Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

23 September 2021 [shall come into force on 20 October 2021];

13 October 2022 [shall come into force on 3 November 2022].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*1 has adopted and

the President has proclaimed the following law:

**Insurance and Reinsurance Law**

**Division A**

**General Provisions**

**Chapter I**

**Terms Used in the Law and Scope of Application**

**Section 1.** (1) The following terms are used in the Law:

1) **insurance**– acceptance of the risk of potential loss from an insured person;

2) **reinsurance**– acceptance of the ceded risks from an insurance merchant, a reinsurance merchant, or a private pension fund;

3) **ceded reinsurance**– transfer of the insured risks to an insurance or reinsurance merchant;

4) **retrocession**– transfer of the reinsured risks to an insurance or reinsurance merchant;

5) **insurance undertaking**– a joint stock company registered in the Republic of Latvia or a European commercial company, or a mutual insurance cooperative undertaking that has the right to perform insurance in accordance with this Law;

6) **reinsurance undertaking**– a joint stock company or a limited liability company registered in the Republic of Latvia, or a European commercial company that has the right to perform reinsurance in accordance with this Law;

7) **captive insurance undertaking**– an insurance undertaking which belongs to a financial merchant that is neither insurance nor reinsurance merchant, or to an insurance or reinsurance group, or non-financial merchant thereof, and the purpose of which is to ensure insurance only for the risks of the merchant or merchants to which it belongs, or only to the merchant or merchants of the group the member of which is a captive insurance undertaking;

8) **captive reinsurance undertaking**– a reinsurance undertaking which belongs to a financial merchant that is neither insurance nor reinsurance merchant, or to an insurance or reinsurance group, or non-financial merchant thereof, and the purpose of which is to ensure reinsurance only for the risks of the merchant or merchants to which it belongs, or only to the merchant or merchants of the group the member of which is a captive reinsurance undertaking;

9) **insurer**– an insurance undertaking or a branch of a Member State or foreign insurer registered in the Republic of Latvia that has the right to perform insurance in accordance with this Law;

10) **reinsurer**– a reinsurance undertaking or a branch of a Member State or foreign reinsurer registered in the Republic of Latvia that has the right to perform reinsurance in accordance with this Law;

11) **Member State insurer**– an insurance merchant registered in a Member State other than the Republic of Latvia that has the right to perform insurance in its home country;

12) **Member State reinsurer**– a reinsurance merchant registered in a Member State other than the Republic of Latvia that has the right to perform reinsurance in its home country;

13) **foreign insurer**– a person registered outside the Member State that has the right to perform insurance in its home country;

14) **foreign reinsurer**– a person registered outside the Member State that has the right to perform reinsurance in its home country;

15) **insurance merchant**– a legal person that has the right to perform insurance in a Member State;

16) **reinsurance merchant**– a legal person that has the right to perform reinsurance in a Member State;

17) **insurance licence**– an authorisation for the performance of insurance activity;

18) **reinsurance licence**– an authorisation for the performance of reinsurance activity;

19) **insurance holding company**– a parent undertaking that is not a mixed financial holding company and the primary activity of which is to acquire and hold participation in subsidiary undertakings, provided that at least one of such subsidiary undertakings is an insurance or reinsurance merchant while other subsidiary undertakings are as follows:

a) only insurance or reinsurance merchants or foreign insurers or reinsurers out of which at least one is an insurance or reinsurance merchant;

b) mainly (the total assets or income of insurance undertakings, reinsurance undertakings, Member State or foreign insurers and Member State or foreign reinsurers in the last approved annual statement accounts for more than half of the total assets or income of all subsidiary undertakings controlled by the parent undertaking) insurance or reinsurance merchants or foreign insurers or reinsurers out of which at least one is an insurance or reinsurance merchant;

20) **multidisciplinary insurance holding company**– a parent undertaking that is not an insurance or reinsurance merchant, a foreign insurer or reinsurer, an insurance holding company or a mixed financial holding company but at least one subsidiary undertaking of which is an insurance or reinsurance merchant;

21) **branch of an insurance undertaking**– a branch of an insurance undertaking established and registered outside the Republic of Latvia that operates on behalf of the insurance undertaking;

22) **branch of a reinsurance undertaking**– a branch established and registered outside the Republic of Latvia that operates on behalf of the reinsurance undertaking;

23) **branch of a Member State insurer**– a branch of a Member State insurer established and registered in the Republic of Latvia;

24) **branch of a foreign insurer**– a branch of a foreign insurer established and registered in the Republic of Latvia;

25) **branch of a Member State reinsurer**– a branch of a Member State reinsurer established and registered in the Republic of Latvia;

26) **branch of a foreign reinsure**– a branch of a foreign reinsurer established and registered in the Republic of Latvia;

27) **home country**– a country in which the following is located:

a) the management (the headquarters of the undertaking) of an insurance merchant or a foreign insurer;

b) the management (the headquarters of the undertaking) of a reinsurance merchant;

28) **host country**– a Member State, other than home country, in which:

a) an insurance or reinsurance undertaking has its branch;

b) an insurance or reinsurance undertaking provides services in conformity with the principle of freedom to provide services, without opening a branch;

29) **Member State**– a European Union Member State or a European Economic Area country;

30) **country in which the insurance objects related to the insured risk are located**:

a) a country in which the insured immovable property or property (estate) therein is located if the relevant immovable property and the property therein have been insured under the same insurance contract;

b) a country of registration of a vehicle if any type of the vehicle has been insured;

c) a country in which a policy holder has entered into an insurance contract for a period of up to four months insuring any risk related to travel;

d) in any other cases not referred to in Sub-clauses “a”, “b”, and “c” of this Clause, a country of residence of a policy holder or, if a policy holder is a legal person, a country in which its unit is located to which the insurance contract applies;

31) **outsourced service**– a service specified in this Law the provision of which an insurance or reinsurance undertaking delegates to an outsourcing service provider under a written outsourcing contract;

32) **stress test**– an analysis carried out by an insurance or reinsurance undertaking in order to establish and evaluate the potential impact of different exceptional but likely adverse events or changes in market conditions on the ability of an insurance or reinsurance undertaking to comply fully with the obligations resulting from insurance contracts and reinsurance contracts and to ensure financial stability;

33) **control**– a person’s control over a commercial company which manifests itself as follows:

a) this person exercises a decisive influence in the commercial company on the basis of participation;

b) this person exercises a decisive influence in the commercial company on the basis of a group of companies agreement;

c) any other relations between this person and the commercial company exist which are analogous to the requirements referred to in Sub-clause “a” or “b” of this Clause;

34) **qualifying holding**– a holding acquired directly or indirectly by a person or several persons acting in concert on the basis of the agreement which comprises 10 per cent and more of the equity capital or the number of the stocks with voting rights of a commercial company or which makes it possible to exercise a significant influence over the determination of the financial and operational policy of the commercial company;

35) **close links**– a mutual link of two or more persons:

a) by participation – a person owns directly or by way of control 20 per cent or more of the voting rights in a commercial company or a person directly or by way of control has acquired a holding which comprises 20 per cent or more of the equity capital or the number of the stocks with voting rights, or stocks of the commercial company;

b) by control;

c) if they are linked with the same person by a relationship of control;

36) **parent undertaking**– a commercial company controlling another commercial company. For the purposes of the supervision of a group of insurance and reinsurance undertakings, a commercial company which, according to the assessment of Latvijas Banka, exercises a decisive influence in another commercial company shall also be considered a parent undertaking;

37) **subsidiary undertaking**– a commercial company which is controlled by another commercial company. Any subsidiary undertaking of a subsidiary undertaking shall be considered a subsidiary undertaking of its parent undertaking. For the purposes of the supervision of a group of insurance and reinsurance undertakings, a commercial company in which, according to the assessment of Latvijas Banka, the parent company exercises a decisive influence shall also be considered a subsidiary undertaking;

38) **participation**– 20 per cent or more of the voting rights in another commercial company acquired by the commercial company directly or by way of control or a holding which comprises 20 per cent or more of the equity capital or the number of the stocks with voting rights of another commercial company acquired directly or by way of control. For the purposes of the supervision of a group of insurance and reinsurance undertakings, a holding in the equity capital of a commercial company or voting rights acquired directly or indirectly as a result of which, according to the assessment of Latvijas Banka, the commercial company exercises a decisive influence in another commercial company shall also be considered a participation;

39) **participating undertaking**– a parent undertaking or a commercial company which has acquired a participation in another commercial company, or a commercial company the link of which with another commercial company manifests itself as common management of such companies in accordance with a contract entered into or the document of incorporation, or provisions of the articles of association of such commercial companies, or in a manner that during the financial year at least half of the members of any management body are the same persons;

40) **related undertaking**– a subsidiary undertaking or a commercial company in which a participation has been acquired, or a commercial company the link of which with another commercial company manifests itself as common management of such companies in accordance with a contract entered into or the document of incorporation, or provisions of the articles of association of such commercial companies, or in a manner that during the financial year at least half of the members of any management body are the same persons;

41) **group**– a group of commercial companies:

a) which consists of a participating undertaking, subsidiary undertakings thereof, commercial companies in which a participating undertaking or subsidiary undertakings thereof have a participation, and commercial companies the link of which with a participating undertaking, a subsidiary undertaking thereof or an undertaking in which a participating undertaking or a subsidiary undertaking thereof has a participation, manifests itself as common management of such companies in accordance with a contract entered into or the document of incorporation, or provisions of the articles of association of such commercial companies, or in a manner that during the financial year at least half of the members of any management body are the same persons;

b) which is based on the establishment of a strong and sustainable contractual or another financial relationship between such commercial companies and which may include mutual insurance cooperative undertakings, provided that one of such commercial companies exercises by central coordination a decisive influence on the decisions of other commercial companies united in the group, including financial decisions thereof, and the establishment or termination of such relationship has been approved by the supervisory authority of the group in advance for the purposes of the supervision of the group. A commercial company engaged in such central coordination shall be considered a parent undertaking but other commercial companies – subsidiary undertakings;

42) **financial merchant** constitutes the following:

a) a credit institution, a financial institution within the meaning of the Credit Institution Law, or a commercial company established by a credit institution the primary activity of which is the acquisition or management of immovable property, provision of data processing services, or any other similar activity which supplements the primary activity of one or several credit institutions;

b) an insurance or reinsurance merchant, or an insurance holding company;

c) an investment firm or a financial institution within the meaning of Article 4(1)(26) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;

d) a mixed financial holding company;

43) **supervisory authority**– a Member State institution or a foreign institution which, in accordance with the law, has been granted the right to perform the supervision of a Member State insurer or Member State reinsurer, or a foreign insurer or foreign reinsurer;

44) **free capital**– the value of assets belonging to a person which is reduced by the value of liabilities of such person and by the value of those assets which are regarded as long-term investments;

45) **technical provisions**– the amount of the best estimate and risk reserve of technical provisions;

46) **participant in the fund**– a commercial company that, in accordance with this Law, has the right to perform insurance, and a branch of a Member State or foreign insurer which makes payments into the Fund for the Protection of the Insured;

47) **competent authority**– a court, a liquidator, an administrator, and another institution or person that, within the limits of its powers laid down in the law, decides on reorganisation measures or liquidation, takes reorganisation measures or performs liquidation, or supervises the course of reorganisation measures or liquidation;

48) **reorganisation measures**– legal actions which are carried out in respect of an insurance merchant or a branch of a foreign insurer and affect or may affect the rights of third parties, and which are carried out in order to retain and restore the solvency of an insurance merchant or a foreign insurer, and which affect the pre-existing rights of a party that is not itself an insurance undertaking or a branch of a foreign insurer;

49) [30 September 2021];

50) **redemption of claims and liabilities**– complete mutual redemption of claims and liabilities of a debtor and a creditor arising from a contract after commencement of the liquidation of a debtor or declaration of insolvency, irrespective of the amount of the claims and liabilities;

51) **function**– an administrative capacity to carry out the tasks of the management system specified in this Law. The management system includes a risk management function, a compliance function, an internal audit function, and an actuarial function;

52) **European Insurance and Occupational Pensions Authority** (hereinafter – the EIOPA) – an institution established in accordance with Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (hereinafter – EU Regulation No 1094/2010);

53) **group supervisor**– a supervisory authority of a Member State that performs supervision in a group, manages a college of supervisors and organises the work thereof;

54) **college of supervisors**– a consultative cooperation unit created by supervisory authorities of Member States which operates on the basis of a cooperation contract between the supervisory authorities concerned;

55) **principle of proportionality**– application of the requirements and supervision measures of this Law according to the types of activities of an insurance and reinsurance undertaking, the amount thereof, and the complexity of the risks inherent in the activities of an insurance or reinsurance undertaking;

56) **liquidity risk**– a risk that an insurer will not be able to sell, in a timely manner and without considerable losses, the investments and other assets in order to settle its financial obligations when they fall due;

57) **concentration risk**– a risk of negative changes in the financial standing of an insurer or losses resulting from large exposures which have one common risk factor;

58) **finite reinsurance**– reinsurance in accordance with such reinsurance contract (hereinafter – the finite reinsurance contract) the provisions of which envisage that the specified potential maximum loss (the maximum transferred economic risk which is caused by the transfer of a significant underwriting risk and time risk) in a finite but significant amount exceeds the reinsurance premium specified throughout the duration of the contract and which corresponds to at least one of the following features:

a) contractual conditions contain a clearly stated essential observation which reflects the time value of money;

b) contractual conditions restrict the volatility of performance of the reinsurance activity between contracting parties throughout the duration of the contract, so that the extent of the transferred economic risk corresponds to the planned extent as a whole;

59) **external credit assessment institution**– a credit-rating agency which has been registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, or the central bank of a Member State providing credit ratings to which the respective regulation does not apply.

(2) The term “close-out netting” used in the Law conforms to the term used in the Law on Close-out Netting Applicable to Qualified Financial Transactions, other terms used in the Law conform to the terms used in the Insurance Contract Law and the Financial Conglomerate Law, and also to the terms used in Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (hereinafter – EU Regulation No 1286/2014).

(3) The term “PEPP plan” used in the Law corresponds to the term “pan-European Personal Pension Product” used in Regulation No 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP) (hereinafter – Regulation No 2019/1238).

[*21 July 2017; 3 May 2018; 25 April 2019; 20 June 2019; 23 September 2021; 30 September 2021; 13 October 2022 / The new wording of Clause 36 of Paragraph one and amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 2.** (1) The purpose of this Law is to ensure the supervision of the activities of insurers and reinsurers in order to make the insurance system reliable, efficient, safe, and stable, thus protecting the interests of policy holders and insured persons.

(2) This Law prescribes the commencement and performance of insurance and reinsurance activities, supervision of insurance and reinsurance activities, supervision of insurance and reinsurance groups, and reorganisation measures and liquidation of branches of insurance undertakings and foreign insurers.

(3) This Law shall apply to the persons that provide or wish to provide non-life insurance, life insurance (including PEPP plan), or reinsurance services in the Republic of Latvia.

[*25 April 2019; 13 October 2022 / See Paragraph 38 of Transitional Provisions*]

**Section 3.** (1) This Law shall not apply to the following:

1) State social insurance;

2) transactions of mutual benefit funds the amount of the indemnity paid whereof depends on the resources available and in which the investment of participants is determined on a flat-rate basis;

3) the following non-life insurance transactions:

a) State-guaranteed export credit insurance transactions;

b) transactions conducted by organisations other than legal persons in order to ensure mutual insurance of their participants without any payments of premiums or constitution of technical provisions;

4) life insurance transactions conducted by organisations other than insurance undertakings or branches of foreign insurers, or reinsurance undertakings or branches of foreign reinsurers the purpose of which is to provide indemnity for their employees or employees of a group of undertakings, or employees of a trade or group of trades, or self-employed persons in the event of death or survival or in the case the activity is terminated, irrespective of whether liabilities arising from such transactions are always fully covered by mathematical provisions;

5) merchants which undertake to pay indemnity in life insurance only in the event of death where the amount of the indemnity does not exceed the average funeral costs for a single death or where it is intended to pay the indemnity in the form of services provided;

6) garage, operation, after-sales services, and similar services which are provided by persons other than insurers;

7) services provided in the country of residence of persons in the case a vehicle breaks down or is involved in an accident:

a) garage services provided in the place where the vehicle has broken down;

b) transportation of the vehicle to the closest place where it is possible to make repairs thereof and also transportation of the driver and passengers to the closest place from which they may continue their journey using another vehicle;

c) transportation of the vehicle, the driver, and passengers to the permanent residence of the driver or passengers or a place from which they have started their journey or to their final destination in the territory of the Republic of Latvia;

8) services provided to the members of different motor clubs if assistance in the case a vehicle breaks down or transportation is required is provided by motor clubs in the country where they are located and such motor clubs have entered into mutual cooperation agreements;

9) mutual insurance cooperative undertakings which concurrently meet the following conditions:

a) perform insurance only for the classes of insurance referred to in Section 19, Paragraph one, Clauses 1, 2, 3, 4, 5, 6, 7, 8, 9, 16, 17, and 18 of this Law;

b) have entered into a contract with other mutual insurance cooperative undertakings which provides for the full reinsurance of the insurance policies issued by them or according to which accepting undertakings assume the liabilities of ceding undertakings arising from such policies;

c) annual gross proceeds from the insurance premiums do not exceed EUR 5 million;

d) amount of gross technical provisions, without any deduction of the amounts which are recoverable from reinsurance contracts, does not exceed EUR 25 million;

e) amount of gross technical provisions of a group, if a mutual insurance cooperative undertaking is part of a group, without any deduction of the amounts which are recoverable from insurance contracts, does not exceed EUR 25 million;

10) reinsurance services provided or fully guaranteed by the government of a Member State if it acts as a reinsurer for reasons of substantial public interest and also in circumstances where it is not possible to obtain adequate reinsurance on the market.

(2) The services referred to in Paragraph one, Clause 7 of this Section shall be considered insurance if they are provided by the insurer in accordance with the insurance contracts entered into.

[*25 April 2019*]

**Chapter II**

**General Provisions of Insurance and Reinsurance Activities**

**Section 4.** (1) Only a person that has obtained an insurance or reinsurance licence is entitled to provide insurance or reinsurance services.

(2) An insurance or reinsurance undertaking may only commence the activity thereof after obtaining an insurance or reinsurance licence.

(3) An insurance or reinsurance licence shall be issued for an indefinite period in accordance with this Law.

(4) Latvijas Banka shall lay down the procedures for issuing an insurance or reinsurance licence.

(5) An insurance licence issued to an insurance undertaking and a reinsurance licence issued to a reinsurance undertaking shall be valid in Member States in exercising the right to establish a branch or, if the principle of freedom to provide services is followed, in providing insurance or reinsurance services without opening a branch.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 5.** (1) A submission for obtaining an insurance licence may be submitted by the following:

1) a joint stock company or a European commercial company, or mutual insurance cooperative undertaking that has been entered in the records of the Enterprise Register as a cooperative undertaking which establishes its head office in the Republic of Latvia;

2) a foreign insurer that opens a branch in the Republic of Latvia;

3) an insurance undertaking or a branch of a foreign insurer which has obtained an insurance licence and wishes to extend the scope of its activity by providing insurance services in other classes of insurance for the provision of which it has not obtained a licence yet.

(2) A submission for obtaining a reinsurance licence may be submitted by the following:

1) a joint stock company or a limited liability company, or a European commercial company which establishes its head office in the Republic of Latvia;

2) a reinsurance undertaking which has obtained a reinsurance licence and wishes to extend the scope of its activity by providing reinsurance services in other classes of reinsurance for the provision of which it has not obtained a licence yet.

[*25 April 2019*]

**Section 6.** (1) Insurance shall be voluntary, except for cases where the law prescribes otherwise.

(2) Reinsurance shall be voluntary.

(3) A merchant shall be prohibited from using in its firm name the word “insurance” or the word “insurer” in any case or phrase in a manner which might be misleading as to the right thereof to perform insurance or market insurance services.

(4) A merchant shall be prohibited from using in its firm name the word “reinsurance” or the word “reinsurer” in any case or phrase in a manner which might be misleading as to the right thereof to perform reinsurance or market reinsurance services.

[*25 April 2019*]

**Section 7.** (1) An insurer shall determine the amount of the insurance premium. An insurance undertaking or a branch of a foreign insurer shall develop and approve the policy and procedure for the underwriting and determination of the insurance premium and shall be responsible for compliance with these procedures.

(2) The insurance premium shall be determined in the amount necessary to comply with the obligations provided for in the insurance contract and to cover the expenses necessary for the performance of insurance.

(3) An insurance undertaking shall continually assess the conformity of the insurance premium and the reinsurance premium with the requirement laid down in Paragraph two of this Section.

[*25 April 2019*]

**Section 8.** (1) A reinsurer shall determine the amount of the reinsurance premium.

(2) The insurance premium shall be determined in the amount necessary to comply with the obligations provided for in the reinsurance contract and to cover the reinsurance expenses.

**Section 9.** It shall be prohibited to determine a different amount of the insurance premium and the reinsurance premium on grounds of the following:

1) gender;

2) pregnancy or a period following childbirth of up to one year but in the case of a breastfeeding woman – during the entire period of breastfeeding.

**Section 10.** (1) An insurance undertaking shall:

1) perform insurance in the classes of insurance specified in the licences issued by Latvijas Banka;

2) market insurance or reinsurance services to another insurer, Member State insurer, foreign insurer, reinsurer, and Member State reinsurer. Insurance services may be marketed to a foreign insurer in accordance with the provisions laid down in Paragraph three of this Section;

3) perform commercial activities directly related to insurance;

4) attract pension scheme members to a private pension fund, register and distribute a PEPP plan if this insurance undertaking has obtained a licence for the performance of life insurance.

(2) An insurance merchant may not:

1) perform any other commercial activities, except for the cases provided for in the law;

2) disseminate false, misleading advertising regarding its activities;

3) disclose information obtained in the course of insurance regarding the insured person, the policy holder and a third party, except for the cases provided for in this Law and other laws. If information is disclosed in the cases provided for in laws, the insurance merchant shall not be responsible for the consequences of such disclosure.

(3) An insurance merchant may market insurance services to a foreign insurer only in the classes of insurance made mandatory in a foreign country if:

1) the Fund for the Protection of the Insured is being established out of which the insurance indemnity is paid in the case of insolvency of the foreign insurer;

2) Latvijas Banka has agreed with a foreign supervisory authority on cooperation and exchange of information necessary for the performance of supervisory functions.

(4) An insurance undertaking may not issue debt securities and make borrowings. This restriction shall not be applicable to the borrowings which are included in the calculation of eligible own funds of the insurance undertaking and to the borrowings the maturity of which does not exceed three months if such borrowings have been made in order to ensure that the insurance indemnities (in respect of the payment of which an insurer has taken a decision) are paid in a timely manner and have been coordinated with Latvijas Banka prior to making thereof.

(5) For exercising the rights of subrogation and recourse specified in the Insurance Contract Law, an insurer has the right to process the personal data of the insured person and of the person responsible for the loss sustained if the insurance event has occurred, including information regarding a violation or criminal offence committed by the person that refers to the specific insurance event and is necessary for exercising the rights of subrogation and recourse.

[*25 April 2019; 23 September 2021; 13 October 2022 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 11.** (1) A reinsurance undertaking shall perform the following:

1) reinsurance in the classes of reinsurance specified in the reinsurance licence issued by Latvijas Banka;

2) commercial activities directly related to reinsurance;

3) commercial activities directly related to the marketing of reinsurance.

(2) A reinsurance merchant may not:

1) perform commercial activities other than those specified in Paragraph one of this Section;

2) disclose information obtained in the course of reinsurance, except for the cases provided for in this Law and other laws. If information is disclosed in the cases provided for in laws, the reinsurance merchant shall not be responsible for the consequences of such disclosure.

(3) A reinsurance undertaking may not issue debt securities and make borrowings. This restriction shall not be applicable to the borrowings which are included in the calculation of own funds of the reinsurance undertaking and to the borrowings the maturity of which does not exceed three months if such borrowings have been made in order to ensure that the reinsurance indemnities (in respect of the payment of which a reinsurer has taken a decision) are paid in a timely manner and have been coordinated with Latvijas Banka prior to making thereof.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 12.** (1) For the performance of insurance or reinsurance in the Republic of Latvia, an insurer and a Member State insurer may only use the services of such insurance or reinsurance marketers which are entitled to market insurance or reinsurance services in the Republic of Latvia.

(2) For the performance of insurance or reinsurance in a foreign country, an undertaking may, in compliance with the laws and regulations of the relevant country, only use the services of such insurance or reinsurance marketers which are entitled to market insurance or reinsurance services in the relevant country.

(3) For the reinsurance in the Republic of Latvia, a reinsurer and a Member State reinsurer may only use the services of such reinsurance marketers which are entitled to market reinsurance services in the Republic of Latvia.

(4) For the reinsurance in a foreign country, a reinsurance undertaking may, in compliance with the laws and regulations of the relevant country, only use the services of such reinsurance marketers which are entitled to market reinsurance services in the relevant country.

[*25 April 2019*]

**Section 13.** (1) Only an insurance or reinsurance merchant that is entitled to perform insurance or reinsurance in the Republic of Latvia has the right to advertise insurance or reinsurance services to be provided in the Republic of Latvia.

(2) An insurance or reinsurance undertaking has the right to, in compliance with the laws and regulations of a relevant country, advertise insurance or reinsurance services to be provided only in the country where the relevant undertaking has the right to open a branch or where it has the right to provide insurance or reinsurance services without opening a branch in conformity with the principle of freedom to provide services.

(3) In advertising insurance in relation to a unit-linked life insurance contract, advertising shall not contain any information regarding a guaranteed profit or a specific level of profitability in the future. In indicating to the profitability of insurance in relation to the unit-linked life insurance contract, advertising shall contain information that the current profitability does not guarantee similar profitability in the future.

**Section 14.** (1) An insurer and a reinsurer shall be considered the operators of the financial market.

(2) An insurer shall make payments to Latvijas Banka for the gross insurance premiums written in the reporting year in the following amount:

1) up to 0.4 per cent inclusive – from life insurance activities with the accumulation of provisions;

2) up to 0.2 per cent inclusive – from the operations related to the compulsory civil liability insurance of motor vehicle owners;

3) up to 0.7 per cent inclusive – from other insurance activities.

(3) A reinsurer shall make payments to Latvijas Banka for the gross reinsurance premiums written in the reporting year up to 0.7 per cent of the total gross reinsurance premiums written in the year.

(4) [23 September 2021 / See Paragraph 33 of Transitional Provisions]

(5) [23 September 2021 / See Paragraph 33 of Transitional Provisions]

[*21 July 2017; 23 September 2021; 13 October 2022 / Amendment regarding the replacement of the words “financial and capital market” with the words “financial market”, the new wording of Paragraphs two and three, and also amendment regarding the deletion of Paragraphs four and five shall come into force on 1 January 2023. See Paragraphs 33 and 37 of Transitional Provisions*]

**Section 15.** An insurer shall be obliged to develop in writing and follow internal procedures by which:

1) in providing insurance services, fair and open treatment is ensured towards the policy holder, the insured person and a person who has the right to apply for the insurance indemnity in accordance with the insurance contract entered into;

2) the insurer provides:

a) the policy holder with the information requested by it regarding the insurance transaction entered into by the insurer and the relevant policy holder;

b) the insured person and the person who has the right to apply for the insurance indemnity in accordance with the insurance contract entered into with the information requested by them which refers to the rights of such persons to receive the insurance indemnity and the obligations thereof towards the insurer;

c) the information regarding the time period (which does not exceed 30 days) within which the information referred to in this Clause is to be provided;

3) the insurer ensures the prevention of a potential conflict of interest among its employees by receiving and using information necessary for the insurance transaction.

**Section 16.** (1) An insurance undertaking may not concurrently perform life insurance and non-life insurance.

(2) Paragraph one of this Section shall not restrict an insurance undertaking which:

1) has obtained a licence for the performance of life insurance to apply for and obtain a licence for the performance of accident and health insurance;

2) has obtained a licence for the performance of accident and health insurance to apply for and obtain a licence for the performance of life insurance.

(3) If an insurance undertaking performs life and non-life insurance in accordance with Paragraph two of this Section, it shall perform each insurance separately in accordance with the requirements of Section 17 of this Law.

(4) Life and non-life insurance undertakings which have financial, commercial, or administrative links may not enter into mutual contracts or take any other measures which may affect the apportionment of expenses and income and also adversely affect the finance of the respective insurance undertakings.

(5) An insurance undertaking that performs life insurance is entitled to register and distribute the PEPP plan in accordance with Regulation No 2019/1238 and Chapter III.1 of the Private Pension Fund Law.

[*13 October 2022 / See Paragraph 38 of Transitional Provisions*]

**Section 17.** (1) An insurance undertaking shall ensure that life insurance is separated from non-life insurance.

(2) An insurance undertaking that performs life and non-life insurance shall ensure that profits from life insurance would bring benefit to life insurance policy holders as if the life insurance undertaking only performed life insurance.

(3) The insurance undertakings referred to in Section 16, Paragraph two of this Law shall calculate the following:

1) the notional life minimum capital requirement in respect of the life insurance or reinsurance activity of the insurance undertaking on the basis of activity reports of the insurer in which the life insurance activity has been separated from the non-life insurance activity and assuming that the insurance undertaking only performs life insurance;

2) the notional non-life minimum capital requirement in respect of the non-life insurance or reinsurance activity of the insurance undertaking on the basis of activity reports of the insurer in which the life insurance activity has been separated from the non-life insurance activity, and assuming that the insurance undertaking only performs non-life insurance.

(4) The procedures for calculating the notional life minimum capital requirement and the notional non-life minimum capital requirement shall be laid down by Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (hereinafter – EU Regulation No 2015/35).

[*20 June 2019*]

**Section 18.** (1) The insurance undertakings referred to in Section 16, Paragraph two of this Law shall possess the eligible basic own funds:

1) in the amount of the notional life minimum capital requirement in respect of the life insurance activity;

2) in the amount of the notional non-life minimum capital requirement in respect of the non-life insurance activity.

(2) The quantitative and qualitative requirements of laws and regulations regarding the procedures for calculating the eligible basic own funds in order to conform to the notional life minimum capital requirement and the notional non-life minimum capital requirement shall be applicable to the life and non-life insurance activities separately.

(3) The quantitative and qualitative requirements of laws and regulations regarding the procedures for calculating the eligible own funds in order to conform to the solvency capital requirement shall be applicable to the life and non-life insurance activities as a whole.

(4) If the amount of the eligible basic own funds items in respect of one of the insurance activities referred to in Paragraph one of this Section is insufficient to cover the notional minimum capital requirement, the requirements of Chapter XVII of this Law that apply to the cases of non-conformity with the minimum solvency capital requirement shall be applicable to the insurance activity for which the notional minimum capital requirement has not been conformed to, irrespective of the results of the other insurance activity.

(5) An insurance undertaking may transfer specific eligible basic own funds items from one insurance activity to the other subject to an authorisation of Latvijas Banka.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter III**

**Licensing of Insurance Activities**

**Section 19.** (1) Latvijas Banka shall issue insurance licences for the following classes of non-life insurance:

1) accident insurance;

2) health insurance (sickness insurance);

3) land transport (except for rail transport) insurance;

4) rail transport insurance;

5) aircraft insurance;

6) ship insurance;

7) freight insurance;

8) property insurance against fire and natural disasters (damage caused to the property, except for the property referred to in Clauses 3, 4, 5, 6, and 7 of this Paragraph, by fire, explosion, atomic energy, land subsidence, and other disasters);

9) property insurance against other losses (damage caused to the property, except for the property referred to in Clauses 3, 4, 5, 6, and 7 of this Paragraph, by hail, frost, theft, or any other accidents, except for those referred to in Paragraph one, Clause 8 of this Section);

10) civil liability insurance of motor vehicle owners;

11) civil liability insurance of aircraft owners;

12) civil liability insurance of the shipowners;

13) general civil liability insurance;

14) credit insurance;

15) suretyship insurance;

16) miscellaneous financial loss insurance;

17) legal expenses insurance;

18) assistance insurance.

(2) Latvijas Banka shall issue insurance licences for the following classes of life insurance:

1) life insurance;

2) marriage and birth assurance;

3) unit-linked life insurance;

4) tontine;

5) capital redemption operations;

6) pension fund management;

7) life-long pension insurance.

(3) An insurance licence shall be issued for each class of insurance separately.

(31) An insurance undertaking that has obtained an insurance licence for insurance in any of the classes of insurance referred to in Paragraph one of this Section may not insure a risk which refers to another class of insurance (subsidiary risk), except for the cases referred to in Section 20 of this Law.

(4) A licence for the performance of life insurance shall include the right to perform the following insurance:

1) insurance which provides for the payment of the insurance indemnity to a person indicated in the contract in the cases specified in the contract which are related to the life of the insured person and also in the cases when the insured person has died or the time period specified in the agreement or the age of the insured person has been reached;

2) insurance against bodily harm causing work ability loss, insurance against death resulting from an accident, and insurance against disability resulting from an accident or sickness if such insurance is underwritten as supplementary insurance for the life insurance referred to in Clause 1 of this Paragraph;

3) insurance which provides for the payment of the insurance indemnity in the cases specified in the contract in the form of regular payments until the insured person dies or the time period specified in the contract expires;

4) insurance which provides for the fulfilment of the obligations of an insurance undertaking or a branch of a foreign insurer at the end of the insurance period in respect of one-off or periodic payments of insurance premiums.

(5) Upon request of an insurance undertaking, the risks which the insurance undertaking is entitled to secure shall be indicated in an insurance licence upon obtaining thereof.

(6) In evaluating the conformity of stockholders of an insurance undertaking with the requirements of this Law and the information contained in the document referred to in Section 23 of this Law, Latvijas Banka is entitled to determine in an insurance licence the conditions for the provision of insurance services for the purpose of protecting the interests of the insured persons.

[*21 July 2017; 25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 20.** (1) An insurance undertaking that has obtained an insurance licence for insurance in any of the classes of insurance referred to in Section 19, Paragraph one of this Law may insure a risk which refers to another class of insurance (subsidiary risk), provided that the risk covered corresponds to all the conditions referred to in this Paragraph:

1) it is directly related to the insurance of the risk of potential loss in the class of insurance in respect of which the insurance licence has been obtained;

2) it refers to the same insurance object which has been insured in the class of insurance in respect of which the insurance licence has been obtained;

3) it is insured under the same insurance contract.

(2) Paragraph one of this Section shall not apply to the classes of credit, suretyship, and legal expenses insurance.

(3) Legal expenses insurance without obtaining the relevant insurance licence may only be performed together with the assistance insurance, provided that conditions of Paragraph one of this Section and one of the following conditions are met:

1) the main risk only refers to the assistance which is provided to the persons who fall into difficulties while travelling, being away from home or being away from their permanent residence;

2) insurance applies to the risks arising from the use of sea-going ships or related risks.

**Section 21.** (1) An insurance licence shall be issued if a person corresponds to the following requirements:

1) it has been registered with a commercial register as a joint stock company or a European commercial company or has been entered in the records of the Enterprise Register as a cooperative undertaking;

2) it plans to perform insurance and commercial activities directly related to insurance;

3) it ensures the eligible basic own funds in the amount of the absolute minimum value of the minimum capital requirement specified in Section 130, Paragraph three of this Law;

4) it proves that it will be able to ensure conformity with the minimum capital requirement specified in Section 117 of this Law;

5) it proves that it will be able to ensure conformity with the solvency capital requirement specified in Section 116 of this Law;

6) it proves that the management system of the insurance undertaking corresponds to the requirements of Chapters VII and VIII of this Law;

7) it has submitted the submission specified in Section 22, Paragraph one of this Law and the accompanying documents;

8) Latvijas Banka has not established the occurrence of the circumstances referred to in Section 31, Paragraph one of this Law.

(2) An insurance licence shall be issued for another class of insurance if an insurance undertaking corresponds to the following requirements:

1) it proves that it conforms to the minimum capital requirement specified in Section 117 of this Law;

2) it proves that it conforms to the solvency capital requirement specified in Section 116 of this Law;

3) it has submitted the submission specified in Section 22, Paragraph two of this Law and the accompanying documents;

4) Latvijas Banka has not established the occurrence of the circumstances referred to in Section 31, Paragraph one of this Law.

(3) If an insurance undertaking that performs life insurance wishes to obtain a licence in the class of non-life insurance specified in Section 19, Paragraph one, Clause 1 or 2 of this Law, the insurance licence shall be issued, provided that this undertaking:

1) ensures the eligible basic own funds in the sum of the absolute minimum value of the minimum capital requirement imposed on life insurance undertakings and the absolute minimum value of the minim capital requirement imposed on non-life insurance undertakings, as specified in Section 130, Paragraph three of this Law;

2) proves that it will be able to maintain in the future the eligible basic own funds in the amount needed to conform to the minimum capital requirements, as specified in Section 18, Paragraphs one and two of this Law.

(4) If an insurance undertaking that performs non-life insurance in the class of non-life insurance specified in Section 19, Paragraph one, Clause 1 or 2 of this Law wishes to obtain a licence also in any of the classes of life insurance specified in Section 19, Paragraph two of this Law, the insurance licence shall be issued if the relevant undertaking ensures conformity with the requirements specified in Paragraph three of this Section for an insurance undertaking that performs life insurance.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 22.** (1) In order to obtain an insurance licence, an insurance undertaking shall submit to Latvijas Banka the following:

1) a submission for obtaining an insurance licence for one or several classes of insurance;

2) the operational plan specified in Section 23 of this Law;

3) a document issued by a credit institution which confirms a deposit in the amount of the absolute minimum value of the minimum capital requirement;

4) documents confirming that the management system thereof corresponds to the provisions of Chapters VII and VIII of this Law:

a) the list of the stockholders or members having a qualifying holding in the insurance undertaking and the information regarding the structure of the group;

b) the list of the persons who have close links with the insurance undertaking;

c) the information regarding officials which demonstrates that these persons correspond to Sections 58 and 61 of this Law;

d) the policy and procedure for the calculation of technical provisions;

e) the policy and procedure for the insurance and reinsurance underwriting and the determination of the insurance premium;

f) the information regarding the organisational structure of the insurance undertaking with clearly stated distribution of powers and responsibilities of its managers, tasks of the units, and responsibilities of the heads thereof;

g) the risk management policy and procedure;

h) the internal control policy and procedure;

i) the procedure for the exchange of internal information;

j) the internal audit policy and procedure;

k) the policy for the receipt of outsourced services and the procedure for the supervision of outsourcing quality if the insurance undertaking plans to use the services of outsourcing service providers;

l) the main principles for accounting policies, procedures, and record-keeping organisation;

m) the policy and procedure for the protection of information systems;

n) the policy and procedure for the identification of unusual and suspicious financial transactions. The policy and procedure shall be submitted by the insurance undertaking that wishes to obtain a life-insurance licence;

o) the internal procedures specified in Section 15 of this Law;

p) the policy and procedure for the ceded reinsurance and retrocession;

r) the investment policy and procedure;

5) a document describing and explaining how the exercise of the stockholder rights in the management of a joint-stock company is included in the investment strategy of the insurance undertaking in accordance with Section 138.1 of this Law if the investment policy envisages that the insurance undertaking that wishes to perform life insurance invests its assets in the stocks of the joint-stock company the registered office of which is in a Member State and the stocks of which is admitted to a regulated market of a Member State.

(2) In order to obtain an insurance licence for another class of insurance, an insurance undertaking shall submit to Latvijas Banka the following:

1) a submission for obtaining an insurance licence for another class of insurance;

2) a calculation of the expenses necessary for the introduction of the new class of insurance and information regarding the sources of resources necessary for covering thereof;

3) the operational plan specified in Section 23 of this Law.

(3) An insurance undertaking that wishes to obtain an insurance licence for the performance of assistance insurance shall submit to Latvijas Banka the information regarding the resources at its disposal and contracts entered into which ensure the provision of assistance to the insured person according to the obligations which it has assumed in this class of insurance.

(4) If a non-life insurance undertaking wishes to obtain an insurance licence in the class of non-life insurance specified in Section 19, Paragraph one, Clause 10 of this Law, except for the liability of a carrier, and intends to perform compulsory civil liability insurance of motor vehicle owners, it shall submit to Latvijas Banka a written confirmation that the insurance undertaking is a member of the Motor Insurers’ Bureau of Latvia (within the meaning of the Compulsory Civil Liability Insurance of Owners of Motor Vehicles Law) and a participant in a relevant guarantee fund, and shall notify the name (given name, surname) of the representatives of the insurance undertaking and the registered office thereof in each Member State who take the decision to pay the insurance indemnity or the decision to refuse to pay the insurance indemnity and also ensure the payment of the insurance indemnity.

[*20 July 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 23.** (1) The operational plan shall contain the following:

1) a description of the risks to be insured and reinsured;

2) the main principles and procedure for the ceded reinsurance and retrocession;

3) the information regarding the structure of the basic own funds which creates the absolute minimum value of the minimum capital requirement;

4) the information regarding a forecast of administrative expenses necessary for the commencement of operation and of organisational expenses for ensuring the operation, regarding the sources of resources for covering such expenses, and, if the risks to be covered belong to the class of non-life insurance specified in Section 19, Paragraph one, Clause 18 of this Law – regarding the resources available to the insurance undertaking which ensure the provision of assistance provided for in the insurance contract.

(2) In addition to the information specified in Paragraph one of this Section, the operational plan for the first three financial years shall contain the following:

1) a draft report reflecting the financial standing at the end of each reporting period and a draft report on the financial performance in each reporting period;

2) a forecast of the solvency capital requirement which has been calculated in accordance with Sections 116 and 119 of this Law on the basis of the draft report referred to in Clause 1 of this Paragraph and also the calculation methods used to obtain this forecast;

3) the information regarding a forecast of the minimum capital requirement which has been calculated in accordance with Sections 117 and 130 of this Law on the basis of the draft report referred to in Clause 1 of this Paragraph and also the calculation methods used to obtain this forecast;

4) the information regarding the financial resources for ensuring the fulfilment of insurance obligations and also conformity with the minimum capital requirement and the solvency capital requirement;

5) in respect of non-life insurance undertakings:

a) the information regarding the planned administrative expenses other than costs of the commencement of operation of an insurance undertaking and regarding the customer acquisition expenses;

b) the information regarding the planned insurance premiums or other contributions and also regarding the insurance indemnities;

6) in respect of life insurance undertakings – a forecast of income and expenses regarding insurance activities, reinsurance, and ceded reinsurance.

**Chapter IV**

**Licensing of Reinsurance Activity**

**Section 24.** (1) Latvijas Banka shall issue a reinsurance licence for the following classes of reinsurance:

1) reinsurance of life insurance risks;

2) reinsurance of non-life insurance risks;

3) reinsurance of life insurance risks and non-life insurance risks.

(2) A reinsurance licence shall be issued for each class of reinsurance separately.

(3) A reinsurance licence for the reinsurance of life insurance risks allows to reinsure life insurance risks.

(4) A reinsurance licence for the reinsurance of non-life insurance risks allows to reinsure non-life insurance risks.

(5) A reinsurance licence for the reinsurance of life insurance risks and non-life insurance risks allows to reinsure life insurance and non-life insurance risks.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 25.** (1) A reinsurance licence shall be issued if a reinsurance undertaking corresponds to the following requirements:

1) it has been registered with a commercial register as a joint stock company or a limited liability company, or a European commercial company;

2) it plans to perform reinsurance and commercial activities directly related to the reinsurance;

3) it ensures the eligible basic own funds in the amount of the absolute minimum value of the minimum capital requirement specified in Section 130, Paragraph three of this Law;

4) it proves that it will be able to ensure conformity with the minimum capital requirement specified in Section 117 of this Law;

5) it proves that it will be able to ensure conformity with the solvency capital requirement specified in Section 116 of this Law;

6) it proves that the management system of the reinsurance undertaking corresponds to the requirements of Chapters VII and VIII of this Law;

7) it has submitted the submission specified in Section 26, Paragraph one of this Law and the accompanying documents;

8) Latvijas Banka has not established the occurrence of the circumstances referred to in Section 31, Paragraph one of this Law.

(2) A reinsurance licence shall be issued for another class of reinsurance if a reinsurance undertaking conforms to the following requirements:

1) it proves that it conforms to the minimum capital requirement specified in Section 117 of this Law;

2) it proves that it conforms to the solvency capital requirement specified in Section 116 of this Law;

3) it has submitted the submission specified in Section 26, Paragraph two of this Law and the accompanying documents;

4) Latvijas Banka has not established the occurrence of the circumstances referred to in Section 31, Paragraph one of this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 26.** (1) In order to obtain a reinsurance licence, a reinsurance undertaking shall submit to Latvijas Banka the following:

1) a submission for obtaining a reinsurance licence;

2) the operational plan specified in Section 27 of this Law;

3) a document issued by a credit institution which confirms a deposit in the amount of the absolute minimum value of the minimum capital requirement;

4) documents confirming that the management system thereof corresponds to the provisions of Chapters VII and VIII of this Law:

a) the list of the stockholders or members and the information regarding the structure of the group;

b) the list of the persons who have close links with the reinsurance undertaking;

c) the information regarding officials which demonstrates that these persons correspond to Sections 58 and 61 of this Law;

d) the policy and procedure for the calculation of technical provisions;

e) the policy and procedure for the reinsurance underwriting and the determination of the insurance premium;

f) the information regarding the organisational structure of the reinsurance undertaking with clearly stated distribution of powers and responsibilities of its managers, tasks of the units, and responsibilities of the heads thereof;

g) the risk management policy and procedure;

h) the internal control policy and procedure;

i) the procedure for the exchange of internal information;

j) the internal audit policy and procedure;

k) the policy for the receipt of outsourced services and the procedure for the supervision of outsourcing quality if the reinsurance undertaking plans to use the services of outsourcing service providers;

l) the main principles for accounting policies, procedures, and record-keeping organisation;

m) the policy and procedure for the protection of information systems;

n) the policy and procedure for the identification of unusual and suspicious financial transactions;

o) the retrocession policy and procedure;

p) the investment policy and procedure;

5) a document describing and explaining how the exercise of the stockholder rights in the management of a joint stock company is included in the investment strategy of the reinsurance undertaking in accordance with Section 138.1 of this Law if the investment policy envisages that the reinsurance undertaking that wishes to perform life reinsurance invests its assets in the stocks of the joint stock company the registered office of which is in a Member State and the stocks of which is admitted to a regulated market of a Member State.

(2) In order to obtain a reinsurance licence for another class of reinsurance, a reinsurance undertaking shall submit to Latvijas Banka the following:

1) a submission for obtaining a reinsurance licence for another class of reinsurance;

2) a calculation of the incidental expenses necessary for the introduction of the new class of reinsurance and information regarding the sources of resources necessary for covering thereof;

3) the operational plan specified in Section 27 of this Law.

[*20 July 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 27.** (1) The operational plan shall contain the following:

1) a description of the risks to be reinsured;

2) the information regarding reinsurance contracts which the reinsurance undertaking plans to enter into with insurance or reinsurance undertakings;

3) the main retrocession principles and procedure;

4) the information regarding the structure of the basic own funds which creates the absolute minimum value of the minimum capital requirement;

5) the information regarding a forecast of administrative expenses necessary for the commencement of the activity and of organisational expenses for ensuring the operation and regarding the sources of resources for covering such expenses.

(2) In addition to the information specified in Paragraph one of this Section, the operational plan for the first three financial years shall contain the following:

1) a draft report reflecting the financial standing at the end of each reporting period and a draft report on the financial performance in each reporting period;

2) a forecast of the solvency capital requirement which has been calculated in accordance with Sections 116 and 119 of this Law on the basis of the draft report referred to in Clause 1 of this Paragraph and also the calculation methods used to obtain this forecast;

3) a forecast of the minimum capital requirement which has been calculated in accordance with Sections 117 and 130 of this Law on the basis of the draft report referred to in Clause 1 of this Paragraph and also the calculation methods used to obtain this forecast;

4) the information regarding financial resources for ensuring the fulfilment of reinsurance obligations and also conformity with the minimum capital requirement and the solvency capital requirement;

5) in respect of non-life reinsurance undertakings:

a) the information regarding the planned administrative expenses other than costs of the commencement of operation of a reinsurance undertaking and regarding the customer acquisition expenses;

b) the information regarding the planned reinsurance premiums or other contributions and also regarding reinsurance indemnities.

**Section 28.** (1) A special purpose entity may be established in the Republic of Latvia.

(2) A commercial company which is not an insurance or reinsurance merchant but assumes the risks of an insurance or reinsurance merchant and fully funds its exposure to such risks through borrowings or another funding mechanism if the making of such borrowing or another funding mechanism is subordinated to the reinsurance obligations of the relevant commercial company shall be considered a special purpose entity.

(3) A special purpose entity may only commence its activities in the Republic of Latvia after obtaining a licence issued by Latvijas Banka.

(4) EU Regulation No 2015/35 shall lay down the requirements for obtaining the licence specified in Paragraph three of this Section and also for governing the activities of a special purpose entity.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter V**

**Common Provisions for the Licensing of an Insurer and a Reinsurer**

**Section 29.** (1) A stockholder or a member of an insurance undertaking or a stockholder or a member of a reinsurance undertaking may be the following:

1) a natural person;

2) a legal person the financial statements of which are prepared in accordance with the International Accounting Standards and the International Financial Reporting Standards, audited in accordance with the International Auditing Standards, and accompanied by a sworn auditor’s report. Financial statements of a legal person registered in a Member State may be prepared in accordance with the accounting standards existing in the relevant Member State;

3) the State or a local government.

(2) The persons referred to in Paragraph one of this Section shall be identifiable, have an impeccable reputation, financial stability, and it shall be possible to prove the legality of their financial resources by documentary evidence.

(3) In evaluating the reputation of a person, Latvijas Banka is entitled to verify the identity, criminal records of the persons referred to in Paragraph one of this Section, and any other information which allows to ascertain that the relevant person has an impeccable reputation.

(4) In evaluating the financial stability of a person, Latvijas Banka is entitled to verify the identity of the persons referred to in Paragraph one of this Section and the documents which allow to ascertain the free capital adequacy in the amount of the investments made, and the documents which allow to ascertain that the person, where necessary, would be able to make an additional investment for the restoration of the own funds of an insurance or reinsurance undertaking by ensuring conformity with the minimum capital requirement and the solvency capital requirement of the insurance or reinsurance undertaking in accordance with the law and conformity with the requirements regulating the activities of insurance undertakings and also to verify whether the respective resources have not been acquired in unusual or suspicious transactions.

(5) In evaluating the financial stability of a person, the requirements for the free capital adequacy shall not be applicable to credit institutions and insurance undertakings.

(6) A natural person to whom Section 59, Paragraph one of this Law may be applicable or who has carried out the responsibilities of a member of the council or board in a financial merchant that has been recognised insolvent while carrying out the respective responsibilities, or who has carried out the responsibilities of a member of the council or board in another commercial company and its negligence or intentional action has resulted in criminal insolvency or bankruptcy of this commercial company, or with regard to whom such circumstances have been established that confirm the non-existence of the impeccable reputation of the person and also a legal person to the stockholders, members or participants and owners (beneficial owners) – natural persons – whereof the provisions of this Paragraph are applicable are not entitled to be a stockholder or a member of an insurance undertaking and a stockholder or a member of a reinsurance undertaking.

(7) Latvijas Banka is entitled to verify the identity of stockholders or members of an insurance undertaking and of stockholders or members of a reinsurance undertaking but, where the stockholders or members of an insurance undertaking and stockholders or members of a reinsurance undertaking are legal persons, the information on their stockholders or members and owners (beneficial owners) until obtaining information regarding the owners (beneficial owners) – natural persons. The abovementioned persons have an obligation to provide such information to Latvijas Banka if it is not available on the public registers from which Latvijas Banka is entitled to receive such information.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 30.** (1) Latvijas Banka shall examine the submission and the accompanying documents regarding obtaining an insurance or reinsurance licence and take a decision within six months after the day of receipt of the submission referred to in Section 22, Paragraph one, Clause 1 and Paragraph two, Clause 1, Section 26, Paragraph one, Clause 1 and Paragraph two, Clause 1 of this Law.

(2) Latvijas Banka shall issue an insurance or reinsurance licence on the same day when the decision has been taken to issue an insurance or reinsurance licence.

(3) Latvijas Banka shall inform the EIOPA of the issued insurance or reinsurance licences.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 31.** (1) Latvijas Banka shall not issue an insurance or reinsurance licence if:

1) insurance or reinsurance is not economically reasonable.

2) the close links of the applicant with the third parties may endanger the financial stability thereof and restrict the possibilities of Latvijas Banka to perform supervisory functions;

3) laws of another country and other laws and regulations applicable to persons who have close links with the applicant restrict the rights of Latvijas Banka to perform supervisory functions;

4) the documents submitted by the applicant contain false or incomplete information;

5) one or several of the persons referred to in Sections 58 and 61 of this Law do not correspond to the requirements laid down in this Law;

6) Latvijas Banka has information on reasonable suspicion that the financial resources invested in the equity capital have been acquired in unusual or suspicious financial transactions or there are no documents to prove the lawful acquisition of such financial resources;

7) the stockholders, members, or participants of the applicant and the owners (beneficial owners) thereof do not correspond to the requirements of this Law or Latvijas Banka does not receive information necessary to ascertain that they correspond to the requirements of this Law;

8) supervision of the applicant is not possible due to the organisational structure thereof;

9) the planned activity of the applicant does not correspond to the requirements of this Law and other laws and regulations;

10) Latvijas Banka does not receive or the insurance or reinsurance undertaking refuses to provide the information specified in Sections 22 and 26 of this Law;

11) the plan for the restoration of the own funds is implemented in accordance with Sections 141 and 142 of this Law.

(2) Latvijas Banka is not entitled to refuse to issue an insurance or reinsurance licence on the basis of the economic needs of the market.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 32.** (1) Latvijas Banka shall consult the supervisory authority of a relevant Member State if it examines a submission of such insurance or reinsurance undertaking for obtaining an insurance or reinsurance licence:

1) that is a subsidiary undertaking of a Member State insurer or Member State reinsurer or of a credit institution or investment firm registered in a Member State;

2) that is a subsidiary undertaking of such parent undertaking another subsidiary undertaking of which is a Member State insurer, a Member State reinsurer, a credit institution or an investment broker company registered in a Member State;

3) that is controlled by a natural or legal person who controls a Member State insurer or Member State reinsurer, or a credit institution, or investment firm registered in a Member State.

(2) In examining a submission for obtaining an insurance or reinsurance licence and also in the course of the supervision of a licensed insurance or reinsurance undertaking Latvijas Banka shall consult the supervisory authority of a relevant Member State when assessing the conformity and suitability of the stockholders or members and also of the board members thereof for the requirements of this Law which are involved in the management of a Member State insurer, a Member State reinsurer, a credit institution or an investment firm registered in a Member State that belongs to the same group as the relevant insurance or reinsurance undertaking.

(3) Latvijas Banka, where necessary, shall inform the supervisory authority of the Member State referred to in Paragraph one of this Section of any circumstances which are relevant to the conformity and suitability of the stockholders, participants, members, and officials for the requirements of this Law and which are important to the supervisory authorities of other Member States that grant licences and also continuously supervise the fulfilment of the conditions for operation.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter VI**

**Supervision of Insurance and Reinsurance Activities**

[*30 September 2021*]

**Section 33.** (1) Latvijas Banka shall perform forward-looking supervision of insurance and reinsurance activities that is based on risk impact assessment by applying supervision measures in a timely manner and following the principle of proportionality.

(2) Latvijas Banka shall perform continuous supervision of insurance and reinsurance activities by assessing the conformity of these activities to the requirements laid down in this Law and other laws and regulations of the Republic of Latvia.

(3) Latvijas Banka shall apply the requirements specified in this Law and other laws and regulations of the Republic of Latvia to insurance or reinsurance undertakings by following the principle of proportionality.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 34.** (1) During the supervision process prior to taking decisions, Latvijas Banka shall, on the basis of the information at its disposal, take into account the potential impact of the decisions on the stability of the financial systems of other Member States.

(2) During severe instability of financial markets, Latvijas Banka shall, during the supervision process prior to taking decisions, evaluate the potential procyclical impact of its decisions on the operation of the insurance sector.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 35.** The supervision of the insurance and reinsurance activities performed by Latvijas Banka shall also cover the activities of branches of insurance undertakings and branches of reinsurance undertakings established in Member States, and also insurance and reinsurance services provided by insurance or reinsurance undertakings in the Member States in conformity with the principle of freedom to provide services.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 36.** In order to assess the financial stability of an insurance or reinsurance undertaking and the ability thereof to comply with the obligations according to the insurance or reinsurance contracts entered into by taking into account all types of activity of an insurance or reinsurance undertaking, Latvijas Banka shall evaluate the conformity of its conformity with the solvency requirement, constitution of technical provisions, assets and own funds with the requirements specified in this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 37.** If an insurance undertaking has obtained an insurance licence for the class of insurance specified in Section 19, Paragraph one, Clause 18 of this Law, Latvijas Banka shall also extend supervision to the technical resources which are at the disposal of the insurance undertaking for the provision of assistance that it has undertaken to perform, provided that the laws and regulations of a home Member State provide for the supervision of such resources.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 38.** (1) If Latvijas Banka establishes that a branch of a Member State insurer or a branch of a Member State reinsurer, or a Member State insurer or a Member State reinsurer providing insurance or reinsurance services, in conformity with the principle of freedom to provide services, carries out activities which may affect the financial stability of the Member State insurer or the Member State reinsurer, Latvijas Banka shall immediately inform the supervisory authority of the Member State insurer or the Member State reinsurer.

(2) Upon receipt of the information from the supervisory authority of a Member State regarding the potential impact on the financial stability of an insurance or reinsurance undertaking, Latvijas Banka shall evaluate the conformity of the activity of the relevant undertaking with the requirements specified in this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 39.** (1) Latvijas Banka is not entitled to contest a ceded reinsurance or retrocession contract entered into between an insurance undertaking and the following:

1) a reinsurance or insurance merchant on the basis of the observations which are directly related to the financial stability of the relevant reinsurance or insurance merchant;

2) a reinsurer or insurer of a foreign country the insurance supervision regime of which is considered to be equivalent to that specified in this Law on the basis of the observations which are directly related to the financial stability of the relevant reinsurer or insurer.

(2) Latvijas Banka is not entitled to contest a retrocession contract entered into between a reinsurance undertaking and the following:

1) a reinsurance or insurance merchant on the basis of the observations which are directly related to the financial stability of the relevant reinsurance or insurance merchant;

2) a reinsurer or insurer of a foreign country the reinsurance supervision regime of which is considered to be equivalent to that specified in this Law on the basis of the observations which are directly related to the financial stability of the relevant reinsurer or insurer.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 40.** (1) In performing supervision, Latvijas Banka shall cooperate and consult with the supervisory authority of the Member State in the territory of which an insurance or reinsurance undertaking has opened its branch. Latvijas Banka shall inform the supervisory authority of the Member State of the planned review of branch operations of the insurance or reinsurance undertaking and offer a possibility for the representatives of the supervisory authority of the Member State to participate in the review. A representative of Latvijas Banka is entitled to review the operations and documents of the branch of the insurance or reinsurance undertaking. For the purpose of conducting the review of branch operations of the insurance or reinsurance undertaking, Latvijas Banka is entitled to authorise the supervisory authority of the Member State in the territory of which the insurance or reinsurance undertaking has opened its branch.

(2) Upon request of the supervisory authority of a Member State, Latvijas Banka shall, within the set time period, provide it with the information collected regarding insurance which is performed by insurance undertakings in the relevant Member State by exercising the right to establish a branch or in conformity with the principle of freedom to provide services.

(3) Latvijas Banka is entitled to inform the EIOPA and ask for its assistance if the supervisory authority of a Member State rejects the request of Latvijas Banka for cooperation in order to conduct the review referred to in Paragraph one of this Section in a branch of an insurance or reinsurance undertaking which has been opened in a Member State and also if the supervisory authority of a Member State has failed to commence acting accordingly within three months after request of Latvijas Banka for cooperation.

(4) Latvijas Banka shall allow the EIOPA to participate in the review of branch operations of an insurance or reinsurance undertaking conducted by it, provided that the representatives of the supervisory authority of the Member State in the territory of which the insurance or reinsurance undertaking has opened its branch are present at the review.

(5) Latvijas Banka shall send a notification to the European Commission informing it of the cases where:

1) compulsory insurance has been determined in accordance with laws and regulations indicating the following:

a) special rules applicable to the compulsory insurance;

b) compulsory provisions to be included in an insurance policy;

2) laws and regulations have been adopted in the Republic of Latvia which govern the provision of insurance services and the notification shall be accompanied by the text of these laws and regulations.

(6) In order to ensure consistent, efficient and effective supervisory practices within the Member States and uniform and consistent application of directly applicable legal acts of the European Union, Latvijas Banka, taking into account the nature of the cross-border operation of the European financial supervisory system, has the right to lay down the requirements regulating insurance and reinsurance industry arising from the decisions, guidelines, and recommendations adopted by the EIOPA.

(7) Latvijas Banka shall determine the information and documents to be submitted that are necessary for the performance of supervision of an insurance undertaking, a branch of a foreign insurer, and a reinsurance undertaking, including for the receipt of the permits and consents provided for in this Law.

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 41.** (1) In addition to the provisions of Section 55, Paragraph one of this Law, Latvijas Banka is entitled to request that an insurance or reinsurance undertaking conducts a stress test and to determine the tested factors and scenarios.

(2) Latvijas Banka or an authorised person thereof is entitled to conduct a review of the operations of an insurance or reinsurance undertaking. The insurance or reinsurance undertaking shall eliminate any shortcomings or deficiencies discovered during the review of the operations thereof.

(3) Latvijas Banka or an authorised person thereof is entitled to conduct a review of the operations of an outsourcing service provider of an insurance or reinsurance undertaking at the location thereof or at the place where the outsourced service is provided, to access all documents, document and accounting registers, to make copies thereof, and also to request information from the outsourcing service provider which is related to the provision of the outsourced service or which is necessary for the performance of the functions of Latvijas Banka.

(4) Latvijas Banka is entitled to authorise a sworn auditor to conduct a review of the operations of an outsourcing service provider of an insurance or reinsurance undertaking.

(5) In performing supervision, Latvijas Banka shall cooperate and consult with the supervisory authority of the Member State in the territory of which an outsourcing service provider is located. Latvijas Banka shall inform the supervisory authority of the Member State of the planned review of the operations of the outsourcing service provider and offer a possibility for the representatives of the supervisory authority of the Member State to participate in the review. Latvijas Banka is entitled to authorise the supervisory authority of the Member State in the territory of which the outsourcing service provider is located to conduct the review of operations of the outsourcing service provider.

(6) Latvijas Banka is entitled to inform the EIOPA and ask for its assistance if the supervisory authority of a Member State rejects the request of Latvijas Banka for cooperation in order to conduct the review of the operations of an outsourcing service provider referred to in Paragraph five of this Section and also if the supervisory authority of a Member State has failed to commence acting accordingly within three months after request of Latvijas Banka for cooperation.

(7) Latvijas Banka shall allow the EIOPA to participate in the review of the operations of an outsourcing service provider conducted by it, provided that the representatives of the supervisory authority of the Member State in the territory of which the outsourcing service provider is located are present at the review.

(8) Latvijas Banka shall request reports from the insurer and reinsurer on their operations by specifying the form, content, procedures, and time periods for submission thereof.

(9) Latvijas Banka is also entitled to request from the insurer and reinsurer other information and documents regarding the operations thereof.

(10) The insurer and reinsurer shall submit the requested information within the time periods specified by Latvijas Banka and may not refuse the submission thereof on the pretext of a trade secret.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 42.** (1) An insurance or reinsurance undertaking shall submit to Latvijas Banka all the necessary information in order to enable it to assess the operation of the management system created by the relevant undertaking, the commercial activities performed, the assessment principles used in the calculation of the solvency capital requirement, the exposure to risks and the risk management system established, the structure, needs, and management of the own funds.

(2) EU Regulation No 2015/35 determines the content and the time periods for the submission of the information specified in Paragraph one of this Section.

(3) An insurance or reinsurance undertaking shall establish an appropriate management system and a risk management system and shall develop a policy and a procedure corresponding to its activity in order to ensure the availability and submission of complete, comparable, consistent, reliable, and comprehensive information which corresponds to the nature, amount, and complexity of the insurance or reinsurance activity in accordance with Paragraph one of this Section.

(4) Latvijas Banka is entitled to exempt insurance or reinsurance undertakings from filling out one or several of the quarterly quantitative templates to be submitted to Latvijas Banka and specified in Article 304(1)(d) of EU Regulation No 2015/35 by prioritising the smaller insurance or reinsurance undertakings, provided that the following conditions are concurrently satisfied:

1) provision of this information would be too burdensome taking into account the types of activity of the relevant insurance or reinsurance undertaking, the amount thereof, and the complexity of the risks inherent in insurance or reinsurance activity;

2) the insurance or reinsurance undertaking provides this information to Latvijas Banka at least once a year;

3) the insurance or reinsurance undertaking is not part of the group or, if the insurance or reinsurance undertaking is part of the group, it may demonstrate that filling out of all quantitative templates is not reasonable taking into account the types of activity of the group, the amount thereof, and the complexity of the risks inherent in the activity of the group;

4) the share of the life insurance or reinsurance undertaking according to the amount of gross technical provisions among all life insurance or reinsurance undertakings does not exceed 20 per cent or the share of the non-life insurance or reinsurance undertaking according to the amount of gross written premiums among all non-life insurance or reinsurance undertakings does not exceed 20 per cent.

(5) Latvijas Banka is entitled to exempt insurance or reinsurance undertakings from filling out one or several of the quarterly quantitative templates to be submitted to Latvijas Banka and specified in Article 304(1)(d) of EU Regulation No 2015/35 by prioritising the smaller insurance or reinsurance undertakings, provided that the following conditions are concurrently satisfied:

1) provision of this information would be too burdensome taking into account the types of activity of the relevant insurance or reinsurance undertaking, the amount thereof, and the complexity of the risks inherent in insurance or reinsurance activity;

2) provision of this information is not necessary in order to ensure efficient supervision of the insurance or reinsurance undertaking;

3) exemption does not affect the stability of the European Union financial systems;

4) the insurance or reinsurance undertaking is able to ensure the provision of the abovementioned information upon request of Latvijas Banka;

5) the insurance or reinsurance undertaking is not part of the group or, if the insurance or reinsurance undertaking is part of the group, it may demonstrate that filling out of all quantitative templates is not reasonable taking into account the types of activity of the group, the amount thereof, and the complexity of the risks inherent in the activity of the group;

6) the share of the life insurance or reinsurance undertaking according to the amount of gross technical provisions among all life insurance or reinsurance undertakings does not exceed 20 per cent or the share of the non-life insurance or reinsurance undertaking according to the amount of gross written premiums among all non-life insurance or reinsurance undertakings does not exceed 20 per cent.

(6) Prior to applying the exemptions referred to in Paragraphs four and five of this Section, Latvijas Banka shall assess whether all the conditions referred to in Paragraph four, Clause 1 and Paragraph five, Clause 1 of this Section are complied with and shall take into account at least the following information regarding the insurance or reinsurance undertaking:

1) the amount of the insurance or reinsurance premiums, technical provisions, and assets;

2) the level of volatility of the insurance or reinsurance indemnities and other benefits arising from the insurance or reinsurance contracts entered into;

3) the investment market risk;

4) the risk concentration level;

5) the total number of classes of life and non-life insurance in which insurance licences have been issued;

6) the potential impact of the asset management on the financial stability;

7) the policies and procedures referred to in Paragraph three of this Section and other elements of the management system;

8) the suitability of the management system;

9) the amount of the eligible own funds for ensuring conformity with the solvency capital requirement and the minimum capital requirement;

10) the fact whether the insurance or reinsurance undertaking is a captive insurance or reinsurance undertaking.

[*21 July 2017; 20 June 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 43.** Latvijas Banka is entitled to request information from an independent expert – an actuary, a sworn auditor, or another expert – involved by an insurance or reinsurance undertaking regarding an opinion of the expert provided to the relevant undertaking or a review of this undertaking conducted by it.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 44.** In performing the supervision of insurance and reinsurance activities, Latvijas Banka shall evaluate the following in order to ascertain the conformity of the activity of an undertaking subordinated to an insurance or reinsurance undertaking with the requirements of this Law:

1) the operational strategy;

2) the organisational processes;

3) the system for the exchange of internal information;

4) the system for the assessment of the risks significant to the activity to which the undertaking is or may be exposed;

5) the ability to assess risks in the environment in which the undertaking operates;

6) the conformity of the management system, including of the established risk and solvency own assessment, with the provisions of Chapters VII and VIII of this Law;

7) the conformity of the constitution of technical provisions with Chapter XIII of this Law;

8) the conformity of the capital requirement with the provisions of Chapters XIV and XV of this Law;

9) the conformity of the investing activities with the provisions of Chapter XVI of this Law;

10) the conformity of the own funds with the requirements laid down in Section 116 of this Law;

11) the continuous conformity of a full or partial internal model with the provisions of Sections 121, 122, 123, 124, 125, 126, 127, 128, and 129 of this Law if the insurance or reinsurance undertaking uses a full or partial internal model approved by Latvijas Banka in order to calculate the solvency capital requirement;

12) the suitability of the methods and procedures used to carry out stress tests;

13) the ability to continue activity in accordance with the requirements of the law upon occurrence of an adverse event or changes in market conditions evaluated in the stress test.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 45.** Latvijas Banka shall determine the minimum time interval for the regular evaluation of the elements referred to in Section 44 of this Law within an insurance or reinsurance undertaking and an undertaking subject to the supervision in a group and also for conducting the reviews of the activity of such undertakings.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 46.** (1) On the basis of the facts established during the review of the activity of an insurance or reinsurance undertaking, Latvijas Banka is entitled to impose an additional capital requirement upon the relevant undertaking if it has established one of the following circumstances:

1) the risk profile of the insurance or reinsurance undertaking deviates significantly from the assumptions used in the calculation of the solvency capital requirement on the basis of the standard formula in accordance with the requirements of the regulations of Latvijas Banka and any of the following conditions is met:

a) the requirement specified in Section 127 of this Law for the insurance or reinsurance undertaking to use an internal model for the calculation of the solvency capital requirements does not correspond to the risk profile or the application of such requirement has been inefficient;

b) according to the requirement of Latvijas Banka, the insurance or reinsurance undertaking develops a full or partial internal model in accordance with the provisions of Section 127 of this Law;

2) the risk profile of the insurance or reinsurance undertaking deviates significantly from the assumptions about the risk profile of the relevant undertaking used in the calculation of the solvency capital requirement on the basis of a full or partial internal model in accordance with the requirements of Sections 121, 122, 123, 124, 125, 126, 127, 128, and 129 of this Law, as the risks which can be measured individually are covered in an insufficient amount and the adjustment of the internal model, so that it would correspond better to the insurance or reinsurance risk profile, has not occurred within the planned time period;

3) the management system of the insurance or reinsurance undertaking deviates significantly from the requirements laid down in Chapters VII and VIII of this Law and does not provide a possibility to properly identify, measure, control, and manage risks and also to report on the risks to which the relevant undertaking is or may be exposed and the application of other supervision measures provided for in this Law will not in itself eliminate the established shortcomings within the planned time period;

4) the insurance or reinsurance undertaking applies the matching adjustment specified in Section 112 of this Law or the volatility adjustment specified in Section 114 and the risk profile of the relevant undertaking deviates significantly from the assumptions on which such corrections are based.

(2) Latvijas Banka shall determine the additional capital requirement in the cases referred to in Paragraph one, Clauses 1 and 2 of this Section in the amount to ensure the conformity of an activity of insurance or reinsurance undertaking with the requirements specified in Section 119, Paragraphs three and four of this Law.

(3) In taking the decision to determine the additional capital requirement in the cases specified in Paragraph one, Clause 3 of this Law, Latvijas Banka shall evaluate the proportionality of the additional capital requirement to the significant risk which has been caused by the shortcomings established in the review of the activity of an insurance or reinsurance undertaking that serves as a basis for taking the decision to impose the additional capital requirement on the relevant undertaking.

(4) In taking the decision to determine the additional capital requirement in the cases specified in Paragraph one, Clause 4 of this Section, Latvijas Banka shall evaluate the proportionality of the additional capital requirement to the significant risk of an insurance or reinsurance undertaking arising from the significant deviation from assumptions which has been specified in Paragraph one, Clause 4 of this Section.

(5) If the circumstances specified in Paragraph one, Clause 4 of this Section have been established, Latvijas Banka shall determine the additional capital requirement according to the significant risks arising from differences specified in this Section.

(6) An insurance or reinsurance undertaking shall, within 30 days after receipt of the decision of Latvijas Banka to determine the additional capital requirement, submit to Latvijas Banka a plan of measures for coordination. The plan shall indicate specific time periods for the implementation of measures in the review of the activity of the relevant undertaking conducted by Latvijas Banka to eliminate the established shortcomings which served as a basis for the determination of the additional capital requirement.

(7) Latvijas Banka shall review the decision to determine the additional capital requirement within 12 months from the day the relevant decision is taken and further review it once a year. Latvijas Banka shall revoke its decision to determine the additional capital requirement when an insurance or reinsurance undertaking has eliminated the shortcomings which served as a basis for the determination of the additional capital requirement.

(8) The solvency capital requirement for an insurance or reinsurance undertaking on which Latvijas Banka has imposed the additional capital requirement from the day when the decision to determine the additional capital requirement has been received until the day of revocation of this decision shall be a calculated amount which is obtained by summing up the calculated solvency capital requirement of the relevant undertaking and the additional capital requirement specified by Latvijas Banka.

(9) The additional capital requirement determined in the cases specified in Paragraph one, Clause 3 of this Section may not be included in the solvency capital requirement which has been used to calculate the risk reserve referred to in Section 103, Paragraph two of this Law.

(10) EU Regulation No 2015/35 shall lay down the conditions for the determination of the additional capital requirement and the methodology for the calculation of the additional capital requirement.

[*23 September 2021 / Amendment to Clause 1 of Paragraph one regarding the deletion of the word “regulatory” and amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 47.** (1) An insurance undertaking may transfer all or part of the insurance contracts entered into to another insurance merchant or a branch of a foreign insurer that is entitled to perform insurance in a Member State. The insurance undertaking may not transfer insurance contracts to a foreign insurer or a branch of a foreign insurer that has been registered in a foreign country.

(2) A reinsurance undertaking may transfer all or part of the reinsurance contracts entered into to another reinsurance or insurance merchant or a branch of a foreign insurer that is entitled to perform insurance in a Member State. The reinsurance or insurance undertaking may not transfer reinsurance contracts to a foreign reinsurer.

(3) Latvijas Banka shall issue an authorisation for the transfer of all or part of the contracts entered into. Latvijas Banka shall take the decision to issue an authorisation or to refuse to issue an authorisation within 30 days after receipt of all the necessary documents and information.

(4) An insurance or reinsurance undertaking or a branch of a foreign insurer that takes over the contracts shall submit to Latvijas Banka information which confirms conformity with the requirements specified in this Law after taking over of the contracts.

(5) If all or part of the contracts entered into is transferred to an insurance or reinsurance undertaking or a branch of a foreign insurer in the Republic of Latvia, Latvijas Banka is entitled to take the decision to issue an authorisation if it has ascertained that the requirements specified in this Law will be conformed to after taking over of the contracts.

(6) If all or part of the contracts entered into is transferred to a Member State insurer or reinsurer, Latvijas Banka is entitled to take the decision to issue an authorisation after a confirmation of the supervisory authority of a relevant Member State has been received indicating that after taking over of the contracts the Member State insurer or reinsurer will have at its disposal the eligible own funds in the amount of the solvency capital requirement.

(7) If all or part of the contracts entered into is transferred to a branch of a foreign insurer that has the right to perform insurance in another Member State, Latvijas Banka is entitled to take the decision to issue an authorisation after a confirmation of the supervisory authority of a relevant Member State has been received indicating that the laws of the Member State allow to take over contracts and after taking over of the contracts the branch of the foreign insurer will have at its disposal the eligible own funds in the amount of the solvency capital requirement, and if the supervisory authority of the relevant Member State agrees to such transaction.

(8) If an insurance undertaking transfers all or part of the contracts entered into to a branch opened in another Member State, Latvijas Banka shall consult the supervisory authority of the Member State of the branch. Latvijas Banka is entitled to take the decision to issue an authorisation for the transfer of contracts after the consent has been obtained from the supervisory authority of the Member State. If no response is received from the supervisory authority of the Member State within three months from the day of sending the request, it shall be considered that it has agreed to the transfer of contracts.

(9) If the insurance objects related to the insured risk are located in other Member States, Latvijas Banka shall immediately inform of this fact the supervisory authorities of such Member States. Latvijas Banka is entitled to take the decision to issue an authorisation for the transfer of contracts after the consent has been obtained from the supervisory authorities of such Member State insurers. If no responses are received from the supervisory authorities of the Member State insurers within three months from the day of sending the request, it shall be considered that they have agreed to the transfer of contracts.

(10) If the insurance objects related to the insured risk are located in the Republic of Latvia, Latvijas Banka shall, within three months after receipt of the relevant request from the supervisory authority of the Member State, inform it as to whether it agrees to the transfer of contracts.

(11) Latvijas Banka shall lay down the procedures by which it issues an authorisation to an insurance or reinsurance undertaking to transfer all or part of the insurance or reinsurance contracts entered into.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 48.** (1) Insurance contracts shall be transferred to another insurance merchant together with the eligible assets used to cover technical provisions.

(2) If insurance contracts are transferred without the eligible assets used to cover technical provisions, an insurance undertaking or a branch of a foreign insurer that takes over these contracts shall submit to Latvijas Banka a plan for the restoration of the coverage of technical provisions.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 49.** (1) Reinsurance contracts shall be transferred to another insurance or reinsurance merchant together with the eligible assets used to cover technical provisions.

(2) If reinsurance contracts are transferred without the eligible assets used to cover technical provisions, an insurance undertaking, a branch of a foreign insurer, or an reinsurance undertaking that takes over these contracts shall submit to Latvijas Banka a plan for the restoration of the coverage of technical provisions.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 50.** (1) If the insurance objects related to the insured risk are located in the Republic of Latvia, in order to inform the policy holders, the insured persons, and other persons who have rights and obligations according to the entered into and transferred insurance contracts, an insurance merchant and a branch of a foreign insurer that has the right to perform insurance in another Member State shall immediately, after obtaining an authorisation for the transfer of insurance contracts, submit to Latvijas Banka an advertisement for publication on its website. The advertisement shall indicate the insurance contracts to be transferred, the person who has accepted such insurance contracts (including registered office thereof), and the date when the insurance contracts are transferred.

(2) If the insurance objects related to the insured risk are located in a Member State, the advertisement shall be published in accordance with the procedures laid down in the laws and regulations of a relevant Member State.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 51.** (1) The transfer of insurance contracts from the day of entry into force of this transaction shall be binding on the policy holders, the insured persons and any other persons who have rights and obligations according to the entered into and transferred insurance contracts. After taking over of insurance contracts all the rights and obligations of the parties arising from these contracts shall remain in force.

(2) The transfer of a reinsurance contract from the day of entry into force of this transaction shall be binding on the reinsurance policy holders and any other persons who have rights and obligations according to the entered into and transferred reinsurance contracts. After taking over of reinsurance contracts all the rights and obligations of the parties arising from these contracts shall remain in force.

(3) Provisions of Section 20, Paragraph one and Section 351 of the Commercial Law regarding joint liability shall not be applicable to the transfer of insurance or reinsurance contracts. If during the division process only part of the property of an insurance or reinsurance undertaking to be divided is transferred, the acquiring insurance or reinsurance undertaking shall not be liable for the liabilities of the divided undertaking arising from the insurance or reinsurance contracts which are not transferred to the acquiring insurance or reinsurance undertaking during the reorganisation process.

(4) The transfer of insurance or reinsurance contracts and related rights and also of the contracts entered into with insurance and reinsurance intermediaries shall not require consent of the other contracting party to such contracts and of other persons.

(5) In the case of the transfer of insurance or reinsurance contracts, the provision of information related to such contracts to a successor in contracts shall not be considered a failure to conform to the requirements specified in the law.

[*25 April 2019*]

**Section 52.** In order to prevent the insolvency of an insurance undertaking and protect the interests of the policy holders, Latvijas Banka may require that the insurance undertaking transfers all or part of the insurance contracts entered into to another insurance merchant that has agreed to accept these contracts.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 52.1** (1) If Latvijas Banka establishes that an insurer or reinsurer fails to comply with the requirements of this Law, directly applicable European Union law, or other laws and regulations governing the activity of insurers or reinsurers, or the activity of an insurer or reinsurer jeopardises the compliance with the respective requirements, upon taking a decision, Latvijas Banka is entitled to impose the following supervision measures:

1) request that the insurer or reinsurer immediately performs the activities necessary for the elimination of the relevant situation and submits to Latvijas Banka a plan of measures for the elimination of the established violation within the time period specified by Latvijas Banka;

2) provide the insurer or reinsurer with binding instructions which are necessary for the elimination of such situation.

(2) Latvijas Banka is entitled, in accordance with Article 24 of EU Regulation No 1286/2014, to impose the following supervision measures for the violations of this Regulation:

1) to prohibit the distribution of an insurance-based investment product;

2) to impose the obligation to suspend the distribution of an insurance-based investment product;

3) to prohibit the provision of a key information document which does not conform to the requirements of Article 6, 7, 8, or 10 of EU Regulation No 1286/2014 and to take a decision requiring the publication of a new key information document conforming to this Regulation;

4) impose an obligation on a person who is the creator of an insurance-based investment product or provides advice on an insurance-based investment product or sells it to inform a customer who is not a professional client and whose rights and interests have been infringed of the imposed sanction or supervision measure and also whereto the customer may submit a complaint or whom he or she may address in order to initiate out-of-court redress, and also regarding his or her rights to bring a claim to a court;

(3) If the administrative act issued by Latvijas Banka regarding imposition of the supervision measures referred to in Paragraph two of this Section is appealed, the appeal of such act shall not suspend the operation thereof.

[*23 September 2021 / Amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Division B**

**Conditions for Insurance and Reinsurance Activities**

**Chapter VII**

**General Provisions of the Management System**

**Section 53.** (1) An insurance or reinsurance undertaking shall ensure the establishment and activity of a comprehensive and efficient management system which corresponds to the nature, scale, and complexity of its activity in accordance with the requirements of this Chapter and Chapter VIII. The management system shall include and ensure at least the following key elements:

1) a transparent organisational structure of an insurance or reinsurance undertaking with clearly stated distribution of obligations, powers, and responsibility;

2) an efficient system for the exchange of internal information;

3) regular supervision of the operation of the established management system.

(2) An insurance or reinsurance undertaking shall develop and approve at least the following policies and procedures:

1) the risk management policy and procedure;

2) the internal control policy and procedure;

3) the internal audit policy and procedure;

4) the policy and procedure for the receipt of outsourced services if the relevant undertaking uses the services of outsourcing service providers.

(3) The board of an insurance or reinsurance undertaking shall be responsible for the implementation of and compliance with the policies and procedures specified in Paragraph two of this Section.

(4) An insurance or reinsurance undertaking shall submit to Latvijas Banka in writing the policies and procedures specified in Paragraph two of this Section within 10 days after approval thereof and also inform Latvijas Banka of any changes therein.

(5) An insurance or reinsurance undertaking shall, at least once a year, evaluate the compliance with the policies and procedures specified in Paragraph two of this Section and conformity thereof with the activity of the relevant undertaking. The insurance or reinsurance undertaking shall be obliged to immediately improve the relevant policy or procedure if significant changes have occurred in the activity of this undertaking.

(6) Latvijas Banka shall lay down the minimum requirements for the establishment and operation of the management system of an insurance or reinsurance undertaking.

(7) EU Regulation No 2015/35 shall lay down the requirements for the elements of the systems referred to in this Section.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 54.** (1) In using the systems, resources, and procedures corresponding to its activity, an insurance or reinsurance undertaking shall take the necessary measures in due time in order to ensure continuity of its activity and regularity of the transactions carried out.

(2) An insurance or reinsurance undertaking shall develop and approve a contingency plan. The board of the insurance or reinsurance undertaking shall be responsible for regular review and clarification of the respective plan according to the changes in the activity of the relevant undertaking and the external environment.

**Section 55.** (1) An insurance or reinsurance undertaking shall, at least once a year, carry out the stress test in which the potential development scenarios are evaluated and documented. Sensitivity and scenario analysis shall be used for the stress test. The sensitivity test shall be carried out in order to determine the impact of adverse changes caused by an individual risk factor, the scenario analysis in turn shall be carried out in order to determine the impact of simultaneous adverse changes caused by several risk factors in assessing the cause of exceptional but likely adverse events or changes in market conditions. In taking into account the material risks and appropriate risk factors, the board of the insurance or reinsurance undertaking shall develop and approve the procedures for carrying out the stress test and shall be responsible for the compliance with these procedures.

(2) The board of the insurance or reinsurance undertaking shall approve the results of the stress test and take a decision on the actions to be taken in the case of the occurrence of the events or the changes in market conditions referred to in the stress test. The insurance or reinsurance undertaking shall submit to Latvijas Banka the results of the stress test and the decision on the actions to be taken within 10 days after taking of such decision.

(3) [21 July 2017]

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 56.** Latvijas Banka is entitled to verify the management system of an insurance or reinsurance undertaking and assess the risks established by this undertaking which may affect the financial stability thereof.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 57.** Latvijas Banka is entitled to request that the management system is improved and strengthened in order to ensure the conformity thereof with the provisions of Chapters VII and VIII of this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 58.** (1) A member of the board of an insurance or reinsurance undertaking, a person responsible for the risk management function, a person responsible for the compliance function, a person responsible for the internal audit function, a person responsible for the actuarial function, a manager of the branch of a foreign insurer, and also a person who creates civil obligations to an insurance or reinsurance undertaking or a branch of a foreign insurer in taking major decisions on behalf of the relevant undertaking or a branch of a foreign insurer may be a person who corresponds to the following requirements:

1) he or she has sufficient competence in the field for which he or she will be responsible and is able to ensure that the management of the insurance or reinsurance undertaking is performed in such a way that this undertaking is able to perform insurance or reinsurance independently, professionally, in good quality, and in accordance with the requirements of laws and regulations;

2) he or she has the required education and not less than three years of work experience in the relevant field;

3) he or she has an impeccable reputation;

4) his or her right to perform commercial activities is not and has not been withdrawn.

(2) The person referred to in Paragraph one of this Section has an impeccable reputation if he or she does not correspond to Section 59, Paragraph one of this Law and the circumstances which are not compatible with the performance of the duties of office referred to in Paragraph one of this Section have not been established.

(3) Prior to the persons referred to in Paragraph one of this Section commence fulfilling the duties of office, an insurance or reinsurance undertaking or a branch of a foreign insurer shall inform Latvijas Banka of this fact.

(4) An insurance or reinsurance undertaking or a foreign insurer shall be obliged, upon its own initiative or upon request of Latvijas Banka, to immediately remove the person referred to in Paragraph one of this Section from office if the following is established:

1) he or she does not correspond to the position;

2) his or her behaviour has damaged the financial stability of the insurance or reinsurance undertaking or the branch of a foreign insurer or has led to a situation which may pose a threat to the financial stability of the insurance or reinsurance undertaking or the branch of a foreign insurer, or the interests of the policy holders;

3) he or she fails to comply with the policy and procedures developed by the insurance or reinsurance undertaking or the branch of a foreign insurer;

4) he or she does not correspond to the requirements of Paragraph one of this Section or the conditions of Section 59 are applicable thereto.

(5) If the decision taken by Latvijas Banka on the removal of the persons referred to in Paragraph one of this Section from office is appealed, the appeal shall not suspend the operation thereof.

[*21 July 2017; 25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 59.** (1) A member of the board of an insurance or reinsurance undertaking, a person responsible for the risk management function, a person responsible for the compliance function, a person responsible for the internal audit function, a person responsible for the actuarial function, a manager of the branch of a foreign insurer, and also a person who creates civil obligations to an insurance or reinsurance undertaking or a branch of a foreign insurer in taking major decisions on behalf of the relevant undertaking or a branch of a foreign insurer may not be a person:

1) who has been convicted for committing an intentional criminal offence;

2) who has been convicted for committing an intentional criminal offence, even if the person has been released from serving the sentence due to a limitation period, clemency, or amnesty;

3) against whom criminal proceedings regarding committing of an intentional criminal offence have been terminated because due to a limitation period or amnesty;

4) who has been held criminally liable for committing an intentional criminal offence but the criminal proceedings against him or her have been terminated for reasons other than exoneration.

(2) An insurance or reinsurance undertaking or a foreign insurer shall be obliged, upon its own initiative or upon request of Latvijas Banka, to immediately remove the persons referred to in Paragraph one of this Section from office if the conditions of Paragraph one of this Section may be applicable thereto.

(3) If the decision taken by Latvijas Banka on the removal of the persons referred to in Paragraph one of this Section from office is appealed, the appeal shall not suspend the operation thereof.

[*21 July 2017; 25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 60.** Documents to be submitted to Latvijas Banka which confirm the fulfilment of the conditions referred to in Section 59, Paragraph one of this Law shall not be older than three months.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 61.** (1) A person who corresponds to the provisions of Section 58, Paragraph one of this Law is entitled to be a member and also a chairperson of the council of an insurance or reinsurance undertaking. A person to whom the conditions of Section 59, Paragraph one of this Law are applicable, is not entitled to be a chairperson and a member of the council of an insurance or reinsurance undertaking.

(2) A meeting of stockholders, members, or shareholders shall be obliged, upon its own initiative or upon request of Latvijas Banka, to immediately remove the person referred to in Paragraph one of this Section from office if it is established that he or she does not conform to the office, his or her behaviour has damaged the financial stability of an insurance or reinsurance undertaking or has led to a situation which may pose a threat to the financial stability of the insurance or reinsurance undertaking and if he or she does not conform to Paragraph one of this Section.

(3) If the decision taken by Latvijas Banka on the removal of the persons referred to in Paragraph one of this Section from office is appealed, the appeal shall not suspend the operation thereof.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 62.** (1) In order to ascertain the conformity of the persons specified in Section 58, Paragraph one and Section 61, Paragraph one of this Law with the requirements of this Law, Latvijas Banka is entitled to invite to the negotiations the persons referred to in Section 58, Paragraph one and Section 61, Paragraph one of this Law.

(2) Latvijas Banka is entitled, within 30 days after receipt of all the necessary documents, not to authorise the person referred to in Section 58, Paragraph one and Section 61, Paragraph one of this Law to commence the fulfilment of the duties assigned in an insurance or reinsurance undertaking or a branch of a foreign insurer if he or she does not conform to the requirements of this Law or if Latvijas Banka may not ascertain the conformity thereof with the requirements of this Law.

(3) The officials referred to in Section 58, Paragraph one and Section 61, Paragraph one of this Law may commence the fulfilment of their duties after obtaining an authorisation of Latvijas Banka.

(4) If the official referred to in Section 58, Paragraph one and Section 61, Paragraph one of this Law is not elected (appointed) to office or terminates the fulfilment of the duties of office, an insurance or reinsurance undertaking shall notify Latvijas Banka of this fact in writing by stating the reasons. The insurance or reinsurance undertaking shall provide the information referred to in this Paragraph within 10 working days after taking the relevant decision.

(5) Latvijas Banka shall determine the documents to be submitted and the procedures by which it evaluates the conformity of the persons referred to in Section 58, Paragraph one and Section 61, Paragraph one of this Law with the requirements of this Law.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 63.** By stating the reasons, an insurance or reinsurance undertaking shall inform Latvijas Banka if any of the persons referred to in Section 58, Paragraph one and Section 61, Paragraph one of this Law is removed from office because he or she no longer conforms to the requirements specified in Section 58, Paragraph one and Section 61, Paragraph one of this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 64.** (1) In order to ensure timely identification, measurement, monitoring, management, and reporting of all individual risks and interconnected risks related to the activity of an insurance or reinsurance undertaking to which this undertaking is or may be exposed, the relevant undertaking shall ensure the establishment and operation of an efficient risk management system by including it in the organisational structure and decision-taking processes. In order to ensure continuity of the risk management process, the insurance or reinsurance undertaking shall, according to the performed activity, develop and approve a risk management strategy, risk management methods, and procedures for exchanging internal information.

(2) The board of an insurance or reinsurance undertaking shall ensure that the risk management system covers all risks to be included in the calculation of the solvency capital requirement in accordance with the requirements specified in Section 119, Paragraphs five and six of this Law and also the risks relevant to the activity which have not been or are not included in full amount in the calculation of the solvency capital requirement.

(3) The risk management system established by an insurance or reinsurance undertaking and the risk management policy developed and approved in accordance with Section 53 of this Law shall cover at least the following lines of activity:

1) the insurance and reinsurance underwriting and the constitution of technical provisions;

2) the asset and liability management;

3) the investing activities, including transactions in derivative financial instruments and equivalent transactions;

4) the liquidity and concentration risk management;

5) the operational risk management;

6) the ceded reinsurance and retrocession and also other risk mitigation methods.

(4) If an insurance or reinsurance undertaking applies the matching adjustment specified in Section 112 of this Law or the volatility adjustment specified in Section 114, it shall develop a liquidity plan indicating a forecast of incoming and outgoing cash flows for assets and liabilities to which these adjustments apply.

(5) In managing assets and liabilities, an insurance or reinsurance undertaking shall assess the following on a regular basis:

1) the sensitivity of the technical provisions and the eligible own funds to the assumptions on which the relevant extrapolation of term structure of risk-free interest rates specified in Section 111 of this Law is based;

2) if the matching adjustment specified in Section 112 of this Law is applied:

a) the sensitivity of the technical provisions and the eligible own funds to the assumptions on which the calculation of the matching adjustment is based, also the calculation of the spread of the basic rates specified in Section 113, Paragraph one, Clause 2, and also the potential impact of the forced sale of assets on the eligible own funds;

b) the sensitivity of the technical provisions and the eligible own funds to the changes in the structure of the portfolio of assets granted;

c) the impact of reducing the matching adjustment to zero;

3) if the volatility adjustment specified in Section 114 of this Law is applied:

a) the sensitivity of the technical provisions and the eligible own funds to the assumptions on which the calculation of the volatility adjustment is based and the potential impact of the forced sale of assets on the eligible own funds;

c) the impact of reducing the volatility adjustment to zero.

(6) An insurance or reinsurance undertaking shall carry out the assessments specified in Paragraph five of this Section once a year and submit the results thereof to Latvijas Banka as part of a report together with the information specified in Section 42 of this Law. If as a result of reducing the matching adjustment or volatility adjustment to zero the conformity with the solvency capital requirement is not ensured in accordance with the requirements of this Law, the insurance or reinsurance undertaking shall additionally submit to Latvijas Banka a plan of measures to restore the eligible own funds to the solvency capital requirement or to reduce the risk profile of this undertaking in order to restore the conformity with the solvency capital requirement.

(7) If an insurance or reinsurance undertaking applies the volatility adjustment specified in Section 114 of this Law, it shall include in the risk management policy specified in Section 53, Paragraph two of this Law a procedure for the criteria for applying the volatility adjustment.

(8) An insurance or reinsurance undertaking shall ensure continuous conformity of all investments with the provisions of Chapter XVI of this Law in the investment risk management process.

(9) An insurance or reinsurance undertaking shall establish a risk management function to establish the risk management system and ensure a continuous risk management process.

(10) In insurance or reinsurance undertakings which use a full or partial internal model to calculate the solvency capital requirement which has been approved by Latvijas Banka in accordance with Sections 121 and 122 of this Law, a person responsible for the risk management function shall additionally carry out the following responsibilities:

1) establish and introduce the internal model;

2) test the internal model and assess the compliance thereof;

3) document information regarding the internal model and all changes made therein;

4) analyse the ability of the internal model to fulfil its specified functions and prepare reports on the conducted analysis;

5) inform the board of the ability of the internal model to fulfil its specified functions, make proposals for the necessary improvements of the internal model, and prepare reports to the board regarding the measures taken to eliminate the established shortcomings.

(11) If an insurance or reinsurance undertaking uses the external credit rating to calculate the technical provisions and the solvency capital requirement, in order to prevent over-reliance on the external credit assessment institutions, this undertaking shall, within the framework of its risk management process, where possible, assess additionally the suitability of the use of this external credit rating.

(111) An insurance or reinsurance undertaking that enters into finite reinsurance contracts or conducts finite reinsurance transactions shall ensure the identification, measurement, monitoring, management, control, and reporting of the risks arising from such contracts or transactions.

(12) EU Regulation No 2015/35 shall lay down the requirements for the elements of the systems referred to in this Section and the risk management function.

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 65.** (1) An insurance or reinsurance undertaking shall, within the framework of the risk management system, at least once a year and immediately after any significant changes in the risk profile of the insurance or reinsurance undertaking, perform self-assessment of the risks to which this undertaking is or may be exposed and of the solvency.

(2) In performing self-assessment of the risks and solvency, an insurance or reinsurance undertaking shall ensure the fulfilment of the following conditions:

1) general solvency needs are assessed by taking into account the risk profile, the approved tolerable risk limits and the operational strategy of the relevant undertaking. For the purpose of solvency assessment, methods which enable to assess the potential impact in the short and in the long term of the risks to which the insurance or reinsurance undertaking is or may be exposed and ensure the documentation of all the methods used;

2) ensure continuous control of the correspondence of the conformity with the capital requirements with the provisions of Chapters XIV and XV of this Law and the compliance of the constitution of the technical provisions with the provisions of Chapter XIII of this Law;

3) assess how significantly the risk profile of the relevant undertaking deviates from the assumptions specified in Section 119, Paragraphs three and four of this Law which have been used for the calculation of the solvency capital requirement if this undertaking uses the standard formula for the calculation or if the full or partial internal model of the relevant undertaking is used in accordance with the provisions of Sections 121, 122, 123, 124, 125, 126, 127, 128, and 129 of this Law. If the insurance or reinsurance undertaking uses the internal model for the calculation of the solvency capital requirement, in performing assessment, recalibration shall be ensured in order to measure and calibrate the risks included in the calculation of the solvency capital requirement.

(3) An insurance or reinsurance undertaking shall ensure that the self-assessment of risks and solvency is a component of the approved operational strategy of the relevant undertaking and that the results of the self-assessment of risks and solvency are continuously taken into account in the strategic decision-taking process.

(4) An insurance or reinsurance undertaking may not use the self-assessment of risks and solvency to calculate the solvency capital requirement. The solvency capital requirement may only be adjusted in accordance with the provisions of Sections 46, 207, 208, 209, 210, and 214 of this Law.

(5) If an insurance or reinsurance undertaking applies the matching adjustment specified in Section 112 or the volatility adjustment specified in Section 114 of this Law, it shall assess the correspondence of the conformity with the capital requirements specified in Paragraph two, Clause 2 of this Law in two forms – by taking into account such adjustments and without taking into account thereof.

[*21 July 2017*]

**Section 66.** (1) An insurance or reinsurance undertaking shall ensure the establishment and operation of an efficient internal control system which covers at least administrative and accounting processes and internal control procedures by ensuring appropriate exchange of internal information at all levels of this undertaking.

(2) An insurance or reinsurance undertaking shall ensure that the internal control system includes a conformity function. A person responsible for the compliance function shall carry out the following responsibilities:

1) assess the conformity of the activity of the insurance or reinsurance undertaking with the requirements laid down in this Law and other laws and regulations which are binding on this undertaking and prepare a report to the board on the discrepancies established;

2) assess the potential impact of the changes expected in the legal environment on the activity of the insurance or reinsurance undertaking and also identify and assess the compliance risk;

3) a written report shall be prepared to the board of the relevant undertaking regarding each assessment carried out in Paragraph two, Clauses 1 and 2 of this Section.

(3) The board of an insurance or reinsurance undertaking shall examine a report prepared by the person responsible for the compliance function and, in respect of each shortcoming established and recommendation made, take the decision on the measures to be taken and ensure the enforcement of the decisions taken.

(4) EU Regulation No 2015/35 shall lay down the requirements for the elements of the systems referred to in this Section and the compliance function.

**Section 67.** (1) An insurance or reinsurance undertaking shall ensure efficient operation of the internal audit function.

(2) A person responsible for the internal audit function shall:

1) at least once a year assess the compliance of the internal control system and other elements of the management system of the insurance or reinsurance undertaking with the activity of this undertaking;

2) at least once a year assess the efficiency of the activity of the internal control system and other elements of the management system of the insurance or reinsurance undertaking;

3) at least once a year prepare a written report to the board and council of the insurance or reinsurance undertaking regarding the shortcomings established during the review in the internal control system and other elements of the management system of this undertaking and make recommendations for improving them.

(3) The board of an insurance or reinsurance undertaking shall examine a report prepared by the person responsible for the internal audit function and, in respect of each shortcoming established and recommendation made, take the decision on the measures to be taken and ensure the enforcement of the decisions taken.

(4) The board of an insurance or reinsurance undertaking shall ensure that the activity of the person responsible for the internal audit function is objective and independent from the functions of the activity of this undertaking.

(5) EU Regulation No 2015/35 shall lay down the requirements for the internal audit function referred to in this Section.

**Section 68.** (1) An insurance or reinsurance undertaking shall ensure efficient operation of the actuarial function.

(2) A person responsible for the actuarial function shall:

1) coordinate the calculation of technical provisions;

2) ensure suitability of the methodology, models and assumptions used for the calculation of technical provisions;

3) evaluate adequacy and quality of the data used for the calculation of the technical provisions;

4) compare the best estimate of the technical provisions with the experience;

5) inform the board of the reliability and adequacy of the calculations of technical provisions;

6) supervise the calculation of technical provisions in the case specified in Section 109 of this Law;

7) deliver an opinion on the common underwriting policy;

8) deliver an opinion on the conformity of the arrangement of the ceded reinsurance and retrocession;

9) in accordance with the requirements of Section 64 of this Law, participate in the establishment of an efficient risk management system in order to ensure the risk modelling for the calculation of the capital requirements in accordance with the provisions of Chapters XIV and XV of this Law or the self-assessment of the risks and solvency of the reinsurance undertaking in accordance with Section 65 of this Law.

(3) An insurance or reinsurance undertaking shall ensure that the responsibilities referred to in Paragraph two of this Section are carried out by persons with knowledge and experience of actuarial and financial mathematics which correspond to the types of activities of the relevant undertaking, the amount thereof, and the complexity of the risks inherent in the insurance activity, and it may be demonstrated in the way these persons use appropriate professional and other standards.

(4) EU Regulation No 2015/35 shall lay down the requirements for the actuarial function referred to in this Section.

**Section 69.** (1) A member of the executive body of an insurance holding company or mixed financial holding company may be a person who corresponds to the following requirements:

1) he or she has sufficient competence in the field for which this person is responsible;

2) he or she has not less than three years of work experience in the relevant field;

3) he or she has an impeccable reputation;

4) his or her right to perform commercial activity is not withdrawn and has not been withdrawn;

5) he or she has not been convicted of intentional criminal offences or has been rehabilitated, or for whom the conviction has been set aside or extinguished, or he or she has not been held criminally liable.

(2) Prior to the person referred to in Paragraph one of this Section commences fulfilling the duties of office, an insurance or reinsurance undertaking shall inform Latvijas Banka of this fact. Latvijas Banka shall, not later than within a month from the day it has received the information referred to in this Paragraph, evaluate the conformity of the person with the requirements of Paragraph one of this Section. Latvijas Banka shall, within the time period referred to in this Paragraph, take the decision to prohibit a person from holding the office specified in Paragraph one of this Section if he or she does not conform to the requirements of Paragraph one of this Section and immediately notify the relevant person and the insurance or reinsurance undertaking of this fact.

(3) Latvijas Banka may propose that a member of the executive body of an insurance holding company or mixed financial holding company is immediately removed from office if he or she does not conform to the requirements of Paragraph one of this Section or fails to comply with the policy or procedure developed by the insurance or reinsurance undertaking.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 70.** (1) An insurance or reinsurance undertaking shall ensure the registration of all insurance and reinsurance contracts entered into. The register shall be kept electronically, including therein the texts of the respective contracts and of amendments thereto, and the software of the register shall enable to track all the entries and amendments made thereto previously.

(2) An insurance or reinsurance undertaking shall ensure the registration of all the contribution contracts, ceded reinsurance contracts, and retrocession contracts entered into, and also the contracts entered into with insurance or reinsurance marketers. The register shall be kept electronically and it shall include the texts of the respective contracts and of amendments thereto, and the software of the register shall enable to track all the entries made previously and amendments thereto.

(3) If risks pass in the ceded reinsurance and retrocession by using the services of a reinsurance marketer, an insurance or reinsurance undertaking shall have documents at its disposal revealing the arrangement of the ceded reinsurance and retrocession and the amount of the commission paid to the reinsurance marketer.

[*25 April 2019*]

**Section 71.** (1) An insurance or reinsurance undertaking shall develop and approve the procedures for the management of complaints by ensuring the examination of the facts indicated in a complaint, detection and prevention of the potential conflicts of interest, and shall be responsible for the compliance with such procedures. Written information regarding the process of the examination of complaints shall be freely accessible at places where the insurance services are provided and on the website of the insurance or reinsurance undertaking, if such has been created.

(2) An insurance or reinsurance undertaking shall, on a regular basis, examine the complaints received, analyse them and evaluate the causes of and reasons for them, and also take measures to address the identified causes.

(3) An insurance or reinsurance undertaking shall ensure electronic registration of the complaints received and responses provided.

(4) Latvijas Banka shall lay down the procedures for examining and registering the received complaints and also the procedure for preparing reports on complaints.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter VIII**

**Outsourced Services**

**Section 72.** Receipt of outsourced services shall not release an insurance or reinsurance undertaking from the liability for the fulfilment of the obligations specified in the law or contract.

**Section 73.** (1) Outsourced services necessary to ensure the activity of an insurance or reinsurance undertaking may be delegated by the relevant undertaking to one or several outsourcing service providers. The insurance or reinsurance undertaking may not delegate the following to outsourcing service providers:

1) the responsibilities of the administrative bodies;

2) the issue of guarantees and deeds on such other commitments whereby the insurance or reinsurance undertaking has undertaken the obligation to be liable to the creditor for the debt of a third party;

3) all the services which ensure the performance of the insurance or reinsurance authorised in an insurance or reinsurance licence.

(2) Latvijas Banka shall determine the essential functions or activities of an insurance or reinsurance undertaking whereof the relevant undertaking informs Latvijas Banka prior to delegating them to an outsourcing service provider in accordance with the procedures laid down in this Section.

(3) An insurance or reinsurance undertaking may only delegate the internal audit function to a sworn auditor or a sworn auditor commercial company which does not concurrently audit the annual statement and the consolidated annual statement of the relevant undertaking or to a parent undertaking of the insurance or reinsurance undertaking – a Member State insurer.

(4) At least 30 days prior to delegating essential functions or activities to an outsourcing service provider, an insurance or reinsurance undertaking shall submit to Latvijas Banka a reasoned submission in writing accompanied by a document regarding the policy for the receipt of outsourced services and the procedure for the supervision of outsourcing quality, unless such has already been submitted to Latvijas Banka, and a draft outsourced service contract. If any amendments are made to the policy for the receipt of outsourced services, the procedure for the supervision of outsourcing quality, or the outsourced service contract in respect of the description or volume of the outsourced service, or the quality requirements to be included in the outsourced service contract specified in EU Regulation No 2015/35, or the rights and obligations of the insurance or reinsurance undertaking and the outsourcing service provider, the insurance or reinsurance undertaking shall submit the relevant amendments to Latvijas Banka prior to approval thereof.

(5) An outsourcing service provider shall commence providing an outsourced service to an insurance or reinsurance undertaking if the relevant undertaking has not received a prohibition of Latvijas Banka on the receipt of the outsourced service within 30 days from the day of submission of all the documents referred to in Paragraph four of this Section.

(6) Latvijas Banka has the right to request that an insurance or reinsurance undertaking eliminates the shortcomings which have been caused by the receipt of the outsourced service and to determine a time period for the elimination of such shortcomings. If shortcomings are not eliminated within this time period, Latvijas Banka shall request that the insurance or reinsurance undertaking terminates the outsourced service contract and shall determine a time period for the termination thereof which may not exceed three months.

(7) An outsourcing service provider is entitled to delegate the provision of the outsourced service further to another person only on the basis of a written consent of the relevant insurance or reinsurance undertaking. Prior to delegating the outsourced service further, the insurance or reinsurance undertaking shall inform Latvijas Banka in writing and submit to it the documents referred to in Paragraph four of this Section. The provisions of this Law shall apply to further delegation of the provision of the outsourced service and the final outsourcing service provider.

(8) In case of appeal of a decision taken by Latvijas Banka to prohibit an insurance or reinsurance undertaking from receiving an outsourced service from an outsourcing service provider, to request that it eliminates the shortcomings which have been caused by the receipt of the outsourced service, or to request immediate termination of the outsourced service contract, the appeal shall not suspend the operation thereof.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 74.** (1) Latvijas Banka shall prohibit an insurance or reinsurance undertaking from delegating an essential function or activity to an outsourcing service provider if:

1) the requirements laid down in this Law have not been conformed to;

2) the receipt of the outsourced service may infringe the legitimate interests of the policy holders and the insured persons;

3) the receipt of the outsourced service may cause restrictions to the administrative bodies of the insurance or reinsurance undertaking in respect of carrying out the responsibilities specified for them in laws and regulations, articles of association, or other internal laws and regulations;

4) the receipt of the outsourced service will prevent Latvijas Banka from performing the functions specified for it in the law or restrict the possibilities of Latvijas Banka to perform such functions;

5) the outsourced service contract does not correspond to the law and does not present a true and fair view of the intended cooperation of the insurance or reinsurance undertaking and the outsourcing service provider and the amount and quality requirements of the outsourced service;

6) the receipt of the outsourced service will impair substantially the quality of the management system of the insurance or reinsurance undertaking;

7) the receipt of the outsourced service will significantly increase the operational risk.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter IX**

**Qualifying Holding**

**Section 75.** (1) A qualifying holding in an insurance or reinsurance undertaking may only be acquired by a person who corresponds to the requirements of Section 29 of this Law and ensures the fulfilment of the criteria specified in Section 76, Paragraph five of this Law, moreover, this person must be financially stable for at least the last three years in order, where necessary, to be able to make an additional investment for the restoration of the own funds of the insurance or reinsurance undertaking by ensuring conformity of the minimum capital requirement and the solvency capital requirement of the relevant undertaking with the requirements of the law and the conformity with the requirements regulating the activities of insurance or reinsurance undertakings.

(2) Latvijas Banka has the right to request information on the persons who apply for a qualifying holding (the actual acquirers of the qualifying holding or persons suspected of having acquired such a holding), including the owners of legal (registered) persons (beneficial owners) who are natural persons in order to assess the conformity of such persons with the criteria laid down in Section 76, Paragraph five of this Law.

(3) Latvijas Banka has the right to identify the stockholders or participants and owners (beneficial owners) of legal persons who apply for a qualifying holding (the actual acquirers of the qualifying holding or persons suspected of having acquired such a holding) until the information regarding the owners (beneficial owners) who are natural persons is obtained. In order to identify such persons, the abovementioned legal persons have the obligation to provide information to Latvijas Banka requested thereby if such is not available on the public registers from which Latvijas Banka is entitled to receive such information.

(4) If the persons who are suspected of having acquired a qualifying holding in an insurance or reinsurance undertaking fail or refuse to provide the information referred to in Paragraph two or three of this Section and altogether the participation thereof comprises 10 or more per cent of the equity capital of the relevant undertaking or the number of stocks or shares with voting rights, such stockholders or participants may not exercise voting rights attached to all stocks or shares belonging to them. Latvijas Banka shall immediately inform the relevant stockholders or participants and the insurance or reinsurance undertaking of this fact.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 76.** (1) A person who wishes to acquire a qualifying holding in an insurance or reinsurance undertaking shall notify Latvijas Banka thereof in writing in advance. The notification shall indicate the amount of the holding to be acquired as a percentage of the equity capital or the number of stocks or shares with voting rights in the relevant undertaking. The information provided for in regulations of Latvijas Banka which is necessary for it to assess the conformity of the person with the criteria specified in Paragraph five of this Section shall be appended to the notification. A list of the information to be appended to the notification shall be published on the website of Latvijas Banka.

(2) If a person wishes to increase its qualifying holding, thereby reaching or exceeding 20, 33, or 50 per cent of the equity capital or the number of stocks or shares with voting rights in an insurance or reinsurance undertaking, or if an insurance or reinsurance undertaking becomes a subsidiary undertaking of such person, the relevant person shall notify Latvijas Banka thereof in writing. The notification shall indicate the amount of the holding to be acquired as a percentage of the equity capital or the number of stocks or shares with voting rights in the insurance or reinsurance undertaking. The information provided for in regulations of Latvijas Banka which is necessary for it to assess the conformity of the person with the criteria specified in Paragraph five of this Section shall be appended to the notification. A list of the information to be appended to the notification shall be published on the website of the Latvijas Banka.

(3) Within two working days after the day of receipt of the notification referred to in Paragraph one or two of this Section or within two working days after receiving the additional information requested thereby, Latvijas Banka shall notify the person in writing of the receipt of the notification or of additional information and of the final date of the assessment period.

(4) During the assessment period specified in Paragraph five of this Section, but not later than on the fiftieth working day of the assessment period, Latvijas Banka is entitled to request additional information regarding the persons referred to in this Section in order to evaluate the conformity thereof with the criteria referred to in Paragraph five of this Section.

(5) Latvijas Banka shall, not later than within 60 working days from the day when the information referred in Paragraph three of this Section regarding receipt of the notification has been sent to the person, evaluate the free capital adequacy of a person, financial stability, and financial feasibility of the planned acquisition of a holding in order to ensure sound and prudent management of the insurance or reinsurance undertaking in which the holding is planned to be acquired and also the possible influence of the person on the management and activities of the relevant undertaking. Latvijas Banka shall take the following criteria into account during the assessment process:

1) the impeccable reputation and the conformity of the person with the requirements laid down in Section 29 of this Law;

2) the impeccable reputation and the professional experience of the person who, as a result of the planned acquisition of a holding, will manage the activity of the insurance or reinsurance undertaking;

3) the financial stability of the person, in particular in relation to the type of the economic activity pursued or intended in the insurance or reinsurance undertaking in which it is planned to acquire the holding;

4) whether the insurance or reinsurance undertaking will be able to conform to the regulatory requirements laid down in this Law and in other laws and regulations and whether the structure of such group of undertakings where this undertaking is going to be incorporated will not restrict the possibilities of Latvijas Banka to exercise the supervisory functions vested to it by law, to ensure an efficient exchange of information among supervisory authorities, and to determine the allocation of supervisory powers among the supervisory authorities;

5) whether there is a reasonable suspicion that, in relation to the planned acquisition of the holding, money laundering and terrorism and proliferation financing has been carried out or an attempt to carry out such activities has been made, or that the planned acquisition of the holding could increase such a risk.

(6) When requesting the additional information referred to in Paragraph four of this Section, Latvijas Banka is entitled to suspend the assessment period once until the day when such information is received, but not more than for 20 working days. Latvijas Banka is entitled to extend the abovementioned suspension of the assessment period for up to 30 working days, if a person who wishes to acquire, has acquired, wishes to increase, or has increased its qualifying holding in an insurance or reinsurance undertaking is not subject to the supervision of the activities of insurance undertakings, reinsurance undertakings, credit institutions, investment management companies, or investment firms, or if the place of residence of such person is not in a Member State.

(7) If Latvijas Banka has suspended the assessment period in accordance with Paragraph six of this Section, the period of suspension shall not be included in the assessment period.

(8) Within the time period referred to in Paragraph five of this Section, Latvijas Banka shall take the decision to prohibit a person from acquiring or increasing a qualifying holding in an insurance or reinsurance undertaking if:

1) the person does not correspond to the criteria laid down in Paragraph five of this Section;

2) the person does not submit or refuses to submit to Latvijas Banka the information specified in this Law or the additional information requested by Latvijas Banka;

3) due to circumstances beyond the control of the person, he or she is unable to provide to Latvijas Banka the information specified in this Law or the additional information requested by Latvijas Banka.

(9) Within two working days from the taking of the decision referred to in Paragraph eight of this Section, but not exceeding the assessment period specified in Paragraph five of this Section, Latvijas Banka shall send that decision to the person who has been prohibited from acquiring or increasing a qualifying holding in an insurance or reinsurance undertaking.

(10) If Latvijas Banka fails, within the time period referred to in Paragraph five of this Section, to send to the person the decision by which it prohibits this person from acquiring or increasing a qualifying holding in the insurance or reinsurance undertaking, it shall be considered that Latvijas Banka agrees that this person acquires or increases a qualifying holding in the relevant undertaking.

(11) The provisions of Paragraph five, Clause 3 of this Section shall not be applicable to a legal person if the stocks thereof are quoted on a regulated market in the Republic of Latvia or in another Member State, or on a regulated market the operator of which is a lawful member of the World Federation of Exchanges and this legal person provides information to Latvijas Banka regarding its stockholders who have a qualifying holding therein.

(12) Latvijas Banka shall, in accordance with the requirements of the legal acts of the European Union, suspend the examination of a notification for a period not exceeding three months if a commercial company which has not been registered in a Member State wishes to become a parent undertaking of an insurance or reinsurance undertaking.

(13) If Latvijas Banka has agreed that a person acquires or increases a qualifying holding in an insurance or reinsurance undertaking, this person shall acquire or increase its qualifying holding in the relevant undertaking not later than within six months from the day of sending the information referred to in Paragraph three of this Section on receipt of the notification or of the additional information. If, until expiry of the relevant time period, the person has failed to acquire or increase a qualifying holding in the insurance or reinsurance undertaking, the consent of Latvijas Banka for acquiring or increasing a qualifying holding in the relevant undertaking is no longer effective. Upon receipt of a reasoned request of the person in writing, Latvijas Banka may decide to extend the abovementioned time period.

(14) Appeal of the decision taken by Latvijas Banka and referred to in Paragraph eight of this Section shall not suspend the operation thereof.

[*23 September 2021 / Amendment to Paragraphs one and two regarding the deletion of the word “regulatory” and amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 77.** In evaluating the notifications referred to in Section 76, Paragraphs one and two of this Law, Latvijas Banka shall consult the supervisory authorities of a relevant Member State, if a qualifying holding is acquired by a Member State insurer or reinsurer, a credit institution, an investment management company, an investment firm registered in a Member State, or a parent undertaking of a Member State insurer, of a Member State reinsurer, of a credit institution, an investment management company or an investment firm registered in a Member State, or a person controlling a Member State insurer, a Member State reinsurer, a credit institution, an investment management company, or an investment firm registered in a Member State and if, as a result of acquiring or increasing the qualifying holding by the relevant person, the insurance or reinsurance undertaking becomes a subsidiary undertaking of such person or comes under the control thereof.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 78.** (1) If a person wishes to terminate its qualifying holding in an insurance or reinsurance undertaking, it shall notify such decision in writing in advance by submitting a submission to Latvijas Banka. The submission shall indicate as a percentage the proportion of the equity capital or the number of stocks or shares with voting rights in the insurance or reinsurance undertaking that remains the property of the person.

(2) If a person wishes to reduce its qualifying holding below 20, 33, or 50 per cent of the equity capital or the number of stocks or shares with voting rights in an insurance or reinsurance undertaking, or an insurance or reinsurance undertaking ceases to be a subsidiary undertaking of such person, it shall notify such decision in writing in advance by submitting a submission to Latvijas Banka.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 79.** (1) An insurance or reinsurance undertaking shall immediately, as soon as it has learned of it, inform in writing of the acquisition, increase, or reduction of a qualifying holding of any person by submitting a submission to Latvijas Banka. The submission shall indicate the amount of the holding of the relevant person as a percentage of the equity capital or the number of stocks or shares with voting rights in the insurance or reinsurance undertaking or the information regarding the termination of a qualifying holding.

(2) An insurance or reinsurance undertaking shall, each year by 1 February, submit to Latvijas Banka a list of all stockholders or participants who have a qualifying holding in the relevant undertaking. It shall include the information, which is to be included in the list of stockholders or shareholders prepared for the meeting of stockholders or shareholders in accordance with the law, and indicate the amount of the qualifying holding of the relevant stockholders or shareholders as a percentage of the equity capital or the number of stocks or shares with voting rights in the insurance or reinsurance undertaking.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 80.** (1) If the influence of a stockholder or participant of an insurance or reinsurance undertaking on the relevant undertaking jeopardises or may jeopardise financially stable and prudent management and activity thereof which correspond to laws and regulations or a person who has acquired a qualifying holding does not correspond to the requirements imposed on stockholders of a newly established insurance or reinsurance undertaking, this undertaking is not financially stable or fails or refuses to provide the information referred to in Section 75, Paragraph two or three of this Law, Latvijas Banka is entitled to:

1) request that such influence is terminated immediately;

2) request that the board (council) or a member of the board (council) of the insurance or reinsurance undertaking is withdrawn;

3) prohibit a stockholder or participant from exercising voting rights attached to all stocks or shares belonging to it.

(2) A stockholder or participant does not have the right to exercise voting rights attached to all stocks or shares belonging to it in an insurance or reinsurance undertaking and the decisions of the meeting of stockholders or shareholders which have been taken by exercising voting rights attached to such stocks or shares shall be void from the moment of being taken and a request to make entries in the Commercial Register and other public registers may not be made on the basis thereof if:

1) Latvijas Banka has, in the cases referred to in this Law, prohibited the person from exercising voting rights of stocks or shares belonging to it;

2) the person has acquired or increased a qualifying holding in the insurance or reinsurance undertaking prior to submitting to Latvijas Banka the notification referred to in Section 76, Paragraph one or two of this Law;

3) the person has acquired or increased a qualifying holding in the insurance or reinsurance undertaking during the examination of the notification referred to in Section 76, Paragraph one or two of this Law.

(3) If a stockholder or participant of an insurance or reinsurance undertaking has been prohibited from exercising voting rights attached to stocks or shares belonging to it in the relevant undertaking, the total number of stocks or shares with decision-making rights shall be calculated by deducting from all stocks or shares with voting rights such stocks or shares the exercise of voting rights of which has been prohibited.

(4) The provisions of this Law regarding the qualifying holding shall not be applicable to a stockholder or participant of an insurance or reinsurance undertaking whose qualifying holding in the relevant undertaking has been created due to the prohibition of the voting rights applied to another stockholder or participant.

(5) Appeal of the decision taken by Latvijas Banka and referred to in Paragraph one of this Section shall not suspend the operation thereof.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 81.** (1) In determining the amount of a holding acquired by a person in an indirect way in an insurance or reinsurance undertaking, the following voting rights acquired by such person (hereinafter in this Section – the particular person) shall be taken into account:

1) those which may be exercised by a third party with whom the particular person has entered into an agreement, imposing an obligation on the third party to coordinate the policy of exercising the voting rights and long-term action in respect of the management of the particular issuer;

2) those which may be exercised by a third party in accordance with an agreement that has been entered into with the particular person and provides for the temporary transfer of the voting rights;

3) those which arise from the stocks or shares that the particular person has received as security if he or she may exercise the voting rights and has expressed his or her intention to exercise them;

4) those which the particular person is entitled to exercise for an indefinite period of time;

5) those which may be exercised by a commercial company controlled by the particular person or which may be exercised by such commercial company in accordance with the provisions of Clauses 1, 2, 3, and 4 of this Section;

6) those which arise from the stocks or shares transferred to and held by the particular person and which this person may exercise at his or her discretion, unless special instructions have been received;

7) those which arise from the stocks or shares held on behalf of a third party and for the benefit of the particular person;

8) those which the particular person may exercise as a proxy holder when he or she is entitled to exercise the voting rights at his or her discretion, unless special instructions have been received;

9) those which arise from the stocks or shares that the particular person has acquired in any other indirect way.

(2) For determination of the amount of a holding, the voting rights arising from the stocks held by an investment firm or a credit institution which the investment firm or the credit institution has acquired as a result of the initial placement of such stocks or guaranteeing the acceptance of stocks not placed during the initial placement if the investment firm or the credit institution does not exercise the voting rights arising from such stocks and alienates or deletes such stocks within a year from the day of acquisition.

[*21 July 2017*]

**Section 82.** Investment funds and foundations equivalent thereto are not entitled to acquire a qualifying holding in an insurance or reinsurance undertaking.

**Chapter X**

**Information Exchange and a Prohibition to Disclose Information**

**Section 83.** (1) Information regarding an insurer or reinsurer and its customer which has not been previously published in accordance with the procedures laid down by law or disclosure of which is not prescribed by other laws, or which has not been approved as publicly available information by Latvijas Banka shall be considered restricted access information, and Latvijas Banka only has the right to disclose it to third parties in the form of a report or summary so that it would be impossible to identify any particular insurer or reinsurer or its customer. The status of the restricted access information referred to in this Paragraph shall also be applicable to the information regarding the insurer, reinsurer and its customer, and also the activities of the insurer, reinsurer and its customer if insolvency or liquidation proceedings have been declared in respect of the insurer or reinsurer or it has been liquidated.

(11) Provisions of Paragraph one of this Section shall not prohibit Latvijas Banka from disclosing restricted access information by maintaining the status of the restricted access information to the following:

1) a person directing proceedings in a criminal case on the basis of the relevant request;

2) a law enforcement institution regarding committing of a potential criminal offence established during the performance of supervisory functions.

(2) If insolvency proceedings of a legal person have been declared for an insurance or reinsurance merchant or its liquidation has been initiated, the restricted access information regarding the relevant merchant which does not apply to third parties that are involved in activities to improve financial standing of the insurance or reinsurance merchant may be disclosed upon examination of civil cases.

(3) Provisions of Paragraph one of this Section are without prejudice to any action Latvijas Banka may take to exchange restricted access information with the supervisory authorities of the financial market operators of Member States by maintaining the status of restricted access information for the information provided.

(4) Latvijas Banka is entitled to enter into information exchange contracts with foreign supervisory authorities or relevant foreign institutions equivalent to those referred to in Paragraph six, Clauses 1, 2, 3, 4, 6, 7, and 8 of this Section if the laws and regulations of the relevant foreign country provide for the responsibility equivalent to the responsibility laid down in the laws and regulations of the Republic of Latvia regarding unauthorised disclosure of restricted access information and the requirements for personal data protection in force in Latvia are conformed to. Such information shall only be used for carrying out the supervision of the financial market operators and insurance or reinsurance merchants or for the performance of the functions specified for the relevant authorities in laws and regulations. The relevant foreign authorities are entitled to disclose the received information only with prior written consent of Latvijas Banka and solely for the purpose for which this consent has been given.

(5) Latvijas Banka is entitled to use the received information referred to in Paragraphs three and six of this Section only for the performance of its supervisory functions:

1) to ascertain the establishment of insurers or reinsurers and compliance with the laws and regulations governing the activities thereof, in particular in respect of the constitution of technical provisions, the conformity with the minimum capital requirement and the solvency capital requirement, and the management system;

2) to apply the restrictions of rights and penalties laid down in the law;

3) during legal proceedings where decisions taken by Latvijas Banka or its actual actions are appealed;

4) in court proceedings initiated for violations of this Law and regulations issued on the basis thereof.

(6) The provisions of Paragraphs one and five of this Section are without prejudice to any action Latvijas Banka may take according to its competence to exchange the restricted access information necessary for the performance of the specified functions with the following:

1) the supervisory authorities of the financial market operators of the Member States;

2) the authorities or persons that are responsible in the Republic of Latvia or Member States for the performance of the bankruptcy procedure, liquidation and other similar procedures in respect of an insurance or reinsurance merchant;

3) the persons who perform in the Republic of Latvia or other Member States the internal controls and audits laid down in the law in insurance or reinsurance merchants and other financial institutions;

4) the authorities of Member State which manage investment and deposit compensation schemes (funds);

5) [23 September 2021 / See Paragraph 33 of Transitional Provisions];

6) the authorities carrying out the supervision of the institutions that are responsible in the Republic of Latvia or Member States for the performance of the bankruptcy procedure, liquidation, and other similar procedures in respect of an insurance or reinsurance merchant;

7) the authorities carrying out the supervision of the persons who perform in the Republic of Latvia or other Member States the internal controls and audits laid down in the law in insurance or reinsurance merchants and other financial institutions;

8) the independent actuaries of insurance or reinsurance merchants which carry out legal supervision of such merchants and the authorities which carry out the supervision of the independent actuaries;

9) the authorities or persons who are responsible, in accordance with laws and regulations, for the detection and investigation of the violations of company law;

10) other State administration institutions which are responsible for the compliance with laws and regulations in the field of supervision of the financial market operators, insurers and reinsurers, and the employees acting on behalf of the respective institutions if the disclosure of information is necessary to ensure prudential supervision;

11) the EIOPA and the European Systemic Risk Board;

12) the central banks of the Member States which are part of the European System of Central Banks, the European Central Bank, and other authorities with a similar status of monetary institutions if the relevant information is important for carrying out the tasks specified in the relevant laws and regulations of such authorities, including for the implementation of the monetary policy and the provision of associated liquidity, the supervision of settlement, clearing and securities settlement systems, and ensuring the stability of the financial system.

(7) In respect of the information received from Latvijas Banka and the supervisory authorities of the participants of the financial market of the Member States, the authorities and persons specified in Paragraph five of this Section shall meet the following requirements:

1) only use the received information for carrying out the responsibilities within the competence thereof;

2) it is prohibited for the authorities and persons specified in Paragraph six of this Section, including the employees thereof, during the fulfilment of their responsibilities and after termination of an employment and other type of contractual relationship with the authorities or persons referred to in Paragraph six of this Section, to publicly or otherwise disclose information related to the activities of insurance or reinsurance merchants which has not been published previously in accordance with the procedures laid down by the law or disclosure of which is not prescribed by other laws. In accordance with the procedures laid down in laws and regulations, the authorities or persons referred to in this Section shall be responsible for the unlawful disclosure of restricted access information and for the losses caused to the third parties due to the unlawful action of the authorities or persons referred to in this Paragraph;

3) the authorities or persons referred to in Paragraph six, Clauses 6, 7, 8, and 9 of this Section are only entitled to disclose the received information with prior written consent of the persons who have provided the relevant information and solely for the purpose for which this consent has been given.

(8) Prior to sending information to the authorities or persons referred to in Paragraph six, Clause 9 of this Section, the providers of this information shall be notified of the given name and surname of the persons to whom this information is sent and of the responsibilities of such persons, and also a certification shall be provided that the information will only be available to the persons involved in the fulfilment of a task and that the information protection requirements are binding on them in accordance with Paragraph seven of this Section.

(9) Latvijas Banka shall inform the European Commission and other Member States of the authorities and persons who are authorised to receive information in accordance with Paragraph six, Clauses 6, 7, 8, and 9 of this Section.

(10) Information received in accordance with Paragraph three and Paragraph six, Clauses 1, 2, 3, and 4 of this Section or obtained in conducting reviews shall be provided to the institutions referred to in Paragraph six, Clause 10 of this Section if the supervisory authority of the financial and capital market operators of another country from which the relevant information has been received or in the country of which the review has been conducted has given consent to the disclosure of such information.

(11) Latvijas Banka shall provide the EIOPA with all information which is necessary to ensure the performance of its responsibilities.

(12) Latvijas Banka is entitled to request information from the insurer or reinsurer on the basis of a request of the supervisory authority of insurers or reinsurers of another Member State and a request of such foreign supervisory authority of insurers or reinsurers with which an information exchange contract has been entered into. Supervisory authorities of insurers or reinsurers of another country may only use such information for the requested purpose.

(13) In addition to that specified in Paragraph six of this Section, Latvijas Banka is entitled to provide the restricted access information referred to in this Section to the following international authorities in accordance with the procedures laid down in Paragraph fifteen of this Section:

1) the International Monetary Fund and the World Bank – for the assessments intended for the programme for the evaluation of the financial sector;

2) the Bank for International Settlements – for the quantitative impact studies;

3) the Financial Stability Board – for the performance of its functions.

(14) Latvijas Banka shall provide restricted access information to the international authorities referred to in Paragraph thirteen of this Section in conformity with the provisions of Paragraph fifteen of this Section if a motivated request has been received and the following conditions are complied with:

1) the request is sufficiently justified taking into account the particular tasks carried out by the requesting authority in accordance with the powers set out in the laws and regulations governing the operation thereof;

2) the request is sufficiently accurate in relation to the content and amount of the requested information and the means for disclosure thereof;

3) a certification has been provided that the requested information is necessary for the performance of particular tasks of the requesting authority and does not exceed the scope of tasks assigned to such authority by the laws and regulations governing the operation thereof;

4) a certification has been provided that the information will be available only to such persons who are involved in the execution of the task and that the requirements for the protection of information which are equivalent to those laid down in Paragraph seven, Clause 2 of this Section are binding on them.

(15) The international authorities referred to in Paragraph thirteen of this Section may become acquainted with restricted access information only in person in the premises of Latvijas Banka.

[*21 July 2017; 25 April 2019; 23 September 2021 / Amendment to Paragraph one regarding the replacement of the words “council of the Commission” with the words “Latvijas Banka”, amendment regarding the deletion of Clause 5 of Paragraph six, and amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka”, and also amendment to the words “financial and capital market” with the words “financial market” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 84.** (1) An insurer shall be obliged, unless the law stipulates otherwise, not to disclose the information regarding the policy holder and the insured person.

(2) In order to reduce the risk of the activity of an insurer and to prevent fraud, the insurer has the right, directly or through an institution established specifically, to exchange the information regarding the policy holders, the insured persons, and the existing insurance contracts.

**Section 85.** The participation of an insurer in the Credit Register shall be determined by the Law on the Credit Register.

**Chapter XI**

**Accounting, Annual Statement, Audit, and Publication of Information**

**Section 86.** (1) An insurance or reinsurance undertaking or a branch of a foreign insurer shall maintain accounting in accordance with the law On Accounting and this Law.

(2) Latvijas Banka shall lay down the procedures for accounting and for preparing the annual statement of an insurance or reinsurance undertaking or a branch of a foreign insurer on the basis of the International Accounting Standards and the International Financial Reporting Standards approved by the European Commission.

(3) Latvijas Banka shall lay down the procedures for preparing the consolidated annual statement of an insurance or reinsurance undertaking that is a parent undertaking of the group on the basis of the International Accounting Standards and the International Financial Reporting Standards approved by the European Commission.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 87.** (1) An insurance or reinsurance undertaking or a branch of a foreign insurer shall prepare an annual statement not later than four months after the end of the reporting year.

(2) An insurance or reinsurance undertaking that is a parent undertaking of the group shall prepare a consolidated annual statement not later than seven months after the end of the reporting year.

(3) An annual statement and a consolidated annual statement, if any, prepared by an insurance or reinsurance undertaking or a branch of a foreign insurer shall be audited (reviewed) and an auditor’s report on results of the conducted audit (review) shall be provided by a sworn auditor or several sworn auditors, or a sworn auditor commercial company (hereinafter – the sworn auditor) in accordance with the Law on Audit Services.

(4) An insurance or reinsurance undertaking or a branch of a foreign insurer shall, not later than within 15 days after approval of the annual statement and not later than on 15 May of the year following the reporting year, submit to the State Revenue Service according to the place of registration of the insurance or reinsurance undertaking or the branch of a foreign insurer a copy of the annual statement and of the sworn auditor’s report, together with an extract from the minutes of the meeting of stockholders or shareholders or the minutes of the general meeting of members regarding the approval of the annual statement. The insurance or reinsurance undertaking which prepares the consolidated annual statement shall, in addition to that laid down in the first sentence of this Paragraph, not later than within 15 days after the approval of the consolidated annual statement and not later than seven months after the end of the reporting year, also submit to the State Revenue Service according to the place of registration of the relevant undertaking a copy of the consolidated annual statement and of the sworn auditor’s report, together with an extract from the minutes of the meeting of stockholders or shareholders or the minutes of the general meeting of members regarding the approval of the consolidated annual statement. The insurance or reinsurance undertaking or the branch of a foreign insurer shall submit the documents referred to in this Paragraph in paper form or in electronic form.

(5) The State Revenue Service shall electronically, not later than within five working days, hand over to the Enterprise Register the documents referred to in Paragraph four of this Section if they have been submitted in electronic form or the electronic copies of such documents if they have been submitted in paper form. The Enterprise Register shall ensure public access to the received documents. The procedures for handing over documents in online data transfer mode shall be determined by an interdepartmental agreement.

(6) Upon receipt of the documents referred to in Paragraph five of this Section, the Enterprise Register shall publish them on the website of the Enterprise Register.

[*21 July 2017; 25 April 2019; 23 September 2021*]

**Section 88.** (1) An insurance or reinsurance undertaking or a branch of a foreign insurer shall, in addition to the provisions of Section 87, Paragraph four of this Law, ensure itself that the annual statement after approval thereof together with the sworn auditor’s report are published not later than on 15 May of the year following the reporting year but the consolidated annual statement together with the sworn auditor’s report – not later than seven months after the end of the reporting year. The abovementioned annual statement and the consolidated annual statement shall be identical to those examined by the sworn auditor. An insurance or reinsurance undertaking or a branch of a foreign insurer may publish the relevant information on its website or select another appropriate information medium or place for publishing the information.

(2) A branch of a Member State or foreign insurer and a branch of a Member State reinsurer shall ensure that the annual statement of the Member State or foreign insurer and the Member State reinsurer are published not later than seven months after the end of the reporting year. At least the statement disclosing the financial standing as at the end of the reporting period and the statement on the financial performance during the reporting period, and also the sworn auditor’s opinion shall published as translated into Latvian. The branch of a Member State or foreign insurer and the branch of a Member State reinsurer may publish the relevant information on its website or select another appropriate information medium or place for publishing the information.

[*25 April 2019*]

**Section 89.** (1) The sworn auditor shall prepare a report for the management of an insurance or reinsurance undertaking. The relevant undertaking shall submit to Latvijas Banka a transcript of the report within 15 days after approval of the annual statement at the meeting of stockholders or shareholders or general meeting of members but not later than on 15 May of the year following the reporting year.

(2) If the report prepared by the sworn auditor contains any comments, dividends may only be paid after the payment thereof is coordinated with Latvijas Banka.

(3) An insurance or reinsurance undertaking shall notify Latvijas Banka a month prior to its intention to pay dividends. Latvijas Banka is entitled to prohibit the relevant undertaking from paying the dividends if, as a result of the payment of dividends, this undertaking will fail to follow the indicators and restrictions which have been determined in this Law and directly applicable legal acts of the European Union and the amount (level) of which is affected by the payment of dividends.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 90.** (1) The sworn auditor shall be obliged to immediately submit a written report to Latvijas Banka on any facts or decisions which have been established in an insurance or reinsurance undertaking during the provision of audit services and during the performance of an expert or entrusted task and which may lead to any of the following situations:

1) significant violations of the requirements of the laws and regulations governing the establishment or activity of insurance or reinsurance undertakings;

2) adverse impact on the continuity of activity of the insurance or reinsurance undertaking;

3) refusal of the sworn auditor to approve statements or expression of objections;

4) failure to conform to the solvency capital requirement;

5) failure to conform to the minimum capital requirement.

(2) The sworn auditor shall be obliged to immediately submit a written report to Latvijas Banka on any facts or decisions referred to in Paragraph one of this Section which have been established during the provision of audit services to the customer that exercises a decisive influence or has close links in the form of control with the insurance or reinsurance undertaking, or during the performance of an expert or entrusted task assigned by this customer.

(3) Notification of the information specified in this Section and submission of documents shall not be considered a violation of any contracts, provisions, or laws and regulations, and it shall not create civil liability for the sworn auditor.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 90.1** Latvijas Banka is entitled to request that an insurance or reinsurance undertaking or a branch of a foreign insurer changes the sworn auditor appointed by the meeting of stockholders or shareholders for the audit (review) of the annual statement or consolidated annual statement if, upon carrying out supervision of the insurance or reinsurance undertaking or the branch of a foreign insurer, it establishes that the professional activity of such sworn auditor does not correspond to the requirements of laws and regulations.

[*21 July 2017; 25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 91.** (1) An insurance or reinsurance undertaking shall publish, on an annual basis, a report on the solvency and financial standing thereof. The report shall indicate both qualitative and quantitative, previous, current, and planned data or any combinations thereof and also information from the internal and external sources of information.

(2) Latvijas Banka shall determine the requirements for the publication of the information referred to in Paragraph one of this Section.

(3) Latvijas Banka shall, on an annual basis, provide the EIOPA with the following information:

1) the average additional capital requirement of each undertaking and the distribution of the additional capital requirements in the previous reporting year specified by Latvijas Banka that is calculated as a percentage of the solvency capital requirement distributed among the following:

a) insurance or reinsurance undertakings;

b) life insurance undertakings;

c) non-life insurance undertakings;

d) insurance undertakings which perform both life and non-life insurance activities;

e) re-insurance undertakings;

2) regarding each undertaking referred to in Clause 1 of this Paragraph – in accordance with the share of the additional capital requirement specified by Latvijas Banka in Section 46, Paragraph one of this Law respectively.

(4) An insurance undertaking shall prepare public quarterly reports in order to inform the public of the activities and financial indicators of the insurer. Latvijas Banka shall determine the minimum amount of information to be included in the public quarterly reports.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XII**

**Liability**

**Section 92.** The board of an insurance or reinsurance undertaking shall be fully liable for the conformity of the activity of the relevant undertaking with the requirements of this Law, directly applicable European Union law, and other laws and regulations governing the activity of insurers or reinsurers.

**Section 93.** If Latvijas Banka establishes that an insurer or reinsurer fails to conform to the requirements of this Law, directly applicable legal acts of the European Union, or other laws and regulations governing the activity of insurers or reinsurers, or the activity of an insurer or reinsurer jeopardises the conformity with the respective requirements, upon taking a decision Latvijas Banka is entitled to:

1) [23 September 2021];

2) impose the following sanctions:

a) warn the insurer or reinsurer;

b) impose an obligation on the meeting, council, or board of stockholders of the insurer to remove from office a member of the board or council of the insurer, a person responsible for the risk management function, a person responsible for the compliance function, a person responsible for the internal audit function, a person responsible for the actuarial function, a manager of the branch of a foreign insurer, and also a person who creates civil obligations to an insurance or reinsurance undertaking or a branch of a foreign insurer in taking major decisions on behalf of the relevant undertaking;

c) impose the fines provided for in this Law;

d) cancel an insurance or reinsurance licence in accordance with Section 147, Paragraph one, Clauses 4, 5, 6, and 7 and Paragraph two of this Law.

[*21 July 2017; 25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 93.1** (1) In accordance with Article 24 of EU Regulation No 1286/2014, for the violations of this Regulation, Latvijas Banka is entitled to:

1) [23 September 2021];

2) impose the following sanctions:

a) issue a warning indicating the responsible person and the nature of the violation;

b) impose the fine provided for in this Law.

(2) [23 September 2021]

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 93.2** For the violations of the laws and regulations in the field of the prevention of money laundering and terrorism and proliferation financing, Latvijas Banka shall apply the sanctions specified in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing.

[*26 October 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 94.** (1) In case of failure to conform to the requirements of this Law, Latvijas Banka is entitled to impose a fine of up to EUR 142 000 on an insurer or reinsurer.

(11) For carrying out the insurance or reinsurance activity without obtaining an insurance or reinsurance licence, Latvijas Banka is entitled to issue a warning or impose a fine of up to EUR 142 000 on a person.

(2) If the provisions of Section 8, Paragraph two, Section 32, Paragraphs one and two, and Section 59, Paragraphs one, two, three, and four of the Insurance Contract Law are not complied with, Latvijas Banka is entitled to impose a fine of up to EUR 14 200 on an insurer.

(3) [26 October 2017]

(31) In applying Section 93.1 of this Law in accordance with Article 24 of EU Regulation No 1286/2014, for the violations of the Regulation, Latvijas Banka is entitled to:

1) impose a fine on a legal person of up to EUR 5 000 000 or up to three per cent of the total annual turnover according to the last available audited annual statement of the respective legal person. If the legal person is a parent undertaking or a subsidiary undertaking of a parent undertaking which prepares the consolidated annual statement in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements or the consolidated financial statement in accordance with the requirements of the laws and regulations of the relevant home Member State, the total turnover shall be formed by the total annual turnover or income of corresponding type in accordance with the relevant laws and regulations of the home Member State in the field of accounting by taking into account the last available consolidated annual statement which has been approved by the main management body of the parent undertaking;

2) to impose a fine of up to EUR 700 000 on the natural person who is responsible for the violation;

3) as an alternative to that laid down in Clause 1 or 2 of this Paragraph to impose a fine of up to double amount of the income gained as result of the violation or of the prevented possible loss.

(4) If a person has acquired or increased a qualifying holding in an insurance or reinsurance undertaking prior to submitting to Latvijas Banka the notification referred to in Section 76, Paragraph one or two of this Law or during the examination thereof, Latvijas Banka is entitled to impose a fine from EUR 14 200 to EUR 142 000 on the person.

(5) [13 October 2022 / See Paragraph 37 of Transitional Provisions]

(6) A bailiff shall conduct compulsory enforcement of the decision of Latvijas Banka not enforced voluntarily in accordance with the procedures laid down in the Civil Procedure Law.

[*21 July2017; 26 October 2017; 3 May 2018; 23 September 2021; 13 October 2022 / The amendment regarding the replacement of the words “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 95.** (1) Latvijas Banka shall post on its website the information regarding the sanctions imposed on persons and also regarding the imposed supervision measures referred to in Section 52.1, Paragraph two of this Law by indicating the information regarding the person and the violation committed thereby, and also regarding contestation or appeal of the decision taken by Latvijas Banka and the ruling rendered.

(2) Latvijas Banka may publish the information referred to in Paragraph one of this Section without identifying the person if, upon prior assessment, it has been established that disclosure of data of a natural person is not commensurate or that disclosure of data of the natural or legal person may jeopardise the stability of the financial market or the course of initiated criminal proceedings, or cause incommensurate damage to the persons concerned.

(3) If it is expected that the circumstances referred to in Paragraph two of this Section may terminate within a reasonable time period, publication of the information referred to in Paragraph one of this Section may be suspended for this time period.

(4) The information posted on the website of Latvijas Banka in accordance with the procedures laid down in this Section shall be available for five years from the day of its posting.

(5) Latvijas Banka shall inform the EIOPA of any sanctions and supervision measures imposed for the violations referred to in Section 52.1, Paragraph two and Section 93.1 of this Law.

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 96.** Latvijas Banka, employees, and authorised persons thereof shall not be liable for losses incurred by an insurer, a Member State insurer, a reinsurer, a Member State reinsurer, an insurance intermediary, a reinsurance intermediary, an ancillary insurance intermediary or third parties, moreover, they may not be held liable for the activities they have performed legally, precisely, justifiably and in good faith in properly performing the supervisory functions in accordance with the procedures laid down in this Law and other laws and regulations.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 97.** A decision of Latvijas Banka which has been taken in accordance with this Law may be appealed to the Regional Administrative Court. The court shall examine a case as the court of first instance. The case shall be examined in the panel of three judges. A judgement of the Regional Administrative Court may be appealed by filing a cassation complaint.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Division C**

**Provisions for the Assessment of Assets and Liabilities, Technical Provisions, Own Funds, Solvency Capital Requirement, Minimum Capital Requirement, and Investments**

**Chapter XIII**

**Assessment of Assets and Liabilities and Technical Provisions**

**Section 98.** (1) For the purposes of the calculation of the own funds, the solvency capital requirement, and the minimum capital requirement of an insurance or reinsurance undertaking, assets and liabilities shall be assessed as follows:

1) assets are assessed at the value for which they could be exchanged between knowledgeable and willing persons in an arm’s length transaction;

2) liabilities are assessed at the value for which they could be transferred or settled between knowledgeable and willing persons in an arm’s length transaction.

(2) In accordance with Paragraph one, Clause 2 of this Section, the assessed liabilities shall not be adjusted by taking into account the creditworthiness of an insurance or reinsurance undertaking.

(3) An insurance or reinsurance undertaking shall, in addition to the requirements of Paragraphs one and two of this Section, apply the methods and assumptions specified in EU Regulation No 2015/35 in the assessment of assets and liabilities.

**Section 99.** An insurance or reinsurance undertaking shall establish technical provisions in such amount which allows to fully settle its liabilities in accordance with the insurance and reinsurance contracts entered into.

**Section 100.** (1) An insurance or reinsurance undertaking shall calculate the technical provisions for each insurance and reinsurance contract individually by ensuring the constitution of such technical provisions at least in the amount which would be necessary to transfer insurance or reinsurance obligations to another insurer or reinsurer on the day of the calculation of the technical provisions.

(2) For the calculation of technical provisions, an insurance or reinsurance undertaking shall use the data obtained on financial markets and generally available data on insurance and reinsurance underwriting and calculations shall be made according to such data.

(3) An insurance or reinsurance undertaking shall calculate technical provisions in a prudent, reliable, and objective manner.

**Section 101.** (1) An insurance or reinsurance undertaking shall calculate technical provisions as the sum of a best estimate and a risk margin of technical provisions. The insurance or reinsurance undertaking shall calculate the best estimate and the risk margin of technical provisions separately.

(2) Latvijas Banka shall determine the core principles for the calculation of technical provisions.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 102.** (1) The best estimate of technical provisions shall be calculated for each insurance and reinsurance contract as the weighted average value of probable future cash flows by including in the calculation the present value of the expected future costs on the day of the calculation of technical provisions and using an adequate risk-free interest rate term structure. EU Regulation No 2015/35 determines the methodology, principles, and methods for the determination of an adequate risk-free interest rate term structure.

(2) The best estimate of technical provisions shall be calculated by using adequate actuarial and statistical methods, current and credible information and on the basis of realistic assumptions. EU Regulation No 2015/35 determines the actuarial and statistical methods for the calculation of the best estimate of technical provisions.

(3) The probable future cash flow to be used for the calculation of the best estimate of technical provisions shall include all incoming and outgoing cash flows resulting from terms and conditions of the insurance or reinsurance contract entered into in order to fully settle all obligations during the term of the insurance or reinsurance contract.

(4) The best estimate of technical provisions shall be calculated by taking into account the ceded reinsurance and retrocession contracts entered into for the transfer of insurance or reinsurance obligations in the ceded reinsurance or retrocession and the transfer of obligations to a special purpose entity.

**Section 103.** (1) The risk margin shall be determined in such amount as to ensure that the technical provisions established for an insurance or reinsurance contract are sufficient so that another insurer or reinsurer could take over the relevant contract and fully settle the insurance or reinsurance obligations resulting from this contract.

(2) The risk margin shall be calculated by determining the costs for providing the amount of eligible own funds according to the solvency capital requirement in order to settle the insurance or reinsurance obligations resulting from the insurance or reinsurance contract. EU Regulation No 2015/35 determines the methods and assumptions used in the calculation of the risk margin, including the determination of the eligible own funds necessary to support insurance and reinsurance obligations and the calibration of the cost-of-capital rate.

**Section 104.** (1) If the probable future cash flow for the settlement of insurance or reinsurance obligations may be replaced by using financial instruments with a reliably measured market value, the technical provisions corresponding to such insurance or reinsurance contract shall be determined on the basis of the market value of the relevant financial instruments and in such case the best estimate and the risk marking of technical provisions do not require separate calculation.

(2) EU Regulation No 2015/35 determines the circumstances in which the best estimate and the risk margin of technical provisions are calculated separately and the circumstances in which the best estimate and the risk margin are not calculated separately, and also the methods which are used in the cases when the best estimate and the risk margin of technical provisions are not calculated separately.

**Section 105.** In calculating technical provisions, an insurance or reinsurance undertaking shall also include the following in the probable future cash flow:

1) all expenses arising in the process of the settlement of insurance and reinsurance obligations;

2) the impact of inflation on expenses and insurance indemnities;

3) all payments to the policy holders, beneficiaries and transferors, including benefits to be allocated in the future which the insurance or reinsurance undertaking has intended to allocate, irrespective of whether or not they are guaranteed according to the terms and conditions of the insurance or reinsurance contract entered into, except for the benefits which the insurer has intended in determining the accounting policy for investment contracts with the guaranteed profitability and future discretionary benefits, to recognise in accounting separately as part of the future discretionary and classified it as a capital and provision item which corresponds to the qualitative criteria in order to be included in the calculation of own funds;

4) the financial guarantees included in the insurance and reinsurance contract;

5) other possibilities provided for in the insurance and reinsurance contract.

**Section 106.** Any assumptions used by an insurance or reinsurance undertaking for the calculation of technical provisions in respect of the likelihood that the policy holder, the insured, the beneficiary, or the transferor will exercise the options provided for in the insurance or reinsurance contract, including early termination of the contract entered into or termination thereof due to the failure to comply with terms and conditions of the contract, shall be realistic and based on current and credible information. The assumptions shall directly or indirectly take into account also the potential impact of future changes in financial and non-financial conditions on the decision of the policy holder and the transferor to use or not to use the option provided for in the insurance or reinsurance contract.

**Section 107.** In calculating technical provisions, an insurance or reinsurance undertaking shall segment its insurance and reinsurance obligations into homogeneous risk groups, at least according to the types of insurance and reinsurance activities. EU Regulation No 2015/35 determines the types of insurance and reinsurance activities, according to which the insurance or reinsurance undertaking segments its insurance and reinsurance obligations when calculating technical provisions.

**Section 108.** (1) In calculating amounts recoverable from reinsurers according to the ceded reinsurance and retrocession contracts entered into and amounts recoverable from special purpose entities, an insurance or reinsurance undertaking shall comply with Sections 99, 100, 101, 102, 103, 104, 105, 106, and 107 of this Law, and also take into account the time difference between recoveries and direct payments.

(2) An insurance or reinsurance undertaking shall adjust the amount obtained as a result of the calculation specified in Paragraph one of this Section by taking into account the expected losses due to default of the counterparty. The insurance or reinsurance undertaking shall make an adjustment on the basis of an assessment of the probability of default of the counterparty and the average loss resulting therefrom.

[*21 July 2017*]

**Section 109.** (1) An insurance or reinsurance undertaking shall develop adequate internal processes and procedures and control the compliance thereof in order to ensure the appropriateness, completeness, and accuracy of the data used for the calculation of technical provisions.

(2) If under certain circumstances an insurance or reinsurance undertaking does not have sufficient data of appropriate quality at the disposal thereof in order to apply a reliable actuarial method to a specific group or subgroup of insurance and reinsurance obligations, or amounts recoverable from reinsurers and special purpose entities, an insurance or reinsurance undertaking may, for the calculation of the best estimate of technical provisions, use appropriate proxies, including also an individual approach to the assessment on a case-by-case basis. EU Regulation No 2015/35 determines the standards which are followed when ensuring the appropriateness, completeness, and accuracy of the data used for the calculation of technical provisions and special conditions when the best estimate of technical provisions may be calculated by using proxies, including also an individual approach to the assessment on a case-by-case basis.

**Section 110.** (1) An insurance or reinsurance undertaking shall develop adequate internal processes and procedures and control compliance thereof in order to ensure the following:

1) regular comparison of the best estimate of technical provisions calculated for the insurance and reinsurance contracts and of the assumptions used for the calculation thereof with the historical data;

2) documentation of the calculation process of technical provisions so that the relevant undertaking could clearly demonstrate, upon request of Latvijas Banka, the adequacy of the technical provisions established, the suitability of the actuarial methods used for the calculation of technical provisions, and the appropriateness of data.

(2) If, in making the comparison specified in Paragraph one of this Section, an insurance or reinsurance undertaking establishes systematic deviations between the best estimate of technical provisions calculated for an insurance or reinsurance contract and the required relevant amount established according to the experience, it shall adjust accordingly the actuarial methods and assumptions used for the calculation of the best estimate of technical provisions.

(3) Upon establishing non-conformity of the calculation of technical provisions established by an insurance or reinsurance undertaking with that specified in this Chapter, Latvijas Banka is entitled to request that the relevant undertaking establishes technical provisions in such amount so that it would correspond to the requirements specified in this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 111.** (1) In specifying an adequate risk-free interest rate term structure specified in Section 102, Paragraph one of this Law, an insurance or reinsurance undertaking shall use and consistently take into account the terms of the relevant financial instruments if the markets of these financial instruments and bonds are considered to be developed, liquid, and transparent and also to use the extrapolation method if the markets of these financial instruments and bonds may not be considered to be developed, liquid, and transparent.

(2) The extrapolated part of the adequate risk-free interest rate term structure shall be justified by a future rate which gradually passes from one interest rate or set of rates in respect of the longest term that the relevant financial instrument and bonds have in a developed, liquid, and transparent market to the final future rate.

**Section 112.** (1) Latvijas Banka shall issue an authorisation for the application of a matching adjustment to the relevant risk-free interest rate term structure in order to calculate the best estimate of technical provisions for the portfolio of life insurance or reinsurance obligations, including for periodic payments resulting from non-life insurance or reinsurance contracts, provided that the following conditions are met:

1) the portfolio of insurance or reinsurance obligations of the best estimate of technical provisions must be constantly covered by the allocated portfolio of assets which contains bonds and other assets with similar characteristics of cash flow, except for cases when the replacement of expected cash flows between assets and liabilities is to be ensured if the cash flows have changed significantly;

2) the portfolio of insurance or reinsurance obligations to which the matching adjustment is applied and the allocated portfolio of assets specified in Clause 1 of this Paragraph are identified, organised, and managed separately from other activities of the insurance or reinsurance undertaking and the allocated portfolio of assets may not be used to cover the losses resulting from other activities of the relevant undertaking;

3) the expected cash flows of the allocated portfolio of assets specified in Clause 1 of this Paragraph are the same as the expected cash flow of each portfolio of insurance or reinsurance obligations in the same currency and any non-conformity does not pose relevant risks to the insurance or reinsurance activity to which the matching adjustment is applied;

4) contracts resulting in insurance or reinsurance obligations do not provide for further payments of insurance premiums;

5) the only risks related to underwriting in respect of the portfolio of insurance or reinsurance obligations are a longevity risk, a risk of expenditure, a revision risk, and a mortality risk;

6) if the underwriting risk related to the portfolio of insurance or reinsurance obligations includes a mortality risk, the best estimate of technical provisions for the obligations of the insurance or reinsurance portfolio does not increase by more than 5 per cent in accordance with the stress scenario of the mortality risk which has been calibrated in accordance with the principles specified in Section 119, Paragraphs three, four, five, six, and seven of this Law;

7) contracts resulting in insurance or reinsurance obligations do not provide for options available to the policy holder or provide for solely an option to terminate early the insurance contract entered into if the surrender value does not exceed the value of the assets used to cover insurance or reinsurance obligations that has been determined in accordance with Section 98 of this Law at the moment of the use of the respective option;

8) cash flows of the allocated portfolio of assets specified in Clause 1 of this Paragraph are fixed and may be changed neither by the issuers of assets nor third parties;

9) in establishing the portfolio of insurance or reinsurance obligations referred to in this Clause, the insurance or reinsurance obligations under the insurance or reinsurance contract are not divided in various parts within the meaning of this Paragraph.

(2) The cash flows specified in Paragraph one, Clause 8 of this Section may depend on inflation under the condition that they replace cash flows of the portfolio of insurance or reinsurance obligations which depend on inflation.

(3) If issuers or third parties have the right to change the cash flow from assets in a manner that an investor receives a sufficient compensation in order to obtain the same cash flows by re-investing in assets with equivalent or better credit quality, the right to change the cash flow shall not preclude the application of the requirements referred to in Paragraph one, Clause 8 of this Section to the allocated portfolio of assets.

(4) If an insurance or reinsurance undertaking applies the matching adjustment to the portfolio of insurance or reinsurance obligations, it shall do it on a permanent basis. If the insurance or reinsurance undertaking which applies the matching adjustment fails to comply with the conditions specified in Paragraph one of this Section, it shall immediately inform Latvijas Banka of this fact and take all the necessary measures in order to ensure that, within two months after establishing the failure to comply with the conditions specified in Paragraph one of this Section, the relevant undertaking complies with the respective conditions. If the insurance or reinsurance undertaking fails to ensure compliance with these conditions within two months, it shall terminate the application of the matching adjustment to all its insurance or reinsurance obligations and shall not apply the matching adjustment for the further 24 months.

(5) The matching adjustment shall not be applied to insurance or reinsurance obligations if the appropriate risk-free interest rate term structure for the calculation of the best estimate of technical provisions for such obligations includes the volatility adjustment specified in Section 114 of this Law.

(6) EU Regulation No 2015/35 determines the specifications in respect of the requirements laid down in Paragraph one of this Section, including the methods, assumptions, and standard parameters which are to be used when calculating the stress scenario of the mortality risk specified in Paragraph one, Clause 5 of this Section.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 113.** (1) The matching adjustment specified in Section 112 of this Law shall be calculated for each type of currency in accordance with the following principles:

1) the matching adjustment is equal to the spread of the following rates:

a) the actual annual rate which is calculated as a single discount rate and the application thereof to cash flows of the portfolio of insurance or reinsurance obligations results in a value which is equal to the value of the allocated portfolio of the assets assessed in accordance with Section 98 and specified in Section 112, Paragraph one, Clause 1;

b) the actual annual rate which is calculated as a single discount rate and the application thereof to cash flows of the portfolio of insurance or reinsurance obligations results in a value which is equal to the value of the best estimate of technical provisions for the portfolio of insurance or reinsurance obligations by including in the calculation the present value of the expected future cash flows and using the basic risk-free interest rate term structure;

2) the matching adjustment does not include the spread of the basic rates reflecting the risks assumed by the insurance or reinsurance undertaking;

3) the spread of the basic rates is increased if it must be ensured that the matching adjustment to assets the credit quality of which is lower than the investment category does not exceed the matching adjustment to assets with the same term and asset class the credit quality of which corresponds to the investment category;

4) the use of the external credit assessment for the calculation of the matching adjustment corresponds to the requirements laid down in EU Regulation No 2015/35.

(2) For the purpose of the application of the principle referred to in Paragraph one, Clause 2 of this Section, the spread of the basic rates:

1) shall be equal to the sum of the following elements:

a) the credit risk spread which corresponds to the probability of default;

b) the credit risk spread which corresponds to the expected losses due to the downgrading of the asset rating;

2) for the exposures with the central governments of Member States within the meaning of Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (hereinafter – EU Regulation No 2223/96) and the central banks, is not below 30 per cent of the long-term average spread which exceeds the risk-free rate for the assets with the same term, credit quality, and asset class which are present on the financial markets;

3) for the assets other than the exposures with the central governments of Member States (within the meaning of EU Regulation No 2223/96) and the central banks, is not below 35 per cent of the long-term average spread which exceeds the risk-free rate for the assets with the same term, credit quality, and asset class which are present on the financial markets.

(3) Calculation of the probability of default referred to in Paragraph two, Clause 1, Sub-clause “a” of this Section shall be based on the statistics on the long-term default which correspond to the term, credit quality, and class of such assets.

(4) If a reliable credit risk spread may not be obtained from the statistics on default, the spread of the basic rates shall be determined as part thereof from the long-term average spread specified in Paragraph two, Clauses 2 and 3 of this Section which exceeds the risk-free interest rate.

(5) EU Regulation No 2015/35 determines the specifications in respect of the requirements laid down in this Section, including the assumptions and methods which are to be used when calculating the matching adjustment and the spread of the basic rates.

**Section 114.** (1) The volatility adjustment to an adequate risk-free interest rate term structure for the currency of the relevant country shall be based on the difference between the interest rate, which could be obtained from the assets included in the reference portfolio for this currency, and the adequate basic risk-free interest rate term structure for this currency. The reference portfolio for each currency shall represent the assets expressed in this currency which an insurance or reinsurance undertaking has invested in order to cover the best estimate of technical provisions for insurance and reinsurance obligations denominated in this currency.

(2) The amount of the volatility adjustment of risk-free interest rates shall correspond to 65 per cent of the risk-adjusted currency difference. The risk-adjusted currency difference shall be calculated as a difference between the difference specified in Paragraph one of this Section and part of this difference which is attributable to a realistic assessment of the expected loss risk, unexpected credit risk, or any other risks related to assets.

(3) The volatility adjustment shall only be applied to an adequate risk-free interest rate term structure which has not been obtained by using the extrapolation method in accordance with Section 111 of this Law. The extrapolation method for an adequate risk-free interest rate term structure shall be used after the application of the volatility adjustment.

(4) The volatility adjustment to risk-free interest rates specified in Paragraph three of this Section for the currency of the relevant country prior to applying a coefficient of 65 per cent shall be increased by a difference between the difference of risk-adjusted national rates and the double difference of risk-adjusted currency rates if this difference is positive and the difference of risk-adjusted national rates exceeds 85 basis points. The increased volatility adjustment shall be applied by calculating the best estimate of insurance or reinsurance obligations for the insurance products which are sold on the insurance market of the relevant country. The difference of risk-adjusted national rates shall be calculated in the same manner as the difference of risk-adjusted currency for the currency of the relevant country but on the basis of the reference portfolio which represents the assets invested by insurance or reinsurance undertakings in order to cover the best estimate of insurance and reinsurance obligations denominated in this currency for the insurance products which are sold on the insurance market of the relevant country.

(5) The volatility adjustment shall not be applied to insurance obligations if the adequate risk-free interest rate term structure for the calculation of the best estimate of such insurance obligations includes the matching adjustment specified in Section 112 of this Law.

(6) The solvency capital requirement shall not cover the risk to lose the basic own funds as a result of changes in the volatility adjustment.

(7) EU Regulation No 2015/35 determines the methods and assumptions which are used to calculate the volatility adjustment specified in this Section, including the formula for the calculation of the difference of values referred to in Paragraph one of this Section.

[*12 November 2020*]

**Section 115.** (1) An insurance or reinsurance undertaking shall use the following technical information published by the EIOPA at least quarterly:

1) the adequate risk-free interest rate term structure for the calculation of the best estimate of technical provisions specified in Section 102 of this Law without the application of the matching adjustment or the volatility adjustment;

2) the spread of the basic rates specified in Section 113, Paragraph one, Clause 2 of this Law for each relevant term, credit quality, and asset class for the calculation of the matching adjustment;

3) the volatility adjustment specified in Section 114, Paragraph one of this Law for the insurance market of each relevant country.

(2) For the calculation of the best estimate of technical provisions specified in Section 102, the matching adjustment of the spread of the basic rates specified in Section 113, Paragraph one, Clause 2, and the volatility adjustment specified in Section 114, Paragraph one of this Law, an insurance or reinsurance undertaking shall use the technical information specified in the European Commission Implementing Regulation regarding the uniform conditions for the calculation of technical provisions and basic own funds. If the European Commission has not indicated the volatility adjustment specified in Paragraph one, Clause 3 of this Section for a specific currency and an insurance market of a country, the insurance or reinsurance undertaking shall not apply the volatility adjustment to an adequate risk-free interest rate term structure.

[*20 June 2019*]

**Chapter XIV**

**Own Funds**

**Section 116.** In order to ensure the stability of the financial activity of an insurance or reinsurance undertaking, this undertaking shall constantly have at its disposal the eligible own funds in the amount of the solvency capital requirement.

**Section 117.** An insurance or reinsurance undertaking shall constantly have at its disposal the eligible basic own funds in the amount of the minimum capital requirement.

**Section 118.** Latvijas Banka shall lay down the procedures for calculating the eligible own funds and the eligible basic own funds.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XV**

**Solvency Capital Requirement and Minimum Capital Requirement**

**Section 119.** (1) The solvency capital requirement shall be calculated in accordance with the standard formula or a full or partial internal model.

(2) The solvency capital requirement shall be calculated by assuming that an insurance or reinsurance undertaking will continue its activity.

(3) The solvency capital requirement shall be calibrated in order to ensure that all identifiable and measurable risks to which an insurance or reinsurance undertaking is exposed are taken into account. This requirement shall apply to the existing commercial activities and also to the new commercial activities expected within 12 months ahead. The solvency capital requirement for the existing commercial activities shall only be applicable to unexpected losses.

(4) The solvency capital requirement shall correspond to the value-at-risk of the basic own funds of an insurance or reinsurance undertaking to a confidence level of 99.5 per cent within a one-year period.

(5) The solvency capital requirement shall refer to at least the following risks:

1) non-life underwriting risk;

2) life underwriting risk;

3) health underwriting risk;

4) market risk;

5) credit risk;

6) operational risk.

(6) The operational risk referred to in Paragraph five, Clause 6 of this Section shall include legal uncertainty but exclude risks arising from strategic decisions taken by an insurance or reinsurance undertaking and also a reputation risk thereof.

(7) In calculating the solvency capital requirement, an insurance or reinsurance undertaking shall take into account the effect of risk mitigation methods, provided that credit risk and other risks arising from the use of such methods are properly included in the calculation of the solvency capital requirement.

(8) Latvijas Banka and EU Regulation No 2015/35 shall lay down the procedures for calculating the solvency capital requirement in accordance with the standard formula.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 120.** (1) An insurance or reinsurance undertaking shall make a calculation of the solvency capital requirement at least once a year and notify Latvijas Banka of the results thereof. The eligible own funds of the insurance or reinsurance undertaking shall be at least in such amount that covers the solvency capital requirement according to the last calculation submitted to Latvijas Banka.

(2) An insurance or reinsurance undertaking shall constantly control the adequacy of the amount of the eligible own funds and the solvency capital requirement. If the risk profile of the insurance or reinsurance undertaking deviates significantly from the assumptions on which the last calculation of the solvency capital requirement is based, the relevant undertaking shall immediately make a new calculation of the solvency capital requirement and submit it to Latvijas Banka.

(3) If, after evaluating the information at the disposal of Latvijas Banka, it is reasonable to believe that the risk profile of an insurance or reinsurance undertaking has changed significantly since the day when the last calculation of the solvency capital requirement has been submitted, Latvijas Banka may request that the relevant undertaking makes a new calculation of the solvency capital requirement.

(4) Differences or changes in the risk profile shall be considered relevant if the solvency capital requirement calculated on the basis of new assumptions deviates from the last calculated solvency capital requirement by 10 or more per cent.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 121.** (1) An insurance or reinsurance undertaking may calculate the solvency capital requirement by using a full or partial internal model subject to an authorisation of Latvijas Banka.

(2) The internal model used by an insurance or reinsurance undertaking shall be a full internal model if it corresponds to the requirements of this Law and as a result of using this model the calculated solvency capital requirement corresponds to the requirements specified in Section 119 of this Law, and the model covers the whole insurance or reinsurance undertaking. The full internal model used by a group of insurance and reinsurance undertakings shall include all insurance and reinsurance undertakings which are included in the calculation of the solvency capital requirement of the group.

(3) The internal model used by an insurance or reinsurance undertaking shall be a partial internal model if it corresponds to the requirements of this Law and it is used to calculate only one or several of the following:

1) one or several risk modules or sub-modules of the basic solvency capital requirement which have been specified in the laws and regulations regarding the procedures for calculating the solvency capital requirement in accordance with the standard formula;

2) the capital requirement for the operational risk;

3) the adjustment by taking into account the loss-absorbing capacity of technical provisions and deferred taxes.

(4) The partial internal model of an insurance or reinsurance undertaking may be used for the calculation of the solvency capital requirement of this undertaking as a whole or of only one or several important business units.

(5) EU Regulation No 2015/35 determines the approach, including the standard integration methods, by which the partial internal model is fully included in the standard formula of the solvency capital requirement and the requirements for the use of alternative methods.

(6) In order to obtain an authorisation for the use of a full or partial internal model, and also an authorisation for making major changes in a full or partial internal model, an insurance or reinsurance undertaking shall submit to Latvijas Banka an application which contains documentary evidence that the internal model conforms to the requirements of laws and regulations in respect of the test for the use of the internal models, the statistical quality standards, the calibration standards, the profit or loss attribution, the approval (validation) standards, and the documentation standards.

(7) If an application for obtaining an authorisation refers to a partial internal model, the requirements of laws and regulations in respect of the test for the use of the internal models, the statistical quality standards, the calibration standards, the profit or loss attribution, the approval (validation) standards, and the documentation standards shall be adapted by taking into account the limited scope of application of the model. EU Regulation No 2015/35 determines such adaptations.

(71) Latvijas Banka shall, in accordance with Article 35(1) of EU Regulation No 1094/2010, inform the EIOPA of any application referred to in Paragraph six of this Section. In respect of taking a decision on such applications, Latvijas Banka has the right to seek assistance of the EIOPA which results from the EIOPA’s tasks and powers set out in Article 8(1)(b) of EU Regulation No 1094/2010.

(8) Latvijas Banka shall, within six months after receipt of a fully completed application which is accompanied by all necessary documents, take the decision to issue an authorisation referred to in the application and send this decision to the applicant.

(9) Latvijas Banka shall issue the authorisation referred to in the application if it has ascertained that the risk identification, approval (validation), supervision, management, and reporting systems of an insurance or reinsurance undertaking are adequate for the commercial activities and risk profile of this undertaking and that the internal model corresponds to the requirements of laws and regulations in respect of the test for the use of the internal models, the statistical quality standards, the calibration standards, the profit or loss attribution, the approval (validation) standards, and the documentation standards.

(10) After having issued the authorisation for the use of the internal model, Latvijas Banka is entitled to request that an insurance or reinsurance undertaking carries out a one-off assessment of the solvency capital requirement in accordance with the standard formula and submits it to Latvijas Banka.

[*10 June 2021; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 122.** (1) Latvijas Banka shall only issue an authorisation for the use of a partial internal model after it has ascertained that the internal model corresponds to the requirements of Section 121 of this Law and also:

1) the insurance or reinsurance undertaking has sufficiently justified the reason for the limited scope of application of the model;

2) the solvency capital requirement calculated by using the partial internal model reflects more accurately the risk profile of the insurance or reinsurance undertaking and also corresponds to the general requirements for the solvency capital requirement specified in Section 119 of this Law;

3) the design of the partial internal model corresponds to the general requirements for the solvency capital requirement specified in Section 119 of this Law and it may be fully integrated into the standard formula of the solvency capital requirement according to the type specified in EU Regulation No 2015/35 in which the partial internal model is to be fully integrated into the standard formula of the solvency capital requirement and the requirements specified for the use of alternative integration methods.

(2) In evaluating an application for obtaining an authorisation for the use of a partial internal model, Latvijas Banka is entitled to request that a relevant insurance or reinsurance undertaking submits a transitional plan to extend the scope of application of the model if this undertaking has submitted an application for the use of a partial internal model which refers to the following:

1) only individual sub-modules of a specific risk module;

2) only important business units of this undertaking with respect to the specific risk module;

3) partly both to the sub-modules referred to in Clause 1 and the units referred to in Clause 2 of this Paragraph.

(3) An insurance or reinsurance undertaking shall indicate in the transitional plan the manner, the means and methods to be used, the scope of application of the model to be achieved, and the time period within which it has intended to extend the scope of application of the model to other sub-modules or important business units in order to ensure that the model covers a predominant part of the relevant insurance or reinsurance activities with respect to the specific risk module.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 123.** (1) Concurrently with the application referred to in Section 121, Paragraph six of this Law for obtaining an authorisation for the use of a full or partial internal model, an insurance or reinsurance undertaking shall submit to Latvijas Banka its policy for changing the internal model. The policy of the insurance or reinsurance undertaking for changing the internal model shall be considered a component of the application which is to be submitted for obtaining an authorisation for the use of a full or partial internal model. Latvijas Banka shall approve the policy of the insurance or reinsurance undertaking for changing the internal model in accordance with the procedures laid down in Section 121 of this Law.

(2) Changes to the internal model may only be made in accordance with the policy of the insurance or reinsurance undertaking for changing the internal model. The policy for changing the internal model shall include the specifications of major and minor changes to the internal model.

(3) Minor changes to the internal model shall not be subject to a prior authorisation of Latvijas Banka, provided that they have been developed in accordance with the policy of the insurance or reinsurance undertaking for changing the internal model.

(4) In order to obtain a prior authorisation of Latvijas Banka which is necessary for making major changes to the internal model, the application referred to in Section 121, Paragraph six of this Law shall be submitted to Latvijas Banka.

[*10 June 2021; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 124.** (1) The executive board of an insurance or reinsurance undertaking shall approve an application to Latvijas Banka for the approval of the internal model in accordance with the provisions of Section 121 of this Law and also an application for the approval of any subsequent major changes to be made to this model.

(2) The board of an insurance or reinsurance undertaking shall be responsible for the introduction of such systems in this undertaking which ensure proper operation of the internal model.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 125.** An insurance or reinsurance undertaking that has obtained an authorisation for the use of an internal model in accordance with Section 121 of this Law may only recommence the calculation of the solvency capital requirement or of any part thereof in accordance with the standard formula upon receipt of an authorisation of Latvijas Banka. In order to obtain the authorisation, the insurance or reinsurance undertaking shall submit to Latvijas Banka a reasoned submission.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 126.** (1) If an insurance or reinsurance undertaking that has already obtained an authorisation of Latvijas Banka for the use of an internal model fails to conform to the requirements of the laws and regulations in respect of the use test, the statistical quality standards, the calibration standards, the profit or loss attribution, the approval (validation) standards, and the documentation standards, it shall immediately inform Latvijas Banka of this fact and submit a plan for the restoration of conformity, or a reasoned submission demonstrating that the effect of such non-conformity on the result of the calculation of the solvency capital requirement is immaterial.

(2) If the insurance or reinsurance undertaking fails to comply with the plan referred to in Paragraph one of this Section, it shall immediately inform Latvijas Banka of this fact. Latvijas Banka is entitled to request that the relevant undertaking further calculates the solvency capital requirement in accordance with the standard formula.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 127.** Latvijas Banka is entitled to request that an insurance or reinsurance undertaking establishes an internal model or the relevant risk modules thereof for the calculation of the solvency capital requirement and ensures the application thereof if there are grounds to believe that the solvency capital requirement which has been calculated in accordance with the standard formula is not adequate, as the risk profile of the relevant undertaking deviates significantly from the assumptions underlying the calculation of the standard formula.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 128.** Latvijas Banka shall lay down the requirements in respect of the test for the use of the internal models, the statistical quality standards, the calibration standards, the profit or loss attribution to important business units, the approval (validation) standards, and the documentation standards.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 129.** Latvijas Banka is entitled to request that an insurance or reinsurance undertaking reviews its internal model by using adequate benchmark portfolios and assumptions mainly based on external rather than internal data of this undertaking in order to approve the calibration of the internal model and ascertain that the specifications thereof correspond to the generally accepted market practice.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 130.** (1) EU Regulation No 2015/35 shall lay down the procedures for calculating the minimum capital requirement. The minimum capital requirement may not fall below the absolute minimum value of the minimum capital requirement specified in Paragraph three of this Section.

(2) The minimum capital requirement may not fall below 25 per cent and exceed 45 per cent of the solvency capital requirement of an insurance or reinsurance undertaking which is calculated in accordance with the standard formula or internal model and which includes any additional capital requirement determined by Latvijas Banka in accordance with the requirements of Section 46 of this Law. If the minimum capital requirement of the insurance or reinsurance undertaking coincides with any of the respective percentage limitations, this undertaking shall provide Latvijas Banka with information on the reasons thereof.

(3) The absolute minimum value of the minimum capital requirement:

1) shall be EUR 3.7 million for non-life insurance undertakings, including captive insurance undertakings, which perform insurance in one or several classes of non-life insurance referred to in Section 19, Paragraph one, Clauses 10, 11, 12, 13, 14, and 15 of this Law but for other non-life insurance undertakings, including captive insurance undertakings, – EUR 2.5 million;

2) shall be EUR 3.7 million for life insurance undertakings, including captive insurance undertakings, which have obtained a licence for the performance of life insurance;

3) shall be EUR 3.6 million for reinsurance undertakings but for captive reinsurance undertakings – EUR 1.2 million;

4) shall be the sum of the absolute minimum values of the minimum capital requirement referred to in Clauses 1 and 2 of this Paragraph for insurance undertakings which concurrently perform both life and non-life insurance.

(4) An insurance or reinsurance undertaking shall make a calculation of the minimum capital requirement at least quarterly and submit the results thereof to Latvijas Banka. For the purposes of the calculation of the percentage limitations referred to in Paragraph two of this Section, the insurance or reinsurance undertaking shall not make a calculation of the solvency capital requirement for a relevant quarter and it may use the calculation made for the previous reporting year.

(5) The absolute minimum value of the minimum capital requirement specified in Paragraph three of this Section and expressed in euros shall be reviewed once every five years and indexed if, in accordance with the information provided by Eurostat, the consumer price index in the countries of the European Economic Area has increased by 5 or more per cent from 31 December 2015 to the moment of review. The amount of the increase in the absolute minimum value of the minimum capital requirement shall be rounded up to the nearest EUR 100 000. The European Commission shall notify the decision to perform indexation and the amount of the increase in the absolute minimum value of the minimum capital requirement in a relevant year.

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XVI**

**Investments**

**Section 131.** An insurance or reinsurance undertaking shall invest all its assets by following the precautionary principle specified in Sections 132, 133, and 134 of this Law.

**Section 132.** (1) An insurance or reinsurance undertaking shall only invest its portfolio of assets in such assets and financial instruments the risks of which the relevant undertaking may properly identify, measure, supervise, manage, control, and report and also by taking into account the general solvency needs in accordance with the provisions specified in Section 65, Paragraph two, Clause 1 of this Law.

(2) An insurance or reinsurance undertaking shall develop and approve its own investment policy and procedure. The insurance or reinsurance undertaking shall be responsible for the compliance with this policy and procedure. The board of the insurance or reinsurance undertaking shall, at least once a year, review the investment policy and procedure by coordinating it by types of investments, geographical location, counterparties, regulated and non-regulated markets of financial instruments, and real estate markets. Prior to transactions in financial derivative instruments, the insurance or reinsurance undertaking shall develop and approve a policy and procedure for the use of financial derivative instruments which have been aligned to the principal activity, the investment procedures, and the appropriate risk management of this undertaking.

(3) All assets, in particular those covering the minimum capital requirement and the solvency capital requirement, shall be invested by guaranteeing safety, quality, liquidity, and profitability of the portfolio of assets as a whole. Moreover, such assets shall be arranged so that the availability thereof is ensured.

(4) Assets used to cover technical provisions shall be invested according to the type of insurance and reinsurance obligations and duration of the contract. The respective assets shall be invested according to the interests of all policy holders and beneficiaries by taking into account the terms and conditions included in the insurance contract.

(5) In the case of a conflict of interest, an insurance undertaking or a person managing its portfolio of assets shall ensure that the investment is made in the interests of the policy holders and beneficiaries.

**Section 133.** In addition to the requirements specified in Section 132 of this Law, the following requirements shall be applied to the coverage of technical provisions of a life insurance contract under which the investment risk is assumed by the policy holder:

1) if the life insurance contract, under which the investment risk is assumed by the policy holder, is linked to investment certificates (units) of open investment funds (equivalent collective investment undertakings) or to a set of separated assets established specifically for this purpose by an insurance or reinsurance undertaking that is usually divided in notional units, assets shall be applied to the coverage of technical provisions of such contract that are linked, as closely as possible, to such certificates (units) or such assets;

2) if the life insurance contract, under which the investment risk is assumed by the policy holder, is linked to the share index or another aspect of calculation not provided for by Clause 1 of this Paragraph, assets shall be applied to the coverage of technical provisions of such contract whose changes in the value are closely linked to the changes in the value of the share index or another aspect of calculation which represent appropriate security and marketability and correspond, as closely as possible, to the assets the value of which depends on the relevant aspect of calculation;

3) if the contracts referred to in Clauses 1 and 2 of this Section contain conditions for the investment profitability guarantee or another guaranteed benefit, the assets which are applied to the coverage of technical provisions of such contracts correspond to the requirements of Section 134 of this Law.

**Section 134.** In addition to the requirements specified in Section 132 of this Law, the assets of an insurance or reinsurance undertaking, except for those referred to in Section 133 of this Law, shall correspond to the following requirements:

1) assets are properly diversified in order to avoid excessive reliance on any category of assets, an issuer or a group of commercial companies, or a geographical area and to avoid excessive risk concentration in the investment portfolio. Investments in assets issued by the same issuer or issuers which belong to the same group shall not expose the insurance or reinsurance undertakings to excessive risk concentration;

2) it is only acceptable to use derivative financial instruments if they contribute to the reduction of risks or more efficient management of the investment portfolio. The derivative financial instruments shall be assessed prudently by taking into account in the total assessment the value of the assets to which the relevant derivative financial instrument is related. The insurance or reinsurance undertaking shall avoid excessive risk-taking by using transactions in derivative financial instruments;

3) investments and assets not traded on a regulated market shall be kept to a prudent level.

**Section 135.** An insurance or reinsurance undertaking may not directly or indirectly provide a loan for the acquisition of its own issued stocks or shares or for the acquisition of the stocks or shares issued by the persons related to the relevant undertaking and also may not accept own stocks or shares as a security for obligations.

**Section 136.** An insurance or reinsurance undertaking shall ensure a geographical location for the assets which form the amounts recoverable from reinsurance contracts entered into with the relevant undertaking, a Member State insurer or reinsurer, and a foreign insurer or reinsurer if a supervisory regime for the solvency of such commercial companies corresponds to the criteria laid down in EU Regulation No 2015/35 in respect of the equivalence of the supervisory regime in accordance with the investment policy and procedure.

[*25 April 2019*]

**Section 137.** [21 July 2017]

**Section 138.** [25 April 2019]

**Section 138.1** (1) If the investment policy of an insurance or reinsurance undertaking which is entitled to perform life insurance or reinsurance envisages to invest assets in the stocks of a joint stock company the registered office of which is in a Member State and the stocks of which have been admitted to a regulated market of a Member State (hereinafter in this Section – the joint stock company), the insurance or reinsurance undertaking shall develop a policy (hereinafter – the engagement policy) describing and explaining therein how the investment strategy of the insurance or reinsurance undertaking includes the exercise of rights of a stockholder in the management of the joint stock company.

(2) The engagement policy shall describe how an insurance or reinsurance undertaking supervises the activities of the joint stock company in at least the following matters:

1) strategy;

2) results and risks of financial and non-financial activities;

3) capital structure;

4) social impact;

5) environmental impact;

6) corporate management.

(3) In addition to the information referred to in Paragraph two of this Section, the engagement policy shall describe how an insurance or reinsurance undertaking:

1) implements a dialogue with the joint stock company;

2) exercises voting rights and other rights arising from stocks in the joint stock company, including providing for the criteria for the determination of less significant votes;

3) cooperates with other stockholders of the joint stock company;

4) communicates with stockholders of the joint stock company;

5) implements the management of actual and potential conflicts of interest in relation to engagement in the management of the joint stock company.

(4) An insurance or reinsurance undertaking shall, each year by 1 August, publish a report on the implementation of the engagement policy. The report shall be provided for the period from the day when the engagement policy is disclosed for the first time or the last report on the implementation of the engagement policy is disclosed. The report shall include the following information:

1) general information on how the insurance or reinsurance undertaking exercises the voting rights;

2) an explanation of the most significant votes;

3) information on the use of the services of authorised advisories (within the meaning of Section 1, Paragraph one, Clause 106 of the Financial Instrument Market Law).

(5) In addition to the information referred to in Paragraph four of this Section, an insurance or reinsurance undertaking shall publish its votes in the meetings of stockholders of the joint stock company. The insurance or reinsurance undertaking need not disclose the votes which, according to the engagement policy, are considered to be insignificant.

(6) It shall be allowed for an insurance or reinsurance undertaking not to apply one or several requirements of this Section. If the insurance or reinsurance undertaking does not apply any of the requirements of this Section, it shall provide information as to which of the requirements is not applied and the grounds for such action.

(7) An insurance or reinsurance undertaking shall ensure that the information referred to in Paragraphs two, three, four, five, and six of this Section is publicly available on its website free of charge.

(8) If an outsourcing service provider (hereinafter also – the asset manager) implements the engagement policy and exercises voting rights on behalf of an insurance or reinsurance undertaking, the insurance or reinsurance undertaking shall publish information which contains the report of the asset manager on the implementation of the engagement policy.

[*20 June 2019 / See Paragraphs 28 and 29 of Transitional Provisions*]

**Section 138.2** (1) An insurance or reinsurance undertaking that is entitled to perform life insurance or reinsurance shall publish the information regarding the compliance of the investment strategy with the term structure of liabilities of this undertaking and regarding the fact how the investment strategy contributes to the performance results of assets of the insurance or reinsurance undertaking in a medium term and long term. The insurance or reinsurance undertaking shall ensure that this information is publicly available on its website free of charge.

(2) If the assets of an insurance or reinsurance undertaking which is entitled to perform life insurance or reinsurance are managed by the asset manager, this undertaking shall each year publish the following information regarding the contract entered into with the asset manager:

1) how the compliance of the investment strategy and decision-taking of the asset manager with the term structure of liabilities of the insurance or reinsurance undertaking is promoted;

2) how the compliance of decision-taking of the asset manager with the medium-term and long-term financial and non-financial performance results of such joint stock company the registered office of which is in a Member State and the stocks of which are admitted to a regulated market of a Member State (hereinafter in this Section – the joint stock company) is promoted if assets of the insurance or reinsurance undertaking have been invested in the stocks of this joint stock company;

3) how the involvement of the asset manager in the management of the joint stock company is promoted in order to improve the medium-term and long-term performance results of this company;

4) how the assessment method of the performance results of the asset manager and the time period, and also the payment for the services of the asset manager comply with the term structure of liabilities of the insurance or reinsurance undertaking and how the absolute performance results are taken into account in a long term;

5) how the insurance or reinsurance undertaking supervises the turnover costs of the investment portfolio incurred by the asset manager and how it determines and supervises the turnover of the investment portfolio;

6) regarding the duration of the contract.

(3) If a contract between an insurance or reinsurance undertaking and the asset manager does not include any of the provisions referred to in Paragraph two of this Section, the insurance or reinsurance undertaking shall provide grounds for such action.

(4) An insurance or reinsurance undertaking shall ensure that the information referred to in Paragraphs one, two, and three of this Section is publicly available on its website free of charge within three months from the day when the contract has been entered into with the asset manager. The insurance or reinsurance undertaking shall update the information at least once a year. It may include the information referred to in Paragraphs one and two of this Section in the report on the solvency and financial standing of this undertaking which is to be published in accordance with Section 91, Paragraph one of this Law.

(5) If assets of an insurance or reinsurance undertaking are managed by the asset manager, it shall provide a report explaining how the investment strategy and implementation thereof correspond to the terms and conditions of the contract entered into with the insurance or reinsurance undertaking, and how the investment strategy contributes to the performance results of assets of the insurance or reinsurance undertaking in a medium term and long term. The report shall additionally include the following information:

1) the most significant medium-term and long-term investment risks;

2) the composition of the investment portfolio;

3) the turnover of the investment portfolio and costs thereof;

4) the use of the services of authorised advisers;

5) the policy for securities borrowing and implementation of such policy in the meeting of stockholders of such joint stock company in the stocks of which the investment has been made and also in the implementation of involvement measures of other stockholders;

6) the information regarding the impact of the evaluation of the medium-term and long-term performance results of the joint stock company on the taking of investment decisions;

7) the information regarding the conflicts of interest which have arisen due to involvement in the management of the joint stock company and as to how the asset manager has implemented conflict management.

(6) The asset manager shall, each year by 1 August, provide the information referred to in Paragraph five of this Section to an insurance or reinsurance undertaking.

[*20 June 2019 / See Paragraphs 30, 31, and 32 of Transitional Provisions*]

**Chapter XVII**

**Deterioration of the Financial Standing of an Insurance or Reinsurance Undertaking**

**Section 139.** An insurance or reinsurance undertaking shall develop a policy laying down the procedures by which the relevant undertaking establishes deterioration of its financial standing. Upon establishing deterioration of the financial standing, the insurance or reinsurance undertaking shall immediately inform Latvijas Banka of this fact.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 140.** (1) If an insurance or reinsurance undertaking has failed to conform to the requirements of this Law and other laws and regulations in respect of the constitution of technical provisions and calculation methods, Latvijas Banka may, after informing the supervisory authorities of the Member State in which the insurance or reinsurance merchant has its branch or in which the insurance or reinsurance merchant provides insurance or reinsurance services (participating Member State), prohibit the relevant undertaking from disposing its assets freely.

(2) Latvijas Banka shall indicate the assets whereto the measures specified in Paragraph one of this Section apply.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 141.** (1) An insurance or reinsurance undertaking shall immediately inform Latvijas Banka as soon as it establishes that it fails to conform to the solvency capital requirement or if there is a risk of a potential failure to conform to the solvency capital requirement in the next three months.

(2) An insurance or reinsurance undertaking shall, within two months after having established that it fails to conform to the solvency capital requirement, submit to Latvijas Banka for coordination a recovery plan to restore the eligible own funds to the amount of the solvency capital requirement.

(3) An insurance or reinsurance undertaking shall take all necessary measures in order to ensure that it restores the eligible own funds to the amount of the solvency capital requirement within six months after establishing the failure to conform to the solvency capital requirement.

(4) Latvijas Banka is entitled to extend the time period specified in Paragraph three of this Section by three months.

(5) In the case of exceptional adverse circumstances reported by the EIOPA affecting insurance or reinsurance undertakings which represent a significant market share or the business activities of which cover a significant part of the types of the transactions affected and, where necessary, after consulting the European Systemic Risk Board, Latvijas Banka is entitled to extend the time period specified in Paragraph three of this Section for a certain period of time but no longer than seven years by taking into account the circumstances of the specific case, including the medium term of technical provisions.

(6) Latvijas Banka may submit a request to the EIOPA asking to inform of the existence of the exceptional adverse circumstances referred to in Paragraph five of this Section if the insurance or reinsurance undertakings which represent a significant market share or the business activities of which cover a significant part of the types of the transactions affected fail to enforce the measures referred to in Paragraph three of this Section. The exceptional adverse circumstances shall occur where the financial standing of the insurance or reinsurance undertakings which have significant market power or the business activities of which cover a significant part of the types of the transactions affected is significantly or adversely affected by one or several of the following circumstances:

1) an unexpected, rapid, and excessive fall on the financial markets;

2) an environment of consistently low interest rates;

3) a catastrophic event which has a strong impact.

(7) Latvijas Banka shall, in cooperation with the EIOPA, regularly assess whether the circumstances referred to in Paragraph six of this Section are still present. If it is established that the exceptional adverse circumstances are no longer present, the EIOPA and Latvijas Banka shall make it known to the public.

(8) If Latvijas Banka has extended the time period in accordance with Paragraph five of this Section, an insurance or reinsurance undertaking shall, every three months, submit to Latvijas Banka a report on the measures taken to restore the eligible own funds to the amount of the solvency capital requirement or to reduce risk in order to ensure conformity with the solvency capital requirement.

(9) Latvijas Banka shall revoke the extension of the time period specified in Paragraph five of this Section if it results from the report specified in Paragraph eight of this Section that during the period of time from the day when non-conformity with the solvency capital requirement has been established to the day of submission of the report no significant improvement has occurred in the restoration of the eligible own funds to the amount of the solvency capital requirement or risk reduction in order to ensure conformity with the solvency capital requirement.

(10) If, upon occurrence of the case referred to in Paragraph one of this Section, Latvijas Banka believes that the financial standing of an insurance or reinsurance undertaking continues to deteriorate, it may restrict or prohibit this undertaking from disposing its assets freely.

(11) Latvijas Banka shall immediately inform the supervisory authorities of the participating Member States in the territory of which an insurance or reinsurance undertaking performs insurance or reinsurance of all the measures which it has taken in accordance with Paragraph ten of this Section in respect of this undertaking and request that they apply the same measures to the relevant undertaking in the territory of the participating Member States.

(12) Latvijas Banka shall indicate the assets whereto the measures specified in Paragraph ten of this Section apply.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 142.** (1) An insurance or reinsurance undertaking shall immediately inform Latvijas Banka as soon as it establishes that the eligible own funds fall below the minimum capital requirement or if there is a risk of a potential failure to conform to the minimum capital requirement in the next three months.

(2) An insurance or reinsurance undertaking shall, within one month after the case specified in Paragraph one of this Section has occurred, submit to Latvijas Banka for coordination a plan to restore the eligible own funds to the amount of the minimum capital requirement. The plan shall envisage that the insurance or reinsurance undertaking shall, within three months from the day when the non-conformity specified in Paragraph one of this Section has been established, restore the eligible own funds to the amount of the minimum capital requirement or reduce the risk by ensuring conformity with the minimum capital requirement.

(3) Upon occurrence of the case specified in Paragraph one of this Section, Latvijas Banka may restrict or prohibit an insurance or reinsurance undertaking from disposing its assets freely.

(4) Latvijas Banka shall inform the supervisory authorities of the participating Member States in the territory of which an insurance or reinsurance undertaking performs insurance or reinsurance of all the measures which it has taken in accordance with Paragraph three of this Section in respect of this insurance or reinsurance undertaking and request that they apply the same measures to the relevant undertaking in the territory of the participating Member States.

(5) Latvijas Banka shall indicate the assets whereto the measures specified in Paragraph three of this Section apply.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 143.** If Latvijas Banka has received a request of the supervisory authority of a Member State to restrict or prohibit free disposal of assets of a Member State insurer or reinsurer in the Republic of Latvia, it shall take the necessary measures in order to ensure the enforcement of the restriction or prohibition on free disposal of the assets in respect of which the supervisory authority of the Member State has requested to impose the restriction or prohibition.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 144.** (1) Latvijas Banka may, on the basis of the submitted financial statements and results of the reviews, request that an insurance or reinsurance undertaking submits the plan specified in Section 141, Paragraph two or Section 142, Paragraph two of this Law.

(2) If the financial standing of an insurance or reinsurance undertaking deteriorates and the fulfilment of the obligations arising out of its insurance or reinsurance contracts is threatened or if the relevant undertaking has failed to submit to Latvijas Banka the plan specified in Section 141, Paragraph two or Section 142, Paragraph two of this Law, Latvijas Banka is entitled to take any measures necessary to ensure the protection of interests of the insured persons.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 145.** (1) The board of an insurance or reinsurance undertaking shall be responsible for timely development and implementation of the plan specified in Section 141, Paragraph two and Section 142, Paragraph two of this Law.

(2) An insurance or reinsurance undertaking shall include at least the following in the plan specified in Section 141, Paragraph two and Section 142, Paragraph two of this Law:

1) the information regarding the planned expenses of this undertaking related to its activity (administrative and customer acquisition expenses);

2) the information regarding the planned revenues of this undertaking from the performed insurance, reinsurance, ceded reinsurance, and retrocession and regarding the related costs;

3) a draft report reflecting the financial standing at the end the reporting period and a draft report on the financial performance in the reporting period;

4) the planned financial sources necessary to ensure the fulfilment of the obligations arising from insurance or reinsurance, conformity with the solvency capital requirement, and conformity with the minimum capital requirement;

5) the ceded reinsurance and retrocession programme;

6) the measures to be taken and time periods for the implementation thereof.

(3) If Latvijas Banka has requested that an insurance or reinsurance undertaking develops the plan specified in Section 141, Paragraph two and Section 142, Paragraph two of this Law, it shall not take the decision to issue the authorisation specified in Section 47, Paragraph three of this Law while it believes that the rights of the insured persons or the fulfilment of contractual obligations of the reinsurance undertaking is threatened.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 146.** (1) An insurance or reinsurance undertaking shall be obliged to inform Latvijas Banka of all the circumstances which may significantly affect further activity of this undertaking.

(2) Latvijas Banka has the right not to authorise an insurance or reinsurance undertaking to establish close links with third parties or to request that the relevant undertaking terminates close links with third parties, or to prohibit transactions therewith where such links may or do threaten the financial stability of the insurance or reinsurance undertaking, the interests of the insured persons, or prevent Latvijas Banka from performing the supervisory functions.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 147.** (1) Latvijas Banka has the right to cancel the insurance or reinsurance licence issued if:

1) the insurance or reinsurance undertaking has not commenced performing insurance or reinsurance within 12 months from the day of obtaining the insurance or reinsurance licence;

2) the insurance or reinsurance undertaking has suspended the performance of insurance or reinsurance for a period of more than six months;

3) the insurance or reinsurance undertaking surrenders the insurance or reinsurance licence;

4) the insurance or reinsurance undertaking violates this Law or fails to comply with the conditions of the insurance or reinsurance licence;

5) the insurance or reinsurance undertaking seriously violates other laws and regulations governing commercial activities;

6) the insurance or reinsurance undertaking is not able to fulfil its obligations arising out of insurance or reinsurance contracts;

7) the insurance undertaking has failed to, voluntarily and in full amount, make payments into the Fund for the Protection of the Insured within two months after Latvijas Banka has expressed a warning regarding the cancellation of the licence;

8) the insurance or reinsurance undertaking is being liquidated;

9) the prohibition of exercising the voting rights of stocks which belong to stockholders of the insurance or reinsurance undertaking with a qualifying holding has set in and it lasts for more than six months.

(2) Latvijas Banka shall cancel the insurance or reinsurance licence issued if the insurance or reinsurance undertaking fails to conform to the minimum capital requirement and Latvijas Banka believes that the plan to restore the eligible basic own funds to the minimum capital requirement is not adequate or the relevant undertaking fails to follow the respective plan within three months after establishing non-conformity with the minimum capital requirement.

(3) Latvijas Banka shall provide the supervisory authority of the participating Member State with the information on the cancellation of the insurance or reinsurance licence.

(4) If Latvijas Banka has received information from the supervisory authority of a Member State that this authority has cancelled the insurance or reinsurance licence issued to a Member State insurer or reinsurer, it shall take all the necessary measures which prevent the relevant Member State insurer or reinsurer from entering into new insurance or reinsurance contracts in the Republic of Latvia by exercising the right to establish a branch or, if the principle of freedom to provide services is conformed to, to provide insurance or reinsurance services without opening a branch.

(5) Appeal of the decision of Latvijas Banka to cancel the insurance or reinsurance licence shall not suspend the operation thereof.

(6) Latvijas Banka shall inform the EIOPA of the cancelled insurance or reinsurance licences.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 148.** (1) If Latvijas Banka has established any circumstances which allow it to decide to cancel the insurance licence, it may take the decision to suspend the operation of the insurance licence.

(2) The time period for the suspension of the operation of the insurance licence shall not exceed six months.

(3) An insurance undertaking may not enter into new contracts, amend the terms and conditions of the existing insurance contracts, or extend the duration thereof in the same class of insurance for the performance of which the insurance licence has been issued and the operation of which has been suspended, but shall continue performing the existing insurance contracts.

(4) If the decision taken by Latvijas Banka to suspend the operation of the insurance licence is appealed, the appeal shall not suspend the operation thereof.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 149.** (1) Latvijas Banka may cancel an insurance or reinsurance licence for one or several classes of insurance or reinsurance. If the insurance or reinsurance licence is cancelled, the insurance or reinsurance undertaking may not enter into new insurance or reinsurance contracts in the relevant class of insurance or reinsurance, amend the terms and conditions of the existing insurance or reinsurance contracts, or extend the duration thereof, but shall continue fulfilling the obligations arising out of the insurance or reinsurance contracts entered into.

(2) An insurance or reinsurance undertaking shall be liquidated if the insurance or reinsurance licence is cancelled for all classes of insurance or reinsurance performed by this undertaking, except for the case where, as a result of reorganisation or without it, such undertaking is transformed into a legal person that does not perform insurance or reinsurance. The insurance or reinsurance undertaking may, as a result of reorganisation or without it, be transformed into a legal person that does not perform insurance or reinsurance only subject to an authorisation of Latvijas Banka.

(3) If it is intended to transform an insurance or reinsurance undertaking into a legal person that does not perform insurance or reinsurance, Latvijas Banka shall issue an authorisation, provided that the relevant undertaking has fulfilled all the obligations arising out of the insurance or reinsurance contracts entered into.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 150.** (1) In suspending or cancelling an insurance licence, Latvijas Banka is entitled to restrict the activities of the insurance undertaking with its assets, payment of costs, and assumption of new obligations.

(2) Latvijas Banka shall immediately publish in the official gazette *Latvijas Vēstnesis* a notification regarding the cancellation of the issued insurance licence or suspension of the operation thereof.

(3) Latvijas Banka shall continue to supervise the insurance undertaking until complete fulfilment of insurance obligations or until this undertaking is declared insolvent.

(4) Provisions of this Section shall also be applicable in the case of the cancellation of a reinsurance licence.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 151.** If an insurance undertaking is excluded or withdraws from the Motor Insurers’ Bureau of Latvia or an analogue organisation in a Member State, the insurance undertaking shall be prohibited from performing compulsory civil liability insurance of motor vehicle owners in the relevant territory.

**Division D**

**Right to Open a Branch and Right to Perform Insurance by Following the Principle of Freedom to Provide Services**

**Chapter XVIII**

**Opening a Branch of an Insurance Merchant**

**Section 152.** (1) An insurance undertaking that wishes to open a branch in a Member State shall notify Latvijas Banka of this in writing prior to opening the branch.

(2) An insurance undertaking shall include the following in a submission for opening a branch:

1) the information regarding the Member State in which it plans to open the branch;

2) an operational plan for three years which contains at least the information regarding the services offered and the organisational structure of the branch;

3) the information regarding the manager of the branch of the insurance undertaking (the person who creates civil obligations to the insurance undertaking when taking significant decisions on behalf of the branch);

4) address of the branch of the insurance undertaking in the Member State (the address which may be used to send and receive information or communicate with the manager of the branch);

5) if the insurance undertaking plans to perform compulsory civil liability insurance of motor vehicle owners, it shall additionally include in the submission a confirmation that the insurance undertaking is a member of the Motor Insurers’ Bureau of the Member State or an analogue organisation and of the relevant guarantee fund.

(3) In making amendments to the information referred to in Paragraph two, Clauses 2, 3, and 4 of this Section, the insurance undertaking shall, at least 30 days prior to making the relevant amendments, inform thereof Latvijas Banka and the supervisory authority of the Member State of the branch in writing in order for Latvijas Banka and the supervisory authority of the Member State of the branch to be able to fulfil the obligations specified in Section 153 of this Law.

(4) Provisions of this Section shall apply to any continuous activity of the insurance undertaking in a Member State if it is performed through an office established in the Member State that is managed by the staff of the insurance undertaking or an independent person who has been granted permanent authority by the insurance undertaking to act on behalf of this undertaking.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 153.** (1) Latvijas Banka shall, within three months after receipt of the submission referred to in Section 152, Paragraph two of this Law and the accompanying information, inform the supervisory authority of the Member State of the branch and the insurance undertaking of this fact by including a confirmation in the notification that the relevant undertaking conforms to the solvency capital requirement and the minimum capital requirement, except for the cases specified in Paragraph two of this Section.

(2) Latvijas Banka shall take the decision to refuse to authorise an insurance undertaking to open a branch in a Member State and not send to the supervisory authority of the Member State the notification referred to in Paragraph one of this Section in the following cases:

1) the documents submitted by the insurance undertaking contain false or incomplete information;

2) the management system of the insurance undertaking does not allow to ensure that the branch is supervised in accordance with laws and regulations of the Republic of Latvia;

3) the manager of the branch of the insurance undertaking (the person who creates civil obligations to the insurance undertaking when taking significant decisions on behalf of the branch) does not correspond to the requirements of Section 58 of this Law;

4) the eligible own funds of the insurance undertaking do not correspond to the solvency capital requirement or the eligible basic own funds do not correspond to the minimum capital requirement;

5) the violations established by Latvijas Banka have not been eliminated.

(3) Latvijas Banka shall take the decision referred to in Paragraph two of this Section within three months after receipt of all the information referred to in Section 152, Paragraph two of this Law and send it to the insurance undertaking.

(4) If an insurance undertaking has commenced providing insurance services in a Member State through a branch, Latvijas Banka is entitled to take a decision requesting the relevant undertaking to terminate the provision of insurance services in the Member State in the following cases:

1) the documents submitted by the insurance undertaking contain false or incomplete information regarding the provision of insurance services in the Member State through the branch;

2) the activities of the insurance undertaking and the branch thereof in the Member State do not allow to ensure that the activities of the insurance undertaking and the branch thereof are supervised in a Member State in accordance with the laws and regulations of the Republic of Latvia governing the activities of insurers;

3) the provision of insurance services in the Member State through the branch threatens or may threaten the financial stability of the insurance undertaking and the fulfilment of the obligations provided for in insurance contracts.

(5) After receipt of the information provided by the supervisory authority of the Member State of the branch, Latvijas Banka shall immediately inform the insurance undertaking in writing of the requirements contained in the laws protecting the public interest which are to be followed in providing insurance services in the Member State of the branch.

(6) After receipt of the information referred to in Paragraph five of this Section or after two months from the day when Latvijas Banka has sent a notification to the supervisory authority of the Member State of the branch, the insurance undertaking may open a branch in the Member State and commence providing insurance services.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 154.** (1) An insurance undertaking shall open a branch in a foreign country only after obtaining an authorisation of Latvijas Banka.

(2) In order to obtain an authorisation for the opening of a branch in a foreign country, an insurance undertaking shall submit to Latvijas Banka a submission for opening a branch indicating the following:

1) the address of the branch in the foreign country (the address which may be used to send and receive information);

2) the information regarding the manager of the branch in accordance with the requirements laid down in Sections 58 and 59 of this Law;

3) the organisational structure of the branch;

4) the operational plan for the first three years.

(3) Latvijas Banka shall examine a submission for opening a branch in a foreign country and take a decision within 30 days after receipt of all the documents specified in the law and drawn up in accordance with the requirements specified in laws and regulations.

(4) Latvijas Banka shall take the decision to refuse to authorise an insurance undertaking to open a branch in a foreign country in the following cases:

1) the documents submitted by the insurance undertaking contain false or incomplete information;

2) the management system of the insurance undertaking does not allow to ensure that the branch is supervised in accordance with laws and regulations of the Republic of Latvia;

3) the manager of the branch does not correspond to the requirements specified in Section 58 of this Law;

4) laws or other regulations of the foreign country restrict the performance of the supervisory functions by Latvijas Banka;

5) Latvijas Banka has failed to enter into a cooperation and information exchange contract with the supervisory authority of a foreign insurer due to circumstances beyond its control;

6) the eligible own funds of the insurance undertaking do not correspond to the solvency capital requirement or the eligible basic own funds do not correspond to the minimum capital requirement;

7) the violations established by Latvijas Banka have not been eliminated.

(5) If an insurance undertaking wishes to make amendments to the information referred to in Paragraph two, Clauses 1, 2, and 4 of this Section, it shall, at least 30 days prior to making the relevant amendments, inform Latvijas Banka of this fact in writing. Latvijas Banka shall examine a submission for making amendments and take a decision within a month after receipt of all the necessary documents.

(6) Latvijas Banka shall send the decision referred to in Paragraph five of this Section to the insurance undertaking.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 155.** (1) In order for a branch of a Member State insurer to be able to commence providing insurance services in the Republic of Latvia, Latvijas Banka shall receive a notification of the supervisory authority of the Member State insurer that includes the information referred to in Section 152, Paragraph two of this Law.

(2) Latvijas Banka shall, within two months after receipt of the notification referred to in Paragraph one of this Section, inform the supervisory authority of the Member State insurer of the requirements contained in the laws protecting public interest which are to be followed when providing insurance services in the Republic of Latvia.

(3) A branch of the Member State insurer may commence providing insurance services in the Republic of Latvia immediately after having received information from the supervisory authority of the Member State which is sent by Latvijas Banka or after expiry of the two-month period specified in Paragraph two of this Section.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 156.** (1) An insurance undertaking which wishes to open a branch in the Swiss Confederation and provide insurance services other than life insurance shall open a branch in the Swiss Confederation and provide insurance services other than life insurance in accordance with the requirements of this Law which have been imposed on insurance undertakings in respect of the opening of a branch and the provision of insurance services in other Member States, unless the Agreement between the European Economic Community and the Swiss Confederation on direct insurance other than life insurance stipulates otherwise.

(2) A Member State insurer the home country of which is the Swiss Confederation and which wishes to open a branch in the Republic of Latvia and provide insurance services other than life insurance shall open a branch in the Republic of Latvia and provide insurance services other than life insurance in accordance with the requirements of this Law which have been imposed on insurers of other Member States in respect of the opening of a branch and the provision of insurance services in the Republic of Latvia, unless the Agreement between the European Economic Community and the Swiss Confederation on direct insurance other than life insurance, approved by the decision of the Council of the European Communities of 20 June 1991, stipulates otherwise.

**Chapter XIX**

**Freedom to Provide Services of an Insurance Merchant**

**Section 157.** (1) An insurance undertaking which wishes to provide insurance services in a Member State without opening a branch therein in conformity with the principle of freedom to provide services shall inform Latvijas Banka of its intention in writing.

(2) An insurance undertaking shall include the following information in its submission:

1) regarding a Member State in which it plans to provide insurance services;

2) regarding the risks to be covered.

(3) If an insurance undertaking plans to perform compulsory civil liability insurance of motor vehicle owners, it shall additionally include in the submission:

1) the information regarding a representative of the insurance undertaking who is authorised to take decisions on the payment of insurance indemnities and his or her address in a Member State;

2) the information regarding the representative of the insurance undertaking specified in Section 159 of this Law and his or her address in a Member State;

3) a confirmation that the insurance undertaking is a member of the Motor Insurers’ Bureau of the Member State or an analogue organisation and of the relevant guarantee fund.

(4) Latvijas Banka shall, within 30 days after receipt of the submission referred to in Paragraphs two and three of this Section and the accompanying information, send a notification to the supervisory authorities of the Member States in which the insurance undertaking plans to provide insurance services which includes the following:

1) a confirmation that the insurance undertaking conforms to the solvency capital requirement and the minimum capital requirement;

2) the information regarding the classes of insurance in which the insurance undertaking is authorised to provide insurance services;

3) the information regarding the risks to be covered which the insurance undertaking plans to cover in the Member State;

4) the information referred to in Paragraph three of this Section if the insurance undertaking plans to perform compulsory civil liability insurance of motor vehicle owners.

(5) Latvijas Banka shall inform a relevant insurance undertaking of the sending of the notification referred to in Paragraph four of this Section to the supervisory authority of the Member State.

(6) Latvijas Banka shall take the decision to refuse to authorise an insurance undertaking to commence providing insurance services in a Member State and not send to the supervisory authority of the Member State the notification referred to in Paragraph four of this Section in the following cases:

1) the documents submitted by the insurance undertaking contain false or incomplete information;

2) the eligible own funds of the insurance undertaking do not correspond to the solvency capital requirement or the eligible basic own funds do not correspond to the minimum capital requirement;

3) the violations established by Latvijas Banka have not been eliminated within the time period stipulated thereby.

(7) If an insurance undertaking has commenced providing insurance services in a Member State without opening a branch therein in conformity with the principle of freedom to provide services, Latvijas Banka is entitled to take a decision requesting the relevant undertaking to terminate the provision of insurance services in the Member State in the following cases:

1) the documents submitted by the insurance undertaking contain false or incomplete information regarding the insurance service;

2) the activity of the insurance undertaking does not allow to ensure that the insurance undertaking is supervised in accordance with the laws and regulations of the Republic of Latvia;

3) the provision of insurance services in the Member State threatens or may threaten the financial stability of the insurance undertaking and the fulfilment of the obligations provided for in insurance contracts.

(8) Latvijas Banka shall take the decision referred to in Paragraph six of this Section within 30 days after receipt of the submission referred to in Paragraphs two and three of this Section and send it to the insurance undertaking.

(9) An insurance undertaking may commence providing insurance services in a Member State without opening a branch therein in conformity with the principle of freedom to provide services from the day when it has received a notification of Latvijas Banka regarding the sending of the notification referred to in Paragraph four of this Section to the supervisory authority of the Member State.

(10) If an insurance undertaking wishes to make amendments to the information contained in the submission referred to in Paragraphs two and three of this Section, it shall conform to the requirements of Paragraphs two, three, and nine of this Section.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 158.** (1) A Member State insurer shall commence providing insurance services in the Republic of Latvia without opening a branch therein in conformity with the principle of freedom to provide services from the day when it has received a notification of the supervisory authority of the relevant Member State regarding the sending of the notification referred to in Section 157, Paragraph four of this Law to Latvijas Banka.

(2) If amendments have been made to the information contained in the notification, they shall enter into force in the Republic of Latvia from the day when Latvijas Banka has received a notification of the supervisory authority of the relevant Member State regarding such amendments.

(3) A Member State insurer that is entitled to provide insurance services in the Republic of Latvia shall be bound by the laws and regulations of the Republic of Latvia regarding the provision of statistical information and protection of the public interest.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 159.** (1) In order to ensure equal treatment of the persons who submit claims regarding accidents that have occurred in the Republic of Latvia within the framework of compulsory civil liability insurance of motor vehicle owners, a Member State non-life insurer which provides insurance services in the Republic of Latvia in the class of non-life insurance specified in Section 19, Paragraph one, Clause 10 of this Law, except for the carriers’ liability insurance, in conformity with the principle of freedom to provide services, shall appoint a representative who resides permanently or performs commercial activities in the territory of the Republic of Latvia by authorising him or her to:

1) collect all necessary information which is related to insurance claims;

2) represent the Member State non-life insurer in its relations with the persons who have sustained damage and who could submit insurance claims by ensuring the payment of such insurance indemnities;

3) represent the Member State non-life insurer or, where necessary, ensure representation thereof in courts and institutions of the Republic of Latvia in relation to such claims for the payment of insurance indemnities.

(2) A representative of the Member State non-life insurer may only perform the activities specified in Paragraph one of this Section.

(3) Appointment of a representative of the Member State non-life insurer shall not be considered as the opening of a branch in the Republic of Latvia.

(4) If a Member State non-life insurance undertaking has appointed its representative, it shall be considered that the responsibilities of the representative referred to in Paragraph one of this Section are carried out by a claims representative who has been appointed in accordance with the laws and regulations governing the field of compulsory civil liability insurance of motor vehicle owners.

**Chapter XIX.1**

**Notification and Cooperation Platforms**

[*10 June 2021*]

**Section 159.1** (1) If Latvijas Banka has received a submission for issuing a licence to an insurance or reinsurance undertaking the activity plan of which demonstrates that it will open a branch or provide services in another Member State in conformity with the principle of freedom to provide services, without opening a branch, and also a significant commercial activity will be carried out on the market of the relevant host country, Latvijas Banka shall notify the EIOPA and the supervisory authority of the relevant host country of this fact.

(2) If Latvijas Banka establishes in respect of an insurance or reinsurance undertaking which has a branch in another Member State or provides services in conformity with the principle of freedom to provide services, without opening a branch, that its financial position deteriorates or other risks arise which may have a cross-border impact, Latvijas Banka shall notify the EIOPA and the supervisory authority of the relevant host country of this fact.

(3) If Latvijas Banka as the supervisory authority of a host country has a reasonable suspicion that protection of consumers’ rights is not ensured, Latvijas Banka shall notify the supervisory authority of the home country of this fact. Latvijas Banka is entitled to address the EIOPA and seek its assistance if the supervisory authority of the host country rejects Latvijas Banka’s request for cooperation to ensure protection of consumers’ rights.

(4) The notifications referred to in Paragraphs one, two, and three of this Section shall be sufficiently detailed for the EIOPA and the supervisory authority of a relevant Member State to carry out a proper assessment.

(5) The notifications referred to in Paragraphs one, two, and three of this Section are without prejudice to the supervisory powers set out in laws and regulations in respect of Latvijas Banka as the supervisory authority of a host country or home country.

[*10 June2021; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 159.2** (1) If Latvijas Banka has a reasonable suspicion that an insurance or reinsurance undertaking which plans to open or has opened a branch in another Member State or intends to provide or provides services in conformity with the principle of freedom to provide services, without opening a branch, by its activities can cause negative impact on policy holders, Latvijas Banka has the right to request the EIOPA to establish a cooperation platform or has the right to establish a cooperation platform itself upon agreement with the supervisory authorities of the relevant Member States.

(2) Establishment of the cooperation platform referred to in Paragraph one of this Section is without prejudice to the supervisory powers set out in laws and regulations in respect of Latvijas Banka as the supervisory authority of a host country or home country.

(3) Latvijas Banka shall, upon request of the EIOPA, provide all information necessary for the operation of the cooperation platform in a timely manner.

[*10 June2021; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XX**

**Competence of Latvijas Banka as the Supervisory Authority of a Host Member State**

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 160.** Information which Latvijas Banka is entitled to request from a Member State insurer in accordance with this Law shall be provided in the official language of the Republic of Latvia.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 161.** (1) If Latvijas Banka establishes that a branch of a Member State insurer or a Member State insurer which provides insurance services in conformity with the principle of freedom to provide services performs activities which are in conflict with the requirements of the laws and regulations of the Republic of Latvia governing the activities of insurers, it shall immediately request the Member State insurer to terminate such activities.

(2) If a branch of a Member State insurer or a Member State insurer which provides insurance services in conformity with the principle of freedom to provide services does not suspend the activities which are in conflict with the requirements of the laws and regulations of the Republic of Latvia governing the activities of insurers, Latvijas Banka shall immediately inform the supervisory authority of the relevant Member State of this fact.

(3) If a branch of a Member State insurer or a Member State insurer which provides insurance services in conformity with the principle of freedom to provide services continues performing the activities which are in conflict with the requirements of the laws and regulations of the Republic of Latvia governing the activities of insurers, Latvijas Banka shall inform the supervisory authority of the relevant Member State of this fact and take measures to eliminate such violations or decide to impose sanctions specified in this Law, where necessary, also to prohibit the branch of the Member State insurer or the Member State insurer from entering into new insurance or reinsurance contracts in the territory of the Republic of Latvia.

(4) A Member State insurer shall submit all documents requested by Latvijas Banka necessary for the fulfilment of the requirements of this Section.

(5) If has Latvijas Banka received the information specified in Paragraph two of this Section from the supervisory authority of a host Member State, it shall, as soon as possible, take the necessary measures in order to ensure that the relevant insurance undertaking eliminates violations. Latvijas Banka shall inform the supervisory authority of the relevant host Member State of the measures taken.

(6) Latvijas Banka shall inform the European Commission and the EIOPA of the cases in respect of which, in accordance with Sections 153 and 157 of this Law, a decision has been taken to refuse to authorise an insurance undertaking to open a branch in a Member State or commence providing insurance services in a Member State or in which the measures referred to in Paragraph three of this Section have been taken.

(7) Latvijas Banka is entitled to address the EIOPA and request its assistance in solving the matter referred to in this Section.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 162.** (1) If Latvijas Banka establishes that a branch of a Member State reinsurer or a Member State reinsurer which provides reinsurance services without opening a branch in conformity with the principle of freedom to provide services performs such activities which are in conflict with the laws and regulations of the Republic of Latvia, it shall immediately request the Member State reinsurer to terminate such activities. Latvijas Banka shall notify the supervisory authority of the home country of a Member State reinsurer of the violations established. Latvijas Banka shall cooperate and consult with the supervisory authorities of Member States in order to ensure that the activities of Member State reinsurers are supervised in the Republic of Latvia.

(2) If a branch of a Member State reinsurer or a Member State reinsurer which provides reinsurance services without opening a branch in conformity with the principle of freedom to provide services continues performing the activities which are in conflict with the laws and regulations of the Republic of Latvia, Latvijas Banka shall inform the supervisory authority of the relevant Member State of this fact and take measures to eliminate such violations or decide to impose sanctions specified in this Law, where necessary, also to prohibit the Member State reinsurer from entering into new reinsurance contracts in the territory of the Republic of Latvia.

(3) Latvijas Banka is entitled to address the EIOPA and request its assistance in solving the matter referred to in this Section.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 163.** (1) In the case of the liquidation of an insurance undertaking, the obligations arising out of insurance contracts entered into by the relevant undertaking by exercising the right to establish a branch or without opening a branch by following the principle of freedom to provide services shall be fulfilled just as the obligations arising out of other insurance contracts entered into by this undertaking, irrespective of the nationality of the insured person and the beneficiary of the insurance indemnity.

(2) In the case of the liquidation of a reinsurance undertaking, the obligations arising out of reinsurance contracts entered into by the reinsurance undertaking by exercising the right to establish a branch or without opening a branch by following the principle of freedom to provide services shall be fulfilled just as the obligations arising out of other reinsurance contracts entered into by the relevant undertaking.

**Chapter XXI**

**Activity of a Branch of a Foreign Insurer**

[*25 April 2019*]

**Section 164.** (1) A branch of a foreign insurer may commence activity in the Republic of Latvia after obtaining a licence of Latvijas Banka. The branch may only provide insurance services in the classes of insurance indicated in the licence.

(2) The licence shall be issued if:

1) the foreign insurer corresponds to the following requirements:

a) is entitled to provide insurance services in the home country in accordance with the laws of the relevant country;

b) registers its branch in the Republic of Latvia;

c) undertakes to maintain the accounting of the branch of the foreign insurer in accordance with the laws of the Republic of Latvia;

d) appoints a representative authorised by the foreign insurer (manager of the branch) who corresponds to the requirements specified in Section 58 of this Law;

e) monetary assets have been made available to the branch of the foreign insurer in the amount specified in Section 130, Paragraph three of this Law out of which 25 per cent have been deposited with a credit institution registered in the Republic of Latvia as a security;

f) undertakes to conform to the solvency capital requirement and the minimum capital requirement imposed on the branch of the foreign insurer in the Republic of Latvia;

g) proves that the management system of the branch of the foreign insurer corresponds to the requirements of Chapters VII and VIII of this Law;

h) has submitted the submission specified in Section 165, Paragraph one of this Law and the accompanying documents;

2) Latvijas Banka has not established the occurrence of the circumstances referred to in Section 168, Paragraph one of this Law;

3) Latvijas Banka has agreed with the supervisory authority of the home country of the foreign insurer on the exchange of information and cooperation in the field of insurance supervision necessary for the performance of supervisory functions.

(3) An insurance licence shall be issued separately for each class of insurance specified in Section 19, Paragraphs one and two of this Law.

(4) Upon request of a branch of a foreign insurer, the risks which the branch of the foreign insurer wishes to cover shall be indicated in an insurance licence upon obtaining thereof.

(5) For the purpose of the protection of interests of the insured persons, the issued insurance licence may also include additional conditions.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 165.** (1) In order to obtain an insurance licence, a foreign insurer shall submit to Latvijas Banka the following:

1) a submission for obtaining a licence for the branch of the foreign insurer and indicate the class of insurance for which the licence is required;

2) regulations of the branch of the foreign insurer;

3) a document issued by a credit institution which confirms a deposit of monetary assets in the amount of the absolute minimum value of the minimum capital requirement and the depositing of a security deposit;

4) the operational plan specified in Section 166 of this Law;

5) statements of the foreign insurer for the last three years of operation which have been reviewed by a sworn auditor;

6) proof that the management system of the foreign insurer corresponds to the provisions of Chapters VII and VIII of this Law:

a) the list of the stockholders or members who have a qualifying holding in the foreign insurer and the structure of the group;

b) the list of the persons who have close links with the foreign insurer;

c) the information regarding a representative authorised by the foreign insurer (manager of the branch) in accordance with the requirements laid down in Sections 58 and 59 of this Law;

d) the policy and procedure for the calculation of technical provisions;

e) the policy and procedure for the insurance and reinsurance underwriting and the determination of the calculation of the insurance premium;

f) the information regarding the organisational structure of the branch with clearly stated distribution of powers and responsibilities of its managers, tasks of the units and responsibilities of heads thereof;

g) the risk management policy and procedure;

h) the internal control policy and procedure;

i) the procedure for the exchange of internal information;

j) the main principles for accounting policies, procedures, and record-keeping organisation;

k) the rules for the protection of information systems;

l) the policy and procedure for the identification of unusual and suspicious financial transactions;

m) the internal procedures specified in Section 15 of this Law;

n) the investment policy and procedure;

o) the policy and procedure for the internal audit service;

p) the policy and procedure for the receipt of outsourced services if the foreign insurer plans to use the services of outsourcing service providers;

r) the model insurance policies;

s) the information regarding the structure of the management system.

(2) If a foreign insurer wishes to obtain a licence for the performance of assistance insurance, it shall submit to Latvijas Banka the information on the resources at its disposal and the contracts entered into which ensure the provision of assistance to the insured person according to the obligations assumed in this class of insurance.

(3) If a branch of a foreign insurer wishes to obtain a licence in the class of non-life insurance specified in Section 19, Paragraph one, Clause 10 of this Law, except for the carrier’s liability insurance, and intends to perform compulsory civil liability insurance of motor vehicle owners, it shall submit to Latvijas Banka a written confirmation that the branch of the foreign insurer is a member of the Motor Insurers’ Bureau of Latvia and a relevant guarantee fund, and shall notify the name (given name, surname) of the representatives of the branch of the foreign insurer and the registered office thereof in each Member State who take decisions to pay the insurance indemnity or decisions to refuse to pay the insurance indemnity and also ensure the payment of the insurance indemnity.

(4) If a branch of a foreign insurer is excluded or withdraws from the Motor Insurers’ Bureau of Latvia, the branch of the foreign insurer shall be prohibited from performing compulsory civil liability insurance of motor vehicle owners.

(5) In order to obtain an insurance licence for another class of insurance, a branch of a foreign insurer shall submit to Latvijas Banka the following:

1) the submission specified in Paragraph one, Clause 1 of this Section;

2) a calculation of the expenses necessary for the introduction of the new class of insurance and information regarding the sources of resources to cover such expenses;

3) the operational plan specified in Section 166 of this Law.

(6) In this Chapter the term “branch” shall mean any independent structure in the territory of a Member State which has been established by a foreign insurer that obtains a licence in this Member State and provides insurance services in a home Member State.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 166.** (1) The operational plan shall contain the following:

1) a description of the risks to be insured;

2) the procedure of the principal ceded reinsurance;

3) the information regarding the items of the basic own funds which create the absolute minimum value of the minimum capital requirement;

4) the information regarding the position of the eligible own funds and the basic own funds of a foreign insurer which owns a branch registered in the Republic of Latvia in relation to the solvency capital requirement and the minimum capital requirement in accordance with the Chapters XIV and XV of this Law;

5) a forecast of administrative expenses necessary for the commencement of operation and of organisational expenses of the ensuring of operation, information regarding the sources of resources for covering such expenses, and, if the risks to be covered belong to the class of non-life insurance specified in Section 19, Paragraph one, Clause 18 of this Law – regarding the sources available to a branch of a foreign insurer which ensure the provision of assistance provided for in the insurance contract;

6) the information regarding the managerial body.

(2) In addition to the requirements specified in Paragraph one of this Section, the operational plan for the first three financial years shall contain the following:

1) a draft report reflecting the financial standing at the end the reporting period and a draft report on the financial performance in the reporting period;

2) a forecast of the solvency capital requirement which has been calculated in accordance with Sections 116, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, and 129 of this Law on the basis of the draft report referred to in Clause 1 of this Paragraph and also the information regarding the calculation methods used to obtain this forecast;

3) a forecast of the minimum capital requirement which has been calculated in accordance with Sections 117 and 130 of this Law on the basis of the draft report referred to in Clause 1 of this Paragraph and also the information regarding the calculation methods used to obtain this forecast;

4) the information regarding the financial resources for ensuring the fulfilment of insurance obligations and also conformity with the solvency capital requirement and the minimum capital requirement;

5) in respect of non-life insurance:

a) the information regarding the planned administrative expenses other than the costs of the commencement of the operation of a branch of a foreign insurer and the customer acquisition expenses;

b) the information regarding the planned insurance premiums or other contributions and also regarding the insurance indemnities;

6) in respect of life insurance – a forecast of income and expenses in respect of insurance activities, reinsurance and ceded reinsurance.

[*21 July 2017; 25 April 2019*]

**Section 167.** (1) Latvijas Banka shall examine a submission of a branch of a foreign insurer and the accompanying documents for obtaining an insurance licence for the branch of the foreign insurer and take a decision within six months from the day of receipt of the submission.

(2) Latvijas Banka shall issue an insurance licence on the same day when the decision to issue an insurance licence has been taken.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 168.** Latvijas Banka is entitled to not issue an insurance licence to a branch of a foreign insurer in the following cases:

1) insurance is not economically reasonable;

2) a representative authorised by the branch of the foreign insurer (manager of the branch) does not correspond to the requirements specified in this Law;

3) the planned activity of the branch of the foreign insurer does not correspond to the requirements of this Law and other laws and regulations;

4) Latvijas Banka has a limited right to perform the supervisory functions of the branch in accordance with the laws of the home country of the foreign insurer;

5) Latvijas Banka has failed to agree with the supervisory authority of the home country of the foreign insurer on the exchange of information and cooperation in the field of insurance supervision necessary for the performance of supervisory functions;

6) the documents submitted contain false or incomplete information;

7) Latvijas Banka has information on reasonable suspicion that the monetary assets made available to the branch of the foreign insurer have been acquired in unusual or suspicious financial transactions or the lawful acquisition of these monetary assets has not been proved by documentary evidence;

8) it is impossible to ensure the supervision of the branch of the foreign insurer due to its organisational structure;

9) Latvijas Banka does not receive or the foreign insurer refuses to provide the information specified in Section 165 of this Law;

10) the foreign insurer takes measures equivalent to the plan for the improvement of financial standing referred to in Section 141, Paragraph two or Section 142, Paragraph two of this Law.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 169.** (1) A branch of a foreign insurer may transfer all or part of the insurance contracts entered into to another insurance undertaking or another branch of a foreign insurer upon receipt of a confirmation provided by Latvijas Banka or the supervisory authority of a Member State which, in accordance with the conditions of Section 172 of this Law, exercises the overall supervision of the conformity with the capital requirements of the branches of the foreign insurer accepting the insurance contracts and this confirmation indicates that after taking over of the insurance contracts the insurance undertaking or the branch of the foreign insurer will have at its disposal the eligible own funds in the amount of the solvency capital requirement.

(2) A branch of a foreign insurer may transfer all or part of the insurance contracts entered into to an insurer of another Member State provided that a confirmation has been received from the supervisory authority of the relevant Member State indicating that after taking over of the insurance contracts the Member State insurer will have at its disposal the eligible own funds in the amount of the solvency capital requirement.

(3) A branch of a foreign insurer may transfer all or part of the insurance contracts entered into to a branch of this foreign insurer which has been registered in another Member State upon receipt of a confirmation provided by the supervisory authority of the relevant Member State or the supervisory authority of a Member State which, in accordance with the provisions of Section 172 of this Law, exercises the overall supervision of the conformity with the capital requirements of the branches of the foreign insurer accepting the insurance contracts and this confirmation indicates the following:

1) after taking over of the insurance contracts the branch of the foreign insurer registered in another Member State will have at its disposal the eligible own funds in the amount of the solvency capital requirement;

2) the laws of the relevant Member State allow the branches of foreign insurers registered in this Member State to take over insurance contracts;

3) the supervisory authority of this foreign insurer which has been registered in another Member State has issued an authorisation for the taking over of the insurance contracts.

(4) Any matters regarding the transfer of all or part of the insurance contracts entered into by the branch of the foreign insurer shall be examined in accordance with Section 47, Paragraphs three, four, five, six, seven, eight, nine, and ten and Sections 48, 49, 50, 51, and 52 of this Law.

[*21 July 2017; 25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 170.** (1) A branch of a foreign insurer shall ensure adequate technical provisions to cover insurance and reinsurance obligations which it has assumed in the territory of the Republic of Latvia and which have been calculated in accordance with the provisions of Chapter XIII of this Law.

(2) A branch of a foreign insurer shall assess assets and liabilities in accordance with the requirements of Section 98 of this Law and determine own funds in accordance with the laws and regulations in the field of the determination of the own funds of insurance or reinsurance undertakings.

[*25 April 2019*]

**Section 171.** (1) A branch of a foreign insurer shall constantly have at its disposal the eligible own funds in the amount of the solvency capital requirement. Latvijas Banka shall lay down the procedures for calculating the eligible own funds.

(2) A branch of a foreign insurer shall calculate the solvency capital requirement and the minimum capital requirement in accordance with the provisions of Chapter XV of this Law. In calculating the solvency capital requirement and the minimum capital requirement, only transactions made by the branch of the foreign insurer shall be taken into account.

(3) A branch of a foreign insurer shall constantly have at its disposal the eligible basic own funds in the amount of the minimum capital requirement. Latvijas Banka shall lay down the procedures for calculating the eligible basic own funds.

(4) The absolute minimum value of the minimum capital requirement for a branch of a foreign insurer shall be in the amount of 50 per cent of the minimum requirement for the absolute minimum value referred to in Section 130, Paragraph three of this Law.

(5) The amount of a security deposit which a branch of a foreign insurer deposits in accordance with Section 164, Paragraph two, Clause 1, Sub-clause “e” of this Law shall be taken into account when calculating the eligible own funds of the branch of the foreign insurer in order to cover the minimum capital requirement.

(6) A branch of a foreign insurer shall invest assets in the amount of the solvency capital requirement in Member State, including assets in the amount of the minimum capital requirement – in the Republic of Latvia.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 172.** (1) If a foreign insurer that has established branches in several Member States has obtained consent of Latvijas Banka and of the supervisory authorities of participating Member States to the compliance with the conditions referred to in this Paragraph, it shall:

1) calculate the total solvency capital requirement of its branches in accordance with Section 171 of this Law by including in the calculation the financial indicators of all its branches the supervisory authorities of which have given the relevant consent;

2) deposit the security deposit referred to in Section 164, Paragraph two, Clause 1, Sub-clause “e” of this Law only in a Member State the supervisory authority of which exercises overall supervision of the conformity with the solvency capital requirement of branches;

3) invest assets in the amount of the minimum capital requirement in any of the Member States in which it has established a branch.

(2) In the case of obtaining the consent referred to in Paragraph one of this Section, a calculation of the solvency capital requirement and the eligible own funds of a branch of a foreign insurer registered in the Republic of Latvia shall not be made.

(3) In order to obtain the consent referred to in Paragraph one of this Section, a foreign insurer shall submit a submission to the supervisory authorities of all participating Member States indicating the supervisory authority of a Member State that will exercise overall supervision of the conformity with the solvency capital requirement of branches.

(4) The provisions referred to in Paragraph one of this Section shall only be applicable if the consent has been given by all Member States to which a foreign insurer has submitted a submission and the supervisory authority of a Member State indicated therein has informed the supervisory authorities of other participating Member States of the fact that it will exercise overall supervision of the conformity with the solvency capital requirement of branches.

(5) Latvijas Banka shall submit to the supervisory authority of a Member State indicated in the submission all information which is necessary for the overall supervision of the conformity with the solvency capital requirement of branches.

(6) Application of the provisions referred to in Paragraph one of this Section shall be revoked if any of the supervisory authorities of participating Member States requests the revocation thereof.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 173.** (1) Sections 33, 41, and 91, Section 142, Paragraphs three, four, and five, Sections 143 and 144 of this Law shall govern the activities of the branches of a foreign insurer.

(2) In applying the provisions of Sections 140, 141, and 142 of this Law, a branch of a foreign insurer to which the provisions of Section 172, Paragraphs one, two, three, four, and five of this Law are applied shall ensure that the supervisory authority responsible for the verification of insolvency of the branch of the foreign insurer is treated in the same way as the supervisory authority of a Member State in the territory of which the headquarters of the branch of the foreign insurer is located.

(3) If the European Commission has recognised a foreign solvency regime as equivalent or determined temporary equivalence thereof to the solvency regime determined in the European Union, the same conditions as those applicable to the reinsurance contracts entered into with an insurance or reinsurance undertaking which has been licensed in the Republic of Latvia shall be applicable to the reinsurance contracts entered into with a branch of foreign insurer the headquarters of which is located in this foreign country.

[*25 April 2019*]

**Section 174.** A branch of a foreign insurer may not concurrently perform both life insurance and non-life insurance in one Member State.

[*25 April 2019*]

**Section 175.** (1) If Latvijas Banka is the supervisory authority of a Member State specified in Section 172, Paragraph three of this Law that exercises overall conformity with the solvency capital requirement of the branches of a foreign insurer and has taken the decision to cancel an insurance licence for the branch of the foreign insurer, Latvijas Banka shall notify other supervisory authorities of the Member State in which the branch of the foreign insurer is located of the respective decision.

(2) If Latvijas Banka has, in accordance with Section 172, Paragraph four of this Law, given consent to the receipt of the advantages of foreign insurers and has received the information referred to in Paragraph one of this Section from the supervisory authority of a relevant Member State, it shall take the necessary measures to ensure that a branch of the foreign insurer conforms to the requirements of this Law.

(3) If Latvijas Banka has, in accordance with Section 172, Paragraph four of this Law, given consent to the receipt of the advantages of a foreign insurer and also has received the information referred to in Paragraph one of this Section from the supervisory authority of a relevant Member State and the reason for the cancellation of the licence is the non-conformity of the amount of the own funds with the capital requirements, it shall take the decision to cancel insurance licences for a branch of the foreign insurer.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 176.** Latvijas Banka shall cancel a licence if a branch of a foreign insurer fails to follow the operational plan referred to in Section 166 of this Law or fails to comply with other provisions of this Law.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 177.** (1) Latvijas Banka shall send notifications to the European Commission, the EIOPA, and the supervisory authorities of Member States informing of the following:

1) all authorisations which have been issued in accordance with this Law to an insurance or reinsurance undertaking whose parent undertaking or its parent undertaking has not been registered in a Member State;

2) a case where a commercial company which has not been registered in a Member State has become a parent undertaking of an insurance or reinsurance undertaking.

(2) If an authorisation has been issued to an insurance or reinsurance undertaking whose parent undertaking or its parent undertaking has not been registered in a Member State, Latvijas Banka shall, in addition to the information referred to in Paragraph one, Clause 1 of this Section, send to the European Commission the information on the structure of the group of the insurance or reinsurance undertaking.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 178.** Latvijas Banka shall inform the European Commission and the EIOPA of significant problems which insurance or reinsurance undertakings face in commencing or performing insurance or reinsurance in foreign countries.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Division E**

**Special Provisions of Insurance and Reinsurance**

**Chapter XXII**

**Information to be Provided Prior to Entering into an Insurance Contract**

[25 April 2019]

**Section 179.** [25 April 2019]

**Section 180.** [25 April 2019]

**Section 181.** [25 April 2019]

**Section 182.** [3 May 2018]

**Chapter XXIII**

**Co-insurance**

**Section 183.** (1) This Chapter shall be applicable to co-insurance activities in the territory of the European Union which refer to one or several risks included in the class of non-life insurance specified in Section 19, Paragraph one, Clauses 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16 of this Law and fully correspond to the following conditions:

1) the risk is a high risk;

2) in using one insurance contract and common insurance premium in respect of the same time period, the risk is covered by two or more insurance merchants each in the amount of its share as a co-insurer, one of them being the leading insurance merchant;

3) the risk is located in the territory of the European Union;

4) in order to cover the risk, it shall be considered that the leading insurance merchant covers the entire risk;

5) at least one of the co-insurers participates in the entering into of an insurance contract through the headquarters or branch performing commercial activities in any Member State other than a Member State of the leading insurance merchant;

6) the leading insurance merchant fully assumes the management of the co-insurance activity, in particular determines insurance terms and a tariff rate.

(2) Chapter XIX of this Law shall only be applicable to the leading insurance merchant.

(3) Other provisions of this Law, except for the provisions of this Chapter, shall be applicable to co-insurance activities which do not correspond to the provisions of Paragraph one of this Section.

**Section 184.** (1) The amount of technical provisions shall be determined by separate co-insurers according to the regulations of their home Member State or, where there are no such regulations, according to the practice accepted in the relevant country.

(2) Notwithstanding the provisions of Paragraph one of this Section, technical provisions shall be at least equal to the provisions which the leading insurer has determined in accordance with the regulations of its home Member State.

**Section 185.** Co-insurers shall have statistical data at their disposal on the amount of the European Union co-insurance activities in which they participate and on the relevant Member States.

**Section 186.** In terminating the activity of an insurance merchant, the obligations arising out of the participation in the European Union co-insurance contracts shall be fulfilled just as the obligations arising out of other insurance contracts of the respective insurance merchant, irrespective of the nationality of the beneficiaries of the insurance indemnity.

**Section 187.** In ensuring conformity with the requirements of this Chapter, Latvijas Banka shall cooperate, consult, and exchange all the necessary information with the supervisory authorities of Member States.

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XXIV**

**Assistance Insurance**

**Section 188.** Assistance insurance shall be insurance which envisages, in accordance with the insurance contract entered into, the provision of immediate assistance to the insured person in the cases where this person has fallen into difficulties while travelling, being away from home, or being away from his or her permanent residence. Such assistance shall constitute a monetary payment or the provision of a service to the insured person.

**Section 189.** (1) The following shall be recognised as the provision of assistance in the case of an accident or damage to a vehicle while travelling:

1) transportation of the vehicle to the closest place where it is possible to make repairs thereof and also transportation of the driver and passengers to the closest place from which they may continue their journey;

2) transportation of the vehicle, the driver and passengers to the country of residence thereof or a place from which they have started their journey or to their final destination;

3) any other services provided for in the insurance contract or monetary disbursement.

(2) Assistance insurance shall not include the services specified in Section 3, Paragraph one, Clauses 6 and 8 of this Law.

**Section 190.** An insurer that wishes to perform assistance insurance is entitled to use the services provided by another person who has staff and equipment, including certified medical personnel, and also other means necessary to ensure the fulfilment of the obligations provided for in the insurance contracts in this class of insurance.

**Chapter XXV**

**Legal Expenses Insurance**

[3 May 2018]

**Section 191.** [3 May 2018]

**Section 192.** [3 May 2018]

**Section 193.** [3 May 2018]

**Chapter XXVI**

**Insurance of Large Risks**

**Section 194.** Large risks shall constitute the following:

1) the insured risks in the following classes of insurance:

a) rail transport insurance;

b) aircraft insurance;

c) ship insurance;

d) freight insurance;

e) civil liability insurance of aircraft owners;

f) civil liability insurance of the shipowners;

2) the insured risks in the following classes of insurance if the policy holder pursues a commercial activity or a liberal profession and the insured risks refer to the professional activity or commercial activity of the policy holder:

a) credit insurance;

b) suretyship insurance;

3) the insured risks in the following classes of insurance if the policy holder exceeds at least two of the following three criteria – the balance sheet total thereof exceeds EUR 6.2 million, the net turnover – EUR 12.8 million, the average number of employees in the reporting year – 250 persons:

a) land transport (except for rail transport) insurance;

b) property insurance against fire and natural disasters (damage caused to the property, except for land transport, rail transport, aircraft, ships and freight, by fire, explosion, atomic energy, land subsidence, and other disasters);

c) property insurance against other losses (damage caused to the property, except for land transport, rail transport, aircraft, ships and freight, by hail, frost, theft or any other accidents, except for those referred to in Sub-clause “b” of this Clause);

d) civil liability insurance of motor vehicle owners;

e) general civil liability insurance;

f) miscellaneous financial loss insurance.

**Section 195.** If the policy holder belongs to a group of commercial companies for which a consolidated annual statement is drawn up, the criteria specified in Section 194, Clause 3 of this Law shall be applied on the basis of the consolidated annual statement.

**Section 196.** A Member State insurer may perform insurance of large risks without ensuring conformity with the requirements of Sections 155 and 158 of this Law.

**Chapter XXVI.1**

**Compulsory Insurance**

[3 May 2018]

**Section 196.1** [3 May 2018]

**Section 196.2** [3 May 2018]

**Division F**

**Supervision of the Group of Insurance and Reinsurance Undertakings**

**Chapter XXVII**

**Field of Application of the Supervision in a Group**

**Section 197.** (1) Supervision in a group shall include supervision, at the group level, of insurance or reinsurance undertakings which are part of the group. The requirements of this Law in respect of the supervision of insurance or reinsurance undertakings taken individually shall continue to apply to each individual insurance or reinsurance undertaking of the group, unless the supervision in the group does not provide for other procedures in accordance with the requirements of this Division.

(2) Supervision at the group level shall be applied to the following:

1) insurance or reinsurance undertakings which are participating undertakings at least in one insurance undertaking, reinsurance undertaking, Member State or foreign insurer, or Member State or foreign reinsurer in accordance with Section 69 and Chapters XXIX, XXX, XXXI, and XXXII of this Law;

2) insurance or reinsurance undertakings the parent undertaking of which is an insurance holding company or a mixed financial holding company registered in a Member State in accordance with Section 69 and Chapters XXIX, XXX, XXXI, and XXXII of this Law;

3) insurance or reinsurance undertakings the parent undertaking of which is an insurance holding company or a mixed financial holding company registered in a foreign country, a foreign insurer or foreign reinsurer in accordance with Sections 241, 242, 243, and 244 of this Law;

4) insurance or reinsurance undertakings the parent undertaking of which is a multidisciplinary insurance holding company in accordance with Section 245 of this Law.

(3) If the insurance or reinsurance participating undertaking referred to in Paragraph two, Clause 1 of this Section or the insurance holding company or the mixed financial holding company registered in a Member State and referred to in Paragraph two, Clause 2 of this Section is either a related undertaking for a regulated commercial company or a mixed financial holding company, or is itself a regulated commercial company or a mixed financial holding company to which supplementary supervision applies in accordance with the Financial Conglomerates Law, Latvijas Banka, if it is a group supervisor, may, after consultation with other supervisory authorities concerned, take a decision, at the level of the respective insurance or reinsurance participating undertaking or the respective insurance holding company or mixed financial holding company, not to exercise the supervision of risk concentration referred to in Section 218 of this Law or the supervision of intra-group transactions referred to in Section 219 of this Law, or the supervision of both respective types.

(4) If the requirements of this Law and equivalent requirements of the Financial Conglomerates Law are binding on a mixed financial holding company, in particular with regard to the risk management and internal control, Latvijas Banka, if it is a group supervisor, is entitled to, after consultation with other supervisory authorities concerned, apply to this undertaking only the requirements of the Financial Conglomerates Law.

(5) If the requirements of this Law and equivalent requirements of the Credit Institutions Law are binding on a mixed financial holding company, in particular with regard to the risk management and internal control, Latvijas Banka, if it is a group supervisor, is entitled to, after consultation with other supervisory authorities concerned, apply to this undertaking only the requirements of the law which refers to the largest financial sector specified in accordance with the Financial Conglomerates Law.

(6) Latvijas Banka, if it is a group supervisor, shall inform the European Banking Authority and the EIOPA of the decisions taken in accordance with the requirements of Paragraphs four and five of this Section.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 198.** Application of the supervision in a group in accordance with the requirements of Section 197 of this Law shall not include the supervision of an individual foreign insurer, foreign reinsurer, insurance holding company, mixed financial holding company, or multidisciplinary insurance holding company, except for the requirements of Section 69 of the Law, which refers to insurance holding companies or mixed financial holding companies.

[*25 April 2019*]

**Section 199.** (1) Latvijas Banka, if it is a group supervisor, may, on a case-by-case basis, decide not to include a commercial company in the supervision in a group referred to in Section 197 of this Law, provided that one of the following conditions has been established:

1) the commercial company has been registered in a foreign country where there are legal impediments to the transfer of the necessary information. Such commercial company shall be included in the calculation of the group solvency in accordance with the procedures laid down by Latvijas Banka;

2) the commercial company which should be included is insignificant with respect to the objectives of the supervision in a group;

3) the inclusion of the commercial company would be inappropriate or misleading with respect to the objectives of the supervision in a group.

(2) If some commercial companies of the same group, taken individually, may be excluded from the field of application of the supervision in a group in accordance with the requirements of Paragraph one, Clause 2 of this Section, it shall nevertheless be included in the supervision in a group if, taken together, they are insignificant.

(3) If Latvijas Banka as a group supervisor believes that an insurance or reinsurance undertaking is not to be included in the supervision in a group in accordance with the requirements of Paragraph one, Clauses 2 and 3 of this Section, it shall, prior to taking a decision, consult other supervisory authorities concerned.

(4) If the supervisory authority of a Member State exercising supervision in a group has not included an insurance or reinsurance undertaking registered in the Republic of Latvia in the supervision in a group, Latvijas Banka is entitled to request any information from a parent undertaking which is necessary for the supervision of the relevant insurance or reinsurance undertaking registered in the Republic of Latvia.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XXVIII**

**Levels of the Supervision in a Group**

**Section 200.** (1) If the insurance or reinsurance participating undertaking referred to in Section 197, Paragraph two, Clauses 1 and 2 of this Law or an insurance holding company, or a mixed financial holding company registered in a Member State is a subsidiary undertaking of another insurance or reinsurance undertaking, Member State insurer, Member State reinsurer, or insurance holding company, or mixed financial holding company registered in a Member State, Section 69 and Chapters XXIX, XXX, XXXI, and XXXII of this Law shall only be applied at the level of the ultimate parent undertaking that is an insurance or reinsurance undertaking, a Member State insurer, a Member State reinsurer or an insurance holding company or a mixed financial holding company registered in a Member State.

(2) If the ultimate parent undertaking referred to in Paragraph one of this Section that is an insurance or reinsurance undertaking or an insurance holding company, or a mixed financial holding company registered in a Member State is a related undertaking for a regulated commercial company or a mixed financial holding company to which supplementary supervision applies in accordance with the Financial Conglomerates Law, Latvijas Banka, if it is a group supervisor, may, after consultation with other supervisory authorities concerned, take a decision, at the level of the respective ultimate parent undertaking, not to exercise the supervision of risk concentration referred to in Section 218 of this Law or the supervision of intra-group transactions referred to in Section 219 of this Law, or the supervision of both respective types.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 201.** (1) If the ultimate parent undertaking specified in Section 200 of this Law of the insurance or reinsurance participating undertaking or the insurance holding company, or the mixed financial holding company registered in a Member State referred to in Section 197, Paragraph two, Clauses 1 and 2 of this Law is located in another Member State, Latvijas Banka is, after consultation with the group supervisor and the respective ultimate parent undertaking in another Member State, under circumstances specified in EU Regulation No 2015/35, entitled to take the decision to apply the supervision in a group to the ultimate insurance or reinsurance parent undertaking or the insurance holding company, or the mixed financial holding company registered in the Republic of Latvia. The requirements for the supervision in a group specified in Section 69 and Chapters XXIX, XXX, XXXI, and XXXII of this Law shall be applied at the sub-group level by taking into account the provisions of Paragraphs two, three, four, five, six, seven, and eight of this Section. Latvijas Banka shall give a notification regarding its decision to both the group supervisor and the ultimate parent undertaking registered in a Member State. If Latvijas Banka is a group supervisor and has received a notification from the supervisory authority of another Member State regarding the application of the supervision in a group at the sub-group level, it shall inform the college of supervisors in accordance with the provisions of Section 224, Paragraph one, Clause 1 of this Law.

(2) In respect of the ultimate parent undertaking registered in the Republic of Latvia, Latvijas Banka is entitled to take the decision to restrict the supervision in a sub-group to one or several of the following fields of supervision of the financial standing of the group:

1) supervision of group solvency in accordance with the provisions of Sections 203, 204, 205, 206, 207, 208, 209, and 210 of this Law;

2) supervision of risk concentration and intra-group transactions in accordance with the provisions of Sections 218 and 219 of this Law;

3) supervision of risk management and internal control in accordance with the provisions of Section 220 of this Law.

(3) If Latvijas Banka has taken the decision specified in Paragraph two, Clause 1 of this Section, the calculation method referred to in Section 205 of this Law shall be used for the calculation of the capital requirement of the group solvency which has been recognised by the group supervisor as applicable in respect of the ultimate parent undertaking registered in a Member State and referred to in Section 200 of this Law.

(4) If Latvijas Banka has taken the decision specified in Paragraph two, Clause 1 of this Section and the ultimate parent undertaking registered in a Member State and referred to in Section 200 of this Law has obtained an authorisation of the group supervisor to calculate the group consolidated solvency capital requirement and also the individual solvency capital requirement of the group of insurance or reinsurance undertakings on the basis of the internal model of the group, the internal model of the group shall be used to calculate the group solvency capital requirement of the ultimate parent undertaking registered in the Republic of Latvia.

(5) If Latvijas Banka believes that the risk profile of the ultimate parent undertaking registered in the Republic of Latvia deviates significantly from the internal model approved by the group supervisor and if the ultimate parent undertaking registered in the Republic of Latvia does not properly take into account the instructions contained in the decision of Latvijas Banka, Latvijas Banka is entitled to take the decision to impose an additional capital requirement on the group solvency capital requirement for the respective ultimate parent undertaking registered in the Republic of Latvia resulting from the application of the internal model or, in exceptional cases, where such additional capital requirement is not applicable, to request that a respective commercial company calculates its group solvency capital requirement in accordance with the standard formula.

(6) In the case referred to in Paragraph five of this Section, Latvijas Banka shall give a notification regarding its decision to both the group supervisor and the ultimate parent undertaking registered in the Republic of Latvia. If Latvijas Banka is a group supervisor and has received an explanatory notification from the supervisory authority of another Member State regarding the taking of the decision referred to in Paragraph five of this Section in respect of the imposition of the additional capital requirement or the application of the standard formula at the sub-group level, it shall inform the college of supervisors in accordance with the provisions of Section 224, Paragraph one, Clause 1 of this Law.

(7) If Latvijas Banka has taken the decision specified in Paragraph two, Clause 1 of this Section, the respective commercial company is not entitled to submit an application for obtaining an authorisation in accordance with Section 213 or 217 of this Law in order to apply the requirements of Sections 214 and 215 of this Law to any of its subsidiary undertakings.

(8) Latvijas Banka shall not take or shall revoke the decision referred to in Paragraph one of this Section if the ultimate parent undertaking registered in the Republic of Latvia is a subsidiary undertaking for the ultimate parent undertaking registered in a Member State and referred to in Section 200 of this Law to which an authorisation of the group supervisor has been issued under which the requirements of Sections 214 and 215 of this Law are applicable to the relevant subsidiary undertaking.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 202.** (1) If Latvijas Banka has taken the decision referred to in Section 201 of this Law to apply the supervision in a group at the sub-group level to the ultimate parent undertaking registered in the Republic of Latvia, Latvijas Banka is entitled to, under the circumstances specified in EU Regulation No 2015/35, enter into an agreement with the supervisory authority of the ultimate parent undertaking of another related undertaking registered in another Member State in order to exercise supervision in a group at the sub-group level covering several Member States.

(2) If Latvijas Banka has entered into an agreement with the relevant supervisory authority in accordance with Paragraph one of this Section, the supervision in a group shall not be exercised at the sub-group level of the ultimate parent undertaking referred to in Section 201 of this Law, unless it is located in the same Member State as the sub-group referred to in Paragraph one of this Section. If Latvijas Banka has taken the decision to exercise supplementary supervision at the sub-group level and has entered into the agreement referred to in Paragraph one of this Section, it shall give an explanatory notification regarding the agreement entered into to the ultimate parent undertaking registered in a Member State and to the group supervisor and also inform the college of supervisors in accordance with the provisions of Section 224, Paragraph one, Clause 1 of this Law.

(3) If Latvijas Banka has entered into an agreement with the relevant supervisory authority in accordance with Paragraph one of this Section, the supervision at the sub-group level shall be applied by taking into account the provisions of Section 201, Paragraphs two, three, four, five, six, seven, and eight of this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XXIX**

**Group Solvency**

**Section 203.** (1) Supervision of group solvency shall be exercised in accordance with Paragraph two of this Section, Section 69 and Chapters XXXI and XXXII of this Law.

(2) In order to ensure group solvency, the insurance or reinsurance participating undertaking referred to in Section 197, Paragraph two, Clause 1 of this Law and the insurance or reinsurance undertakings in a group referred to in Section 197, Paragraph two, Clause 2 of this Law shall ensure that the eligible own funds are available in the group which are always at least equal to the group solvency capital requirement calculated in accordance with the provisions of Sections 205, 206, 207, 208, 209, and 210 of this Law.

(3) Latvijas Banka shall, if it is a group supervisor, carry out a review of the compliance with the group solvency in accordance with the provisions of Section 69 and Chapter XXXII of this Law. The requirements of Section 139 and Section 141, Paragraphs one, two, three, and four of this Law shall be applied to the supervision of group solvency.

(4) As soon as a participating undertaking has established and informed the group supervisor of its non-compliance with the group solvency capital or of a risk of such non-compliance in the next three months, Latvijas Banka shall, if it is a group supervisor, inform other supervisory authorities of the college of supervisors which analyse the financial standing of the group of this fact.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 204.** (1) A calculation of the group solvency shall include a calculation of the group solvency capital requirement and a calculation of the group own funds. Latvijas Banka shall determine the frequency of the calculation of the group solvency and the procedures for submitting this calculation to Latvijas Banka.

(2) An insurance or reinsurance undertaking, an insurance holding company, and a mixed financial holding company shall continuously supervise the group solvency capital requirement. If the risk profile of the group deviates significantly from the assumptions on which the last calculation of the group solvency capital requirement submitted to Latvijas Banka is based, a new calculation of the group solvency capital requirement shall be immediately made and submitted to Latvijas Banka.

(3) If it is reasonable to believe that the risk profile of the group has changed significantly since the day when the last calculation of the group solvency capital requirement has been submitted, Latvijas Banka, if it is a group supervisor, is entitled to request that a new calculation of the group solvency capital is made.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 205.** (1) The standard method – the accounting consolidation-based method – may be used for the calculation of the group solvency, thus calculating the consolidated group solvency capital requirement, or the alternative method – the deduction and aggregation method, thus calculating the aggregated group solvency capital requirement.

(2) The accounting consolidation-based method shall be used for the calculation of the group solvency of the insurance or reinsurance participating undertaking referred to in Section 197, Paragraph two, Clause 1 of his Law.

(3) Latvijas Banka, if it is a group supervisor, after consultation with other supervisory authorities concerned and the insurance or reinsurance participating undertaking referred to in Section 197, Paragraph two, Clause 1 of this Law, is entitled to take the decision to apply the deduction and aggregation method or the combined accounting consolidation-based method and the deduction and aggregation method to the calculation of the relevant group solvency in the cases where the accounting consolidation-based method is not appropriate.

(4) Latvijas Banka shall determine the methods for the calculation of the group solvency, selection, general principles thereof, and the application of calculation methods.

(5) For the purposes of the calculation of the group solvency, assets and liabilities shall be assessed in accordance with the provisions of Chapter 98 of this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 206.** The insurance or reinsurance participating undertakings referred to in Section 197, Paragraph two, Clause 1 of this Law and the insurance or reinsurance undertakings in a group referred to in Section 197, Paragraph two, Clause 2 of this Law may calculate the consolidated group solvency capital requirement by using a full or partial internal model which corresponds to the provisions of Sections 121, 122, 123, 124, 125, 126, 127, 128, and 129 of this Law subject to an authorisation of Latvijas Banka as a group supervisor.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 207.** (1) If the internal model of the group will be used not only for the calculation of the group consolidated solvency capital requirement but also for the calculation of the individual solvency capital requirements of one or several insurance or reinsurance undertakings in a group, an application for the authorisation for using the internal model of the group shall be submitted to the group supervisor by the following:

1) in the case referred to in Section 197, Paragraph two, Clause 1 of this Law – an insurance or reinsurance participating undertaking and the related undertaking thereof jointly;

2) in the case referred to in Section 197, Paragraph two, Clause 2 of this Law – related undertakings of an insurance holding company or a mixed financial holding company jointly.

(2) If Latvijas Banka is a group supervisor, it shall immediately inform all supervisory authorities involved in the college of supervisors and the EIOPA of receipt of the application referred to in Paragraph one of this Section by forwarding to the respective authorities the fully completed application which is accompanied by all necessary documents. Latvijas Banka has the right to seek assistance of the EIOPA in respect of the taking of a decision on the application referred to in Paragraph one of this Section that results from the EIOPA’s tasks and powers set out in Article 8(1)(b) of EU Regulation No 1094/2010.

(3) EU Regulation No 2015/35 shall lay down the procedures for examining the information to be indicated in the application referred to in Paragraph one of this Section, the accompanying documents, and the application.

(4) Latvijas Banka, if it is a group supervisor, shall, within six months after receipt of a fully completed application referred to in Paragraph one of this Section, accompanied by all necessary documents, take all possible measures in order to coordinate views and take a decision (hereinafter – the coordinated decision), upon consultation with the supervisory authorities concerned, on the issue of the authorisation referred to in the application.

(5) If a commercial company registered in the Republic of Latvia that is a related undertaking in a commercial company registered in another Member State or a related undertaking of an insurance holding company, or a mixed financial holding company registered in the Republic of Latvia submits to the group supervisor the application referred to in Paragraph one of this Section and Latvijas Banka is a supervisory authority concerned, Latvijas Banka shall, together with other supervisory authorities concerned, participate in the taking of the coordinated decision.

(6) If any of the supervisory authorities concerned has, within the six-month period referred to in Paragraph four of this Section, addressed the EIOPA with the request to help in reaching an agreement in accordance with Article 19 of EU Regulation No 1094/2010, Latvijas Banka, if it is a group supervisor, shall postpone the taking of the decision referred to in Paragraph four of this Section until the EIOPA has taken a decision within a month in accordance with Article 19(3) of EU Regulation No 1094/2010. Latvijas Banka, if it is a group supervisor, shall take the decision referred to in Paragraph four of this Section in accordance with the decision of the EIOPA. If the decision is taken by the group supervisor which is a supervisory authority of another Member State, Latvijas Banka shall follow it in exercising the supervision of an insurance or reinsurance undertaking.

(7) Latvijas Banka as a supervisory authority concerned is not entitled to address the EIOPA with the request to help in reaching an agreement after the expiry of the period referred to in Paragraph four of this Section or after taking of the coordinated decision.

(8) If, in accordance with Article 19(3) of EU Regulation No 1094/2010, the EIOPA does not take a decision, the decision referred to in Paragraph four of this Section shall be taken by Latvijas Banka if it is a group supervisor. If the decision is taken by the group supervisor which is a supervisory authority of another Member State, Latvijas Banka shall follow it in exercising the supervision of an insurance or reinsurance undertaking. The period referred to in Paragraph four of this Section shall be considered a time limit for conciliation within the meaning of Article 19(2) of EU Regulation No 1094/2010.

(9) If the supervisory authorities concerned have jointly taken the decision referred to in Paragraph four of this Section, Latvijas Banka, if it is a group supervisor, shall send the coordinated decision to applicants.

(10) If the coordinated decision is not taken within the time period specified in Paragraph four of this Section after receipt of an application which is fully corresponding to the requirements, the decision shall be taken by Latvijas Banka if it is a group supervisor. In taking the decision, Latvijas Banka shall take into account the views and objections of all supervisory authorities concerned which have been expressed within a six-month period during the evaluation of the application. Latvijas Banka shall send the decision to the applicants and all supervisory authorities concerned. If the decision is taken by the group supervisor which is a supervisory authority of another Member State, Latvijas Banka shall follow it in exercising the supervision of an insurance or reinsurance undertaking.

(11) If Latvijas Banka believes that the risk profile of the insurance or reinsurance undertaking under its supervision which calculates the individual solvency capital requirement by using the approved internal model of the group deviates significantly from the assumptions which determine the internal model approved at the group level and if the insurance or reinsurance undertaking has failed to submit to Latvijas Banka reasoned grounds that deviations are not significant or if the insurance or reinsurance undertaking does not address these deviations, Latvijas Banka may determine an additional capital requirement in accordance with Section 46 of this Law.

(12) In exceptional cases, Latvijas Banka is entitled to request that the insurance or reinsurance undertaking referred to in Paragraph eleven of this Section calculates its solvency capital requirement by using the standard formula if the additional capital requirement referred to in Paragraph eleven of this Section would not correspond to the risk profile of the relevant undertaking. If the circumstances referred to in Section 46, Paragraph one, Clauses 1 and 3 of this Law have been established, Latvijas Banka may impose an additional capital requirement on the solvency capital requirement for this insurance or reinsurance undertaking which has been calculated by using the standard formula in accordance with the provisions of Section 119 of this Law.

(13) Latvijas Banka shall, in the cases provided for in Paragraphs eleven and twelve of this Section, prepare and send the decision to both the insurance or reinsurance undertaking under its supervision and other supervisory authorities involved in the college of supervisors.

[*10 June 2021; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 208.** (1) In evaluating whether the consolidated group solvency capital requirement adequately reflects the risk profile of the group, Latvijas Banka, if it is a group supervisor, shall pay particular attention to all cases where circumstances may arise at the group level which have been referred to in Section 46, Paragraph one of this Law, in particular if:

1) any specific risks are present at the group level which could not be adequately covered by using the standard formula or an internal model if it is difficult to determine the amount thereof;

2) the supervisory authorities concerned, in accordance with Section 46 and Section 207, Paragraphs eleven, twelve, and thirteen of this Law, have imposed any additional capital requirement on the solvency capital requirement for the insurance or reinsurance related undertaking.

(2) If the risk profile of the group is not reflected in accordance with the provisions of this Law, Latvijas Banka, if it is a group supervisor, may impose an additional capital requirement on the consolidated group solvency capital requirement in accordance with Section 46 of this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 209.** If the deduction and aggregation method is used for the calculation of the group solvency and a joint application is received from an insurance or reinsurance undertaking and its related undertakings or from related undertakings of an insurance holding company or a mixed financial holding company for an authorisation to calculate the solvency capital requirement of insurance and reinsurance undertakings in a group on the basis of the internal model, Latvijas Banka shall apply the provisions of Section 207 of this Law to the issuance of the authorisation and the supervision process.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 210.** (1) In evaluating whether the aggregated group solvency capital requirement which is calculated in accordance with Section 205 of this Law adequately reflects the risk profile of the group, Latvijas Banka shall pay particular attention to all specific risks which are present at the group level and which could not be adequately covered as it is difficult to determine the amount thereof.

(2) If the risk profile of the group deviates significantly from the assumptions on which the aggregated group solvency capital requirement is based, Latvijas Banka shall impose an additional capital requirement on the aggregated group solvency capital requirement by taking into account Section 46 of this Law and also the requirements of EU Regulation No 2015/35 in respect of the circumstances for the imposition of the additional capital requirement and the methodologies for the calculation of the additional capital requirement.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 211.** (1) Sections 214 and 215 of this Law shall be applied to all insurance or reinsurance undertakings that are subsidiary undertakings of an insurance or reinsurance undertaking if all the following conditions are met:

1) Latvijas Banka, if it is a group supervisor, has not taken the decision to exclude a subsidiary undertaking from the field of application of the supervision in a group and a subsidiary undertaking has been included in the supervision in a group which is exercised by Latvijas Banka at the parent undertaking level in accordance with the requirements of this Law;

2) the risk management system and the internal control system of the parent undertaking refers to the subsidiary undertaking and the parent undertaking corresponds to the requirements of the supervisory authorities concerned for the prudent management of the subsidiary undertaking;

3) the parent undertaking has obtained the authorisation referred to in Section 220, Paragraph six of this Law;

4) the parent undertaking has obtained the authorisation referred to in Section 238, Paragraph two of this Law;

5) the parent undertaking has obtained the authorisation referred to in Section 212 of this Law.

(2) EU Regulation No 2015/35 determines the criteria which are applied in evaluating whether the provisions of Paragraph one of this Section are complied with.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 212.** The requirements of Sections 214 and 215 of this Law may be applied subject to an authorisation of Latvijas Banka. In order to obtain the authorisation, the parent undertaking shall submit to Latvijas Banka a reasoned application.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 213.** (1) Upon receipt of an application for the authorisation to apply the requirements of Sections 214 and 215 of this Law, Latvijas Banka and other supervisory authorities concerned shall cooperate and consult with the college of supervisors in order to take the decision to issue an authorisation and, where necessary, stipulate other provisions and conditions which should refer to such authorisation.

(2) The application referred to in Section 212 of this Law shall only be submitted to Latvijas Banka if it has licensed a subsidiary undertaking. Latvijas Banka shall inform other supervisory authorities of the college of supervisors of this fact and immediately send to them the fully completed application.

(3) Latvijas Banka and other supervisory authorities concerned shall cooperate in order to, within three months after all supervisory authorities of the college of supervisors have received the application referred to in Section 212 of this Law, take a coordinated decision to issue an authorisation.

(4) If any of the supervisory authorities concerned has addressed the EIOPA within the three-month period referred to in Paragraph three of this Section with the request to help in reaching an agreement in accordance with Article 19 of EU Regulation No 1094/2010, Latvijas Banka, if it is a group supervisor, shall postpone the taking of the decision referred to in Paragraph three of this Section until the EIOPA has taken a decision in accordance with Article 19(3) of EU Regulation No 1094/2010. Latvijas Banka, if it is a group supervisor, shall take the decision referred to in Paragraph three of this Section in accordance with the decision of the EIOPA. If the decision is taken by the group supervisor which is a supervisory authority of another Member State, Latvijas Banka shall follow it in exercising the supervision of an insurance or reinsurance undertaking.

(5) Latvijas Banka as a supervisory authority concerned is not entitled to address the EIOPA with the request to help in reaching an agreement after the expiry of the period referred to in Paragraph three of this Section or after taking of the coordinated decision.

(6) If, in accordance with Article 19(3) of EU Regulation No 1094/2010, the EIOPA does not take a decision, the decision referred to in Paragraph three of this Section shall be taken by Latvijas Banka if it is a group supervisor. If the decision is taken by the group supervisor which is a supervisory authority of another Member State, Latvijas Banka shall follow it in exercising the supervision of an insurance or reinsurance undertaking. The period referred to in Paragraph three of this Section shall be considered a time limit for conciliation within the meaning of Article 19(2) of EU Regulation No 1094/2010.

(7) If the supervisory authorities concerned have taken the coordinated decision referred to in Paragraph three of this Section, Latvijas Banka, if it is a group supervisor, shall send this decision to applicants.

(8) If the coordinated decision is not taken within the time period specified in Paragraph three of this Section after receipt of an application which is fully corresponding to the requirements, the decision shall be taken by Latvijas Banka if it is a group supervisor. In taking the decision, Latvijas Banka shall take into account the views and objections of all supervisory authorities concerned and also of other supervisory authorities of the college of supervisors which have been expressed within a three-month period during the evaluation of the application. Latvijas Banka shall send the decision to the applicant and all supervisory authorities concerned by providing an explanation regarding significant deviations from the position taken by other supervisory authorities concerned. If the decision is taken by the group supervisor which is a supervisory authority of another Member State, Latvijas Banka shall follow it in exercising the supervision of an insurance or reinsurance undertaking.

(9) EU Regulation No 2015/35 shall lay down the procedures which Latvijas Banka follows in the information exchange by exercising its rights and fulfilling its obligations in accordance with the requirements of this Section and Sections 214, 215, 216, and 217 of this Law.

[*10 June 2021; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 214.** (1) The solvency capital requirement for a subsidiary undertaking shall be calculated by taking into account the provisions of Section 215 of this Law and in accordance with Paragraphs two, four, five, six, seven, and eight of this Section.

(2) If the solvency capital requirement for a subsidiary undertaking is calculated on the basis of an internal model which has been approved at the group level in accordance with Section 207 of this Law, and Latvijas Banka, if it has licensed the subsidiary undertaking, believes that the risk profile of this undertaking deviates significantly from the respective internal model, moreover, this undertaking fails to follow the instructions contained in the decision of Latvijas Banka, Latvijas Banka, in the cases specified in Section 46 of this Law, is entitled to propose that an additional capital requirement is imposed on the solvency capital requirement for the respective subsidiary undertaking which has been calculated by using the internal model or, in exceptional cases, if such additional capital requirement has not been applied, to request the subsidiary undertaking to calculate its solvency capital requirement by using the standard formula. Latvijas Banka shall discuss its proposal at the college of supervisors and notify the grounds for such proposal to both the subsidiary undertaking and the college of supervisors.

(3) If the solvency capital requirement for a subsidiary undertaking is calculated by using the standard formula and Latvijas Banka, if it has licensed the subsidiary undertaking, believes that the risk profile of this undertaking deviates significantly from the assumptions on which the standard formula is based, moreover, the undertaking fails to follow the instructions contained in the decision of Latvijas Banka, Latvijas Banka is entitled, in exceptional cases, to request that the respective subsidiary undertaking replaces the sub-group of parameters used for the calculation of the standard formula with the parameters specific to this subsidiary undertaking when calculating life, non-life, and health underwriting risk modules or, in the cases referred to in Section 46 of this Law, to impose an additional capital requirement on the solvency capital requirement for the respective subsidiary undertaking. Latvijas Banka shall discuss its proposal at the college of supervisors and notify the grounds for such proposal to both the subsidiary undertaking and the college of supervisors.

(4) Latvijas Banka shall cooperate with other supervisory authorities of the college of supervisors in order to reach an agreement on the proposals referred to in Paragraphs two and three of this Section or other possible measures. Latvijas Banka shall respect the agreement reached in exercising the supervision of an insurance or reinsurance undertaking.

(5) If Latvijas Banka and the group supervisor fail to take a coordinated decision on a proposal within one month, the matter shall be referred for consultation to the EIOPA.

(6) If Latvijas Banka or the group supervisor has addressed the EIOPA within the time period referred to in Paragraph five of this Section with the request to help in reaching an agreement in accordance with Article 19 of EU Regulation No 1094/2010, Latvijas Banka, if it has licensed a subsidiary undertaking, shall postpone the taking of the decision referred to in Paragraphs two and three of this Section until the EIOPA has taken a decision within a month in accordance with Article 19 of EU Regulation No 1094/2010. One month shall be considered a time limit for conciliation within the meaning of Article 19(2) of EU Regulation No 1094/2010. Latvijas Banka, if it has licensed the subsidiary undertaking, shall take the decisions referred to in Paragraphs two and three of this Section in accordance with the decision of the EIOPA. Latvijas Banka is not entitled to address the EIOPA with the request to help in reaching an agreement after the expiry of the period referred to in Paragraph five of this Section or after taking of the coordinated decision at the college of supervisors.

(7) Latvijas Banka shall notify the subsidiary undertaking and the college of supervisors of the decision.

(8) If the decisions referred to in Paragraphs two and three of this Section are taken by another group supervisor concerned, Latvijas Banka shall follow them in exercising the supervision of insurance or reinsurance undertakings in a group.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 215.** (1) If it is established that a subsidiary undertaking does not conform to the solvency capital requirement by taking into account the provisions of Section 141 of this Law, Latvijas Banka, if it has licensed the subsidiary undertaking, shall immediately send to the college of supervisors a plan for the improvement of financial standing submitted by the subsidiary undertaking in order to ensure that, within six months after establishing non-conformity with the solvency capital requirement, the undertaking restores the level of the eligible own funds or reduces its risk profile in order to ensure conformity with the solvency capital requirement.

(2) Latvijas Banka shall make all efforts in the college of supervisors to reach an agreement with other supervisory authorities concerned on its proposal in respect of the decision to approve the plan for the improvement of financial standing within four months from the day when the non-conformity with the solvency capital requirement has been first established.

(3) If the agreement referred to in Paragraph two of this Section is not reached, Latvijas Banka, if it has licensed the subsidiary undertaking, shall take a decision with regard to whether to approve the plan for the improvement of financial standing by taking due account of the views of other supervisory authorities of the college of supervisors, including the objections thereof.

(4) If Latvijas Banka has licensed the subsidiary undertaking and established deterioration of the financial standing in accordance with Section 139 of this Law, it shall immediately inform the college of supervisors of the measures proposed to be taken. Except for exceptional situations, the measures to be taken shall be discussed at the college of supervisors. EU Regulation No 2015/35 determines the applicable criteria by assessing what situations are considered to be exceptional situations.

(5) Latvijas Banka shall make all efforts in the college of supervisors to reach an agreement with other supervisory authorities concerned on its proposed measures which are to be taken within a month after the day of notification.

(6) If the agreement referred to in Paragraph five of this Section is not reached, Latvijas Banka, if it has licensed the subsidiary undertaking, shall take a decision with regard to the approval of the proposed measures by taking due account of the views and objections of other supervisory authorities of the college of supervisors.

(7) If it is established that a subsidiary undertaking does not conform to the minimum capital requirement in accordance with the provisions of Section 142 of this Law, Latvijas Banka, if it has licensed the subsidiary undertaking, shall immediately send to the college of supervisors a short-term finance scheme submitted by the subsidiary undertaking the implementation of which would allow the subsidiary undertaking to, within three months from the day when the non-conformity with the minimum capital requirement has been first established, restore the level of the eligible own funds which covers the minimum capital requirement or reduce the risk profile of the subsidiary undertaking in order to ensure the conformity with the minimum capital requirement. Latvijas Banka shall inform the college of supervisors of all measures taken in order for the subsidiary undertaking to conform to the minimum capital requirement.

(8) If Latvijas Banka that has licensed the subsidiary undertaking has failed to reach an agreement with the group supervisor on the plan for the improvement of financial standing and also the approval of the extension of the period for the improvement of financial standing within the four-month period specified in Paragraph two of this Section or on the approval of the measures proposed by Latvijas Banka within one month, as specified in Paragraph five of this Section, Latvijas Banka or the group supervisor may address the EIOPA with the request to help in reaching an agreement in accordance with Article 19 of EU Regulation No 1094/2010. Latvijas Banka, if it has licensed the subsidiary undertaking, shall postpone the taking of the decision referred to in Paragraphs three and six of this Section until the EIOPA has taken a decision within a month in accordance with Article 19(3) of EU Regulation No 1094/2010. The four-month period referred to in Paragraph two or the one-month period referred to in Paragraph five of this Section shall be considered a time limit for conciliation within the meaning of Article 19(2) of EU Regulation No 1094/2010. Latvijas Banka, if it has licensed the subsidiary undertaking, shall take the decision referred to in Paragraphs three and six of this Section in accordance with the decision of the EIOPA. Latvijas Banka is not entitled to address the EIOPA with the request to help in reaching an agreement after expiry of the period referred to in Paragraphs two and five of this Section, after taking of the coordinated decision at the college of supervisors, or in the exceptional situations referred to in Paragraph four of this Section. Latvijas Banka shall notify the subsidiary undertaking and the college of supervisors of the decision.

(9) If the decisions referred to in Paragraphs three and six of this Section are taken by another group supervisor concerned, Latvijas Banka shall follow them in exercising the supervision of insurance or reinsurance undertakings in a group.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 216.** (1) Application of the requirements specified in accordance with Sections 214 and 215 of this Law shall be terminated in the following cases:

1) the provision of Section 211, Paragraph one, Clause 1 of this Law is no longer complied with;

2) the provision of Section 211, Paragraph one, Clause 2 of this Law is no longer complied with and the group does not restore compliance with this condition within an appropriate period of time;

3) the provisions of Section 211, Paragraph one, Clauses 3 and 4 of this Law are no longer complied with.

(2) In the case referred to in Paragraph one, Clause 1 of this Section, if Latvijas Banka is a group supervisor and decides, after consultation with the college of supervisors, no longer to include a subsidiary undertaking in the supervision in a group it exercises, Latvijas Banka shall immediately inform the supervisory authority concerned and the parent undertaking of the group.

(3) The parent undertaking shall be responsible for ensuring that the provisions of Section 211, Paragraph one, Clauses 2, 3, and 4 of this Law are complied with on a continuous basis. In the case of non-compliance, the parent undertaking shall immediately inform Latvijas Banka, if it is a group supervisor, and the supervisory authority of the relevant subsidiary undertaking. The parent undertaking shall submit a plan to restore compliance within an appropriate period of time.

(4) Latvijas Banka, if it is a group supervisor, shall, at least once a year, upon its own initiative, verify whether the provisions referred to in Section 211, Paragraph one, Clauses 2, 3, and 4 of this Law are complied with. Latvijas Banka, if it is a group supervisor, shall also perform such verification upon request of the supervisory authority concerned.

(5) If any shortcomings are established during the verification, Latvijas Banka, if it is a group supervisor, shall request that the parent undertaking submits a plan to restore compliance within a specific period of time.

(6) If, after consultation with the college of supervisors, Latvijas Banka, if it is a group supervisor, establishes that the plan referred to in Paragraph three or five of this Section is not efficient or it has not been implemented within the specified time period, Latvijas Banka shall take a decision that the provisions referred to in Section 211, Paragraph one, Clauses 2, 3, and 4 of this Law are no longer complied with, and shall immediately inform the supervisory authority concerned of this fact.

(7) Application of the requirements of Sections 214 and 215 of this Law may be recommenced if the parent undertaking submits a new application and receives a favourable decision in accordance with the procedures laid down in Section 213 of this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 217.** Requirements of Sections 211, 212, 213, 214, 215, and 216 of this Law may be applied to insurance or reinsurance undertakings which are subsidiary undertakings of an insurance holding company or a mixed financial holding company.

**Chapter XXX**

**Risk Concentration and Intra-group Transactions**

**Section 218.** (1) Supervision of the risk concentration at a group level shall be exercised by Latvijas Banka, if it is a group supervisor, in accordance with the provisions of Paragraphs two, three, four, five, and six of this Section, Section 69, and Chapters XXXI and XXXII of this Law.

(2) Information on the risk concentration at a group level shall be submitted to Latvijas Banka by an insurance or reinsurance undertaking that is a parent undertaking of the group or, where the parent undertaking of the group is not an insurance or reinsurance undertaking, by the insurance holding company, the mixed financial holding company, or the insurance or reinsurance undertaking in the group indicated by Latvijas Banka after consultation with other supervisory authorities concerned and with the group.

(3) Latvijas Banka shall, after consultation with other supervisory authorities concerned and with the group, identify the types of risks whereof the insurance or reinsurance undertakings in the relevant group should report.

(4) In identifying the types of risks or giving their opinion thereon, Latvijas Banka and other relevant supervisory authorities shall take into account the relevant group and the risk management structure of the group.

(5) In order to identify the significant risk concentration which is necessary to be notified, Latvijas Banka shall, after consultation with other supervisory authorities concerned and with the group, impose appropriate thresholds on the basis of the solvency capital requirements, technical provisions or both these indicators in accordance with EU Regulation No 2015/35.

(6) Within the framework of the supervision of the risk concentration, Latvijas Banka shall supervise the potential risk of contagion in the group, the risk of a conflict of interests, and the level or volume of risk.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 219.** (1) Supervision of intra-group transactions shall be exercised by Latvijas Banka, if it is a group supervisor, in accordance with the provisions of Paragraphs two, three, and four of this Section, Section 69, and Chapters XXXI and XXXII of this Law.

(2) Insurance or reinsurance undertakings, insurance holding companies, or mixed financial holding companies shall immediately notify Latvijas Banka, if it is a group supervisor, of all particularly significant intra-group transactions.

(3) The necessary information shall be submitted to Latvijas Banka by an insurance or reinsurance undertaking that is a parent undertaking of the group or, where the parent undertaking of the group is not an insurance or reinsurance undertaking, by the insurance holding company, the mixed financial holding company, or the insurance or reinsurance undertaking in the group indicated by Latvijas Banka after consultation with other supervisory authorities concerned and with the group.

(4) Latvijas Banka shall, after consultation with other supervisory authorities concerned and with the group, in accordance with the provisions of Section 218, Paragraphs three, four, five, and six of this Law, identify the types of intra-group transactions whereof the insurance or reinsurance undertakings in the relevant group should report.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XXXI**

**Risk Management and Internal Control**

**Section 220.** (1) The requirements of Chapters VII and VIII of this Law shall also be applied at a group level. All insurance or reinsurance undertakings which are subject to the supervision in a group shall, in accordance with Section 197, Paragraph two, Clauses 1 and 2 of this Law, implement risk management and internal control systems and information exchange procedures ensuring that these systems and procedures may be controlled at least at the group level.

(2) The internal control system of the group shall include at least the following:

1) in respect of group solvency, a system to identify and measure all the risks relevant to the activity to which the group is exposed and a system to appropriately relate eligible own funds to risks;

2) transparent internal information exchange and accounting procedures in order to control and manage the intra-group transactions and the risk concentration.

(3) Latvijas Banka, if it is a group supervisor, or an authorised person thereof has the right to, in accordance with Chapter VI of this Law, carry out the review of the systems, procedures and assessment referred to in Paragraphs one, two, and four of this Section. Latvijas Banka is entitled to authorise a sworn auditor for the performance of this task.

(4) An insurance or reinsurance participating undertaking, an insurance holding company, or a mixed financial holding company shall, at a group level, carry out the self-assessment of risks and solvency specified in Section 65 of this Law.

(5) If a calculation of the group solvency is made in accordance with the standard method specified in Section 205 of the Law, an insurance or reinsurance participating undertaking, an insurance holding company or a mixed financial capital company shall submit to Latvijas Banka, if it is a group supervisor, information which demonstrates a real understanding of the difference between the amount of solvency capital requirements of all insurance and reinsurance undertakings included in the group and the group consolidated solvency capital requirement.

(6) An insurance or reinsurance participating undertaking, an insurance holding company, or a mixed financial holding company may, after receipt of an authorisation of Latvijas Banka, if it is a group supervisor, carry out the self-assessment of risks and solvency specified in Section 65 of this Law concurrently at a group level and at a level of any subsidiary undertaking in the group and draw up a single document which refers to all assessments. The respective document shall be concurrently submitted to the supervisory authorities concerned. The self-assessment of risks and solvency of a subsidiary undertaking shall be carried out by taking into account Section 65 of this Law.

(7) Carrying out of the self-assessment of risks and solvency in accordance with Paragraph five of this Section shall not release subsidiary undertakings in the group from ensuring conformity with the requirements specified in Section 65 of this Law.

(8) Latvijas Banka, if it is a group supervisor, shall, prior to providing the authorisation referred to in Paragraph six of this Section, consult the members of the college of supervisors of the relevant group and, in taking a decision, shall take into account all views and objections of the members of the college of supervisors of the relevant group.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XXXII**

**Measures to Facilitate the Supervision in the Group**

**Section 221.** Latvijas Banka shall exercise the supervision of an insurance group and a reinsurance group in the following cases:

1) the supervisory authorities involved in the process of the supervision in the group have agreed that Latvijas Banka will exercise the supervision in the group;

2) Latvijas Banka exercises the supervision of all insurance undertakings and reinsurance undertakings belonging to a single group;

3) a parent undertaking of the group is an insurance or reinsurance undertaking licensed by Latvijas Banka;

4) a parent undertaking of the group is not an insurance or reinsurance undertaking licensed by Latvijas Banka but one of the following cases has occurred:

a) the parent undertaking of the insurance or reinsurance undertaking licensed by Latvijas Banka is an insurance holding company or a mixed financial holding company;

b) the headquarters of several insurance or reinsurance undertakings are located in the European Union, the parent undertaking of such undertakings is an insurance holding company or a mixed financial holding company registered in the Republic of Latvia, and one of such undertakings has been licensed by Latvijas Banka;

c) the group has several parent undertakings which are insurance holding companies or mixed financial holding companies with the headquarters in different Member States of which one is located in the Republic of Latvia and there is a licensed insurance or reinsurance undertaking in each of the Member States of which an insurance or reinsurance undertaking with the largest balance sheet assets total has been licensed by Latvijas Banka;

d) the parent undertaking of several insurance or reinsurance undertakings with the headquarters in the territory of the European Union is an insurance holding company or a mixed financial holding company but none of the insurance or reinsurance undertakings has been licensed in a Member State in the territory of which the headquarters of the insurance holding company or the mixed financial holding company is located and Latvijas Banka has licensed the insurance or reinsurance undertaking with the largest balance sheet assets total;

e) the group does not have a parent undertaking or none of the cases referred to in this Paragraph has occurred and Latvijas Banka has licensed an insurance or reinsurance undertaking with the largest balance sheet assets total.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 222.** (1) In taking into account a request of the supervisory authorities concerned and by common agreement with the supervisory authorities concerned, Latvijas Banka is entitled to waive supervision in a group in accordance with the requirements of Section 221 of this Law and delegate the supervision in the group to another supervisory authority in cases where the supervision in the group exercised by Latvijas Banka would not be adequate by taking into account the structure of the group and the importance of the transactions in other Member States made by insurance and reinsurance undertakings belonging to the group.

(2) In respect of each group for which Latvijas Banka does not exercise the supervision in the group but in the supervision process of which it is involved, Latvijas Banka is entitled to request, once a year, that the compliance of the criteria applied for the selection of the group supervisor is reviewed.

(3) Upon making or receiving the request referred to in Paragraph two of this Section, Latvijas Banka shall make all efforts within the framework of its competence in order to take, within three months, a decision coordinated with the supervisory authorities concerned on the choice of the supervisory authority of a Member State that will be delegated to exercise the supervision in the group. Prior to taking the decision, the supervisory authorities concerned shall ensure that the group is able to express its opinion.

(4) Latvijas Banka is entitled to, within the time period specified in Paragraph three of this Section, consult the EIOPA on the matter regarding choice of the supervisory authority of a Member State that will be delegated to exercise the supervision in the group in the supervision process of which Latvijas Banka is involved. If Latvijas Banka or any of the supervisory authorities involved in the supervision in the group has commenced consulting with the EIOPA prior to taking the coordinated decision specified in Paragraph three of this Section, the taking of such decision shall be postponed until the EIOPA has taken the decision within a month. The decision taken by the EIOPA on the choice of the supervisory authority of a Member State that will exercise the supervision in the group shall be binding on the supervisory authorities involved in the supervision in the group. The period referred to in Paragraph three of this Section shall be considered a time limit for conciliation within the meaning of Article 19(2) of EU Regulation No 1094/2010.

(5) Latvijas Banka as a supervisory authority concerned is not entitled to address the EIOPA with the request to help in reaching an agreement after the expiry of the period referred to in Paragraph three of this Section or after taking of the coordinated decision. If the supervisory authorities concerned agree to delegate the supervision in the group to Latvijas Banka, it shall send the coordinated decision taken to the group and the supervisory authorities concerned. The coordinated decision taken on the choice of the supervisory authority of a Member State to which the supervision in the group will be delegated shall be binding on Latvijas Banka and the supervisory authorities concerned.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 223.** If in the case specified in Section 222 of this Law the supervisory authorities concerned fail to take, within the time period specified in Section 222, Paragraph three of this Law, the coordinated decision on the choice of the supervisory authority of a Member State to which the supervision in the group will be delegated, the supervision in the group shall be exercised by Latvijas Banka.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 224.** (1) In ensuring supervision in a group, Latvijas Banka shall take the following measures:

1) coordinate in daily and crisis situations the gathering and dissemination of essential information regarding the operation of the group by ensuring the transfer of the information which is necessary for the supervisory authorities concerned to perform the supervisory functions;

2) review the operation and financial standing of the group;

3) assess compliance of the group solvency, risk concentration, and intra-group transactions with the requirements of Chapters XXIX and XXX of this Law;

4) assess the conformity of the management system of the group with the requirements of Section 221 of this Law and the conformity of the management of a participating undertaking with the requirements of Sections 58, 59, 60, 61, 62, 63, and 69 of this Law;

5) plan and coordinate the process of the supervision in the group both in daily and crisis situations by taking into account the types of activity of all undertakings belonging to the group, the amount thereof, and the complexity of the risks inherent in the activity of such undertakings, and also regularly, not less than once a year, organise the meetings of the supervisory authorities concerned or use other appropriate means of cooperation;

6) perform other tasks, take other measures, and make relevant decisions in order to ensure conformity with the requirements specified in this Law by exercising the supervision in the group, in particular by managing the approval process of the internal model of the group in accordance with the requirements of Sections 207 and 209 of this Law and managing the processes specified in Sections 212, 213, 214, 215, 216, and 217 of this Law.

(2) In order to exercise supervision in a group in accordance with the provisions of Paragraph one of this Section, Latvijas Banka shall organise the establishment of the college of supervisors and manage the operation thereof.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 225.** (1) In order to facilitate coherence of the decisions and activities of the supervisory authorities involved in the college of supervisors, Latvijas Banka shall, in managing the operation of the college of supervisors, ensure mutual cooperation, information exchange, and consultation process in the cases specified in Division F of this Law.

(2) In order to ensure supervision in a group in accordance with the requirements specified in Section 224, Paragraph one of this Law, Latvijas Banka is entitled to inform the EIOPA and request its assistance in the cases where the supervisory authority of a Member State involved in the college of supervisors fails to cooperate with Latvijas Banka.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 226.** (1) The college of supervisors shall comprise the group supervisor, supervisory authorities of all Member States in the territory of which the headquarters of subsidiary undertakings are located, and the EIOPA. The supervisory authorities of significant branches and related undertakings may also participate in colleges by restricting their participation to ensuring efficient information exchange. The term “significant branch” shall be used within the meaning of EU Regulation No 2015/35.

(2) In order to ensure more efficient operation of the college of supervisors, Latvijas Banka is entitled to engage a limited number of supervisory authorities involved in the college of supervisors for ensuring the implementation of individual measures to be taken within the framework of the supervision in a group.

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 227.** (1) Establishment and operation of the college of supervisors shall be based on a cooperation agreement entered into between the group supervisor and other supervisory authorities concerned.

(2) The cooperation agreement referred to in Paragraph one of this Section shall stipulate the procedures for the establishment of the college of supervisors, the organisation of the operation thereof, the consultation process with the EIOPA, and the taking of the final decisions.

(3) An additional cooperation agreement may stipulate the procedures for the consultation process between the supervisory authorities concerned and the cooperation process with other supervisory authorities.

**Section 228.** Latvijas Banka is entitled to refer a matter to the EIOPA if the supervisory authorities involved in the college of supervisors have different views on the cooperation agreement. A decision taken by the EIOPA on the supervisory authority of a Member State that will exercise supervision in a group shall be binding on Latvijas Banka.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 229.** [10 June 2021]

**Section 230.** Latvijas Banka, if it is a group supervisor, shall send information to the EIOPA regarding the operation of the college of supervisors and any difficulties related to the operation of the college of supervisors.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 231.** (1) Latvijas Banka shall immediately inform other supervisory authorities involved in the supervision in a group if an insurance or reinsurance undertaking which belongs to the group and has been licensed by Latvijas Banka has experienced financial difficulties as a result of which default is possible in accordance with the insurance and reinsurance contracts entered into.

(2) Latvijas Banka and other supervisory authorities concerned shall notify each other of all relevant information, as soon as it is available, or provide information upon request of the supervisory authority concerned in order to ensure that the relevant information is equally available to all supervisory authorities concerned, including the group supervisor, and to facilitate the performance of supervisory tasks of other institutions in accordance with the requirements of this Law.

(3) The information referred to in Paragraph two of this Section shall include at least the information regarding the measures taken by the group and the supervisory authorities and the information provided by the group.

(4) Latvijas Banka is entitled to inform the EIOPA and request its assistance in the cases where the supervisory authority of a Member State involved in the college of supervisors has failed to notify Latvijas Banka of the relevant information, rejects the request of Latvijas Banka for cooperation, in particular a request to provide the relevant information, or has failed to act accordingly within two weeks after request of Latvijas Banka to provide information.

(5) Latvijas Banka, if it is a group supervisor, shall inform other supervisory authorities involved in the supervision in a group and the EIOPA of the legal, management, and organisational structure of the group by taking into account the information provided by an insurance or reinsurance undertaking regarding close links and also the provisions of Section 91 and Section 235, Paragraphs two and three of this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 232.** Latvijas Banka, if it is a group supervisor, shall immediately convene a meeting of the supervisory authorities concerned if the following situation has been established during the supervision process in a group exercised by Latvijas Banka or during the supervision process of an insurance or reinsurance undertaking which belongs to the group and has been licensed by Latvijas Banka:

1) conformity with the solvency capital requirement or the minimum capital requirement has not been ensured and a serious violation of the requirements specified in this Law has been established;

2) conformity with the group solvency capital requirement has not been ensured and a serious violation of the requirements specified in this Law has been established;

3) any other circumstances or potential occurrence of such circumstances has been established as a result of which the fulfilment of the obligations of an insurance or reinsurance undertaking might be jeopardised in accordance with the insurance and reinsurance contracts entered into.

[*20 July 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 233.** (1) Prior to taking a decision, Latvijas Banka shall consult the supervisory authorities involved in the college of supervisors regarding the following aspects if the decision of Latvijas Banka affects the performance of the supervisory functions of other supervisory institutions:

1) changes in the composition of stockholders or members of an insurance or reinsurance undertaking belonging to the group and also in the organisational structure or managerial body thereof where the approval or authorisation of Latvijas Banka is required to make the necessary changes;

2) the decision of Latvijas Banka to extend the time period specified in Section 141, Paragraph three of this Law for the restoration of own funds to the amount of the solvency capital requirement in the cases specified in Section 141, Paragraphs four and five of this Law;

3) imposition of sanctions or taking of exceptional measures in the cases of a failure to conform to essential requirements of this Law, including imposition of the additional capital requirement in accordance with Section 46 of this Law or use of other restrictions in respect of the calculation of the solvency capital requirement for the internal model in accordance with Sections 121, 122, 123, 124, 125, 126, 127, 128, and 129 of this Law.

(2) Latvijas Banka shall consult the group supervisor prior to taking the decision to impose the additional capital requirement on an insurance or reinsurance undertaking belonging to the relevant group.

(3) In exercising supervision in a group, Latvijas Banka shall consult other supervisory authorities involved in the supervision in the group if the information referred to in Paragraph one, Clause 2 or 3 of this Section has been provided to Latvijas Banka by the supervisory authority of a Member State involved in the supervision in the group.

(4) In urgent cases or in the case where efficiency of a decision depends on the speed of decision-making, Latvijas Banka is entitled to not follow the procedures for consulting the supervisory authorities involved in the supervision in the group prior to taking the decision which have been laid down in this Section. In this case, Latvijas Banka shall inform all the supervisory authorities involved in the supervision in the group immediately after taking the decision.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 234.** (1) For the purpose of obtaining information to exercise supervision in a group, Latvijas Banka, if it is a group supervisor, shall cooperate with the supervisory authority of the Member State in the territory of which the headquarters of the parent undertaking is located but which does not exercise the supervision in the group.

(2) Latvijas Banka is entitled to request that the supervisory authority of the Member State in the territory of which the headquarters of the parent undertaking is located but which is not a group supervisor obtains information from the parent undertaking that is necessary for Latvijas Banka to exercise the supervision in the group.

(3) In order to obtain information for the performance of supervision in a group which has already been submitted to another supervisory authority, Latvijas Banka shall cooperate with the relevant supervisory authority.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 234.1** (1) If a Member State credit institution or a Member State investment undertaking, or both are undertakings related to an insurance or reinsurance undertaking, Latvijas Banka shall cooperate with the supervisory authority of a Member State which exercises the supervision of this Member State credit institution or Member State investment undertaking providing each other with information that is necessary for carrying out the responsibilities referred to in Division F of this Law.

(2) Information received for carrying out the responsibilities referred to in Division F of this Law shall be considered restricted access information and Section 83 of this Law shall be applicable to the information exchange among supervisory authorities.

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 235.** (1) An insurance or reinsurance undertaking subject to the supervision in a group, participating undertakings and related undertakings thereof, and also related natural persons have the right to interchange information which is necessary for Latvijas Banka or the supervisory authority of a Member State for the supervision in the group.

(2) An insurance or reinsurance participating undertaking, an insurance holding company, or a mixed financial holding company shall submit to Latvijas Banka, if it is a group supervisor, all information necessary for exercising the supervision in a group by applying the requirements of Section 42 of this Law at a group level. EU Regulation No 2015/35 determines the content and the time periods for the submission of the information.

(3) Latvijas Banka is entitled to request the information necessary for the supervision in a group directly from a related undertaking or a participating undertaking of an insurance or reinsurance undertaking, and a related undertaking of a participating undertaking subject to the supervision in the group if this information is not received from the insurance or reinsurance undertaking subject to the supervision in the group within the time period specified by Latvijas Banka.

(4) Latvijas Banka, if it is a group supervisor, is entitled to apply the exemptions referred to in Section 42, Paragraphs four and five of this Law at a group level if the respective exemptions are applied to each insurance or reinsurance undertaking belonging to the group by taking into account the types of activity of the group, the amount thereof, and the complexity of the risks inherent in the activity of the group.

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 236.** Latvijas Banka or authorised persons thereof may verify, on the spot, the accuracy of the information submitted for the supervision in a group in an insurance or reinsurance undertaking subject to the supervision in the group, a related undertaking thereof, a parent undertaking thereof and a related undertaking of the parent undertaking, and these commercial companies may not refuse to provide information on the pretext of a business secret.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 237.** (1) If, for the purpose of exercising supervision in a group, information must be verified regarding an undertaking which is located in the territory of another Member State, Latvijas Banka has the right to authorise the supervisory authority of the relevant Member State to perform the verification.

(2) Upon request of the supervisory authority of a Member State, Latvijas Banka or authorised persons thereof, or, subject to an authorisation of Latvijas Banka, the supervisory authority of the Member State, or authorised persons thereof may verify the accuracy of the information submitted for supervision in a group in commercial companies registered in the Republic of Latvia which are participating undertakings, related undertakings, or related undertakings of a participating undertaking of a Member State insurer or Member State reinsurer registered in the Member State and subject to the supervision in the group. The group supervisor shall be informed of the results of the verification.

(3) The supervisory authority of a Member State which has submitted to Latvijas Banka the request referred to in Paragraph two of this Section is entitled to participate in the verification in the cases where Latvijas Banka or authorised persons thereof verify the accuracy of the information submitted for ensuring supervision in a group.

(4) Latvijas Banka is entitled to inform the EIOPA and request its assistance in the cases where the supervisory authority of a Member State which has been authorised by Latvijas Banka to conduct verification in accordance with Paragraph one of this Section has failed to commence acting accordingly within two weeks.

(5) The EIOPA has the right to participate in verifications if they are conducted jointly by at least two supervisory authorities.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 238.** (1) An insurance or reinsurance participating undertaking, an insurance holding company, or a mixed financial holding company shall publish, on an annual basis, a report on the solvency and financial standing of the group. The report shall indicate both qualitative and quantitative, previous, current, and planned data or any combinations thereof and also information from the internal and external sources of information.

(2) If an authorisation of the group supervisor is obtained, an insurance or reinsurance participating undertaking, an insurance holding company, or a mixed financial holding company may prepare a single report on the solvency and financial standing which includes the following:

1) information at a group level;

2) individually identifiable information regarding each subsidiary undertaking of the group.

(3) Prior to issuing the authorisation referred to in Paragraph two of this Section, Latvijas Banka, if it is a group supervisor, shall consult the members of the college of supervisors and evaluate the views of other supervisory authority involved in the college of supervisors, including the objections thereof.

(4) If the report referred to in Paragraph two of this Section does not include the information on a subsidiary undertaking the provision of which is requested by Latvijas Banka that has licensed the subsidiary undertaking, and if the information not included is relevant, Latvijas Banka shall request that the relevant subsidiary undertaking disposes the necessary additional information.

(5) Latvijas Banka shall determine the requirements for the publication of the information referred to in Paragraph one of this Section.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 239.** (1) An insurance holding company, a mixed financial holding company, an insurance undertaking, or a reinsurance undertaking subject to supervision in a group which has been exercised by Latvijas Banka shall immediately submit to Latvijas Banka a plan of measures indicating time periods for the implementation of specific measures in the following cases:

1) activity of the insurance or reinsurance undertaking belonging to the group does not correspond to the requirements of Chapters XXIX, XXX, and XXXI of this Law;

2) non-conformity of the activity of the insurance or reinsurance undertaking belonging to the group with the requirements of Chapters XXIX, XXX, and XXXI of this Law has not been established; however, group transactions, risk concentration or other circumstances, or potential occurrence of such circumstances has been established as a result of which the fulfilment of obligations of an insurance or reinsurance undertaking might be jeopardised in accordance with the insurance and reinsurance contracts entered into.

(2) Latvijas Banka shall immediately inform other supervisory authorities involved in the supervision in a group of the established circumstances in accordance with the provisions of Paragraph one, Clauses 1 and 2 of this Section if:

1) the headquarters of an insurance holding company or a mixed financial holding company is located in another Member State and Latvijas Banka does not exercise the supervision in the group;

2) the headquarters of an insurance or reinsurance undertaking is located in the Republic of Latvia but Latvijas Banka does not exercise the supervision in the group.

(3) Latvijas Banka is entitled to coordinate with the supervisory authorities involved in the supervision in the group how the circumstances established in accordance with Paragraph one, Clauses 1 and 2 of this Section are addressed.

(4) The provisions of Section 52.1, Paragraph one, Section 93, and Section 94, Paragraphs one, five, and six of this Law shall also be applicable to an insurance holding company or a mixed financial holding company if the insurance holding company or the mixed financial holding company fails to conform to the requirements referred to in Division F of this Law.

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023 and shall be included in the wording of the Law as of 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 240.** (1) Latvijas Banka is entitled to request from insurance holding companies or mixed financial holding companies the information and documents on the operations thereof.

(2) Insurance holding companies or mixed financial holding companies shall submit the requested information within the time periods specified by Latvijas Banka and they may not refuse the submission thereof on the pretext of a business secret.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XXXIII**

**Determination of Equivalence of a Foreign Supervision Regime**

[*25 April 2019*]

**Section 241.** (1) In the case specified in Section 197, Paragraph two, Clause 3 of this Law, Latvijas Banka shall verify whether the supervision of insurance and reinsurance undertakings the parent undertaking of which is located in a foreign country is exercised by a foreign supervisory authority the supervisory regime of which is equivalent to that specified in this Law in order to supervise, at a group level, the insurance or reinsurance undertakings specified in Section 197, Paragraph two, Clauses 1 and 2 of this Law.

(2) If the European Commission has not taken the decision to recognise equivalence of a foreign supervision regime, Latvijas Banka, if it is a group supervisor, shall determine whether the foreign supervision regime is equivalent to that specified in this Law on the basis of the decisions taken by the European Commission and consulting, with the support of the EIOPA, other supervisory authorities concerned prior to taking the decision. Latvijas Banka, if it is a group supervisor, shall not take decisions in respect of a foreign country which would be in conflict with any decision taken previously in respect of this country, except for cases where it is necessary to take into account significant changes in the supervision regime of a Member State and the supervisory regime of a foreign country.

(21) If Latvijas Banka does not agree with a decision of the supervisory authority of a Member State to determine equivalence of a foreign supervision regime, it is entitled to, within three months from notifying the respective decision, address the EIOPA and request its assistance in solving the respective matter.

(3) In taking the decision specified in this Section, Latvijas Banka shall comply with EU Regulation No 2015/35.

(4) If the European Commission has adopted a regulation stipulating temporary equivalence of a foreign supervision regime, Latvijas Banka shall apply Section 242 of this Law, except for a case where the balance sheet amount of an insurance or reinsurance undertaking registered in the Republic of Latvia exceeds the balance sheet amount of a parent undertaking registered in a foreign country. In this case, Latvijas Banka shall carry out the responsibilities of the supervision in a group if it has been selected as a group supervisor.

[*21 July 2017; 25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 242.** If it is recognised in accordance with the provisions of Section 241 of this Law that a foreign supervision regime is equivalent to that specified in this Law, Latvijas Banka shall, in cooperation with a foreign supervisory authority, apply the requirements of Chapter XXXII of this Law.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 243.** (1) If Latvijas Banka has taken a decision in accordance with Section 241 of this Law that a foreign supervision regime is not equivalent to the group supervision regime specified in this Law or if the requirements of Section 242 of this Law are not valid in accordance with the exceptional case referred to in Section 241, Paragraph four of this Law in the application of the temporary equivalence recognised, Latvijas Banka shall exercise the supervision in a group in accordance with the requirements of Sections 203, 204, 205, 206, 207, 208, 209, and 210 and Chapters XXX, XXXI, and XXXII of this Law or in accordance with one of the methods specified in Paragraphs three, four, and five of this Section.

(2) The general principles specified in Sections 203, 204, 205, 206, 207, 208, 209, and 210 and Chapters XXX, XXXI, and XXXII of this Law shall be applied and the methods shall be used at a level of an insurance holding company or a mixed financial holding company registered in a foreign country, of a foreign insurer or a foreign reinsurer.

(3) Latvijas Banka may use other methods for ensuring appropriate supervision of insurance or reinsurance undertakings in a group if the group supervisor has approved the selected methods after consulting other supervisory authorities concerned.

(4) Latvijas Banka may request that an insurance holding company registered in a Member State or a mixed financial holding company registered in a Member State is established and apply the supervision in a group to insurance or reinsurance undertakings the parent undertaking of which is the respective insurance holding company or the mixed financial holding company registered in the Member State in accordance with Section 197, Paragraph two, Clause 2 of this Law.

(5) Methods selected by Latvijas Banka allow to reach objectives of the supervision in a group and they shall be notified to other supervisory authorities concerned and the European Commission.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 244.** (1) If the parent undertaking specified in Section 241, Paragraph one of this Law is a subsidiary undertaking of a foreign insurance holding company or a foreign mixed financial holding company, or a foreign insurance or reinsurance undertaking, the verification of equivalence specified in Section 241 of this Law shall be applied at a level of the ultimate parent undertaking.

(2) If Latvijas Banka does not establish the equivalence of a foreign supervision regime at a level of the ultimate parent undertaking in accordance with Section 241 of this Law, Latvijas Banka is entitled to take the decision to recognise the equivalence of a supervision regime of such foreign insurance holding company, foreign mixed financial holding company, or of foreign insurance or reinsurance undertaking that is a parent undertaking of an insurance or reinsurance undertaking at a lower level.

(3) If the decision referred to in Paragraph two of this Section has been taken and Latvijas Banka is a group supervisor, Latvijas Banka shall inform an insurance or reinsurance undertaking subject to the supervision in a group of the decision. If Latvijas Banka does not establish the equivalence of a foreign supervision regime in respect of the group supervision regime specified in this Law at a lower level of the parent undertaking of an insurance or reinsurance undertaking, Section 243 shall be applied to the supervision in the group.

[*21 July 2017; 25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 245.** (1) If a parent undertaking of one or several insurance or reinsurance undertakings is a multidisciplinary insurance holding company, Latvijas Banka shall exercise the supervision of the intra-group transactions which are made by the respective insurance or reinsurance undertakings and the multidisciplinary insurance holding company and also related undertakings thereof.

(2) Supervision of intra-group transactions shall be exercised in accordance with the provisions of Sections 219, 231, 232, 233, 234, 235, 236, 237, and 239 of this Law.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Division G**

**Reorganisation Measures, Insolvency Proceedings, Liquidation and Protection of the Interests of the Insured Persons of an Insurance Undertaking**

**Chapter XXXIV**

**Reorganisation Measures**

**Section 246.** (1) Provisions of Chapters XXXIV, XXXV, XXXVI, and XXXVII of this Law shall be applicable to the following:

1) insurance undertakings;

2) branches of foreign insurers.

(2) Other provisions governing reorganisation measures and liquidation shall be applicable in so far as they are not in conflict with the provisions of Chapters XXXIV, XXXV, XXXVI, and XXXVII of this Law.

[*25 April 2019*]

**Section 247.** (1) Only the competent authorities of the Republic of Latvia are entitled to, within the framework of their competence assigned to them by laws and regulations, take a decision on the reorganisation measures of an insurance undertaking registered in the Republic of Latvia.

(2) Reorganisation measures of an insurance undertaking shall not restrict future liquidation or shall not serve as a precondition for future liquidation thereof.

**Section 248.** Latvijas Banka shall immediately inform the supervisory authorities of other Member States of the decisions or activities which are related to the reorganisation measures of an insurance undertaking which has creditors or branches in the relevant Member States or which provides insurance services in the relevant Member States without opening a branch.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 249.** (1) If the competent authority takes the decision to take reorganisation measures of an insurance undertaking which has creditors arising out of the insurance contracts in another Member State or which has a branch in another Member State, or which provides insurance services in another Member State without opening a branch, an administrator or an authorised person thereof shall, after entry into force of such decision, immediately send it for publication in the official gazette *Latvijas Vēstnesis* and also immediately send a notification regarding the decision taken and an extract from the adjudicating part of the decision to the Publications Office of the European Union for publication in the Official Journal of the European Union.

(2) Latvijas Banka shall ensure that the notifications related to reorganisation measures received from the competent authorities of Member States are published in the official gazette *Latvijas Vēstnesis* and on the website of Latvijas Banka.

(3) The notification referred to in Paragraph one of this Section shall be prepared in the official language of the Republic of Latvia. The notification shall indicate its purpose, legal grounds, applicable laws and regulations, the competent authority which has jurisdiction over the case, the administrator and an authorised person thereof, address and other contact details thereof, the final time period (date) for the submission of claims or complaints, and full address of an institution which is entitled to examine the complaints concerning reorganisation measures.

(4) Failure to publish the notification referred to in Paragraphs one and two of this Section shall not affect the course of reorganisation measures and may not serve as the grounds for appealing the relevant court rulings or decisions of the competent authorities on reorganisation measures.

(5) This Section shall not be applicable if the reorganisation measures only affect the rights of stockholders, members, or employees of an insurance undertaking.

[*21 July 2017; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XXXV**

**Liquidation**

**Section 250.** (1) In order to protect the interests of the insured persons, Latvijas Banka is entitled to:

1) cancel licences for all classes of insurance in the case of liquidation of an insurance undertaking;

2) request information from the competent authorities of Member States regarding the course of liquidation of insurance undertakings registered therein.

(2) Prior to taking decisions or performing activities related to liquidation, the competent authorities shall inform Latvijas Banka of the relevant decisions or activities, provided that an insurance undertaking is involved in the liquidation.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 251.** (1) An insurance undertaking shall, within two months after cancelling the licences for all classes of insurance, take the decision on transformation into another legal person or liquidation. It shall inform Latvijas Banka in a notification of the decision taken within five days from the day it is taken.

(2) If an insurance undertaking has failed to comply with the provisions of Paragraph one of this Section, Latvijas Banka is entitled to propose that a meeting of stockholders (a general meeting of the members of a mutual insurance cooperative undertakings), a meeting of the council or board of an insurance undertaking is convened, and to determine the items to be examined.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 252.** (1) If an insurance undertaking or a branch of a foreign insurer has decided to terminate its activity, it shall inform Latvijas Banka of this fact by submitting a relevant submission prior to opening the liquidation proceedings. Latvijas Banka shall determine the information to be appended to the submission.

(2) Latvijas Banka shall continue exercising the supervision of an insurance undertaking during the liquidation proceedings.

(3) Latvijas Banka shall immediately publish on its website a notification regarding commencement of the liquidation of an insurance undertaking and also immediately send a notification to the Publications Office of the European Union for publication in the Official Journal of the European Union.

(4) A liquidator shall ensure that a notification regarding the rulings taken in respect of the liquidation of an insurance undertaking is immediately published in the official gazette *Latvijas Vēstnesis.*

(5) Latvijas Banka shall ensure that the notifications related to the liquidation of insurance merchants received from the competent authorities of Member States are published in the official gazette *Latvijas Vēstnesis* and on the website of Latvijas Banka.

(6) The notification referred to in Paragraphs three and four of this Section shall be prepared in the official language of the Republic of Latvia. The notification shall indicate its purpose, legal grounds, the applicable law, a court which has jurisdiction over the case, the liquidator, address, and other contact details thereof.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 253.** (1) A liquidator shall, within a month from the day when the decision has been taken on liquidation, develop and submit to Latvijas Banka a plan for the liquidation proceedings.

(2) The liquidator shall, at least once a month, submit to Latvijas Banka a report on the course of liquidation.

(3) Prior to covering creditors’ claims, the liquidator shall submit to Latvijas Banka information on the procedures for covering debts and any amendments thereto.

(4) Latvijas Banka is entitled to request that the liquidator provides information necessary for it.

(5) Latvijas Banka is entitled to request that the liquidator updates the plan for the liquidation proceedings.

(6) An insurance undertaking shall be obliged to, upon request of Latvijas Banka, immediately remove the liquidator from office if it is established that the activity of the liquidator jeopardises the interests of the insured persons.

(7) The liquidator shall regularly, but at least once a year, inform in writing the known creditors of the course of liquidation.

(8) Latvijas Banka is entitled to request that the supervisory authority of a home Member State provides it with the information on the course of the ongoing liquidation proceedings.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 254.** (1) The liquidator shall be obliged to, within three months after a decision on liquidation has been taken, transfer or terminate insurance contracts in accordance with the following procedures by assessing the interests of the insured persons, except for the cases specified in Paragraph two of this Section:

1) transfer life insurance contracts for which the insurance event has not occurred. The life insurance contracts shall be transferred in accordance with the procedures laid down in Sections 47, 48, 50, and 51 of this Law. If it is not possible to transfer these life insurance contracts for objective reasons, they shall be terminated. In this case the insurer is not entitled to deduct expenses from the insurance premium to be paid which are related to entering into the insurance contract;

2) transfer non-life insurance contracts and take all necessary legal actions by taking into account the procedures laid down in Sections 47, 48, 50, and 51 of this Law;

3) terminate non-life insurance contracts by deducting expenses from the insurance premium to be paid which are related to entering into the insurance contract.

(2) Insurance contracts, which expire within three months after the decision to terminate activity has been taken, shall not be terminated, except for the cases where such contract is terminated upon request of the policy holder.

(3) Latvijas Banka is entitled to impose an obligation upon an insurance undertaking to be liquidated (liquidator) to transfer all or part of the insurance contracts.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 255.** (1) In commencing liquidation, an insurance undertaking shall prepare a report reflecting the financial standing thereof until the day of the commencement of liquidation. The report shall be accompanied by board and council reports on the property and liabilities position of an insurance undertaking and the projected results of liquidation.

(2) If the calendar year ends during liquidation, an annual interim report shall be prepared which contains the same components as the annual statement. This annual interim report shall be accompanied by a report indicating the progress achieved during the course of liquidation and future course and results of liquidation. The annual interim report of the liquidation shall be reviewed by a sworn auditor.

(3) In terminating liquidation, a liquidation closure report shall be prepared reflecting the financial standing at the end of the reporting period.

**Section 256.** Latvijas Banka shall immediately inform the competent authorities of relevant Member States of the decision to commence liquidation and also the potential practical impact which could be caused by such process.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 257.** (1) Liquidation costs shall be first fully covered from the resources of an insurance undertaking, including resources acquired as a result of alienating property of the insurance undertaking, or from other financing sources of the insurance undertaking (resources of creditors, other natural or legal persons), except for the secured resources due to creditors.

(2) Monetary assets remaining after the coverage of liquidation costs shall be distributed for the satisfaction of claims of the insured persons and other creditors in accordance with the procedures specified in Section 265, Clauses 1, 3, 4, 5, and 6 of this Law.

(3) The liquidator of an insurance undertaking shall, upon entering into a contract, transfer for storage to a credit institution selected at its discretion, in accordance with the procedures laid down in Section 269 of this Law, the monetary assets in respect of which creditors of the insurance undertaking do not lodge their claims and which are not taken out in accordance with the procedures laid down in Section 265 of this Law.

(4) The liquidator shall be obliged to continue paying insurance indemnities for insurance events which have occurred prior to the expiry of the time period for the submission of creditors’ claims. In this case the policy holder (the insured person, the beneficiary) shall not submit a creditor’s claim.

**Section 258.** (1) After commencement of liquidation the liquidator shall notify individually in writing all known creditors of this fact, irrespective of the location of such creditors. Such notification shall also be sent to the stockholders or members and employees of an insurance undertaking.

(2) The liquidator shall indicate to the relevant persons in the notification referred to in Paragraph one of this Section the time periods binding on them, the consequences of failure to comply with the time periods, and shall inform that the liquidator is entitled to receive creditors’ claims and objections, communicate its address and other contact details, and also provide other information as to what creates, amends, or terminates the obligations of creditors. In respect of the creditors the claims of which are preferential or effectively secured, the notification shall indicate whether they should submit a creditor’s claim.

(3) In the case of obligations arising out of an insurance contract, a date on which the insurance contracts are no longer valid and rights and obligations of the policy holder and the insured person in relation to the contract shall also be indicated, in addition to the information referred to in Paragraph two of this Section.

(4) The liquidator shall use a form with a title “Uzaicinājums iesniegt prasījumu. Ievērot termiņus!” [“Invitation to submit a claim. Please comply with the time periods!”] for the notification referred to in Paragraph one of this Section, and send it to the following:

1) creditors in another Member State – in the official language of a Member State in which the permanent residence, registered office, or headquarters of the creditor is located;

2) foreign creditors – in the language in which the insurance contract has been entered into;

3) creditors not referred to in Clauses 1 and 2 of this Paragraph – in the official language of the Republic of Latvia.

(5) All creditors and public authorities of Member States have the right to submit their claims and objections (including certified copies of documents) in accordance with the provisions of this Paragraph:

1) creditors in another Member State – in the official language of a Member State in which the permanent residence, registered office, or headquarters of the creditor is located. In this case the title of the creditor’s claim application “Kreditora prasījuma pieteikums” [“Creditor’s claim application”] shall be in the official language of the Republic of Latvia;

2) creditors in foreign countries – in the language in which the insurance contract has been entered into;

3) creditors not referred to in Clauses 1 and 2 of this Paragraph – in the official language of a relevant Member State or in one of the official languages of Member States in which the permanent residence or the place of management of the creditor is located. In this case the title of the creditor’s claim application “Kreditora prasījuma pieteikums” shall be in the official language of the Republic of Latvia.

(6) The liquidator has the right to request that creditors ensure that claims or objections thereof are translated into the official language of the Republic of Latvia only if they have been informed of this in advance in the notification to creditors referred to in this Section.

(7) The policy holder (the insured person) with which the insurance contract has been terminated shall not submit to the liquidator a creditor’s claim for the receipt of the insurance premium due.

(8) The creditor shall send to the liquidator the copies of any supporting documents and indicate the following information:

1) the type and amount of the claim;

2) the day on which the claim has occurred;

3) whether the creditor requests effective security or preservation of property rights in respect of this claim;

4) to what claims the creditor’s claim refers.

[*25 April 2019*]

**Section 259.** If in the case of liquidation of an insurer, there are obligations arising out of unit-linked life insurance contracts, the assets of the insurer intended to secure such obligations may not be included in the property of the insurer – debtor – that is intended to cover liquidation costs and to satisfy the claims of the insured persons and other persons in accordance with the procedures laid down and in the amount specified in Section 265 of this Law.

**Chapter XXXVI**

**Insolvency Proceedings**

**Section 260.** (1) Latvijas Banka is entitled to submit an insolvency application to a court if an insurance undertaking, in the case of the liquidation thereof, is not able to properly meet the debt obligations thereof the performance deadline of which has expired.

(2) Prior to taking decisions or performing activities related to insolvency proceedings, the competent authorities shall inform Latvijas Banka of the relevant decisions or activities, provided that an insurance undertaking is involved in the insolvency proceedings.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 261.** (1) An administrator shall, at least once a month, submit to Latvijas Banka a report on the course of insolvency proceedings.

(2) Prior to covering creditors’ claims, the administrator shall submit to Latvijas Banka the information regarding procedures for covering debts and any amendments thereto.

(3) Latvijas Banka is entitled to request that the administrator provides information necessary for it.

(4) Latvijas Banka is entitled to request that the supervisory authority of a home Member State provides it with the information on the course of the ongoing insolvency proceedings.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 262.** (1) The administrator shall be obliged to, within three months after a ruling has been made regarding the declaration of insolvency proceedings, transfer or terminate insurance contracts in accordance with the procedures laid down in Section 254 of this Law by evaluating the interests of the insured persons.

(2) Insurance contracts which expire within three months after making the court ruling on the declaration of insolvency proceedings shall not be terminated, except for the cases where the insurance contract is terminated upon request of the policy holder.

**Section 263.** (1) Costs of insolvency proceedings shall be first fully covered from the resources of an insurance undertaking, including resources acquired as a result of alienating property of the insurance undertaking, or from other financing sources of the insurance undertaking (resources of creditors, other natural or legal persons), except for the secured resources due to creditors.

(2) Resources of the Fund for the Protection of the Insured which, on the basis of a written submission of the administrator, have been used for covering expenses related to the organisation of costs of insurance indemnities shall be included in the administrative expenses of the insolvency proceedings.

(3) The administrator shall be obliged to continue paying insurance indemnities for the insurance events which have occurred prior to the expiry of the time period for the submission of creditors’ claims. In this case the policy holder (the insured person, the beneficiary) shall not submit a creditor’s claim.

**Section 264.** (1) The policy holder (the insured person) with which the insurance contract has been terminated shall not submit to the administrator a creditor’s claim for the receipt of the insurance premium due.

(2) If in the case of insolvency of an insurer, there are obligations arising out of unit-linked life insurance contracts, the assets of the insurer intended to secure such obligations may not be included in the property of the insurer – debtor – that is intended to cover the costs of insolvency proceedings and to satisfy the claims of the insured persons and other persons in accordance with the procedures laid down and in the amount specified in Section 265 of this Law.

**Section 265.** Monetary assets remaining after the coverage of costs of insolvency proceedings shall be distributed for the satisfaction of claims of the insured persons and other creditors in the following groups:

1) claims of the policy holders (the insured persons) regarding the payment of the insurance indemnity and other claims (insurance premiums) thereof regarding the insurance contracts entered into, a claim of Latvijas Banka if the policy holder who is a natural person has received the insurance indemnity from the Fund for the Protection of the Insured, a claim of the Motor Insurers’ Bureau of Latvia if an office of the Motor Insurers’ Bureau of Latvia has paid the insurance indemnity from the Guarantee Fund of the Compulsory Civil Liability Insurance of Motor Vehicle Owners instead of a non-life insurance undertaking whose insurance licence has been cancelled in the class of non-life insurance specified in Section 19, Paragraph one, Clause 10, except for the liability of a carrier;

2) creditors’ claims in accordance with Section 118, Paragraphs two, three, and four of the Insolvency Law;

3) claims regarding interest payments to the creditors;

4) claims of such creditors who have submitted their claims after the prescribed time period;

5) claims regarding repayment of subordinate obligations;

6) claims of the stockholders or members of an insurance undertaking in proportion to the contribution of the stockholders or members to the equity capital of the insurance undertaking shall be satisfied after satisfying all claims referred to in this Section above.

[*25 April 2019; 23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 266.** (1) Preferential claims shall constitute insurance premiums paid by the policy holders in advance and the claims specified in Section 265, Clauses 1, 2, and 3 of this Law.

(2) An insurance undertaking shall ensure that the amount of the potential preferential claims specified in Paragraph one of this Section are known at all times.

(3) The potential preferential claims shall be covered by assets in full amount at all times.

**Section 267.** 1) If the amount recovered during the insolvency proceedings of an insurance undertaking is not adequate to satisfy all claims, it shall be distributed among creditors in the sequence specified in Section 265 of this Law.

(2) Claims of each subsequent group shall be satisfied after full satisfaction of the claims of the previous group.

(3) If the monetary assets of an insurance undertaking are not adequate to fully satisfy all claims of one group of creditors, such claims shall be satisfied in proportion to the amount due to each creditor within such group.

**Section 268.** (1) Latvijas Banka shall immediately publish a notification on its website regarding the declaration of the insolvency proceedings of an insurance undertaking. Latvijas Banka shall immediately send this notification to the Publications Office of the European Union for publication in the Official Journal of the European Union.

(2) Latvijas Banka shall ensure that the notifications regarding insolvency proceedings of insurance merchants received from the competent authorities of Member States are published in the official gazette *Latvijas Vēstnesis* and on the website of Latvijas Banka.

(3) The notification referred to in Paragraph one of this Section shall be prepared in the official language of the Republic of Latvia. The notification shall indicate its purpose, legal grounds, the applicable law, a court which has jurisdiction over the case, the administrator, address, and other contact details thereof.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 269.** (1) The administrator of an insurance undertaking shall, upon entering into a contract, transfer for storage to a credit institution selected at its discretion the monetary assets in respect of which the creditors of the insurance undertaking do not lodge their claims and which are not taken out in accordance with the procedures laid down in Section 265 of this Law. The administrator of the insurance undertaking shall immediately send to each creditor a written notification regarding the transfer of monetary assets to the credit institution for storage and also publish it in the mass media and the official gazette *Latvijas Vēstnesis*.

(2) A fee for the storage of monetary assets of creditors of the insurance undertaking transferred to the credit institution shall be deducted from the creditors of the insurance undertaking and calculated in proportion to the amount of the monetary assets due to each creditor.

(3) A creditor of the insurance undertaking shall lose the right to claim to monetary assets if the creditor has failed to withdraw monetary assets due thereto within 10 years from the day when the monetary assets have been transferred to the credit institution. The monetary assets due to creditors of the insurance undertaking and with regard to which the limitation period has set in shall be transferred to the State as ownerless property.

(4) After entering into a storage contract with the credit institution, the administrator of the insurance undertaking shall submit to Latvijas Banka the information on the credit institution to which the monetary assets have been transferred for storage and a list of creditors indicating identification data of each creditor, and the amount of the assets due to each creditor.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Chapter XXXVII**

**Common Provisions Regulating Reorganisation Measures and Liquidation**

**Section 270.** The following laws and regulations shall prescribe a legal relationship in the reorganisation measures and liquidation:

1) in relation to employment contracts and employment relationships – only the laws and regulations of a Member State which are applicable to an employment contract or employment relationship;

2) in relation to contracts granting the right to dispose or acquire immovable property – only the laws and regulations of a Member State in which the immovable property is located;

3) in relation to the rights of an insurance undertaking to any immovable property, a ship or aircraft to be registered in any national register – only the laws and regulations of a Member State under the management of which the relevant register is maintained.

**Section 271.** (1) Commencement of reorganisation measures or liquidation shall not affect the rights in rem of creditors or third parties in respect of tangible or intangible, movable or immovable property – both definite and indefinite sets of assets which belong to the relevant insurance undertaking and are located in another Member State on the day when the implementation of reorganisation measures and liquidation has been commenced.

(2) The rights provided for in Paragraph one of this Section shall include at least the following:

1) the right to dispose of the relevant assets or have them disposed of and to gain profit or income from such assets, in particular in accordance with a security or mortgage;

2) the exclusive right to meet a claim, in particular on the basis of a lien or assignment of this claim in accordance with a guarantee;

3) the right to demand the assets or require a compensation for them from a person who have them in his or her possession or who uses them contrary to the wish of the entitled person;

4) the right to benefit from the assets.

(3) The right which has been registered in any national register and may be exercised in respect of third parties, and also allows to gain the rights in rem within the meaning of Paragraph one of this Section shall be considered to be a right in rem.

(4) Stakeholders have the right to appeal the transactions referred to in this Section.

**Section 272.** (1) Implementation of reorganisation measures or liquidation in respect of an insurance undertaking that acquires an asset shall not affect the right of a seller based on the preservation of property rights if during the commencement of the reorganisation measures or liquidation the asset is located in the territory of a Member State other than the Member State in the territory of which the respective reorganisation measures or the liquidation is implemented.

(2) If after acquisition of assets in respect of an insurance undertaking that sells assets reorganisation measures or liquidation has been commenced, it shall not serve as grounds for the cancellation or termination of the sale of assets and shall not prevent a buyer from acquiring property rights if the assets sold during the commencement of such measures are located in the territory of a Member State other than the country where the relevant measures or process has been commenced.

(3) Stakeholders have the right to appeal the transactions referred to in this Section.

**Section 273.** (1) Implementation of reorganisation measures or liquidation in respect of an insurance undertaking shall not affect the right of creditors to request application of close-out netting, set-off of claims and obligations, or performance of other similar activities in the sense of legal consequences if such activities are allowed by the law which is applicable to the relevant claims.

(2) Transactions based on the close-out netting agreements shall only be governed by the laws which relate to the close-out netting agreement under which such transactions are entered into.

(3) Stakeholders have the right to appeal the transactions referred to in Paragraph two of this Section.

[*21 July 2017; 30 September 2021*]

**Section 274.** Implementation of reorganisation measures or liquidation shall not restrict the rights in rem of creditors or third parties in respect of the property which belongs to the insurer and during the implementation of reorganisation measures or liquidation is located in the territory of another Member State.

**Section 275.** (1) Rights and obligations of the operators of a regulated market in transactions in financial instruments related to the implementation of reorganisation measures or liquidation shall only be governed by the laws and regulations which are applicable to the regulated market.

(2) The provisions of Paragraph one of this Section shall not restrict the application of Section 274 of this Law.

(3) Stakeholders have the right to appeal the activities or rights referred to in this Section.

[*21 July 2017*]

**Section 276.** Reorganisation measures and liquidation do not provide for the right to appeal a transaction if a person who has benefited from a transaction not favourable to the interests of a creditor demonstrates that the relevant transaction has been made in accordance with laws and regulations of another Member State and the laws and regulations do not allow to appeal the respective transaction in the specific case.

**Section 277.** If assets are alienated after taking the decision to commence reorganisation measures or liquidation, the following laws and regulations shall be applied:

1) in relation to immovable property – the laws and regulations of a Member State in the territory of which the immovable property is located;

2) in relation to a ship or aircraft – the laws and regulations of a Member State that keeps a public register in which the relevant ship or aircraft has been registered;

3) in relation to financial instruments to be registered in a public register, in account of a credit institution or the central depository, and the rights registered therein, such activities shall be governed by the laws and regulations of a Member State under the supervision of which the register, the account, or the system is maintained.

**Section 278.** The impact of reorganisation measures or liquidation on legal proceedings pending shall be governed by the laws and regulations of a Member State in the territory of which the relevant legal proceedings take place.

**Section 279.** (1) Appointment of an administrator or liquidator appointed by the competent authorities of Member States shall be confirmed by a certified copy of the original decision on appointment or of another original decision issued by the competent authorities. The competent authorities have the right to request a translation of the respective documents into the official language of the Republic of Latvia. Legalisation or another activity equivalent thereto in terms of legal consequences shall not be required.

(2) A liquidator and administrator appointed in the Republic of Latvia has the right to exercise powers in a Member State that it may exercise in the territory of a home Member State. The liquidator and administrator has the right to appoint (authorise) persons who help or represent it during reorganisation measures or liquidation (insolvency).

(3) In exercising its powers in the Republic of Latvia, the liquidator or another authorised person shall comply with the laws and regulations of the Republic of Latvia, including the laws and regulations regarding the activities related to the disposal of assets and the provision of information to employees.

(4) The powers referred to in Paragraph three of this Section shall not include the use of compulsory measures, right to rule on legal proceedings, or examination of disputes.

**Section 280.** (1) In exercising its powers, the liquidator or administrator appointed in another Member State shall be obliged to register liquidation in the public registers of the Republic of Latvia.

(2) In exercising its powers, the liquidator or administrator appointed in the Republic of Latvia shall be obliged to register reorganisation measures or liquidation in the public registers of the country concerned if such registration is required by the laws and regulations of the relevant Member State.

(3) Expenses related to the registration of reorganisation measures or liquidation in the public registers of Member States shall be included in the costs of such processes.

**Section 281.** All persons who should receive or provide information regarding the procedures specified in Sections 248, 256, and 282 of this Law shall ensure non-disclosure of such information, as prescribed in Section 83 of this Law.

**Section 282.** (1) If a foreign insurer owns branches in several Member States, an individual regime shall be applied to each of them in respect of the application of this Chapter.

(2) In the case referred to in Paragraph one of this Section, the competent authorities (liquidators, administrators) and the supervisory authorities shall coordinate the activities thereof as much as possible.

[*25 April 2019*]

**Chapter XXXVIII**

**Protection of Interests of the Insured Persons**

**Section 283.** (1) The Fund for the Protection of the Insured shall be established in order to protect the interests of the insured persons in the case of insolvency of an insurer or a Member State insurer.

(2) Latvijas Banka shall ensure that the resources of the Fund for the Protection of the Insured are accumulated and managed, and insurance indemnity is paid and also perform the following functions:

1) organise the transfer of the payments of insurers or Member State insurers to the Fund for the Protection of the Insured;

2) calculate and recover late outstanding amounts and penalty fee;

3) organise the payment of insurance indemnity;

4) exercise the right to claim of creditors in respect of insurers or Member State insurers in the amount of the insurance indemnities paid.

(3) [23 September 2021 / See Paragraph 33 of Transitional Provisions]

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 284.** (1) The insurance indemnity shall be paid from the Fund for the Protection of the Insured in the amount specified in Section 285, Paragraph one of this Law and in accordance with the procedures laid down by Latvijas Banka after a court has declared insolvency proceedings of an insurer or a Member State insurer.

(2) If there are insufficient resources in the Fund for the Protection of the Insured for the payment of the insurance indemnity in accordance with this Law, Latvijas Banka may enter into a contract for borrowing the missing amount in the Latvian, European Union or foreign financial market.

(3) When entering into the contract referred to in Paragraph two of this Section, the provisions of the Public Procurement Law shall not be applied. Latvijas Banka shall enter into such contract by choosing the offer with the lowest lending interest rate.

(4) The monetary assets borrowed by Latvijas Banka in accordance with Paragraph two of this Section for covering the missing amount for the payment of the insurance indemnities shall be repaid by Latvijas Banka from the Fund for the Protection of the Insured.

[*23 September 2021 / The new wording of the Section shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 285.** (1) Resources of the Fund for the Protection of the Insured shall be used for the payment to the manager (if, in accordance with Paragraph two of this Section, the management of the Fund for the Protection of the Insured has been transferred to another manager) for covering the expenses related to the organisation of costs of the insurance indemnities and also for the payments of the insurance indemnities if the policy holder is a natural person in the following amount:

1) insurance indemnities in the amount of 100 per cent but no exceeding EUR 15 000 per one policy holder – in the classes of insurance referred to in Section 19, Paragraph two, Clauses 1, 2, 4, 5, 6, and 7 of this Law;

2) insurance indemnities in the amount of 50 per cent but not exceeding EUR 3000 per one policy holder – in the classes of insurance referred to in Section 19, Paragraph one, Clauses 1, 2, 3, 8, 9, 10, 13, and 18 of this Law.

(2) According to a decision of Latvijas Banka, the management of the Fund for the Protection of the Insured may be transferred to another manager by entering into a relevant contract.

(3) Income (yield) coming from the management of the Fund for the Protection of the Insured shall be paid into this Fund.

(4) It shall be prohibited to use the resources of the Fund for the Protection of the Insured for purposes other than those provided for in this Law. It shall be prohibited to use the resources of Latvijas Banka other than the resources of the Fund for the Protection of the Insured for the payments of the insurance indemnities.

(5) Contributions to the Fund for the Protection of the Insured and payments from this Fund shall only be made in euros.

(6) Payments from the Fund for the Protection of the Insured in a foreign currency shall be calculated in euros in accordance with the foreign exchange rate used in the accounting on the day when a ruling has been made to declare insolvency proceedings in accordance with the procedures laid down in the law.

[*23 September 2021 / Amendment to Paragraph two regarding the replacement of the words “council of the Commission” with the words “Latvijas Banka” and amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 286.** The insurance indemnity shall not be paid from the Fund for the Protection of the Insured:

1) if the insurer is a mutual insurance cooperative undertaking;

2) for compulsory insurance;

3) for insurance related to a unit-linked life insurance contract.

**Section 287.** (1) The Fund for the Protection of the Insured shall consist of deductions of participants in the Fund in the amount of 0.1 per cent of the total gross insurance premiums thereof received from natural persons for the classes of insurance referred to in Section 19, Paragraph one, Clauses 1, 2, 3, 8, 9, 10, 13, and 18 and Paragraph two, Clauses 1, 2, 4, 5, 6, and 7 of this Law.

(2) The provisions of Paragraph one of this Section shall be binding on the branches of insurance undertakings in foreign countries if the laws and regulations of such countries do not provide for compulsory participation of the branches of insurance undertakings in the insured protection system of a relevant country.

(3) The provisions of Paragraph one of this Section shall be binding on the branches of insurance undertakings in foreign countries if the laws and regulations of such countries provide for compulsory participation of the branches of insurance undertakings in the insured protection system of a relevant country and determine the payment of the guaranteed insurance indemnity as a difference between the amounts of the existing guaranteed insurance indemnities of the relevant country and the Republic of Latvia.

(4) The provisions of Paragraph one of this Section shall not be binding on the branches of Member State or foreign insurers if the laws and regulations of such countries provide for the insured protection in the branches thereof in foreign countries (also in the Republic of Latvia) and cover all cases provided for in this Law, moreover, the guaranteed insurance indemnity is not smaller than that specified in this Law.

(5) The provisions of Paragraph one of this Section shall not be binding on a Member State insurer if the laws and regulations of a home country of the Member State insurer provide for the insured protection in foreign countries (also in the Republic of Latvia) in which it provides insurance services in conformity with the principle of freedom to provide services and cover all cases provided for in this Law, moreover, the guaranteed insurance indemnity is not smaller than that specified in this Law.

(6) Payments to the Fund for the Protection of the Insured shall be included in the expenses of a participant in the Fund and they shall be paid into the relevant account of Latvijas Banka on a quarterly basis by the thirtieth day of the first month of the following quarter. The participant in the Fund shall, by the thirtieth day of the first month of each quarter, submit to Latvijas Banka a report on gross insurance premiums received from natural persons and payments made to the Fund for the Protection of the Insured in the previous quarter. Latvijas Banka shall determine a standard form of the report.

(7) Payments made by the participant in the Fund to the Fund for the Protection of the Insured shall not be considered as the obligations of Latvijas Banka to the participant in the Fund and may not be reimbursed if the participant in the Fund terminates the activity thereof.

[*25 April 2019; 23 September 2021 / Amendment to Paragraph six regarding the replacement of the words “Commission’s account with Latvijas Banka” with the words “relevant account of Latvijas Banka” and amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 288.** (1) A share of the Fund consisting of life insurance payments of the participants in the Fund and a share of the Fund consisting of payments made by the participants in the Fund for other classes of insurance shall be accumulated and used separately.

(2) If the share of the Fund consisting of life insurance payments of the participants in the Fund reaches EUR 5 million, Latvijas Banka shall suspend payments to the Fund. Latvijas Banka shall restore payments to the Fund when it falls below EUR 4 million.

(3) If the share of the Fund consisting of payments made by the participants in the Fund for other classes of insurance reaches EUR 11 million, Latvijas Banka shall suspend payments to the Fund. Latvijas Banka shall restore payments to the Fund when it falls below EUR 8 million.

(4) Separate funds may be created in the compulsory classes of insurance if so prescribed by laws.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 289.** (1) A participant in the Fund shall be obliged to calculate and pay late payment charges for the payment which has not been made to the Fund for the Protection of the Insured within the specified time period. Such late payment charges shall be paid into the account with Latvijas Banka.

(2) The late payment charges for a payment which has not been made to the Fund for the Protection of the Insured within the specified time period shall be 0.05 per cent of the outstanding amount of the payment not made in time for each day of delay. The late payment charges shall be calculated for a period for which the participant in the Fund has not made the calculated payment for each quarter.

(3) If the participant in the Fund has failed to make payments voluntarily and in full amount to the Fund for the Protection of the Insured for more than two months, Latvijas Banka shall warn this participant in the Fund that the insurance or reinsurance licence thereof may be cancelled.

(4) If the participant in the Fund has failed to make payments voluntarily and in full amount to the Fund for the Protection of the Insured within a month after Latvijas Banka has issued the warning that the licence may be cancelled for its activity, Latvijas Banka shall cancel the licence issued to this participant in the Fund.

[*23 September 2021 / Amendment regarding the replacement of the word “the Commission” with the words “Latvijas Banka” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

**Section 290.** (1) The insurance indemnity may only be paid from the Fund for the Protection of the Insured if an insurer or a Member State insurer has been recognised insolvent and the insurer or the Member State insurer does not have adequate monetary assets to fully cover the claims of policy holders (the insured persons) specified in Section 265, Clause 1 of this Law for the payment of the insurance indemnities.

(2) The insurance indemnity shall be paid from the Fund for the Protection of the Insured on the basis of a list prepared by the administrator.

**Transitional Provisions**

1. The following laws are repealed on 1 January 2016:

1) Law on Insurance Companies and Supervision Thereof (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1998, No. 15; 1999, No. 10; 2000, No. 13; 2002, No. 12; 2003, No. 9; 2004, Nos. 2, 14; 2005, Nos. 2, 14; 2006, No. 1; 2007, No. 15; 2008, Nos. 14, 15, 23; *Latvijas Vēstnesis*, 2009, Nos. 35, 39, 205; 2010, No. 160; 2012, Nos. 92, 154; 2013, Nos. 106, 192; 2014, No. 119);

2) Reinsurance Law (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 2008, No. 15; *Latvijas Vēstnesis*, 2009, Nos. 39, 205; 2013, Nos. 106, 193; 2014, No. 119).

2. Life insurance undertakings which have obtained a licence for the performance of life insurance by the day of coming into force of this Law have the right to continue performing life insurance for the classes of life insurance specified in Section 19, Paragraph two, Clauses 1, 2, 3, 5, and 7 of this Law.

[*21 July 2017*]

3. Until 31 December 2017 the percentage limitation referred to in Section 130, Paragraph two of this Law shall only be applicable to the solvency capital requirement calculated in accordance with the standard formula.

4. The requirements of Section 130 of this Law in respect of the conformity with the minimum capital requirement for an insurance or reinsurance undertaking or a branch of a foreign insurer and the requirements of Section 147, Paragraph two of this Law in respect of the cancellation of a licence shall not be applicable if on 31 December 2015, own funds of the insurance or reinsurance undertaking or a branch of the foreign insurer exceed the solvency capital requirement which has been calculated in accordance with the Commission’s Regulation No. 149 of 15 September 2006, Regulations for the Calculation of Insolvency Margin and Own Funds of Life Insurers, Regulation No. 148 of 15 September 2006, Regulations for the Calculation of Insolvency Margin and Own Funds of Non-life Insurers, or Regulation No. 128 of 5 September 2008, Regulatory Provisions for the Calculation of Insolvency Margin and Own Funds of Reinsurers, but it does not have adequate eligible basic own funds in the amount of the minimum capital requirement. The relevant insurance or reinsurance undertaking or the branch of the foreign insurer shall ensure the respective compliance with Section 117 of this Law by 31 December 2016. If the insurance or reinsurance undertaking or the branch of the foreign insurer fails to ensure the conformity with the requirements of Section 117 of this Law by the time period specified in this Paragraph, the licence of the insurance or reinsurance undertaking or of the branch of the foreign insurer shall be cancelled in accordance with the procedures laid down in this Law.

[*25 April 2019*]

5. Decisions taken by the Commission with regard to the following shall not be applicable to the obtaining of a licence, approval or authorisation and also to the supervision measures until 1 January 2016:

1) issue of the authorisation referred to in Sections 121 and 122 of this Law for the use of a full or partial internal model;

2) issue of the licence referred to in Section 28 of this Law to a special purpose entity for the commencement of activity;

3) issue of the authorisation referred to in Sections 206, 207, and 209 of this Law for the use of a full or partial internal model to calculate the group solvency;

4) issue of the authorisation referred to in Section 112 of this Law for the use of the relevant matching adjustment for the risk-free interest rate term structure;

5) issue of the authorisation referred to in Paragraph 10 of these Transitional Provisions for the transitional adjustment for the risk-free interest rates;

6) issue of the authorisation referred to in Paragraph 14 of these Transitional Provisions for the deduction of the transition period of technical provisions;

7) cases of application of supervision in a group, determination of fields and level in accordance with the requirements of Chapters XXVII and XXVIII of this Law;

8) selection of the group supervisor in accordance with the requirements of Sections 221, 222, and 223 of this Law;

9) establishment of the college of supervisors in accordance with the requirements of Sections 224, 225, 226, 227, 228, 229, and 230 of this Law;

10) method for the calculation of the group solvency in accordance with Section 205 of this Law;

11) determination of the equivalence of a foreign supervision regime for the supervision requirements included in this Law in accordance with Section 241 of this Law;

12) in accordance with the authorisation issued in accordance with Sections 211 and 212 of this Law, to apply Sections 214 and 215 of this Law to insurance or reinsurance undertakings;

13) application of the supervision methods in accordance with Sections 243 and 244 of this Law.

[*25 April 2019*]

6. If during a period from 1 January 2016 to 31 December 2016 own funds of an insurance or reinsurance undertaking or a branch of a foreign insurer exceed the solvency margin which has been calculated in accordance with the Commission’s Regulation No. 149 of 15 September 2006, Regulations for the Calculation of Insolvency Margin and Own Funds of Life Insurers, Regulation No. 148 of 15 September 2006, Regulations for the Calculation of Insolvency Margin and Own Funds of Non-life Insurers, or Regulation No. 128 of 5 September 2008, Regulatory Provisions for the Calculation of Insolvency Margin and Own Funds of Reinsurers, but it does not conform to the solvency capital requirement, the relevant undertaking or branch shall take all necessary measures to restore the eligible own funds to the amount of the solvency capital requirement or to reduce risk in order to ensure conformity with the solvency capital requirement by 31 December 2017. The insurance or reinsurance undertaking or the branch of the foreign insurer shall, every three months, submit to the Commission a report on the measures taken to restore the eligible own funds to the amount of the solvency capital requirement or to reduce risk in order to ensure conformity with the solvency capital requirement.

[*25 April 2019*]

7. If during a period from 1 January 2016 to 31 December 2016 the adjusted own funds of the insurance or reinsurance participating undertaking referred to in Section 197, Paragraph two, Clause 1 of this Law or the adjusted own funds of the insurance or reinsurance undertaking in a group referred to in Section 197, Paragraph two, Clause 2 of this Law exceed the adjusted solvency margin which has been calculated in accordance with the Commission’s Regulation No. 64 of 22 May 2009, Regulatory Provisions for the Procedures for Calculating Adjusted Solvency Margin and Adjusted Own Funds of an Insurance Undertaking or Reinsurance Undertaking Subject to Supplementary Supervision, and for the Provision of Information Regarding Mutual Transactions of the Group of Insurance Undertaking or Reinsurance Undertaking Subject to Supplementary Supervision, but it fails to conform to the group solvency capital requirement, the relevant insurance or reinsurance participating undertaking or insurance or reinsurance undertaking shall take all necessary measures to restore the eligible own funds to the amount of the group solvency capital requirement or to reduce risk in order to ensure conformity with the group solvency capital requirement by 31 December 2017. The insurance or reinsurance participating undertaking or the insurance or reinsurance undertaking shall, every three months, submit to the Commission, if it is a group supervisor, a report on the measures taken to restore the eligible own funds to the amount of the group solvency capital requirement or to reduce risk in order to ensure conformity with the group solvency capital requirement.

8. The Commission shall cease to apply the requirements of Paragraphs 6 and 7 of these Provisions if it results from the report to be submitted thereto and referred to in Paragraphs 6 and 7 that during a period from the day when non-conformity with the solvency capital requirement or group solvency capital requirement has been established to the day of submission of the report no significant improvement has been achieved in respect of the restoration of the eligible own funds to the amount of the solvency capital requirement or group solvency capital requirement or the reduction of risk in order to ensure conformity with the solvency capital requirement or group solvency capital requirement.

9. The requirements of Paragraphs 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, and 20 of these Provisions shall be binding at a group level.

10. An insurance or reinsurance undertaking or a branch of a foreign insurer may apply a transitional adjustment to an adequate risk-free interest rate term structure referred to in Section 102 of this Law for the calculation of the best estimate for insurance or reinsurance obligations subject to an authorisation of the Commission. The Commission has the right to impose requirements for obtaining an authorisation thereof for taking the measures of the transition period provided for in this Paragraph. The transitional adjustment to the adequate risk-free interest rate term structure shall be subject to a linear reduction at the end of each year from 100 per cent starting from 1 January 2016 to 0 per cent on 1 January 2032. For each currency the transitional adjustment to the adequate risk-free interest rate term structure shall be calculated as a difference between the following:

1) the interest rate which has been set until 31 December 2015, in accordance with the Commission’s Regulation of 1 January 2005, Regulations for the Establishment and Calculation Methods of Technical Provisions of Insurers and Private Pension Funds; and

2) the actual annual rate which is calculated as a single discount rate and the application thereof to cash flows of the portfolio of insurance or reinsurance obligations results in a value which is equal to the value of the best estimate of the portfolio of insurance or reinsurance obligations by including in the calculation the present value of the expected future cash flows and using the adequate risk-free interest rate term structure.

[*25 April 2019*]

11. If an insurance or reinsurance undertaking or a branch of a foreign insurer applies the volatility adjustment referred to in Section 114 of this Law, the adequate risk-free interest rate term structure referred to in Paragraph 10, Sub-paragraph 2 of these Transitional Provisions shall be used after application of the volatility adjustment.

[*25 April 2019*]

12. The insurance or reinsurance obligations specified in Paragraph 10 of these Transitional Provisions shall correspond to the following conditions:

1) contracts stipulating insurance or reinsurance obligations were concluded until 1 January 2016, except for the cases where duration of such contracts has been extended on 1 January 2016 or after this date;

2) until 31 December 2015 technical provisions for insurance or reinsurance obligations shall be calculated in accordance with the Commission’s Regulation of 1 January 2005, Regulations for the Establishment and Calculation Methods of Technical Provisions of Insurers and Private Pension Funds;

3) the matching adjustment specified in Section 112 of this Law shall not be applied to insurance or reinsurance obligations.

13. An insurance or reinsurance undertaking or a branch of a foreign insurer that applies provisions of Paragraph 10 of these Transitional Provisions shall:

1) not include the matching insurance or reinsurance obligations referred to in Paragraph 10 of these Transitional Provisions in the calculation of the volatility adjustment referred to in Section 114 of this Law;

2) Paragraphs 14, 15, 16, and 17 of these Transitional Provisions shall not be applied;

3) in the report referred to in Section 91 of this Law on the solvency and financial standing of the insurance or reinsurance undertaking or a branch of the foreign insurer publish the information regarding the application of the transitional adjustment to the risk-free interest rate term structure and carry out a quantitative assessment of how the failure to make this transitional adjustment may affect the financial standing of the relevant undertaking or branch.

[*25 April 2019*]

14. If an authorisation of the Commission is obtained, an insurance or reinsurance undertaking or a branch of a foreign insurer shall apply the deduction of the transition period to technical provisions at a level of the homogeneous risk groups referred to in Section 107 of this Law. The Commission is entitled to impose requirements for obtaining an authorisation thereof for making the deductions of the transition period specified in this Paragraph. The maximum share of the deduction of the transition period shall be subject to a linear reduction at the end of each year from 100 per cent starting from 1 January 2016 to 0 per cent on 1 January 2032. The deduction of the transition period shall be calculated as a difference between the following:

1) the technical provisions of which the amounts recoverable from reinsurance contracts and special purpose entities have been deducted and which have been calculated in accordance with Sections 99 and 100 of this Law on 1 January 2016; and

2) the technical provisions of which the amounts recoverable from reinsurance contracts have been deducted and which have been calculated until 31 December 2015 in accordance with that provided for in respect of technical provisions in the Law on Insurance Companies and Supervision Thereof, the Reinsurance Law, and the Commission’s Regulation of 1 January 2005, Regulations for the Establishment and Calculation Methods of Technical Provisions of Insurers and Private Pension Funds.

[*25 April 2019*]

15. If on 1 January 2016, an insurance or reinsurance undertaking or a branch of a foreign insurer applies the volatility adjustment referred to in Section 114 of this Law, the amount referred to in Paragraph 14, Sub-paragraph 1 of these Transitional Provisions shall be calculated by taking into account the volatility adjustment on the respective day.

[*25 April 2019*]

16. If a risk profile of an insurance or reinsurance undertaking or of a branch of a foreign insurer has significantly changed, the relevant undertaking or branch shall recalculate, every 24 months or more frequently, the amount of the technical provisions referred to in Paragraph 14, Sub-paragraphs 1 and 2 of these Transitional Provisions and the volatility adjustment referred to in Paragraph 15 which is used for the calculation of the deduction of the transition period referred to in Paragraph 14 of these Transitional Provisions, provided that an authorisation of the Commission has been obtained or if the Commission has taken the decision to impose an obligation upon the insurance or reinsurance undertaking or the branch of the foreign insurer to make the respective recalculation.

[*25 April 2019*]

17. The Commission may take the decision to prohibit the application of the deduction of the transition period referred to in Paragraph 14 of these Transitional Provisions if the application of this deduction could lead to reduced requirements for financial resources applicable to an insurance or reinsurance undertaking or a branch of a foreign insurer in comparison with the requirements calculated until 31 December 2015 in accordance with the requirements specified in the Law on Insurance Companies and Supervision Thereof, the Reinsurance Law, and the Commission’s Regulation of 1 January 2005, Regulations for the Establishment and Calculation Methods of Technical Provisions of Insurers and Private Pension Funds.

[*25 April 2019*]

18. An insurance or reinsurance undertaking or a branch of a foreign insurer that applies Paragraph 14 of these Transitional Provisions shall:

1) not apply Paragraphs 10, 11, 12, and 13 of these Transitional Provisions;

2) if it may conform to the solvency capital requirement by only applying the deduction of the transition period referred to in Paragraph 14 of these Transitional Provisions, take all the necessary measures to restore the eligible own funds to the amount of the solvency capital requirement or to reduce risk in order to ensure conformity with the solvency capital requirement until 1 January 2032, and once a year submit to the Commission a report on the measures taken to restore the eligible own funds to the amount of the solvency capital requirement or to reduce risk in order to ensure conformity with the solvency capital requirement;

3) in the report referred to in Section 91 of this Law on the solvency and financial standing of the insurance or reinsurance undertaking or a branch of the foreign insurer publish the information regarding the application of the deduction of the transition period of technical provisions and carry out a quantitative assessment of how the failure to take this transitional measure may affect the financial standing of the relevant undertaking or branch.

[*25 April 2019*]

19. An insurance or reinsurance undertaking or a branch of a foreign insurer that applies the transitional adjustment or deduction of the transition period referred to in Paragraph 10 or 14 of these Transitional Provisions shall immediately inform the Commission as soon as it establishes that it is able to conform to the solvency capital requirement by only taking the respective transitional measures. The respective undertaking or branch shall, within two months after it has established that it is able to conform to the solvency capital requirement by only taking the respective transitional measures, submit to the Commission for coordination a plan to restore the eligible own funds to the amount of the solvency capital requirement or to reduce risk in order to ensure conformity with the group solvency capital requirement until 1 January 2032. Corrections may be made to the respective plan during the transition period. The relevant insurance or reinsurance undertaking or the branch of the foreign insurer shall, once a year, submit to the Commission a report on the measures taken to restore the eligible own funds to the amount of the solvency capital requirement or to reduce risk in order to ensure conformity with the solvency capital requirement.

[*25 April 2019*]

20. The Commission shall prohibit making the transitional adjustment or the deduction of the transition period referred to in Paragraphs 10 and 14 of these Transitional Provisions if it results from the report referred to in Paragraph 19 of these Transitional Provisions that from the day when non-conformity with the solvency capital requirement or group solvency capital requirement has been established to the day of the submission of the report no significant improvement has been achieved in respect of the restoration of the eligible own funds to the amount of the solvency capital requirement or the reduction of risk in order to ensure conformity with the solvency capital requirement.

21. On the basis of the facts established during the review of the operations of an insurance or reinsurance undertaking, the Commission is entitled to impose the additional capital requirement referred to in Section 46 of this Law upon the relevant undertaking if it has established that the insurance or reinsurance undertaking makes the transitional adjustment or the deduction of the transition period referred to in Paragraph 10 or 14 of these Transitional Provisions and the risk profile of the relevant undertaking deviates significantly from the assumptions on which such transitional measures are based.

22. If an insurance or reinsurance undertaking makes the transitional adjustment or the deduction of the transition period referred to in Paragraph 10 or 14 of these Transitional Provisions, it shall assess the correspondence of the conformity with the capital requirement specified in Section 65, Paragraph two, Clause 2 of this Law in two forms – by making or not making the respective transitional adjustment or deduction of the transition period.

23. The matching adjustment specified in Section 112 of this Law shall not be applied to insurance or reinsurance obligations if the transitional adjustment referred to in Paragraph 10 of these Transitional Provisions is applied to the appropriate risk-free interest rate term structure for the calculation of the best estimate of technical provisions for such obligations.

24. The Commission shall, by 1 January 2021 once a year, submit to the EIOPA the following information:

1) the availability of the insurance products which include long-term guarantees on the financial market and the conduct of insurance or reinsurance undertakings as long-term investors;

2) the number of insurance or reinsurance undertakings which use the matching adjustment, the volatility adjustment, the extension of the time period specified in Section 141, Paragraph five of this Law, and the transitional adjustment or the deduction of the transition period referred to in Paragraph 10 or 14 of these Transitional Provisions;

3) the impact of the matching adjustment, the volatility adjustment, the symmetric adjustment of equity securities risk sub-modules and the transitional measures referred to in Paragraph 10 or 14 of these Transitional Provisions on the financial standing of the insurance or reinsurance undertaking – at a national level anonymously regarding each undertaking;

4) the impact of the matching adjustment, the volatility adjustment, and the symmetric adjustment of equity securities risk sub-modules on the investment approach adopted by the insurance or reinsurance undertaking, and the information on whether the respective measures cause unwanted reduction of the capital requirements;

5) the impact of the extension of the time period specified in Section 141, Paragraph five of this Law on the restoration of the level of own funds of insurance or reinsurance undertakings to the amount of the solvency capital requirement or the reduction of risk profile in order to ensure conformity with the solvency capital requirement;

6) if insurance or reinsurance undertakings make the transitional adjustment or the deduction of the transition period referred to in Paragraph 10 or 14 of these Transitional Provisions – the information as to whether they comply with the plan referred to in Paragraph 19 of these Transitional Provisions and the assessment of future reliance on reduction of this transitional adjustment or deduction of the transition period.

[*23 September 2021 / Amendment regarding the replacement of the words “financial and capital market” with the words “financial market” shall come into force on 1 January 2023. See Paragraph 33 of Transitional Provisions*]

25. Sections 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, and Section 50, Section 51, Paragraphs one and two, Sections 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 115, 116, and 117, Section 119, Paragraphs one, two, three, four, five, six, and seven, Sections 120, 123, 124, 125, 126, 127, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 203, and 204, Section 205, Paragraph five, Sections 208, 210, 218, 219, 220, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 242, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, and 290 of this Law, Paragraphs 2, 3, 4, 6, 7, 8, 15, 16, 17, 18, 19, 20, 21, 22, 23, and 24 of Transitional Provisions shall be applicable from 1 January 2016. If a conflict is established between the laws and regulations of equal legal force when applying the legal norms governing insurance and reinsurance during the period after coming into force of the Insurance and Reinsurance Law until 31 December 2015, the laws referred to in Paragraph 1 of the Transitional Provisions shall be applied.

26. Insurance and reinsurance undertakings shall, by 31 December 2017, ensure that the person responsible for the risk management function, the person responsible for the compliance function, and the person responsible for the actuarial function correspond to the requirements referred to in Sections 58 and 59 of this Law.

[*21 July 2017*]

27. Amendments to Section 1, Paragraph two, Section 90.1, Section 93.1, Section 94, Paragraph 3.1 of this Law, amendments to Section 95, Paragraph one, and Paragraph five of this Section shall come into force on 1 January 2018.

[*21 July 2017*]

28. An insurance or reinsurance undertaking that is entitled to perform life insurance or reinsurance shall, by 1 November 2019, develop and publish the engagement policy in accordance with Section 138.1 of this Law if on the day of coming into force of the respective Section it invests its assets in the stocks of a joint stock company the registered office of which is in a Member State and the stocks of which are admitted to a regulated market of a Member State.

[*20 June 2019*]

29. An insurance or reinsurance undertaking that is entitled to perform life insurance or reinsurance shall publish the report referred to in Section 138.1, Paragraph four of this Law on the implementation of the engagement policy and the information referred to in Paragraph five starting from 2020.

[*20 June 2019*]

30. An insurance or reinsurance undertaking that is entitled to perform life insurance or reinsurance shall publish the information referred to in Section 138.2, Paragraph one of this Law by 1 November 2019.

[*20 June 2019*]

31. An insurance or reinsurance undertaking that is entitled to perform life insurance or reinsurance shall publish, by 1 November 2019, the information referred to in Section 138.2, Paragraph two of this Law regarding the contract entered into with the asset manager if the assets of the insurance or reinsurance undertaking are managed by the asset manager on the day of coming into force of Section 138.2 of this Law.

[*20 June 2019*]

32. If assets of an insurance or reinsurance undertaking that is entitled to perform life insurance or reinsurance are managed by an asset manager, it shall submit to this undertaking the report referred to in Section 138.2, Paragraph five of this Law starting from 2020.

[*20 June 2019*]

33. Amendments to this Law regarding the replacement of the word “Commission” with the words “Latvijas Banka” in the entire Law, except for the phrase “decision of the Commission” in Paragraph one, Clause 52 of Section 1, the name “European Commission”, and Transitional Provisions, regarding the replacement of the words “financial and capital market” with the words “financial market” in the entire Law, amendment to Section 1, Paragraph one, Clause 36 of this Law regarding the new wording thereof, the new wording of the introductory part of Paragraph two of Section 14 and the new wording of Paragraph three of Section 14, amendment to Section 14 regarding the deletion of Paragraphs four and five, amendment to Paragraph one, Clause 1 of Section 46 and Paragraphs one and two of Section 76, amendment to Paragraph one of Section 83 regarding the replacement of the words “council of the Commission” with the words “Latvijas Banka” and amendment to Paragraph six of Section 83 regarding the deletion of Clause 5, amendment to Section 283 regarding the deletion of Paragraph three, the new wording of Section 284, amendments to Paragraph two of Section 285 and Paragraph six of Section 287 shall come into force concurrently with the Law on Latvijas Banka.

[*23 September 2021*]

34. Latvijas Banka shall ensure the performance of the tasks of the Financial and Capital Market Commission specified in Paragraphs 10, 14, 16, 17, 18, 19, 20, and 21 of these Transitional Provisions after coming into force of the Law on Latvijas Banka.

[*23 September 2021*]

35. The regulatory provisions issued by the Financial and Capital Market Commission on the basis of this Law, until the day of coming into force of the Law on Latvijas Banka, shall be applied until the day of coming into force of the relevant regulations of Latvijas Banka, but not longer than until 31 December 2024.

[*23 September 2021*]

36. The Enterprise Register shall, not later than within five working days, publish a notification regarding the documents referred to in Section 87, Paragraph five of this Law which have been received until the day when amendments to Section 87, Paragraph six of this Law come into force in the official gazette *Latvijas Vēstnesis* that the relevant annual statements or consolidated annual statements, report of a sworn auditor, and copies of the documents appended thereto are available electronically in the Enterprise Register.

[*23 September 2021*]

37. Amendments to this Law regarding the new wording of Paragraphs two and three of Section 14 and regarding the deletion of Paragraph five of Section 94 shall come into force on 1 January 2023.

[*13 October 2022*]

38. Amendment to this Law regarding the supplementation of Section 1 with Paragraph three, amendments to Section 2, Paragraph three and Section 10, Paragraph one, Clause 4, and amendment regarding the supplementation of Section 16 with Paragraph five shall come into force concurrently with the amendments to the Private Pension Fund Law which refer to the registration and distribution of a pan-European Personal Pension Product in the Republic of Latvia.

[*13 October 2022*]

**Informative Reference to European Union Directives**

[*20 June 2019 ;12 November 2020*]

The Law contains legal norms arising from:

1) First Council Directive 68/151/EEC of 9 March 1968 on co-ordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community;

2) Council Directive 91/371/EEC of 20 June 1991 on the implementation of the Agreement between the European Economic Community and the Swiss Confederation concerning direct insurance other than life assurance;

3) Directive 2000/26/EC of the European Parliament and of the Council of 16 May 2000 on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles and amending Council Directives 73/239/EEC and 88/357/EEC (Fourth motor insurance Directive);

4) Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council;

5) Directive 2003/58/EC of the European Parliament and of the Council of 15 July 2003 amending Council Directive 68/151/EEC, as regards disclosure requirements in respect of certain types of companies;

6) Council Directive 2004/113/EC of 13 December 2004 implementing the principle of equal treatment between men and women in the access to and supply of goods and services;

7) Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Recast);

8) Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate;

9) Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No 1060/2009, (EU) No 1094/2010 and (EU) No 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority);

10) Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement;

11) Directive (EU) 2019/2177 of the European Parliament and of the Council of 18 December 2019 amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money-laundering or terrorist financing;

The Law shall come into force on the day following its proclamation.

The Law has been adopted by the *Saeima* on 18 June 2015.

President A. Bērziņš

Rīga, 30 June 2015