The Liquidator shall comply with the legislation of the member state, on the territory of which it exercises its powers. The liquidator appointed by the Insurance Supervision Agency shall regularly and properly notify all creditors concerning the progress of the proceedings.

(5) The liquidator may also appoint persons to assist and, if necessary, act as a representative in a member state where the insurance undertaking has a subsidiary.

(6) The liquidator appointed by means of a decision of the competent supervisory authority of a member state may perform actions in the compulsory liquidation proceedings in the Republic of Slovenia with the competencies that the liquidator has in a member state,
with the exception of those which require the use of coercive measures. In doing so, the liquidator shall comply with the legislation of the Republic of Slovenia.

(7) The appointment of a liquidator in a member state shall be verified by means of a notarised official translation of the original decision by means of which they were appointed. The Insurance Supervision Agency may require a translation of the decision into Slovenian from a liquidator from a member state who performs actions in compulsory liquidation proceedings in the Republic of Slovenia.

Article 330
(Legal consequences of compulsory liquidation)

(1) As of the date of issue of the decision on compulsory liquidation, all competencies and authorisations of the members of the management board and the supervisory board of an insurance undertaking as well as the competencies of the General Meeting shall cease, with the exception of the competencies for the adoption of the proposal of the liquidator to divide the assets among the shareholders.

(2) The Insurance Supervision Agency shall assume the competencies of the supervisory body of the insurance undertaking in compulsory liquidation proceedings, with the exception of the competencies of the General Meeting for the adoption of the proposal by the Liquidator to divide the assets among the shareholders.

Article 331
(Application of provisions regarding compulsory liquidation)

Unless otherwise provided for in Chapter 7.9.1 of this Act, the following shall apply, mutatis mutandis, to the compulsory liquidation of an insurance undertaking:
1. provisions of the Act regulating companies which regulate the content of the decision on the liquidation of a public limited company; a designation in the name of the company after liquidation is initiated; the discharge of the liquidator; and the authorisations of the liquidator; the content and adoption of a report on the progress of the proceedings and the proposal for the division of assets, the deadline for the division of assets, division of assets, liability for damages, claims from shareholders, the protection of creditors, the remuneration of the liquidator, and the storage of books of account, and
2. Article 320, paragraph three of Article 321, and Article 322 of this Act.

Article 332
(Prohibition on concluding new business transactions)

In the compulsory liquidation procedure, the insurance undertaking shall not conclude any new business transactions, with the exception of those required to transfer insurance contracts to other insurance undertakings.

Article 333
(Occurrence of the grounds for bankruptcy)

If the liquidator discovers that the assets of the insurance undertaking are not sufficient to settle all of the claims by the creditors of the insurance undertaking or that the insurance undertaking does not have sufficient liquid assets to settle all creditors’ claims when they are due, the liquidator shall immediately notify the Insurance Supervision Agency of this.
7.9.2. Special provisions for the compulsory liquidation of an insurance undertaking with a branch in a different member state and of an insurance undertaking of a member state which has a branch in Slovenia

**Article 334**
*(Direct impact of decisions adopted by authorities of Member States)*

A decision on the initiation of a compulsory liquidation procedure, which has the same effect as a decision on the dissolution of an insurance undertaking under this Act and which is adopted by the authority in the Member State where the insurance undertaking has its head office, shall have a direct effect, without a special recognition and execution procedure, on the insurance undertaking of a Member State which has a branch in the Republic of Slovenia in the territory of the Republic of Slovenia immediately after becoming enforceable in the Member State.

**Article 335**
*(Notifying the supervisory authorities of other Member States on the commencement of compulsory liquidation proceedings)*

(1) If an insurance undertaking has a branch office in another Member State, the Insurance Supervision Agency shall immediately notify the supervisory authority of the Member State in which the insurance undertaking has a branch that it has issued a decision on the commencement of the compulsory liquidation procedure. The notification shall also indicate the legal consequences and actual effects of the issued decision.

(2) If, in order to protect the interests of clients of the insurance undertaking or for other public interests, the issuing of the decision referred to in the previous paragraph of this Article cannot be delayed, the Insurance Supervision Agency shall notify the competent supervisory authority of the member state immediately after the decision has been issued.

(3) The Insurance Supervision Agency shall notify the supervisory authorities of all Member States that it has issued a decision on the commencement of the compulsory liquidation procedure.

(4) The law of the Republic of Slovenia shall apply to the management of the compulsory liquidation procedure regarding an insurance undertaking with a branch in another Member State.

**Article 336**
*(Publication of the summary of the decision on the commencement of the compulsory liquidation procedure in the Official Journal of the European Union)*

(1) The Insurance Supervision Agency shall publish the decision on the commencement of the compulsory liquidation procedure in the form of a summary in Slovenian in the Official Journal of the European Union. It shall also publish a summary of the decision in two daily newspapers published throughout the member state where the branch of the insurance undertaking is located.

(2) The publication of the summary shall include:
1. the name and address of the authority managing the compulsory liquidation proceedings,
2. the law that applies to the compulsory liquidation proceedings,
3. the names of liquidators,
4. the deadline for lodging claims and the legal consequences if a creditor fails to lodge a claim.

Article 337
(Notifying creditors on the compulsory liquidation procedure)

(1) The liquidator shall immediately notify, individually in Slovenian, all known creditors of the insurance undertaking whose residence or registered office is in the territory of member states concerning the commencement of the compulsory liquidation procedure of the insurance undertaking with a branch in a member state; this shall be done on a special form which includes the following title in all official languages of the European Union: “Invitation to pursue claims and time limits to be observed.”

(2) The notification arising from the previous paragraph shall include the following information in particular:
- the name and address of the authority that is to manage the compulsory liquidation procedure, and of the authority to which the lodgement of claims should be sent;
- the deadline for creditors to lodge claims, and the consequences of missing the deadline;
- information on the rights and duties of creditors in the compulsory liquidation process, in particular whether creditors who have privileged claims and creditors whose claims have been secured by means of rights in rem must also lodge their claims;
- information on the effect of commencing the compulsory liquidation procedure on insurance contracts, particularly information on the date of termination of their validity and the consequences relating to the rights and duties of policyholders, insured persons, or other beneficiaries.

(3) The provisions of the act regulating the civil procedure, in particular the section regulating personal service, shall, mutatis mutandis, apply to the notification of creditors arising from paragraph one of this Act.

(4) Liquidators shall regularly notify creditors concerning the progress of the compulsory liquidation procedure.

Article 338
(Lodging of claims by creditors from Member States)

(1) A creditor shall lodge a claim regarding the liquidation estate in Slovenian or in an official language of the Member State of his residence or registered office, namely on a special form. The title of the form for lodging the claims shall be in Slovenian (Prijava terjatev).

(2) A creditor shall enclose copies of possible supporting documentation to the lodgement of claims in which the creditor shall mark the following:
- the nature and amount of the claim,
- the day on which the claim arose,
- security in rem or reservation of rights in respect of the claim in the event that preference is alleged, and
- the assets included in their security.

(3) The Insurance Supervision Agency shall prescribe the detailed content of the form for lodging the claims of creditors arising from this Article.

Article 339
(The competences of the liquidator)

(1) The Insurance Supervision Agency shall also authorise a liquidator by means of a decision to commence the compulsory liquidation of an insurance undertaking for the performance of the liquidator's competences in the territory of a Member State in which this insurance undertaking has a branch if this will make the performance of the liquidation procedure more effective.

(2) The Liquidator may also appoint persons to assist and, if necessary, act as a representative in a member state where the insurance undertaking has a subsidiary.

(3) The Liquidator appointed by means of the decision of the competent supervisory authority of a Member State with the location of the insurance undertaking's head office which has a branch in the Republic of Slovenia may perform actions in the compulsory liquidation proceedings in the Republic of Slovenia with the competencies that the liquidator has in the Member State, with the exception of those which require the use of coercive measures. in doing so, the liquidator shall comply with regulations in the Republic of Slovenia.

(4) When exercising their competences arising from paragraph one and the previous paragraph, liquidators must show a notarised copy of the original decision on their appointment.

(5) The Insurance Supervision Agency may request that the liquidator arising from paragraph three of this Article who performs actions in the compulsory liquidation procedure in the Republic of Slovenia submit a translation into Slovenian of the decision on their appointment.

7.9.3. A special provision for the compulsory liquidation of a branch of an insurance undertaking of a third country

Article 340
(Compulsory liquidation of a branch of an insurance undertaking of a third country)

(1) If the Insurance Supervision Agency initiates a compulsory liquidation procedure against a branch of an insurance undertaking of a third country, it shall immediately notify all the supervisory authorities of the Member States in which this insurance undertaking has a branch prior to issuing a decision. The notification shall indicate the legal consequences and actual effects of such a procedure.

(2) If, in order to protect the interests of clients of the insurance undertaking or for other public interests, the adoption of the decision referred to in the previous paragraph cannot be delayed, the Insurance Supervision Agency shall inform the competent supervisory authority immediately after the decision is issued.

(3) The Insurance Supervision Agency shall coordinate its actions in the compulsory liquidation procedure referred to in paragraph one of this Article with the actions of supervisory authorities of other Member States. This obligation shall also apply to the liquidator.

7.10 Special provisions for individual types of supervision
7.10.1. Supervision of the operation of an insurance undertaking in a Member State

Article 341

(Cooperation with a supervisory authority of a Member State in which an insurance undertaking renders its services)

(1) The Insurance Supervision Agency shall cooperate with a supervisory authority in a Member State in which an insurance undertaking directly or through its branch conducts insurance business, and it shall provide this authority with all the information that is available to the Agency and that is needed to monitor the operation of such an insurance undertaking, especially with regard to capital adequacy, insurance technical provisions, liquidity, administrative and accounting procedures, and the internal control system.

(2) A supervisory authority of a Member State in which an insurance undertaking conducts insurance business through its branch may file a request with the Insurance Supervision Agency for the designation of this branch as significant. The Insurance Supervision Agency shall endeavour to adopt a joint decision on the designation of a branch as significant together with the supervisory authority that files a request.

(3) The Insurance Supervision Agency shall provide all information referred to in points 3 and 4 of paragraph two of Article 368 of this Act to the supervisory authority of a Member State in which a branch of an insurance undertaking that was designated as significant in accordance with the previous paragraph is located.

Article 342

(Review of operations of an insurance undertaking branch in a Member State)

(1) The supervision of a branch of an insurance undertaking in a Member State shall be performed by the Insurance Supervision Agency.

(2) The Insurance Supervision Agency shall notify the supervisory authority in a Member State concerning its planned review of the operation on an insurance undertaking branch in this Member State.

(3) The Insurance Supervision Agency may request that the supervisory authority in the Member State in which an insurance undertaking conducts insurance business perform a review of the operation of an insurance undertaking branch in this Member State, provided that this accelerates or simplifies the supervision procedure or that this is in accordance with interests relating to effectiveness, simplicity, speed, or minor procedural costs. Authorised persons from the Insurance Supervision Agency may, under the same conditions, participate in the supervision carried out by the supervisory authority of the Member State.

(4) Pursuant to Article 19 of Regulation (EU) No 1094/2010, the Insurance Supervision Agency may request the assistance of EIOPA if the supervisory authority of a Member State, following the notification referred to in paragraph two of this Article, does not cooperate suitably or if a supervisory authority of a Member State notifies it concerning the review of an insurance undertaking branch in the Member State, but the Agency does not agree to such a review.

Article 343

(Reporting on insurance business in a Member State)
(1) An insurance undertaking conducting insurance business in a Member State shall report to the Insurance Supervision Agency on insurance businesses conducted in individual Member States, separately for insurance businesses conducted through a branch, and concerning insurance businesses conducted based on the direct performance of insurance businesses.

(2) The report arising from the preceding paragraph shall separately include data on premium amounts, calculated gross insurance indemnities and compensations for damages, and commissions pursuant to the delegated act issued by the European Commission based on Article 159 of Directive 2009/138/EC, and data on the frequency of, and average compensation for, vehicle liability insurance referred to in point 10 of paragraph two of Article 7 of this Act, with the exception of carrier's liability insurance.

(3) The Insurance Supervision Agency shall, upon request, forward this data to the supervisory authority of the Member State.

**Article 344**
(Supervision measures against an insurance undertaking conducting insurance business in a Member State)

(1) If an insurance undertaking conducting insurance business in a Member State violates the regulations of this Member State despite receiving warnings from a supervisory authority, the Insurance Supervision Agency shall take supervision measures pursuant to this Act.

(2) The Insurance Supervision Agency shall immediately notify a supervisory authority in the Member State concerning the measures that it adopted.

**Article 345**
(Notification to a supervisory authority in a Member State concerning the withdrawal of an authorisation from an insurance undertaking)

In the event that the Insurance Supervision Agency restricts or withdraws an authorisation from an insurance undertaking for the conduct of insurance business, it shall immediately notify in writing the supervisory authorities in Member States in which an insurance undertaking performs insurance business.

7.10.2. Supervision of the operation of an insurance undertaking of a Member State in the Republic of Slovenia

**Article 346**
(Supervision of the operation of an insurance undertaking of a Member State in the Republic of Slovenia)

(1) The supervision of an insurance undertaking from a Member State conducting insurance business in the Republic of Slovenia shall be performed by the supervisory authority of the Member State.

(2) Notwithstanding the preceding paragraph, the Insurance Supervision Agency shall be competent to carry out a review of the operation of a branch of an insurance undertaking from a Member State in the Republic of Slovenia pursuant to Articles 296 and
300 of this Act for verification purposes, or a branch shall act in accordance with paragraph three of Article 133 of this Act.

Article 347

(Cooperation with a supervisory authority of a Member State where an insurance undertaking has its head office)

(1) The Insurance Supervision Agency shall cooperate with a supervisory authority of a Member State where the head office of an insurance undertaking which directly or through its branch conducts insurance business in the Republic of Slovenia is located, and it shall provide this authority with all information that is available to the Agency and that is needed to monitor the operation of such an undertaking, especially with regard to capital adequacy, insurance technical provisions, liquidity, administrative and accounting procedures, and the internal control system.

(2) The Insurance Supervision Agency may file a request with the supervisory authority arising from the preceding paragraph to designate as significant a branch of an insurance undertaking referred to in the preceding paragraph. The Insurance Supervision Agency may file the request referred to in the preceding paragraph with the Group Supervisor, provided that this body performs the tasks referred to in Article 363 of this Act.

(3) The Insurance Supervision Agency shall endeavour to adopt a joint decision on the designation of a branch as significant together with the other supervisory authorities referred to in the preceding paragraph.

(4) The designation of the insurance undertaking branch referred to in paragraph one of this Article as significant shall not affect the competence or responsibility of the Insurance Supervision Agency.

Article 348

(Review of operations of an insurance undertaking branch of a Member State)

(1) A supervisory authority of a Member State or persons that it authorises may perform a review of the operation of an insurance undertaking branch of this Member State in the Republic of Slovenia. The supervisory authority of the Member State shall notify the Insurance Supervision Agency of the planned review of operations beforehand.

(2) In the case referred to in the preceding paragraph, the supervisory authority of the Member State or the persons whom it authorises shall have the same competences as the Insurance Supervision Agency on the basis of Articles 296 and 300 of this Act.

(3) At the request of the supervisory authority of the Member State, the Insurance Supervision Agency shall perform a review of the operation of the branch of the insurance undertaking from this Member State in the Republic of Slovenia. The supervisory authority of the Member State may, if it so requests, take part in such review.

Article 349

(Supervision measures against an insurance undertaking from a Member State and its branch)

(1) If an insurance undertaking from a Member State that directly or through a branch conducts insurance business in the Republic of Slovenia violates the provisions of the
regulations referred to in paragraph three of Article 133 of this Act, the Insurance Supervision Agency shall issue an order to eliminate such violations.

(2) If the insurance undertaking from a Member State fails to comply with the order arising from the previous paragraph within the time limit specified by the order, the Insurance Supervision Agency shall notify the supervisory authority of the Member State with the head office of the insurance undertaking.

(3) If the insurance undertaking from a Member State continues to commit the violations referred to in paragraph one of this Article despite measures taken by the supervisory authority of the Member State where the head office of this insurance undertaking is located or because these measures are not effective or cannot be ordered in said Member State, the Insurance Supervision Agency may prohibit the undertaking from entering into new insurance contracts in the Republic of Slovenia.

(4) In the case referred to in the preceding paragraph, the Insurance Supervision Agency may hand over the matter to EIOPA, which can take measures pursuant to Article 19 of Regulation 1094/2010.

(5) Before the measure referred to in paragraph three of this Article is taken, the Insurance Supervision Agency shall notify the supervisory authority of the Member State where the head office of the insurance undertaking is located.

(6) The Insurance Supervision Agency may prohibit the insurance undertaking located in another Member State from entering into new insurance contracts in the Republic of Slovenia without first notifying the supervisory authority of the Member State where the head office of this insurance undertaking is located if the prohibition cannot be delayed due to the protection of the interests of policyholders, insured persons, and other beneficiaries, or due to the protection of other public interests.

(7) In the case referred to in the preceding paragraph, the Insurance Supervision Agency shall notify the supervisory authority of the Member State concerned and the European Commission about the prohibition on entering into new insurance contracts as soon as possible.

**Article 350**
(Measures due to the withdrawal of an authorisation from an insurance undertaking from a Member State)

If a supervisory authority from a Member State where the registered offices of an insurance undertaking are located that, directly or through a branch, performs insurance business in the Republic of Slovenia notifies the Insurance Supervision Agency that the authorisation to perform insurance business has been withdrawn from this insurance undertaking, the Insurance Supervision Agency shall take appropriate measures under this Act to prevent this insurance undertaking from performing any future insurance business and to protect the interests of policyholders, insured persons, and other beneficiaries.

7.10.3. Supervision of other persons

**Article 351**
(Order to cease conducting insurance business)
(1) If a person who is not entitled to conduct insurance business pursuant to Article 21 of this Act continues to conduct insurance business, the Insurance Supervision Agency shall order it to cease such activities (hereinafter: order to cease conducting insurance business).

(2) Prior to issuing the order to cease conducting insurance business, the Insurance Supervision Agency may review the books of account and other documents of the person and collect other evidence concerning the person conducting insurance business.

(3) By means of the order to cease conducting insurance business, the Insurance Supervision Agency shall order the person to submit a report within a deadline that may not be less than eight days or more than 15 days, in which it shall describe the measures that it has taken relating to ceasing their conduct of insurance business and in which the person may state its position on the justification of the grounds for issuing such an order. The person shall enclose evidence with the report which shows that they have taken measures relating to ceasing their conduct of insurance business.

Article 352
(Decision on determining grounds for liquidation)

(1) If a legal entity fails to act according to an order to cease the conduct of insurance business or it conducts insurance business even after the deadline for the implementation of the order referred to in the preceding paragraph has expired, the Insurance Supervision Agency shall issue an order by means of which it shall determine that there are grounds for the liquidation of such entity (hereinafter: decision on determining grounds for liquidation).

(2) Decision on determining grounds for liquidation shall include an explanatory note.

(3) Based on the final decision on determining grounds for liquidation, the competent court shall initiate the liquidation procedure upon the recommendation of the Insurance Supervision Agency.

(4) The court shall issue a decision on the initiation of the liquidation procedure without re-examining the conditions for the initiation of this procedure within three business days after the submission of the recommendation referred to in the preceding paragraph.

(5) An appeal against the decision on the initiation of the liquidation procedure referred to in the preceding paragraph shall not be possible.

(6) If a sole trader fails to act according to the order to cease the conduct of insurance business or if a sole trader continues to conduct insurance business even after the deadline for the implementation of the order referred to in the preceding paragraph has expired, the Insurance Supervision Agency shall issue a decision, by means of which it shall determine that there are grounds for the removal of the sole trader from the Slovenian Business Register (hereinafter: decision on determining the grounds for removal from the register). The decision on determining the grounds for removal from the register shall include an explanatory note. Based on the final decision on determining the grounds for removal from the register, the Agency of the Republic of Slovenia for Public Legal Records and Related Services shall remove the sole trader from the Slovenian Business Register ex officio.
Article 353
(Order to cease conducting insurance agency or insurance brokerage services)

(1) Articles 351 and 352 of this Act shall apply, mutatis mutandis, even if an entity provides insurance agency or insurance brokerage services contrary to paragraphs one, three, and five of Article 558, paragraph one of Article 573, and paragraph one of Article 576 in conjunction with paragraph two of this Act.

(2) In the application, mutatis mutandis, “order to cease providing insurance agency or insurance brokerage services” shall apply instead of “order to cease conducting insurance business.”

Chapter 8:
SUPERVISION, RISK AND DISCLOSURE MANAGEMENT AT GROUP LEVEL

8.1 Performing supervision at group level

Article 354
(Terms relating to supervision at group level)

(1) A participating company shall be a company with its head office in the Republic of Slovenia or any other Member State that is:
   1. a parent entity of a company pursuant to Article 14 of this Act or a company exercising a controlling influence over another company,
   2. a participating company in another company pursuant to paragraph two of Article 13 of this Act, or
   3. connected with another company through joint management, as stipulated in Article 17 of this Act.

(2) An insurance holding company is a parent company, the main business activities of which include the acquisition and management of participation as defined in the preceding paragraph exclusively or mainly in insurance undertakings of Member States or insurance undertakings of third countries, whereby at least one controlled undertaking is an insurance undertaking of a Member State.

(3) A mixed insurance holding company is a parent company that is not an insurance undertaking of a Member State or a third country, an insurance holding company, or a mixed financial holding company that has at least one controlled insurance undertaking of a Member State.

(4) A group supervisor is a supervisory authority responsible for supervision at the group level.

(5) A College of supervisory authorities (hereinafter: College) is a permanent but flexible structure for the cooperation and coordination of the supervisory authorities of Member States where the head offices of companies in a group and of the group supervisor are located.

(6) An associated undertaking shall be an undertaking with its head office in the Republic of Slovenia or any other Member State:
   1. that is controlled by another company pursuant to Article 14 of this Act or another company is exercising dominant influence over this company,
2. in which another company has a participating share pursuant to paragraph two of Article 13 of this Act, or
3. that is connected with another company through joint management, as stipulated in Article 17 of this Act.

Article 355
(A final parent company at EU level and at the level of the Republic of Slovenia)

(1) A final parent company at EU level is a participating insurance undertaking with its head office in a Member State, an insurance holding company with the head office in a Member State, or a mixed financial holding company with the head office in a Member State that is not controlled by another insurance undertaking with the head office in a Member State, an insurance holding company with the head office in a Member State, or a mixed financial holding company with the head office in a Member State.

(2) A final parent company at the level of the Republic of Slovenia shall be a participating insurance undertaking, a participating insurance holding company with the head office in the Republic of Slovenia or a mixed financial holding company with the head office in the Republic of Slovenia that is not controlled by another insurance undertaking, an insurance holding company with the head office in the Republic of Slovenia, or a mixed financial holding company with the head office in the Republic of Slovenia that is controlled by a parent company from another Member State.

Article 356
(Competence of the Insurance Supervision Agency regarding supervision at group level)

(1) The Insurance Supervision Agency shall be competent and responsible for supervision at the level of the final parent company at the EU level (hereinafter: supervision at group level) if:
1. the final parent company at the EU level is an insurance undertaking (hereinafter: final parent insurance undertaking at EU level),
2. an insurance undertaking is controlled by a parent insurance holding company with the head office in a Member State or by a mixed holding company with the head office in a Member State,
3. the group does not have a parent company with the head office in a Member State and if the balance sheet total of an insurance undertaking is greater than the balance sheet total of insurance undertakings in other Member States.

(2) If, in addition to the insurance undertaking, insurance undertakings of other Member States are controlled by the same final parent insurance holding company or mixed financial holding company at EU level, the Insurance Supervision Agency shall be competent and responsible for supervision at the group level if this insurance holding company or mixed financial holding company has the head office in the Republic of Slovenia.

(3) If multiple insurance holding companies with head offices in various Member States or multiple mixed financial holding companies with head offices in various Member States are at the head of a group and if an insurance undertaking of a Member State where the head office of the insurance or mixed financial holding company is located is controlled by each of these, then the Insurance Supervision Agency shall be competent and responsible for supervision at group level if the balance sheet total of the insurance undertaking is greater than the balance sheet totals of other controlled insurance undertakings of other Member States.
(4) If, in addition to the insurance undertaking, insurance undertakings from other Member States are controlled by the same final parent insurance holding company or mixed financial holding company at the EU level and if none of the controlled insurance undertakings have acquired an authorisation to perform insurance business in the Member State with registered offices of this insurance holding company, the Insurance Supervision Agency shall be competent and responsible for the supervision of the insurance undertaking at the group level if the balance sheet total is greater than the balance sheet total of the controlled insurance undertakings of other Member States.

(5) The Insurance Supervision Agency shall also be competent and responsible for supervision at the group level if it assumes responsibility for such supervision based on a joint decision together with the supervisory authorities of Member States with the head office of insurance undertakings in the group.

Article 357
(Transfer of competence of the Insurance Supervision Agency at group level to a supervisory authority of another Member State)

(1) Based on a joint decision reached together with supervisory authorities of Member States with the head offices of other insurance undertakings in the group, the Insurance Supervision Agency may transfer its competences and responsibilities for supervision at the group level referred to in paragraph one of the preceding Article to a supervisory authority of the Member State with the head office of another insurance undertaking in the group, or the Agency may become a supervisor at the group level even if the criteria from the previous article have not been met. The transfer of competences and responsibilities for supervision at group level may be required by the Insurance Supervision Agency or a supervisory authority of a Member State with registered offices of the insurance undertakings in the group.

(2) Prior to adopting a decision referred to in the preceding paragraph, the Insurance Supervision Agency shall enable the final parent company at the EU level with the head office in the Republic of Slovenia or a controlled insurance undertaking with the largest balance sheet total to state its position.

(3) The Insurance Supervision Agency shall endeavour to adopt a joint decision on the transfer of competences together with the supervisory authorities of Member States with the head office of the other insurance undertakings in the group within three months after the Insurance Supervision Agency or any other competent supervisory authority of a Member State required the transfer of competences.

(4) If the relevant supervisory authorities referred to in paragraph one of this Article fail to adopt a joint decision on the transfer of competences within the period referred to in the preceding paragraph, the Insurance Supervision Agency shall perform supervision at group level in the instances set forth in the preceding article.

(5) Based on Article 19 of Regulation 1094/2010, The Insurance Supervision Agency may entrust the adoption of the decision on the transfer of competences to EIOPA within the period referred to in paragraph three.

(6) If the Insurance Supervision Agency or any other supervisory authority from the Member State with the head office of another insurance undertaking in the group entrusts the decision on the transfer of competences to EIOPA, the Insurance Supervision Agency shall take into account the decision on the transfer of competences adopted by EIOPA.
Article 358
(Scope of supervision)

(1) The Insurance Supervision Agency shall not involve the following in the supervision at the group level or group supervision at the level of the Republic of Slovenia:
   1. Companies in a third country where there are legal obstacles to the transfer of necessary data, regardless of Article 389 of this Act;
   2. Companies with a negligible influence on the achievement of goals related to supervision at group level;
   3. Companies whose involvement would be inappropriate and deceptive with regard to the goals relating to supervision at group level.

(2) If there are multiple companies referred to in Item 2 of the preceding paragraph and if their cumulative influence on the goals relating to supervision at group level is not negligible, these companies shall be involved in supervision at group level.

(3) Prior to adopting a decision on not involving a company as referred to in points 2 and 3 of paragraph one of this Article in supervision at group level, the Insurance Supervision Agency shall consult supervisory authorities in Member States with the head office of the insurance undertakings in the group.

(4) If the Insurance Supervision Agency, pursuant to points 2 and 3 of paragraph one of this Article, does not include the undertaking in supervision at group level, the final parent company at the EU level with the head office in the Republic of Slovenia shall, at the request of a supervisory authority of the Member State with the head office of the company that was not included, provide this authority with data that may simplify the supervision of the company in question.

Article 359
(Supervision of the group at the level of the Republic of Slovenia)

(1) The Insurance Supervision Agency may carry out supervision of the group at the level of the final parent company in the Republic of Slovenia (hereinafter: supervision of the group at the level of the Republic of Slovenia).

(2) The Insurance Supervision Agency shall justify the supervision referred to in the previous paragraph to the group supervisor and the final parent company at the EU level.

(3) The supervision of the group at the level of the Republic of Slovenia shall not be possible if the final parent company at the level of the Republic of Slovenia is controlled by the final parent company at the EU level, which has, pursuant to Articles 394 and 398 of this Act, acquired the authorisation to apply Articles 395 and 396 of this Act.

(4) When carrying out supervision of the group at the level of the Republic of Slovenia, the Insurance Supervision Agency shall act pursuant to acts of the European Commission issued based on paragraph seven of Article 216 of Directive 2009/138/EC.

Article 360
(Supervision of the group at the level of multiple Member States)

(1) If the Insurance Supervision Agency carries out supervision of the group at the level of the Republic of Slovenia, it may enter into an agreement with the supervisory authorities of other Member States that carry out supervision at the level of the final parent company at national level:
1. to carry out supervision at the level of a sub-group including multiple Member States, or
2. to allow the supervisory authority of the other Member State to carry out supervision at
   the level of a sub-group that also includes companies in the group with the head office in
   the Republic of Slovenia.

(2) If an agreement referred to in the preceding paragraph is entered into, the
   Insurance Supervision Agency shall not carry out the supervision of the group at the level of
   the Republic of Slovenia.

(3) If the agreement referred to in paragraph one of this Article is entered into, paragraph two of Article 361 of this Act shall apply mutatis mutandis.

(4) If the Insurance Supervision Agency enters into the agreement referred to in
   paragraph one of this Article, it shall act pursuant to acts of the European Commission
   issued based on paragraph three of Article 217 of Directive 2009/138/EC.

Article 361
(Provisions applying to supervision at group level)

(1) Supervision at group level shall be carried out at the level of the final parent
   company in the EU pursuant to Articles 362 through 403 of this Act.

(2) For the purpose of group supervision at the level of the Republic of Slovenia,
   Articles 362, 372, paragraph one of Article 373, 374, 376 through 383, 399, and 400 of this
   Act shall apply mutatis mutandis. The scope of individual supervision shall be determined by
   the Insurance Supervision Agency.

(3) The provisions of this Act laying down the rules for the supervision of individual
   insurance undertakings shall be applied to individual insurance undertakings within the
   group, unless otherwise laid down in this chapter.

Article 362
(Obligations of insurance undertakings, the controlling insurance holding company,
and the controlling mixed financial holding company with regard to supervision at
group level)

(1) Insurance undertakings in a group of insurance undertakings shall provide all
   information required by an insurance holding company or a mixed financial holding company
   to meet its obligations at group level or at sub-group level or for the purposes of group
   supervision.

(2) Controlling insurance or mixed financial holding companies shall provide their
   controlled insurance undertaking with the head office in a Member State with all information
   required for this undertaking to meet its obligation at group level or for the purposes of group
   supervision.

(3) If a controlling insurance holding company or a mixed financial holding
   company fails to provide the information referred to in the preceding paragraph to an
   insurance undertaking, the insurance undertaking shall immediately inform the Insurance
   Supervision Agency.

(4) An insurance undertaking, an insurance holding company, a mixed financial
   holding company, or any other company in the group shall enable access to any data
   relevant for the purposes of supervision and performing reviews of operations needed to
perform supervision at group level to the Insurance Supervision Agency or any supervisory authority competent and responsible for supervision at group level.

(5) Article 293 of this Act shall apply to regular reporting at group level.

(6) Paragraphs one through five of this Article shall also apply if an insurance undertaking, an insurance holding company, or a mixed financial holding company where the supervision at group level is performed does not have its head office in the Republic of Slovenia.

(7) A company that is controlled by an insurance undertaking, an insurance holding company, or a mixed financial holding company, but is not included in supervision at group level or in the supervision of the group of this insurance undertaking, insurance holding company, or mixed financial holding company at the level of the Republic of Slovenia, shall carry out the following for the supervisory authority competent for the supervision at the level of the group of this insurance undertaking, insurance holding company, or mixed financial holding company:
3. at its request, it shall provide all information required for the supervision of individual insurance undertakings in the group, and
4. enable it to review its operations in order to verify information referred to in point 1 of this paragraph.

(8) If a company as referred to in the preceding paragraph is a credit institution or an investment company, the acquisition or verification of information may also be carried out according to the procedure for cooperation between supervisory authorities arising from Article 372 of this Act.

(9) If a company as referred to in paragraph seven of this Article has its head office in another Member State, the review of operations referred to in point 2 of paragraph seven of this Article may also be carried out in the manner laid down in Article 373 of this Act.

Article 363
(Tasks of the group supervisor)

(1) As the group supervisor, the Insurance Supervision Agency shall perform the following tasks:
1. coordinates the collection and exchange of suitable and urgent information and data among the supervisory authorities involved in the supervision at group level during regular business activities and in extraordinary financial conditions,
2. plans and coordinates the performance of supervision during regular business activities and extraordinary financial conditions with other supervisory authorities involved in supervision at group level,
3. performs supervisory reviews and the assessment of the financial situation of the group,
4. supervises the conformity of the group with the rules on the management and reporting systems,
5. supervises the conformity of the group with the rules on solvency, risk concentration, and transactions within the group,
6. supervises whether members of the Board and of the Supervisory Board of the participating insurance undertaking comply with the rules referred to in subsections 2.5.2 and 2.5.3 of this Act and whether the management of the insurance holding company fulfills the conditions referred to in Article 375 of this Act,
7. adopts other measures and decisions based on this Act, such as managing the procedure for verifying the suitability of a possible internal model for calculating the solvency capital requirement at group level,

(2) For the purpose of carrying out Item 2 of the preceding paragraph, the Insurance Supervision Agency shall hold a meeting with the supervisory authorities involved in supervision at group level at least once annually.

**Article 364**

(College)

(1) If the Insurance Supervision Agency is competent and responsible for the supervision at group level, it shall establish a College on the basis of a written agreement on coordination and cooperation arising from Article 365 of this Act. With regard to the operation of the College, the provisions of this Act and the provisions of regulatory technical standards issued by the European Commission based on paragraph six of Article 248 of Directive 2009/138/EC shall apply.

(2) The College shall comprise supervisory authorities responsible for the supervision of the parent company at the EU level and its controlled companies (hereinafter: College Members). Other supervisory authorities may also join the College within an effective exchange of information: their cooperation shall be in accordance with regulatory technical standards issued by the European Commission based on paragraph seven of Article 248 of Directive 2009/138/EC.

(3) In order to ensure the effective operation of the College, the Insurance Supervision Agency may determine that certain activities within the College be performed by a smaller number of supervisory authorities from the College.

(4) The College shall provide the framework for:
1. exchanging information,
2. drafting the plan for performing reviews of the operation of companies in a group based on assessing this group’s risk,
3. preventing and eliminating the duplication of supervisory requirements, including requirements to provide information arising from Article 368 of this Act, in order to increase the effectiveness of supervision,
4. the consistent use of requirements related to the safe and diligent operation of entities in the insurance group, without interfering with options and discretions arising from European legislation, and
5. carrying out supervision in extraordinary financial conditions, taking into account the work of other forums that may be established for this purpose.

(5) The College shall be managed by the Insurance Supervision Agency. With regard to this, the Insurance Supervision Agency shall perform the following tasks in particular:
6. decide on the participation of the supervisory authorities referred to in paragraph two of this Article at individual meetings and within the College’s activities,
7. notify College Members and other supervisory authorities referred to in paragraph two of this Article concerning meetings and important matters to be discussed and on decisions adopted at College meetings, and on activities carried out,
8. notify EIOPA concerning the activities of the College, including on extraordinary financial conditions, and it shall also provide EIOPA with information relevant for the approximation of supervisory practices.
(6) If a supervisory authority from a different Member State is competent for the establishment of the College, the Insurance Supervision Agency shall work within this College on the basis of an agreement on coordination and cooperation among College Members entered into pursuant to Article 365 of this Act.

(7) The establishment and operation of the College do not affect the competences and responsibilities of the Insurance Supervision Agency under this Act.

(8) If a supervisory authority competent for supervision at group level fails to perform tasks related to group supervision or a College Member does not cooperate in the College to a sufficient degree, the Insurance Supervision Agency may request the assistance of EIOPA pursuant to Article 19 of Regulation 1094/2010.

**Article 365**

(Agreement on the coordination and cooperation among College Members)

(1) In order to ensure the effective formation and operation of the College, the Insurance Supervision Agency shall enter into suitable written agreements on coordination and cooperation with other College Members. The agreement on coordination and cooperation shall be in accordance with the provisions of this Act and the provisions of regulatory technical standards issued by the European Commission based on paragraph seven of Article 248 of Directive 2009/138/EC.

(2) Procedures for adopting decisions and for consultation and cooperation within the College shall be determined by means of the agreements referred to in the previous paragraph.

(3) An agreement on coordination and cooperation may also determine additional tasks of the group supervisor or of other College Members if this makes supervision more effective and does not interfere with the competences of the Insurance Supervision Agency under this Act or put the supervisory activities of other College Members at risk with regard to their individual responsibility.

(4) The agreement on coordination and cooperation shall determine at least the procedures for:

1. adopting internal models of the group for calculating the solvency capital requirement,
2. determining the capital add-on at group level,
3. determining the group supervisor pursuant to paragraph one of Article 357 of this Act,
4. consulting College Members regarding the agreement on coordination and cooperation, and
5. consulting regarding measures in the event of a violation of the solvency capital requirement at group level.

(5) In the event that there is a College, the Insurance Supervision Agency, as the group supervisor, shall adopt the final decision on the agreement on coordination and cooperation.

(6) If the opinion of the Insurance Supervision Agency regarding the agreement on coordination and cooperation differs from the opinion of other College Members, the Insurance Supervision Agency or a College Member may submit the matter to EIOPA pursuant to Article 19 of Regulation 1094/2010.

(7) If a College Member or the Insurance Supervision Agency has submitted the matter relating to the written agreement on coordination and cooperation referred to in the
preceding paragraph to EIOPA, the Insurance Supervision Agency shall suspend the decision referred to in paragraph five of this Article and adopt it according to the decision reached by EIOPA.

(8) The decision referred to in paragraph five of this Article shall be delivered to all College Members by the Insurance Supervision Agency.

Article 366
(Provisions applied with regard to decisions on authorisations for the use and change of the internal model of a group)

Provisions of Article 367 of this Act and the acts issued by the European Commission based on Article 234 of Directive 2009/138/EC shall apply with regard to the decision on the authorisation for the use and change of the internal model of the group.

Article 367
(Cooperation with other supervisory authorities when reaching a decision on a request for the use of the internal model of a group)

(1) If the Insurance Supervision Agency is competent and responsible for supervision at group level, the Insurance Supervision Agency shall issue authorisations for:

1. the calculation of the consolidated solvency capital requirement of the group, or
2. the calculation of the solvency capital requirement of an insurance undertaking in the group based on the internal model that was submitted jointly by the participating company and the companies in which this company has a participating share.

(2) The Insurance Supervision Agency shall immediately send the request referred to in the preceding paragraph to other supervisory authorities competent for the supervision of the companies that submitted this request and to EIOPA. The Agency shall cooperate with other supervisory authorities from Member States with the head offices of other companies in the group in reaching a decision on whether it should issue the authorisation and under which conditions.

(3) The Insurance Supervision Agency, together with other supervisory authorities, shall endeavour to reach the decision on the request for an authorisation for the calculation of the consolidated solvency capital requirement of the group and for the calculation of the solvency capital requirement of the insurance undertaking in the group using the internal model within six months of receiving the full application from the group supervisor.

(4) The Insurance Supervision Agency shall provide the proposed decision within five months of receiving the request referred to in paragraph one of this Article to the supervisory authorities competent for the supervision of the companies that submitted this request.

(5) If the supervisory authorities reach a joint decision as referred to in Paragraph 3 of this Article concerning the matter referred to in Paragraph 1 of this Article, the Insurance Supervision Agency shall forward the joint decision to all parties that submitted the request.

(6) If the joint decision of the supervisory authorities concerning the matter referred to in Paragraph 1 of this Article is not adopted within the period referred to in Paragraph 3 of this Article, the Insurance Supervision Agency shall adopt the decision itself, whereby it shall consider the opinion of other supervisory authorities competent for the supervision of the companies that submitted the request referred to in Paragraph 1 of this Article. The
explanation of this decision shall be forwarded by the Insurance Supervision Agency to the parties that submitted the request.

(7) Within the deadline referred to in paragraph three of this Article, the Insurance Supervision Agency may submit the matter concerning the request for an authorisation for the calculation of the consolidated solvency capital requirement of the group or for the calculation of the solvency capital requirement of the insurance undertaking in the group using the internal model to EIOPA pursuant to Article 19 of Regulation 1094/2010.

(8) If the Insurance Supervision Agency, or any other supervisory authority competent for the supervision of the companies that submits a request as referred to in Paragraph 1 of this Article, hands over the matter concerning the request referred to in Paragraph 1 of this Article to EIOPA, all supervisory authorities competent for the supervision of the companies that submitted this request shall be notified. The period referred to in Paragraph 3 of this Article shall be extended by one month, and the final decision of the Insurance Supervision Agency shall be in agreement with the decision reached by EIOPA.

(9) The Insurance Supervision Agency shall also forward the decision referred to in Paragraphs 3 and 6 of this Article to the supervisory authorities competent for the supervision of the companies that submitted the request referred to in Paragraph 1 of this Article.

(10) In a supervisory authority of another Member State is competent for supervision at group level, if this authority adopted the decision concerning the request for the issuing of the authorisation for the calculation of the consolidated solvency capital requirement of an insurance undertaking in the group based on an internal model or for the calculation of the solvency capital requirement of an insurance undertaking in the group, the Insurance Supervision Agency shall issue an authorisation including the content of the decision of this supervisory authority to the controlled insurance undertaking ex officio. The first sentence of this paragraph shall also apply if the Insurance Supervision Agency carries out supervision of the group at the level of the Republic of Slovenia.

(11) The Insurance Supervision Agency shall issue the authorisation referred to in the previous paragraph to a controlled insurance undertaking when the controlled insurance undertaking meets all of the requirements arising from the content of the decision reached by the supervisory authority from a Member State as referred to in the preceding paragraph.

(12) If the Insurance Supervision Agency is of the opinion that the risks of a controlled insurance undertaking deviate considerably from the presumptions on which the internal model approved at group level is based, it may impose a capital add-on pursuant to Article 309 of this Act. In exceptional circumstances, i.e. if the capital add-on is not sufficient for the safe operation of an insurance undertaking, the Insurance Supervision Agency may order the calculation of the solvency capital requirement by means of the standard formula and impose a capital add-on calculated by means of the standard formula.

Article 368
(Cooperation and exchange of information among the supervisory authorities of Member States with regard to supervision at group level)

(1) If the Insurance Supervision Agency is the group supervisor, it shall provide the following to the supervisory authorities of other Member States that are responsible for supervising individual insurance undertakings in the group and to EIOPA:
   1. it shall provide all relevant information;
it shall systematically collect and provide information pursuant to regulatory technical standards issued by the European Commission based on Article 249, Paragraph 3 of Directive 2009/138/EC;

3. it shall provide information in accordance with implementing technical standards issued by the European Commission pursuant to Article 249, Paragraph 4 of Directive 2009/138/EC.

(2) The relevant information referred to in the preceding paragraph shall include, in particular, a report on the solvency and financial condition of the group and all other data relevant for performing supervision at group level, in particular:

4. on the legal and organisational structure of the group, on all insurance undertakings in the group, and on other close connections,

5. on the procedures for collecting information from the insurance undertakings in the group and for verifying the accuracy of this information,

6. on events in an insurance undertaking or other entities in the group that may seriously affect other insurance undertakings in the group,

7. on significant measures imposed by the Insurance Supervision Agency on the insurance undertaking.

(3) If the Insurance Supervision Agency is responsible for supervising an insurance undertaking in the group, it shall provide the following to the supervisory authorities of other Member States that are responsible for the supervision of individual insurance undertakings in the group and to the group supervisor:

8. it shall provide all relevant information; in particular, it shall provide data arising from Items 2 and 4 in the preceding paragraph referring to the insurance undertaking,

9. it shall systematically collect and provide information pursuant to regulatory technical standards issued by the European Commission based on Article 249, Paragraph 3 of Directive 2009/138/EC,

10. it shall provide information in accordance with implementing technical standards issued by the European Commission pursuant to Article 249, Paragraph 4 of Directive 2009/138/EC.

(4) If the Insurance Supervision Agency fails to receive the relevant information referred to in Paragraph 1 of this Article from the group supervisor of the group of which the insurance undertaking is a part, or from the supervisor of an insurance undertaking of a Member State that is a part of the group, it may hand over the matter to EIOPA pursuant to Article 19 of Regulation 1094/2010.

Article 369
(Cooperation and exchange of information among supervisory authorities of Member States in the event of financial problems in a group)

(1) If financial problems arise within a group supervised by the Insurance Supervision Agency, the Insurance Supervision Agency shall, as soon as possible, send a notification and information concerning this to the supervisory authorities of Member States that are responsible for supervising individual insurance undertakings in the group and to the supervisory authorities of Member States with important branches.

(2) In order to prevent duplication, the Insurance Supervision Agency shall not send the notification referred to in the preceding paragraph to supervisory authorities of Member States that are competent for the supervision of individual insurance undertakings in the group if a notification with identical content has already been sent by a supervisory authority from a different Member State.
(3) If a supervisory authority of a different Member State is competent for the supervision of the group, the Insurance Supervision Agency shall, as soon as possible, notify the group supervisor and the supervisory authorities of other Member States that are responsible for supervising individual insurance undertakings in the group when financial problems arise in an insurance undertaking, an insurance holding company, or a mixed financial holding company with its head office in the Republic of Slovenia that are part of the group.

(4) The notification arising from Paragraphs 1 and 3 of this Article shall also include information on the measures of an insurance undertaking, an insurance holding company, or a mixed financial holding company with its head office in the Republic of Slovenia that are a part of the group, and of individual supervisory authorities.

(5) The Insurance Supervision Agency shall request a meeting of all relevant supervisory authorities working together on the supervision of the group if:
1. it discovers a significant violation of a solvency capital requirement or a violation of the minimum solvency capital requirement of an insurance undertaking in the group,
2. it discovers a significant violation of the solvency capital requirement at group level,
3. other extraordinary events occur in the group or an insurance undertaking that is a part of the group.

Article 370
(Consultation among supervisory authorities involved in supervision at group level)

(1) Before each decision that is also important for the performance of supervision tasks of other supervisory authorities, the Insurance Supervision Agency shall consult with these supervisory authorities within the College concerning:
1. any changes in the shareholder structure or the organisational or management structure of an insurance undertaking in the group for which the authorisation of a supervisory authority is required,
2. significant measures that it plans to impose on an insurance undertaking, including the solvency capital requirement referred to in Article 309 of this Act and any limitation on the use of the internal model for calculating the solvency capital requirement.

(2) In cases arising from Item 2 of the previous paragraph, the Insurance Supervision Agency shall always consult with the group supervisor.

(3) Notwithstanding Paragraphs 1 and 2 of this Article, the Insurance Supervision Agency shall not be required to consult in emergencies or if such consultation could compromise the effectiveness of the decision. In such cases, it shall notify other College Members concerning the adopted decision or measures without undue delay.

Article 371
(Requirements of the group supervisor imposed on other supervisory authorities)

(1) If the Insurance Supervision Agency is the group supervisor of a group whose final controlling company at EU level has its head office in another Member State, it shall request the supervisory authorities of the Member State with the head office of this controlling company to acquire and provide data on the controlling company that are relevant for the purpose of coordination, as is set forth under Article 365 of this Act.

(2) If the Insurance Supervision Agency, acting as the group supervisor, requires data that are relevant for the supervision of the group, and if such data have already been
provided to another supervisory authority, it shall attempt to first acquire such data from this supervisory authority.

(3) If the Insurance Supervision Agency is requested by a supervisory authority of another Member State competent for supervision at group level to provide relevant data concerning an associated company or the final parent company at EU level with the head office in the Republic of Slovenia for the purpose of coordination, it shall provide such data.

Article 372
(Cooperation with supervisory authorities responsible for credit and investment institutions)

(1) The Insurance Supervision Agency shall cooperate with supervisory authorities competent for the supervision of credit or investment institutions if:
1. an insurance undertaking, an insurance holding company, or a mixed financial holding company controls one or more credit institutions or investment companies,
2. an insurance undertaking and a credit institution or an investment company is controlled by a joint company,
3. an insurance undertaking is controlled by a credit institution or an investment company.

(2) The Insurance Supervision Agency and the supervisory authorities referred to in the preceding paragraph shall exchange all information that may facilitate their tasks and enable them to supervise the operations and the general financial situation of the companies that they supervise.

Article 373
(Review of operations in order to verify information)

(1) If the Insurance Supervision Agency wishes to verify information referring to an insurance undertaking, an insurance holding company, a credit institution, an investment company, a mixed financial holding company, a mixed insurance holding company, or another company in the group that has its head office in another Member State in order to carry out the supervision for which it is competent and responsible under this Act, it shall request the supervisory authority from the Member State concerned to conduct a review of the operations of this company in order to verify this information or to enable it to conduct such a review of operations itself.

(2) At the request of a supervisory authority of a Member State, the Insurance Supervision Agency shall carry out a review of an insurance undertaking, an insurance holding company, a mixed financial holding company, or of another uncontrolled company in the group with its head office in the Republic of Slovenia. A supervisory authority of Member State, if it so requires, may take part in the review referred to in the first sentence of this paragraph or it may perform the review itself upon agreement with the Insurance Supervision Agency.

(3) If, upon agreement with the Insurance Supervision Agency, a supervisory authority of a Member State or entities that it authorises carry out the review arising from the previous paragraph, they shall have the same competences as the Insurance Supervision Agency pursuant to Articles 296 to 300 of this Act.

(4) If a supervisory authority of a Member State rejects or does not reply to the request of the Insurance Supervision Agency referred to in Paragraph 1 of this Article, the
Insurance Supervision Agency may require the assistance of EIOPA pursuant to Article 19 of Regulation 1094/2010.

(5) The group supervisor shall be notified concerning the reviews performed.

8.2 Governance in a Group

Article 374

(Group governance system)

(1) All insurance undertakings in the group, an insurance holding company, or a mixed financial holding company shall have an effective risk management function that is effectively integrated into the organisational structure and the decision-making processes; they shall have an effective internal control system established, and they shall fulfil the obligations arising from Article 279 of this Act. Articles 50 and 279 as well as subsection 4.3 of this Act shall be applied, mutatis mutandis, at group level.

(2) The companies in a group, especially the insurance undertaking that is the final parent company at EU level, shall be competent and responsible for establishing and operating:

1. suitable mechanisms to provide for the solvency of the group, determine and measure the risks of the group, provide suitable own group resources,
2. procedures for reporting, monitoring, and managing transactions within the group and the risk concentration in the group.

(3) The insurance undertaking, the insurance holding company, or the mixed financial holding company referred to in Article 377 of this Act shall carry out a risk and solvency assessment at group level pursuant to Article 156 of this Act.

(4) If the Insurance Supervision Agency so permits, an insurance undertaking, an insurance holding company, or a mixed financial holding company referred to in the preceding paragraph, at the same time as the risk and solvency assessment at group level, shall also carry out a risk and solvency assessment of controlled insurance undertakings with head offices in a Member State and draft a joint document dealing with all of the assessments. The insurance undertaking, the insurance holding company, or the mixed financial holding company shall submit this joint document to all relevant supervisory authorities at the same time.

(5) Prior to issuing an authorisation for a joint risk and solvency assessment, the Insurance Supervision Agency shall consult with the members of the College.

(6) If the group applies the option arising from Paragraph 4 of this Article, this shall not exempt individual companies in the group from the obligation to fulfil the conditions referred to in Paragraph 156 of this Act.

Article 375

(Management of a controlling insurance holding company or a mixed financial holding company)

(1) A controlling insurance holding company or a mixed financial holding company shall ensure that its management has a suitable reputation and the experience to manage its business.
The provisions of this Act concerning the management board and the supervisory board of an insurance undertaking shall apply, *mutatis mutandis*, to the management of a controlling insurance holding company.

8.3 The financial situation of a group

### Article 376
(Supervision of group solvency)

(1) If an insurance undertaking is the final parent insurance undertaking at EU level as referred to in Article 356, Paragraph 1, Item 1 of this Act or an insurance undertaking as referred to in Article 356, Paragraph 1, Item 3 of this Act, it shall ensure that the group has eligible own funds with the same value as the required solvency capital of the group calculated pursuant to Articles 378 through 392 of this Act.

(2) The insurance undertaking referred to in Article 356, Paragraphs 2 to 4 shall ensure that the group has eligible own funds of at least the same value as the required solvency capital of the group calculated pursuant to Articles 378 to 392 of this Act.

(3) If the requirements regarding the conformity of eligible own funds of the group with the solvency capital requirement at group level arising from Paragraphs 1 and 2 of this Article are not fulfilled, the provisions arising from Articles 247 and 249 of this Act shall apply.

(4) As soon as the Insurance Supervision Agency receives the notification from the insurance undertaking referred to in Paragraph 1 or Paragraph 2 of this Article stating that the eligible own funds of the group no longer cover the solvency capital requirement at group level or that there is a risk of the non-conformity of eligible own funds with the solvency capital requirement in the following three months, it shall immediately notify the other supervisory authorities on the College.

### Article 377
(Frequency of calculation)

(1) The following companies shall carry out a calculation of the solvency capital requirement at group level at least once a year, and provide the Insurance Supervision Agency with the data necessary for its calculation:
   1. an insurance undertaking responsible for providing eligible own funds in the amount of the solvency capital requirement pursuant to Paragraph 1 or Paragraph 2 of the preceding Article,
   2. an insurance holding company or a mixed financial holding company that is the final parent insurance holding company or mixed financial holding company at EU level, or
   3. another company in the group determined by the Insurance Supervision Agency after consulting the relevant supervisory authorities and the group.

(2) The insurance undertakings, insurance holding companies, or mixed financial holding companies referred to in the preceding paragraph shall regularly monitor the conformity of eligible own funds to ensure the solvency capital requirement of the group. If the risks to which the group is exposed differ considerably from the assumptions that served as the basis for the last calculation of the solvency capital requirement at group level, the solvency capital requirement at group level shall be re-calculated immediately and the Insurance Supervision Agency shall be notified thereof.
(3) If the Insurance Supervision Agency has proof that the risks in the group have changed significantly, it may require a re-calculation of the solvency capital requirement at group level from the entities referred to in Paragraph 1 of this Article.

**Article 378**
(Calculation of group solvency)

(1) The solvency of a group shall be calculated pursuant to:
- Articles 378 through 392 of this Act and
- the acts adopted by the European Commission pursuant to Article 227, Paragraphs 4 and 5 and Article 234 of Directive 2009/138/EC.

(2) One of the following methods shall be used to calculate the solvency capital requirement of a group:
1. the accounting consolidation method,
2. the deduction and aggregation method.

(3) If an insurance undertaking is the final parent insurance undertaking at the EU level, it shall calculate the group solvency capital requirement by means of the accounting consolidation method (standard method).

(4) If the Insurance Supervision Agency is the group supervisor, it may, after consulting with other relevant supervisory authorities and the group, use the deduction and aggregation method to calculate the solvency of the group (alternative method), or a combination of the accounting consolidation method and the deduction and aggregation method if the accounting consolidation method is not suitable.

(5) The Insurance Supervision Agency shall send the decision referred to in the preceding paragraph to the insurance undertaking or the insurance holding company carrying out the calculation of the solvency capital requirement at group level.

(6) If the group supervisor determines the method for calculating the solvency of the group, this method shall be final, and the Insurance Supervision Agency shall take it into account when supervising the group at the level of the Republic of Slovenia.

**Article 379**
(Scope and manner of consolidation)

(1) When calculating the solvency of the group, the proportionate interest that the participating company has in associated companies shall be taken into account.

(2) A proportionate interest shall be:
1. a percentage used for the preparation of consolidated accounting statements if a method based on the accounting consolidation method is used to calculate the solvency of the group;
2. a share of subscribed capital that a participating company holds directly or indirectly if the deduction and aggregation method is used to calculate the solvency of the group.

(3) If a controlled insurance undertaking does not have sufficient eligible own funds to cover the solvency capital requirement, the total solvency deficit of this controlled insurance undertaking shall be used, regardless of the method that is used to calculate the solvency of the group.
(4) In instances when the liability of the controlling company is limited only to the share of the capital held by this company, and taking into consideration the liability of other shareholders whose long-term solvency is suitable, the Insurance Supervision Agency may allow the solvency deficit of the controlled insurance undertaking to be taken into account proportionately. The liability of other shareholders referred to in the first sentence of this paragraph shall be determined in a reliable manner, including, if necessary, by requiring these shareholders to provide a binding written statement concerning this to the Insurance Supervision Agency.

Article 380
(Special consolidation instances)

After consulting other relevant supervisory authorities and the group, the Insurance Supervision Agency shall determine the proportionate interest for the purpose of supervising the solvency of the group:
1. for undertakings related by joint management;
2. for undertakings regarding which it estimated that the direct or indirect voting rights or capital held shall count as participation because, in its opinion, it effectively exercises a considerable influence on this undertaking;
3. for undertakings over which, in its opinion, the participating company exercises a dominant influence.

Article 381
(Limited use of eligible own funds)

(1) Subscribed but unpaid capital of an associated insurance undertaking shall be taken into account in the calculation of the solvency of the group only if such capital meets the conditions for covering the solvency capital requirement of this associated insurance undertaking.

(2) The following shall not be included in the calculation of the solvency of the group:
1. subscribed but unpaid capital that is a possible liability of the participating company;
2. subscribed but unpaid capital of a participating insurance undertaking that represents the possible liability of the participating company;
3. subscribed but unpaid capital of an associated insurance undertaking that represents the possible liability of another associated insurance undertaking of the same participating insurance undertaking.

(3) If some of the eligible own funds of an associated insurance undertaking are not available to cover the solvency capital requirement of the final parent insurance undertaking at EU level, only that part that is suitable to cover the solvency capital requirement of this associated insurance undertaking shall be included in the calculation of the solvency of the group.

(4) Only the eligible own funds referred to in Paragraph 1 and Paragraph 3 of this Article in a total amount that does not exceed the solvency capital requirement of an associated insurance undertaking may be included in the calculation of the solvency of the group.

(5) The ancillary own funds of an associated insurance undertaking that may be used to cover the solvency capital requirement only after obtaining a previous approval from
a supervisory authority shall be included in the calculation of the solvency of the group only if approved by the supervisory authority competent for supervising this associate undertaking.

**Article 382**

*(Eliminating the double use of eligible own funds)*

(1) The double use of own funds to cover the solvency of the group using eligible own funds shall not be permitted.

(2) The following shall be excluded when calculating the solvency of the group:
   1. the value of all funds of the participating insurance undertaking representing the financing of eligible own funds for the purpose of meeting the solvency capital requirement of its associated insurance undertakings;
   2. the value of all funds of an associated insurance undertaking representing the financing of eligible own funds for the purpose of meeting the solvency capital requirement of a participating insurance undertaking;
   3. the value of all funds of an associated insurance undertaking representing the financing of eligible own funds for the purpose of meeting the solvency capital requirement of other associated insurance undertakings of the participating company.

**Article 383**

*(Eliminating capital formation within a group)*

(1) When calculating the solvency of a group, eligible own funds arising from mutual funding between the participating insurance undertaking and the following undertakings shall not be taken into account:
   - an undertaking associated with the participating insurance undertaking,
   - an undertaking with an interest in the participating insurance undertaking, or
   - another undertaking associated with any company with an interest in the participating insurance undertaking.

(2) The calculation of the solvency of a group shall not take into account the eligible own funds of an associated insurance undertaking that are used to cover the solvency capital requirement of the associated insurance undertaking and that arise from mutual funding with any other undertaking associated with the participating insurance undertaking.

(3) Mutual funding shall exist at least when the participating undertaking or any of its associated undertakings have shares or loans in another undertaking that is a direct or indirect owner of eligible own funds that meet the conditions for covering the solvency capital requirement of the participating insurance undertaking of its associated undertakings.

**Article 384**

*(Valuation of assets and liabilities in a group)*

For the purpose of determining whether a group fulfils its obligations with regard to risk management and for the purpose of supervision at group level, assets and liabilities shall be valued pursuant to Article 174 of this Act.

**Article 385**

*(Associated insurance undertakings)*
(1) The participating insurance undertaking and all of its associated insurance undertakings shall be included in the calculation of the solvency of the group.

(2) The Insurance Supervision Agency may allow the solvency capital requirement and eligible own funds to be used for each individual associated insurance undertaking of a Member State when calculating the solvency of the group, as determined in the Member State where the insurance undertaking has its head office.

Article 386
(Interim insurance holding company and mixed financial holding company)

(1) When calculating the solvency of the group of an insurance undertaking which participates in an associated insurance undertaking from a Member State or a third country through an insurance holding company or a mixed financial holding company (hereinafter: interim insurance holding company or mixed financial holding company), the interim insurance holding company or mixed financial holding company shall be treated as an insurance undertaking. For the purpose of this calculation, the rules in this Act on eligible own funds and the solvency capital requirement shall apply to the interim insurance holding company.

(2) If the eligible own funds of an interim insurance holding company or a mixed financial holding company consist of a subordinated debt or any other eligible own funds that are subject to limitations pursuant to Article 199 of this Act, these eligible own funds shall be limited with regard to covering the solvency capital requirement at group level by applying, *mutatis mutandis*, the limitation arising from Article 199 of this Act. ‘Reasonable application’ means that the total eligible own funds at group level shall be compared with the solvency capital requirement at group level.

(3) The eligible own funds of an interim insurance holding company or a mixed financial holding company owned by an insurance undertaking with its head office in a Member State and regarding which a prior approval is required in accordance with Article 194 of this Act shall be included in the calculation of the solvency of the group only if approved by the Insurance Supervision Agency.

Article 387
(Associated insurance undertakings of third countries)

(1) When calculating the solvency of the group by means of the deduction and aggregation method, an insurance undertaking from a third country that is in the group of an insurance undertaking participating in an insurance undertaking from a third country shall be considered as an associated insurance undertaking.

(2) If the solvency regime in a third country where the head office of an insurance undertaking is located is at least equal to the regime referred to under sections 4.7 through 4.12 of this Act, the Insurance Supervision Agency may determine, with regard to supervision at group level, that the solvency capital requirement and eligible own funds are taken into account with regard to this insurance undertaking, as set forth in the third country where the head office is located.

(3) The Insurance Supervision Agency shall verify whether the solvency regime in the third country is equal to the solvency regime under this Act at the request of the participating insurance undertaking referred to in Paragraph 1 of this Article or on the Agency’s own initiative. For this purpose, it shall consult other relevant supervisory
authorities of Member States and EIOPA, and its assessment shall take into account the acts adopted by the European Commission pursuant to Article 227, Paragraph 4 and Paragraph 5 of Directive 2009/138/EC.

(4) If the solvency regime in a third country was assessed by the European Commission, the Insurance Supervision Agency shall take into account its assessment and the preceding paragraph shall not apply.

Article 388
(Associated credit institutions, investment companies, and financial institutions)

(1) When calculating the solvency of the group of an insurance undertaking that has an interest in a credit institution, investment company or financial institution, the entities referred to in Article 377, Paragraph 1 of this Act shall apply, mutatis mutandis, the accounting consolidation method or the deduction and aggregation method, as laid down in the regulation on the calculation of the complementary solvency requirements of supervised entities in a financial conglomerate.

(2) The use of the accounting consolidation method to calculate the solvency of the group referred to in the preceding paragraph shall be approved by the Insurance Supervision Agency in advance if it deems that the level of integrated management and internal control in the group is satisfactory.

(3) When calculating the solvency of a group, the Insurance Supervision Agency, upon the request of the entity referred to in Article 377, Paragraph 1 of this Act or on its own initiative, may decide that the participation arising from Paragraph 1 of this Article is to be deducted from eligible own funds to meet the solvency capital requirement at group level.

Article 389
(The non-availability of necessary information)

(1) If, while performing supervision at group level, the entity referred to in Article 377, Paragraph 1 of this Act or the Insurance Supervision Agency does not have the necessary information on an associated undertaking with its head office in a Member State or a third country for the purpose of calculating the solvency of the group, the book value of this undertaking in the participating insurance undertaking shall be deducted from the eligible own funds for the coverage of the solvency capital requirement at group level.

(2) With regard to the associated undertaking referred to in the preceding paragraph, any unrealised gain related to participation in the associated undertaking shall not be considered as eligible own funds for covering the solvency capital requirement at group level.

Article 390
(Accounting consolidation method – standard method)

(1) The solvency of the group of an insurance undertaking shall be the difference between:
   1. the eligible own funds for covering the solvency capital requirement calculated on the basis of consolidated procedures, and
   2. the solvency capital requirement at group level calculated on the basis of consolidated data (hereinafter: consolidated solvency capital requirement of the group).
(2) The provisions of Section 4.9 of this Act shall apply to the calculation of eligible own funds based on consolidated data. The provisions of Section 4.10 of this Act shall apply to the calculation of the consolidated solvency capital requirement at group level.

(3) The consolidated solvency capital requirement at group level shall be at least equal to the sum of (hereinafter: the minimum consolidated solvency capital requirement):
   1. the minimum capital requirement of the final parent insurance undertaking at EU level, and
   2. the proportionate interest of the minimum capital requirement of associated insurance undertakings.

(4) The minimum solvency capital requirement at group level shall be covered by eligible basic own funds, as determined in Article 200 of this Act. Article 250 and Articles 379 to 389 of this Act shall apply, mutatis mutandis, to eligible basic own funds as referred to in the first sentence of this paragraph.

(5) If the entity referred to in Article 377, Paragraph 1 of this Act calculates the solvency of the group by means of the accounting consolidation method, it shall submit the clarification of the difference between the sum of the solvency capital requirement of all insurance undertakings in the group and the consolidated solvency capital requirement to the Insurance Supervision Agency.

Article 391
(Deduction and aggregation method – alternative method)

(1) The solvency of the group of an insurance undertaking shall be the difference between:
   1. the total eligible own funds of the group and
   2. the total solvency capital requirements at group level.

(2) The total eligible own funds of the group shall be the sum of:
   3. the eligible own funds for covering the solvency capital requirement of the final parent insurance undertaking and
   4. the proportionate interest of the final parent insurance undertaking in eligible own funds for covering the solvency capital requirements of associated insurance undertakings.

(3) The total solvency capital requirement at group level shall be the sum of:
   5. the solvency capital requirement of the final parent insurance undertaking and
   6. the proportionate interest of the solvency capital requirement of associated insurance undertakings.

(4) If the participation of the insurance undertaking in an associated insurance undertaking entirely or partially consists of indirect ownership, the value of the indirect ownership shall apply when determining the proportionate interest referred to in Paragraph 2 and Paragraph 3, Item 2 of this Article, taking into account successive interests.

Article 392
(Capital add-on at group level)

(1) If the Insurance Supervision Agency is competent for supervision at group level pursuant to Article 356 of this Act, it shall control the risks to which the group is exposed. The Insurance Supervision Agency may order a capital add-on at group level if it deems that the
risks of the group have not been suitably considered in the calculation of the solvency capital requirement of the group.

(2) If a group calculates the solvency capital requirement according to a method that is based on accounting consolidation, the Insurance Supervision Agency shall order a capital add-on if:
   1. risks at the group level are suitably included in the standard formula or in the applied internal model,
   2. supervisory authorities order capital add-ons to insurance undertakings in the group pursuant to Article 309 of this Act.

(3) If the group calculates the solvency capital requirement by means of the deduction and aggregation method, the Insurance Supervision Agency, when determining the capital add-on, shall especially take into account the risks at group level that are not suitably included in the solvency capital requirement due to difficulties with calculations.

(4) For a capital add-on at group level, the provisions of Article 309 of this Act shall apply mutatis mutandis.

**Article 393**
(Solvency of the group of a controlling insurance holding company or a mixed financial holding company)

(1) If the Insurance Supervision Agency is the supervisor of the group in which insurance undertakings in the Republic of Slovenia or the EU are controlled by an insurance holding company or a mixed financial holding company, it shall ensure that the solvency of the group is calculated at the level of such insurance holding company or mixed financial holding company.

(2) When calculating the solvency of the group referred to in the preceding paragraph, Articles 378 to 392 of this Act shall apply.

(3) When calculating the solvency of the group, the parent insurance holding company or the mixed financial holding company referred to in the first paragraph of this Article shall be treated as an insurance undertaking to which the rules of this Act on the solvency capital requirement and eligible own funds apply.

**Article 394**
(Conditions for controlled insurance undertakings)

(1) Articles 395 and 396 of this Act shall apply pursuant to:
   - Articles 378 through 392 of this Act and
   - acts issued by the European Commission pursuant to Article 241 of Directive 2009/138/EC.

(2) Articles 395 and 396 shall apply to an insurance undertaking controlled by an insurance undertaking if the following conditions are met:
   1. if the group supervisor has not adopted a decision based on Article 358, Paragraph 1 of this Act concerning the controlled insurance undertaking;
   2. if the risk management and the internal control of the controlling insurance undertaking include the controlled insurance undertaking, and if the controlling insurance undertaking proves to the supervisory authorities that it manages the controlled insurance undertaking with due care;
3. if the controlling insurance undertaking received the approval referred to in Article 374, Paragraph 4 of this Act and the consent referred to in Article 403, Paragraph 2 of this Act;
4. if the controlling insurance undertaking submitted a request and obtained authorisation to apply Articles 395 and 396 of this Act.

(3) The request to apply Articles 395 and 396 of this Act shall be submitted by the controlling insurance undertaking with its head office in the Republic of Slovenia to the supervisory authority of the Member State that is competent for the supervision of the controlled insurance undertaking.

(4) If the Insurance Supervision Agency receives a request for the application of Articles 395 and 396 of this Act from the controlling insurance undertaking from another Member State, it shall immediately notify EIOPA and other members of the College and provide them with the full request.

(5) The Insurance Supervision Agency shall ensure that College members adopt a joint decision within three months after all College members receive the full request for the application of Articles 395 and 396 of this Act.

(6) Within two months after receiving the request referred to in Paragraph 3 of this Article, the Insurance Supervision Agency shall provide College members with a proposal concerning the decision on the application of Articles 395 and 396 of this Act.

(7) The Insurance Supervision Agency shall send the joint decision concerning the request referred to in Paragraph 4 of this Article to an applicant from another Member State that submits a request.

(8) If College members fail to reach a joint decision concerning the request referred to in Paragraph 3 of this Article within the time limit determined in Paragraph 5 of this Article, the decision shall be adopted by the Insurance Supervision Agency. When making its decision, it shall take into account the views and considerations of other College members.

(9) The decision, which encompasses the clarification of major deviations from the views of other College members, shall be sent to the applicant that submitted the request and to College members by the Insurance Supervision Agency.

(10) The Insurance Supervision Agency may hand over the decision concerning the request arising from Paragraph 3 and Paragraph 4 of this Article to EIOPA within the period referred to in Paragraph 5 of this Article and in accordance with Article 19 of Regulation 1094/2010.

(11) If the supervisory authority that supervises the controlled insurance undertaking hands over the decision to EIOPA within the period arising from Paragraph 5 of this Article in accordance with Article 19 of Regulation 1094/2010, the Insurance Supervision Agency shall delay the decision referred to in Paragraph 8 of this Article and shall wait for the decision of EIOPA. In this case, the decision of the Insurance Supervision Agency shall be in conformity with the decision reached by EIOPA.

Article 395
(Determining the solvency capital requirement of a controlled insurance undertaking)
(1) If the solvency capital requirement of a controlled insurance undertaking is calculated by means of an internal model approved pursuant to Article 367 of this Act and if the Insurance Supervision Agency deems that the risks of this insurance undertaking deviate significantly from the assumptions in the internal model, it shall propose to the group supervisor in the instances referred to in Article 309 of this Act to introduce a capital add-on for this insurance undertaking or, in exceptional circumstances, it shall propose that the said insurance undertaking calculate the solvency capital requirement by means of the standard formula. The Insurance Supervision Agency shall send its proposal and the grounds for it to the College and the controlled insurance undertaking.

(2) If the solvency capital requirement of a controlled insurance undertaking is calculated by means of the standard formula and if the Insurance Supervision Agency deems that the risks of this insurance undertaking considerably deviate from the assumptions that serve as the basis for calculating the solvency capital requirement by means of the standard formula, it shall propose to the supervisor at group level in the instances arising from Article 309 of this Act that a capital add-on be introduced for this insurance undertaking or that the use of specific parameters in accordance with Article 217 of this Act be implemented. The Insurance Supervision Agency shall send its proposal and the grounds for it to the College and the controlled insurance undertaking.

(3) The Insurance Supervision Agency shall ensure that a joint decision is reached with other College members concerning:
- the proposal referred to in Paragraph 1 and Paragraph 2 of this Article;
- the proposal regarding the capital add-on, the use of the standard formula, or the use of specific parameters received from the supervisory authority of the Member State where the head office of the controlled insurance undertaking are located if it is competent for supervision at group level.

The Insurance Supervision Agency shall send the joint decision concerning the proposal referred to in Paragraph 1 and Paragraph 2 of this Article to the controlled insurance undertaking and the College members.

(4) If the Insurance Supervision Agency does not agree with the proposal arising from the second indent of the preceding paragraph, it shall hand over the decision to EIOPA within one month of receiving the proposal pursuant to Article 19 of Regulation 1094/2010.

(5) If the group supervisor hands over the decision to EIOPA pursuant to Article 19 of Regulation 1094/2010 within one month of receiving the proposal arising from Paragraph 1 and Paragraph 2 of this Article, the Insurance Supervision Agency shall adopt a final decision which is accordance with the decision reached by EIOPA.

(6) The Insurance Supervision Agency shall send the final decision concerning the proposal referred to in Paragraph 1 and Paragraph 2 of this Article to the controlled insurance undertaking and the College members.

Article 396
(Non-conformity with solvency capital requirements and minimum capital requirements of a controlled insurance undertaking)

(1) If the Insurance Supervision Agency finds that, pursuant to Article 247 of this Act, the financial situation of a controlled undertaking has deteriorated to such an extent that the fulfilment of the solvency capital requirement or the minimum capital requirement is at risk, it shall immediately notify the remaining Council members of the proposed measures.
(2) If the Insurance Supervision Agency finds that there is non-conformity with the solvency capital requirement at a controlled undertaking, it shall immediately send the recovery plan referred to in Article 249 of this Act to College members.

(3) If the Insurance Supervision Agency finds that there is non-conformity with the minimum capital requirement at a controlled undertaking, it shall immediately send the short-term financial plan referred to in Article 250 of this Act to College members.

(4) The Insurance Supervision Agency shall endeavour, within one month, to adopt a joint decision with other College members concerning:
- the measures referred to in the first paragraph of this Article, and
- measures proposed by College members when the financial situation of the undertaking in the group deteriorates to the extent that the fulfilment of the solvency capital requirement and of the minimum capital requirement is at risk.

(5) The Insurance Supervision Agency shall endeavour, within four months, to reach an agreement with other College members concerning:
- the recovery plan referred to in Paragraph 2 of this Article, and
- the recovery plan proposed by College members in the event of non-conformity with the solvency capital requirement of an undertaking in the group.

(6) If an agreement is not reached with College members concerning the measures referred to in Paragraph 1 of this Article or concerning the recovery plan referred to in Paragraph 2 of this Article within the period referred to in Paragraph 4 and Paragraph 5 of this Article, the Insurance Supervision Agency shall reach a decision concerning the measures and the approval of the recovery plan, while taking into consideration other opinions of College members.

Article 397
(End of the special conditions for a controlled insurance undertaking)

(1) Articles 395 and 396 of this Act shall cease to apply to a controlled insurance undertaking when it no longer meets the conditions arising from Article 394, Paragraph 2 of this Act.

(2) The Insurance Supervision Agency shall immediately notify the controlling insurance undertaking and the supervisory authority of the Member State where the head office of the controlled insurance undertaking is located concerning the decision that the controlled insurance undertaking with the head office in another Member State is no longer subject to supervision at group level.

(3) In order to apply Article 395 and 396 of this Act, a controlling insurance undertaking with the head office in the Republic of Slovenia shall ensure that the conditions arising from Article 394, Paragraph 2, Items 2–4 are met at all times. If the conditions are not met, it shall notify the Insurance Supervision Agency and the supervisory authority from the Member State where the head office of the controlled insurance undertaking is located and present them with a plan to meet the conditions again.

(4) If Articles 395 and 396 of this Act are applied, the Insurance Supervision Agency shall verify at least once a year whether the conditions arising from Article 394, Paragraph 2, Items 2–4 have been met at all times. If deficiencies are discovered upon verification, the Insurance Supervision Agency shall require a plan to fulfil the conditions from the insurance undertaking.
(5) If the Insurance Supervision Agency discovers, after consulting with College members, that the plan referred to in Paragraph 3 or Paragraph 4 of this Article is unsuitable or that it was not implemented within the agreed period, it shall decide that the conditions referred to in Article 394, Paragraph 2, Items 2–4 of this Act are no longer met. It shall notify the supervisory authority of the controlled insurance undertaking concerning of its decision.

(6) The re-application of Article 395 and 396 of this Act shall be possible only pursuant to the procedure referred to in Article 394 of this Act.

Article 398
(Controlled insurance undertakings of an insurance holding company or a mixed financial holding company)

The provisions of Articles 394 through 397 of this Act shall apply, mutatis mutandis, to insurance holding companies or mixed financial holding companies.

8.4. Supervision of risk concentration and of transactions within the group

Article 399
(Supervision of risk concentration)

(1) The entities referred to in Article 377, Paragraph 1 of this Act shall regularly or at least once a year report to the Insurance Supervision Agency on possible concentrations of considerable risk at group level.

(2) If the Insurance Supervision Agency is the group supervisor, it shall carry out supervision of the risk concentration in the group:
   - in accordance with Article 402 of this Act and
   - acts issued by the European Commission pursuant to Article 244, Paragraph 4 of Directive 2009/138/EC.

(3) As the group supervisor, the Insurance Supervision Agency shall consult with the relevant supervisory authorities of other Member States and with the group itself and determine the type of risks on which the insurance undertakings in the group are reporting in all circumstances. When defining the risk type and expressing its opinion on it, the Insurance Supervision Agency and the relevant supervisory authorities of other Member States shall take into consideration a particular group and a group risk management structure.

(4) For the purpose of defining a considerable risk concentration at group level concerning which there are reports, the Insurance Supervision Agency shall specify the limit values of the group, which shall be based on the solvency capital requirement, the technical provisions, or both. The Insurance Supervision Agency shall consult with the relevant supervisory authorities of other Member States and with the group concerning the limit values of the group.

(5) When reviewing risk concentration, the Insurance Supervision Agency mainly monitors the possible risks of infection in the group, risks relating to conflicts of interest, and the level and scope of risks.

Article 400
(Supervision of transactions within the group)
(1) As the group supervisor, the Insurance Supervision Agency shall carry out the supervision of transactions among the undertakings within the group and the supervision of transactions carried out by undertakings within the group with natural entities which are closely related to the undertakings in the group:
- in accordance with Article 402 of this Act and
- acts issued by the European Commission pursuant to Article 245, Paragraph 4 of Directive 2009/138/EC.

(2) The entities referred to in Article 377, Paragraph 1 of this Act shall report to the Insurance Supervision Agency regularly or at least once a year on all significant transactions within the group and on transactions with natural entities closely related to the undertakings within the group. An entity referred to in Article 377, Paragraph 1 of this Act shall report on any very important transaction within the group as soon as possible.

(3) The Insurance Supervision Agency shall consult with the relevant supervisory authorities of other Member States and with the group itself concerning transaction types on which the insurance undertakings in the group are reporting in all circumstances. When defining the transaction type and expressing its opinion on it, the Insurance Supervision Agency and the relevant supervisory authorities of other Member States shall take into consideration a particular group and a group risk management structure. As the group supervisor, the Insurance Supervision Agency shall decide on the transaction types concerning which the insurance undertakings in the group report in all circumstances and concerning which it reports after consulting with the relevant supervisory authorities.

(4) For the purpose of defining significant transactions and very significant transactions concerning which there are reports, the Insurance Supervision Agency shall determine the limit values of the group, which shall be based on the solvency capital requirement, the technical provisions, or both. The Insurance Supervision Agency shall consult with the relevant supervisory authorities of other Member States and with the group concerning the limit values of the group.

(5) When supervising transactions within the group, the Insurance Supervision Agency mainly monitors possible risks of infection in the group, risks relating to conflicts of interest, and the level and scope of risks.

Article 401
(Risk concentration supervision and the supervision of transactions within the group at the level of the final parent company)

As the group supervisor, the Insurance Supervision Agency may decide, after consulting with College members, not to carry out risk concentration supervision or the supervision of transactions within the group at the level if the final parent company at EU level of this company is controlled by a company that is subject to supplementary supervision pursuant to Article 5, Paragraph 2 of Directive 2002/87/EC.

8.5. Supervisory measures in a group

Article 402
(Supervisory measures in a group)

(1) The Insurance Supervisory Agency shall adopt measures necessary within supervision at group level if:
1. an insurance undertaking, an insurance holding company or a mixed financial holding company with its head office in the Republic of Slovenia fails to provide information relevant for the performance of supervision at group level to an insurance undertaking, an insurance holding company or a mixed financial holding company with the head office in the Republic of Slovenia or any other Member State;

2. an insurance undertaking, and insurance holding company or a mixed financial holding company with the head office in the Republic of Slovenia has not established or realised a solid and reliable management system as referred to in Article 374 of this Act pursuant to the provisions of this Act and risk management regulations;

3. an insurance undertaking, and insurance holding company or a mixed financial holding company with the head office in the Republic of Slovenia has not established or realised a reporting system referred to in Article 374 of this Act;

4. the insurance undertaking referred to in Article 376, Paragraph 1 or 2 of this Act fails to meet the requirements of this Act and of risk management regulations concerning the solvency capital requirement at group level;

5. the insurance undertaking, the insurance holding company, or the mixed financial holding company referred to in Article 377, Paragraph 1 of this Act fails to carry out its own risk and solvency assessment at group level pursuant to Article 374 of this Act;

6. an insurance undertaking, an insurance holding company, or a mixed financial holding company with the head office in the Republic of Slovenia fails to observe the restrictions laid down in this Act and the risk management regulations in its operations;

7. the insurance undertaking, the insurance holding company, or the mixed financial holding company referred to in Article 377 of this Act fails to calculate the solvency capital requirement at group level and fails to report to the Insurance Supervision Agency pursuant to the provisions of Section 8.3 of this Act and of risk management regulations;

8. an insurance undertaking, and insurance holding company or a mixed financial holding company with the head office in the Republic of Slovenia fails to act in accordance with an order concerning the elimination of violations;

9. business transactions within the group or risk concentrations threaten the financial situation of an insurance undertaking, an insurance holding company, or a mixed financial holding company with the head office in the Republic of Slovenia;

10. the management of a controlling insurance holding company or a mixed financial holding company with the head office in the Republic of Slovenia fails to meet the conditions referred to in Article 375 of this Act;

11. the insurance undertaking, the insurance holding company, or the mixed financial holding company referred to in Article 377, Paragraph 1 of this Act fails to publish a report on the solvency and the financial situation at group level pursuant to Article 403 of this Act.

(2) The measures of the Insurance Supervision Agency shall be based on information acquired by performing supervision or from the group supervisor.

(3) If the Insurance Supervision Agency is the group supervisor and if an insurance undertaking, insurance holding company, or a mixed financial holding company within the group has the head office in another Member State, the Agency shall notify the supervisory authority of the country where the head office of the insurance undertaking, insurance holding company, or mixed financial holding company is located concerning the violation of this insurance undertaking, insurance holding company, or mixed financial holding company. When adopting the supervisory measures arising from this Article, the Insurance Supervision Agency shall act pursuant to acts adopted by the European Commission on the basis of Article 258, Paragraph 3 of Directive 2009/138/EC.

(4) Articles 281 and 283 of this Act and provisions of Sections 7.4. to 7.8. of this Act shall apply to the measures adopted by the Insurance Supervision Agency for the
purpose of supervision at group level with regard to an insurance undertaking, an insurance holding company, or a mixed financial holding company with the head office in the Republic of Slovenia.

8.6 Group solvency and financial condition report

Article 403
(Group solvency and financial condition report)

(1) The entities referred to in Article 377, Paragraph 1 of this Act shall publish a report on the solvency and financial situation of the group at least once a year. The following provisions shall apply to the group solvency and financial condition report:
- the provisions of Articles 261 to 264 of this Act,
- acts issued by the European Commission pursuant to Article 256, Paragraph 4 of Directive 2009/138/EC, and
- implementing technical standards issued by the European Commission pursuant to Article 256, Paragraph 5 of Directive 2009/138/EC.

(2) If acting as the group supervisor, the Insurance Supervision Agency consents, the group solvency and financial condition report drafted by the participating company shall contain the following:
1. information at group level in accordance with Paragraph 1 of this Article, and
2. information pursuant to Articles 261 through 264 of this Act concerning any controlled undertaking that is individually recognisable which has the head office in the Republic of Slovenia or any other Member State.

(3) Prior to issuing a consent arising from the preceding paragraph, the Insurance Supervision Agency shall consult with other College members and take their views into consideration.

(4) If the joint solvency and financial condition report approved by the group supervisor for each controlled insurance undertaking with the head office in the Republic of Slovenia does not include all data pursuant to Articles 261 to 264 of this Act, the Insurance Supervision Agency may require that this controlled insurance undertaking disclose the missing deficient data.

(5) The entities referred to in Paragraph 1 of this Article or a controlled insurance undertaking with the head office in the Republic of Slovenia shall ensure that the report or the joint solvency and financial condition report is published in Slovenian on the undertaking's public website.

8.7 Third countries

Article 404
(Supervision at group level if a controlling undertaking has its head office in a third country: determining the equivalence of the supervisory regime)

(1) If an insurance undertaking that is controlled by an insurance undertaking with its head office in a third country, by an insurance holding company with its head office in a third country, or a mixed financial holding company with its head office in a third country is not subject to supervision at group level for which the Insurance Supervision Agency or a supervisory authority from another Member State is competent and responsible pursuant to
Article 356 of this Act, the Insurance Supervision Agency, either upon the request of a controlling undertaking or another insurance undertaking in the group or on its own initiative, shall verify whether this insurance undertaking is subject to supervision at group level by a supervisory authority from this third country and whether the supervision is equivalent to the supervision at group level pursuant to this Act.

(2) If the supervisory regime of a third country has been verified by the European Commission beforehand pursuant to Article 260, Paragraph 3 of Directive 2009/138/EC, the Insurance Supervision Agency shall take into consideration the results of such verification and not carry out the verification referred to in the preceding paragraph.

(3) Prior to adopting the decision referred to in Paragraph 1 of this Article, the Insurance Supervision Agency shall consult with the relevant supervisory authorities of other Member States and EIOPA and act pursuant to the acts adopted by the European Commission on the basis of Article 260, Paragraph 2 of Directive 2009/138/EC.

**Article 405**
(Parent undertaking with the head office in a third country if the supervisory regime is equivalent)

(1) If the supervisory regime at group level in a third country in accordance with the preceding article is equivalent, the supervisory authority of the third country shall perform supervision at group level in the group of which the insurance undertaking forms part.

(2) In the case referred to in the preceding paragraph, Section 8.1 of this Act shall apply, mutatis mutandis, with regard to the cooperation of the Insurance Supervision Agency with a group supervisor of a third country.

**Article 406**
(Parent undertaking with the head office in a third country if the supervisory regime is not equivalent)

(1) If the supervisory regime at group level in a third country where the parent undertaking has its head office is not equivalent pursuant to Article 404 of this Act, the Insurance Supervision Agency shall perform supervision at group level in cases arising from Articles 356 and 357 of this Act.

(2) For the purpose of supervision at group level if a parent undertaking has its head office in a third country where the supervisory regime at group level is not equivalent, and if supervision at group level is performed by the Insurance Supervision Agency or a supervisory authority of another Member State, Articles 357 through 393 and Articles 399 through 403 of this Act shall apply.

(3) The supervision at group level referred to in the preceding paragraph shall be carried out at the level of an insurance holding company, a mixed financial holding company, or an insurance undertaking from a third country.

(4) In the calculation of the solvency of a group, the parent undertaking with its head office in a third country shall be treated as an insurance undertaking, to which Sections 4.9. through 4.11. of this Act concerning own funds shall apply, and:

1. if an insurance holding company or a mixed financial holding company is from a third country, the provisions of Article 386 of this Act concerning the solvency capital requirement shall apply;
2. if an insurance undertaking is from a third country, the provisions of Article 387 of this Act concerning the solvency capital requirement shall apply.

(5) In instances when the Insurance Supervision Agency performs supervision at group level in a group the parent undertaking of which has its head office in a third country, it may, after consulting with College members beforehand, determine and utilise other suitable supervisory procedures and measures in order to achieve the goals of supervision at group level. In particular, the Insurance Supervision Agency may require that an insurance holding company or a mixed financial holding company be founded with its head office in the EU and that this address be used for insurance undertakings in the group the parent of which is the aforesaid insurance holding company.

Article 407
(A controlling undertaking with its head office in a third country: levels)

(1) If a controlling company with its head office in a third country is controlled by an insurance holding company, a mixed financial holding company, or an insurance undertaking in a third country, the Insurance Supervision Agency shall verify the equivalence of the supervisory regime at group level referred to in Article 404 of this Act, but only in the country where the head office of the final parent company is located.

(2) If the supervisory regime at group level in the third country of a final controlling undertaking is not equivalent, the Insurance Supervision Agency may verify the equivalence of the supervisory regime in the third country where the head office of a lower-level controlling company is located. In this case, the Insurance Supervision Agency shall clarify its decision to the group.

(3) Articles 405 and 406 of this Act shall apply, mutatis mutandis, to supervision at group level in a group that has multiple levels in third countries.

8.8 (Mixed insurance holding company and mixed financial holding company)

Article 408
(Supervision of a mixed insurance holding company)

(1) If the parent company of an insurance undertaking is a mixed insurance holding company, the Insurance Supervision Agency shall carry out the supervision of transactions:
1. between a mixed insurance holding company and one or more insurance undertakings, and
2. between companies associated with a mixed insurance holding company and these insurance undertakings.

(2) Articles 369 through 373, Article 400, and Article 402 of this Act shall apply, mutatis mutandis, to the supervision of the transactions referred to in Paragraph 1 of this Article.

Article 409
(Supervision of a mixed financial holding company)

(1) If the Insurance Supervision Agency finds that a mixed financial holding company is subject to equivalent, risk-based provisions concerning the supervision pursuant
to this Act and to Directive 2002/87/EC, the Insurance Supervision Agency, acting as the
group supervisor and after consulting with the relevant supervisory authorities, may apply
only the provisions of the act regulating financial conglomerates for the supervision of a
mixed financial holding company.

(2) If the Insurance Supervision Agency finds that a mixed financial holding
company is subject to equivalent, risk-based provisions concerning the supervision pursuant
to this Act and to Directive 2013/36/EC, the Insurance Supervision Agency, on the basis of
Directive 2013/36/EC, acting as the group supervisor and after reaching an agreement with
the supervisory authority responsible for supervision on a consolidated basis, may apply only
the provisions of the act regulating the field of the most important financial sector, as
determined by law, regulating financial conglomerates for the supervision of a mixed financial
holding company.

(3) The Insurance Supervision Agency shall inform EIOPA and the European
Banking Authority established in accordance with Regulation 1093/2010 concerning the
decision referred to in Paragraph 1 or 2 of this Article.

Chapter 9:
BANKRUPTCY OF AN INSURANCE UNDERTAKING

9.1 Common provisions

Article 410
(Ban on compulsory composition)
Compulsory composition proceedings may not be instituted against an insurance
undertaking.

Article 411
(Application of provisions regarding bankruptcy proceedings)
Unless otherwise laid down by this Act, the provisions of the Act governing the
bankruptcy of companies shall apply to the bankruptcy of insurance undertakings.

Article 412
(Grounds for bankruptcy)
The Insurance Supervision Agency shall issue a decision on the determination of
the grounds for initiating bankruptcy proceedings:
1. if, on the basis of the report arising from paragraph two of Article 323 of this Act, it
estimates that, during special administration, the financial state of the insurance
undertaking did not improve and the insurance is not able to routinely fulfil its due
obligations despite the special administration, or
2. if, when performing supervision of an insurance undertaking, it discovers that the assets
of the insurance undertaking are not sufficient to settle all the insurance undertaking’s
creditors.

Article 413
(Initiation of bankruptcy proceedings)
(1) The Insurance Supervision Agency shall file a motion to initiate bankruptcy proceedings at the competent court on the day following the issuing of a written copy of the decision on the determination of the conditions for initiating bankruptcy proceedings. It shall enclose the decision on the determination of the grounds for the initiation of bankruptcy proceedings.

(2) The court shall issue a decision on the initiation of bankruptcy proceedings without re-examining the conditions for the initiation of these proceedings within three business days after the motion referred to in the preceding paragraph is filed.

(3) An appeal against the decision on the initiation of bankruptcy proceedings referred to in the preceding paragraph shall not be possible.

Article 414
(Application of provisions regarding bankruptcy proceedings of an insurance undertaking with a branch office in another Member State)

(1) The second paragraph of Article 329, and Articles 335, 336, 338 and 339 of this Act shall apply mutatis mutandis to the bankruptcy proceedings of an insurance undertaking which has a branch in another Member State, unless otherwise stipulated in Articles 2 and 3 of this Article.

(2) The bankruptcy court shall publish the decision on initiating bankruptcy proceedings as a summary in the Official Journal of the European Union and in two daily newspapers published throughout the Member State where the branch of the insurance undertaking is located.

(3) Creditors’ claims shall be lodged with the bankruptcy court.

Article 415
(Notifying known creditors of the initiation of bankruptcy proceedings of an insurance undertaking with a branch office in another Member State)

(1) The official receiver shall immediately notify all known creditors of the insurance undertaking whose residence or head office is in the territory of Member States individually, in Slovenian, concerning the issuing of a decision on initiating the bankruptcy proceedings of an insurance undertaking with a branch in a member state; this shall be performed on a special form, which bears the following title in all the official languages of the European Union: “Invitation to pursue claims and time limits to be observed.”

(2) The notification arising from the previous paragraph shall include the following information:
- the name and address of the authority that is to manage the bankruptcy proceedings, and of the authority to which the lodgement of claims must be sent;
- the deadline for the lodgement of creditors’ claims, and the consequences of missing the deadline;
- information on the rights and duties of creditors in the bankruptcy proceedings, particularly whether creditors who have privileged claims and creditors whose claims have been secured by means of rights in rem shall also lodge their claims;
- information on the effect of the commencement of the bankruptcy proceedings on insurance contracts, particularly information on the date when their validity terminates and the consequences relating to the rights and duties of policyholders, insured persons, or other beneficiaries.
(3) Official receivers shall regularly notify creditors concerning the progress of the bankruptcy proceedings.

(4) The provisions of the act regulating the civil procedure, in particular the section regulating personal service, shall apply, *mutatis mutandis*, for notifying creditors arising from paragraph one of this Act.

**Article 416**  
(Official receiver)

(1) The official receiver shall be appointed by the court upon the proposal of the Insurance Supervision Agency. The Insurance Supervision Agency may propose as official receivers only persons with a valid authorisation from the minister competent for justice to act as an official receiver in insolvency and compulsory composition proceedings.

(2) If there are grounds for discharging an official receiver, the court shall inform the Insurance Supervision Agency prior to issuing the decision on the discharge concerning the grounds, and it shall request that the Agency declare its opinion on the grounds within a deadline that may not be less than three days or more than eight days.

**Article 417**  
(Announcement of initiation of bankruptcy proceedings)

In addition to the data that must be included in the announcement of the initiation of bankruptcy proceedings of an insurance undertaking pursuant to the law governing the bankruptcy of companies, this announcement shall also include the following:

1. a warning to insurance undertakings and other beneficiaries concerning the legal consequences of the initiation of bankruptcy proceedings of an insurance undertaking as referred to in Article 418 of this Act,
2. the name, surname, and address of a trustee, provided that they have been appointed.

**Article 418**  
(Termination of insurance contracts)

The insurance contracts that an insurance undertaking entered into shall cease to be valid 30 days after the announcement of the initiation of bankruptcy proceedings of an insurance undertaking is published in the Official Gazette of the Republic of Slovenia.

**Article 419**  
(The opinion of the Insurance Supervision Agency)

(1) When a court adjudicates on the realisation of the bankruptcy estate according to the Act governing the bankruptcy of companies, based on the preliminary opinion of the creditors’ committee, it shall also obtain the opinion of the Insurance Supervision Agency in the event of the bankruptcy of an insurance undertaking.

(2) The provisions of the act on the bankruptcy of companies shall apply *mutatis mutandis* concerning the opinion of the Insurance Supervision Agency referred to in the preceding paragraph on the opinion of the creditors’ committee.

**Article 420**
In addition to submitting a copy of the reports on the progress of bankruptcy proceedings to the court, the official receiver shall also submit a copy to the Insurance Supervision Agency.

Article 421
( Preferential payment of claims arising from insurance contracts)

(1) Claims arising from insurance contracts shall be paid as preferential claims using insurance technical provisions before preferential claims, as defined by the Act governing the bankruptcy of companies, are paid.

(2) The claims referred to in the preceding paragraph shall be paid in the following priority order:

1. claims arising from life insurance or non-life insurance, shall be preferentially paid from funds from the register of funds for life and non-life insurance managed pursuant to Article 240 of this Act with the exception of the claims referred to in Article 422 of this Act in the amount that was paid from the funds referred to in Article 423 of this Act and with the exception of the claims referred to in point 3 of this paragraph;

2. claims arising from life and non-life insurance referred to in the preceding item which were not paid from funds from the registers of funds shall be paid from the remaining funds from the stated registers;

3. claims arising from insurance related to the return of the part of the premium paid for a period following the expiry of insurance and the return of the premium for insurance that did not enter into effect prior to the initiation of bankruptcy proceedings due to withdrawal, cancellation, or other reasons.

9.2 Special provisions for the payment of claims of those types of insurance relating to which there is a right to payment from particular funds of an insurance undertaking

Article 422
(Application of the provisions of this section)

If insurance includes a right relating to particular funds of the insurance undertaking which allows claims arising from such insurance to be paid from these funds in the event of bankruptcy, the provisions of this section shall apply to claims arising from such insurance.

Article 423
( Right to separate settlement)

(1) As of the date of the commencement of bankruptcy proceedings, beneficiaries of insurance referred to in the preceding paragraph shall acquire a right to separate settlements relating to the payment of their claims from the funds referred to in the preceding article.

(2) The beneficiaries of the insurance referred to in the preceding article shall have the right to be paid from those funds to which the right to separate settlements applies to settle their claims before other claims in an amount that is equal to the required coverage arising from the insurance policy from which the claim arises.
(3) If the funds from the preceding paragraph do not suffice to fully settle the claims referred to in the preceding paragraph, these claims shall be paid in an amount which is in an equal ratio to the required coverage arising from the insurance policy from which the claim arises as the ratio between the full amount of funds from the preceding paragraph and the required coverage for all insurance contracts entered into by the insurance undertaking with respect to these funds.

(4) Other claims arising from the insurance referred to in the preceding article shall be settled with the funds referred to in paragraph two of this Article that remain after the claims referred to in paragraph two of this Article have been settled.

(5) If the funds referred to in paragraph two of this Article do not suffice to fully settle the other claims referred to in the preceding paragraph, such claims shall be paid proportionately from the funds referred to in paragraph two of this Article.

(6) The balance of claims and the total amount of required coverage as at the date of the initiation of bankruptcy proceedings are of major importance for determining the amount of a claim and the total amount of coverage required.

Article 424
(A separate cash account for funds in bankruptcy)

(1) With regard to each group of funds referred to in Article 422 of this Act, the official receiver shall open, in addition to a general account of the debtor in bankruptcy, a separate cash account for these groups of funds at an organisation that performs payment transactions.

(2) The official receiver shall perform all transactions by drawing from the monetary funds obtained by collecting the funds arising from Article 422 of this Act through a special cash account referred to in the preceding paragraph.

(3) In addition to the official receiver, the trustee shall also approve each payment order for the payment from the special cash account referred to in paragraph one of this Article.

Article 425
(Trustee)

(1) In order to protect the interests of the beneficiaries of insurance arising from Article 422 of this Act, the bankruptcy court shall appoint a trustee, proposed by the Insurance Supervision Agency, by means of a decision concerning the commencement of bankruptcy proceedings.

(2) A person who meets the conditions for appointment as an official receiver and has suitable knowledge and experience in the insurance business may be appointed as a trustee.

(3) The official receiver shall enable the trustee to review the books of account and other records and documents of the insurance undertaking required to determine the scope of the funds referred to in Article 422 of this Act, the lodging of beneficiaries’ claims, and the exercise of other authorisations held by the trustee under this Act.
(4) When the Act on the bankruptcy of companies states that an opinion or consent of the creditor’s committee must be obtained, an opinion or consent of the trustee shall also be obtained concerning the funds referred to in Article 422 of this Act.

(5) The regulations that apply to the official receiver shall also apply mutatis mutandis to the trustee and his authorisations and duties.

Article 426
(Lodging and testing of claims)

(1) The deadline for lodging claims arising from paragraph one of Article 423 of this Act shall be within three months following the publication of the announcement of the initiation of bankruptcy proceedings in the Official Gazette of the Republic of Slovenia.

(2) The trustee shall lodge the claims arising from Article 423 of this Act on behalf of, and for the account of, the beneficiaries, and the trustee shall also notify the beneficiaries that he has done so. Beneficiaries may also lodge their own claims.

(3) The claims lodged by the trustee shall count as declared in the bankruptcy proceedings of an insurance undertaking, and the provisions of the Act on the bankruptcy of companies regarding the testing of claims shall not apply to these claims.

(4) If a claim is lodged by both a beneficiary and the trustee, the lodging of the beneficiary’s claim shall be taken into consideration and tested only with regard to the amount that exceeds the claim lodged by the trustee on behalf of, and for the account of, the beneficiary.

Chapter 10:
THE DECISION-MAKING PROCEDURE OF THE INSURANCE SUPERVISION AGENCY CONCERNING INDIVIDUAL MATTERS

10.1 General provisions

Article 427
(Application of procedural provisions)

(1) The Insurance Supervision Agency shall decide on individual matters for which it is competent pursuant to this or any other act or procedure laid down in this chapter, unless determined otherwise by the act for particular procedure types.

(2) Unless stated otherwise in this Act, the provisions of the Act on the general administrative procedure shall apply to the decision-making procedure of the Insurance Supervision Agency.

(3) Notwithstanding the provision referred to in the previous paragraph, the reinstatement of the previous condition may not be required in the decision-making procedure of the Insurance Supervision Agency, nor may any further appeal (extraordinary legal remedy) be lodged.

(4) Notwithstanding the provision referred to in the preceding paragraph, the reopening of a procedure is permitted in the procedure for the withdrawal of an authorisation, but only if new facts and new evidence are presented and if the motion to reopen the
procedure is filed within one year following the finality of the decision on the withdrawal of an authorisation.

Article 428
(Bodies implementing a procedure and liability for damages)

(1) The bodies carrying out procedures shall be the senate and the senate chairman.

(2) The senate chairman and senate members as well as the expert associates of the Insurance Supervision Agency that perform individual tasks in decision-making procedures concerning individual matters for which the Insurance Supervision Agency is competent pursuant to this or any other act shall not be held liable for any damages incurred by the parties or other entities while performing the said tasks in said procedures, unless the damage is caused deliberately or is due to grave negligence.

Article 429
(structure and jurisdiction of the senate)

(1) The senate consists of all members of the Expert Council of the Insurance Supervision Agency, of which one shall act as the senate chairperson. A senate meeting shall also be deemed an Expert Council meeting.

(2) The senate shall decide:
1. on all individual matters regarding which a decision must be reached by issuing a decision, unless the competency of the senate chairperson is determined by law for an individual case, and
2. on any objections against the orders of the senate chairperson.

(3) The procedure leading up to the issuing of a decision shall be led by the senate chairperson or an expert associate of the Insurance Supervision Agency who may lead an administrative procedure, pursuant to the Act governing the administrative procedure, and he shall be authorised to do so by the senate chairman.

Article 430
(Chairperson of the senate)

(1) The competencies of the senate chairperson in leading a procedure or reaching a decision concerning an individual matter shall be carried out by a member of the Agency’s Expert Council elected by Expert Council members.

(2) The senate chairman shall decide on:
1. all individual matters to be decided by issuing an order or a procedural decision;
2. issues regarding procedure and issues arising as secondary issues regarding the performance of a procedure and regarding which a decision is not issued;
3. requests for the entry in the registers kept by the Insurance Supervision Agency by law; and
4. all other individual matters regarding which a decision must be reached by issuing a decision if so required by law for an individual case.

Article 431
(Senate meeting)
(1) The senate shall reach a decision after consulting and voting at a closed meeting.

(2) The senate’s decision shall be valid if the majority of senate members are present at a meeting.

(3) The senate chairman shall lead the consultation and voting, and shall be the last to vote. The chairman's duty is to make sure that all issues are discussed fully and comprehensively.

(4) If votes on individual issues that are subject to a vote are divided to multiple opinions, none of which has the required majority, issues shall be separated and the voting shall be repeated until a majority is reached. If a majority is not reached in such a manner, a decision shall be reached by adding the votes that are least favourable to the subject of supervision to the votes that are less unfavourable than the aforesaid votes until the required majority is reached.

(5) Senate members may not refuse to vote on issues raised by the senate chairman. However, a senate member who votes for a procedure for the withdrawal of authorisation to be stayed and who remains in the minority is not required to vote on a sanction. If the member abstains, it shall be deemed that they agree with the vote which is the most favourable to the subject of supervision.

(6) A decision is reached when the majority of senate members present at a meeting vote in its favour.

(7) Notwithstanding the preceding paragraph, a decision on a withdrawal of authorisation shall be adopted, provided that the majority of all senate members vote for it.

Article 432
(Minutes on consultation and voting)

(1) Special minutes shall be taken on the consultation and voting.

(2) The minutes on the consultation and voting shall include the voting procedure and the decision adopted.

(3) Special opinions shall be enclosed with the minutes concerning the consultation and voting if such opinions are not already included in the minutes on the consultation and voting.

(4) The minutes on the consultation and voting shall be signed by all senate members and the typist.

(5) The minutes on the consultation and voting shall be placed in a special envelope. These minutes may be reviewed only by the court that is ruling in an administrative dispute. In this case, the court shall once again place the minutes in a special envelope and indicate on the envelope that it has reviewed the minutes.

Article 433
(Statements of the parties)

(1) Parties’ statements shall be in writing.
(2) In the event arising from paragraph two of Article 435 of this Act, parties may also make oral statements at a hearing.

Article 434
(Possibility of making a statement)

(1) Prior to issuing a decision that must be issued ex officio and which may not be appealed, the Insurance Supervision Agency shall ask the party to provide a statement on the facts and circumstances relevant to the decision, provided that the act does not stipulate an alternative manner of providing the party with a method of making a statement.

(2) The request from the previous paragraph shall contain:
1. facts and circumstances concerning which the party should make a statement and the evidence from which these facts arise;
2. a deadline for providing a statement, which may not be less than eight days;
3. an instruction to the party to enclose documentary evidence with the statement if the party refers to such evidence, and an instruction stating that the party will not have the right to present new facts or new evidence.

(3) In the statement, the party must state facts from which it is evident that the facts and circumstances stated in the request referred to in paragraph one of this Act do not obtain, and the party must also present evidence by means of which it will prove the existence of the claimed facts. If the party refers to documentary evidence in its statement, such evidence must be enclosed.

(4) If a party fails to enclose documentary evidence with its statement, the provisions on incomplete applications shall not apply, but when reaching a decision, the Insurance Supervision Agency shall consider only the evidence enclosed with the statement.

(5) When the deadline for the statement expires, the party shall no longer have the right to state new facts or present new evidence.

Article 435
(Decision-making)

(1) The Insurance Supervision Agency shall make decisions without a hearing.

(2) Notwithstanding the preceding paragraph, the Insurance Supervision Agency may call for an oral hearing:
1. if the party, witnesses, or expert witnesses must be examined in order to clarify or determine relevant facts,
2. if two or more parties with conflicting interests are involved in a procedure,
3. in other cases if the Agency deems this useful to clarify the matter.

Article 436
(Types of decision)

(1) The Insurance Supervision Agency shall issue decisions in the form of decisions, procedural decisions, and orders.

(2) An appeal against the decisions of the Insurance Supervision Agency shall not be possible.
Article 437
(Decision)

By means of a decision, the Insurance Supervision Agency shall reach decisions on issuing and withdrawing authorisations and on other matters, with the exception of those matters which the act stipulates that should be decided by means of a procedural decision or order.

Article 438
(Format and service of a decision)

(1) A decision shall be issued in writing.

(2) The original decision shall be signed by the senate chairman.

(3) The parties shall receive a notarised transcript of the decision.

Article 439
(Integral parts of a decision)

(1) Each decision shall include an introduction, an operative part, and an instruction on legal remedies.

(2) In addition to the data included in the introduction of a decision pursuant to the Act governing the general administrative procedure, a decision of the Insurance Supervision Agency shall also include the name and surname of the senate chairman and the senate members who took part in the decision-making process.

(3) The decision shall include an explanatory note, unless determined otherwise by law. The explanatory note shall also include an explanation of those orders against which a special court protection procedure is not permitted.

(4) A declaratory decision by means of which the Insurance Supervision Agency determines that a particular fact has arisen based on the provisions of this act shall have a brief explanatory note that includes only references to the regulations on the basis of which the declaratory decision is issued.

(5) A decision by means of which the Insurance Supervision Agency satisfies a claim of a party in a procedure initiated upon the proposal of the party may include a brief explanatory note that contains only the explanation of the party’s claim and the references to the regulations on the basis of which the decision on the matter was reached.

Article 440
(Procedural decision)

(1) By means of a procedural decision, the Insurance Supervision Agency shall decide on issues relating to, or in connection with, a procedure.

(2) A procedural decision shall include an explanation and a caution on legal remedies only if a special judicial protection procedure against the procedural decision is permitted.
(3) The provisions of Articles 438 and 439 of this Act shall apply *mutatis mutandis* to procedural decisions.

(4) A special judicial protection procedure shall be permitted only against a procedural decision against which an appeal is permitted pursuant to the provisions of the Act governing the general administrative procedure.

10.2 Judicial protection procedure

10.2.1. Common provisions

**Article 441**  
(Judicial protection procedure)

(1) A judicial protection procedure may be initiated against decisions reached by the Insurance Supervision Agency.

(2) The Act governing administrative disputes shall apply in the procedure for judicial redress referred to in the preceding paragraph, unless otherwise provided by this Act.

**Article 442**  
(Right to judicial protection)

There is no special judicial protection procedure against a decision, by means of which the Insurance Supervision Agency initiates a procedure to revoke an authorisation. The decision referred to in the previous sentence may be contested by means of a legal action in the judicial protection procedure against a decision on revoking authorisation.

**Article 443**  
(Court jurisdiction and structure)

A senate with three judges shall deliberate in the process of judicial protection.

**Article 444**  
(Priority adjudication)

All matters in the process of judicial protection according to this Act are necessary, and therefore, the court shall prioritise them.

**Article 445**  
(Action and statement of defence)

(1) An action shall be lodged within fifteen days.

(2) A statement of defence shall be lodged within eight days.

**Article 446**  
(New facts and evidence)
A plaintiff in the judicial protection proceedings may not introduce new facts or present new evidence.

**Article 447**
**(Scope of review)**

The court shall review the decision of the Insurance Supervision Agency within the scope of the claim and within the scope of the grounds stated in the action, whereby special attention should be paid ex officio to any significant violation of the procedural provisions referred to in the Act governing administrative disputes.

**Article 448**
**(Hearing)**

The court shall adjudicate without a trial.

**Article 449**
**(Legal remedies)**

A judgment or decision issued in judicial protection proceedings may not be appealed.

10.2.2. Judicial protection procedure against the decision on the winding up of an insurance undertaking

**Article 450**
**(Application of provisions)**

(1) The provisions of Sub-section 10.2.2. of this Act shall apply in the judicial protection procedure against a decision concerning the initiation of compulsory liquidation and against a decision on the determination of the conditions for initiating bankruptcy (hereinafter: decision on liquidation).

(2) Unless otherwise provided in Sub-section 10.2.2. of this Act, the provisions of Sub-section 10.2.1 of this Act shall apply in the judicial protection procedure against a decision on the liquidation of an insurance undertaking or an insurance holding company.

**Article 451**
**(the plaintiff)**

(1) A legal action against the decision on liquidation may be filed by:

1. an insurance undertaking,
2. an insurance holding company,
3. shareholders whose shares together comprise at least one tenth of the share capital of the insurance undertaking or insurance holding company.

(2) If the plaintiff in the judicial protection procedure is an insurance undertaking, it shall be represented by its management, the other powers and competences of whom were withdrawn due to the decision to liquidate the insurance undertaking.
Article 452  
(New facts and evidence)

(1) Notwithstanding the provision of Article 446 of this Act, the plaintiff may provide new facts and present new evidence in a legal action against a decision on the liquidation of an insurance undertaking. If the plaintiff refers to documentary evidence in the legal action, such evidence shall be enclosed.

(2) The Insurance Supervision Agency may provide new facts and present new evidence in its statement of defence. If it refers to documentary evidence in the statement of defence, such evidence shall be enclosed.

(3) If the plaintiff or the Insurance Supervision Agency fails to enclose the documentary evidence to which it refers in the legal action or the statement of defence, the provisions on incomplete applications shall not apply, but the court, in its decision-making process, shall consider only the evidence that was enclosed with the complaint or the statement of defence.

(4) After the expiry of the deadline for bringing a legal action or providing a statement of defence, the parties shall no longer have the right to state new facts or present new evidence.

Article 453  
(Trial and hearing)

(1) The court shall reach a decision after the conclusion of the trial.

(2) The court may reach a decision without a trial if it is discovered during the preliminary proceedings that the facts of the case in the procedure for issuing the decision on the liquidation of an insurance undertaking were fully and correctly discovered or if this is not contested.

Article 454  
(Decision-making)

(1) If the court finds that there are grounds due to which it could set aside an administrative act and reach a decision in a matter by means of a judgement pursuant to the provisions of the Act governing administrative disputes, it shall not set aside the decision on the liquidation of an insurance undertaking, but shall only find by means of a judgement that the decision on the liquidation of an insurance undertaking is illegal and that the conditions for initiating compulsory liquidation are not met.

(2) The judgement referred to in the preceding paragraph shall not affect the course of compulsory composition or the bankruptcy procedure.

(3) In the event arising from paragraph one of this Article, shareholders may enforce possible compensation claims against the Insurance Supervision Agency by means of a law suit.

(4) Notwithstanding Article 449 of this Act, an appeal against the judgement by means of which the court reaches a decision in the judicial protection procedure against the decision on the liquidation of an insurance undertaking shall be permitted, and the decision on such an appeal shall be reached by the Supreme Court by a panel of three judges.
10.3 Supervision procedure

10.3.1. General provisions

Article 455
(Application of provisions)

(1) The provisions of Section 10.3. of this Act dealing with supervision procedure shall apply in all supervision procedures carried out by the Insurance Supervision Agency pursuant to this Act or any other act, provided that an Act governing a particular supervision procedure does not stipulate otherwise.

(2) The provision of Sections 10.1. and 10.2. of this Act shall apply, unless otherwise stipulated in Section 10.3. of this Act.

(3) The provisions of the Act governing inspection shall also apply mutatis mutandis, in particular the chapters on access to the premises, facilities, and devices of the entity liable to undergo inspection and the chapter on the uninterrupted performance of inspection tasks.

Article 456
(Providing data to the Insurance Supervision Agency)

(1) In order for the Insurance Supervision Agency to be able to perform its tasks pursuant to this Act, state authorities, local authorities, holders of public powers, and other legal entities and organisations which have data required for reaching a decision shall provide the Agency, upon request, with the required data and documents necessary to perform a supervision procedure, including data designated as a trade secret pursuant to the Act governing companies and confidential data, i.e. data designated as confidential by the Act governing confidential data.

(2) The entities referred to in the preceding paragraph shall provide the data referred to in the previous paragraph regardless of the rules on the admissibility of the provision of such data, but taking into account the rules on the security measures required when providing data. The Insurance Supervision Agency shall provide security for the data that it receives.

(3) An entity referred to in paragraph one of this Act, to which the Insurance Supervision Agency submits a request to provide data, shall provide accurate and complete data requested by the Insurance Supervision Agency within the deadline determined by the Insurance Supervision Agency. The Insurance Supervision Agency may use the data only for the purpose for which it obtained them. If the entity fails to provide the data by the required deadline, the Insurance Supervision Agency shall set a new deadline for the provision of data.

Article 457
(Party subject to supervision procedure)

(1) A party subject to the supervision procedure shall be an entity supervised by the Insurance Supervision Agency (hereinafter: subject of supervision).
(2) The subject of the supervision carried out relating to an insurance undertaking shall also include the members of the board of an insurance undertaking and the management of an insurance holding company.

**Article 458**
**Service of process**

(1) Documents shall be served to the subject of supervision that is a legal entity or sole trader by serving it on a person authorised to receive such files or to an employee who happens to be at the offices or business premises.

(2) Service to members of the board of an insurance undertaking or to the management of an insurance holding company shall be carried out by serving documents on the insurance undertaking or an insurance holding company. It shall be deemed that documents have been served on the members of the board or the management if they have been served on the insurance undertaking or insurance holding company.

(3) If a party subject to a supervision procedure is represented by a lawyer, it shall be deemed that the party has been served if the file is served on the solicitor or an employee of their law firm.

(4) Files shall be served on a subject of supervision that is not an entity referred to in paragraphs one, two, or three of this Act by serving them at their residence or place of their employment.

**Article 459**
**Alternative personal service of process**

The provisions concerning mandatory personal service of process as per the Act governing the administrative procedure shall apply to alternative personal service of process.

**Article 460**
**Managing the procedure and ordering supervisory measures**

(1) The Insurance Supervision Agency shall manage the supervision procedure and shall order supervisory measures ex officio.

(2) The Insurance Supervision Agency may order a supervisory measure against an insurance undertaking at the proposal of a member of the board or of the supervisory board of an insurance undertaking or of shareholders whose aggregate shares account for at least a tenth of the share capital of an insurance undertaking, provided that the Agency discovers on the basis of such proposal that there are grounds for ordering a supervisory measure ex officio.

(3) The Insurance Supervision Agency may order a supervisory measure against an insurance holding company at the proposal of the management of an insurance holding company or of owners whose aggregate interest in the company accounts for at least a tenth of the share capital of an insurance holding company, provided that it discovers on the basis of such proposal that there are grounds for ordering a supervisory measure ex officio.

(4) The Insurance Supervision Agency may initiate a supervision procedure against another entity referred to in Article 275 of this Act on the basis of a report filed by a market inspector or any other competent government authority, provided that it discovers
based on the report that there are grounds for conducting a supervision procedure ex officio, and it shall initiate a procedure ex officio if it is evident from the information obtained while carrying out supervision of insurance undertakings or any other of its competences that there are grounds for conducting a supervision procedure ex officio.

10.3.2. Order to eliminate violations

**Article 461**
*(Application of provisions concerning the order to eliminate violations)*

(1) The provisions of Subsection 10.3.2. of this Act shall apply to the procedure related to issuing of order to eliminate the violations referred to in Article 302 of this Act.

(2) The provisions of Subsection 10.3.2. of this Act shall also apply, *mutatis mutandis*, to the procedure:
- for issuing an order concerning an additional supervisory measure for the implementation of the risk management rules referred to in Article 308 of this Act, and
- the issuing of an order to cease performing insurance business or to cease performing activities related to insurance agency or brokerage referred to in Articles 351 and 348 of this Act.

**Article 462**
*(Content of the order to eliminate violations)*

(1) The operative part of the order to eliminate violations shall include:
- a specific description of the violations the elimination of which has been ordered by means of an order to eliminate violations,
- the deadline within which the subject of supervision shall eliminate violations and submit a report on the elimination of violations,
- the method of eliminating violations if the Insurance Supervision Agency orders the subject of supervision to eliminate violations in a specific manner,
- documents or evidence concerning the elimination of violations if the Insurance Supervision Agency orders the subject of supervision to submit specific documents or other evidence concerning the elimination of violations.

(2) The order to eliminate violations shall include a statement of grounds.

**Article 463**
*(Objection against an order to eliminate violations)*

(1) The subject of supervision shall have the right to submit an objection to the order to eliminate violations within eight days after it has been served.

(2) If an authorised person submits the objection in a timely manner, the deadline for the elimination of violations set by the order to eliminate violations shall be extended by the period from the submission of the objection to the service of the decision on the objection.

(3) Notwithstanding the preceding paragraph, the Insurance Supervision Agency may decide by means of an order to eliminate violations that the objection will not stay the execution if the execution of the order to eliminate violations may not be delayed due to the nature of the violation.
(4) The Insurance Supervision Agency shall reach a decision on the objection within 15 days of receiving the objection.

(5) The member of the board of an insurance undertaking or a member of the management of an insurance holding company to whom the violation refers shall also have the right to file an objection to the order to eliminate violations by means of which the Insurance Supervision Agency ordered the implementation of the additional measure referred to in point 5 of paragraph one of Article 308 of this Act.

Article 464
(Grounds for objection)

An objection to an order to eliminate violations is permissible if:
1. the order to eliminate violations was issued by a person who is not competent to issue orders;
2. a violation the elimination of which has been ordered by means of an order to eliminate violations is not specified;
3. an action or an omission that was the grounds for issuing the order to eliminate violations does not indicate a violation;
4. the order to eliminate violations cannot not be executed;
5. the execution of the order to eliminate violations would entail an action that is in conflict with the mandatory regulations;
6. the elimination of the violation was imposed by means of the order to eliminate violations on a person whom the Insurance Supervision Agency is not competent to supervise;
7. the submission of a report by an authorised auditor concerning the elimination of violations has been ordered by means of the order to eliminate violations that in conflict with the law;
8. the facts have been erroneously or incompletely determined in the order to eliminate violations.

Article 465
(Contents of an objection)

(1) An objection shall include:
9. a reference to the order to eliminate violations to which an objection is filed;
10. a statement saying that the order to eliminate violations is challenged in full or in part;
11. grounds for objection;
12. other data included in every application.

(2) In the objection, the subject of supervision may state the facts which show that the violations the elimination of which was ordered by means of the order to eliminate violations have not been specified, and the subject of supervision may also present evidence by means of which it shall prove the existence of the claimed facts. If the subject of supervision refers to documentary evidence in its statement, such evidence shall be enclosed.

(3) If the subject of supervision fails to enclose documentary evidence to its objection, the provisions on incomplete applications shall not apply, but when reaching a decision the Insurance Supervision Agency shall consider only the evidence enclosed with the objection.

(4) After the expiry of the deadline for the objection, the subject of the supervision shall not have the right to state new facts or present new evidence.
Article 466  
(The scope of review of an order to eliminate violations)

The Insurance Supervision Agency shall review the order to eliminate violations, namely the part that is contested by means of an objection and within the scope of the grounds specified and explained in the objection.

Article 467  
(Deciding on an objection)

(1) An objection shall be decided on by the Insurance Supervision Agency by means of a decision.

(2) When deciding on an objection, the Insurance Supervision Agency may dismiss, reject or modify the order to eliminate violations or set the order aside.

(3) The Insurance Supervision Agency shall reject an objection if the objection is not permissible if it has been filed too late, or if it is filed by an unauthorised person.

(4) If the Insurance Supervision Agency determines that there are grounds referred to in points 1, 2, 3 or 6 of Article 464 of this Act, it shall annul the order to eliminate violations.

(5) If the Insurance Supervision Agency determines that there are grounds referred to in points 4, 5, 7 or 8 of Article 464 of this Act, it shall either annul or modify the order to eliminate violations, depending on the nature of the violation. When deciding on the objection, the Insurance Supervision Agency shall not modify the order to eliminate violations to the detriment of the subject of supervision.

10.3.3. Withdrawal of authorisation

Article 468  
(Commencement of procedure to withdraw authorisation)

(1) The Insurance Supervision Agency shall initiate a procedure to withdraw authorisation regarding an authorisation that it issued if it is evident from the data available that there is a reasonable suspicion that there are legal grounds for withdrawing an authorisation.

(2) The Insurance Supervision Agency shall decide on the initiation of procedure to withdraw authorisation by means of a decision (hereinafter: decision on the initiation of a procedure to withdraw authorisation).

(3) A decision on the initiation of a procedure to withdraw authorisation shall include:
   1. a specific description of an action, practices, or circumstances that are the grounds for initiating a procedure;
   2. references to documents and other evidence on the basis of which the Insurance Supervision Agency concluded that there is a reasonable suspicion as referred to in paragraph one of this Article;
   3. an explanation of the decision to initiate the procedure.
(4) In the decision on the initiation of a procedure to withdraw authorisation, the Insurance Supervision Agency shall also determine a deadline that is not shorter than 15 days from the date of service of the decision to the subject of supervision, within which period the subject of supervision may make a statement on the grounds for initiating the procedure (hereinafter: statement of grounds for withdrawing authorisation).

Article 469
(Statement of grounds for withdrawing authorisation)

(1) In the statement of grounds for revoking the licence, the subject of supervision may state facts which show that no grounds to revoke the licence exist, and submit evidence which prove the existence of the stated facts. If the subject of supervision refers to documentary evidence in its statement, such evidence shall be enclosed.

(2) If the subject of supervision fails to enclose documentary evidence with its statement on the grounds for withdrawing authorisation, the provisions on incomplete applications shall not apply, but the Insurance Supervision Agency shall consider only the evidence enclosed with the statement when reaching a decision.

(3) After the expiry of the deadline for the statement of grounds for revoking the authorisation, the subject of the supervision shall not have the right to state new facts or present new evidence.

Article 470
(Decision-making with regard to revoking an authorisation)

(1) The Agency shall reach a decision to revoke an authorisation within thirty days of receiving the statement of grounds for revoking the licence or of the expiry of the deadline for said statement.

(2) The Agency may decide to revoke an authorisation only for those actions, practices or circumstances on the basis of which it issued the decision to initiate the proceedings to revoke the licence, and only on the basis of those documents and other evidence cited in the decision to initiate the proceedings and which were attached to the statement of grounds for revoking the authorisation by the subject of the supervision.

Article 471
(Staying of the procedure)

The Insurance Supervision Agency shall stay the authorisation withdrawal procedure by means of a decision if:

1. on the basis of the evidence referred to in paragraph two of the preceding Article, it concludes that the action, practices, or circumstances due to which it issued the decision on the initiation of an authorisation withdrawal procedure do not constitute grounds for the withdrawal of an authorisation, or

2. on the basis of the evidence referred to in paragraph two of the preceding Article, it concludes that it has not been proved that the subject of supervision performed an action or that circumstances arose due to which it issued the decision on the initiation of a procedure to withdraw authorisation.

Article 472
(Decision to revoke an authorisation)
(1) The operative part of the decision to withdraw authorisation shall include:

3. a decision on the withdrawal of an authorisation referencing the number of, and date of issue of, the authorisation,

4. the name and head office or the name, surname, and date of birth of the subject of supervision from whom the authorisation was withdrawn, or a personal identification number instead of the date of birth if the authorisation was withdrawn from a sole trader,

5. a specific description of an action, practices, or circumstances that are grounds for withdrawing an authorisation.

(2) The decision to revoke an authorisation shall be explained.

Article 473
(Application of provisions for the cancellation of a conditional withdrawal of authorisation and for letters of reprimand)

The provisions of Section 10.3.3. of this Act shall also apply, *mutatis mutandis*, to the procedure for revoking a conditional authorisation and the procedure for issuing a letter of reprimand.

10.4 The decision-making procedure for issuing authorisations or consents

Article 474
(Application of provisions)

(1) The provisions of Section 10.4. of this Act shall apply in the decision-making procedure concerning the issuing of authorisations or consents whereby the Insurance Supervision Agency reaches decisions, unless otherwise provided by the Act governing a particular procedure for issuing an authorisation or consent.

(2) The provision of Sections 10.1. and 10.2. of this Act shall apply in the decision-making process concerning the issuing of authorisations or consents, unless otherwise provided in Section 10.4. of this Act.

Article 475
(Decision-making fee)

With regard to the decision-making procedure for issuing authorisations or consents and for issuing authorisations and consents issued by the Insurance Supervision Agency ex officio, applicants or recipients of authorisations or consents shall pay a fee determined by means of the tariff of the Insurance Supervision Agency.

Article 476
(Party to the procedure)

(1) A party to the procedure shall be the applicant requesting an authorisation or consent (hereinafter: applicant of the request).

(2) The party to the procedure shall also be an entity the legal interest of which could be affected by the decision of the Insurance Supervision Agency if its participation in the procedure is reported in writing.
(3) All parties shall bear their own procedural costs.

Article 477  
(Initiation of a procedure)

(1) A procedure shall be initiated by submitting a request to issue an authorisation or consent (hereinafter: a request).

(2) The Insurance Supervision Agency shall initiate the procedure for issuing authorisations or consents ex officio or at the request of another competent authority only when this is determined by law.

Article 478  
(Content of a request)

(1) A request shall encompass:
1. The name, head office, and registration number of the entity submitting the request, provided that this entity has already obtained it, or the personal name, address, and date of birth of the person submitting the request, provided that this is a natural entity, and a personal identification number if a request is submitted for the authorisation of a sole trader,
2. a specific claim for issuing an authorisation or consent,
3. other data determined by law.

(2) Documents determined by law and other documents which show that the claim for an authorisation or consent is justified, as well as supporting documentation proving that the fee for the decision-making regarding a particular issue has been paid must be enclosed with the request.

Article 479  
(Procedural conditions for decision-making)

(1) In the preliminary review of a request, the Insurance Supervision Agency verifies whether the procedural conditions for decision-making have been met, namely whether:
1. the request was submitted by an authorised person,
2. the request includes the necessary data,
3. the prescribed documents have been enclosed with the request,
4. proof of the payment of the fee or charge of the Insurance Supervision Agency,
5. all other procedural conditions concerning decision-making regarding the application have been met.

(2) If the Insurance Supervision Agency discovers that the procedural conditions for the decision-making regarding the request have not been met, but that there are deficiencies that cannot be eliminated, it shall dismiss the matter by means of a procedural decision.

(3) If the Insurance Supervision Agency discovers that the procedural conditions for the decision-making regarding the request have not been met and the deficiency can be eliminated, it shall order the applicant by means of a procedural decision to eliminate such deficiencies (hereinafter: procedural decision on the elimination of deficiencies). The procedural decision shall determine the deadline for the elimination of deficiencies, which may not be within less than eight days.
(4) If the applicant fails to eliminate the deficiencies within the deadline as per the procedural decision for the elimination of deficiencies, the Insurance Supervision Agency shall dismiss the request by means of a procedural decision.

(5) There shall be no special judiciary protection procedure against a procedural decision on the elimination of deficiencies.

(6) If a request refers to the issuing of an authorisation to conduct insurance business or for a merger or break-up, the Insurance Supervision Agency shall issue a procedural decision on eliminating deficiencies within two months after receiving the request, or within one month after receiving the request in other cases.

**Article 480**
*(Presenting evidence and decision-making)*

(1) In the decision-making procedure regarding a request, the Insurance Supervision Agency may also present evidence that the applicant did not present, provided that such evidence is required to determine facts relevant for reaching a decision on a request. Furthermore, the Insurance Supervision Agency may require that the applicant:
   1. submit additional data or documents within a deadline that may not be less than eight days;
   2. make it possible for the Agency to review its operations or the operations of the entities referred to in paragraph two of Article 272 of this Act.

(2) The review of the operations referred to in Item 2 of this Article shall, *mutatis mutandis*, be subject to Articles 295 to 300 of this Act.

(3) The Insurance Supervision Agency shall dismiss a request:
   1. if the applicant fails to submit the required data or documents to the Insurance Supervision Agency within the deadline set in the request referred to in point 1 of paragraph one of this Act, or
   2. if the applicant refuses the request of the Insurance Supervision Agency referred to in point 2 of paragraph one of this Act or if the applicant hinders the performance of the review of operations in any other way.

**Article 481**
*(Right to make a statement)*

(1) If the evidence on the facts determined during a review of operations referred to in point 2 of paragraph one of the preceding Article or other evidence that the applicant submitting a request for an authorisation failed to submit show that there is a higher probability that this request will be dismissed, the Insurance Supervision Agency shall make it possible for the applicant to make a statement on the facts and circumstances relevant for reaching a decision.

(2) Paragraphs one to five of Article 434 of this Act shall apply, *mutatis mutandis*, to the possibility of providing a statement as referred to in the preceding paragraph, but the deadline for the statement in point 2 of paragraph two of Article 434 shall not be less than 15 days.

**Article 482**
*(time limit for decision)*
(1) The Insurance Supervision Agency shall reach a decision on the request to issue the following authorisation within six months after receiving such a request:
   1. for an authorisation to conduct insurance business,
   2. for an authorisation to perform the function of a member of the Management Board of an insurance undertaking being established.
   3. for an authorisation to assume the risks of an insurance undertaking,
   4. for an authorisation on the basis of the provisions of Chapter 4 of this Act or the Regulation on risk management.

(2) The Insurance Supervision Agency shall reach a decision concerning a request for an authorisation to conduct insurance agency business or brokerage within fifteen days after receiving such a request.

(3) The Insurance Supervision Agency shall reach a decision on a request for other authorisations within three months after receiving such a request.

(4) If the Insurance Supervision Agency issues a procedural decision on the elimination of deficiencies or a request based on paragraph one of Article 480 of this Act, the time limit referred to in paragraph one or paragraph two of this Article shall not run from the service of the procedural decision to the expiry of the deadline for the elimination of deficiencies or to the receipt of an amendment or a correction of an application, provided that such application was amended within the deadline set in the decision, or from the issuing of a request based on paragraph one of Article 480 of this Act to the expiry of the deadline for the submission of additional data or documents or to the receipt of additional data or documents, provided that they are submitted within the determined deadline, or to the completion of the review of operations referred to in point 2 of paragraph one of Article 480 of this Act.

(5) If, prior to the expiry of the deadline referred to in paragraph one of this Article, the Insurance Supervision Agency asked the applicant pursuant to the preceding Article to provide a statement concerning the grounds for dismissing a request, the time limit referred to in the first sentence shall not run from the service of such a request to the expiry of the deadline for providing a statement or to the receipt of the statement, provided that the statement is provided within the deadline set in the request to provide a statement.

Article 483
(Special rules for reaching a decision concerning a request for issuing an authorisation to obtain a qualifying holding)

(1) Notwithstanding paragraph six of Article 479 of this Act, the Insurance Supervision Agency shall issue a procedural decision on the elimination of a deficiency of a request for an authorisation to obtain a qualifying holding within two days of receiving such request.

(2) The Insurance Supervision Agency shall issue a certificate to the applicant concerning the receipt of the full request for an authorisation to obtain a qualifying holding within two business days. The time limit referred to in the first sentence shall commence:
   1. if the Insurance Supervision Agency did not issue a procedural decision on the elimination of a deficiency within the time limit referred to in the preceding paragraph – upon receiving the request,
   2. if the Insurance Supervision Agency issued a procedural decision on the elimination of a deficiency within the time limit referred to in the preceding paragraph and if the applicant amended or corrected the request pursuant to this procedural decision within the time
limit set by the procedural decision – upon receiving the amendment of the correction of the request.

(3) Notwithstanding paragraph two of the preceding Article, the Insurance Supervision Agency shall reach a decision on the request for an authorisation to obtain a qualifying holding within 60 days. The time limit referred to in the first sentence of this paragraph shall commence if:
1. the Insurance Supervision Agency issued a certificate within the time limit referred to in the preceding paragraph – it shall commence upon the issue of the certificate,
2. the Insurance Supervision Agency did not issue a certificate within the time limit referred to in the preceding paragraph – it shall commence as of the expiry of the deadline for issuing the certificate referred to in the preceding paragraph,

(4) The Insurance Supervision Agency shall set the date on which the time limit referred to in the preceding paragraph commences in the certificate referred to in Paragraph 2 of this Article.

(5) Point 2 of paragraph one, paragraph two, and point 2 of paragraph three of Article 480 and paragraph four of Article 482 of this Act shall not apply in the decision-making procedure regarding a request for an authorisation to obtain a qualifying holding.

(6) The Insurance Supervision Agency may request the applicant to submit additional information or documents needed to assess the suitability of the future qualifying holder (hereinafter: request for additional information or documents) if such a request is issued at the latest on the 50th day after the expiry of the deadline for issuing the certificate referred to in paragraph two of this Article.

(7) If the Insurance Supervision Agency issues a request for additional information or documents pursuant to the preceding paragraph, the time limit referred to in paragraph three of this Article shall be suspended for the period from the issuing of the request for additional information or documents to the day when the applicant submits additional information or documents, but no longer than 20 days after the issuing of the first request. After receiving the information and documents on the basis of the first request, the Insurance Supervision Agency may request even more additional information and documents pursuant to the preceding paragraph, but the second request and all subsequent requests for additional information or documents of the Insurance Supervision Agency shall not suspend the time limit referred to in paragraph three of this Article.

(8) Notwithstanding the preceding paragraph, the Insurance Supervision Agency may decide by means of the first request that the time limit referred to in paragraph three of this Article be suspended for more than 20 business days, but no longer than 30 business days after the issuing of this request if:
1. the future qualifying holder is an entity from a third country, or
2. the future qualifying holder is not?does not hold a position of a credit institution, investment company, asset management company, undertaking for collective investment, insurance undertaking, or reinsurance undertaking.

(9) The Insurance Supervision Agency shall issue a certificate concerning the receipt of additional information or documents to the applicant submitting the request within two business days after receiving such additional information or documents based on the request referred to in paragraph six of this Article. The certificate concerning the receipt of additional information or documents based on the first request referred to in paragraph six of this Article shall state the date on which the time limit referred to in paragraph three of this Article shall expire, taking into consideration its suspension pursuant to paragraph seven or paragraph eight of this Article.
(10) If the Insurance Supervision Agency dismisses the request for an authorisation to obtain a qualifying holding, it shall issue and send a written copy of the decision on the dismissal of the request for an authorisation to obtain a qualifying holding within two business days after reaching such a decision and before the expiry of the time limit referred to in paragraph three of this Article, taking into consideration the possible suspension pursuant to paragraph seven or paragraph eight of this Article.

(11) If the Insurance Supervision Agency fails to issue and send a written copy of the decision on the dismissal or refusal of the request for an authorisation to obtain a qualifying holding prior to the expiry of the time limit referred to in paragraph three of this Article, taking into consideration the possible suspension pursuant to paragraph seven or paragraph eight of this Article, it shall be deemed that it issued an authorisation to obtain a qualifying holding regarding which the qualifying holder requested this authorisation on the day when this time limit expires.

(12) In the circumstances arising from the previous paragraph, the Insurance Supervision Agency, upon the request of the qualifying holder, shall issue a declaratory decision by means of which it shall declare that the authorisation has been issued; the declaratory decision shall be issued within eight days after receiving a request for such declaratory decision.

(13) Notwithstanding paragraph one of Article 507 of this Act, the Insurance Supervision Agency shall publish on its public website an abstract of its decision on the rejection of the request for an authorisation to obtain a qualifying holding, including a summary of the grounds for such a decision if so requested by the applicant submitting the request.

10.5 The enforcement of decisions of the Insurance Supervision Agency

Article 484
(Decision)

(1) Decisions of the Insurance Supervision Agency shall become enforceable pursuant to the provisions of the Act governing the general administrative procedure. Notwithstanding the preceding sentence, decisions regarding the fulfilment of a financial obligation shall be enforceable once they become final.

(2) As of the day when a decision to withdraw an authorisation to perform the function of a member of the board of an insurance undertaking becomes final, the person from whom the authorisation was withdrawn shall cease to meet the conditions for performing the function of a member of the board.

(3) Final decisions of the Insurance Supervision Agency regarding the fulfilment of a financial obligation shall be enforced by the court at the proposal of the Insurance Supervision Agency.

Article 485
(Order)

(1) Orders of the Insurance Supervision Agency may not be compulsorily enforced.
(2) Notwithstanding the preceding paragraph, an order by means of which the Insurance Supervision Agency imposed an additional supervisory measure referred to in point 7 of paragraph one of Article 308 of this Act or any other supervisory measure relating to the temporary or permanent prohibition of the performance of individual or all services or business transactions may be compulsorily enforced.

(3) With regard to the enforcement of the orders referred to in the preceding paragraph, the provisions of the Act governing the general administrative procedure shall apply to administrative enforcement and the provisions of the Act governing inspection shall apply to measures relating to the prohibition of performing activities.

Chapter 11:
INSURANCE SUPERVISION AGENCY

11.1 The status of the Insurance Supervision Agency

Article 486
(The status of the Insurance Supervision Agency)

(1) The Insurance Supervision Agency shall be a legal entity governed by public law.

(2) The Insurance Supervision Agency shall perform its tasks and competences independently. The Insurance Supervision Agency and the members of its bodies are not bound by the procedural decisions, standpoints or instructions of national or any other bodies in carrying out the tasks of the Insurance Supervision Agency as laid down by virtue of this or any other Act.

(3) The Insurance Supervision Agency shall be founded by the Republic of Slovenia.

(4) The head office of the Insurance Supervision Agency shall be in Ljubljana.

(5) The Insurance Supervision Agency shall determine the number of its employees, taking into consideration the available funds provided by the financial plan of the current year. With regard to the salaries of employees of the Insurance Supervision Agency, the Act governing the public sector salary system shall apply, whereby:
- the amount of funds for special projects that require an increased amount of work shall be determined by the Insurance Supervision Agency depending on the available funds provided by the financial plan of the current year, and
- the Expert Council of the Insurance Supervision Agency (hereinafter: the Agency’s Expert Council) shall adopt Rules of Procedure in which the criteria and the conditions pursuant to which the funds referred to in the preceding indent are used shall be set forth.

(6) When performing its tasks and competences, the Insurance Supervision Agency, in addition to the instructions and recommendations issued by EIOPA, shall also take into account the possible effect on the financial stability of Member States.

(7) With its operation, the Insurance Supervision Agency promotes cooperation between supervisors at the European level and the exchange of all important information between supervisors from the country of the head office and of the host Member State.
Article 487
(The Rules of Procedure of the Insurance Supervision Agency)

The Insurance Supervision Agency shall have Rules of Procedure that determine the detailed internal organisation and operations of the Agency.

Article 488
(Seal)

The Insurance Supervision Agency shall have a seal with the name “Agencija za zavarovalni nadzor” bearing the coat of arms of the Republic of Slovenia.

Article 489
(Reporting on the situation in the insurance business)

(1) The Insurance Supervision Agency shall report to the National Assembly of the Republic of Slovenia on an annual basis on the situation and conditions in the insurance business.

(2) The Report referred to in the preceding paragraph shall include data on the scope of insurance business according to insurance classes.

(3) The report referred to in paragraph one on the previous year shall be submitted by the Insurance Supervision Agency to the National Assembly of the Republic of Slovenia by 30 June of the current year.

Article 490
(Annual report on activities)

(1) The Insurance Supervision Agency shall report on its work to the National Assembly of the Republic of Slovenia on an annual basis.

(2) The report referred to in the preceding paragraph shall include data on the measures of the Insurance Supervision Agency after supervision procedures have been carried out and authorisations to perform insurance business and other authorisations issued by the Insurance Supervision Agency have been issued, and data on the cooperation of the Insurance Supervision Agency with other national and foreign supervisory authorities.

(3) The Insurance Supervision Agency shall submit the report on the previous year to the National Assembly of the Republic of Slovenia by 30 June of the current year.

Article 491
(Reporting to EIOPA)

(1) The Insurance Supervision Agency shall annually provide EIOPA with data on the average capital add-on per insurance undertaking, separately for:
- insurance undertakings and reinsurance undertakings,
- insurance undertakings conducting life insurance transactions,
- insurance undertakings conducting non-life insurance transactions,
- composite insurance undertakings, and
- reinsurance undertakings.
(2) The data referred to in the preceding paragraph shall be shown separately according to the grounds for capital add-ons, as specified in paragraph three of Article 309 of this Act.

Article 492
(-Cooperation with the European Commission and reporting to it-

(1) The Insurance Supervision Agency shall provide the European Commission and the supervisory authorities of other Member States with data authorisations to perform insurance business for controlled insurance undertakings the parent undertaking of which has its head office in a third country. The data shall show the structure of the group.

(2) The Insurance Supervision Agency shall notify the European Commission concerning any problems encountered by insurance undertakings when conducting insurance business in third countries.

(3) The Insurance Supervision Agency shall cooperate with the European Commission and the supervisory authorities of other Member States:

1. in order to jointly study all possible problems that may arise while implementing Chapter 13 of this Act,
2. in order to facilitate supervision and study the possible problems that may arise while implementing this Act.

11.2 Bodies of the Insurance Supervision Agency

Article 493
(Bodies of the Insurance Supervision Agency)

The bodies of the Insurance Supervision Agency shall be the Agency's Expert Council and the Director of the Insurance Supervision Agency.

Article 494
(Structure of the Expert Council of the Agency)

(1) The Agency's Expert Council shall consist of five members (hereinafter: Expert Council members), of whom one is the Chairman of the Expert Council (hereinafter: Chairman of the Expert Council) and of whom at least two are not employed at the Insurance Supervision Agency.

(2) The Director of the Agency shall be a member of the Agency's Expert Council and may also be the Chairman of the Agency's Expert Council.

(3) Members of the Expert Council shall be entitled to receive meeting fees and the reimbursement of costs determined annually by the Expert Council upon the clarified proposal of the Chairman of the Expert Council. The costs referred to in the preceding sentence shall not exceed the costs which are incurred or which may be reasonably expected due to the performance of the function of a member of the Expert Council. Members of the Agency's Expert Council who are employed by the Agency shall perform their work within the Agency's Expert Council outside of their working hours.

(4) The Agency's Expert Council shall have a Secretary who shall assist the Chairman of the Expert Council in preparing for meetings and conducting them. The
Secretary of the Expert Council shall provide assistance in organising the work of the Agency's Expert Council; they shall be responsible for collecting and preparing material, convening meetings, keeping minutes and archiving, and they shall also perform other expert tasks required for the uninterrupted work of the Agency's Expert Council and for the performance of administrative tasks related to the work of the Agency's Expert Council. The Secretary shall be appointed by the Agency's Expert Council at the proposal of the Chairman of the Expert Council and selected from among employees of the Insurance Supervision Agency. The Secretary shall perform their work for the Expert Council on the basis of an employment agreement.

Article 495
(Employment Agreement for the Director of the Agency)

(1) The Director of the Agency shall perform his/her function on the basis of an employment agreement which the Director enters into with the Insurance Supervision Agency, regardless of the provisions of the Act governing public agencies. The employment agreement shall determine the goals and expected results of the Director's work. The employment agreement shall be entered into for full-time employment. The employment agreement of the Director of the Agency shall be signed on behalf of the Insurance Supervision Agency by a member of the Expert Council who is not employed by the Insurance Supervision Agency and is appointed by the Expert Council.

(2) The Insurance Supervision Agency shall not be allowed to enter into an employment agreement with the Director of the Agency for a period longer than the mandate of the Director of the Agency. When the employment agreement is no longer in effect, the Director of the Agency shall not be entitled to receive severance pay. Provisions of the employment agreement that are in conflict with this paragraph shall be null and void.

(3) In the event that the departure of the Director of the Agency to another employer would endanger the protection of confidential information and trade secrets, the Agency's Expert Council may, at the latest three months before the mandate of the Director of the Agency expires due to the expiration of the period for which the Director was appointed or immediately after the Director's function is no longer in effect if it was terminated due to other reasons, decide that the Director of the Agency should be employed for a maximum of six months by the Insurance Supervision Agency in a position that is suitable for the type and level of the Director's education and which will not require any access to with confidential information or trade secrets. The Director of the Agency may challenge the decision of the Council before an administrative court.

Article 496
(Non-compatibility of positions)

(1) A function or position of a member of the Agency’s Expert Council or of the Director of the Agency shall not be compatible:
   1. with the function or position of a member of the management body or supervisory body of an insurance undertaking or with another function in an insurance undertaking for the performance of which an authorisation of the Insurance Supervision Agency must be obtained pursuant to this or any other Act;
   2. with functions or a position or work in bodies of political parties;
   3. with the performance of another gainful occupation, with the exception of scientific research work, provided that this activity has conflict of interest with the Insurance Supervision Agency;
   4. with the performance of other work or activity that may affect their independence;
5. with being a shareholder of an insurance undertaking.

(2) After being appointed, the Director of the Agency may take up the duties of the Director only when the employment agreement referred to in the preceding Article has been signed and the position of the Director has been harmonised with the preceding paragraph. After being appointed, a member of the Agency’s Expert Council may take up their duties only when the position has been harmonised with the preceding paragraph. The Agency’s Expert Council shall determine whether the position has been harmonised and whether it can be taken up, whereby the person whose harmonisation is being considered may not be present at the meeting of the Agency’s Expert Council.

(3) The Director of the Agency shall sign the employment agreement and harmonise their position with paragraph one of this Article within three months of being appointed; otherwise, the resolution of the National Assembly of the Republic of Slovenia on the appointment shall cease to be in effect when this deadline expires. A member of the Expert Council shall harmonise their position with paragraph one of this Article within three months of being appointed; otherwise, the decision of the National Assembly of the Republic of Slovenia on the appointment shall cease to be in effect when this deadline expires.

Article 497
(Appointing and discharging members of the Agency’s Expert Council and the Director of the Agency)

(1) Members of the Agency’s Expert Council and the Director of the Agency shall be appointed and discharged by the National Assembly of the Republic of Slovenia upon the proposal of the Government of the Republic of Slovenia.

(2) Members of the Agency’s Expert Council and the Director of the Agency shall be appointed for a period of six years and may be re-appointed.

(3) The Government of the Republic of Slovenia shall propose the Director of the Agency on the basis of a tender called at least six months prior to the expiry of the mandate of the current Director of the Agency.

Article 498
(Conditions for a member of the Agency’s Expert Council)

A member of the Agency’s Expert Council shall only be a person:
1. who is a citizen of the Republic of Slovenia,
2. who has finished at least a study programme of the second level under the Act governing higher education or has at least equivalent education in a suitable field,
3. who is an expert in the fields of insurance, finance or commercial law, and
4. has not been convicted res judicata of a criminal offence.

Article 499
(Early discharge of members of the Agency’s Expert Council)

A member of the Agency’s Expert Council may be discharged early if:
5. he or she requests this himself/herself,
6. he or she has been convicted res judicata of a criminal offence,
7. he or she is permanently unable to perform their function,
8. he or she violates the obligation to protect confidential information laid down by this or any other Act,
9. it is established subsequently that he or she does not fulfil the conditions for appointment,
10. In the event of non-compatibility arising from paragraph one of Article 496 of this Act, or
11. he or she fails to perform his/her tasks as a member of the Agency’s Expert Council determined by this Act or the Rules of Procedure of the Insurance Supervision Agency, or if such tasks are not performed with due care or if they are performed unprofessionally.

Article 500
(Application of certain provisions of Acts governing the prevention of corruption)

The provisions of the Act governing the prevention of corruption or the Act governing the incompatibility of holding public office with profitable activity shall apply to the Director of the Agency and the members of the Agency’s Expert Council.

Article 501
(Powers of the Agency’s Expert Council)

(1) The Agency’s Expert Council:
1. shall decide on authorisations and consents and any other individual matters concerning which decisions shall be reached by the Insurance Supervision Agency, unless provided otherwise by this or any other act;
2. shall adopt regulations when the law stipulates that such an Act is to be adopted by the Insurance Supervision Agency,
3. shall adopt the Rules of Procedure of the Insurance Supervision Agency;
4. shall adopt the report on the situation in the insurance industry and annual report on the work of the Insurance Supervision Agency;
5. shall adopt the annual plan on the work of the expert services of the Insurance Supervision Agency and the annual report on the work of the Insurance Supervision Agency, whereby the Director of the Agency shall be exempt from decision-making;
6. shall adopt the tariff of the Agency, which shall enter into force when the Insurance Supervision Agency acquires the consent of the Government of the Republic of Slovenia concerning the tariff or amendments thereto.

(2) When reaching decisions concerning matters referred to in the preceding paragraph, the Chairman and the members of the Agency’s Expert Council shall not be held liable for any damages incurred by clients or other entities, unless the damages were incurred deliberately or due to grave negligence.

Article 502
(Decision-making process of the Agency’s Expert Council concerning the issuing of regulations)

(1) The Agency’s Expert Council shall reach valid decisions on the issuing of regulations the issuing of which is within the powers of the Insurance Supervision Agency if the majority of the members of the Agency's Expert Council are present at a meeting.

(2) The Insurance Supervision Agency shall send all drafts of regulations to be revised by the Slovenian Insurance Association and the Ministry competent for finances, and only those drafts referring to the operation of insurance agents or insurance brokers, insurance agency undertakings or insurance brokerage undertakings shall be sent to the
association of insurance agency or brokerage undertakings; subsequently, the Agency shall review all comments and suggestions received.

(3) A regulation shall be adopted if the majority of the members of the Agency's Expert Council present votes for its adoption.

**Article 503**
*(Publication of regulations)*

The regulations of the Insurance Supervision Agency shall be published in the Official Gazette of the Republic of Slovenia.

**Article 504**
*(Conditions for the Agency director)*

The Director of the Agency shall only be a person:
1. who is a citizen of the Republic of Slovenia,
2. who has at least ten years of work experience,
3. who is an acknowledged expert in the field of finance or commercial law,
4. who has expert, management, organisational, and other abilities, as well as the theoretical and technical knowledge required to manage the operations of the Insurance Supervision Agency,
5. who has completed at least a second level study programme as per the Act governing higher education or has at least an equivalent level of education in a suitable field,
6. who has higher-level proficiency in at least one world language, and
7. who has not been convicted *res judicata* of a criminal offence.

**Article 505**
*(Powers and responsibilities of the Director of the Agency)*

(1) The Director of the Agency shall represent and act on behalf of the Insurance Supervision Agency, organise and manage the work and operations of the Insurance Supervision Agency, and carry out other tasks within the powers of the Insurance Supervision Agency, unless it is provided in an Act that a different body of the Insurance Supervision Agency shall be competent to carry out such tasks.

(2) The Director of the Agency shall ensure that the Insurance Supervision Agency:
1. correctly carries out its competencies and responsibilities that it holds under this or any other Act, and
2. operates pursuant to this Act and its Rules of Procedure.

**Article 506**
*(Grounds for early discharge of the Director of the Agency)*

The Director of the Insurance Supervision Agency may be subject to early discharge if there are grounds for early discharge referred to in Article 499 of this Act or if such grounds arise.

11.3 *Protecting confidential information and preventing conflicts of interest*
Article 507
(Obligation to protect confidential information)

(1) The members and Chairman of the Agency's Expert Council, the employees of the Insurance Supervision Agency, persons referred to in paragraph two and paragraph four of Article 295 of this Act and other persons performing tasks and carrying out business transactions for the Insurance Supervision Agency shall protect the confidentiality of all information obtained while performing supervisory and other tasks and transactions on behalf of the Insurance Supervision Agency (hereinafter: confidential information); the confidentiality of such information shall be protected even after these persons no longer perform their function, are no longer employed, no longer authorised, or no longer in any other legal relationship based on which these persons had access to confidential information.

(2) The persons referred to in the preceding paragraph shall not disclose confidential information to any other person, public authorities or holders of public powers unless such information is presented in the form of a summary which does not enable the recognition of individual insurance undertakings referred to or in cases determined in the Act.

(3) The prohibition referred to in paragraph two shall not apply:
1. in the event of confidential information that is required to conduct criminal proceedings, or
2. in the event of the bankruptcy or compulsory liquidation of an insurance undertaking with regard to the confidential information required to enforce the claims of creditors against an insurance undertaking and for other needs in bankruptcy proceedings or compulsory liquidation proceedings or for contentious proceedings connected with these two proceedings, with the exception of those referring to other persons or entities involved in attempts to financially recover or reorganise an insurance undertaking.

(4) The duty to protect confidential information referred to in paragraphs one to three of this Article shall also apply to information that the Insurance Supervision Agency or the persons or entities referred to in paragraph one of this Article obtain by means of exchanging information with other supervisory authorities.

(5) Rules on the additional obligation to protect confidential information that apply to the Insurance Supervision Agency under this or any other Act with regard to individual types of supervision shall apply to the persons or entities referred to in paragraph one of this Article.

Article 508
(Use of confidential information)

The Insurance Supervision Agency shall use confidential information for the following purposes only:
1. in order to verify the conditions for issuing authorisations and consents concerning which it reaches decisions based on this Act, and to ensure the supervision of insurance undertakings on an individual and consolidated basis, in particular with regard to the solvency capital requirement, the minimum capital requirement, and the management system;
2. in order to impose supervisory measures and penalties for minor offences and to file a complaint due to a suspicion of a criminal offence;
3. in a judicial protection procedure against the decisions that it issues, and
4. in other court or administrative proceedings.
Article 509

(Persons to whom confidential information may be disclosed)

(1) The Insurance Supervision Agency may provide confidential information to the following persons or entities in the Republic of Slovenia or persons or entities in other Member States:

1. authorities competent to supervise other entities in the financial sector and to supervise financial markets;
2. authorities competent to carry out macro-prudential supervision;
3. authorities competent to supervise authorities performing activities within the procedure for the compulsory liquidation or bankruptcy of an insurance undertaking or within other similar procedures;
4. authorities competent for the supervision of auditors performing tasks related to auditing the financial statements of controlled financial undertakings;
5. a court, the State Prosecutor's Office or the police if they need such information within criminal proceedings managed within their powers;
6. an authority competent for the supervision of payment systems;
7. the ministry competent for finances or a public authority of another Member State competent for implementing acts in the field of the supervision of credit institutions, financial institutions, investment companies, or insurance undertakings, but only within the scope required to carry out its powers and tasks in the field of monitoring the financial system and the drafting of regulations;
8. EIOPA within the scope required to exercise its powers and tasks pursuant to Regulation 1094/2010;
9. any other public authority that requires this information in order to conduct a supervisory procedure.

(2) A person or entity that discloses confidential information pursuant to the preceding paragraph may only use such information for the purpose of carrying out its supervisory powers or tasks referred to in the preceding paragraph; the obligation to protect confidential information referred to in Article 507 of this Act shall apply to such a person or entity.

(3) The Insurance Supervision Agency may also disclose confidential information to the entities or persons referred to in paragraph one of this Article from a third country if the following conditions have been met:

1. if a cooperation agreement has been entered into with a third country by means of which the mutual exchange of information among the persons or entities referred to in paragraph one of this Article from the Republic of Slovenia and this third country has been agreed,
2. if the rules on the obligation to protect confidential information apply to the persons or entities from a third country, the contents of which are provided in Articles 507 and 508 of this Act,
3. if the item of information that is subject to disclosure to an entity or a person from a third country is intended only for the needs of exercising supervisory powers or carrying out the tasks of the entities or persons referred to in paragraph one of this Article,
4. in other cases as determined by law.

(4) If the Insurance Supervision Agency has acquired confidential information from the supervisory authority of another Member State, or when reviewing the operations of a branch of an insurance undertaking of a Member State, such confidential information may be disclosed only with the consent of the supervisory authority of this Member State.

Article 510
(Measures for managing conflicts of interest)

(1) The Insurance Supervision Agency shall establish and implement suitable measures to determine conflicts of interest between the employees of the Insurance Supervision Agency and the public interest, so that the Insurance Supervision Agency may perform its tasks and powers pursuant to this and other Acts.

(2) In order to prevent the conflicts of interest referred to in the preceding paragraph from adversely affecting the fulfilment of the public interest related to the Insurance Supervision Agency performing its tasks and powers pursuant to this and other Acts, the Insurance Supervision Agency shall establish and implement an effective system to prevent and manage conflicts of interests which shall include all reasonable measures.

(3) Employees of the Insurance Supervision Agency shall not be members of a management or supervisory body of an insurance undertaking or any entity that is supervised by the Insurance Supervision Agency and that acquires an authorisation from the Insurance Supervision Agency to perform its services or business transactions under this or any other Act.

11.4 Means of work

Article 511
(Tariff)

(1) The Insurance Supervision Agency shall issue a tariff in which it shall determine:
   1. fees for reaching decisions on individual matters;
   2. annual fees paid by the entities supervised by the Insurance Supervision Agency for performing the supervision referred to in points 1 and 2 of paragraph one of Article 280 of this Act or for performing supervision pursuant to another Act;
   3. fees for performing other tasks, i.e. for imposing the supervisory measures referred to in point 3 of paragraph 1 of Article 280 of this Act and for performing other tasks carried out by the Insurance Supervision Agency pursuant to this or any other Act;
   4. fees for issuing certificates, extracts from records, making photocopies of documents, or making duplicates of decisions, consents, orders and procedural decisions.

(2) The Insurance Supervision Agency shall fix the annual fees referred to in point 2 of the preceding paragraph at such an amount that the sum of the annual fees paid by the subjects of supervision for individual types of supervision does not exceed the costs of the Insurance Supervision Agency related to this type of supervision.

(3) The tariff and amendments thereto shall be published in the Official Gazette of the Republic of Slovenia. Prior to publication, the Insurance Supervision Agency shall acquire consent from the Government of the Republic of Slovenia concerning the tariff and amendments thereto.

(4) The fee for imposing a supervisory measure paid by the subject of supervision shall be proportionate to the type and scope of the supervision performed with respect to the subject of supervision.

(5) If an insurance undertaking fails to pay the annual fee referred to in point 2 of paragraph one of this Article for an individual year by 30 June of the following year, the
Insurance Supervision Agency shall issue a procedural decision ordering the insurance undertaking to pay.

(6) The reimbursement of fees for the performance of other tasks referred to in point 3 of paragraph one of this Article shall be decided on by the Insurance Supervision Agency by means of a procedural decision.

(7) A judicial protection procedure may be initiated against the procedural decision referred to in the preceding paragraph.

(8) Notwithstanding sentence two of paragraph one of Article 484 of this Act, the procedural decision referred to in paragraph five or six of this Act shall become enforceable pursuant to the provisions of the Act governing the general administrative procedure concerning the enforceability of a procedural decision.

Article 512
(Own funds)

(1) Funds for the work of the Insurance Supervision Agency shall be provided by means of:
   1. fees and charges,
   2. other revenues generated by the Insurance Supervision Agency through its operations.

(2) A part of the surplus of revenues over expenses generated in the previous year shall be added to the reserves of the Insurance Supervision Agency in the amount determine by the financial plan of the Insurance Supervision Agency for the year in which the surplus was generated, and the remainder of the surplus shall be added to the budget of the Republic of Slovenia.

Article 513
(Surplus of expenses over revenue)

(1) The surplus of expenses over revenue of the Insurance Supervision Agency shall be covered from the reserves of the Insurance Supervision Agency, and if such reserves are not sufficient, the surplus of expenses shall be covered by the budget of the Republic of Slovenia.

(2) The funds from the budget of the Republic of Slovenia shall be provided only in the event of serious risks to the performance of the tasks of the Insurance Supervision Agency.

Article 514
(Financial plan and annual accounts)

(1) The Agency’s Expert Council shall adopt the annual accounts for the previous year and the financial plan for the current year by 31 March of each year.

(2) The annual accounts of the Insurance Supervision Agency shall be reviewed by a certified auditor.

(3) The Insurance Supervision Agency shall deliver the annual accounts, including the auditor’s report and the financial plan, to the minister responsible for finance within ten days of receiving them.
(4) It shall be deemed that the financial plan and the annual accounts have been confirmed if the Government of the Republic of Slovenia fails to reach a different decision within 15 days of receiving them.

(5) The financing of the Insurance Supervision Agency shall be carried out pursuant to the procedural decision on temporary financing adopted by the Agency’s Expert Council until the consent of the Government of the Republic of Slovenia has been provided concerning the financial plan.

(6) The Insurance Supervision Agency shall provide information on the annual accounts and the financial plan to the National Assembly of the Republic of Slovenia. Annual financial statements shall form an integral part of the annual report and shall be published.

Article 515
(Control of the use of funds)

Control of the legality, intended purpose, the economic and efficient use of the funds of the Insurance Supervision Agency shall be carried out by the Court of Audit.

Chapter 12:
INSURANCE CONTRACTS

12.1 Transfer of insurance contracts

Article 516
(Transfer of insurance contracts)

(1) By means of a contract, an insurance undertaking may transfer insurance contracts in individual insurance groups or insurance classes (hereinafter: insurance portfolio) to the entities referred to in paragraph four of this Article (hereinafter: acquiring insurance undertaking) while also transferring funds in the amount of the technical provisions that need to be created for the insurance portfolio that is the subject of transfer.

(2) The consent of policyholders shall not be required for insurance contracts to be transferred.

(3) The contract referred to in paragraph one of this Article shall enter into force as of the date when an insurance undertaking acquires an authorisation from the Insurance Supervision Agency for the transfer of insurance contracts. Prior to this, transferring the insurance portfolio to the acquiring insurance undertaking shall not be allowed.

(4) An insurance undertaking may transfer insurance contracts to:
   1. another insurance undertaking with the head office in the Republic of Slovenia,
   2. an insurance undertaking of a Member State,
   3. a branch of an insurance undertaking with its head office in a third country if the head office of the branch are in the Republic of Slovenia,
   4. a branch of an insurance undertaking with the head office in a third country if the head office of the branch are in a Member State and if the insurance that is the subject to transfer covers risks only in this Member State.

(5) An insurance undertaking shall transfer insurance contracts to an acquiring insurance undertaking at the latest within three months as of the date of receiving the
authorisation of the Insurance Supervision Agency to transfer insurance contracts; otherwise, the authorisation to transfer insurance contracts shall cease.

(6) Within 30 days of transferring insurance contracts, an insurance undertaking shall submit supporting documentation to the Insurance Supervision Agency proving that the insurance contracts have been transferred to the acquiring insurance undertaking.

(7) If an insurance undertaking fails to submit the supporting documentation referred to in the preceding paragraph within four months of receiving an authorisation to transfer insurance contracts or if such supporting documentation fails to show that the insurance contracts have been transferred within the deadline referred to in paragraph five of this Article, the Insurance Supervision Agency shall declare by means of a decision that the authorisation to transfer insurance contracts has ceased to be in force.

Article 517
(Notifying policyholders)

(1) The acquiring insurance undertaking shall notify policyholders concerning a transfer immediately after receiving an authorisation to transfer insurance contracts from the Insurance Supervision Agency.

(2) The acquiring insurance undertaking shall notify policyholders by means of announcements in the mass media and on its public websites in the territory where insurance being transferred covers risks, except in the case of the insurance of export credits, whereupon it must notify policyholders with announcements in the mass media in the territory of their head offices. Reinsurance undertakings and insurance undertakings shall not be required to use mass media to notify policyholders when transferring reinsurance contracts.

Article 518
(Request for an authorisation to transfer insurance contracts)

A request for an authorisation to transfer insurance contracts shall include:
1. a list of insurance contracts according to the individual insurance classes that are subject to transfer, including the general terms and conditions of such insurance and the calculations of technical provisions for such insurance;
2. a list of funds to cover technical provisions, including the amounts and data on the basis of which the calculation of these amounts can be verified;
3. in the cases referred to in points 1, 2, and 4 of paragraph four of Article 516 of this Act, the modification of the business plan of the acquiring insurance undertaking, which is necessary because insurance contracts are acquired;
4. a contract on the transfer of insurance contracts.

Article 519
(Decision making concerning a request to issue an authorisation to transfer insurance contracts)

(1) The Insurance Supervision Agency shall reject a request for an authorisation to transfer insurance contracts if:
1. the amount of funds covering technical provisions or the amount of funds in a ring-fenced fund is lower than the amount of technical provisions that should be created for an insurance portfolio subject to transfer, or if there are other reasons due to which the
interests of policyholders, insured persons, or other beneficiaries arising from insurance contracts could be at risk;

2. the acquiring insurance undertaking fails to meet the conditions for performing insurance business in insurance groups or classes that are subject to the transfer, or if the acquisition of a portfolio could put the operations of the acquiring insurance undertaking pursuant to the rules on risk management at risk;

3. the supervisory authorities in a Member State involved with a transfer required the recovery plan referred to in Article 240 or the financial plan referred to in Article 250 of this Act.

(2) If points 2 and 4 of paragraph four of Article 516 of this Act apply, the Insurance Supervision Agency may issue an authorisation to transfer insurance contracts only if a supervisory authority from a Member State first issues a certificate:

4. stating that the acquiring insurance undertaking with its head office in the Member State will meet the solvency capital requirement even after insurance contracts are acquired,

5. stating that the acquiring insurance undertaking meets the conditions to conduct insurance business in the insurance groups or classes that are subject to a transfer.

(3) If, in the event referred to in the preceding paragraph, the insurance also covers risks in a different Member State, the Insurance Supervision Agency may issue an authorisation to transfer insurance contracts only if a supervisory authority of this Member State consents to such transfer. If a supervisory authority in the aforesaid Member State fails to reach a decision on consent within three months of receiving a request for consent, it shall be deemed that it consents to the transfer.

(4) The provisions of paragraph two of this Act shall also apply, mutatis mutandis, in the event that insurance contracts are transferred to a branch of a Swiss insurance undertaking in the Republic of Slovenia.

(5) If an insurance undertaking requires the consent of the Insurance Supervision Agency to transfer the insurance contracts of its branch in a Member State, the Insurance Supervision Agency shall decide on this consent.

(6) If an insurance undertaking from a Member State transfers insurance contracts to its branch office in the Republic of Slovenia, the Insurance Supervision Agency shall inform the supervisory authority in the said Member State concerning any objections to the transfer within three months of receiving a request for an opinion.

(7) If a certificate of the Insurance Supervision Agency pursuant to paragraph four of this Article is required for the transfer of insurance contracts of an insurance undertaking from a Member State, the Insurance Supervision Agency shall issue a suitable certificate or reach a decision to reject the request for such a certificate.

(8) If an insurance undertaking from a Member State transfers insurance contracts to another insurance undertaking from this or another Member State and if the insurance that is subject to transfer also covers risks in the Republic of Slovenia, the Insurance Supervision Agency may refuse to consent, pursuant to paragraph five of this Article, if the interests of policyholders, insured persons, or other beneficiaries arising from the insurance contracts are not protected to a sufficient extent by means of the transfer. It shall reach a decision on the refusal to consent within three months of receiving a notification from the supervisory authority of the Member State concerning the planned transfer.

Article 520
(Transfer of insurance contracts of an insurance undertaking branch from a third country)

(1) Articles 516 through 519 of this Act shall apply, mutatis mutandis, to the transfer of insurance contracts of a branch of an insurance undertaking from a third country that has its head office in the Republic of Slovenia.

(2) The Insurance Supervision Agency shall issue an authorisation to transfer insurance contracts of the branch referred to in the preceding paragraph to a branch of an insurance undertaking with the head office in a third country the head office of which are in another Member State if the supervisory authority of the Member State first issues the following certificates:
   1. the certificate referred to in paragraph three of the previous Article,
   2. a certificate stating that the legislation of the Member State allows such a transfer, and
   3. a certificate stating that the supervisory authority agrees to such a transfer.

(3) The Insurance Supervision Agency shall not consent to the transfer of the insurance contracts of a branch of an insurance undertaking with its head office in a third country the head office of which is in a Member State to a branch of an insurance undertaking from a third country with its head office in the Republic of Slovenia:
   1. if the amount of funds covering technical provisions or the amount of funds in a ring-fenced fund is lower than the amount of provisions that need to be created for the insurance portfolio that is subject to transfer;
   2. if the acquiring insurance undertaking branch fails to meet the conditions for conducting insurance business in insurance groups or classes that are subject to a transfer;
   3. if the acquiring insurance undertaking branch no longer meets the solvency capital requirement after the acquisition of insurance contracts;
   4. for other reasons that endanger the risk management of the acquiring insurance undertaking’s branch.

12.2 Terms and conditions of insurance and notifying policyholders

Article 521
(Insurance contract and general terms and conditions of insurance)

(1) If insurance covers risks in the Republic of Slovenia, the insurance contract shall mainly include provisions concerning:
   1. the company name, the legal form of organisation, the head office and the address of an insurance undertaking and the insurance undertaking branch through which the insurance contracts is entered into;
   2. the events that require the obligation of the insurance undertaking to fulfil the provisions of the insurance contract, and concerning events in which the obligation of an insurance undertaking has been exempted for special reasons;
   3. the manner of fulfilment, its scope, possible guarantees, and the maturity of the obligation of the insurance undertaking;
   4. the determination and payment of a premium and concerning the legal consequences if the premium is not paid;
   5. the term of the insurance contract, especially:
      - if and how the term shall be tacitly renewed,
      - if, how and when an insurance contract may be terminated or entirely or partially dissolved, and the obligations of an insurance undertaking in such cases;
   6. the loss of claims arising from an insurance contract in the event of a deadline being missed;
7. in the case of life insurance, also concerning the conditions and the scope of advance payments and loans with respect to an insurance contract, concerning the conditions under which a policyholder participates in the profit of an insurance undertaking, concerning the criteria for calculating such participation, and concerning the conditions and manner of calculating the surrender value of the policy and capitalisation;

8. In the case of insurance whereby policyholders assume an investment risk and whereby entitlements provided to policyholders based on the insurance contracts are directly connected to the value of fund units in UNITS funds, also concerning:
   - the definition of a profile for risks related to investment policies,
   - the amount of, or manner of calculating, the risk premium and premium for additional risk,
   - the amount of all indirect and direct costs, including the disclosure of the method or manner of calculating such costs (costs not disclosed in an insurance contract shall not be charged or taken into account),
   - the amount and manner of charging all indirect and direct costs that reduce the value of fund units in UNITS funds,
   - the amount of planned future obligations of an insurance undertaking pursuant to an insurance contract calculated using the compound interest calculation with a nominal annual rate of return or real annual rates of return (if the impact of inflation is also shown) determined in the regulation referred to in paragraph ten of this Article;

9. In the case of insurance whereby policyholders assume an investment risk and whereby entitlements provided to policyholders based on the insurance contracts are directly connected to the value of the securities index or another reference value, also concerning:
   - the definition of a profile for risks related to investment policies,
   - the amount or manner of calculating the risk premium and premium for additional risk,
   - the amount of all indirect and direct costs, including the disclosure of the method or manner of calculating such costs (costs not disclosed in an insurance contract shall not be charged or taken into account),
   - the manner of calculating or determining index values or other reference values, including the disclosure of all indirect and direct costs affecting the index value or another reference value,
   - the amount of planned future obligations of an insurance undertaking pursuant to an insurance contract calculated using the compound interest calculation with a nominal annual rate of return or real annual rates of return (if the impact of inflation is also shown) determined in the regulation referred to in paragraph ten of this Article;

10. In the event of insurance whereby policyholders assume an investment risk and whereby entitlements provided to policyholders based on the insurance contracts are directly connected to the value of funds in the internal fund of an insurance undertaking, also concerning:
    - investment policies and relevant information on the types of investments and management techniques,
    - the definition of a profile for risks related to investment policies,
    - the amount of, or manner of calculating, the risk premium and premium for additional risk,
    - the amount of all indirect and direct costs, including the disclosure of the method or manner of calculating such costs (costs not disclosed in an insurance contract shall not be charged or taken into account),
    - The amount and manner of calculating all indirect and direct costs that reduce the value of the funds contained in the internal fund of an insurance undertaking (the costs not disclosed in an insurance contract shall not be chargeable to the funds contained in the internal fund of an insurance undertaking),
    - the amount of planned future obligations of an insurance undertaking pursuant to an insurance contract calculated using the compound interest calculation with a nominal
annual rate of return or real annual rates of return (if the impact of inflation is also shown) determined in the regulation referred to in paragraph ten of this Article;

11. in the case of accident and health insurance for which technical provisions are calculated by means of life insurance methods, also concerning the conditions and the manner of calculating such provisions and corresponding premium changes due to the ageing of the insured person, concerning the rights arising from the already created technical provisions in the event of the termination of insurance or in the event of a change of insurance within the same insurance undertaking or in the event of a change of the insurance undertaking, and concerning the effects of other factors on premium changes.

(2) In the case of a mutual insurance company, the compulsory provisions referred to in the preceding paragraph may be contained in the Articles of Association instead of in the insurance contract.

(3) The provisions of the insurance contract referred to in paragraph one of this Article may deviate from the general conditions of insurance to the detriment of the policyholder only:
12. if there are grounds for this justified with regard to the subject of insurance, and
13. if the policyholder provides express written consent to such deviation.

(4) In the event of the insurance of procedural costs referred to in point 17 of paragraph two of this Act, an insurance contract may not determine that an insurance undertaking shall cover only the costs of legal representations through a solicitor or any other person appointed by an insurance undertaking.

(5) An insurance contract shall not be in conflict with the mandatory rules of other Acts governing insurance contracts or individual types of insurance contracts.

(6) Insurance undertakings shall treat all providers and potential insured persons who wish to obtain insurance services equally; however, in the procedure for making selections, assessing risks, determining premiums and paying insurance benefits, they may take into consideration the criteria of insurance experts or only the following personal circumstances and traits of the insured person: age, health condition, disability, occupation, and other personal circumstances that may reasonably affect the amount of the assumed risk, with the exception of gender, maternity, and pregnancy.

(7) With regard to insurance from the life insurance group and accident and health insurance classes, insurance undertakings may take into consideration the personal circumstance of gender when calculating premiums and benefits at an aggregate level if this does not lead to differentiation at an individual level.

Insurance undertakings may take account of the gender factor to calculate technical provisions and to fix prices internally, to set forth reinsurance prices, to market and advertise, and to assess risks arising from the life insurance group and health and accident insurance class.

(8) Notwithstanding the provisions of paragraph seven of this Article, complementary health insurance shall be carried out pursuant to the provisions of the Act governing health care and health insurance.

Article 522
(Notifying policyholders upon entering into an insurance contract)
(1) When a policyholder is a natural entity, an insurance undertaking or an insurance broker shall notify the policyholder upon entering into the insurance contract referred to in paragraph one of the preceding paragraph, in writing or in soft copy, concerning the:

1. the company name, the legal form of organisation, the head office and the address of an insurance undertaking and the insurance undertaking branch through which the insurance contracts is entered into;
2. the general conditions of insurance that apply to insurance relationships;
3. the law applicable to an insurance contract or, in cases with an international element, concerning the right of the client to choose the law applicable to an insurance contracts pursuant to the Regulation referred to in paragraph two of Article 529 of this Act;
4. access to the report on the solvency and financial situation of the insurance undertaking referred to in Article 261 of this Act;
5. the manner of treating complaints filed by policyholders or other beneficiaries, including the existence of a body for resolving complaints;
6. the manner of fulfilment, scope, and maturity of the obligations of the insurance undertaking, and any guarantees;
7. the term of the insurance contract,
8. the amount of the premium, whereby the insurance premium is divided into insurance premiums for individual risks if the insurance covers risks from multiple insurance classes, and concerning the amount of the contributions, taxes, and other costs charged in addition to the premium, and concerning the total amount of payments;
9. the period in which the provider is bound by the insurance proposal?
10. the right to cancel, withdraw, or other options;
11. the name and address of the supervisory authority competent to supervise the insurance undertaking;
12. conditions for establishing a suspension.

(2) In the case of life insurance, the written or electronic notifications referred to in the preceding paragraph or the submitted insurance conditions shall also contain information to enable an understanding of the risks assumed by the policyholder by entering into an insurance contract, and information on the right referred to in Article 525 of this Act.

(3) In the case of life insurance, accident and health insurance with a right to receive a partial reimbursement of an insurance premium, the notification sent to policyholders shall contain, in addition to the data referred to in the preceding paragraph, the following data concerning:

1. the bases and criteria for profit participation;
2. a table with the surrender values of policies;
3. the minimum insurance sum or the minimum insurance period for converting the insurance into an insurance without a premium (capitalisation) and concerning the rights arising from such insurance;
4. in the case of insurance whereby benefits are connected to investment fund units, concerning investments and the nature of the funds in an investment fund;
5. in the case of insurance whereby benefits are directly related to changes in the securities index or any other reference value concerning the securities index or any other reference value;
6. the tax regime applicable to insurance.

Article 523
(Notifying policyholders during the term of an insurance contract)

(1) During the term of the insurance contract referred to in paragraph one of Article 521 of this Act, an insurance undertaking shall notify policyholders concerning:
1. a change in the company name, the legal form of organisation, the head office or the address of an insurance undertaking or its branch through which the insurance contract was entered into;

2. the changes to the data referred to in points 6, 8, and 12 of paragraph one of the preceding paragraph or of the data referred to in points 1 through 5 of paragraph three of the preceding paragraph, provided that such changes arose due to a change in regulations.

(2) During the term of the insurance contract referred to in paragraph three of the preceding Article, an insurance undertaking or an insurance agent or broker shall also notify policyholders annually concerning:

1. the balance of the profit participation,

2. in the case of the insurance referred to in point 21 of paragraph two of Article 7 of this Act, concerning the balance of the policyholder’s benefits, including the rate of return.

Article 524
(Manner of providing data)

(1) An insurance undertaking or an insurance broker shall provide a policyholder with the data referred to in Articles 521 through 523 in writing or in soft copy, in Slovenian. Data shall be provided in a comprehensible manner.

(2) Notwithstanding the provision of the preceding paragraph, an insurance undertaking or an insurance broker may also notify a policyholder concerning the data referred to in the preceding Article via e-mail, provided that the express written consent of the policyholder concerning the stated manner of providing notification is given, whereby a policyholder shall be notified in writing that such consent may be withdrawn at any time.

Article 525
(Deadline for withdrawal)

A policyholder with an individual insurance contract for life insurance may withdraw from this contract within 30 days of being notified given notice pursuant to Article 522 of this Act.

Article 526
(Content of general conditions and notifications)

The text of the general conditions of insurance and the notifications referred to in Articles 521, 522 and 523 of this Act shall be unambiguous, transparent, comprehensible, and in Slovenian.

Article 527
(Insurance contract on compulsory insurance)

An insurance contract for compulsory insurance shall fulfil the provisions prescribed for insurance contracts by this Act and other Acts governing compulsory insurance.

Article 528
(Regulations on insurance contracts and providing notifications to policyholders)
(1) The Insurance Supervision Agency shall prescribe more detailed contents for the provisions of the insurance contract referred to in points 8, 9, and 10 of paragraph one of Article 521 of this Act as well as the contents of the form that is an integral part of the insurance contract and which indicates all costs and other significant information.

(2) The Insurance Supervision Agency shall determine detailed rules and criteria concerning the application of paragraph seven of Article 521 of this Act.

12.3 Law applicable to insurance contracts

Article 529
(Application of provisions)

(1) The provisions of this Chapter shall apply for determining the applicable law on insurance contracts with an international element when insurance covers risks in the Republic of Slovenia or a Member State.

(2) In order to determine the law applicable to insurance contracts referred to in the preceding paragraph, the provisions of Article 7 of Regulation (EC) No. 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I) (OJ L No. 177 of 4 June 2008, pp. 6–16) shall apply.

(3) The provisions of this Chapter shall not apply to reinsurance contracts.

Article 530
(Reference to substantive legal provisions of foreign law)

(1) If the provisions of this Section refer to foreign law, only the substantive legal provisions of this law governing the subject matter of the legal relationship shall be taken into consideration, not the provisions of this law concerning a reference to another law.

(2) If an individual country the law of which is to be applied consists of multiple parts to which the various provisions referred to in the preceding paragraph apply, each such part of the country shall be considered an independent country with regard to the application of the provisions of this Chapter.

Article 531
(Foreign law in conflict with mandatory regulations)

The provisions of this Chapter shall not exclude the application of the provisions of this or other Acts coercively governing the subject matter of the legal relationship based on an insurance contract, regardless of which law is applied.

Chapter 13:
CO-INSURANCE

Article 532
(Major risks)

(1) Major risks shall be risks classified into the insurance classes referred to in:
1. points 5, 6, 7, 11 and 12 of the second paragraph of Article 7 of this Act;
2. points 14 and 15 of paragraph two of Article 7 of this Act, provided that the policyholder personally and professionally performs industrial and commercial activity or any of the liberal professions, and provided that the risks are related to such activities;
3. points 3, 8, 9, 10, 13, and 16 of paragraph 7 of this Act if the policyholder exceeds the limits of at least two of the following criteria:
   - balance sheet total in the amount of €6,200,000,
   - annual net turnover in the amount of €12,800,000,
   - an average number of employees is 250 in a business year.

(2) If a policyholder is within a group of companies for which consolidated accounts are in preparation, the criteria referred to in point 3 of the preceding paragraph shall apply based on consolidated accounts.

**Article 533**
(Co-insurance)

(1) An insurance undertaking shall not co-insure risks exceeding its own shares according to individual insurance classes pursuant to the maximum coverage tables referred to in point 2 of paragraph two of Article 243 of this Act.

(2) The scope of assumed risks referred to in the preceding paragraph shall constitute risks that remain within the retention of the insurance undertaking, provided that the insurance undertaking reinsures the assumed risks.

(3) An insurance undertaking may co-insure all risks from the insurance classes for which it holds an authorisation to conduct insurance business.

(4) An insurance undertaking shall keep statistical data which show the scope of co-insurance transactions at EU level and at the level of third countries and the EU.

**Article 534**
(Co-insurance transactions at EU level)

(1) For the purpose of this Article, co-insurance at EU level shall be insurance regarding which the following conditions have been met:
   n) insurance covers the major risks referred to in Article 532 of this Act,
   o) insurance covers a risk by means of only one contract upon the payment of the full premium for the same period by two or more insurance undertakings, each paying its own share, whereby one of the insurance undertakings shall be the leading insurance undertaking,
   p) insurance shall cover a risk within the EU,
   q) for the purpose of providing the coverage of risks, the leading insurance undertaking shall be treated as a single insurance undertaking covering entire risks,
   r) at least one of the insurance undertakings contractually participates through the head office of an insurance undertaking or a branch office established in a Member State that is not the Member State of the leading insurance undertaking,
   s) the leading insurance undertaking shall fully assume the leading role in the co-insurance procedure; it shall determine the conditions of insurance, including the premium, and it shall issue the policy.

(2) Each of the insurance undertakings covering risks pursuant to the provisions of the preceding paragraph shall create technical provisions pursuant to the regulations of the
country where it was established; if such regulations do not exist, they shall be formed pursuant to the normal practice in this country.

(3) Notwithstanding the provision of the preceding paragraph, technical provisions shall be at least equivalent to those determine by the leading insurance undertaking pursuant to the regulations of the Member State where its head office is located.

(4) For the purpose of performing co-insurance transactions at EU level, the Insurance Supervision Agency shall exchange information with other relevant supervisory authorities of Member States. Section 11.3. of this Act shall apply to the exchange of information.

(5) With regard to co-insurance transactions referred to in this Article, the obligation to provide notifications referred to in Articles 131 and 134 of this Act and the obligation to appoint a representative referred to in point 3 of paragraph one of Article 136 of this Act shall not apply to insurance undertakings that do not lead insurance undertakings.

Article 535
(Co-insurance transactions at the level of third countries and at EU level)

(1) Co-insurance at the level of third countries and at the EU level shall be insurance regarding which the following conditions have been met:
  t) insurance covers the major risks referred to in Article 532 of this Act,
  u) insurance covering a risk by means of only one contract upon the payment of the full premium for the same period by two or more insurance undertakings, each paying its own share, whereby one of the insurance undertakings shall be the leading insurance undertaking,
  v) the co-insurance contract may be entered into in the form of a reinsurance contract,
  w) insurance covering risks within third countries,
  x) the leading insurance undertaking shall be an insurance undertaking with the head office in the area of a Member State or in the area of a third country that has acquired an authorisation to conduct insurance business within the insurance class to which the risk coverage refers,
  y) the leading insurance undertaking shall fully assume the leading role in the co-insurance procedure; it shall determine the conditions of insurance, including the premium, and it shall issue the policy.

(2) Each of the insurance undertakings covering risks pursuant to the provisions of the preceding paragraph shall create technical provisions pursuant to the regulations of the country where it was established; if such regulations do not exist, they shall be formed pursuant to the normal practice in this country.

(3) Notwithstanding the provision of the preceding paragraph, technical provisions shall be at least equivalent to those determine by the leading insurance undertaking pursuant to the regulations of the country where it was established.

(4) For the purpose of performing co-insurance transactions at the level of third countries and at EU level, the Insurance Supervision Agency shall exchange information with other relevant supervisory authorities from Member States. Section 11.3. of this Act shall apply to the exchange of information.

Article 536
(Insurance and reinsurance pool)
(1) Two or more insurance undertakings who may perform insurance or reinsurance business in the area of the Republic of Slovenia may establish an insurance or reinsurance pool to perform insurance or reinsurance business covering the risks classified into the insurance classes referred to in points 8, 9, 13, and 16 of paragraph two of Article 7 of this Act and other major risks referred to in Article 532 of this Act.

(2) The provisions of the Act governing the operation of companies in economic interest groupings shall apply to insurance or reinsurance pools unless otherwise provided in this Article.

(3) An insurance or reinsurance pool shall be engaged in relationships referring to entering into, and implementing, insurance or reinsurance contracts on its own behalf and for the account of its members within insurance classes for which the members hold an authorisation to perform insurance business.

(4) Article 52, Chapter 3, Sections 4.4., 4.5., 4.6. and 4.8., excluding paragraph one of Article 177, Articles 242, 243, 246, and 252, Chapter 5, excluding Articles 261 through 264, Chapters 6 and 7, excluding Section 7.8., Chapters 9, 12, and 13, and Articles 610, 611, and 621 of this Act shall apply, mutatis mutandis, to insurance or reinsurance pools unless otherwise provided in this Chapter.

(5) An insurance or reinsurance pool shall calculate technical provisions for its members created by the members due to transactions entered into by the insurance or reinsurance pool for the account of its members. An insurance or reinsurance pool shall report to the Insurance Supervision Agency concerning the calculated technical provisions within one month after an individual trimester expires. The provisions of this Act and the regulations issued based on this Act concerning the calculation of technical provisions at insurance undertakings and concerning the reporting of insurance undertakings on technical provisions shall apply to the calculation of technical provisions and to reporting on the calculated technical provisions for insurance or reinsurance pools.

(6) Articles 56 through 61, 63 through 65, and Article 612 of this Act shall apply, mutatis mutandis, to a member of the management of an insurance or reinsurance pool.

Article 537

(Authorisation to perform insurance or reinsurance pool activities)

(1) The activity of an insurance or reinsurance pool may be carried out only by an insurance or reinsurance pool that acquired an authorisation of the Insurance Supervision Agency to conduct insurance or reinsurance pool activities.

(2) The Insurance Supervision Agency shall reject a request to issue an authorisation to conduct insurance or reinsurance pool activities if:

1. an insurance or reinsurance pool fails to meet the conditions for conducting insurance or reinsurance pool transactions set forth by this or other Acts or by regulations issued on the basis of such Act;
2. an insurance undertaking that is a member of an insurance or reinsurance pool does not hold an authorisation to conduct insurance business in an insurance class to which the insurance or reinsurance pool activity refers;
3. members of the management do not hold an authorisation to perform the function of a member of the management of an insurance or reinsurance pool.

(3) The provisions of Article 122 shall apply, mutatis mutandis, to the end of the validity of an authorisation to conduct insurance or reinsurance pool activities.
The Insurance Supervision Agency shall withdraw an authorisation to conduct insurance or reinsurance pool activities from an insurance or reinsurance pool in the following cases:

1. if the authorisation was acquired by stating false information,
2. if it imposed the additional measure referred to in point 5 of paragraph one of Article 308 of this Act on an insurance or reinsurance pool and if the competent authority failed to discharge a member or members of the management within the deadline set for carrying out an additional measure and failed to appoint new ones, or if the newly appointed members of the management failed to eliminate violations or the performance of additional measures that were the grounds for the additional measure referred to in point 5 of paragraph one of Article 308 of this Act within two months of being appointed;
3. if an insurance undertaking that is a member of an insurance or reinsurance pool does not hold an authorisation to conduct insurance business in an insurance class to which the insurance or reinsurance pool activity refers.

Chapter 14:
DEDICATED COMPANY

Article 538
(Application of provisions to a dedicated company)

The following provisions shall apply to a dedicated company assuming the risks of insurance undertakings:

- Chapter 14 of this Act,
- acts adopted by the European Commission pursuant to paragraph two of Article 211 of Directive 2009/138/EC, and
- implementing technical standards issued by the European Commission pursuant to paragraphs 2a and 2b of Article 211 of Directive 2009/138/EC.

Article 539
(Dedicated company)

(1) A dedicated company shall be a legal entity that:

1. is not an insurance undertaking,
2. finances insurance undertakings and assumes their risks,
3. was established for the purpose of funding and assuming the risk of insurance undertakings.

(2) Prior to assuming the risk of insurance undertakings, a dedicated company with its head office in the Republic of Slovenia shall obtain an authorisation from the Insurance Supervision Agency – an authorisation to assume risk.

(3) A dedicated company shall fund risks by issuing debt financial instruments or by means of a different financial mechanism, whereby the rights of the persons that paid the debt financial instrument or other financial mechanism shall be subordinate to the reinsurance obligations of the dedicated company pending repayment.

(4) A dedicated company shall only perform activities of assuming the risks of insurance undertakings and activities arising from assuming risks.

(5) The provisions of the Act regulating companies shall apply to the dedicated company unless provided otherwise by this Act.
Article 540
(Scope of the authorisation to assume the risks of insurance undertakings)

(1) In an authorisation to assume the risks of an insurance undertaking, the Insurance Supervision Agency shall set forth the risk types that the dedicated company may assume.

(2) The Insurance Supervision Agency shall issue an authorisation to assume certain risks referred to in the preceding paragraph if it discovers that a dedicated company fails to meet the conditions for assuming these risks and the conditions determined by means of the regulations referred to in Article 538 of this Act.

(3) In order to cover other types of risks not stated in the authorisation, a dedicated company shall acquire a new authorisation to assume the risks of insurance undertakings.

(4) Section 10.4. of this Act shall apply, mutatis mutandis, to the decision-making procedure concerning a request to issue an authorisation to a dedicated company unless otherwise provided in this Chapter.

Article 541
(Supervisory measures relating to a dedicated company)

(1) If the Insurance Supervision Agency discovers that a dedicated company violates this Act or other regulations referred to in Article 538 of this Act, Articles 302 to 306 and other provisions of this Act referring to the procedure for issuing an order to eliminate violations to an insurance undertaking, Articles 313 and 314 and other provisions of this Act governing the procedure for issuing a decision on the withdrawal of an authorisation from an insurance undertaking shall apply mutatis mutandis.

(2) In order to implement this Act and other regulations referred to in Article 538 of this Act, the Insurance Supervision Agency may impose measures on a dedicated company concerning:
1. contracts,
2. investments,
3. the ability and suitability of persons managing a dedicated company,
4. owners of the dedicated company,
5. management system,
6. accounting procedures,
7. accounting and precautionary requirements and requirements regarding statistical data,
8. solvency requirements.

Article 542
(Withdrawal and the end of the validity of the authorisation to assume the risks of insurance undertakings)

(1) The Insurance Supervision Agency shall withdraw an authorisation to assume the risk of insurance undertakings:
1. if the authorisation has been acquired by stating false information;
2. if a dedicated company repeatedly violates the duty to report to or notify the Insurance Supervision Agency in a timely and proper manner or if it hinders the supervision of its operations in any other way;
3. if a dedicated company fails to act in accordance with an order to eliminate violations;
4. if the Agency imposed the measures referred to in paragraph two of the preceding Article on a dedicated company, and the dedicated company failed to carry out the measures by a specified deadline;
5. if there are circumstances that could be deemed as grounds for withdrawing the authorisation to acquire a qualifying holding from an entity that is a direct or indirect parent entity of a dedicated company;
6. if a dedicated company fails to meet the technical, organisational, personnel or other conditions for assuming risks,

(2) A recurring violation referred to in point 2 of the preceding paragraph shall be a violation whereby a dedicated company repeats a violation at least once within five years after committing an equivalent violation.

(3) The authorisation to assume the risks of insurance undertakings shall cease:
1. if a dedicated company does not begin operations within six months after the authorisation was issued;
2. if a dedicated company fails to perform activities related to assuming the risks of insurance undertakings for more than one year;
3. upon the commencement of bankruptcy proceedings or a compulsory liquidation procedure;
4. upon the completion of liquidation of the insurance undertaking;
5. upon the deletion of a dedicated company from the register unless the authorisation already ceased based on one of the preceding points;
6. upon receiving a statement from a dedicated company which states that it ceased to perform the activities related to assuming the risks of insurance undertakings, and suitable supporting documentation.

(4) A dedicated company shall notify the Insurance Supervision Agency that the performance of activities related to assuming the risks of insurance undertakings has commenced or ceased.

(5) In the event of the reason referred to in paragraph three of this Article, the Insurance Supervision Agency shall issue a decision establishing that the authorisation has been terminated.

(6) The provisions of this Act applicable to the decision-making process concerning the issuing of a declaratory decision to an insurance undertaking shall apply, mutatis mutandis, to the decision-making process concerning the issuing of the declaratory decision referred to in the preceding paragraph.

Chapter 15:
INSURANCE AGENTS AND BROKERS

15.1 Insurance agents

Article 543
(Insurance agents)

(1) An insurance agent shall be a person who holds an authorisation from the Insurance Supervision Agency to perform insurance agency transactions. The insurance agency transactions performed by the insurance agent based on employment or any other
legal relationship with an insurance undertaking or an insurance agency or a person referred to in paragraph four of Article 558 of this Act shall include:

1. entering into insurance contracts on behalf and for the account of an insurance company,
2. activities relating to the preparation to enter into an insurance contract,
3. assistance with enforcing the rights arising from a contract, especially with resolving compensation claims addressed to an insurance undertaking.

(2) An authorisation of an insurance agent to conclude an insurance contract shall also include an authorisation to modify or extend a contract and to accept the statements of a policyholder concerning the withdrawal from the insurance contract.

(3) Insurance agents as referred to in paragraph one of this Article shall not be persons conducting agency transactions and they shall also not be, mutatis mutandis, insurance agencies as referred to in paragraph 544 of this Act if the following conditions have been met:
- the entering into an insurance contract requires knowledge only of the risks that are covered;
- an insurance contract is not a life insurance contract;
- an insurance contract does not cover liability insurance;
- the primary occupational activities of the person are not insurance agency activities;
- insurance is a supplementary service or is connected with a product or service rendered, and if such insurance covers:
  z) the risk of destruction, loss, or damage to products or objects, or
  aa) the risk of damage or loss of luggage or other risks related to tourist travel booked through a travel agency, even though the insurance contract includes provisions concerning life insurance or liability insurance if this type of insurance is an ancillary or supplementary form of insurance covering risks related to tourist travel;
- the amount of the annual insurance premium does not exceed €500 and if the insurance contract, taking into consideration all renewals, has not been entered into for a period longer than five years.

Article 544
(Insurance agency)

(1) An insurance agency shall be a legal entity performing activities relating to the representation of insurance undertakings when entering into insurance contracts.

(2) The insurance agency activities of insurance agencies shall include:
1. entering into insurance contracts,
2. activities relating to the preparation to enter into an insurance contract,
3. assistance with enforcing the rights arising from a contract, especially with resolving compensation claims addressed to an insurance undertaking.

(3) The provisions of this Act concerning insurance agencies shall also apply, mutatis mutandis, to sole traders that represent insurance undertakings when entering into insurance contracts.

(4) The provisions of this Act concerning insurance agencies shall also apply, mutatis mutandis, to the persons referred to in paragraph four of Article 558, specifically in the part referring to insurance agency activities.

(5) A name of a company containing the words insurance agency or any derivatives thereof shall not be entered in a register of companies or any other suitable
register if the entity has not acquired an authorisation from the Insurance Supervision
Agency to conduct insurance agency activities.

Article 545
(Obligations of agents)

(1) Provisions of Articles 521 through 528 of this Act shall also apply to an insurance agent.

(2) Prior to introducing the subject matter of insurance and entering into an insurance contract and, if necessary, with regard to any later amendments and modifications to the insurance contract, the insurance agent shall also provide a policyholder with a written notification concerning:
1. their name and surname,
2. the number and date of the decision to issue an authorisation to perform insurance agency transactions, and concerning the register where it can be verified that such authorisation has actually been issued,
3. the name and address of the insurance undertaking or insurance agency or any other entity referred to in paragraph four of Article 558 of this Act with which the insurance agent has entered into a contract based on which they conduct insurance agency transactions,
4. the insurance undertakings for which they work, stating the name and the head office of each insurance undertaking,
5. the information that they or their insurance agency hold a direct or indirect share accounting for more than 10% of voting rights of an insurance undertaking or a share in the capital of an insurance undertaking,
6. the information that an insurance undertaking or its controlled undertaking holds a direct or an indirect share accounting for more than 10% of voting rights or a share in the capital of an insurance agency where the insurance agent is employed or with which the insurance agent is in a legal relationship,
7. the out-of-court dispute settlement referred to in Article 579 of this Act.

(3) In addition to the data referred to in the preceding paragraph, an insurance agent, with regard to the insurance contract of a policyholder, shall also provide a written notification concerning the following:
1. whether they are advising a policyholder regarding the signing of the contract referred to in paragraph four of this Article, which includes an analysis based on a suitable number of insurance contracts available on the market, or
2. whether they are committed under the law of obligations to act as an agent for one or more insurance undertakings; in this case, they shall also notify the policy holder concerning the names of the insurance undertakings that they represent, or
3. whether they are not committed under the law of obligations to act as an agent for one or more insurance undertakings, and that they do not give advice concerning the signing of a contract based on paragraph four of this Article. In this case, they shall also notify the policyholder, upon the policyholder’s request, concerning the names of the insurance undertakings that they represent. An insurance agent shall notify a policyholder concerning their right to be able to request the data on the names of insurance undertakings in the cases referred to in points 2 and 3 of this paragraph.

(4) If an insurance broker notifies a policyholder that they will give them advice on entering into an insurance contract based on a proper and fair analysis, such advice shall be formed on the basis of a suitably large number of insurance contracts available on the market, enabling the insurance broker to provide recommendations pursuant to professional
criteria, so that a policyholder may fulfil their needs and requirements by entering into such a contract.

(5) Prior to entering into a contract based on the information acquired from a policyholder, an insurance broker shall define for the policyholder the needs, wishes, and reasons for the advice provided to the policyholder concerning insurance products.

(6) An insurance broker shall not be required to provide the information stated in paragraphs one, two, three, and four of this Article in the case of the insurance of major risks referred to in Article 532 of this Act.

(7) When an insurance broker presents the subject matter of insurance or when signing an insurance policy in electronic form, the information stated in paragraphs one, two, three, and four of this Article may also be provided in electronic form.

Article 546
(Liability of an insurance undertaking)

(1) An insurance undertaking shall be held liable for the actions of the insurance agent and the insurance agency pursuant to the provisions of the Act governing contractual relationships.

(2) It shall be considered that premiums and other payments connected with an insurance contract have been paid to the insurance undertaking when they have been paid to an agent or an insurance agency. It shall be considered that compensations for damages, benefits, and other amounts intended for the policyholders, insured person, or other beneficiaries paid by the insurance undertaking to this person through an insurance agent or an insurance agency have been paid when this person receives them from an insurance agent or an insurance agency.

Article 547
(Limitations on agents’ authorisations)

(1) If an authorisation of an insurance agent is limited to only a certain area, this agent shall be authorised to perform legal acts referred to in Article 543 of this Act only with regard to the insurance that refers to the property located in this area or to the persons who live in this area.

(2) If an authorisation to perform insurance agency activities is limited in such a manner that an agent is not authorised to perform all of the legal acts referred to in Article 543 of this Act or in a manner referred to in the preceding paragraph, the limitation of their authorisation to perform insurance agency activities with regard to the policyholder shall be in force only if they were aware of this limitation or if this limitation could not have remained unknown to them.

(3) It shall be considered that the limitation of an insurance agent’s authorisation could not have remained unknown to them pursuant to the preceding paragraph only if they were not aware of the limitation due to grave negligence.

15.2 Insurance brokers

Article 548
(Insurance broker)

(1) An insurance broker shall be a person who holds an authorisation from the Insurance Supervision Agency to perform insurance brokerage transactions.

(2) An insurance brokerage transaction referred to in the preceding paragraph shall be brokering when entering into insurance contracts with one or more insurance undertakings by making efforts to establish contact between a policyholder and an insurance undertaking in order for the policyholder to enter into an insurance contract with this undertaking. In addition to the aforementioned, insurance brokerage shall also include activities related to preparations for the signing of an insurance contract and assistance with exercising the rights arising from the contract.

(3) The general rules of the law of obligations concerning brokerage contracts shall apply to insurance brokerage, with the exception of the rules concerning a brokerage diary and a brokerage certificate, unless otherwise provided in this Act.

(4) Insurance brokers as referred to in paragraph one of this Article shall not be persons conducting brokerage transactions and they shall also not be, mutatis mutandis, insurance brokerage companies as referred to in paragraph 549 of this Act if the following conditions have been met:
- if entering into an insurance contract requires only knowledge of the risks that are covered;
- if an insurance contract is not a life insurance contract;
- if an insurance contract does not cover liability insurance;
- if insurance brokerage is not the primary professional activity of the person performing insurance brokerage activities;
- if the insurance is a supplementary service or is connected to a product or service rendered, and if such insurance covers:
  bb) the risk of destruction, loss, or damage to products or objects, or
  cc) the risk of damage or loss of luggage or other risks related to tourist travel booked through a travel agency, even though the insurance contract includes provisions on life insurance or liability insurance if this type of insurance is an ancillary or supplementary form of insurance covering risks related to tourist travel;
- if the amount of the annual insurance premium does not exceed €500 and if the insurance contract, taking into consideration all renewals, has not been entered into for a period of more than five years.

(5) Insurance agents as referred to in paragraph one of this Act shall not be persons or companies that provide information on insurance to clients when they perform their professional activities, whereby these should also not include the activities referred to in paragraphs one and two of this Article.

Article 549
(Insurance brokerage company)

(1) An insurance brokerage company shall be a legal entity performing brokerage activities when entering into insurance contracts.

(2) Paragraphs two to five of the preceding paragraph shall apply, mutatis mutandis, to insurance brokerage companies.
(3) The provisions of this Act concerning insurance brokerage companies shall also apply, *mutatis mutandis*, to sole traders whose commercial activity is brokering when entering into insurance contracts.

(4) The name of a company containing the words insurance brokerage company or insurance brokerage or any derivatives thereof shall not be entered into a register of companies or any other suitable register if the entity fails to acquire an authorisation from the Insurance Supervision Agency to conduct insurance brokerage activities.

**Article 550**

**(Protecting the interests of clients)**

(1) When performing insurance brokerage, insurance brokers shall protect the interests of policyholders.

(2) In relation to an insurance undertaking, an insurance agent shall protect those interests of the insurance undertaking that shall also be observed by the policyholder prior to, or after entering into, an insurance contract. In particular, an insurance agent shall notify an insurance undertaking when preparing an insurance contract concerning any special risks that of which they are aware or of which they should be aware.

**Article 551**

**(Obligations of an insurance broker)**

(1) The obligation of an insurance broker to protect the interests of policyholders referred to in paragraph one of the preceding paragraph shall also include clarifications and advice for the policyholder concerning all circumstances that are relevant for the policyholder’s decision to enter into an insurance contract for particular types of insurance or with a particular insurance undertaking.

(2) In order to fulfil the obligations referred to in the preceding paragraph, an insurance broker shall, in particular:

1. create a suitable analysis of risks and suitable principles of coverage for a policyholder;
2. act as a broker on behalf of a policyholder when entering into an insurance contract that provides a policyholder, depending on the circumstances of individual cases, with maximum protection, whereby this obligation may be limited to certain insurance products if the insurance broker expressly notifies the policyholder of this;
3. notify the insurance undertaking concerning the policyholder’s application for insurance coverage, provide the policyholder with the conditions of insurance, and provide information concerning the rules for the calculation of the premium;
4. verify the contents of the insurance policy;
5. provide assistance to policyholders during the term of the insurance contract, both prior to and after a loss event, and the broker shall, in particular, make sure that policyholders carry out the legal procedures relevant for maintaining or enforcing their rights based on the insurance contract within the deadlines for performing such legal acts;
6. constantly verify the insurance contracts that policyholders entered into by means of the broker’s brokerage services, and the broker shall also create proposals for the modification of such insurance contracts in order to achieve greater protection.

(3) The provisions of Article 545 of this Act shall apply, *mutatis mutandis*, to the obligations of an insurance broker in relation to policyholders.
An insurance broker shall have professional liability insurance for a sum insured that may not be lower than €1,250,618 per compensation claim or €1,875,927 for all compensation claims aggregately in one year, unless the professional liability contract has been entered into within a legal entity on behalf of and for the account of which the broker performs brokerage services.

Article 552
(Liability of an insurance undertaking with regard to an insurance broker)

(1) When an insurance broker or an insurance brokerage company acts as commissioned by an insurance undertaking, the provisions of Article 546 of this Act shall apply to the liability of the insurance undertaking.

(2) When an insurance broker or an insurance brokerage company or a bank as referred to in paragraph five of Article 558 of this Act acts as commissioned by an insurance undertaking, it shall be marked on the insurance policy that the insurance contract was entered into by means of the brokerage services of an insurance broker. In this case, the personal name or company name of the insurance broker, insurance brokerage company, or the bank referred to in paragraph five of Article 558 of this Act and the amount of commission or any other payment which the insurance broker, insurance brokerage company, or the bank referred to in paragraph five of Article 558 of this Act is entitled to request from the insurance undertaking due to its brokerage activities upon entering into an insurance contract shall be stated in the insurance policy.

Article 553
(Conflict of interests)

(1) An insurance broker shall disclose to policyholders all legal and commercial ties with a particular insurance undertaking that may affect the impartiality of the insurance broker when fulfilling the broker’s obligations to the policyholders, in particular the obligations referred to in points 2 and 6 of paragraph two of Article 551 of this Act.

(2) With regard to the legal and commercial ties pursuant to the preceding paragraph, the provisions of the brokerage contract with the insurance undertaking shall apply, based on which the insurance broker shall be:
   1. obliged to act as a broker exclusively when insurance policies are signed with this insurance undertaking,
   2. entitled to a special commission (performance commission) or to a higher brokerage commission for particular insurance classes.

Article 554
(Commission)

(1) An insurance broker shall not have the right to demand the payment of commission or any other payment if this is not expressly agreed upon in writing in the insurance brokerage contract entered into with a policyholder.

(2) If it has been expressly agreed upon in writing in the brokerage contract that an insurance broker is entitled to a commission, the broker shall obtain the right to a commission when the insurance contract, the signing of which was subject to his brokerage service, enters into force.
Article 555
(Mandatory rules)

(1) The obligations of the broker referred to in paragraph one of Article 550 and Article 551 of this Act shall not be excluded or limited by means of a contract.

(2) Any provision of a brokerage contract that is in conflict with the preceding paragraph or paragraph two of Article 554 of this Act shall be null and void.

Article 556
(Brokerage ban)

(1) An insurance broker may not act as a broker when contracts are signed with an insurance undertaking, an insurance undertaking from a Member State, or a foreign insurance undertaking if the signing of such an insurance contract would constitute a violation of Article 21 of this Act.

(2) An insurance broker may not act as a broker with regard to the signing of an insurance contract which conflicts with Article 521 of this Act.

Article 557
(Resolving disputes between insurance brokers and consumers)

The provision of Article 579 of this Act shall apply, mutatis mutandis, to resolving disputes between insurance brokers and consumers.

15.3. Conditions for performing insurance agency or brokerage services

15.3.1. Common provisions

Article 558
(General provisions)

(1) Insurance agency and brokerage services may be performed only by an insurance agency or brokerage company which has obtained an authorisation to perform insurance agency or brokerage activities.

(2) No one other that the entities referred to in the preceding paragraph may perform insurance agency or brokerage activities.

(3) The activities referred to in paragraph one of this Article shall not be insurance agency or brokerage activities performed by natural persons on the basis of employment or any other legal relationship with an insurance undertaking or a company referred to in paragraph one of this Article.

(4) Notwithstanding paragraph one of this Article, insurance agency services may also be provided by other entities if insurance is concluded that is directly related to the main service provided (e.g. forwarding agents and persons performing roadworthiness tests), and if they have acquired a licence to pursue the activity of insurance agencies.
(5) Notwithstanding paragraph one of this Article, insurance brokerage services may also be performed by banks authorised to do so by the Bank of Slovenia. The Bank of Slovenia issues an authorisation on the basis of a preliminary opinion of the Insurance Supervision Agency. The Act governing banking shall apply, *mutatis mutandis*, to the authorisation of the Bank of Slovenia to perform insurance brokerage services.

(6) The Insurance Supervision Agency shall provide the opinion referred to the preceding paragraph within 45 days of receiving a request. If the Insurance Supervision Agency fails to provide its opinion by this deadline, it shall be considered that the opinion has been given and that the Bank of Slovenia may issue the authorisation referred to in the preceding paragraph even without the opinion of the Insurance Supervision Agency.

Article 559

(Association of insurance agencies or insurance brokerage companies)

(1) Insurance agencies or insurance brokerage companies may form an association of insurance agencies or insurance brokerage companies organised as an economic interest grouping.

(2) An association of insurance agencies or insurance brokerage companies shall perform tasks with common significance for insurance agencies or insurance brokerage companies determined in the constitutional document or any other documents of the association.

Article 560

(Obligation of an insurance undertaking)

An insurance undertaking shall ensure that only the entities referred to in paragraphs one, four, or five of Article 558 of this Act perform insurance agency or brokerage services on its behalf.

Article 561

(Authorisation to carry out insurance agency or brokerage transactions)

(1) Insurance agency or brokerage transactions may be independently performed for an insurance undertaking, insurance agency, or insurance brokerage company or an entity referred to in paragraph four of Article 558 of this Act or a bank referred to in paragraph five of Article 558 of this Act by natural persons who hold an authorisation issued by the Insurance Supervision Agency to perform insurance agency or brokerage services.

(2) An assistant insurance agent or broker shall be a person who, under the supervision and in the presence of a mentor who is a holder of an authorisation of the Insurance Supervision Agency for performing insurance agency or brokerage services, seeks potential policyholders and works on the mentor's presentation of insurance to potential policyholders, whereby they may introduce only the basic features of insurance, such as the subject matter of insurance, risks insured, insurance coverage, insurance coverage exclusion, and sums insured. The assistant insurance agent or broker shall not be allowed to sign insurance contracts or give any other statements on behalf of, or for the account of, an insurance undertaking or insurance agency, or an insurance brokerage company, the banks referred to in paragraph five of Article 558 of this Act or the entities referred to in paragraph four of Article 558 of this Act. The performance of the work of an assistant insurance agent or broker shall be included when proving the condition stating that three months of experience...
are required to obtain an authorisation to perform insurance agency or brokerage services. A mentor as referred to in sentence one of this paragraph shall be a mentor to only five assistant insurance agents or brokers at a time. The mentor referred to in sentence one of this paragraph shall be responsible for the accuracy and validity of statements made by the assistant insurance agent or broker to a potential policyholder.

(3) The Insurance Supervision Agency shall issue an authorisation to provide insurance agency or brokerage services if a person meets the following conditions:
1. they have passed the test of professional knowledge required to provide insurance agency or brokerage services;
2. they have at least three months of experience in insurance transactions which they acquired on the basis of employment or other legal relationship with an insurance company or an insurance agency or a brokerage company;
3. they are proficient in the Slovenian language,
4. they have not been convicted res judicata of a criminal offence,
5. the Insurance Supervision Agency has not withdrawn their licence to provide insurance agency or brokerage services within the previous five years.

(4) If a person’s authorisation to perform insurance agency or brokerage transactions has been withdrawn, they may enclose supporting documentation with a full request for an authorisation proving that this person met the conditions referred to in points 1 and 2 of paragraph three of this Article after the authorisation to perform insurance agency or brokerage transactions was withdrawn.

(5) An insurance broker shall also enclose a certificate concerning the insurance referred to in paragraph four of Article 551 of this Act with the request to issue an authorisation to perform insurance brokerage transactions.

(6) The Insurance Supervision Agency shall withdraw an authorisation to carry out insurance agency or brokerage services:
1. if the authorisation has been acquired by stating false information;
2. if, within the procedure, an insurance agent or broker provides false data, information, or reports that do not show the actual state of affairs;
3. if an insurance agent or broker fails to enable a review of operations to an authorised person or if they hinder the procedures for the review of operations as provided in Articles 296 through 300 of this Act;
4. if an insurance agent or broker violates the provision referred to in paragraph two of this Article concerning the maximum permitted number of assistant insurance agents of brokers per mentor;
5. if an insurance agent or broker has is convicted res judicata;
6. if an insurance agent or broker repeatedly violates Article 545 of this Act;
7. if an insurance broker repeatedly violates the obligations referred to in Article 550 or in paragraphs one, two, or three of Article 551 of this Act;
8. if the insurance agent or broker severely violates good business practice when providing insurance agency or brokerage services;
9. if the insurance broker does not have professional liability insurance pursuant to paragraph four of Article 551 of this Act;
10. If an insurance agent of broker, as a mentor, allows an assistant insurance agent or broker to violate paragraph two of this Act.

(7) A recurring violation referred to in points 6 and 7 of the preceding paragraph shall be a violation whereby an insurance agent or broker repeats a violation at least once within five years after committing an equivalent violation.
(8) By means of a decision to suspend the authorisation to perform insurance agency or brokerage services, the Insurance Supervision Agency may also declare that the withdrawal shall not be carried out if an insurance agent or broker, during the trial period determined by the Insurance Supervision Agency, which must no less than six months and no more than two years, does not act again in a way which constitutes grounds for withdrawing the authorisation. In the event of the violations referred to in points 5, 6, 7, and 8 of paragraph six of this Article, suspension of an authorisation shall not be possible.

(9) The Insurance Supervision Agency shall revoke the suspension of authorisation and withdraw the authorisation if the insurance agent or broker, in the trial period, acts in a way which constitutes grounds for withdrawing the authorisation.

(10) A proposal to withdraw an authorisation to perform insurance agency or brokerage services may be provided by an insurance undertaking, an employer, the Slovenian Insurance Association, and the Association of Insurance Agencies and Insurance Brokerage Companies. The Insurance Supervision Agency shall notify the applicant filing the proposal to withdraw an authorisation, the Slovenian Insurance Association, or the Association of Insurance Agencies and Insurance Brokerage Companies concerning withdrawn authorisations. The Insurance Supervision Agency shall also notify the employer or any other contractual party concerning a withdrawn authorisation if the Agency discovers that the person from whom the authorisation has been withdrawn is performing insurance agency or brokerage transactions based on an employment agreement or based on any other agreement.

(11) If an insurance agent's or broker's employment agreement or an agreement based on another legal relationship has been terminated ordinarily or extraordinarily due to violations of obligations arising from insurance agency or brokerage, the employer shall notify the Insurance Supervision Agency of such termination.

**Article 562**

(Register of insurance agents and brokers)

(1) The Insurance Supervision Agency shall keep a register of insurance agencies and insurance brokerage companies and of the entities referred to in paragraph four of Article 558 of this Act that are entitled to perform insurance agency or brokerage services pursuant to this Act in the area of the Republic of Slovenia. The Insurance Supervision Agency shall keep a register of persons that are entitled to perform insurance agency or brokerage services pursuant to this Act in the area of the Republic of Slovenia (the register of insurance agents and the register of insurance brokers).

(2) An insurance undertaking shall keep a register of insurance agencies and the entities referred to in paragraph four of Article 558 of this Act that pursue the activity of insurance agencies on its behalf on the basis of a legal relationship, and a register of insurance agents who provide insurance agency services on its behalf on the basis of employment or any other legal relationship.

(3) An insurance agency, an insurance brokerage company, an entity referred to in paragraph four of Article 558 of this Act, or a bank referred to in paragraph five of Article 558 of this Act shall keep a register of insurance brokers or agents who perform insurance agency or brokerage transactions on the basis of employment or another legal relationship at the insurance agency, insurance brokerage company, the entity referred to in paragraph four of Article 558 of this Act, or the bank. An insurance agency shall keep a register of insurance agencies or the entities referred to in paragraph four of Article 558 of this Act that perform insurance agency services on its behalf based on a legal relationship.
(4) The registers referred to in the previous paragraphs shall be public.

(5) The registers of insurance agents and insurance brokers who have obtained an authorisation in the Republic of Slovenia to perform insurance agency or brokerage transactions shall include the following data: the name and surname of the insurance agent or broker, the number and date of the issued authorisation to perform insurance agency or brokerage transactions, and information on countries in which the insurance agent or insurance broker may perform insurance agency or brokerage transactions. The registers of insurance agents and insurance brokers who have obtained an authorisation in a Member State to perform insurance agency or brokerage transactions shall include the following data: the name and surname of the insurance agent or broker, the date of the receipt of the notification referred to in paragraph one of Article 574 of this Act, and the information on the register of insurance agents or brokers in the Member State and the supervisory authority in the Member State.

(6) The registers the insurance agencies and insurance brokerage companies with registered offices in the Republic of Slovenia shall include the following data: the name of the company and the registered offices of the insurance agency or brokerage company, the number and date of the issued authorisation, and the list of countries in which the insurance agency or insurance brokerage company may perform its activities. The registers of insurance agencies and insurance brokerage companies from Member States or of other entities that may perform insurance agency or brokerage services in the area of the Republic of Slovenia shall include the following data: the name of the company and its registered offices or the name, surname, and address of the person, the date of the receipt of the notification referred to in paragraph one of Article 574 of this Act, and information on the register of insurance agencies or insurance brokerage companies in the Member State and on the supervisory authority in the Member State. With regard to the insurance agencies or insurance brokerage companies from Member States which perform insurance agency or insurance brokerage services in the area of the Republic of Slovenia by means of a branch office established in area of the Republic of Slovenia, the data on the name and registered offices of the branch office and of the persons managing the branch office shall also be entered in the register. The register of insurance agencies or insurance brokerage services in the area of the Republic of Slovenia by means of a branch office established in the area of the Republic of Slovenia shall include the following data: the name and registered offices of the insurance agency or insurance brokerage company, the number and date of the issued authorisation, and the list of persons managing the branch office.

(7) The entities referred to in paragraph one of this Article entered in the register shall notify the Insurance Supervision Agency concerning any change of the data entered in the register within eight days after the change occurs.

Article 563
(Supervision)

(1) The supervision of insurance agents and brokers, insurance agencies and insurance brokerage companies and companies referred to in paragraph four of Article 558 shall be carried out by the Insurance Supervision Agency. The supervision of banks referred to in paragraph five of Article 558 shall be carried out by the Insurance Supervision Agency in cooperation with the Bank of Slovenia.
(2) Articles 271 to 275, paragraph one of Article 277, Articles 278, 280, 284, 293 to 306, 313, and 314 of this Act shall apply, mutatis mutandis, to the supervision referred to in the preceding paragraph.

**Article 564**
*(Regulation on insurance agents and brokers)*

The Insurance Supervision Agency shall prescribe the following:

1. more detailed conditions for acquiring and testing the professional knowledge required to perform insurance agency or brokerage services referred to in point 1 of paragraph three of Article 561 of this Act, namely: the content and scope of the professional knowledge required to perform insurance agency and brokerage transactions, the method of performing tests of professional knowledge, the provider of the testing and the method of performing these public powers by the provider of testing;
2. more detailed rules on how to keep the registers referred to in Article 562 of this Act, the data entered in these registers, the method of public access to this data, and on the more detailed content, method, and deadlines for providing notifications concerning changes to data entered in these registers;
3. more detailed content of the reports referred to in Article 571 of this Act and the deadlines and the method of reporting.

15.3.2. Insurance agencies and insurance brokerage companies

**Article 565**
*(Application of provisions)*

(1) The provisions of the Act regulating companies shall apply to insurance agencies and insurance brokerage companies unless determined otherwise by this Act.

(2) Article 560 of this Act shall apply, mutatis mutandis, to insurance agencies and insurance brokerage companies and to the banks referred to in paragraph five of Article 558 of this Act when they perform their services through other insurance agencies or insurance brokerage companies or the entities referred to in paragraph four of Article 558 of this Act.

**Article 566**
*(Legal organisational form)*

(1) Insurance agency and brokerage services may be performed by companies or sole traders.

(2) If a sole trader whose commercial activities are insurance agency or brokerage services fails to register in the register of companies, the provisions of this Act concerning entry in the register of companies shall apply, mutatis mutandis, concerning entry in the register of companies. A sole trader shall also enclose their authorisation to perform insurance agency or brokerage services with the application for entry in the register of companies.

**Article 567**
*(Activities of insurance agencies or insurance brokerage companies)*
(1) An insurance agency or insurance brokerage company may perform only insurance agency or insurance brokerage activities.

(2) Notwithstanding the provision of the preceding paragraph, an insurance agency or insurance brokerage company may also perform:

1. services of credit mediation and brokerage services of investment coupons of mutual funds and other similar financial products if it meets the conditions to provide these services stipulated by law and other regulations which govern the provision of these services;
2. services referred to under points 2 to 5 of paragraph seven of Article 26 of this Act.

**Article 568**

(Liability insurance of insurance brokerage companies)

An insurance brokerage company or a bank as referred to in paragraph five of Article 558 of this Act shall have professional liability insurance for an insurance sum that must not be lower than EUR 1,250,618 per one claim for damages or EUR 1,875,927 for all claims for damages on aggregate in one year.

**Article 569**

(Authorisation to provide insurance agency or brokerage services)

(1) Prior to entering its establishment in the register of companies or prior to entering a suitable modification in the register of companies, an insurance agency or an insurance brokerage company shall acquire an authorisation to pursue the activity of insurance agencies or insurance brokerage companies from the Insurance Supervision Agency.

(2) The provisions of points 1, 3, and 4 of paragraph one of Article 115 of this Act shall apply, *mutatis mutandis*, to requests for an authorisation to perform insurance agency or brokerage services. An insurance agency or an insurance brokerage company shall also enclose evidence with the request to issue an authorisation, which shows that it meets the conditions laid down in Articles 565 through 568 of this Act.

(3) The Insurance Supervision Agency shall issue an authorisation to perform insurance agency or brokerage services if an insurance agency or insurance brokerage company meets the conditions laid down in Articles 565 through 568. If an insurance agency or an insurance brokerage company has its authorisation to pursue insurance agency or brokerage activities withdrawn, the Insurance Supervision Agency shall not issue an authorisation to pursue such activities for five years after the decision on the withdrawal of the authorisation became final. If an authorisation to perform insurance agency or insurance brokerage services has been withdrawn from an insurance agency or an insurance brokerage company, the Insurance Supervision Agency shall not, for five years following the final decision on the withdrawal of the authorisation, issue an authorisation to perform services for a company the founder of which is an entity that was a company member whose interest enabled an influence on the operation of an insurance agency or insurance brokerage company or its legal representative at any time within the past two years before the authorisation to perform insurance agency or brokerage services was withdrawn from the insurance agency or insurance brokerage company.

(4) The provisions of paragraphs one to three of this Article shall also apply, *mutatis mutandis*, to the opinion of the Insurance Supervision Agency referred to in paragraph five of Article 558 of this Act.
Article 570
(Withdrawal and end of validity of an authorisation to provide insurance agency or brokerage services)

(1) The Insurance Supervision Agency shall withdraw an authorisation to provide insurance agency or brokerage services in the following cases:

1. if the authorisation has been acquired by stating false information;
2. if, within the procedure of reviewing operations, an insurance agency or an insurance brokerage company provides false data, information, or reports that do not show the actual state of affairs;
3. if an insurance agency or insurance brokerage company or an insurance agent or an insurance broker that works for such companies gravely violates Articles 545, 547, 550, 551, 553, or 555 of this Act or if they commit systematic grave violations of good business practice when performing insurance agency or insurance brokerage transactions or services;
4. if an insurance agency or insurance brokerage company violates Article 567 of this Act;
5. If an insurance brokerage company does not have liability insurance pursuant to Article 568 of this Act;
6. if an insurance agency or insurance brokerage company has repeatedly violated its obligations to report and notify;
7. if an insurance agency or insurance brokerage company fails to enable an authorised person referred to in paragraphs one or two of Article 295 of this Act to review operations or if they hinder the procedures for reviewing operations as provided in Articles 296 through 300 of this Act;
8. if an insurance agent, broker, or a natural person who performs insurance agency or brokerage services on behalf of an insurance agency or insurance brokerage company repeatedly violates paragraph one of Article 561 of this Act, whereby a repeated violation shall be a violation committed by an insurance agent, broker, or a natural person who performs insurance agency or brokerage services on behalf of an insurance agency or insurance brokerage company at least once within two years after committing an equivalent violation;
9. If an insurance agency or insurance brokerage company fails to implement an order of the Insurance Supervision Agency or if it violates it again after the Insurance Supervision Agency has already established concerning an equal violation in the past by means of a decision based on paragraph one of Article 305 of this Act that the past violations were eliminated or that past violations were deemed to be eliminated pursuant to Article 306 of this Act;
10. if a company member or a legal representative or a procurator of an insurance agency or an insurance brokerage company is a person who was a company member whose interest enabled them to influence the operations of an insurance agency or an insurance brokerage company, or was a legal representative of an insurance agency or an insurance brokerage company at any point within the two years before the authorisation to perform insurance agency or brokerage activities was withdrawn from the insurance agency or insurance brokerage company, whereby the decision on the withdrawal of the authorisation from this insurance agency or insurance brokerage company became final in the previous five years;
11. if an insurance agency or insurance brokerage company has repeatedly violated Article 560 of this Act;

(2) Articles 313 and 314 of this Act shall apply, mutatis mutandis, to the withdrawal of authorisation pursuant to the preceding paragraph.

(3) A recurring violation as referred to in points 6, 9, and 11 of paragraph one of this Article shall be a violation whereby an insurance agency or an insurance brokerage
company repeats a violation at least once within five years after committing an equivalent violation.

(4) An authorisation to provide insurance agency or brokerage services shall cease to be in force:
1. if an insurance agency or an insurance brokerage company fails to start up its operations within six months after the authorisation was issued;
2. if an insurance agency or an insurance brokerage company ceases to perform insurance agency or brokerage services for more than one year.
3. upon the commencement of bankruptcy proceedings or a compulsory liquidation procedure;
4. upon the completion of the liquidation of the insurance undertaking;
5. upon the deletion of an insurance agency or an insurance brokerage company from the register of companies or any other suitable register unless the authorisation already ceased to be in force based on one of the preceding points;
6. upon receiving a statement from an insurance agency or an insurance brokerage company stating that it ceased to perform insurance agency or brokerage services and upon receiving supporting documentation concerning the entry of a change of activities in a register of companies or any other suitable register or concerning the adoption of a procedural decision by a competent authority when such entry is not foreseen.

(5) An insurance agency or an insurance brokerage company shall notify the Insurance Supervision Agency on when insurance agency or brokerage services are to begin or end.

(6) If the reason referred to in paragraph four of this Article arises, the Insurance Supervision Agency shall issue a decision establishing that the authorisation is no longer in force.

(7) A proposal to withdraw an authorisation to perform insurance agency or brokerage services may be provided by an insurance undertaking or the Slovenian Insurance Association. The Insurance Supervision Agency shall notify the applicant filing the proposal to withdraw an authorisation, the Association of Insurance Agencies and Insurance Brokerage Companies, and the Slovenian Insurance Association concerning withdrawn authorisations.

**Article 571**

(Reporting)

(1) An insurance brokerage company shall also report to the Insurance Supervision Agency concerning:
1. changes to data entered in the register of companies,
2. the structure and scope of brokerage transactions per insurance undertaking performed on behalf of these insurance undertakings in individual business years.
3. the legal and commercial ties referred to in paragraph two of Article 553 of this Act,
4. the fulfilment of the obligations referred to in Article 568 of this Act.

(2) The bank referred to in paragraph five of Article 558 of this Act shall report to the Insurance Supervision Agency concerning:
5. the structure and scope of brokerage transactions per insurance undertaking performed on behalf of these insurance undertakings in individual business years,
6. the fulfilment of the obligations referred to in Article 568 of this Act.
15.3.3. Performing insurance agency and brokerage services within the EU

Article 572
(Performing insurance agency and brokerage services in Member States)

(1) An insurance agency or an insurance brokerage company may perform insurance agency or brokerage services for which it obtained an authorisation from the Insurance Supervision Agency within the territory of a Member State, directly or indirectly if it meets the conditions determined by means of the regulations of this Member State.

(2) An insurance agency or an insurance brokerage company that intends to begin performing insurance agency or brokerage services in a Member State shall notify the Insurance Supervision Agency.

(3) The Insurance Supervision Agency shall forward the notification referred to in the preceding paragraph to the supervisory authority in the Member State that stated that it wishes to be informed on the purpose of the insurance agency or the insurance brokerage company within one month, and it shall notify the insurance agency or the insurance brokerage company of this.

(4) An insurance agency or an insurance brokerage company may begin performing activities in a different Member State after the expiry of a one-month period after receiving the notification of the Insurance Supervision Agency referred to in the preceding paragraph. It may begin performing activities immediately, provided that the supervisory authority in this Member State does not require to know about the intention of that the company intends to to begin performing its activities.

(5) The provisions of this Article shall apply, mutatis mutandis, to performing insurance agency or insurance brokerage transactions in a Member State.

Article 573
(Insurance agencies and insurance brokerage companies of Member States)

(1) An insurance agency or an insurance brokerage company that may pursue insurance agency or brokerage activities in a Member State may pursue insurance agency or brokerage activities in the Republic of Slovenia through a branch office or directly.

(2) Articles 543 through 558 of this Act and Article 571 of this Act laying down the provisions concerning the transactions that an insurance brokerage company performs in the area of the Republic of Slovenia shall apply to the insurance agencies and insurance brokerage companies referred to in the preceding paragraph.

Article 574
(The commencement of insurance agency or brokerage services)

(1) An insurance agency or an insurance brokerage company referred to in paragraph one of the preceding paragraph may begin performing insurance agency or brokerage activities in the Republic of Slovenia within one month after the supervisory authority from a Member State notifies the Insurance Supervision Agency concerning the intention of the insurance agency or the insurance brokerage company to perform its activities.
(2) The provisions of this Article shall apply, mutatis mutandis, to performing transactions by an insurance agency or an insurance brokerage company of a Member State in the Republic of Slovenia.

Article 575
(Mutual notification between supervisory authorities)

The Insurance Supervision Agency shall exchange information referring to insurance agents and brokers and insurance agencies and insurance brokerage companies with the supervisory authorities of Member States, in particular:

1. when it imposes measures against insurance agents and brokers and insurance agencies and insurance brokerage companies that obtained an authorisation to perform insurance agency or brokerage services from a competent supervisory authority of a Member State because they are not operating pursuant to the legislation of the Republic of Slovenia, or

2. when a supervisory authority of a Member State imposes measures against an insurance agency or an insurance brokerage company or an insurance agent or an insurance broker that obtained an authorisation to perform insurance agency or brokerage services from the Insurance Supervision Agency.

15.3.4. Insurance agencies and insurance brokerage companies of third countries

Article 576
(Branch offices of insurance agencies and insurance brokerage companies of third countries)

(1) An insurance agency or an insurance brokerage company of a third country may perform insurance agency or brokerage services in the area of the Republic of Slovenia only through a branch office.

(2) The provisions of Articles 543 through 571 of this Act shall apply to an insurance agency or an insurance brokerage company that establishes a branch office in the Republic of Slovenia.

Article 577
(Authorisation to establish a branch office)

The provisions of paragraph one of Articles 37, 138, and 569 of this Act shall apply, mutatis mutandis, to an authorisation to establish a branch office as referred to in paragraph one of the preceding Article and to the withdrawal thereof.

Chapter 16:
SLOVENIAN INSURANCE ASSOCIATION AND THE RESOLUTION OF DISPUTES BETWEEN SERVICE PROVIDERS AND CONSUMERS

Article 578
(Slovenian Insurance Association)
(1) Insurance undertakings that may perform insurance business in the territory of the Republic of Slovenia and other organisations may group into the Slovenian Insurance Association.

(2) The provisions of the Act governing companies, specifically the provisions on economic interest groupings, shall apply to the Slovenian Insurance Association, unless otherwise provided in this Article.

(3) The Slovenian Insurance Association:
1. shall perform transactions foreseen by adopted international treaties on the compulsory insurance of vehicle owners against liability (green card), and it shall represent insurance undertakings in international insurance organisations with regard to these transactions;
2. shall adopt insurance statistical standards;
3. shall carry out tasks relating to the guarantee fund for:
   - the payment of damages caused by drivers of unknown and uninsured vehicles and uninsured aircraft or other flying devices, and of uninsured boats,
   - the payment of compensations for damages in public transport, provided that the owner of the public means of transport failed to enter into an insurance contract,
   - The payment of compensations for damages arising from compulsory insurance transport in the event that bankruptcy proceedings are instituted against an insurance undertaking,
4. shall perform tasks of common significance for insurance undertakings set forth in the constitutional document or Articles of Association, for which it shall be authorised by the members;
5. shall perform tasks related to the information centre and the office for compensation, pursuant to the Act governing insurance in transport.

(4) The Slovenian Insurance Association shall organise training and shall carry out testing of professional knowledge required to perform insurance agency and brokerage transactions referred to in point 1 of paragraph three of Article 561 if this Act.

(5) Article 116, paragraph one of Article 246, Sections 4.4. and 4.8. and Chapters 5 and 7 of this Act shall apply, mutatis mutandis, to performing the business tasks of the Slovenian Insurance Association referred to in point 3 of paragraph three of this Article regarding the Guarantee Fund and point 5 of paragraph three of this Article regarding the Compensation Body.

(6) In the event referred to in paragraph four of this Article, Articles 271, 272, 277, 293, 302, and 304 of this Act shall apply, mutatis mutandis, to supervising the organisation of training and the testing of knowledge.

(7) If a supervisory measure is imposed on the Slovenian Insurance Association, it shall pay flat-rate compensation of costs incurred due to this procedure to the Insurance Supervision Agency, as determined in the tariff of the Insurance Supervision Agency.

Article 579
(Resolving disputes between service providers and consumers)

(1) An insurance undertaking, an insurance agency or an insurance brokerage company shall establish an internal procedure for resolving complaints by policyholders, insured persons, and other beneficiaries of insurance.
(2) An insurance undertaking shall guarantee an out-of-court settlement procedure between insurance service providers and policyholders, insured persons, and other beneficiaries of insurance before an independent provider of out-of-court settlements that meets the conditions and provides the procedure pursuant to the Act governing out-of-court settlements of disputes, to which policyholders, insured persons, and other beneficiaries of insurance may address their initiatives to commence the procedure, provided that the complaint referred to in the preceding paragraph is not upheld or that a decision on the complaint is not taken within 30 days after it has been received.

(3) In the terms of insurance, an insurance undertaking shall publish information on the internal procedure for resolving the complaints of policyholders, insured persons, and other beneficiaries of insurance and on the provider of out-of-court dispute settlement.

Chapter 17:

Article 580
(Pension companies)

(1) With regard to the operation of pension companies as defined by the Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, Nos. 96/12, 39/13, 99/13 – ZSVarPre-C, 101/13 – ZIPRS1415, 44/14 – ORZPIZ206, 85/14 – ZUJF-B and 95/14 – ZUJF-C, hereinafter referred to as the ZPIZ-2), the provisions of this Act laid down in this Chapter and in ZPIZ-2 and the regulations issued based on this Act shall apply.

(2) The provisions of Section 2.5. of this Act shall apply to the system for managing pension funds, with the exception of the provisions referring to the function of risk management, the function of monitoring conformity, and the actuarial function.

(3) Paragraphs one and two of Article 154, Article 158, unless referring to the actuarial function, paragraph one of Article 160, Section 4.4., Section 4.6., Articles 246 to 251, whereby Articles 249 to 251 shall apply mutatis mutandis, and Article 252 of this Act, with the exception of points 12 and 13 of paragraph one, shall apply to the management of pension companies’ risks.

(4) When managing risks, in particular when assessing the credit standing of issuers of financial instruments in which pensions funds are invested and of persons to whom a pension fund is exposed, a pension company may not exclusively or automatically rely on credit ratings issued by credit rating agencies, but should also take into consideration other relevant information if this is practicable.

(5) Chapter 5, with the exception of paragraph three of Article 254, Articles 256 and 261 through 264 of this Act shall apply to the books of account and the annual report of pension companies.

(6) The Insurance Supervision Agency may determine special requirements for pension companies in the regulations referred to in paragraph one of Article 254, paragraph two of Article 254, and paragraph four of Article 255 of this Act.
(7) Notwithstanding the provision of paragraph one of Article 257 of this Act, a pension company shall submit the documents referred to in paragraph one of Article 257 of this Act to the Insurance Supervision Agency within eight days of receiving the auditor’s report, but no later than within six months after the end of the calendar year.

(8) The following shall also apply to pension companies:
- paragraphs two to five of Article 30 of this Act;
- Subsection 1.2.4. of this Act;
- Chapter 6 of this Act.

(9) Chapter 7, with the exception of paragraph two of Article 277 of this Act, shall apply, mutatis mutandis, to the supervision of pension companies.

Article 581
(Risk management)

(1) A pension company shall ensure that it always has adequate capital available, with respect to the extent and types of its supplementary pension insurance operations, and the risks to which it is exposed in these operations (capital adequacy).

(2) Pension companies shall operate so that:
   1. the risks to which they are exposed when performing supplementary pension insurance activities never exceed the limits set out in this Chapter and in the regulations issued on the basis of this Chapter,
   2. it is able to meet any obligations that fall due at any time in a timely manner (liquidity), and
   3. it is always able to meet all of its obligations (solvency).

(3) A pension company shall organise its operations and regularly keep books of account, business documents, and other administrative and business records so that it may be verified at any time that the company is operating in accordance with risk management rules.

Article 582
(Capital of pension companies)

In order to establish the fulfilment of the provisions on risk management, the capital of pension companies shall be calculated in the manner determined in the following Articles of this Chapter.

Article 583
(Core capital)

(1) When calculating core capital, pension companies shall take into consideration the following items:
   1. the paid-in share capital of a pension company, except on the basis of cumulative preferential shares of the paid-in share capital;
   2. capital reserves, except the capital reserves connected to cumulative preferential shares;
   3. provisions from profit,
   4. net profit carried over from previous periods;
   5. fair value reserve related to funds not financed from technical provisions.
(2) When calculating core capital, pension companies shall take into consideration the following items:
1. own shares and business assets;
2. intangible long-term assets;
3. net loss brought forward from previous periods and the loss of the current year.

(3) Core capital shall always be at least equal to the amount referred to in paragraph four of Article 587 of this Act.

Article 584
(Additional capital)

(1) When calculating additional capital, pension companies shall take into consideration the following items:
1. paid-in share capital on the basis of cumulative preferential shares;
2. capital reserves connected to cumulative preferential shares;
3. subordinated debt instruments;
4. other items.

(2) When calculating additional capital, the items referred to in the preceding paragraph shall be taken into consideration at most to the extent determined by the regulation referred to in Article 586 of this Act concerning the minimum capital of a pension company referred to in the preceding paragraph or the minimum capital of a pension company referred to in Article 587 of this Act. The following shall fall under the remaining items referred to in point 4 of the preceding paragraph on the basis of the request of a pension company supported by suitable supporting documentation and with the authorisation of the Insurance Supervision Agency:
- the value of the mathematical reserve, which, in its calculation, does not take into consideration or only partly takes into consideration the cost of acquiring supplementary pension insurance from the premium computation, minus the mathematical reserve which, in its calculation, takes into consideration the cost of acquiring supplementary pension insurance from the premium computation. In the calculation of mathematical reserves, the costs of acquiring insurance shall not exceed 3.5% of the sum insured. In the calculation of the differences in mathematical reserves, negative values shall be set to zero;
- half of the unpaid called-up capital of a pension company.

(3) Subordinated debt instruments are securities and other financial instruments on the basis of which their holder shall have the right, in the event of the bankruptcy or liquidation of the issuer, to receive payment only after other creditors of the issuer have been paid, or which with regard to their maturity and other properties are suitable for covering any loss due to the risks to which a pension company is exposed during its operations.

Article 585
(Capital calculation)

(1) When calculating the capital of a pension company, the sum of the core and the added capital shall be reduced by the amount of the following items:
1. the participating interest in other insurance undertakings, reinsurance undertakings, insurance holding pension companies, banks, brokerage firms, asset management companies, and other financial institutions (if capital adequacy is calculated pursuant to regulations) in which the pension company has a participating interest pursuant to paragraph two of Article 13 of this Act;
2. investments in subordinated debt instruments and other investments in the entities referred to in the preceding point that are taken into account when establishing the capital adequacy of these entities, particularly when calculating their capital, and in which the pension company has a participating interest pursuant to paragraph two of Article 13 of this Act;

3. non-liquid assets.

(2) Non-liquid assets are the investments of a pension company in the shares of a stock exchange, central securities clearing companies, receivables due to payments into a guarantee fund of a central securities clearing company, claims due to payments into other funds intended for mutual guarantees to fulfil the obligations of multiple entities, and other assets that cannot be liquidated in the period required for the timely fulfilment of outstanding monetary obligations.

Article 586
(Risk management regulation)

The Insurance Supervision Agency shall determined more detailed rules on managing the risks of pension companies, by means of which it shall determine:

1. the manner and scope of considering individual items when calculating capital and capital adequacy,
2. more detailed features and types of items taken into consideration when calculating capital and capital adequacy,
3. more detailed properties of the subordinated debt instruments referred to in paragraph three of Article 584 of this Act and the non-liquid assets referred to in paragraph two of the preceding Article,
4. more detailed rules on calculating the minimum capital referred to in Article 587 of this Act,
5. more detailed rules and minimum standards, possibly even the methodology, for calculating technical provisions,
6. more detailed types and properties of the assets in the pension liability fund referred to in points 3 and 4 of paragraph five of Article 592 of this Act, and more detailed rules on diversifying and limiting these investments, their evaluation and harmonisation,
7. a more detailed method for calculating liquidity ratios and the minimum degree of liquidity.

Article 587
(Minimum capital of pension companies)

(1) The capital of a pension company shall always be at least equal to capital requirements calculated in the following manner:

dd) 4% of technical provisions in the amount determined pursuant to paragraph two of this Article if a pension company assumes an investment risk;

ee) 1% of technical provisions in the amount determined pursuant to paragraph two of this Article if a pension company does not assume an investment risk, but management costs are determined and unchangeable for a period longer than five years;

ff) 25% of net administrative costs from the previous business year referring to the implementation of supplementary pension insurance if a pension company does not assume an investment risk and the management costs have not been determined and are not unchangeable;

gg) 0.3% of venture capital in the amount determined pursuant to paragraph three of this Article if a pension company covers the risk of death.
(2) Technical provisions shall be calculated for the purpose of calculating the capital requirement for pension companies by multiplying the amount of mathematical reserves created on the last day of the previous business year, including the mathematical reserves covered by reinsurance, by the share which matches the following for the last business year:
   - the total amount of mathematical reserves as at the last day of the previous business year minus the mathematical reserves for the insurance covered by reinsurance, and
   - the total amount of mathematical reserves created as at the last day of the previous business year, including the mathematical reserves created for the insurance covered by reinsurance, but not by less than 0.85.

(3) Venture capital is the difference between the sum insured for the event of death and the created mathematical reserve. It shall be calculated only for the insurance for which venture capital is not negative; it shall be calculated in the following manner:
   1. the amount or venture capital as at the last day of the previous year, including the venture capital for the insurance covered by reinsurance, shall be multiplied by 0.003;
   2. the product referred to in point 1 of this paragraph shall be multiplied by the share which matches the following ratio for the previous year:
      - between the total amount of venture capital as at the last day of the previous business year minus the amount of venture capital for the insurance covered by reinsurance, and
      - the total amount of venture capital as at the last day of the previous year, including the venture capital for the insurance covered by reinsurance, but not by less that 0.5;

(4) Notwithstanding the provision of paragraph one of this Article, the capital of a pension company shall never be less than €3,700,000.

Article 588

(technical provisions)

(1) With regard to all supplementary pension insurance activities in which it engages, a pension company shall form suitable technical reserves intended to cover future liabilities and possible losses due to risks arising from supplementary pension insurance activities in which it engages.

(2) A pension company shall form technical provisions for claims outstanding, mathematical, and other technical provisions.

Article 589

(provisions for outstanding claims)

(1) Provisions for outstanding claims shall be formed in the amount of the estimated liabilities that a pension company is obliged to pay based on contracts whereby an insured event occurred prior to the end of an accounting period, regardless of whether the insured event had already been declared, including all costs chargeable to the pension company based on these contracts.

(2) In addition to the estimated liabilities for damage incurred and declared but not yet resolved, shall also include the estimated liabilities for damage already incurred, but not yet declared.

Article 590
(Mathematical reserves)

(1) Mathematical reserves shall be formed in the amount of the current value of the estimated future liabilities of a pension company on the basis of signed supplementary pension insurance contracts minus the current estimated value of future premiums that will be paid based on these insurance policies.

(2) Mathematical reserves shall be calculated by means of a suitable actuarial evaluation that takes into account all future liabilities of a pension company on the basis of individual insurance contracts, including:
   1. guaranteed payments to which a policyholder, an insured person, or any other beneficiary is entitled;
   2. all entitlements from which a policyholder, an insured person, or any other beneficiary may select on the basis of an insurance contract;
   3. costs, including commissions.

(3) When selecting an actuarial evaluation method, a pension company shall suitably take into account the used methods for evaluating the assets in the pension liability fund.

(4) A pension company shall calculate mathematical reserves individually for each insurance contract. The use of suitable approximations or generalisations shall be permitted only if it is likely that their use will produce approximately the same result as an individual calculation.

(5) Notwithstanding the provision of paragraph one of this Article, a pension company may use a retrospective method to calculate liabilities when a prospective method may not be used due to the nature of an insurance contract or if it can be proven that the value of the calculated liability is not lower than the liability calculated using a prospective method of calculation.

(6) The mathematical reserves formed in relation to a supplementary pension insurance contract shall not be lower than the surrender value determined by the Act governing supplementary pension insurance.

(7) In an appendix to the annual report, a pension company shall describe the bases and methods used when calculating mathematical reserves.

Article 591
(Other technical provisions)

A pension company shall create other technical provisions considering the anticipated future liabilities and risks relating to which it shall not create the individual provisions referred to in Articles 589 or 590 of this Act.

Article 592
(Pension liability fund)

(1) A pension liability fund shall include assets intended to cover future liabilities and any losses due to risks arising from supplementary insurance transactions carried out by a pension company and in relation to which a pension company shall be obliged to form technical provisions.
(2) The value of the assets of a pension liability fund of a pension company shall always be at least equal to the amount of technical provisions.

(3) The assets of a pension liability fund shall may only be used to pay claims arising from supplementary pension insurance relating to which the pension liability fund was formed.

(4) A pension company shall manage the assets in a long-term pension fund separately from other assets.

(5) A pension company shall form a special pension liability fund for each of the following types of insurance:
   1. for supplementary pension insurance whereby the surrender value is calculated based on the proportionate share that an insured person has in the proceeds of a pension liability fund or based on attributed profits,
   2. for supplementary pension insurance whereby the surrender value is calculated considering the value of fund units in a pension liability fund that is divided into fund units,
   3. for supplementary disability pension and supplementary survivor’s pension,
   4. for paying pension annuities.

(6) When a pension company forms multiple pension liability funds, the provisions of this Act concerning the pension liability fund and the payment from assets in the pension liability fund shall apply separately to each of the pension liability funds formed by a pension company.

(7) At the end of each quarter, a pension company shall acquire additional assets for the account of the pension liability fund if this is necessary in order to adjust the value of the assets in the pension liability fund to the amount of technical provisions.

(8) Notwithstanding paragraphs two and seven of this Article, the value of the assets of the pension liability fund referred to in points 1 and 2 of paragraph five of this Article for which a pension company guarantees profitability, including the assets that a pension company forms in order to cover provisions for not achieving the guaranteed value of assets of this pension liability fund pursuant to Article 313 of the Pension and Disability Insurance Act (ZPíZ-2), shall be at least equal to the amount of technical provisions.

Article 593
(Separation of assets in the pension liability fund from the assets of a pension company)

(1) A pension company shall separate the assets of the pension liability fund from its own assets in a manner which determined in the following paragraphs of this Article, depending on the type of assets.

(2) Garnishment shall be permitted only against the assets of the pension liability fund referred to in the preceding paragraphs with regard to the insurance or the payment of a claim of a policyholder, an insured person, or any other beneficiary arising from a insurance contract with regard to which the pension liability fund has been formed.

(3) A pension company shall guarantee that a central securities clearing company open a special account for each of the pension liability funds managed by a pension company on which the balances of securities of this pension liability fund that are traded on
an regulated market and of securities that are not traded on the regulated market shall be kept separately if these securities have been issued in a dematerialised form.

(4) With regard to securities not traded on the regulated securities market and issued as written documents, a pension company shall sign a contract with a bank that is authorised to safeguard securities that have not been offered publicly, thus authorising this bank to perform all activities related to the safekeeping of these securities for the account of individual pension liability funds that it manages.

(5) With regard to the safekeeping referred to in the previous paragraph, the provisions of paragraph three of this Article shall apply *mutatis mutandis*.

(6) The central securities clearing company or the bank referred to in the preceding paragraph shall provide the Insurance Supervision Agency, upon its request, with data on the balance of the securities that it is safekeeping for the account of the pension liability funds, and it shall enable the Agency to review these balances.

(7) With regard to the investments of the pension liability fund in money deposits or loans, a pension company shall enter into a contract with the bank or the lender on its own behalf and for the account of the pension liability fund. The contract must clearly show that it has been entered into for the account of the long-term business account.

(8) When a loan referred to in the preceding paragraph is secured by a lien on real property, a pension company shall ensure that the lien is entered in the land register to the benefit of the pension liability fund as the lien creditor.

(9) When a loan as referred to in paragraph three is secured by a lien on securities issued in a dematerialised form, a pension company shall ensure that the lien is entered in the central register of dematerialised securities to the benefit of the pension liability fund as the creditor.

(10) In all other cases of securing loans referred to in paragraph three of this Article that are not regulated by paragraphs four or five of this Article, a lien shall be granted to the benefit of the pension liability fund as the lien creditor pursuant to the rules that apply to the granting of a lien on assets subject to lien.

(11) A pension company shall open a bank account at a bank for each pension liability fund that it forms through which it shall accept incoming payments and carry out outgoing payments arising from all the operations of the pension liability fund, and it shall manage the monetary assets of the pension liability fund.

**Article 594**

*(Programme of anticipated reinsurance)*

(1) A pension company shall adopt a programme of anticipated reinsurance for every financial year.

(2) A programme of anticipated reinsurance shall consist of:

1. calculated own shares according to individual insurance classes,
2. a maximum coverage table created based on the calculations referred to in point 1 of this paragraph,
3. procedures, bases and criteria for establishing the greatest probability of loss for individual risks assumed by insurance.
(3) When performing the calculations referred to in point 1 of the preceding paragraph, a pension company shall take into particular consideration:
1. the amount of capital and minimum capital,
2. total business volume;
3. paid insurance premiums according to insurance classes,
4. shares of insurance according to individual insurance classes using the bases referred to in points 2 and 3 of this paragraph,
5. corrections due to deviations in individual insurance classes.

(4) A pension company shall report to the Insurance Supervision Agency concerning the programme of planned reinsurance at the latest by the end of February for the current business year.

**Article 595**
**(Liquidity management)**

(1) A pension company shall manage its resources and investments in such a manner that at any time it can meet its obligations as they fall due.

(2) With regard to the insurance against liquidity risk, a pension company shall form and implement policies related to regular liquidity management that consist of:
1. the planning of anticipated known and possible cash outflows and of sufficient cash inflows to cover them;
2. regular monitoring of liquidity;
3. taking suitable measures to prevent or eliminate causes of non-liquidity.

(3) A pension company shall regularly calculate liquid asset ratios.

**Article 596**
**(Calculation and establishment)**

(1) A pension company shall calculate or establish the following for each trimester:
1. the amount of capital,
2. capital requirements,
3. capital adequacy,
4. the amount of technical provisions,
5. value and types of investments not funded from technical provisions,
6. the value of the pension liability fund,
7. types, diversification, harmonisation, and localisation of the investments of pension liability funds,
8. statistical data with respect to insurance.

(2) Capital requirements for individual trimesters shall be calculated as per Article 587 of this Act, whereby the balance as at the last day of the trimester shall apply when using paragraphs two and three of Article 587 of this Act.

**Article 597**
**(Risk measurement report)**

(1) A pension company shall report to the Insurance Supervision Agency concerning the data referred to in paragraph one of the preceding Article.
(2) The Insurance Supervision Agency shall prescribe more detailed content for the reports referred to in the preceding paragraph, as well as deadlines and the manner of reporting.

**Article 598**

**(Types of permitted investments of pension companies)**

(1) The assets of the pension liability fund referred to in points 3 and 4 of paragraph five of Article 592 of this Act managed by a pension company may be in the form of the following types of investments only:

1. securities issued by the Republic of Slovenia, the Bank of Slovenia, a Member State or a member state of the OECD or an international financial organisation, or guaranteed by one of these,
2. bonds or other debt securities that are traded on a regulated securities market in the Republic of Slovenia, a Member State or an OECD member state,
3. bonds or other debt securities that are not traded on a regulated securities market if issued by a legal entity with headquarters in the Republic of Slovenia, a Member State or an OECD member state,
4. shares and other variable yield equity securities that are traded on a regulated securities market in the Republic of Slovenia, a Member State or an OECD member state,
5. shares and other variable yield equity securities that are not traded on a regulated securities market if their issuer is a legal entity with registered offices in the Republic of Slovenia, a Member State or an OECD member state, and if they have been issued as a security,
6. investment coupons of mutual funds or shares of investment companies that invest their assets exclusively in securities and other liquid financial investments,
7. a claim arising from loans secured by a lien on real property if the lien has been entered in the land register or any other public register in the Republic of Slovenia or a Member State, and if the amount of the claim does not exceed 60% of the value of the real property discovered based on the appraisal of an appraiser from a suitable field in another suitable manner; if one or more liens have already been entered into on a real property, the amount of the claim shall not exceed 60% of the value of the real property minus the value of the already registered lien or liens,
8. receivables from loans to banks with headquarters in the Republic of Slovenia, a Member State or an OECD member state, or the payment of which, including interest, is guaranteed by a bank with headquarters in the Republic of Slovenia, a Member State or an OECD member state,
9. receivables from loans that are secured by a lien on securities from points 1, 2, and 4 of this paragraph,
10. receivables from other loans that are adequately insured,
11. advance payments on the account of the surrender value of insurance based on insurance policies and loans secured by the surrender value of a policy,
12. property and other property rights on immovable property (e.g. building right):
   - if they are entered in the land register or other public register of the Republic of Slovenia or a Member State,
   - if they yield a return or a return can be expected in connection with them, and
   - if the purchase price was determined on the basis of an appraisal by an expert or in another appropriate way,
   - if it is free of all encumbrances, with the exception of easement appurtenant,
13. investments in deposits or certificates concerning deposits in banks with headquarters in the Republic of Slovenia, a Member State or an OECD member state,
14. cash at hand or cash on a viewable cash account,
15. claims arising from tax refunds,
16. claims from warranty funds, solidarity funds, and guarantee funds,
17. tangible fixed assets, with the exception of land plots and buildings evaluated on the basis of depreciation according to the principle of prudence if:
- they are located in or on a real property or they are in some other way connected with the real property that is an authorised investment of the pension liability fund,
- they generate profit,
- they are free of all encumbrances,
18. they are claims against reinsurance undertaking, including the shares of the reinsurance undertaking in technical provisions.

(2) There shall be no lien on securities that are considered to be permitted investments of the pension liability fund.

(3) The Insurance Supervision Agency may also determine other types of investment that, with regard to security, profitability, and marketability, are suitable for the pension liability fund that is referred to in points 3 and 4 of paragraph five of Article 592 of this Act and is managed by a pension fund, and it shall also determine limitations on such investments.

(4) The Insurance Supervision Agency, for justified reasons, upon the request of the pension company managing the pension liability fund referred to in points 3 and 4 of paragraph five of Article 592 of this Act, may allow assets of the pension liability fund to be invested in other types of investment, as investments authorised based on paragraph one of this Article and the regulation issued on the basis of the preceding paragraph. The validity of the aforesaid authorisation shall be limited to a period determined by the Insurance Supervision Agency, taking into account the reasons for which it issued the authorisation. Furthermore, the Insurance Supervision Agency shall take into account the credit rating of the security or its issuer.

(5) Banks under this Article shall be banks and other institutions that are authorised by the supervisory authority of the Republic of Slovenia or another country to perform banking services.

(6) A regulated market under this Act shall be a market as defined by the Act governing the financial instrument market.

**Article 599**
(Limits on individual investments)

(1) The value of individual types of investments of the pension liability fund referred to in points 3 and 4 of paragraph five of Article 592 of this Act managed by a pension company shall not exceed the following percentages of the total amount of mathematical reserves:

1. investments in securities issued by the same issuer referred to in points 2 to 5 of paragraph one of the preceding Article and claims arising from the loans referred to in points 7 to 9 of paragraph one of the preceding paragraph shall not exceed 5% of technical provisions in aggregate;

2. notwithstanding the limits referred to in the preceding point, investments in securities issued by the same issuer referred to in point 2 of paragraph one of the preceding Article may attain up to 40% of the technical provisions, provided that these securities meet the following conditions:
   - they are the subject to special public supervision, pursuant to a special Act, for the purpose of protecting the rights of the holders of these securities;
- they have been issued by a bank or another credit institution, as defined in the Act governing financial conglomerates, and which has its head office in the Republic of Slovenia or a Member State;
- pursuant to a special Act, monetary assets or proceeds arising from their issue shall be invested only in assets that enable the settlement of liabilities incurred due to these securities during the entire period and until their maturity and that are preferentially used to pay for the principal and accrued interest if the liabilities cannot not be settled,

3. investments in securities of the same issuer referred to in point 3 of paragraph one of the preceding Article shall not exceed 1% of the technical provisions, except when the issuer determines in the prospectus, upon a new issue of securities, that the new securities will be traded on a regulated securities market after all authorisations have been received. In this case, such investments may not exceed 5% of the technical reservations, but for no more than six months following the date of purchase;

4. the aggregate amount of investments in securities referred to in points 3 and 5 of paragraph one of the preceding Article shall not exceed 10% of the technical provisions;

5. the investments in securities referred to in points 4 and 5 of paragraph one of the preceding Article and investments in those investment coupons of mutual funds and investment companies from point 6 of paragraph one of the preceding Article that are required by the rules of the fund to have more than half of the investments in securities which do not provide a guaranteed return, do not exceed 30% in aggregate of technical provisions;

6. investments in securities of the same issuer referred to in point 5 of paragraph one of the preceding Article shall not exceed 1% of the technical provisions;

7. investments in securities as referred to in point 5 of paragraph one of the preceding Article shall not, aggregately, exceed 5% of the technical provisions;

8. investments in those investment coupons of mutual funds and investment companies in point 6 of paragraph one of the preceding Article that are required, pursuant to the rules of the fund, to have more than half of their investments in securities which provide a guaranteed return shall not, aggregately, exceed 40% of technical provisions in total,

9. investments in claims arising from loans granted to an individual lender referred to in point 10 of paragraph one of the preceding Article shall not exceed 2% of the technical provisions, and all claims arising from such loans shall not, aggregately, exceed 5% of the technical provisions;

10. investments in one real property or multiple real properties that are so close to one another that they are deemed to be a single investment and investments in one tangible fixed asset as referred to in point 17 of paragraph one of the preceding Article shall not exceed 10% of the amount of the technical provisions, and all the investments in real property and other real property rights referred to in point 12 of paragraph one of the preceding Article and all the investments in tangible fixed assets referred to in point 17 of paragraph one of the preceding Article shall not, aggregately, exceed 30% of the technical provisions;

11. the investments in deposits or certificates of deposit at the bank referred to in point 13 of paragraph one of the preceding Article shall, aggregately, not exceed 30% of the technical provisions, whereby investments in deposits or certificates of deposit at an individual bank shall not exceed 10% of the technical provisions. Notwithstanding the provision of the preceding sentence, investments at an individual savings bank or a savings and credit institution shall, aggregately, not exceed 2% of the technical provisions;

12. investments in the form of cash in the register cash in hand and on viewable cash accounts referred to in point 14 of paragraph one of the preceding Article shall not, aggregately, exceed 3% of the technical provisions;

13. investments in claims arising from the refund of taxes referred to in point 15 of paragraph one of the preceding Article shall not exceed 5% of the technical provisions;

14. investments in claims against guarantee, solidarity, and uninsured motorist funds referred to in point 16 of paragraph one of the preceding Article shall not, aggregately,
exceed 5% of the technical provisions. Notwithstanding the provision of the preceding sentence, investments in claims against an individual guarantee, solidarity, or uninsured motorist funds shall not, aggregately, exceed 2% of the technical provisions,

(2) For justified reasons, the Insurance Supervision Agency, upon the request of the pension company managing the pension liability fund referred to in points 3 and 4 of paragraph five of Article 592 of this Act, may allow the pension company to exceed the limits set on the basis of the preceding paragraph with regard to an individual type of investment. The validity of the authorisation shall be limited to a period which is determined by the Insurance Supervision Agency taking into account the reasons for which it issued the authorisation.

(3) The total value of the investments of the pension liability fund referred to in points 3 and 4 of paragraph five of Article 592 of this Act which is managed by a pension company in the investments referred to in points 2 to 11 of paragraph one of the preceding Article by the same issuer (debtor) and its associated entities shall not exceed 10% of the mathematical reserves. The investments referred to in point 2 of paragraph one of the preceding Article meeting the conditions arising from point 2 of paragraph one of this Article shall not be taken into account in the 10% limit.

(4) With regard to the investments of the pension liability fund referred to in points 3 and 4 of paragraph five of Article 592 of this Act, a pension company may use futures contracts, options, and other financial derivatives, provided that they contribute to reducing risks or facilitate the effective management of an insurance portfolio.

(5) The limits on each investment arising from this Article shall apply separately to all of the pension liability funds referred to in points 3 and 4 of paragraph five of Article 592 of this Act.

Article 600
(Localisation of assets in the pension liability fund of a pension company)

(1) A pension company may invest assets from the pension liability fund throughout the entire of Member States and the territory of OECD Member States.

(2) For justified reasons, the Insurance Supervision Agency, upon the request of a particular pension company, may allow the pension company to also use an investment that does not meet the condition arising from the previous paragraph as assets of the pension liability fund.

Article 601
(Matching the investments of a pension company)

(1) A pension company shall duly match the assets of the pension liability fund referred to in points 3 and 4 of paragraph five of Article 592 of this Act due to which it is exposed to risks of possible losses due to a change in interest rates, foreign exchange rates, or other market risks, with its liabilities based on signed contracts the value of which depends on the same changes.

(2) A pension company shall duly consider the maturity of its liabilities arising from signed contracts with regard to the assets of the pension liability fund referred to in points 3 and 4 of paragraph five of Article 592.
(3) Notwithstanding the provision of paragraph one of this Article, a pension company shall match the assets of the pension liability fund referred to in points 3 and 4 of paragraph five of Article 592 of this Act with liabilities based on its signed contracts the amount of which depends on changes in foreign exchange rates at least up to 80%.

Article 602
(Appointing a certified actuary)

(1) A pension company that acquires an authorisation to perform activities of a pension company shall appoint a certified actuary (hereinafter: certified actuary).

(2) A certified actuary of a pension company may be a person who:
   1. Has suitable knowledge in the actuarial field or the field of financial mathematics, as determined by the regulation referred to in paragraph two of Article 169 of this Act;
   2. at least two years prior to being appointed, has performed the function of a certified actuary or the tasks of a certified actuary for a portfolio comparable with the portfolio for which they will be responsible as the certified actuary, or at least two years prior to being authorised, they have performed the tasks that a certified actuary supervises, controls or coordinates for a portfolio comparable with the portfolio for which they will be responsible as the certified actuary of a pension company;
   3. meets the conditions referred to in points 2 to 6 of paragraph two of Article 52 of this Act.

(3) A pension company shall notify the Insurance Supervision Agency of the appointment of a certified actuary within eight days of the appointment. The notification shall also include a statement of reasons why the newly appointed certified actuary is suitable.

Article 603
(Discharging a certified actuary)

(1) The provisions of paragraphs five to eleven of Article 52 of this Act shall apply, 
mutatis mutandis, to a certified actuary and a pension company, whereby the provisions regarding the withdrawal of an authorisation from a holder of a major function shall apply, 
mutatis mutandis, to the discharge of a certified actuary, and the provisions regarding the authorisation of a new holder of a major function shall apply, 
mutatis mutandis, to the appointment of a new certified actuary of a pension company.

(2) A violation of the tasks of a certified actuary shall be a violation of the tasks determined for certified actuaries pursuant to Article 604 of this Act.

(3) The Insurance Supervision Agency shall issue an order to a pension company to discharge a certified actuary and appoint a new certified actuary if:
   - a certified actuary fails to meet the conditions referred to in paragraph two of the preceding Article,
   - a certified actuary commits a grave violation of the tasks of a certified actuary.

(4) Pursuant to paragraph six of Article 52 of this Act, a pension company shall discharge a certified actuary who commits a grave violation of the tasks of a certified actuary, and notify the Insurance Supervision Agency concerning this.

(5) A violation of the tasks of a certified actuary shall have the characteristics of a grave violation if:
   1. the violation of the tasks of a certified actuary puts the operations of a pension company at risk as determined by the risk management rules; or
2. a certified actuary commits another violation at least once within three years following the same violation.

(5) The Insurance Supervision Agency shall issue a warning letter to a certified actuary if the actuary violates the tasks determined for certified actuaries pursuant to Article 604 of this Act and if the conditions for the discharge of a certified actuary have not been met.

**Article 604**

**(Tasks of a certified actuary in a pension company)**

(1) A certified actuary shall verify whether premiums are computed and technical provisions are formed pursuant to the regulations and whether they have been computed or formed in such a manner as to enable the permanent fulfilment of a pension company’s obligations arising from supplementary insurance contracts pursuant to the Act governing pension insurance.

(2) The management of a pension company shall provide a certified actuary with all data required to perform the tasks referred to in the preceding paragraph.

(3) In addition to the annual report of a pension company, a certified actuary shall also submit a report on their discoveries regarding the supervision that the actuary performed in the previous business year on the basis of paragraph one of this Article to the supervisory board and the management board of a pension company. In particular, the report shall consist of the grounds for a positive opinion, a qualified opinion, or a negative opinion of the certified actuary regarding the annual accounts.

(4) If, while performing the tasks referred to in paragraph one of this Article, a certified actuary discovers that premiums are not computed or that technical provisions are not formed pursuant to the regulations or that they have been computed or formed in such a manner that the permanent fulfilment of all of the pension company’s obligations arising from contracts on supplementary insurance according to the Pension and Disability Insurance Act (ZPIZ-2) has been put at risk, the certified actuary shall immediately inform the management of the pension company.

(5) A certified actuary shall notify the Insurance Supervision Agency concerning the end of the function of a certified actuary within eight days after the performance of this function ceases.

(6) The Insurance Supervision Agency shall prescribe detailed contents of the report of a certified actuary.

**Article 605**

**(Opinion of a certified actuary on the annual report)**

(1) Within 14 days of submitting the annual report of a pension company, a pension company shall also provide the Insurance Supervision Agency with the report of a certified actuary as referred to in paragraph three of the preceding paragraph, including the actuary’s opinion on whether the pension company computed premiums and technical provisions pursuant to the regulations.

(2) The provisions of the Act governing auditing regarding the opinion of a certified actuary shall apply, *mutatis mutandis*, to the opinion of a certified actuary.
Article 606
(The First Pension Fund of the Republic of Slovenia)

(1) The insurance undertaking managing the First Pension Fund of the Republic of Slovenia (hereinafter: the First Pension Fund) formed on the basis of the First Pension Fund of the Republic of Slovenia and Transformation of Authorized Investment Corporations Act (Official Gazette of the Republic of Slovenia, no. 26/05 – officially consolidated text, and no. 85/09; hereinafter: the ZPSPID) shall calculate the mathematical reserves pursuant to Article 590 of this Act and the regulation issued on the basis of Article 586 of this Act.

(2) The insurance undertaking managing the First Pension Fund shall establish a separate unit of account managed and organised separately from the activities of the insurance undertaking for the entire assets and liabilities of the First Pension Fund, without the possibility of transfer, except in the case as per paragraph six of Article 21 of the ZPSPID, for:
- assets pertaining to supplementary pension insurance contracts of the First Pension Fund in the period before insured persons meet the conditions to acquire the right to a monthly pension annuity referred to in point 1 of paragraph one of Article 21 of the ZPSPID (hereinafter: The First Pension fund during a savings period), and
- the pension liability fund of the First Pension Fund referred to in point 2 of paragraph one of Article 21 of the ZPSPID (hereinafter: the pension liability fund of the First Pension Fund).

(3) In order to determine capital requirements and to disclose capital adequacy, the insurance undertaking managing the First Pension Fund shall evaluate the rights arising from the supplementary pension insurance contracts of the First Pension Fund referred to in Article 32 of the ZPSPID and the assets referred to in the preceding paragraph pursuant to the provisions of this Act, and it shall calculate and determine the capital requirements for the First Pension Fund during a savings period pursuant to Article 608 of this Act or for the pension liability fund of the First Pension Fund pursuant to Article 607 of this Act.

(4) The insurance undertaking managing the First Pension Fund shall also include the data referring to the First Pension Fund in the reports that are prescribed for insurance undertakings by means of delegated acts and regulatory technical standards issued on the basis of Directive No. 2009/138/EC.

(5) The insurance undertaking managing the First Pension Fund shall send the forms determined in the Rules on managing the calculation of mathematical reserves to the Insurance Supervision Agency in electronic form.

(6) The provisions of Articles 598 to 601 of this Act shall apply, mutatis mutandis, to the investments of the First Pension Fund, whereby:
- investments in the shareholdings of companies with registered offices in the Republic of Slovenia shall also be permitted, notwithstanding Article 598 of this Act, with a maximum limit of 5% of the technical provisions;
- the limits referred to in paragraph one of Article 599 of this Act may be exceeded if they have already been exceeded with regard to an individual investment on the day that this Act entered into force if, after it entered into force, there was no additional acquisition of this investment and if the fund is able to settle all of its obligations;
- Paragraph three of Article 598 of this Act shall not apply.

Article 607
(An insurance undertaking managing a pension fund formed as a pension liability fund)
(1) For the needs of determining the capital adequacy of an insurance undertaking, an insurance undertaking shall evaluate the assets and liabilities arising from the supplementary pension insurance contracts of the pension fund formed as a pension liability fund pursuant to the provisions of this Act that apply to insurance undertakings.

(2) An Insurance Supervision Agency shall prescribe more detailed rules on determining capital adequacy for pension funds formed as a pension liability fund.

**Article 608**
(An insurance undertaking managing a pension fund formed as a mutual pension fund or an umbrella mutual pension fund)

(1) If an insurance undertaking is a manager of a mutual pension fund or an umbrella mutual pension fund, the undertaking shall evaluate the assets and liabilities arising from supplementary pension insurance contracts of the mutual pension fund or an umbrella mutual pension fund formed as a pension liability fund pursuant to the provisions of this Act that apply to insurance undertakings for the needs of determining the capital adequacy of an insurance undertaking.

(2) The Insurance Supervision Agency shall prescribe more detailed rules on determining the capital adequacy of an insurance undertaking when managing a pension fund formed as a mutual pension fund or an umbrella mutual pension fund.

**Article 609**
(A pension liability fund for the payment of occupational pensions)

Paragraphs one to four of Article 592, Articles 593, 596, except points 1 and 3 of paragraph one, Article 597, except when referring to points 1 and 3 of paragraph one of Article 596, and Articles 598 to 601 of this Act shall apply to a pension liability fund for the payment of occupational pensions as determined by paragraph three of Article 210 of the Pension and Disability Insurance Act (ZPIZ-2).

Chapter 18:
PENAL PROVISIONS

**Article 610**
(Grave violations committed by an insurance undertaking)

(1) A fine of €25,000 to €250,000 shall be imposed on an insurance undertaking for a minor offence, and a fine if €80,000 to €370,000 shall be imposed for a minor offence on an insurance undertaking which is considered to be a medium or large company according to the Act governing companies if:

1. contrary to paragraph one of Article 26 of this Act, it enters into other transactions that are not insurance transactions or transactions required to perform its activities;
2. it fails to establish and implement a solid and reliable management system (Article 50 of this Act);
3. it conducts insurance business while in the liquidation procedure, contrary to the prohibition referred to in paragraph three of Article 73 of this Act;
4. it conducts out insurance business within insurance classes for which it failed to acquire an authorisation from the Insurance Supervision Agency (paragraph one of Article 119 of this Act);
5. it performs new transactions after the authorisation to carry out insurance business has ended, contrary to the prohibition referred to in paragraph four of Article 122 of this Act;
6. it establishes a branch office in a Member State without previously notifying the Insurance Supervision Agency concerning its intention to do so (paragraph one of Article 127 of this Act);
7. it begins to conduct business through a branch office in a Member State contrary to Article 129 of this Act;
8. it fails to notify the Insurance Supervision Agency or a supervisory authority of a Member State within one month prior to carrying out the change referred to in paragraph one of Article 130 of this Act;
9. it begins to conduct direct insurance business in a Member State without previously notifying the Insurance Supervision Agency pursuant to paragraph one of Article 131 of this Act;
10. it establishes a branch office in a third country without acquiring an authorisation from the Insurance Supervision Agency (paragraph two of Article 132 of this Act);
11. it fails to perform the risk and solvency assessment referred to in Article 156 of this Act;
12. it fails to perform an internal audit pursuant to Articles 161, 162, and 163 of this Act;
13. it fails to calculate technical provisions, the solvency capital requirement, and the minimum capital requirement pursuant to the provisions referred to in Chapters 4 and 8 of this Act, and it fails to report to the Insurance Supervision Agency on these calculations;
14. it invests assets contrary to Section 4.12. of this Act;
15. it fails to manage the assets of this fund pursuant to the provision of Article 241 of this Act;
16. it pays out profits contrary to the prohibition referred to in paragraph one of Article 248 of this Act;
17. it keeps books of account, drafts account vouchers, evaluates accounting items, or drafts reports contrary to paragraph two of Article 253 of this Act;
18. it fails to enable an authorised person of the Insurance Supervision Agency to perform an inspection in the manner determined in Articles 296 to 300 of this Act;
19. it performs new business transactions in the compulsory liquidation procedure, contrary to Article 332 of this Act;
20. it fails to report to its parent insurance undertaking, an insurance holding company, or a mixed insurance holding company pursuant to paragraph one or two of Article 362 of this Act;
21. it does not permit the performance of a supervisory inspection pursuant to paragraph four of Article 362 of this Act;
22. it fails to establish a suitable mechanism to ensure the solvency of the group, to determine and measure the risks of the group, to provide eligible own funds of the group and reporting procedures, to monitor and manage transactions within the group and the risk concentrations referred to in paragraph two of Article 374 of this Act;
23. it fails to calculate the solvency capital requirement at group level referred to in paragraph one of Article 377 of this Act and to report this to the Insurance Supervision Agency;
24. it fails to report on concentration risks and transactions within the group to the Insurance Supervision Agency pursuant to paragraph one of Articles 399 and 400 of this Act;
25. it fails to publish a report on solvency and the financial situation at group level pursuant to paragraph one of Article 403 of this Act;
26. it has not received an authorisation from the Insurance Supervision Agency to transfer insurance contracts as referred to in paragraph three of Article 516 of this Act;
27. it fails to perform its own risk and solvency assessment at group level as referred to in paragraph three of Article 374 of this Act;
(2) A fine between €2,500 and €10,000 shall also be imposed for a minor offence on the responsible person of the insurance undertaking who commits the minor offence referred to in the preceding paragraph.

Article 611
(Minor violations committed by an insurance undertaking)

(1) A fine between €12,000 and €120,000 shall also be imposed on an insurance undertaking for a minor offence if:

1. it fails to notify the Insurance Supervision Agency in writing concerning its intention to obtain a qualified holding in an insurance undertaking or a financial company from a third country (Article 49 of this Act);

2. it does not have a strategy or an annual work plan for the internal audit pursuant to Article 164 of this Act, and if the strategy and the annual plan have not been drafted pursuant to the Hierarchy of Internal Auditing Rules referred to in paragraph two of Article 162 of this Act and pursuant to the Act issued by the European Commission in accordance with Article 50 of Directive No. 2009/138/EC;

3. the internal audit fails to draft internal audit reports pursuant to Article 165 of this Act, and if such reports have not been drafted pursuant to the Hierarchy of Internal Auditing Rules referred to in paragraph two of Article 162 of this Act and pursuant to the Act issued by the European Commission in accordance with Article 50 of Directive No. 2009/138/EC;

4. the internal audit fails to notify the management or the supervisory board of an insurance undertaking pursuant to Article 166 of this Act;

5. it fails to report to the Insurance Supervision Agency pursuant to paragraph one of Article 252 or Article 293 of this Act;

6. it fails to submit non-audited annual financial statements to the Insurance Supervision Agency within the deadline determined in paragraphs two and three of Article 255 of this Act;

7. it fails to submit the reports drafted by the holder of the actuarial function referred to in Article 170 of this Act, pursuant to the Act issued by the European Commission in accordance with Article 50 of Directive No. 2009/138/EC, to the Insurance Supervision Agency within the deadline set forth in paragraph one of Article 256 of this Act;

8. it fails to submit the annual report or the consolidated annual report, the auditor’s report on the auditing of the annual report as determined by the Act governing companies, or the supplementary auditor’s report on the fulfilment of the rules on risk management within an insurance undertaking referred to in paragraph one of Article 258 of this Act, to the Insurance Supervision Agency within the deadline determined in paragraph one of Article 257 of this Act;

9. it fails to publish a report on solvency and the financial situation pursuant to paragraph one of Article 261 of this Act;

10. it fails to notify insured persons concerning a transfer of insurance contracts (Article 517 of this Act);

11. the insurance contract does not contain the information and conditions referred to in Article 521 of this Act;

12. it fails to notify policyholders concerning the data referred to in Article 522 of this Act upon the signing of an insurance contract;

13. it fails to notify policyholders concerning the data referred to in Article 523 of this Act;

14. it fails to provide data pursuant to Article 524 of this Act;

15. it fails to ensure that only those entities referred to in paragraphs one, four, or five of Article 558 of this Act perform insurance agency or brokerage services;

16. it fails to ensure that insurance agency services are performed on its behalf only by natural persons with the authorisation of the Insurance Supervision Agency to perform insurance agency services (paragraph one of Article 561 of this Act).
(2) A fine between €400 and €4,000 shall be imposed for a minor offence on the responsible person of the insurance undertaking who commits a minor offence referred to in the preceding paragraph.

**Article 612**

(Violations committed by a member of the board or the executive director or the supervisory board or the management board)

(1) A fine between €400 and €3,600 shall be imposed for a minor offence on a member of the board or the executive director of an insurance undertaking:

1. who fails to ensure that an insurance undertaking operates pursuant to the rules referred to in paragraph one of Article 61 of this Act;
2. who fails to immediately notify the supervisory board of an insurance undertaking concerning the circumstances referred to in Article 62 of this Act;
3. who fails to immediately notify the Insurance Supervision Agency concerning the events referred to in paragraph two of Article 252 of this Act;
4. who fails to immediately enable the special administration to access business and other documentation of an insurance undertaking, or who fails to draft a report on the handover of business (paragraph one of Article 322);
5. who fails to provide, upon request, all clarifications or additional reports on the operations of an insurance undertaking to the special administration or an individual special administrator (paragraph two of Article 322);
6. who, in the case referred to in paragraph one of Article 325 of this Act, fails to publish an invitation for the convening of the General Meeting including the agenda within the deadline determined in paragraph two of Article 325 of this Act.

(2) A fine between €400 and €3,600 shall be imposed for a minor offence on a member of the supervisory board or management board of an insurance undertaking who fails to immediately notify the Insurance Supervision Agency concerning the events referred to in paragraph three of Article 69 of this Act.

**Article 613**

(Violations committed by an insurance holding company or a mixed financial holding company)

(1) A fine of €25,000 to €250,000 shall be imposed on an insurance holding company or a mixed financial holding company for a minor offence, and a fine of €80,000 to €370,000 shall be imposed for a minor offence on an insurance holding company or a mixed financial holding company which is considered to be a medium or large company according to the Act governing companies if:

1. it fails to enable an authorised person of the Insurance Supervision Agency to perform an inspection in a manner set forth in Articles 296 through 300 of this Act;
2. it fails to report to a controlled insurance undertaking pursuant to paragraph two of Article 362;
3. It fails to establish and implement a solid and reliable management system pursuant to paragraph one of Article 374 of this Act;
4. it fails to perform its own risk and solvency assessment at group level as referred to in paragraph three of Article 374 of this Act;
5. It fails to establish suitable mechanisms to determine and measure the risks of the group, to provide eligible own funds of the group and reporting procedures, to monitor and manage transactions within the group and the risk concentrations referred to in paragraph two of Article 374 of this Act;
6. it fails to report on concentration risks and transactions within the group to the Insurance Supervision Agency pursuant to paragraph one of Articles 399 and 400 of this Act;
7. fails to publish a report on solvency and the financial situation at group level pursuant to paragraph one of Article 403 of this Act.

(2) A fine between €2,500 and €10,000 shall be imposed for a minor offence on the responsible person from an insurance holding company or a mixed financial holding company who commits the minor offence referred to in the preceding paragraph.

**Article 614**
(Violations committed by a mixed insurance holding company)

(1) A fine of €25,000 to €250,000 shall be imposed on a mixed insurance holding company for a minor offence, and a fine of €80,000 to €370,000 shall be imposed for a minor offence on a mixed insurance holding company which is considered to be a medium or large company according to the Act governing companies if it fails to enable the supervision of transactions pursuant to Article 408 of this Act.

(2) A fine between €2,500 and €10,000 shall be imposed for a minor offence on the responsible person from a mixed insurance holding company who commits the minor offence referred to in the preceding paragraph.

**Article 615**
(Violations committed by a dedicated company)

(1) A fine of €25,000 to €250,000 shall be imposed on a dedicated company, and a fine of €80,000 to €370,000 shall be imposed for a minor offence on a dedicated company which is considered to be a medium or large company according to the Act governing companies if it fails to report to the Insurance Supervision Agency pursuant to the Act issued by the European Commission based on paragraph two of Article 211 of Directive 2009/138/EC.

(2) A fine between €2,500 and €10,000 shall be imposed for a minor offence on the responsible person from a dedicated company who commits the minor offence referred to in the preceding paragraph.

**Article 616**
(Violations committed by an insurance agency or an insurance brokerage company)

(1) A fine of no less than €12,520 to €125,000 shall be imposed for a minor offence on an insurance agency if:
1. it fails to notify policyholders concerning the data referred to in paragraph one of Article 522 of this Act upon the signing of an insurance contract;
2. it fails to provide data pursuant to paragraph one of Article 524 of this Act;
3. insurance agency or brokerage services are performed on its behalf by a natural person without the authorisation of the Insurance Supervision Agency to perform insurance agency or brokerage services (paragraph one of Article 561 of this Act);
4. it fails to report to the Insurance Supervision Agency pursuant to paragraph seven of Article 562 or paragraph five of Article 570 of this Act.

(2) A fine between €400 and €5,000 shall be imposed for a minor offence on the responsible person of an insurance agency who commits the minor offence referred to in the preceding paragraph.
(3) A fine between €400 and €5,000 shall be imposed for a minor offence on an insurance agent who commits the minor offence referred to in paragraph one of this Article.

Article 617
(Violations committed by an insurance brokerage company or an insurance broker)

(1) A fine between €400 and €5,000 shall be imposed for a minor offence on an insurance broker if:
1. the broker performs brokerage services when a contract is signed with an insurance undertaking that is not allowed to perform insurance business in the territory of the Republic of Slovenia (Article 21 of this Act);
2. it fails to notify policyholders concerning the data referred to in paragraph one of Article 522 of this Act upon the signing of an insurance contract;
3. the broker fails to notify policyholders concerning the data referred to in paragraph two of Article 523 of this Act;
4. it fails to provide data pursuant to paragraph one of Article 524 of this Act;
5. the broker fails to protect the interests of policyholders (paragraph one of Article 550 of this Act);
6. the broker fails to disclose all legal and commercial ties that could affect the broker’s impartiality (paragraph one of Article 553 of this Act);
7. the broker solicits the payment of a commission or any other payment that is contrary to paragraph one of Article 554 of this Act;
8. the broker fails to report to the Insurance Supervision Agency pursuant to paragraph seven of Article 562 of this Act.

(2) A fine between €12,520 and €125,000 shall be imposed for a minor offence on an insurance brokerage company or the bank referred to in paragraph four of Article 558 of this Act if:
1. it fails to notify policyholders concerning the data referred to in paragraph one of Article 522 of this Act upon the signing of an insurance contract;
2. the broker fails to notify policyholders concerning the data referred to in paragraph two of Article 523 of this Act;
3. it fails to provide data pursuant to paragraph one of Article 524 of this Act;
4. insurance brokerage services are performed on its behalf by natural persons without the authorisation of the Insurance Supervision Agency to perform insurance brokerage services (paragraph one of Article 561 of this Act);
5. it has not signed a liability insurance contract based on Article 568 of this Act;
6. it fails to report to the Insurance Supervision Agency pursuant to paragraph seven of Article 562 or paragraph five of Article 570 of this Act;
7. it fails to report to the Insurance Supervision Agency concerning the data referred to in Article 571 of this Act with the content, within the deadlines, and in the manner set forth by the regulation issued based on point 3 of Article 564 of this Act.

(3) A fine between €400 and €5,000 shall be imposed for a minor offence on a responsible person from an insurance brokerage company or the bank referred to in paragraph four of Article 558 of this Act who commits the minor offence referred to in the preceding paragraph.

Article 618
(Violations committed by other entities)
(1) A fine of €25,000 to €250,000 shall be imposed on a legal entity, and a fine of €80,000 to €370,000 shall be imposed for a minor offence on a legal entity which is considered to be a medium or large company according to the Act governing companies that:
   1. conducts insurance business contrary to Article 21 of this Act;
   2. directly or indirectly obtains the shares of an insurance undertaking by means of which it reaches or exceeds the qualified holding without obtaining prior authorisation from the Insurance Supervision Agency to obtain a qualified holding (paragraph one of Article 31 of this Act);
   3. acquires shares by means of which it exceeds the range to which an already issued authorisation to obtain a qualified holding applies, without obtaining prior authorisation from the Insurance Supervision Agency to obtain a qualified holding (paragraph three of Article 31 of this Act);
   4. agrees to act in a harmonised manner when obtaining the shares of an insurance undertaking or when implementing the management rights arising from these shares, or reaches or exceeds the qualified holding without obtaining prior authorisation from the Insurance Supervision Agency to obtain a qualified holding (paragraph four of Article 31 of this Act);
   5. enters into a shareholders’ agreement as referred to in paragraph two of Article 43 of this Act without obtaining an authorisation from the Insurance Supervision Agency before signing this agreement;
   6. performs insurance agency or brokerage services contrary to the prohibition referred to in Article 558 of this Act.

(2) A fine between €2,500 and €10,000 shall also be imposed for a minor offence on the responsible person of a legal entity who commits the minor offence referred to in the preceding paragraph.

(3) A fine between €400 and €3,500 shall be imposed for a minor offence on an individual who:
   1. conducts insurance business contrary to Article 21 of this Act;
   2. performs insurance agency or brokerage services contrary to the prohibition referred to in Article 560 of this Act.

(4) A fine from €400 to €3,500 shall be imposed for a minor offence on an individual who is a shareholder of an insurance undertaking if this individual commits the minor offence referred to in points 2 through 5 of paragraph one of this Article.

(6) A fine of between €2,500 and €10,000 shall be imposed for a minor offence on a responsible person from a legal entity who commits the violation referred to in paragraph five of this Article.

(7) A fine between €400 and €3,500 shall be imposed for a minor offence on an individual who commits the minor offence referred to in paragraph five of this Article.

(8) A fine in the amount of €25,000 to €250,000 shall be imposed on a legal entity/a pension company, and a fine in the amount of €80,000 to €370,000 shall be imposed for a minor offence on a legal entity which, according to the Act governing companies, is considered to be a medium or large company, that does not appoint a certified actuary pursuant to Article 602 of this Act.

(9) A fine between €2,500 and €10,000 shall be imposed for a minor offence on the responsible person from a pension company who commits the minor offence referred to in the preceding paragraph.
Article 619
(Violations committed by an auditing company or a certified auditor)

(1) A fine in the amount of €25,000 to €250,000 shall be imposed on a legal entity/auditing company, and a fine in the amount of €80,000 to €370,000 shall be imposed for a minor offence on a legal entity/auditing company which is considered to be a medium or large company according to the Act governing companies:
   1. if it fails to perform an audit review or fails to draft reports pursuant to paragraph one of Article 258 of this Act or to the regulation referred to in Article 254 of this Act;
   2. if it fails to provide additional clarifications to the Insurance Supervision Agency, upon its request, pursuant to paragraph two of Article 258 of this Act;
   3. if it fails to correct or amend its reports pursuant to the request of the Insurance Supervision Agency referred to in point 1 of paragraph three of Article 258 of this Act;
   4. if it fails to immediately notify the Insurance Supervision Agency concerning the facts or circumstances referred to in paragraph one of Article 259 of this Act, or if it fails to provide the Agency with the required data referred to in paragraph three of Article 259 of this Act.

(2) A fine between €2,500 and €10,000 shall be imposed for a minor offence on the certified auditor who commits the minor offence referred to in the preceding paragraph.

Article 620
(Violations of the special administrator and the liquidator)

(1) A fine between €2,500 and €10,000 shall be imposed for a minor offence on a special administrator:
   1. if, within three months after the special administrator is appointed, the special administrator fails to submit a report on the financial situation and the terms and conditions of the operations of an insurance undertaking subject to special administration (paragraph one of Article 323);
   2. if the special administrator fails, within nine months of being appointed, to submit the reports referred to in paragraph two of Article 323 to the Insurance Supervision Agency;
   3. who, in the case referred to in paragraph one of Article 325 of this Act, fails to publish an invitation for the convening of the General Meeting including the agenda within the deadline determined in paragraph two of Article 325 of this Act.
   4. if the special administrator fails to immediately notify the Insurance Supervision Agency that there are grounds for bankruptcy (Article 333).

Article 621
(Violations with regard to the protection of confidential data)

(1) A fine in the amount of €25,000 to €250,000 shall be imposed on an insurance undertaking, and a fine in the amount of €80,000 to €370,000 shall be imposed for a minor offence on an insurance undertaking which is considered to be a medium or large company according to the Act governing companies if it violates the duty to protect confidential data (Article 265 of this Act).

(2) A fine between €2,500 and €10,000 shall also be imposed for a minor offence on the responsible person of the insurance undertaking who commits the minor offence referred to in the preceding paragraph.
(3) A fine in the amount of €400 to €3,000 shall be imposed for a minor offence on the individual referred to in paragraph one of Article 266 of this Act who commits a violation of the duty to protect confidential data.

**Article 622**
(Violations with regard to the duty to provide data required to perform supervision)

(1) A fine in the amount of €1000 to €50,000 shall be imposed on a legal entity:
- that fails to provide the data that the Insurance Supervision Agency requested pursuant to paragraph one of Article 456 of this Act,
- that provides incorrect, incomplete, or misleading data to the Insurance Supervision Agency on the basis of its request and pursuant to paragraph one of Article 456 of this Act;

(2) A fine in the amount of €1000 to €25,000 shall be imposed on a sole trader or an individual independently performing their activities who commits a minor offence referred to the preceding paragraph.

(3) A fine of between €800 and €8,000 shall be imposed for a minor offence on the responsible person of the legal entity, sole trader or an individual performing an activity independently, or on a responsible person of a government authority or self-governing local community who commits a minor offence referred to in paragraph one of this Article.

(4) A fine between €40 to €5,000 shall be imposed on an individual who:
- fails to provide the data that the Insurance Supervision Agency required pursuant to paragraph one of Article 456 of this Act,
- that provides incorrect, incomplete, or misleading data to the Insurance Supervision Agency on the basis of its request and pursuant to paragraph one of Article 456 of this Act;

**Article 623**
(Administrative offence body)

In accordance with the Act governing minor offences, the Insurance Supervision Agency shall be the administrative offence body that rules on minor offences committed pursuant to this Act and imposes fines pursuant to this Act.

**Article 624**
(Minor offence proceedings)

(1) Minor offence proceedings shall be conducted by, and decisions in these proceedings shall be taken by, an authorised official person from the Insurance Supervision Agency who meets the conditions pursuant to the Act governing minor offences, and on the basis of adopted regulations.

(2) By means of an internal act regulating job organisation and classification, the Insurance Supervision Agency shall set forth the conditions and the manner of granting and revoking authorisations to a person who is considered to be the authorised official person of the Insurance Supervision Agency referred to in the preceding paragraph in more detail.

(3) A fine in an amount which is higher than the lowest prescribed amount specified by this Act may be imposed in a fast-track procedure for offences referred to in this Act.
Chapter 19: TRANSITIONAL AND FINAL PROVISIONS

Article 625
(Classification criteria pursuant to the implementation regulations on the basis of Article 308.b of Directive 2009/138/EC)

(1) Notwithstanding Article 197 of this Act, the items of eligible basic own funds shall be included in Class 1 in the period of ten years after 1 January 2016, under the condition that:
- these items were issued prior to 1 January 2016 or prior to the date of the beginning of the validity of the delegated act referred to in Article 97 of Directive 2009/138/EC, whereby the earlier date shall apply;
- they were able to be used by 31 December 2015 as additional capital as referred to in points 1 to 3 of paragraph one of Article 107 of the Insurance Act (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K) to cover the available capital up to 50% of the minimum capital requirement;
- they would otherwise not have been classified in Class 1 or Class 2 pursuant to Article 189 of this Act.

(2) Notwithstanding Article 197 of this Act, the items of eligible basic own funds shall be included in Class 2 in the period of up to ten years after 1 January 2016, under the condition that:
- these items were issued prior to 1 January 2016 or prior to the date of the beginning of the validity of the delegated act referred to in Article 97 of Directive 2009/138/EC, whereby the earlier date shall apply;
- they were able to be used by 31 December 2015 as additional capital as referred to in points 1 through 3 of paragraph one of Article 107 of the Insurance Act (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K, and 66/14) to cover the available capital up to 25% of the minimum capital requirement.

Article 626
(Limits of the minimum capital requirement)

Until 31 December 2017, when calculating the minimum capital requirement, the Insurance Supervision Agency may require that an insurance undertaking use the share referred to in paragraph six of Article 234 of this Act exclusively for the solvency capital requirement calculated pursuant to Subsection 4.10.2. of this Act.

Article 627
(Conformity with the minimum capital requirement)

(1) Notwithstanding Articles 249 and 312 of this Act, an insurance undertaking that achieves the minimum capital referred to in Articles 110 or 111 of the Insurance Act (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K) and does not have sufficient eligible own funds to cover the minimum capital requirement shall meet the requirements referred to in Article 232 of this Act by 31 December 2016.
(2) Article 250 and point 2 of paragraph one of Article 312 of this Act shall not apply to the insurance undertaking referred to in paragraph one of this Article until 31 December 2016.

Article 628
(Conformity with the solvency capital requirement)

(1) Notwithstanding paragraph four of Article 240 of this Act, the Insurance Supervision Agency shall require that an insurance undertaking that, as at 31 December 2015, reaches the minimum capital requirement referred to in Articles 110 or 111 of the Insurance Act (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K) and that does not have sufficient eligible own funds to cover the solvency capital requirement within the first year of the application of this Act, meet the requirements concerning the solvency capital requirement by 31 December 2017.

(2) The insurance undertaking referred to in the preceding paragraph shall provide the Insurance Supervision Agency with a progress report every three months which shall provide information on the measures taken and the progress concerning the provision of conformity with the solvency capital requirement. In the progress report, the insurance undertaking shall mainly report on the development of eligible own funds and on the risk profile.

(3) The Insurance Supervision Agency may revoke the extension of the deadline referred to in paragraph one of this Article if the progress report referred to in the preceding paragraph shows that there is no significant progress concerning the re-establishment of eligible own funds to cover the solvency capital requirement from the date when a non-conformity with the solvency capital requirement was discovered to the date when the progress report is submitted.

Article 629
(Solvency and financial condition report)

(1) In a period that shall not exceed four years and begins on 1 January 2016, the deadline for insurance undertakings to disclose the data referred to in Article 261 of this Act shall be reduced by two weeks in every financial year, beginning at the latest 20 weeks after the end of the insurance undertaking's financial year considering its financial year which ends on 30 June 2016 or later, but before 1 January 2017, and continuing until at the latest 14 weeks after the end of the financial year of the undertaking considering its financial years that end on 30 June 2019 or later, but before 1 January 2020.

(2) Without affecting disclosures that are mandatory within other reports of an insurance undertaking, despite the requirement to disclose the full solvency capital requirement referred to in indent two of point 5 of paragraph two of Article 261 of this Act, the Insurance Supervision Agency may decide that the solvency and financial state report shall not be required, until 31 December 2020, to separately disclose the capital add-on or the effect of the parameters adjusted to the insurance undertaking or to its assumed risks and used by the insurance undertaking pursuant to Article 217 of this Act.

(3) Notwithstanding the provision referred to in Article 256 of this Act, in the period referred to in paragraph one of this Article, the deadline for submitting the report of the holder of the actuarial function shall not be shorter than the deadline for disclosing the data referred to in Article 261 of this Act in this period.
(4) For a maximum period of five years after implementing this Act, the Insurance Supervision Agency may prescribe by means of the regulation referred to in paragraph two of Article 254 of this Act that the review of the solvency and financial state report referred to in paragraph three of Article 264 of this Act may also be a part of the additional audit and the additional audit report referred to in Article 258 of this Act.

Article 630
(Repackaged loans)

The requirements referred to in indent two of paragraph one of Article 236 of this Act shall only apply to an insurance undertaking that invests in securities that are traded, or in other financial instruments that are based on repackaged loans issued before 1 January 2011 only if new underlying exposures have been added or replaced after 31 December 2014.

Article 631
(Group solvency)

Notwithstanding the provisions referred to in paragraph one or two of Article 376 of this Act, Article 625 of this Act shall apply, mutatis mutandis, pursuant to the implementation measures issued by the European Commission on the basis of paragraph eight of Article 308a of Directive 2009/138/EC concerning group solvency.

Article 632
(Equivalence of third countries)

(1) Even though the European Commission or the Insurance Supervision Agency have failed to establish full equivalence concerning a third country, the regime of a third country shall be treated as equivalent for a maximum of five years as of the entry into force of this Act, namely for the following purpose:
- referred to in point 1 of paragraph two of Article 137 of this Act if the European Commission decides that a third country meets the conditions arising from the act based on paragraph four of Article 172 of Directive 2009/138/EC;
- referred to in paragraph two of Article 387 of this Act if the European Commission decides that a third country meets the conditions arising from acts based on paragraph five of Article 227 of Directive 2009/138/EC;
- referred to in Article 404 of this Act if the European Commission decides that a third country meets the conditions arising from acts based on paragraph five of Article 260 of Directive 2009/138/EC.

(2) In the period referred to in the preceding paragraph, the Insurance Supervision Agency shall carry out supervision at group level pursuant to Articles 356 and 357 of this Act despite the decision referred to in indent three of the preceding paragraph if an insurance undertaking with its head office in a Member State has a higher balance sheet total than the controlling company with registered offices in a third country.

Article 633
(End of the validity of an authorisation to perform transactions directly linked to insurance business transactions)

(1) As of the date of the entry into force of this Act, the authorisations of insurance undertakings acquired on the basis of paragraph seven of Article 14 of the Insurance Act
shall cease to be in force (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K). The Insurance Supervision Agency shall issue a declaratory decision on the end of the validity of an authorisation.

(2) Insurance undertakings that have acquired the authorisations referred to in paragraph seven of Article 14 of the Insurance Act (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K) shall cease to perform the transactions referred to in the preceding paragraph within four months after this Act enters into force.

(3) Procedures for issuing the authorisations referred to in paragraph seven of Article 14 of the Insurance Act (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K) that were initiated prior to the entry into force of this Act shall be terminated. With regard to the termination of procedures, the Insurance Supervision Agency shall issue a procedural decision on the termination of a procedure.

Article 634
(Performance of internal auditing tasks)

A person who, on the day this Act enters into force, holds the title of auditor or certified auditor and has five years of work experience performing internal auditing tasks at an insurance undertaking may also be appointed as the holder of the internal audit function by an insurance undertaking.

Article 635
(Reconciling insurance undertakings with the performance of reinsurance services)

Insurance undertakings that, on the date of the entry of this Act into force, perform reinsurance services on the basis of paragraph ten of Article 14 of the Insurance Act (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K) shall cease to perform these services within six months after the date that this Act enters into force if they fail in this time to acquire a suitable authorisation to perform reinsurance business transactions pursuant to paragraph eleven of Article 26 of this Act.

Article 636
(Calibration – sub-module of market concentration and sub-module of credit spreads)

Notwithstanding the provision referred to in paragraph three of Article 206 of this Act:

a) parameters equal to the parameters concerning exposure to EU Member States or to the central banks of EU member states denominated and financed in the domestic currency of any Member State shall be used by 31 December 2017 in the calculation of the sub-module of credit spreads referred to in point 4 of paragraph two of Article 210 of this Act and the sub-module of market concentrations referred to in point 6 of paragraph two of Article 210 of this Act in the standard formula, as they would be used for exposures denominated and financed in their domestic currency;

b) in 2018, the parameters for the calculation of the sub-module of credit spreads referred to in point 4 of paragraph two of Article 210 of this Act and the sub-module of market concentrations referred to in point 6 of paragraph two of Article 210 of this Act in the standard formula shall be reduced by 80% with regard to exposure to EU Member States.
or to the central banks of EU Member States, denominated and financed in the domestic currency of any Member State;

c) in 2019, the parameters for calculating the sub-module of credit spreads referred to in point 4 of paragraph two of Article 210 of this Act and the sub-module of market concentrations referred to in point 6 of paragraph two of Article 210 of this Act in the standard formula shall be reduced by 50% with regard to exposure to EU Member States or to the central banks of EU Member States, denominated and financed in the domestic currency of any Member State;

d) As of 1 January 2020, the parameters for calculating the sub-module of credit spreads referred to in point 4 of paragraph two of Article 210 of this Act and the sub-module of market concentrations referred to in point 6 of paragraph two of Article 210 of this Act in the standard formula shall not be reduced with regard to exposure to EU Member States or to the central banks of EU Member States, denominated and financed in the domestic currency of any Member State.

Article 637
(Calibration – sub-module of equity risk)

(1) Notwithstanding the provision of paragraph three of Article 206 of this Act, the parameters used for equity shares purchased by an insurance undertaking by, and including, 1 January 2016 and for the equity risk sub-module referred to in Article 212 of this Act calculated by using the standard formula shall be calculated as a weighted average:

e) of the parameter that is used to calculate the equity risk sub-module referred to in Article 213 of this Act, which is based on duration, and

f) of the parameter that is used to calculate the equity risk sub-module referred to in Article 212 of this Act.

(2) The weight of the parameter expressed in point b) of the preceding paragraph shall increase in a linear manner from 0% as at 1 January 2016 to 100% as at 1 January 2023.

(3) When applying this Article, the following shall also be taken into account:

- the required criteria, including equity, to which a transitional period applies, determined by the European Commission by means of Acts adopted on the basis of paragraph thirteen of Article 308b of Directive 2009/138/EC, and

- procedures for the application of the preceding paragraph, determined by the European Commission by means of implementing technical standards on the basis of paragraph thirteen of Article 308b of Directive 2009/138/EC.

Article 638
(Group internal model)

In the period until 31 March 2022, an insurance undertaking may apply for an authorisation to use the group internal model used for a part of the group if the insurance undertaking and the final parent insurance undertaking have registered offices in the Republic of Slovenia and if this is an independent part the risk profile of which significantly differs from the rest of the group.

Article 639
(Transitional adjustment of the risk-free interest rate curve)
(1) An insurance undertaking may use transitional adjustments of the risk-free interest rate curve for the insurance liabilities referred to in paragraph five of this Article if an authorisation from the Insurance Supervision Agency is obtained.

(2) An adjustment of the risk-free interest rate curve shall be calculated for each currency as a share of the difference between:
   a) the interest rate used by the insurance undertaking to calculate the insurance liabilities for which the adjustment of the risk-free interest rate curve is used, as at 31 December 2015, and
   b) when used for cash flows of the portfolio of obligations, the annual effective interest rate calculated as a uniform discount rate which results in a value equal to the value of the best estimate of the portfolio of obligations while taking into account the temporal value of cash and applying the risk-free interest rate curve referred to in Article 181 of this Act.

(3) The share referred to in the preceding paragraph shall decrease in a linear manner from 100% in the year that begins on 1 January 2016 to 0% in the year that begins on 1 January 2032.

(4) If insurance undertakings use volatility adjustment for the risk-free interest rate curve referred to in Article 184 of this Act, the suitable risk-free interest rate curve referred to in point b) of paragraph two of this Article shall be the risk-free interest rate curve calculated by taking into account the volatility of the risk-free interest rate curve referred to in Article 184.

(5) Insurance undertakings may acquire an authorisation to use the risk-free interest rate curve referred to in this Article only for insurance liabilities that meet the following conditions:
   a) the contracts on the basis of which the insurance liabilities arose were entered into prior to 1 January 2016, whereby contract renewals after this date shall be exempt;
   b) the technical provisions for insurance liabilities were determined by 1 December 2015 pursuant to the Insurance Act (Official Gazette of the Republic of Slovenia Nos. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K) and the Decision on detailed rules and minimum standards for the calculation of technical reserves (Official Gazette of the Republic of Slovenia Nos. 3/01, 69/01, 85/05, and 66/08);
   c) the insurance undertaking shall not apply Article 182 of this Act to calculate insurance liabilities.

(6) Insurance undertakings that are authorised to use the risk-free interest rate curve referred to in this Article:
   a) shall not include the insurance liabilities for which they use the risk-free interest rate curves referred to in this Article to calculate the volatility adjustment of the risk-free interest rate curve referred to in Article 184 of this Act;
   b) shall not use Article 640 of this Act;
   c) shall publicly disclose in the report on the solvency and financial state referred to in Article 261 of this Act that the transitional adjustments of the risk-free interest rate curve are used, and shall state the financial impact on their financial state if this transitional measure is not used.

Article 640
(Transitional measure concerning technical provisions)

(1) An insurance undertaking may use a transitional deduction for technical provisions if it acquires an authorisation from the Insurance Supervision Agency. This deduction may be used for homogeneous risk groups referred to in Article 187 of this Act.
(2) The transitional deduction shall match the share of the difference between the following two amounts:

a) the amount of the technical provisions after the deduction of amounts recoverable, as at 31 December 2015, arising from reinsurance contracts and dedicated companies that were calculated pursuant to Article 177 of this Act, and

b) the amount of technical provisions after the deduction of amounts recoverable, as at 31 December 2015, arising from reinsurance contracts that were calculated pursuant to the Insurance Act (Official Gazette of the Republic of Slovenia Nos. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K) and the Decision on detailed rules and minimum standards for calculating technical reserves (Official Gazette of the Republic of Slovenia Nos. 3/01, 69/01, 85/05, and 66/08).

(3) At the end of each year, the deducted share calculated pursuant to the preceding paragraph shall decrease in a linear manner from 100% in the year that begins on 1 January 2016 to 0% in the year that begins on 1 January 2032.

(4) If insurance undertakings use the volatility adjustment for the risk-free interest rate curve referred to in Article 184 of this Act on 1 January 2016, the amount referred to in point a) of paragraph two of this Article shall be calculated by adjusting the risk-free interest-rate curve referred to in Article 184 on that day.

(5) Provided that this is previously authorised by the Insurance Supervision Agency or initiated by it, transitional deductions may be re-calculated every 24 months or more frequently in order to calculate the technical provisions, including, where necessary, by using the amount of the volatility adjustment of the risk-free interest rate curve referred to in Article 184 of this Act used to calculate the transitional deduction referred to in points a) and b) of paragraph two of this Article if the risk profile of the insurance undertaking does not considerably change.

(6) The transitional deduction referred to in paragraph two of this Article may be limited by the Insurance Supervision Agency if its use would cause the reduction in the requirements related to financial resources that apply to insurance undertakings if they were to be compared to those calculated pursuant to the Insurance Act (Official Gazette of the Republic of Slovenia Nos. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K) and the Decision on detailed rules and minimum standards for the calculation of technical reserves (Official Gazette of the Republic of Slovenia Nos. 3/01, 69/01, 85/05, and 66/08).

(7) Insurance undertakings that apply paragraph one of this Article:

a) shall not apply Article 642 of this Act;

b) shall submit a report to the Insurance Supervision Agency every year in which they shall list the adopted measures and progress achieved with regard to the renewed adjustment of eligible own funds with the solvency capital requirement or with regard to reducing the risk profile for the purpose of once again achieving adjustment with the solvency capital requirement after the expiry of the transitional period referred to in paragraph three of this Article if the insurance undertaking fails to meet its capital requirements without the use of a transitional deduction;

c) shall publicly disclose in the solvency and financial state report referred to in Article 261 of this Act that a transitional deduction is used to calculate technical provisions, and shall state the financial impact of the failure to use this transitional measure on their financial state.
(Plan for the gradual implementation of transitional measures regarding the risk-free interest rate curve and technical provisions)

(1) Insurance undertakings that use the transitional measures referred to in Articles 639 and 640 of this Act shall immediately notify the Insurance Supervision Agency when they discover that they will not meet the solvency capital requirements if they do not use the transitional measures.

(2) The Insurance Supervision Agency shall require that the insurance undertakings referred to in the preceding paragraph take the necessary measures by means of which they will ensure compliance with the solvency capital requirement after the expiry of the transitional period.

(3) The insurance undertakings referred to in paragraph one of this Article shall submit a plan for gradual implementation to the Insurance Supervision Agency within two months after discovering non-compliance with the solvency capital requirement, in which, without using the mentioned transitional measures, they shall state the measures planned to provide suitable levels of own funds to cover the solvency capital requirement or to reduce the risk profile in order to provide compliance with the solvency capital requirement after the end of the transitional period. The insurance undertaking may update the gradual implementation plan during the transitional period.

(4) The insurance undertakings referred to in paragraph one of this Article shall submit an annual report to the Insurance Supervision Agency in which they shall list the adopted measures and progress achieved with regard to providing compliance with the solvency capital requirement after the end of the transitional period.

(5) The Insurance Supervision Agency shall revoke the authorisation to use transitional measures if the progress report shows that the compliance with the solvency capital requirement after the end of the transitional period is not realistic.

**Article 642**

(Harmonisation of insurance or reinsurance pools)

(1) Insurance or reinsurance pools that carry out activities of insurance or reinsurance pools on the day when this Act enters into force shall submit a report and evidence on harmonisation with the provisions of this Act to the Insurance Supervision Agency within six months after this Act enters into force.

(2) If the report referred to in the preceding paragraph and the evidence attached to the report show that the insurance or reinsurance pool harmonised its activities with the provisions of this Act, the Insurance Supervision Agency shall issue an authorisation to carry out insurance or reinsurance pool activities to the insurance or reinsurance pool.

(3) It shall be considered that a person who, on the day that this Act enters into force, performs the function of a member of the management of an insurance or reinsurance pool and who was performing this function at least four years prior to the entry into force of this Act acquired the authorisation to perform this function on the day that this Act enters into force.

**Article 643**

(Application of Article 570 of this Act)
(1) Notwithstanding point 8 of paragraph one and paragraph three of Article 570 of this Act, the conditions for withdrawing the authorisation to perform insurance agency or brokerage services have not been met if both violations that count as recurring violations were committed prior to the entry of this Act into force.

(2) Notwithstanding point 10 of paragraph one of Article 570 of this Act, there are no grounds to withdraw an authorisation to perform insurance agency or brokerage services, even though a company member, a legal representative, or a procurator of an insurance agency or an insurance brokerage company is a person who was a company member or a legal representative of an insurance agency or a brokerage company at any point in the past two years before the authorisation to perform insurance agency or brokerage services was withdrawn, whereby the decision on the withdrawal of the authorisation became final within the past five years, if the following conditions have been met:

1. if this person was a company member or a legal representative or a procurator of this undertaking on the day of the entry into force of this Act, and if their position as a company member or a legal representative or a procurator did not change for this person from the day of the entry into force of this Act to the day when the existence of a violation is determined, and

2. if the withdrawal of the authorisation became final before the day this Act entered into force.

Article 644
(Harmonisation of out-of-court dispute resolution systems)

(1) Providers of insurance services who guarantee that disputes will be resolved pursuant to Article 333.a of the Insurance Act (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K, and 66/14) shall harmonise the manner of resolving out-of-court disputes with the requirements referred to in Article 579 of this Act within six months after this Act enters into force.

(2) Prior to the harmonisation referred to in the preceding paragraph, out-of-court resolution of disputes shall be provided pursuant to Article 333.a of the Insurance Act (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K, and 66/14). Procedures which commenced prior to this Act entering into force shall be concluded in accordance with the existing regulations.

Article 645
(Issue of regulations)

(1) The Insurance Supervision Agency shall issue regulations on the basis of this Act by 1 April 2016.

(2) Prior to the entry into force of the regulations referred to in the preceding paragraph, the regulations issued based on the Insurance Act (Official Gazette of the Republic of Slovenia No. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K) shall apply, mutatis mutandis, provided that they are not contrary to this Act.

Article 646
(Repeal of regulations)

(1) As of the day this Act enters into force, the following regulations shall cease to be in force, but shall remain in effect until 1 January 2016:
1. the Insurance Act (Official Gazette of the Republic of Slovenia Nos. 99/10 – official consolidated text, 90/12, 102/12, 56/13, and 63/13 – ZS-K), with the exception of Articles 110 and 112, which shall cease to be in effect as of the day this Act enters into force, but shall apply for the purpose of Article 628 of this Act until 31 December 2017,
2. Decision on the terms and conditions for acquiring and the testing of specialised knowledge required for licensed actuaries (Official Gazette of the Republic of Slovenia, No. 7/12),
3. Decision on the contents of reports and notifications pursuant to Articles 176 and 239 of the Insurance Act and on the methods and time limits for reporting (Official Gazette of the Republic of Slovenia, No. 4/14),
4. Decision on detailed contents of certified actuary’s report (Official Gazette of the Republic of Slovenia, Nos. 3/01, 16/07),
5. Decision on detailed rules and minimum standards for the calculation of technical reserves (Official Gazette of the Republic of Slovenia, Nos. 3/01, 69/01, 108/01, 85/05, 66/08),
6. Decision on the detailed form and minimum extent and content of the audit and the auditor's report for insurance companies (Official Gazette of the Republic of Slovenia, Nos. 6/01, 108/01, 129/03, 118/07),
7. Decision on detailed terms and conditions for the acquisition and testing of specialised knowledge required for insurance agents and brokers (Official Gazette of the Republic of Slovenia, Nos. 6/01, 86/05, 55/07),
8. Decision on the supervision of insurance groups (Official Gazette of the Republic of Slovenia, No. 45/14),
9. Decision on the prescribed guidelines for calculating insurance undertakings’ retention level in the tables of maximum coverage and for determining maximum probable loss (Official Gazette of the Republic of Slovenia, No. 9/01),
10. Decision on the detailed method of valuing accounting items and the drawing up of financial statements (Official Gazette of the Republic of Slovenia, Nos. 95/02, 30/03, 128/06),
11. Decision on the detailed contents of the summary of an audited annual report – SKL-2002 (Official Gazette of the Republic of Slovenia, Nos. 111/02, 21/07, 17/08, 9/10, and 62/13),
12. Decision on the detailed methodology for determining capital and on compliance with the capital requirements and capital adequacy of insurance companies (Official Gazette of the Republic of Slovenia, Nos. 83/04, 95/04, 65/05, 31/06, 38/06 – popr., 25/07, 17/08, 99/10, 62/13, and 65/14),
13. Decision on the detailed content of the documentation to accompany an application for a licence to perform the functions of management board membership (Official Gazette of the Republic of Slovenia, Nos. 52/05, 7/07),
14. Decision on the registers of insurance agents and brokers, insurance agencies and insurance brokerage companies (Decision on registers 1) (Official Gazette of the Republic of Slovenia, Nos. 52/05, 55/07),
15. Decision on detailed instructions on calculating or for offsetting assets of life insurance provisions or old age provisions (Official Gazette of the Republic of Slovenia, No. 89/05),
16. Instructions on insurance companies' electronic reporting on investments of assets covering technical provisions, investments of assets covering mathematical provisions and investments not financed through technical provisions (Official Gazette of the Republic of Slovenia, Nos. 99/12, 62/13, and 21/14),
17. Decision on insurance-related statistical data (Official Gazette of the RS, Nos. 125/06, 118/07, 120/08, 8/09, 37/09 – amend., 104/09, 4/10, and 62/13)
18. Decision on the chart of account for insurance undertakings – SKL 2007 (Official Gazette of the Republic of Slovenia, No. 128/06),
19. Decision on detailed rules for calculating insurance undertakings’ minimum capital (Official Gazette of the Republic of Slovenia, Nos. 137/06, 25/07, 50/10, and 62/13),
20. Decision on the method of calculating the liquidity ratios and the minimum liquidity to be provided by an insurance undertaking (Official Gazette of RS, No. 118/00, 137/06),
21. Instructions on calculating the item ‘Specific capital revaluation adjustment relating to assets that are not financed by technical provisions in forms KUS-P and KUS-Z’ (Official Gazette of the Republic of Slovenia, No. 25/07),
22. Decision on rules on calculating and capital items of additional own capital (Official Gazette of the Republic of Slovenia, Nos. 28/07 and 96/12 – ZPIZ-2),
23. Decision on detailed rules on assets covering technical provisions and assets covering mathematical provisions, and rules on investments not financed from technical provisions (Official Gazette of the Republic of Slovenia, Nos. 115/07 and 99/12),
24. Regulation on requests to delivering data to the Insurance Supervision Agency (Official Gazette of the Republic of Slovenia No. 97/08),
25. Rules on the register of certified actuaries (Official Gazette of the Republic of Slovenia, No. 36/09),
26. Decision on the holders of qualifying holdings in insurance undertakings (Official Gazette of the Republic of Slovenia, No. 41/09),
27. Decision on the annual report and quarterly financial statements of insurance companies – SKL 2009 (Official Gazette of the Republic of Slovenia, Nos. 47/09, 57/09 – amend., 99/10, 47/11, 62/13, and 79/13),
28. Rules on data, documents and deadlines for pursuing insurance activities directly (Official Gazette of the Republic of Slovenia, No. 30/11),
29. Decision on the detailed content of insurance contracts (Official Gazette of the Republic of Slovenia, Nos. 30/11 and 16/13)
30. Decision on detailed rules and criteria as regards personal circumstances concerning gender (Official Gazette of the Republic of Slovenia, No. 97/12).

(2) As of the day of the entry into force of this Act, the Tariff of Fees and Charges (Official Gazette of the Republic of Slovenia, Nos. 89/02, 74/05, 103/08, 105/13) shall cease to be in force; however, it shall continue to apply until an act by means of which fees, charges, and other reimbursements of costs of the Insurance Supervision Agency concerning the performance of its tasks and the execution of its powers are determined on the basis of this Act.

(3) Notwithstanding the provisions of paragraphs six and seven of Article 521 of this Act, the personal circumstance concerning gender may apply when determining premiums and paying insurance benefits arising from insurance from the life insurance group and the accident and health insurance classes that were entered into prior to 21 December 2012 and regarding which an insurance undertaking took into account the personal circumstance concerning gender pursuant to paragraph seven of Article 83 of the then valid Insurance Act (Official Gazette of the Republic of Slovenia, No. 99/10 – official consolidated text); it shall apply until the expiry of the aforesaid insurance contracts. It shall be considered that the insurance contracts referred to in the preceding paragraph were entered into before 21 December 2012, in particular in the event of contracts:

1. the validity of which was automatically renewed pursuant to the terms and conditions of the insurance contract, provided that no notification was given (e.g. concerning the assignment of the contract);
2. regarding which the consent of the policyholder is not required in the event of adjusting individual parts of the insurance contract;
3. regarding which a policyholder shall enforce conditions by means of a unilateral decision, which enables a unilateral entry into an insurance contract, a complementary insurance contract, or the continuation of insurance, and if the conditions of insurance were agreed upon by means of a contract entered into prior to 21 December 2012,
4. that were transferred from one insurance undertaking to another, whereby the status of the contracts included in the portfolio being transferred from one insurance undertaking to another does not change.
Article 647
(Entry into force and application of this Act)

This Act shall enter into force on the fifteenth day after its publication in the Official Gazette of the Republic of Slovenia, and shall be applied as of 1 January 2016, with the exception of Articles 194, 206, 213, 218, 219, 367, and 539 of this Act, which shall be applied for the purpose of acquiring authorisations and consents as of the day of the entry into force of this Act. The consents or authorisations issued by the Insurance Supervision Agency or any other supervisory authority based on Articles 194, 206, 213, 218, 219, 367, and 539 of this Act before 1 January 2016 shall be applied as of 1 January 2016.

No. 460-01/15-2/37
Ljubljana, 24 November 2015
EPA 626-VII

National Assembly
of the Republic of Slovenia

Milan Brglez
President