

Insurance update: CNSF dividend recommendations

Category: Insurance and Reinsurance, Legal Alerts

written by Adrián Trejo Santiago | April 1, 2020

Yesterday, 31 March 2020, the Insurance and Bonding National Commission ("**CNSF**") issued a statement recommending insurance and bonding companies to refrain from paying any dividend to its shareholders and from enacting any mechanism or action that involves the transfer of patrimonial benefits to its shareholders, including the agreement to make any payment corresponding to the years 2019 and 2020, or any share buyback or any other mechanism to compensate their shareholders, as measures to maintain the solvency and capital requirements of insurance and bonding companies, as a response to the extraordinary situation caused by the COVID-19 Pandemic.

The CNSF furthermore required that any insurance and bonding company or financial group that decides not to follow the recommendations from the CNSF, must inform through its Chief Executive Officer to the CNSF, within ten business days, the reasons for its decision, on the understanding that the decision and reasoning of any such insurance and bonding company and financial group will be made public by the CNSF.

Each insurance and bonding company may or may not decide to adopt the recommendation from the CNSF, provided that the CNSF has no legal grounds to enforce its recommendations or impose fines for not adopting its recommendations, and any attempt to do so will be invalid. The foregoing must take into account the reputational damage, if any, that such decision and the reasoning thereof may have if same are made public by the CNSF.

The recommendations from the CNSF follows the trend imposed by regulators to banks and insurance companies in many jurisdictions to limit the distribution of dividends and other benefits to the shareholders, in fear of extraordinary solvency requirements that may arise from the COVID-19 Pandemic.

Should you have any questions regarding the CNSF recommendations or require to discuss the alternatives your company or financial group has in connection with these, please contact your regular contact at Nader, Hayaux & Goebel or either of the following partners [Yves Hayaux du Tilly L.](#) (+52 (55) 4170 3078; yhayaux@nhg.com.mx) and [Luciano Pérez G.](#) (+52 (55) 4170 3035 lperez@nhg.com.mx).