

Impact of Brexit on the European insurance market

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'BREXIT' 15 months on – socio-legal perspectives for the EU & Europe

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Agenda

- Why the insurance business matters to the European economy?
- UK outside of the EU: what does it mean for the insurers?
- Potential shape of the future UK-EU relations

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Why the insurance business matters to the European economy?

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Why the insurance business matters to the European economy?

- ✓ Insurance companies are the largest institutional investors in the European economy, with EUR 10 trillion worth of assets under management.

- ✓ Insurance contributes significantly to economic growth and development in a variety of ways:
 - *It facilitates economic transactions thanks to risk transfer and indemnification*
 - *It encourages risk management and promotion of safe practices*
 - *It encourages stable and sustainable saving and pensions provisions*
 - *It promotes financial stability through long-term investment*

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Why the insurance business matters to the European economy?

Insurance industry market shares

Why the UK's insurance business matters to the European economy?

- ✓ The UK insurance industry is the largest in Europe and the third largest globally, contributing over £25 billion annually to the UK GDP.



Source: Insurance Europe data

UK outside of the EU: what does it mean for the insurers?

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✓ Main issues to be considered:

- access to the UK's insurance market - relocation or reorganization of the EU insurers' structure
- transfer of business
- *impact on the insurers' solvency ?*
- *Impact on underwriting, product's pricing?*

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UK outside of the EU: what does it mean for the insurers?

Access to the UK's insurance market - relocation or reorganization of the EU insurers' structure

- ✓ Currently, insurers, reinsurers and insurance intermediaries throughout the EEA benefit from the **right to passport**.

Number of firms with at least one passport		
	UK-EEA	EEA-UK
Solvency II	220	726
IMD	2758	5727

Source: Letter from FCA to House of Commons, 17 August 2016

- ✓ If the UK leaves the EU, unless it continues with membership of the EEA, **passporting rights will cease to be available** and **the UK will become a 'third country'** from the perspective of EU financial services legislation.

RESULT?

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Access to the UK's insurance market - relocation or reorganization of the EU insurers' structure

- ✓ The insurance companies incorporated and authorized in EEA countries that maintain branches in the UK will need to either:
 - **obtain UK authorization** for them; or
 - **establish a UK subsidiary** with its own regulatory capital.

UK outside of the EU: what does it mean for the insurers?

Transfer of business

- ✓ Non-continuation of passporting rights would further results in the loss of automatic mutual recognition (as between the UK and the EEA) of insurance business transfers sanctioned by UK or EEA courts or regulators and makes this process more complex. (a need of multiply applications to courts and regulators) or perhaps, in some cases, impossible.

Potential shape of the future UK-EU relations

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Potential shape of the future UK-EU relations

✓ **Alternatives to passporting for UK:**

? **Norwegian model** = EEA membership → access to the Single Market but no influence over EU legislation

? **Swiss model** = outside of EEA but “an equivalent” jurisdiction for regulatory purposes (Solvency II equivalency).

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Thank you for attention.