



Institute
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Impact of Brexit on the UK and Irish Insurance

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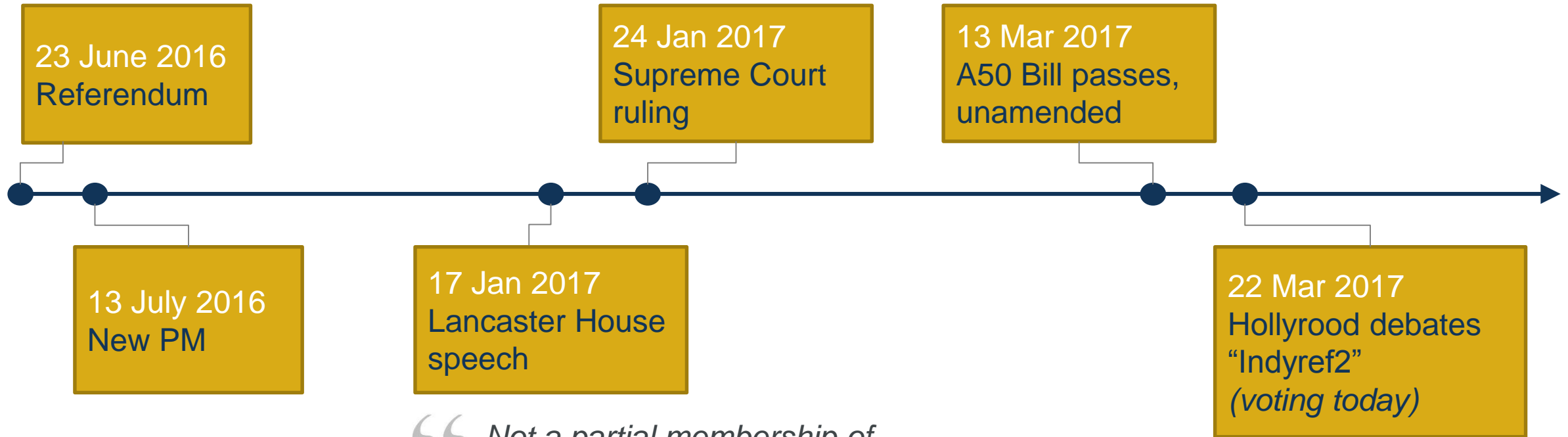
Agenda

- Background and timelines
- Insurance interconnectivity between UK and Ireland
- Insurance Ireland's Brexit survey of member company INEDs
- The road ahead
- (Some) operational considerations

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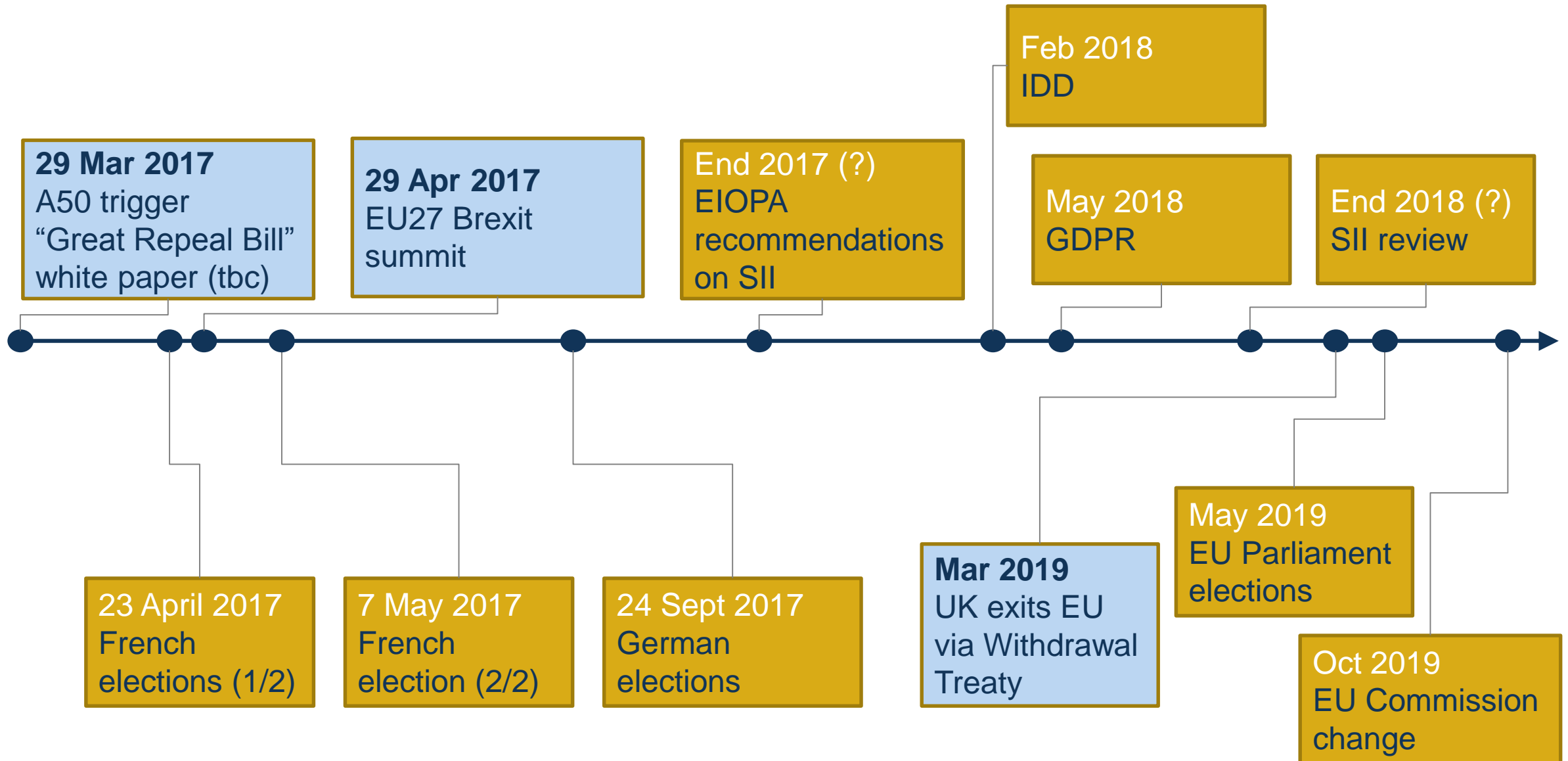
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Background and timelines



“ Not a partial membership of
the EU, associate
membership of the EU, or
anything that leaves us
half-in, half-out. ”

Look ahead



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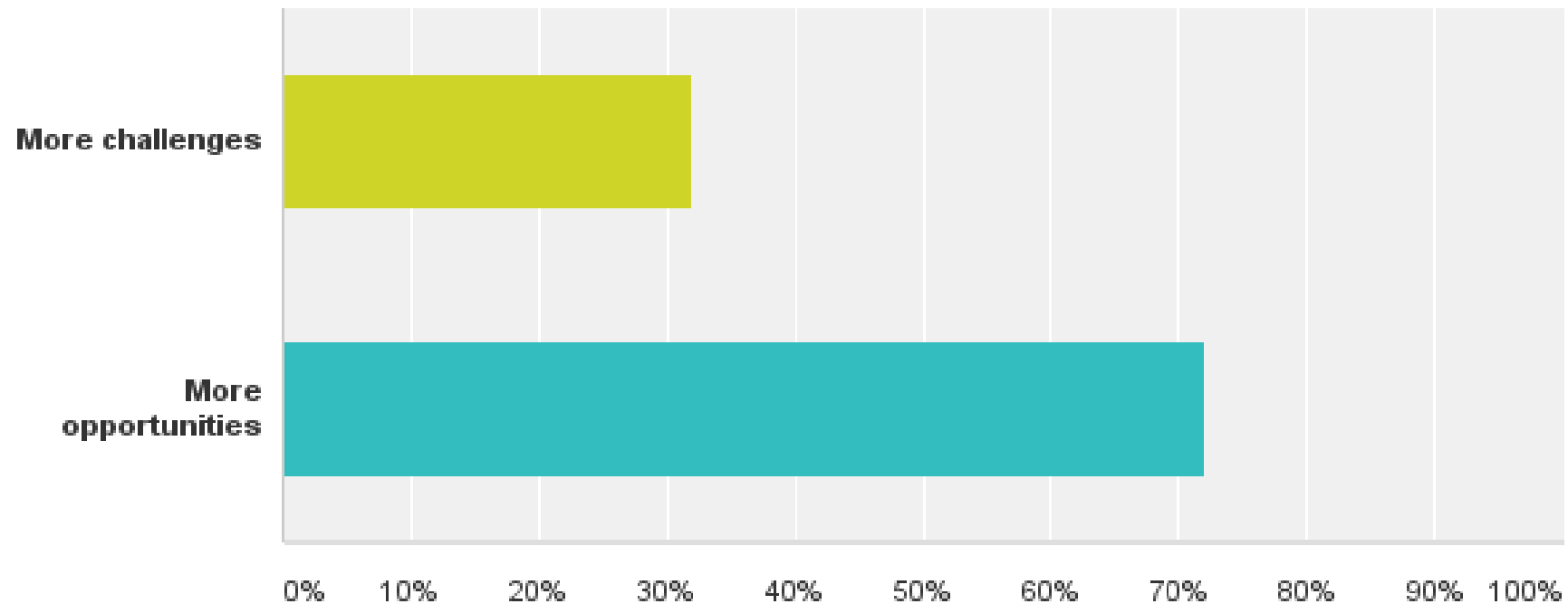
Overview

1. Ireland's Insurance Market is very open reflecting other areas of our economy
2. Strong Life Premium Growth since 2011
3. Premium flows between Ireland & UK also strong
 - Premium volumes written by life and non-life firms on an “outward” and “inward” basis between Ireland and the UK in 2014 were €3.8 billion and €8.6 billion, respectively

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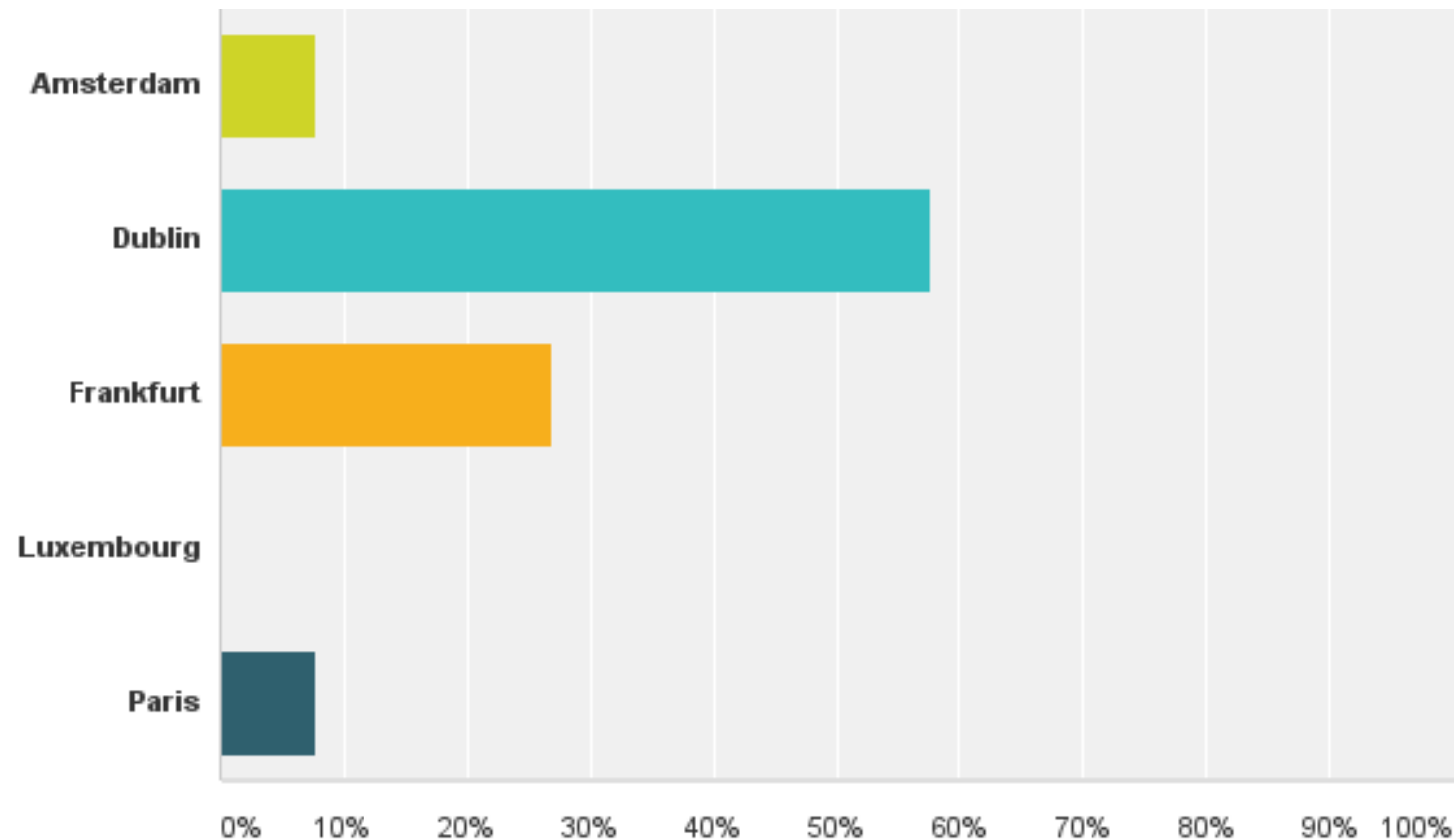
Do you believe Brexit presents more challenges or opportunities for the Irish insurance industry?



Please identify the potential impacts on the company/companies you represent across the following areas on a scale 1 to 5, where 1 is no impact and 5 is high impact.

	No impact	2	3	4	High impact	Total	Weighted Average
Corporate structure	40.00% 10	8.00% 2	12.00% 3	20.00% 5	20.00% 5	25	2.72
Ease of doing business in key markets	8.00% 2	32.00% 8	20.00% 5	24.00% 6	16.00% 4	25	3.08
Increased costs	8.00% 2	20.00% 5	40.00% 10	32.00% 8	0.00% 0	25	2.96
Regulation	16.00% 4	16.00% 4	24.00% 6	36.00% 9	8.00% 2	25	3.04

Which location would you expect to benefit the most from businesses moving insurance operations away from London and the UK?



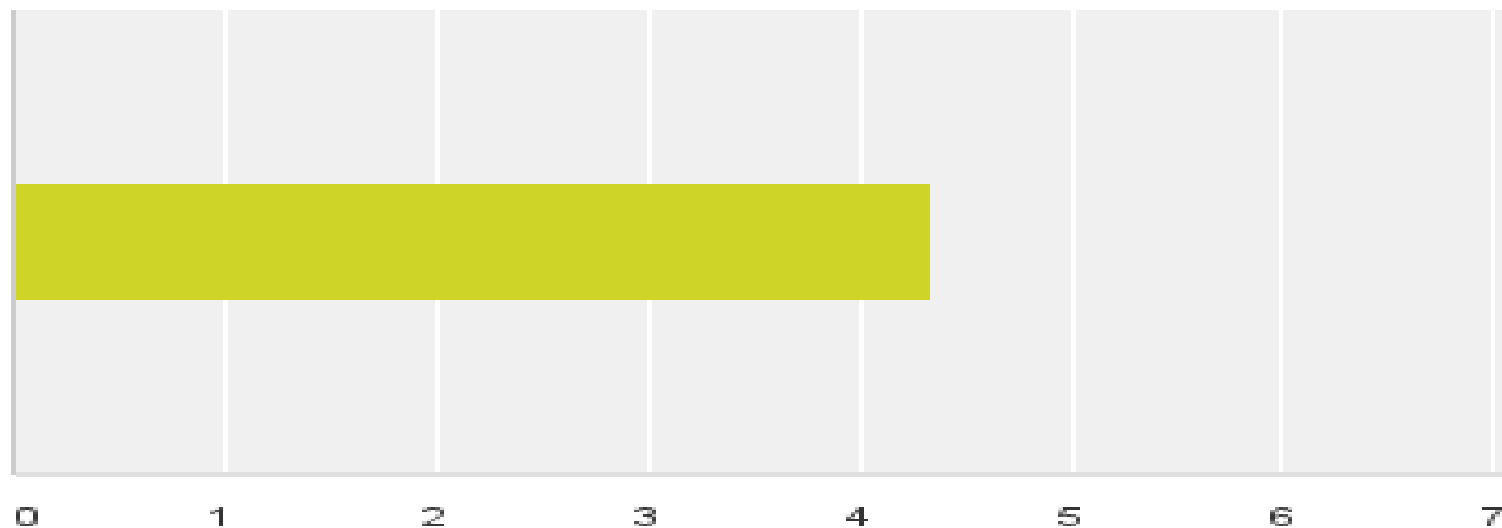
In terms of a 'Brexit dividend' for Dublin, please rate the following elements in terms of policy priority on a scale 1 to 5, where 1 is not important and 5 is extremely important.

	Not important	2	3	4	Extremely important	Total	Weighted Average
Addressing infrastructural bottlenecks - transport, schools, housing etc..	0.00% 0	7.69% 2	11.54% 3	34.62% 9	46.15% 12	26	4.19
Addressing competitiveness issues	0.00% 0	3.85% 1	34.62% 9	50.00% 13	11.54% 3	26	3.69
Regulatory considerations	0.00% 0	3.85% 1	30.77% 8	38.46% 10	26.92% 7	26	3.88
Availability of talent	0.00% 0	0.00% 0	15.38% 4	61.54% 16	23.08% 6	26	4.08
Personal taxation	0.00% 0	0.00% 0	42.31% 11	46.15% 12	11.54% 3	26	3.69

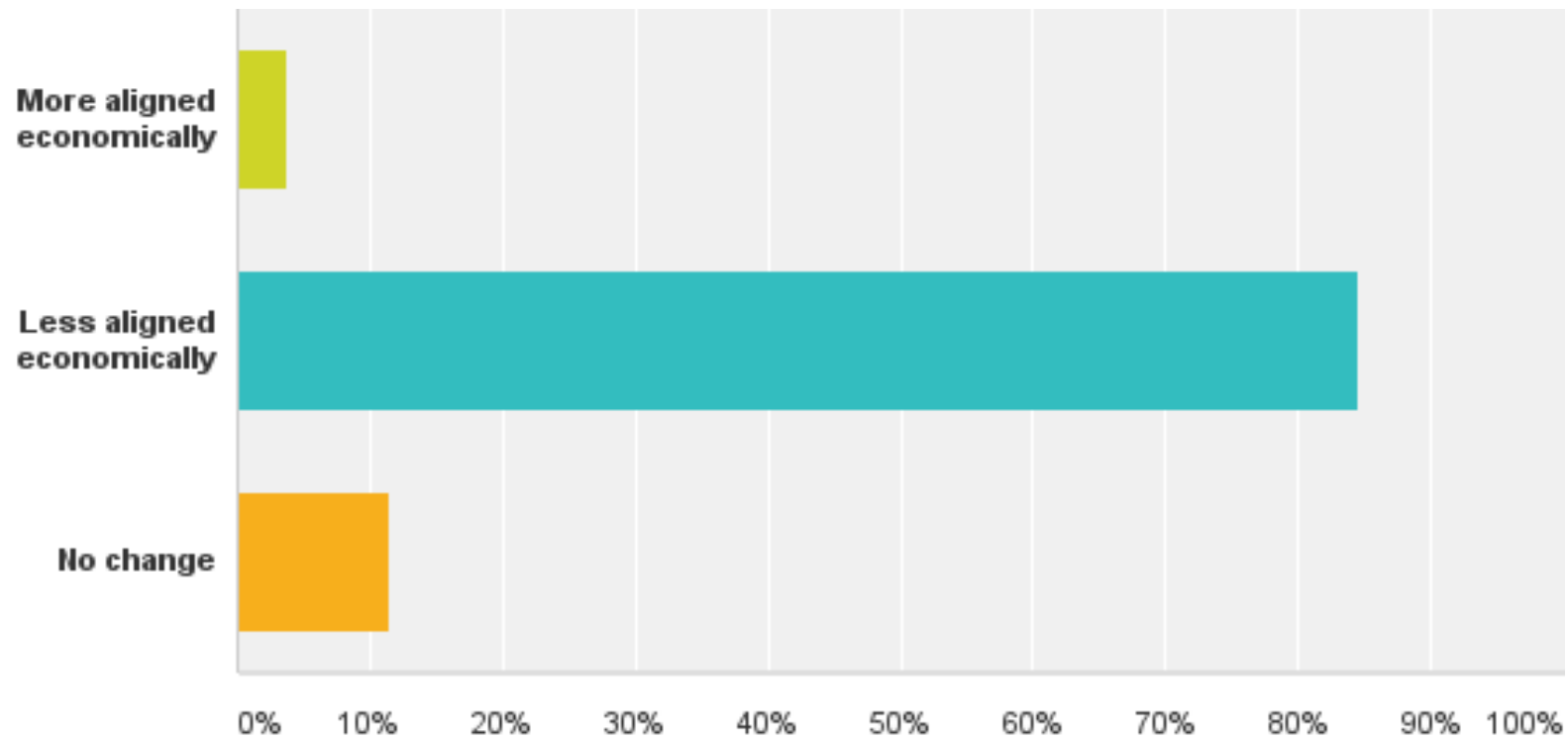
As the regulator of the insurance sector, what should the main focus of the CBI be post Brexit? Please rate according to importance on a scale of 1 to 5, where 1 is not important and 5 is extremely important.

	Not important	2	3	4	Extremely important	Total	Weighted Average
Aiding/facilitating new entrants & efforts to develop the Insurance sector here	0.00% 0	4.00% 1	8.00% 2	40.00% 10	48.00% 12	25	4.32
Retaining and acquiring CBI staff	0.00% 0	4.00% 1	28.00% 7	48.00% 12	20.00% 5	25	3.84
Increased role at a European level	0.00% 0	4.00% 1	52.00% 13	36.00% 9	8.00% 2	25	3.48
Enhanced industry engagement on key issues	0.00% 0	0.00% 0	23.08% 6	57.69% 15	19.23% 5	26	3.96
Providing clarity on interpretations of on-going developments to inform business operations	0.00% 0	7.69% 2	30.77% 8	34.62% 9	26.92% 7	26	3.81

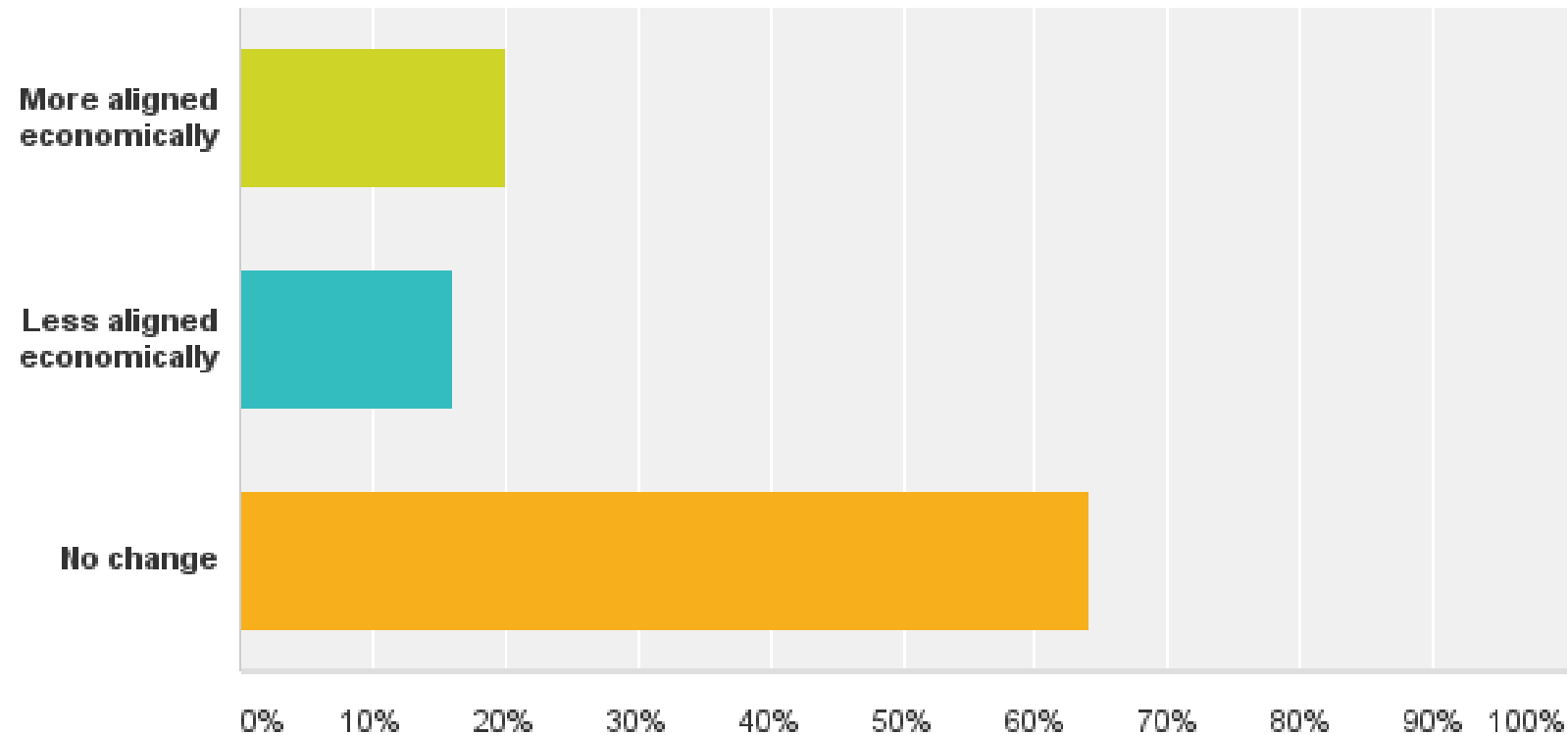
On a scale from 1 (not at all aligned) to 7 (extremely aligned), please rate how aligned the Irish Government's strategy should be with that of the UK in the Brexit negotiations on financial services?



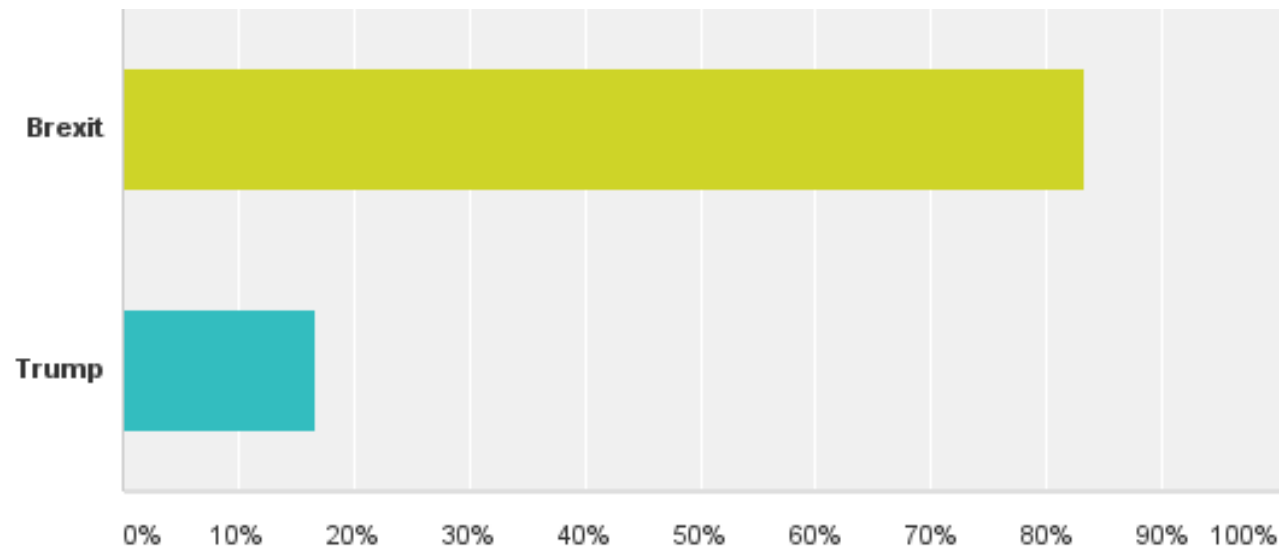
What future economic relationship do you see Ireland having with the UK?



What future economic relationship do you see Ireland having with the EU?



Do you believe Brexit or the upcoming Trump presidency presents more of a challenge to the Irish economy?



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Key issues for Irish industry:

Stability, connectivity & growth

- We need a dual corridor between London and Dublin that is responsive to a fast-changing environment & provides stability
- One corridor is trade and one is regulation through cooperation with the FSA –to avail of grandfathering for instance
- We need to ensure equivalence works – that it is sustainable for the Irish, UK & EU markets

Key issues for Irish industry:

Stability, connectivity & growth

- The Irish position in Europe has to be fully leveraged through industry activity, political engagement and regulatory understanding
- The Irish industry has to grow; the sector's growth to date has been hard earned but standing still risks undermining our advantages
- To do this, we shouldn't be predatory, we should be complementary. This need to grow must to be recognised by all stakeholders

Key issues for UK insurance & long-term savings industry

- 1 A regulatory regime that is appropriate for the UK insurance and long term market and our customers, recognising the benefits and importance of equivalence.
- 2 Passporting freedoms are an integral part of some companies' business models and a loss of this freedom will result in job losses and reduced revenue to the UK.
- 3 A data protection regime that closely mirrors the EU data regime and protects the use of personal data
- 4 Priority given to enhanced opportunities in overseas financial services markets through regulatory dialogue and international agreements.
- 5 A skills policy which protects rights of existing skilled workers as soon as possible and looks to enhance the future labour markets the industry can access for specialist roles.

Life in the UK after Solvency II?

A hot topic due to current UK Parliament Treasury Committee inquiry into EU insurance regulation¹

- ***The PRA worked tirelessly to ensure Solvency II was successfully implemented*** – There was a natural desire from the PRA to err on the side of caution during the implementation. However, there is a high price, for customers and the economy, to be paid for over caution.
- ***SII is broadly fit for purpose for the UK market*** – After having spent over £3 billion implementing it, there is no appetite from the UK insurance industry to spend significant sums un-implementing Solvency II and fundamentally replacing it.
- ***However Solvency II is not perfect*** – There are elements which require change at the EU level to make it more appropriate for the UK insurance market and our customers. The Risk Margin is our top concern here.
- ***Many of the problems are “home grown”, as a result of PRA interpretations which ‘gold plate’ the EU requirements*** – This needs to change to ensure the UK is a leading place to do insurance business. The PRA should have an explicit remit for UK competitiveness as well as financial stability.
- ***There should be appropriate political oversight and accountability of the PRA*** – to ensure the UK government and parliament have control over the UK prudential regime.

1. <http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/inquiries1/parliament-2015/eu-insurance-regulation-16-17/>

Phased process of implementation

When UK exits EU, either the UK have negotiated a new regulation relationship. Or it will not have.

Either way, both EU and UK will need a phased process of implementation.

For a smooth implementation in insurance, consideration needed for:

Handover
arrangements for
institutional change
and technical
decisions

Mechanism for legal
run-off of existing
contracts and Part VII
process

Possibility that firms
are unable to
complete contingency
plans before 'cliff
edge'

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UK groups operating within EEA

- need to consider both existing customers and writing of new business
- differing definitions of conducting insurance business and authorisation requirements

Restructuring options include:

- Establish new EEA insurance company
- Third country branches into EEA

Other strategy considerations include:

- Outsourcing back to UK
- Reinsuring back to UK
- Impact on cross-border transactions between UK and EEA

Questions

Comments

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