



BANK OF ENGLAND
**PRUDENTIAL REGULATION
AUTHORITY**

Sam Woods

Deputy Governor, Prudential Regulation
CEO, Prudential Regulation Authority

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Dear CEO,

We are writing today to UK insurers about distribution of profits.

When UK insurers' boards are considering any distributions to shareholders or making decisions on variable remuneration, we expect them to pay close attention to the need to protect policyholders and maintain safety and soundness, and in so doing to ensure that their firm can play its full part in supporting the real economy throughout the economic disruption arising from Covid-19.

Through their provision of both general and life insurance products, insurers provide an essential safety net for individuals and businesses. They also have an important role as long-term investors in the UK economy. In the current situation of high uncertainty, it is therefore critical that insurers manage their financial resources prudently in order both to ensure that they are able to meet the commitments they have made to policyholders in a way that is consistent with the expectations of the Financial Conduct Authority, and to enable them to continue to invest in the economy.

Firms are also reminded, in the current exceptional situation, of the PRA's existing expectation (set out in Supervisory Statement 4/18) that when deciding on distributions boards should satisfy themselves that each distribution is prudent and consistent with their risk appetite.

Please share a copy of this letter with your Board. The PRA intends to publish this letter.

Yours sincerely

Sam Woods
Deputy Governor and CEO, Prudential Regulation Authority