



MINISTRY OF FINANCE
Insurance Companies Control Service

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BY E-MAIL

To the General Managers of all
insurance/reinsurance companies

Dear Sirs,

Our Service monitors closely the impact of the pandemic on the financial situation, liquidity and solvency of insurance companies. In this context, I would like to note the resilience and adaptability that insurance companies have shown to date, which has allowed them to continue uninterrupted in a particularly unfavorable context. Despite the gradual recovery in the financial markets as well as developments in the field of vaccines, the degree of uncertainty remains high. It is necessary for insurance companies to maintain their capital strength in order to ensure the protection of policyholders and beneficiaries.

2. In this context and taking into account my circular dated 7/4/2020, as well as the recommendation of the European Supervisory Authority for Insurance and Occupational Pensions (EIOPA), issued in the context of the publication of the Financial Stability Report for December 2020, and the recommendation of the European Systemic Risk Board (ESRB), dated 18/12/2020, (ESRB / 2020/15), it is my position that the capital management policies that insurance companies apply, should continue to be applied by principles of high prudence.

3. In assessing their capital needs, insurance companies should adopt a scenario-based perspective that takes due account of the current level of uncertainty about the depth, magnitude and duration of Covid-19's impact on the financial markets and economy and the effects of this uncertainty on their business models, solvency, liquidity and financial position. Therefore, I believe that capital management policies should maintain or even strengthen the capital of insurance companies. Therefore, insurance companies should be especially careful and limit any distribution of dividends, share buy-backs or payment of variable remuneration to employees who perform operations with a significant effect on the risk profile of the insurance company.

4. Therefore, and in view of the above, in case any insurance company intends to make any distribution of dividends, share buy-backs or payment of variable remuneration, it must submit to the Service its intention, duly substantiated and explain the reasons why it intends to do so, as well as the impact on its equity, taking into account all of the above.

Yours sincerely,

(Tonia Tsangaris)
Ag Superintendent of Insurance