



Institute
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The Practical Brexit – Insurance Sector Strategy Discussion

Bharat Raj
Roy O'Neil
Howard Jones
Mark Davies

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Key risks faced by insurers

- Access to single market – passporting rights
 - Permission continue writing business
- Rights to servicing existing customers
 - Renewals
 - Unpaid premiums on unexpired contracts
 - Run-off of insurance liabilities
- General uncertainty impacting investment, insurance and reinsurance markets

Some key considerations

- Which EEA country?
- What is the optimal legal entity structure?
- Regulatory permissions and approvals
- Tax implications – VAT, insurance premium tax, corporation tax
- Impact on customers and operations
- Implementation costs and running costs
- Implementation timetable

Restructuring options

UK entity with EEA business

- Authorise new EEA entity
- Authorise European Branches
- Convert to Societas Europaea
- Portfolio transfer (Part VII) of back book

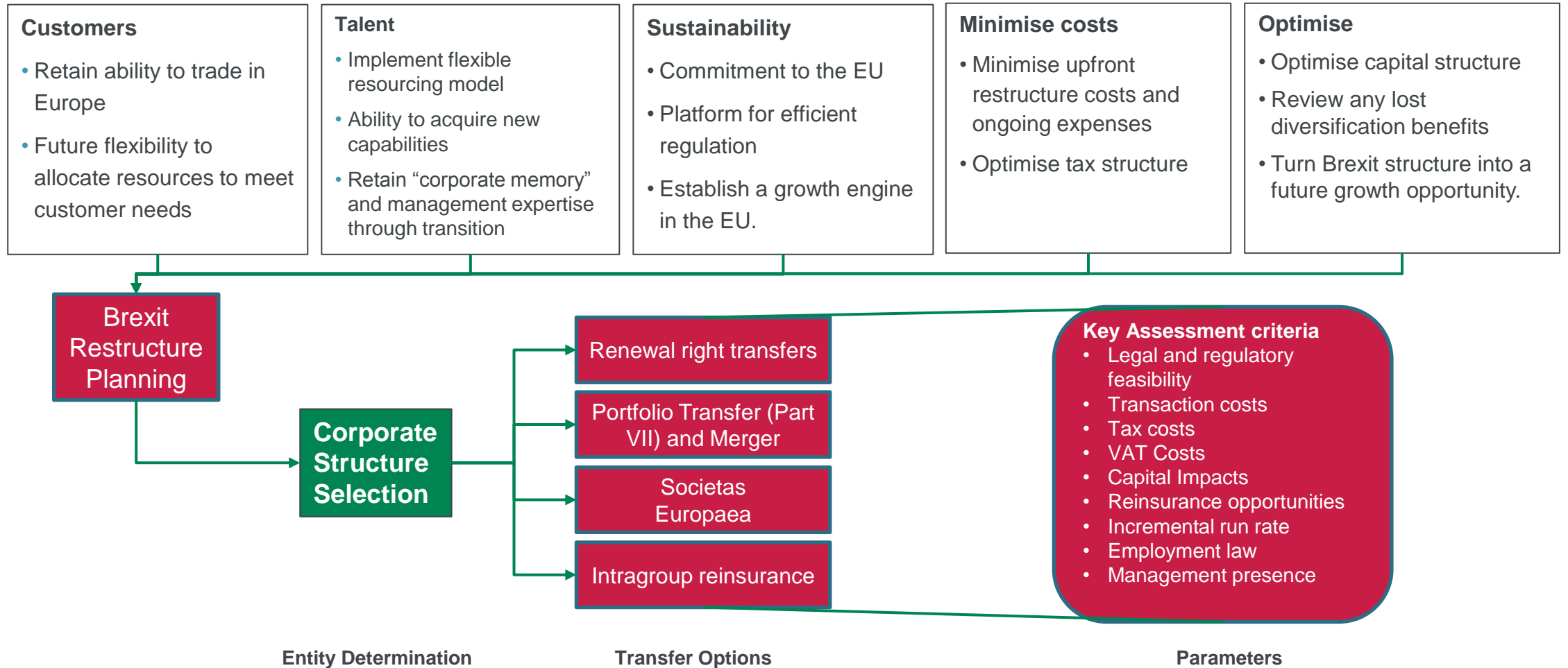
EEA entity with UK business

- Authorise new UK entity
- New UK branch – third country branch?
- Portfolio transfer of back book

Nuclear Options

- Sell affected portfolio(s)
- Takeover or merger
- De-authorise?

Brexit Planning Framework



Planning Steps

Board engagement

- Understand emotional biases within decision makers and team
- Embed objectivity and independence within governance & decision making

Exposure and impact analysis

- Impact on current mix of business
- Impact on scope of services, counterparties and operations

Jurisdiction analysis

- Comparison of regulatory, tax and capital implications
- Also compare employment law, costs and availability of local expertise

Cost and benefit analysis

- Estimate one-off implementation costs and on-going running costs across various options

Implementation feasibility

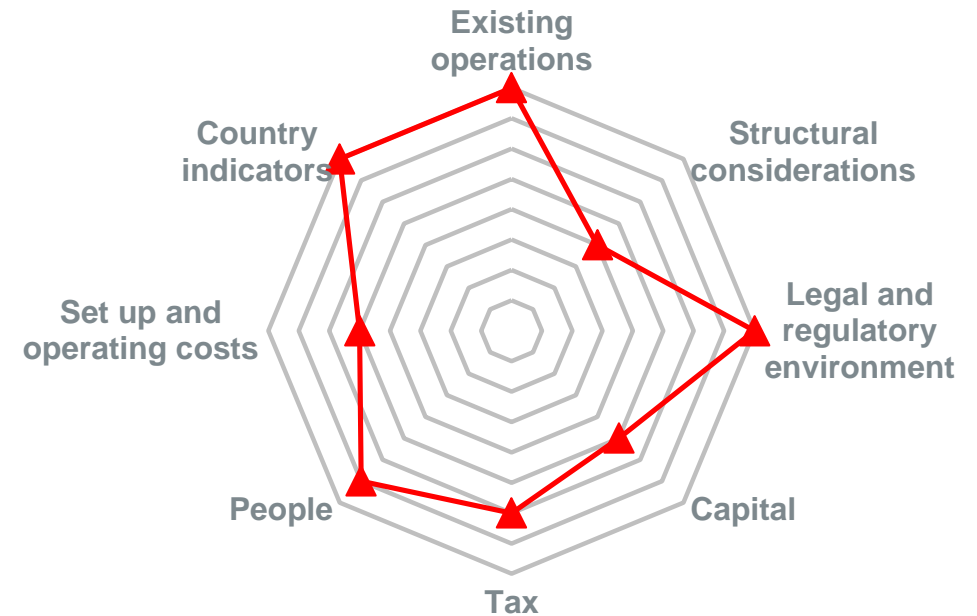
- Timetable for regulatory approvals and portfolio transfers
- Operational complexities

Contingency plan

- Key decision timeline working backwards from UK exit date
- Checkpoints and plans if negotiation outcomes are different to expected

Decision criteria

- **Existing Operations** – footprint and revenue analysis, scalability of existing operations
- **Structural Considerations** – management presence, minimum positions and governance requirements, headquarters vs subsidiary, outsourcing ability
- **Legal and Regulatory Environment** – regulator stance, passporting, data protection, digital acceptance, secrecy laws
- **Financial Factors** – capital structure, distribution arrangements/requirements, reinsurance, transaction cost to set up, ongoing operating costs
- **Tax Factors** – direct and indirect corporate tax regime, capital structure, subsidiary investments, tax registrations
- **People** – availability of talent, employment law, employee tax regime, impact on UK business, e.g. EU nationals in UK and vice versa. Employee rights will also be a major factor here and these issues will be considered further.
- **Country Indicators** – real estate, reputation, ease of doing business, business language, cost of living, commitment to EU, credit agency ratings, local economic and political factors



Countdown to March 2019...

- Brexit milestones
 - October – December 2017: divorce principles agreed
 - October 2018: UK Govt's deadline to agree deal
 - 1 April 2019: UK departure from the EU should be complete
- All options still on the negotiating table...
 - Soft vs Hard Brexit
 - Article 50 deadline extension
 - Transitional arrangements
 - Cliff edge Brexit

Regulatory resource availability

- Regulatory approvals
 - Varies by territory
 - Typically between 6 to 18 months under normal conditions
 - High number of applications expected in a number of jurisdictions
- Part VII and other portfolio transfers
 - Depending on negotiations, may no longer be viable mechanism of transfer post Brexit
 - Typically 12 to 18 months under normal conditions
- High number of new applications and transfers already started and many more in the pipeline

Questions

Comments

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