



Reykjavík
5. June 2023

Results of the investigation of amendments to terms and conditions for NOVIS insurance policies

On 25 October 2022, the Central Bank of Iceland opened an investigation of amendments to the terms and conditions for insurance contracts issued by NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poist'ovňa a.s. (referred to collectively hereinafter as *NOVIS* or *the company*) to policyholders in Iceland. The investigation concluded in May 2023.

NOVIS is subject to the supervision of the National Bank of Slovakia (Národná banka Slovenska), but supervision of sound and proper business practices in the company's activities in Iceland is carried out by the Financial Supervisory Authority of the Central Bank of Iceland (here after FSA) cf. Article 10, Paragraph 2 of Act no. 100/2016. The aim of the investigation was to determine whether the company's information disclosures to policyholders concerning changes made to terms and conditions in October 2021 had been in compliance with Article 9, Paragraph 1 of Act no. 100/2016; cf. Article 4, Paragraph 2 of the then-current Rules on Sound and Proper Business Practices of Insurance Undertakings, no. 673/2017; cf. Article 4, Paragraph 2 of the current Rules on Sound and Proper Business Practices, Communications with Customers, and Handling of Complaints, no. 353/2022.

The changes applied to two of NOVIS' insurance-based investment products, Wealth Insuring and Life Savings Plan, and fell into two main categories. On the one hand were changes that involved deleting all references to investment units and their fixed peg to the value of one euro; This means that after the amendments, Wealth Insuring and Life Savings Plan will subsequently not be defined as unit-linked products in their terms and conditions. On the other hand, were changes centring on weakening NOVIS' obligation to invest the full amount of its customers' insurance accounts (paid premiums). This means that after the changes, NOVIS was no longer obliged to invest the entire amount of the premiums paid to the company by customers, for the benefit of those customers.

Based on the available documents and information, the FSA concluded that the company had provided policyholders with misleading and deceptive information on the changes to terms and conditions, making it virtually impossible for policyholders to comprehend the meaning of the changes and make an informed decision on whether the changes were in their own best interests. Furthermore, the company changed the terms and conditions on the basis of tacit or passive consent; i.e., if policyholders did not lodge a protest, the amendments would take effect. The company's information disclosures concerning the reason, purpose, and potential implications of the changes

for previously concluded insurance contracts with Icelandic policyholders had therefore entailed a gross violation of statutory and regulatory provisions obliging insurance companies to conduct sound and proper business practices; cf. Article 9, Paragraph 1 of Act no. 100/2016; cf. Article 4, Paragraph 2, Items 1, 2, 4, and 7 of Rules no. 673/2017, which were then in effect.

The FSA is of the opinion that NOVIS committed gross violations – among other things, in view of its dominant position vis-à-vis policyholders. The case involved changes to complex terms and conditions for insurance-based investment products in which the company had various interests. NOVIS' home country supervisor, National Bank of Slovakia, had concluded in [April](#) and [June](#) 2021 that the company had violated Slovakian law on insurance activities. It demanded that the company invest in accordance with the terms and conditions and increase its investments in connection with this by a minimum of 20 million euros.

The company's conduct affected all policyholders in Iceland who had entered into contracts for the Wealth Insuring and/or Life Savings Plan products.

With reference to Article 137, Paragraph 1 of Act no. 100/2016 – cf. Article 10, Paragraph 1 of the Act on Official Supervision of Financial Activities, no. 87/1998 – the FSA made the following demands for remedial action:

- NOVIS shall post an announcement on its website revoking its changes to the terms and conditions for the Wealth Insuring and Life Savings Plan products, which took effect on 15 October 2021.
- NOVIS shall notify its policyholders in writing that the amendments have been revoked.
- NOVIS shall inform its distributors in Iceland in writing of the FSA's decision in this matter and the demands for remedial action, so that the distributors have sufficient information on the status of the matter and can then provide correct information to the company's policyholders.
- NOVIS shall send copies of these notifications to the FSA in order to confirm that it has carried out the above-mentioned remedial action.

The Company was granted until 8 June 2023 to complete the remedial action.