

Romanian insurance and reinsurance company ASTRA SA placed under special administration

In a press release dated 18 February 2014, the Romanian Financial Supervisory Authority (“FSA”) indicated that the FSA Board has decided to open financial recovery proceedings against ASTRA SA. The FSA has placed ASTRA SA under special administration and has appointed KPMG Advisory as special administrator. ASTRA SA is one of the leading insurance companies in Romania and has relationships, including reinsurance arrangements, with various international institutions.

According to the information released by the FSA, it appears that ASTRA SA will need a significant increase of share capital. The FSA does not expressly indicate the amount in the press release. However, it is stated that the special administrator will determine the exact amount required.

The press release further states that, before taking these measures, the FSA has assessed the compliance of ASTRA SA with the actions requested to be implemented by the former insurance regulator, the Insurance Supervisory Commission (whose duties were taken over by the FSA as from 30 April 2013). It appears that ASTRA SA failed to implement the necessary steps by 31 December 2013.

In addition to placing ASTRA SA under special administration, the FSA has imposed certain measures which have to be complied with by the company, such as: (i) undertaking the necessary steps to determine the legally required technical reserves; (ii) a prohibition on investment in securities, movables and real property except for investments in bank deposits, state or treasury bonds; (iii) a prohibition on selling or disposing of the goods and/or assets of the company without the prior approval of the FSA; (iv) a reassessment of the reinsurance policies and ceding the risks to reinsurers rated by well-known rating agencies; and (v) an audit of the company by a reputable audit company.

In an effort to keep the market calm, the press release further indicates that all the insurance policies issued by ASTRA SA remain valid and have full effect for the period of the policies.

From a legal perspective the appointment of the special administrator results in the suspension of : (i) the duties of significant shareholders and of significant persons of the insurer; these duties are transferred automatically to the special administrator; (ii) the activity, duties and competencies of the board of directors and their right to be reimbursed; (iii) the shareholders right to appoint and revoke the board of directors; and (iv) the right of the shareholders to receive dividends. The special administrator has the duty to take all the measures necessary to achieve the financial recovery of the company, whilst at the same time respecting the orders, terms and conditions set out in the FSA’s decision regarding the commencement of financial recovery proceedings.

It is expected that further details will be available once the FSA’s decision is published in the Official Gazette.

For further information, please contact:

[Gabriel Sidere](#)

Bucharest

[+40 21 407 3813](#)

[View my CV](#)

[Florentin Giurgea](#)

Bucharest, Romania

[+40 21 407 3952](#)