

Mr. Valdis Dombrovskis  
Executive Vice-President for An Economy that Works for People  
European Commission  
Berlaymont  
B-1049 Brussels  
Belgium

Cc: Mr. John Berrigan, Director-General, DG FISMA  
Mr. Gabriel Bernardino – Chairman of the EIOPA

16 April 2020

Dear Executive Vice-President Dombrovskis,

In response to the COVID-19 pandemic, the European Commission and governments across Europe are taking action to protect citizens and support the economy. In these difficult times, members of the Pan-European Insurance Forum (PEIF) have also taken significant measures and initiatives to continue to serve their customers and to support businesses and the economy. We stand ready to share our experience and we look forward to engaging with you and your services to further support response to the crisis.

The members of the PEIF therefore appreciated EIOPA's 17 March and 1 April statements underlining the strong solvency position of the industry and acknowledging the various steps insurers have been taking to show flexibility to their customers. In this regards, Solvency II has been performing its function, ensuring that the insurance industry can stand extreme scenarios and support customers in EU economy. PEIF's members also welcomed EIOPA's highlighting of the tremendous threat that would be posed to the industry and policyholders should retroactive coverage of uninsured claims be imposed on the industry.

While all efforts to coordinate member states' responses are highly appreciated, EIOPA's 2 April statement calling for the suspension of dividend distribution to shareholders, regardless of the solvency and liquidity positions of individual companies, raises significant concerns. In this context, the continental headquartered members of the PEIF believe this statement has introduced a great deal of confusion among market players because of different interpretations. In our view, following the Solvency II rules means that national authorities acknowledge the financial strength of companies on an individual basis and therefore perform an individual assessment of each company's capacity to pay dividends. This entails a coherent and consistent European approach through convergent supervision practices. It is important to note that not all national supervisors see a need for industry-wide postponement of dividends and a number of them will rightfully take into account the individual situation of insurers, especially their current or foreseen risk-bearing capacity, to form their opinion. By contrast, a call for an EU-wide suspension of dividends, inconsistently applied across jurisdictions, undermines the fundamentals of the Solvency II Framework.

In addition, the latest EIOPA statement calls for the following remarks:

- **Companies set their dividend policy and make dividend decisions very carefully**, taking into account the protection of their customers, their solvency levels, business plan, risk profile and risk appetite, as well as any significant events that could have a material impact (such as COVID-19). They also take into account their shareholders, who often include pension funds, foundations and small investors which expect and need dividends to meet their own commitments and to develop their social role.

- The EIOPA statement disregards the Solvency II Framework, which provides for an automatic suspension of dividends only where the Solvency Capital Requirement (SCR) is breached or when the distributions would lead to non-compliance. **EIOPA is thus casting doubt on Solvency II by setting a new minimum solvency ratio far above 100%** of the risk-based, market-responsive and forward-looking SCR. The industry entered the COVID-19 crisis with an average SCR ratio of 227%, according to the latest public figure (Q3 2019). EIOPA noted on 17 March that its most recent stress tests have shown the sector to be well capitalised and able to withstand severe shocks.
- **EIOPA's statement also has pro-cyclical market implications as it encourages investors to withdraw capital from the European insurance sector.** It should be remembered that Article 28 of the Solvency II Directive provides that “[in] times of exceptional movements in the financial markets, supervisory authorities shall take into account the potential pro-cyclical effects of their actions.

We agree that the subject of capital distributions is important and warrants due consideration, especially during times of uncertainty, but it is our firm belief that the European capital requirements provide for such consideration. We are committed to Solvency II, and we are concerned that EIOPA's statement risks undermining the credibility and value of the framework. We believe that EIOPA should have consulted the European insurance industry before pursuing a course outside of, or even contrary to Solvency II.

We would welcome the opportunity to discuss with you and we stand ready to further work together with you and the insurance industry on proposals that will be effective over the short and longer term.

Best regards,



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Thomas Buberl  
Chairman of the Pan-European Insurance Forum

#### **About the Pan-European Insurance Forum (PEIF)**

The PEIF is a forum for the CEOs of major European headquartered international (re)insurers (Aegon, Allianz, AVIVA, AXA, Generali, MAPFRE, Munich Re, RSA, Swiss Re, UNIQA, and Zurich) to exchange and present views on policy and regulatory issues impacting the European insurance sector. PEIF aims to promote a better understanding and recognition of the role of the insurance business model in the European Union and to provide its Members with the opportunity to discuss major policy and strategic issues affecting the insurance business in Europe and worldwide.

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