

[translation from Romanian]

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**Decision no. 1019/26.07.2017**

**regarding the termination of the financial recovery procedure based upon a financial recovery plan at Societatea de Asigurare – Reasigurare City Insurance S.A.**

The Financial Supervisory Authority, headquartered in Bucharest, 15 Splaiul Independentei, district 5, taxpayer identification code 31588130 and bank account RO83TREZ7005025XXX007370 at Trezoreria Municipiului Bucuresti, legally represented by mr. Leonardo Badea, as President, in compliance with the provisions of Art. 13, Par. (1) of the Government Emergency Ordinance no. 90/2012, regarding the establishment, the structure and the operation of the Financial Supervisory Authority, approved with changes and completions by Law no. 113/2013, with subsequent changes and completions.

considering the provisions of Art. 2, Par. (1), Subpar. B), Art. 6, Par. (3) and Art. 7, Par. (2) of the Government Emergency Ordinance no. 93/2012, approved with changes and completions by Law no. 113/2013, with subsequent changes and completions.

according to Law. 503/2004 regarding the financial recovery, the bankruptcy, the dissolution and the voluntary liquidation of insurance businesses, republished, and to Art. 8, Par. (11) and Par. (16) of Law no. 237/2015 regarding the authorization and the supervision of the insurance and reinsurance business,

based upon the Decision of the Financial Supervisory Authority Board, issued during the meeting on 19.07.2017, in which Note No. P/2757/18.07.2017 was analyzed, regarding the assessment of the financial stability of Societatea de Asigurare – Reasigurare City Insurance S.A. by 31.03.2017, including the later events.

Considering the following events in fact and in right:

By Decision No. 901/18.04.2016, the Financial Supervisory Authority has ordered the inception of the financial recovery procedure, based upon a financial recovery plan, published in the Official Gazette of Romania, Part I, No. 304, in 30.04.2016.

According to the provisions of Art. 3 and Art. 4 of the abovementioned Decision, the Administrative Board of Societatea de Asigurare – Reasigurare City Insurance S.A. was obliged to prepare and submit to the Financial Supervisory Authority the financial recovery plan, containing the steps to financial recovery, as well as precise actions and deadlines to meet those steps, that the company management had undertaken, in order to gather its own funds to cover the Minimum Capital Requirement or to modify the risk profile, its own funds, to cover the Minimum Capital Requirement and the solvency margin.

By Note No. 3117/06.05.2016, registered at F.S.A. with No. 34154/06.05.2015, The Administrative Board of the insurer has submitted to the Financial Supervisory Authority a recovery plan, in compliance with the injunctions of F.S.A. Decision No. 901/18.04.2016 and the injunctions of Art. 2 of F.S.A. Decision No. 1255/17.06.2016<sup>1</sup> regarding the changes of the financial recovery plan of Societatea de Asigurare – Reasigurare City Insurance S.A.

The main items of the plan have focused on procedures for recapitalization, recovering the credits from affiliated parties and various debtors, applying the reinsurance policy, operational procedures as well as procedures to remedy the deficiencies that were ascertained during the F.S.A. inspections.

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<sup>1</sup> The F.S.A. Decision No. 1255/17.06.2016 was not published in the Official Gazette of Romania.

The Financial Supervisory Authority approved the financial recovery plan of Societatea de Asigurare – Reasigurare City Insurance S.A. by F.S.A. Decision No. 1458/21.07.2016<sup>2</sup>.

Following the analysis of the manner in which the financial recovery plan was applied, corroborated to the financial reports of the 4<sup>th</sup> semester of 2016, with submission deadline on 08.03.2017, we discovered that the assets of Societatea de Asigurare – Reasigurare City Insurance S.A. did not meet the minimum requirements for the non-life insurance business, the solvency margin of the company was less than one unit, the legal provisions regarding the minimum capital requirement were not observed and, considering the significant market share, the provisions of Art. 17, Par (3) of Law No. 246/2015 regarding the recovery and resolution of the insurers were enforced. Thus, Decision No. 463/04.04.2017<sup>3</sup> regarding the enforcement of the provisions of Law No. 246/2015 to Societatea de Asigurare – Reasigurare City Insurance S.A. was issued, the insurer being under a financial recovery procedure, according to the provisions of Law No. 503/2004, republished, with subsequent changes.

By Note no. 2033/26.04.2017, registered at F.S.A. with No. 15231/26.04.2017, the management of Societatea de Asigurare – Reasigurare City Insurance S.A. submitted to the Financial Supervisory Authority the documents in proof showing that Vivendi International S.R.L., as main shareholder, had given it a subordinated loan of 50 million Euros, fully transferred in the account of Societatea de Asigurare – Reasigurare City Insurance S.A. on 11.03.2017, for the purpose of capitalizing and providing the insurer with its own funds.

Analyzing the financial status of the insurer, in correlation with the newly submitted information and considering the tasks ordered by the authority to the society, the following facts were ascertained:

The recapitalization task that was ordered in compliance with Art. 5, Par. (g) and (h) of F.S.A. Decision No. 901/18.04.2016 was accomplished following the subordinated loan received by the society from its main shareholder.

Societatea de Asigurare – Reasigurare City Insurance S.A. had on 31.03.2017 a Minimum Capital Requirement of 368%, thus meeting the requirements of Art. 95 Par. (1), Subpar. (d), Line (ii) of Law No. 237/2015, as well as a Solvency Capital Requirement of 159%, thus meeting the requirements of Art. 72, Par. (1) of Law No. 237/2015. The subordinated loan that was announced by the Note of City Insurance, No. 2033/26.04.2017, registered with A.S.F. under No. 15231/26.04.2017 meets the requirements of rank 1 own funds, according to the provisions of Art. 71 of Delegate Regulation no. 35/2015 for enforcing the provisions of Art. 67-69 of Law no. 237/2015 regarding the authorization and supervision of the insurance-reinsurance business.

Therefore, we ascertain the restoration of the basic own funds that are eligible above the minimum capital requirement, according to the provisions of Art. 71, Par. (3) and Par. (4) of Law No. 237/2015, the level of the own funds eligible in relation to the solvency capital, according to the provisions of Art. 71, Par. (1) and Par. (2) of the same law, and the solvency margin exceeds one unit.

Regarding the task to recover the loans to affiliated entities and various creditors, Societatea de Asigurare – Reasigurare City Insurance S.A. made the appropriate efforts to recover them. Considering that the recovery of the loans is a time consuming procedure, Societatea de Asigurare – Reasigurare City Insurance S.A. summoned the loss recovery procedure for the amount of 30 million Euros, according to the provisions of Art. 71 Par. (1) Subpar (e), Line (i) and Par. (5) of the Delegate Regulation of the European Commission no. 325/2015. Thus meeting the tasks that were set by Art. 5, Par. (d) and Par. (e) of F.S.A. Decision No. 901/18.04.2016.

Concerning the mitigation of the concentration and credit risk, Societatea de Asigurare – Reasigurare City Insurance S.A. reanalyzed its reinsurance policy, forwarded its risks to reinsurers with ratings, restructured the existing reinsurance treaty, by unionization (three reinsurers as opposed to one, affiliated entities), as well as by reintroducing a guarantee clause in favor of the reinsured.

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<sup>2</sup> The F.S.A. Decision No. 1458/21.07.2016 was not published in the Official Gazette of Romania.

<sup>3</sup> The F.S.A. Decision No. 463/04.04.2017 was not published in the Official Gazette of Romania.

Regarding the evaluation of the insurer's debts, of the registered claim files and of the claims reserve, for each category, Societatea de Asigurare – Reasigurare City Insurance S.A. designated a financial auditor that assessed the assets, the debts and the own capital by 22.12.2016 and that prepared the evaluation report on 15.12.2016, that was submitted to F.S.A. on 22.12.2016. The results of the evaluation were assumed and registered by Societatea de Asigurare – Reasigurare City Insurance S.A. in its financial reports at the end of 2016.

Considering the abovementioned facts, in order to protect the rights of the insured and to promote the stability of the insurance business in Romania, the Financial Supervisory Authority issues the following

## **DECISION**

**Art. 1 – (1)** According to the provisions of Art. 20, Par. a) of Law no. 503/2004 regarding the financial recovery and the bankruptcy of the insurance companies, republished, we order the termination of the plan-based recovery procedure of Societatea de Asigurare – Reasigurare City Insurance S.A., headquartered in 5-7 Constantin Aricescu St., ground level and semi-basement, Bucharest, District 1, J40/3150/31.03.1998, 10392742, RA-008/10.04.2003, authorized by Decision No. 9 from 23 October 2001, legally represented by Mr. Papanikolaou Epameinondas, as Deputy General Manager.

**Art. 2.** – In compliance with the provisions of Art. 21 Par. (1), Subpar. a) of Law no. 503/2004 regarding the financial recovery and the bankruptcy of the insurance societies, we revoke F.S.A. Decision No. 901/18.04.2016 regarding the initiation of the plan-based financial recovery procedure at Societatea de Asigurare – Reasigurare City Insurance S.A.

**Art. 3. – (1)** This Decision is executory, according to the provisions of Art. 21, Par. (3) corroborated with Art. 19, Par. (1) of Law 503/2004, republished.

**(2)** Societatea de Asigurare – Reasigurare City Insurance S.A. can challenge this Decision at the Contentious Administrative Department of the Bucharest Court of Appeal, within 10 days from the date of receipt, under penalty of preclusion.

**(3)** Contestation does not suspend the enforcement of the Financial Supervisory Authority's Decision. The Court Decision can be enforced with appeal, according to the law.

**Art. 4** – This decision is published in the Official Gazette of Romania, Part I, according to the provisions of art. 21, Par. (3), corroborated with Art. 19, Par. (1) of Law No. 503/2004, republished.

**PRESIDENT,**

**Leondardo Badea**

*[indecipherable signature]*

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