



# Exit and Fat V Update

Presentation to the IAIR - 10 March 2021

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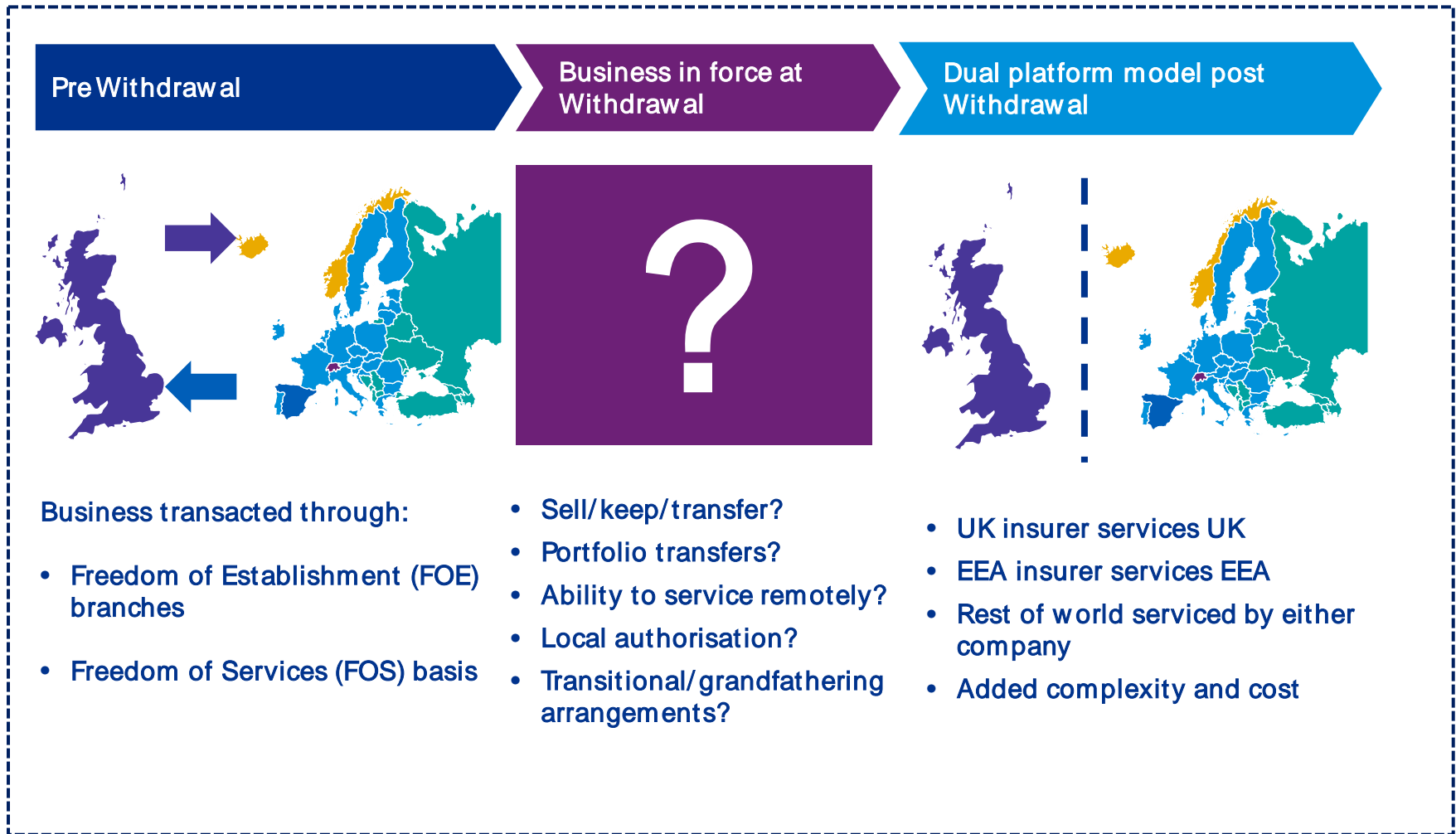


# Exit and the insurance sector

- 1 Key issues
- 2 Outbound insurers
- 3 Inbound insurers
- 4 Future trends

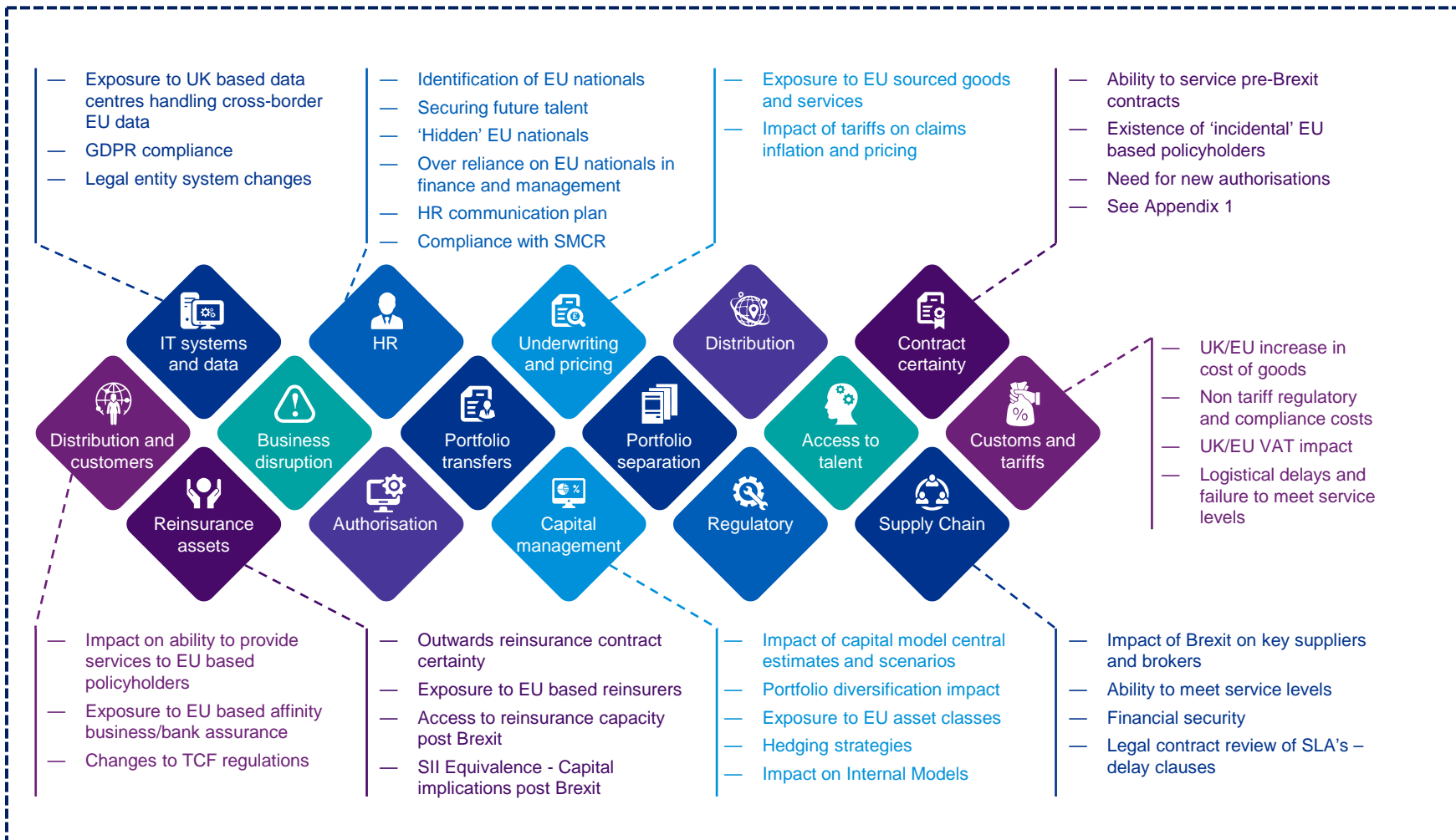


# Exit – key issues for the insurance market

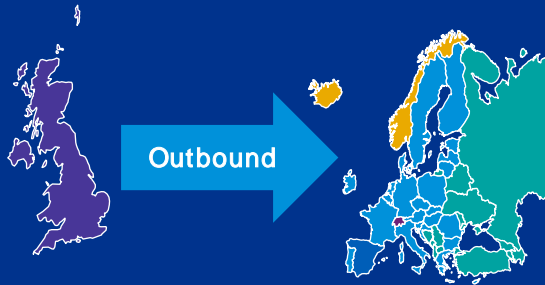


# Key Brexit issues for insurers

Brexit created a myriad of potential first and second order impacts for the insurance sector



# Restructuring Outbound UK insurers' responses



Branch  
~80

FOS ~250

Selected UK Brexit  
related start-ups

Luxembourg



AIG  
Aioi Nissay  
Dowa  
Britannia  
CNA Hardy  
FM Global  
Hiscox  
Liberty  
Mutual  
RSA  
Sompo  
International  
Tokio Marine

Ireland



Aspen  
Aviva  
Beazley  
Chaucer  
Everest  
Neon  
P&I Club  
North  
Royal  
London  
Standard  
Club  
Standard  
Life  
Travelers  
XL Group

Belgium



Lloyd's  
MS Amlin  
QBE  
Navigators

Netherlands



Chesnara  
Steamship  
Mutual  
UK P&I  
Assurant

Germany



Ironshore  
International  
Markel

France



Global  
Aerospace  
Chubb

Spain



Admiral

Malta



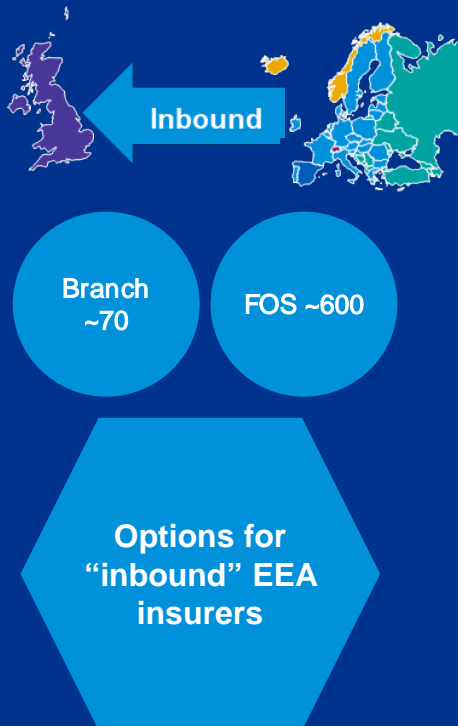
Compre  
Starr

Cyprus



UK Defence  
Club

# Restructuring inbound EEA insurers' options



## Authorisation required if regulated activities undertaken in the UK

### Branch

- Ensures continuity of cover
- UK authorisation as third country branch
- Reduced UK governance requirements

### Subsidiary

- PRA preference for large retail book
- Full UK authorisation
- Portfolio transfer may be required
- Full UK SMCR requirements

### Close down

- De-authorisation not possible while insurance liabilities remain
- Enter into The Financial Services Contracts Regime (FSCR)

### Remote access

- Freedom of service providers may be able to continue UK access - UK authorisation based on where activities are undertaken

# Future issues and trends

- ① Equivalence and regulatory divergence
- ② Regulatory framework for third country branches
- ③ Rindoff and treatment of backbooks



# Post Brexit issues for the insurance sector

1

EEA and UK insurance firms and intermediaries can no longer use passports, in either direction

2

Each EU/EEA member state determines whether and under what conditions it will permit third-country entities to provide financial services in their own jurisdiction

3

**Variation between jurisdictions about the run-off of contracts struck before end-2020 (including communications with policyholders and reporting to regulators)**

4

**UK has determined EEA equivalence for purposes of Solvency II. However EEA has not yet reciprocated**

5

**UK bodies responsible for Prudential Regulation in the UK - UK Prudential Regulation will start to diverge from EU Rules**

6

**For UK and EEA insurers, there are implications for the calculation of capital requirements, which regulator is lead supervisor, and whether UK PRA approvals for models and exemptions continue to be recognised**

7

The EU has largely carved out financial services from the most-favoured nation provisions for investment liberalisation and cross-border trade in services

8

No adequacy decision on data transfer. Grandfathering of existing arrangements for 6 months



# Exit – Selected run-off regimes

## Ireland



A 15 year run off period for existing contracts. Firms to comply with general good requirements. CBI may terminate the firm's right to carry insurance business during this period.

## Denmark



Temporary permission to run-off existing contracts until the end of 2021. No renewals, extensions, amendments.

## Germany



Run-off permitted. Contracts must be terminated or transferred as soon as legally possible. Reporting requirement to Bafin by 27/02/2021. Annual reporting requirement on outstanding/non-terminated contracts.

## Netherlands



Temporary grandfathering of passport for 24 months (transition period). Thereafter servicing of insurance contracts is subject to authorisation.

## Italy



Run-off permitted. No renewals, extensions, amendments. Communications to policyholders within 15 days. Submit plan to IVASS on prompt and correct exaction within 3 months. Annual report on status.

## Spain



Temporary grandfathering of passport until 30 June 2021. Thereafter servicing of insurance contracts is subject to authorisation.

## France

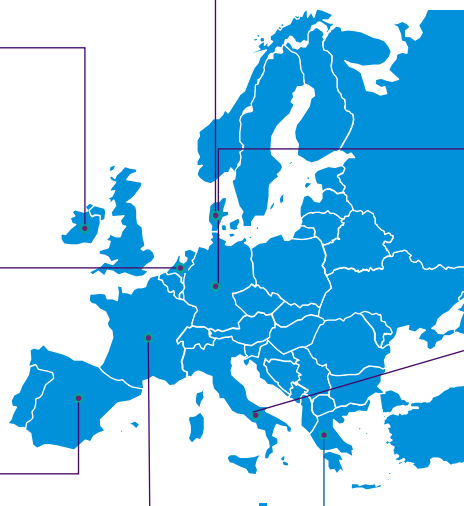


Run-off permitted. No renewals, extensions, amendments. Communication to policyholders by 15/01/2021.

## Greece



Run-off existing contracts until the end of 2021. No renewals, extensions, amendments.



# What does Brexit mean for the run-off sector?

EU domicile	Number of carriers	FOE & FOS licenses for UK	GWP £m	Average size: GWP/ FOE & FOS licenses (£m)
Germany	275	60	7,264	121
France	205	63	5,496	87
Ireland	170	131	2,755	21
Belgium	30	22	2,087	95
Luxembourg	153	55	729	13
<b>Total Top 5</b>	<b>833</b>	<b>331</b>	<b>18,331</b>	
Gibraltar	53	53	4,251	80
Other EU	616	282	1,195	4
<b>Total</b>	<b>1,502</b>	<b>666</b>	<b>23,777</b>	<b>35</b>

- Contract certainty - need to deal with potential “back-book” issues on existing run-off portfolios
- New EEA carriers may be required for future run-off deals
- Subscale EEA portfolios may drive run-off opportunities but will depend on:
  - Portfolio profitability and scale
  - Length of transitional arrangements/Temporary Permissions Regime
  - Reinsurance vs Direct
- Fronting opportunities

# Part VI Transfer Update

## The Fudential/Rothsay Part VI Transfer – English Court of Appeal's ruling and its implications for future Insurance Business Transfers



- Background to the case
- Court of Appeal ruling
- Impact on future Insurance Business Transfers