EUROHOLD

NEWS RELEASE

Eurohold Requested Return of Euroins Romania's License to Prevent EUR 1 billion damage to the Romanian Economy and Ensure Development Support from the Shareholders

At a press conference in Bucharest, the holding warned that ASF's decision to revoke the license and file for bankruptcy would terminate all reinsurance contracts of the Romanian company and cause severe financial consequences for the policyholders

Sofia, 21 March 2023 – The return of Euroins Romania's license will save Romanian taxpayers EUR 1 billion in losses and will allow the parent company - Euroins Insurance Group AD (EIG) to continue supporting the company's development. This was announced by the management of **Eurohold Bulgaria** AD at a press conference in Bucharest late yesterday evening.

The press conference was organized with reference to the decision of the Romanian financial regulator ASF on March 17 to revoke the license and open insolvency proceedings of Euroins Romania, appointing the Guarantee Fund (FGA) as the company's temporary administrator. It was attended by Assen Christov and Kiril Boshov, respectively chairman of the supervisory and management board of **Eurohold**, as well as Tanja Blatnik, executive director of Euroins Romania. In a presentation (attached below and **HERE**) were presented specific data and facts, which confirm the financial stability and solvency of Euroins Romania, as well as a complete chronology of the events related to the case with the reinsurance agreements. New revelations were also made about the persons who have an interest in destabilizing the company and the Romanian insurance market as a whole, as well as the reasons why they take out these illegal actions.

Two alternatives for the Romanian supervisory authority

"ASF has two options - to confirm its decision from March 17, which will bring direct damages and losses to Romanian taxpayers at the amount of EUR 1 billion, or to ask the law court to revoke this decision and return the license to Euroins Romania, which will save these damages and losses, and **EIG** will be able to continue supporting the development of the company," Assen Christov pointed out. Until now the group has invested approx. EUR 280 million in the Romanian insurer through capital increases.

It is exactly the ASF's decision to revoke the license and ask the court to launch a bankruptcy procedure for Euroins Romania that will be the reason for the termination of all reinsurance contracts of the Romanian company, as a result of which all damages and claims will have to be paid by the Guarantee Fund (FGA), warned the Eurohold management, reminding that this condition is basic and standard for every reinsurance contract.

As of the license revocation date, the Romanian company has served all its liabilities and at any moment ensures full coverage of both the minimum capital requirement (MCR) and the solvency capital requirement (SCR) - the two key indicators for any insurer. The coverage of both indicators is guaranteed under the terms of the company's previous reinsurance contracts, unrecognized by the Romanian supervision authority, as well as under the new reinsurance contract with EIG Re EAD, the reinsurer of the Eurohold insurance group, which, although perfect from a legal and economic point of view, was also not accepted by the regulator in Bucharest.

"If we look at the facts and figures, it seems that the ASF board was seriously misled by a false and untrue report, which could bring a loss of nearly EUR 1 billion to the Romanian taxpayer," warned Assen Christov. As a confirmation of the good financial stability and solvency of Euroins Romania, the management of the holding also pointed out the statements of ASF representatives themselves to the Romanian media. On 18 March ASF’s spokesperson Daniel Apostol stated (to jurnalul.ro) that "the withdrawal of the authorization of the Romanian insurer is not related to economic reasons, but is a sanction for behavior". ASF’s Vice-President Christian Roshu confirmed a similar thesis on the same date, saying (to profit.ro) that as of the date of the license withdrawal (March 17), the company was serving all its current liabilities related to damages, regressions and payments to counterparties.

The reinsurance contract with EIG Re

The management of **Eurohold** also revealed another new important detail - the reinsurance contract of Euroins Romania with EIG Re has been officially confirmed by the regulator, which is the only competent body and in a position to take a decision - the Bulgarian Financial Supervisory Commission (FCS). Sofia-based reinsurer is under the direct control of the Bulgarian regulator. On 14 March the FSC sent a letter officially confirming the solvency of EIG Re and the validity of the contract, respectively. In this case, the Romanian financial regulator has no right not to recognize this contract as valid. Otherwise, this would be a direct violation of European (art. 32 of the EU Solvency 2 Directive) and Romanian legislation, which turned out to be exactly like this due to the following decision of the Romanian supervisory authority to ultimately not recognize the reinsurance contract. It is exactly this reinsurance contract with EIG Re that is the reason why there is no basis to claim that the company does not cover its capital requirements (MCR and SCR ratios) and that it has a problem with its solvency, which was used as an argument by the Romanian regulator in the official report on revocation of the license.

The management of **Eurohold** confirmed the good financial condition of the Romanian insurer at the date of license withdrawal with further facts and figures. On 17 March Euroins Romania had more than RON 110 million in current assets, including RON 40 million in cash and RON 70 million short-term receivables from insurance brokers and intermediaries, which must enter the company within 5 days. At the same time, the daily operating costs of the company are in the range of RON 5-5.5 million, and current liabilities amounting to RON 1-1.5 million are added to them. "There can be no question of insolvency of the company under these parameters," Assen Christov pointed out during the event.

Fulfillment of the capital requirements

Contrary to ASF's claims of a capital shortfall of Euroins Romania as of September 30, 2022, **Eurohold**'s data shows the exact opposite fact. As of this date the Romanian insurer actually owns the necessary funds, which ensure the minimum capital requirement and the solvency capital requirement at a value that exceeds the 100% required by law. This is true both when the reinsurance contracts with leading reinsurers in Europe, not recognized by the financial supervision, are being counted as well as in the case of the subsequent new reinsurance contract signed with EIG Re. The first ones ensure the transfer of 55% of the risk in the Euroins Romania's portfolio and the second one transfers outside the company 87 % of risk. As of September 2022, the SCR ratio has been 143%, and as of December 2022 - 134%, and the MCR ratio has been 272% and 280%, respectively. In addition, the reinsurance contracts of Euroins Romania, not recognized by the Romanian regulator, have been formally confirmed by the same supervisor in the past at least twice in the last three years, including during a significant audit and a large-scale Balance Sheet Review of the insurers in Romania in 2021 .They were also confirmed by the two independent auditors appointed by ASF during this Balance Sheet Review two years ago. At some point last year, those contracts became unacceptable to the regulator and the company was forced to cancel them and replace them with new ones.

Regulator’s report from 2 February

The process of replacing the reinsurance contracts started in mid-2022 and continued with the renewal of the agreements for 2023. This is also the moment because of which the insurance supervisor attacked the company aggressively and identified a capital shortage. It culminated in a report sent to the company on 2 February this year, which concerns the period to the end of September 2022. The regulator refused to look at December data, which would show the company's performance for the whole 2022 year.

With the report sent on February 2, the Romanian insurance supervisory authority suspended Euroins Romania's existing reinsurance contracts with leading European AA-rated reinsurers and charged additional reserves to the insurer at the amount of RON 605 million. This was also the method by which ASF identified on paper a capital shortfall of RON 2 billion or EUR 400 million. If the existing reinsurance contracts were taken into account, even with the additional reserves of RON 605 million charged by the regulator, the coverage of MCR and SCR would be over 100%, **Eurohold**'s calculations showed.

With the conclusion of a new quota reinsurance contract with EIG Re at the beginning of February (with retroactive effect as of January 1), Euroins Romania meets all the requirements of the Romanian insurance supervision, including for advance payment of the premium under the agreement. The new contract was concluded in accordance with all European standards and norms and is usual for most of Europe's leading insurance groups. It ensures the transfer of 87% of the risk related to the portfolio of Euroins Romania and covers the full volume of claims to the Romanian insurer. Another 10% of the risk remains for a leading reinsurer in Europe and only 3% in the Romanian subsidiary itself. An additional security for Euroins Romania and EIG Re is that a significant part of the risks assumed by the new reinsurer are retroceded to leading European reinsurers. The higher risk coverage is also accompanied by a transfer of assets of the Romanian company to the reinsurer, again in accordance with the ASF requirements.

With the reinsurance contract with EIG Re, Euroins Romania's MCR and SCR coverage has soared to 219% and 148%, respectively, as of January 1, even if the RON 605 million increase in technical reserves prescribed by the Romanian regulator is taken into account. In this way, the risk and solvency of Euroins Romania are fully covered.

ASF refused to recognize the reinsurance contract with ridiculous arguments, including claims by insurance supervisors that EIG Re is an unknown, Bulgarian company and does not have the necessary capital. "EIG Re is a company with over 20 years of history and has more experience than the insurance group itself," Assen Christov noted on this occasion, recalling that **EIG** acquired it from Germany-based HDI 8 years ago. As a result, the Romanian supervisory authority ruled that Euroins Romania did not meet the capital requirements (MCR and SCR coverage of at least 100%) and on this basis withdrew the company's license and opened insolvency proceedings. Paradoxically, at the same time ASF has required the Guarantee Fund (FGA), the temporary administrator of Euroins Romania now, to terminate the reinsurance agreement with EIG Re, an action that effectively recognizes this contract. "This is a vicious circle of cause and effect, and it is an illegal action," commented the chairman of **Eurohold'**s supervisory board.

Consequences for the Romanian market

The illegal actions of the Romanian insurance authority lead to severe consequences not only for Euroins Romania, but also for the entire Romanian insurance market, **Eurohold**'s managers underlined. The direct damages amount to EUR 400 million and if the decision to withdraw the license is not withdrawn, these sums must be taken over by the Guarantee Fund (FGA) in the country, generated by the insurers with contributions from the insured persons and largely emptied after the last bankruptcy of the City Insurance company in 2021. This would require government intervention and a transfer from the budget, which is unacceptable from European legislation's point of view and, among other things, would again be on behalf of the Romanian taxpayers.

"Additionally, the damages for losses suffered, and lost profits from unrealized investments, could exceed around EUR 500 million because we will go to the law court for them and these damages, unfortunately, will have to be paid again by the Romanian taxpayer," added the management of the company. The negative consequences include the ongoing and deepening crisis on the insurance market in Romania, the rise in reinsurance prices as reinsurers have to calculate a much higher risk and the ruined reputation of the Romanian state. All this drives a sharp increase in the prices of the MTPL policies, which, even if they are temporarily frozen, would then increase sharply again. "The only ones who will have to take responsibility for these damages and losses will be the members of the ASF board who made the decision to revoke the license of Euroins Bulgaria," warned the management of **Eurohold**, once again appealing for a review of the decision and its withdrawal in court after the company's appeal, which will prevent all these severe consequences for the Romanian market and consumers.

Eurohold has already referred all mentioned above to all competent and interested state authorities and institutions in Romania and Europe.

As **Eurohold** has already announced, outside of Euroins Romania, all other subsidiaries and businesses of the holding in all the other 11 markets in which they operate, including insurance and energy, are operating and will continue to operate as usual and without any problems, serving their customers and obligations and fulfilling their business plans for the year. In the past month and a half, the management of the holding took all the necessary actions to protect the other companies of the group and to ensure their stable and normal functioning. The case with Euroins Romania will in no way affect the activities of the other companies in the group.
Look at the presentation from the press conference of **Eurohold** in Bucharest in the additional document.

Eurohold Bulgaria AD

Eurohold Bulgaria AD is a leading energy and financial group operating in Central, Eastern and Southeastern Europe. It is listed on the Bulgarian and Warsaw Stock Exchange. Eurohold owns Euroins Insurance Group AD (EIG), one of the largest insurance groups in the region. EIG provides a full range of insurance products, serves over 4 million customers in 12 countries and has over 3,000 employees. Eurohold is owner of Electrohold, a leading energy group in Bulgaria that owns the largest power distributor, supplier and trader in the country, has 3000 employees and serves more than 3 million consumers.

www.eurohold.bg**;** ***www.eig.bg****;* ***www.electrohold.bg***