

8 April 2020

## Circular to Insurance and Reinsurance Undertakings - EIOPA statement on dividends distribution and variable remuneration policies in the context of COVID-19

Following the statement issued by EIOPA on 17 March 2020 in relation to the actions to mitigate the impact of Coronavirus/COVID-19 on the EU insurance sector, which primarily puts emphasis on the importance of insurance companies taking the necessary measures to ensure business continuity as well as adopting a prudent approach with regards to the preservation of capital including allocation of bonuses and dividend distribution, EIOPA issued another statement on 2 April 2020 on dividends distribution and variable remuneration policies in the context of COVID-19.

As mentioned in EIOPA's statement of 17 March 2020, in the context of the current crisis all (re)insurers should take measures to preserve their capital position in balance with the protection of the insured, following prudent dividend and other distribution policies, including variable remuneration.

In exercising this prudence, (re)insurers should ensure that their assessment of the overall solvency needs is forward-looking, taking due account of the current level of uncertainty on the depth, magnitude and duration of the impacts of COVID-19 in financial markets and on the economy and the repercussions of that uncertainty in their solvency and financial position.

Against this background of uncertainty, (re)insurers are urged, at this current juncture, to temporarily suspend all discretionary dividend distributions and share buy backs aimed at remunerating shareholders. This suspension should be reviewed as the financial and economic impact of the COVID-19 starts to become clearer.

The full text of the EIOPA Circular may be accessed [here](#).