

Agreement
on additional cooperation between Financial and Capital Market Commission
of the Republic of Latvia and the Financial Supervisory Authority of the
Republic of Estonia
on supervision of cross-border insurance undertakings

The Financial and Capital Market Commission of the Republic of Latvia and the Financial Supervisory Authority of the Republic of Estonia conclude this agreement

- **Taking into consideration the fact that insurance market is closely integrated between the two states as the same insurance undertakings and their branches play considerable role in both national markets;**
- **Seeking to provide effective protection of the interests of the policy holders in both countries;**

Have made this agreement

INTRODUCTORY PROVISIONS

1. This agreement is based on the following considerations:
 - a. The Financial and Capital Market Commission of the Republic of Latvia and the Financial Supervisory Authority of the Republic of Estonia (hereinafter – the Parties) recognise that there are insurance undertakings and their branches with significant activities in both countries. The Parties further recognise that the closer cooperation between both authorities would help achieve the common goal – the better protection of the interests of the policyholders in both countries. This agreement is specifically designed to facilitate the supervision of certain insurance undertakings operating in both countries.
 - b. The ultimate objective of such cooperation is safeguarding the smooth functioning of the insurance market and better protection of the policy holders.
 - c. This agreement has no intention to extend, modify or suspend any other existing memorandum of understanding or other international agreement existing between the Parties, whether bilateral or multilateral. This agreement supports principles expressed in General Protocol relating to the Collaboration of the Insurance Supervisory Authorities of the Member States of the European Union (Revised Siena Protocol).

DEFINITIONS

2. For the purpose of this agreement, the following definitions are used:

- a. The **Parties** are defined as the Signatories to this agreement – Financial and Capital Market Commission of the Republic of Latvia and the Financial Supervisory Authority of the Republic of Estonia
- b. The **Home state** is the country where the insurance undertaking has a head office.
- c. The **Host state** is, for the purpose of this agreement, the country where the relevant insurance undertaking has a branch.

SCOPE OF APPLICATION, OBJECTIVE AND NATURE OF THE AGREEMENT

- 3. This agreement lays down the bases for the sharing of relevant information and coordination of supervisory actions regarding insurance undertakings, which are listed in Annex I of this agreement.
- 4. The objective of this agreement is to ensure that the Parties mutually cooperate supervising the insurance undertakings, doing business in both countries of this agreement.
- 5. While recognising that the *final responsibility* for the supervision of insurance undertaking remains with the Party of the Home state, the Parties will, as far as possible, voluntarily coordinate decisions and actions and take into account each other's interests, needs and problems.
- 6. This agreement is not legally binding. Therefore its provisions may not give rise to any legal claim on behalf of any Party or third parties in the course of their practical implementation.
- 7. Cooperation between the Parties will take place in accordance with, and without prejudice to, responsibilities under national and Community legislation. This agreement does not override the respective institutional responsibilities of the Parties nor restrict their capacity for independent and timely decision-making in their respective fields of competence, notably with regard to the conduct of day-to-day supervisory tasks.
- 8. The Parties recognise that in some cases there may be a need for cooperation with authorities from other countries than the Parties.

GENERAL PROVISIONS

- 9. The Parties agree to cooperate:
 - a. by consulting each other a.s.a.p. before taking any important supervisory decisions, as provided in item 11 of this agreement;
 - b. through exchange of relevant information mentioned in item 12 of this agreement;
 - c. by transmitting a report or an overview of the particular insurance undertaking mentioned in Annex I or its branch (item 13 or 14 respectively);
 - d. by organising meetings on supervisory issues concerning the undertakings mentioned in Annex I (item 16 of the agreement);

- e. by executing the off-site and on-site inspections of the undertakings mentioned in Annex I (items 17 and 18 of the agreement).
10. The Parties agree to nominate their employees, listed in Annex II, as contact persons responsible for pursuing the means mentioned in the item 9 concerning insurance undertakings (or their branches in some cases) mentioned in Annex I. Seeking to facilitate cooperation, these contact persons should be allowed and obliged to exchange information with each other directly. Such information should be treated as official by both Parties.
11. The Parties agree to consult/ discuss with/ communicate each other as soon as possible before taking any important supervisory decisions such as withdrawal or suspension of a licence or in case of deterioration of the financial position of an insurance undertaking, when the interests of policyholders are infringed, or when the threat of such a deterioration or infringement arises or in case of other serious and extraordinary situation. The consulted Party should be informed as soon as possible. The contact persons should advise each other in advance on the need of formal consultation in the near future. The consulted Parties would answer to the consultation as soon as possible but no later than two weeks after the receipt of consultation.
12. The Parties agree as soon as possible to inform each other in these cases:
- a. application of sanctions (except the withdrawal or suspension of a licence);
 - b. application of capital add-on;
 - c. results (main findings) of on-site inspections;
 - d. changes of the member of supervisory, management body and persons responsible for the key and critical function of the undertaking mentioned in Annex I;
 - e. extent of activities, opening of new branches or closure the old ones, passporting activities to the other EU member states.
13. The Parties agree to transmit to each other regularly and at least quarterly reports of every insurance undertaking mentioned in Annex I by sending information listed in Annex III (in case of significant changes which were observed over a reporting period, a short explanation should be provided as well). The supervisory authority of the Home State shall transmit the report no later than in seven weeks after having received the information on which the reports are based. Annual overviews of insurance undertakings should be provided on the meetings on supervisory issues (item 16) and may contain quantitative information, analysis of the results and key indicators total and by the main lines of business for the reporting period and their dynamics and qualitative information (e.g. changes in reinsurance, investment, risk management strategies, information about the contracts within the group and outsourcing contracts and etc.). The scope of information to be provided in the reports or the overview may vary subject to significance of the branch operating in the Host State.
14. The Parties agree to transmit to each other regularly and at least quarterly reports of every branch of insurance undertakings mentioned in Annex I by sending information listed mentioned in Annex III (in case of significant changes which were observed over a reporting period, a short explanation should be provided as well). The supervisory authority of the Host State shall transmit the reports no later than in seven weeks after having received the information on which the reports are based. Annual overviews of branches of insurance undertakings should be provided on the meetings on supervisory issues (item 16) and may contain information on complaints on the branch activities and any other information that may have influence on protection of the interests of the policy

holders or insurance undertaking activities and etc. The scope of information to be provided in the reports or the overview may vary subject to significance of the branch operating in the Host State.

15. The Parties agree to transmit to each other any other information which is received from (or about) undertakings or their branches on *ad hoc* basis or information on significant changes in legal environment on their market, which at the discretion of the particular Party could be considered as important information
16. The Parties agree to hold a meeting on supervisory issues, concerning the undertakings mentioned in Annex I, at least annually, nonetheless, the meetings could be held more often if needed. The Parties also agree to meet each other if one of the parties expresses a wish to meet and discuss the relevant issues. On these meetings Parties agree to exchange overviews of undertakings or branches (items 13 and 14) on market situation and changes in legal environment on their market.
17. The Parties agree to cooperate closely while executing the off-site and on-site inspections of the undertakings mentioned in Annex I. The supervisory institution of the Home State shall inform the supervisory authority of the Host State about the inspection as soon as possible but no later than the undertaking itself is informed. The Host State could join a team of inspectors, if they consider it necessary. Each of the Parties (including Home and Host supervisory institution) shall have the right to request the other Party to execute on-site or off-site inspections.
Each of the Parties (including Home and Host supervisory institution) after consulting with other Party may take obligation to assist each other on the issues on local law or any other needed (outsourced) supervisory duty based on local language skills.

CONFIDENTIALITY

18. The Parties agree that any information exchanged and received by the application of the provisions of this Agreement is subject to conditions of confidentiality and professional secrecy as provided in Community and national legislation. The Parties will ensure that all persons dealing with, or having access to, such information are bound by the obligation of professional secrecy.
19. The Parties will maintain, vis-à-vis third parties, the confidentiality of any request for information made under this Agreement, the contents of such requests, the information received, and the matters arising in the course of cooperation without prejudice to relevant Community and national provisions.

EXTENDING THE SCOPE OF AGREEMENT

20. The Parties shall agree that the scope of this agreement may need to be extended by adding new entries to the list of Annex I, where it is defined which insurance undertakings are subjects of this agreement. The parties shall agree to modify any provision of this agreement upon mutual decision.

LANGUAGE

21. The Parties shall agree that the English version of this Agreement will be used in case of discrepancies with other versions. All communication between the Parties, oral and written, shall be held in English.

CONTACT INFORMATION UPDATE

22. The Parties shall agree to inform each other in writing as soon as possible but no later than one week after any changes in the contact information.

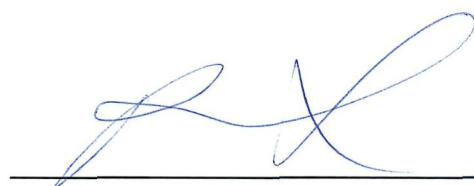
ENTRY INTO EFFECT

23. This agreement shall enter into effect one month after the exchange of the signed copies of the text of the Agreement and the letters of the Chairmen of signatory authorities, provided that all the required procedures of the national law are fulfilled and the Agreement could be applied in practice.

Signature page

**Agreement
on additional cooperation between
Insurance Supervisory Authorities of Estonia and Latvia**

For and on behalf of
Financial Supervision Authority, Estonia



Raul Malmstein

Chairman of the Management Board of the Financial Supervision Authority of Estonia

07.03.13

Date of signature

Signature page

**Agreement
on additional cooperation between
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For and on behalf of
Financial and Capital Market Commission, Latvia



11.03.2013

Kristaps Zakulis

Date of signature

Chairman of the Financial and Capital Market Commission of the Republic of Latvia