



**Dear CEO Letter No. 6/2009**

**on the Expected Conduct Aiming at the Strengthening of Insurance undertakings**

The Hungarian Financial Supervisory Authority (hereinafter: HFSA) – in compliance with its responsibilities – draws the attention of insurance undertakings in a Dear CEO letter that it is especially important in the current financial crisis that they shall take all steps to ensure their prudent operation and the stability of their liquidity position as well as their capital status.

With respect to the difficulties of raising additional liquidity and capital the HFSA expects the following from the insurance undertaking by emphasizing prudential arguments as follows:

1. During the period of increasing risks, the sustainability of the adequacy of technical provisions and solvency raises the requirement of additional capital towards insurance undertakings, when it is becoming more and more difficult and expensive to raise external capital. In situations like that internal capital-raising becomes more appreciated and therefore it is especially important that insurance undertakings use the obtained profit for the stabilization of their solvency situation.
2. Besides prudent provisioning, another method for strengthening the capital status of the institutions is if the insurance undertakings do not declare and pay dividends from the after tax profit but leave such amount with the institution. Therefore the HFSA expects that the executive officers of the insurance undertakings will not advocate the disbursement of dividends to the owners. Moreover the HFSA proposes to the owners of the insurance undertakings to render self restraint with respect to the disbursement of dividends and refrain from this possibility.

The HFSA publishes this Dear CEO letter on its website under the following menu points: “Regulation/CEO Letters”, moreover a copy of this letter will be sent directly to the executive officers and owners of the insurance undertakings furthermore to the foreign supervisory authorities of such owners.

Budapest, 18 March 2009

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Director General of the HFSA