

## **Summary of the Danish Financial Supervisory Authority's statement containing the conclusions of the inspection conducted in Qudos Insurance A/S**

***On 3 December 2018, the Danish Financial Supervisory Authority has ordered Qudos Insurance A/S to increase the overall gross claims provisions, write down the value of certain assets, increase other provisions, determine the own funds correctly and calculate the solvency capital requirement correctly.***

The Danish Financial Supervisory Authority has conducted an inspection in Qudos Insurance A/S. The scope of the inspection was adequacy of the claims provisions, the determination of own funds and calculation of the solvency capital requirement.

The Danish Financial Supervisory Authority has ordered Qudos Insurance A/S to increase the gross claims provisions by an amount of DKK 709.8 million by 30 November 2017, i.e. gross of reinsurance. The company has recently entered into retrospective reinsurance agreements that reduce the net economic effect of this order on the financial statements and the solvency position by substantial amounts.

The Danish Financial Supervisory Authority has ordered Qudos Insurance A/S to write down the value of certain assets (unlisted shares, receivables and deferred tax assets) by DKK 106.1 million when preparing financial statements. For the solvency II valuation, the write-down of these assets was DKK 117.9 million.

Furthermore, the Danish Financial Supervisory Authority ordered Qudos Insurance A/S to exclude a capital commitment of an amount of DKK 19.4 million from the own funds, because the capital commitment did not fulfill the necessary requirements.

The Danish Financial Supervisory Authority also ordered Qudos Insurance A/S not to recognize a portfolio transfer agreement until the closing of the agreement.

Additionally, the Danish Financial Supervisory Authority ordered Qudos Insurance A/S to calculate its solvency capital requirement in accordance with the Solvency II regulation. Among other things, the order concerned the non-life premium and reserve risk sub-module, the non-life catastrophe risk sub-module and the capital requirement for operational risk.

The company has not yet submitted adequate solvency and accounting figures showing the consequences of the orders on the financial situation of the company. Consequently, the Danish Financial Supervisory Authority does not know the current financial state of Qudos Insurance A/S. This is among other things due to the reinsurance agreements the company entered into during November 2018 which significantly reduce the economic impact of the order to increase the gross claims provisions. The company has been ordered to report on the financial situation including the consequences of the orders.

Qudos Insurance A/S ceased to write new business on 18 October 2018. The company reported to the Danish Financial Supervisory Authority on 26 November 2018 that the company no longer complied with the minimum capital requirement. As a consequence, the company was ordered to provide a finance scheme within a month.

On 27 November 2018, the general assembly of Qudos Insurance A/S decided to enter into liquidation and appointed a liquidator. On 27 November 2018, the Danish Financial Supervisory Authority appointed a co-liquidator. The co-liquidator conducts the liquidation together with the company's appointed liquidator.

It is the immediate assessment of the Danish Financial Supervisory Authority that there is a substantial risk that the company will be unable to fulfill all of its obligations.

The Danish Financial Supervisory Authority has informed the host national supervisory authorities via a European Insurance and Occupational Pensions Authority (EIOPA) Cross-Border Platform of Collaboration about the orders issued to Qudos Insurance.