How does Brexit impact us?

• What being a Third Country means?
• How important is equivalence?
• Practical consequences of Freedom of Services and Freedom of Establishment for an insurer
• Potential implications for UK Insurers
• Importance of “May” v “Must”

2 May 2017
## Third Country & Britain's Status

“*The European Union is not a common-sense arrangement. It is a legal order and a legal discipline, as is a single market. They say, ‘The day after exit is radically different from the day before, because you become a third country like any other third country.’*”

*Sir Ivan Rogers*

Exiting the EU Committee

22 February 2017
Types of Third Country Equivalence

• Group Supervision
  – Articles 260 – 264
  – Impacts how non-EU head-quartered Groups are supervised

• Subsidiaries
  – Article 227
  – Impacts Valuation and Solvency of subsidiaries in Third Countries

• Reinsurance
  – Articles 172 – 175
  – Impacts treatment and availability of reinsurance into EU
Current Situation – Group Supervision

Group Supervision and Reporting

National Sub-Group Supervision and Reporting

2 May 2017
Post Brexit—Group Supervision

EU Sub-Group Supervision and Reporting

National Sub-Group Supervision and Reporting
EU Sub-Group Supervision and Reporting

Post Brexit—Group Supervision

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Post Brexit – EU Entities

2 May 2017
Post Brexit– EU Entities – An Option

**Article 262:**
The supervisory authorities may in particular require the establishment of an insurance holding company which has its head office in the Union…
## Freedom of Establishment and Service

<table>
<thead>
<tr>
<th>Establishment</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Presence</td>
<td>Yes - Branch</td>
</tr>
<tr>
<td>Available to Third Countries</td>
<td>Yes – but not common*</td>
</tr>
<tr>
<td>Branch SCR and Capital</td>
<td>Yes</td>
</tr>
<tr>
<td>Multi-Branch Supervision</td>
<td>Yes – with permission</td>
</tr>
</tbody>
</table>

* Into EU 27, there are currently 19 non-life branches, with 10 from Switzerland
Key Brexit Challenges

• What will happen in March 2019?
  – When will we know? Cliff-edge issue

• What will the transition arrangements look like?
  – e.g. Unpaid claims from multinational policies

• How will Branches and FOS work?
  – Will firms establish subsidiaries in EU27?
    • Lloyds (Brussels), AIG (Luxembourg)
  – Will Part VIIIs be needed?
    • Court / Regulatory Capacity
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