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Solvency II 2020 review

Foreseeable Dividends

November 2026



The Foreseeable Dividends framework is changing

From 30 January 2027, the Solvency II 2020 review requires insurers to recognize foreseeable dividends gradually throughout the year as profits are earned, creating more consistent reporting across insurers.

A change in recognition, not in economic reality

The accrued approach does not change an insurer's actual assets, capital position or dividend capacity. It changes when expected dividend distributions are recognized in basic own funds and, consequently, in the reported Solvency II ratio.

Background

Foreseeable dividends must be deducted from the basic own funds. Historically, different market practices have emerged for determining when and how these dividends become foreseeable. Some insurers already reserve for expected dividends throughout the year, some only per year-end, while others only deduct dividends after year-end closing of figures when formal approval has taken place. As a result, similar insurers can report different solvency positions despite having comparable dividend expectations, capital positions and capital requirements.

The change

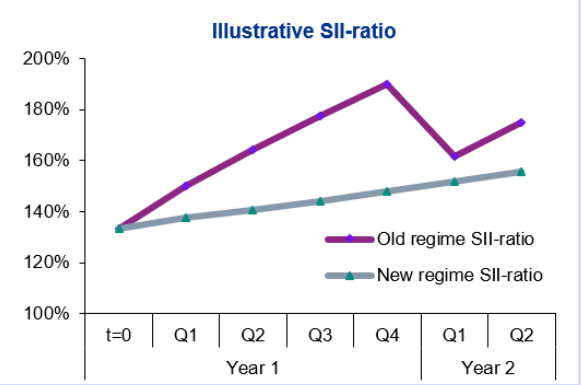
To enhance supervisory convergence and create a level playing field across the European insurance market, EIOPA now standardizes the quarterly accrued approach in its revised framework. Rather than recognizing the full dividend at a single point in time, the deduction gradually builds up as profits are earned throughout the year. This aligns dividend recognition more closely with economic performance, reduces artificial movements in the Solvency II ratio and promotes more consistent solvency reporting across insurers.

Illustrative example

An insurer has stable profit generation with a dividend policy stating a 50% pay-out ratio. Let's say their management approves the dividend of the previous year in the final weeks of Q1, after finalizing and closing of year-end figures. The dividend is foreseeable and deducted from the basic own funds in Q1 of year 2 and is deducted from the actual assets during Q2.

	Year 1				Year 2	
	Q1	Q2	Q3	Q4	Q1	Q2
Quarterly profit	50	50	50	50	50	50
Dividend paid						-100
Foreseeable dividend (old)					-100	
Foreseeable dividend (new)	-25	-50	-75	-100	-125	-50

Under the new regime, this insurer will already have to accrue part of the expected annual dividend throughout the year. Following its dividend policy of a 50% pay-out ratio this would mean a quarterly accrual of 25, to be deducted from the basic own funds.



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Change in method

Article 70a of the Delegated Regulations, as amended by the Solvency II 2020 review, sets out how foreseeable dividends must be calculated. It specifies which amount needs to be recognized at each reporting date, how the accrued amount for the ongoing financial year is determined, and which dividend assumption should be used.

What must be recognized at each reporting date?

A — Previous financial years
The full amount of the likely dividend or distributions related to previous years that are still to be paid

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B — Ongoing financial year
The full-year estimated dividend, pro rata to the reporting date, under either method (i) or (ii) below

How to calculate the accrued amount?

	Method (i) Profit-based	Method (ii) Expected-dividend
Basis	Interim profits[1] realized or estimated.	Estimated dividend for the entire ongoing financial year.
Formula	Pay-out ratio × cumulative interim profits to the reference date.	Estimated full-year dividend × fraction of the year elapsed.
Best fit	A dividend policy is expressed as a pay-out ratio.	A dividend policy closely linked to a dividend amount or capital generation.

What is the basis of the dividend calculation?

1 — Approved policy
The ratio or amount shall be determined on the basis of the approved dividend or distributions policy.

2 — Use upper end of range
If the policy contains a pay-out range, the upper end of the range shall be used.

3 — Or most prudent alternative
In the absence of a formal policy, or if a policy is not considered a prudent or credible basis, use the most prudent option of
- A three-year historical average
- The preceding year
- Relevant public announcements

[1] Note that 'profits' is not a Solvency II concept: where Article 70a refers to profits, this will have the same meaning as under the applicable accounting framework, e.g. IFRS 17 and Dutch GAAP.

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What does this mean for insurers?

The new framework will impact reported solvency ratios for many insurers in the Dutch market.

Applies from 2027Q1

- Foreseeable dividends must be accrued throughout the year from the first 2027 reporting dates (e.g. 2027 Q1).
- The requirements apply to all expected dividends and distributions, whether internal or external.
- The Q4 2026 Solvency II Ratio is not affected.

May lead to lower reported Solvency II ratio

- As illustrated by the Dutch market practices below, the new requirements mainly affect insurers that currently postpone recognition until year-end or formal approval.
- For these insurers, recognition will move forward, potentially resulting in a material transition impact and structurally lower reported Solvency II ratios during the year.

Review policies and prepare now

- For compliance, review and align the dividend policy and Solvency II reporting manual with the requirements of Article 70a.
- Reassess whether the current dividend policy remains appropriate under the new framework, particularly where it results in a lower reported Solvency II ratio.



Current Dutch market practice

Dutch insurers currently apply different recognition practices. We typically see four approaches to recognizing foreseeable dividends:

1. Accrual throughout the year

- A few insurers already have an approach that follows the new requirements.
- They recognize a quarterly accrual of the expected annual dividend, in line with their dividend policy.

Expected impact: none

2. Interim dividend payments

- Interim dividend payments limit the additional accrual required, as dividends already paid no longer qualify as foreseeable dividends.
- According to the 2025 public SFCR at least one large insurer in The Netherlands pays interim dividend.

Expected impact: low

3. Full deduction at year-end

- Some smaller and larger insurers already recognize the full dividend at year-end, even if payment takes place later (e.g. in Q1). For those, impact per year-end is negligible.
- Under the new framework, accrual throughout the year will lower the quarterly Solvency II ratios.

Expected impact: medium

4. Recognition after year-end

- Both smaller and larger insurers currently recognize dividend only after formal approval, typically after year-end closing. Dividend for year X is then recognized no earlier than Q1 of year X+1.
- Under the new framework, the dividend must be accrued throughout the year and fully deducted at year-end.

Expected impact: high

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