

KPMG Insurance Broker Brexit Navigator

Brexit creates new challenges for brokers on how they distribute and place cross-border insurance business. If they have not done so already UK brokers with European business will want to assess whether following Brexit they can continue to:

- service European customers and cover European risks;
- place business with European capacity providers;
- use their existing placement relationships, such as third party brokers or introducers operating in Europe.

Assuming that a broker wishes to retain this business, the broker may need to consider alternative structures or distribution partners so that it can continue to place this business in a post-Brexit world.

Looking beyond structural changes to their distribution channels and possibly setting up a separate EU27 registered intermediary, UK brokers will also need to consider how they will:



Take advantage of run-off or temporary permissions regime (where available), in compliance with local rules, which may allow Brokers to continue to service current EU customers. These regimes vary widely in nature and scope and a broker might wish to obtain legal advice or confirm with local regulators whether their business is eligible and they are able to pay existing EU claims.



Process mid-term adjustments (MTAs) to policies following the loss of an insurer's or broker's passporting rights. Regulators are likely to consider renewals and changes to existing insurance contracts as new business subject to relevant authorisation.



Issue Green Cards (international certificates of insurance) to motorists looking to drive their vehicles in the European free circulation zone post Brexit. Beyond the additional operational burden, firms will want to ensure that they are issuing documentation in line with the latest Motor Insurers' Bureau (MIB) guidance.



Consider UK residents looking to cover holiday homes located in Europe under global insurance policies. EIOPA's Recommendations appear to prohibit UK intermediaries from carrying out activities which target EU27 policyholders and EU27 risks.



Update their regulatory permissions and keep supervisors and commercial partners informed of changes. Such changes might also result in repapering commercial agreements and updates to Terms of Business Agreements (TOBAs).



Manage the transfer personal data between intermediaries, capacity providers and outsource providers both in the UK and Europe.



Communicate with policyholders whose contracts are affected by Brexit (including where their contracts have been transferred to a new capacity provider). Firms might need to consider additional staff support to handle an increased volume of customer queries and practical ways of making information more readily available.



Assess whether their customers' insurance coverage requirements have changed as a result of their Brexit planning. Some companies might require additional coverage where they expect to stockpile materials ahead of Brexit to avoid short-term disruption to their supply chains, for example.

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BIBA are working with KPMG to offer assistance to BIBA members who are considering the implications of Brexit on their business, including deciding whether they need to set up a subsidiary, EU branch or make arrangements with a local wholesaler or distribution network to deal with existing European clients. For specific help for your business please contact the KPMG team.

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Insurance Broker Brexit Navigator

A guide for brokers with EU ties



BIBA

kpmg.com/uk/insurance

Insurance Broker Brexit Navigator

Article 50 triggered
29 March 2017

- Establish your Brexit committee
- Check your business model still makes sense
- Plan your Brexit strategy
- Initial shortlist of countries for EEA base

OCT 2018
Insurance Distribution Directive (IDD)

21 MAR 2019
UK/EU agree to extend Brexit until 12th April

10 APRIL 2019
UK/EU agree further extension to Art.50 negotiation deadline

August 2019 3 MONTHS TO GO

- LAST CHANCE TO
- Prepare for a 'No Deal' situation
 - Submit regulatory application
 - Enter Temporary Permission Regime (TPR)
 - Compliance check for IDD requirements
 - Implement chosen Brexit strategy
 - Have financing in place
 - Implement any corporate restructuring and/or have staff and infrastructure ready
 - Assess the impact of servicing in force policies post Brexit
 - Contact policy holders and confirmed your Brexit mitigation approach
 - Ensure network is prepared
 - Update TOBAs

31 October 2019 - BREXIT

Implementation period ends December 2020

Potentially allows current trading relationship, including passporting rights, between the EU and UK to continue until 31 Dec 2020.
During this period the UK agrees to abide by the EU rules

31 Dec 2020

CHECKLIST

- Identify Brexit exposures through internal trading system reports, such as: insurers with EU address; third party brokers/introducers/placing brokers with an EU address
- Appoint adviser
- Complete Brexit risk assessment and map risk register
- Understand what your partners and competition are planning
- Assess business model to consider the impact of moving business out of the existing UK subsidiary
- Identify firms EU subsidiaries/offices to passport through
- If existing EEA subsidiaries/offices not suitable, choose a location for a new EEA intermediary based on local requirements
- Identify EEA third party local brokers/networks/introducers in each EEA country
- Set up agreements with EEA local networks for client EU touchpoints in each country
- Select preferred operating model
- Finalise your Brexit strategy
- Identify key personnel/make strategic hires for new intermediary
- Finalise transition approach
- Identify GDPR /data flow requirements

| | |
|---|---------------------------------|
| Regulatory, passporting & impact assessment | Structure, finance, tax & legal |
| Immigration & people | Logistics & communications |

April 2019 6 MONTHS TO GO

| DECISION DEADLINE | LAST CHANCE TO |
|---|---|
| Determine which roles to move | Determine operating model and group structure |
| Apply to the relevant tax authorities for the required clearances | Determine financial requirements including client money/risk transfer and set up new processes/controls |
| Start to communicate with insurers | Finalise proposed intra-group outsource arrangements |
| Staff communications | Assess impact on distribution networks and policyholders |
| Board approval of business plan, application pack, operating model, and possible new subsidiary | Hold preliminary discussions with shortlisted EEA regulators |
| Set up relationships with Lloyd's Market in Brussels | Start business plan and regulatory application pack in line with local regulatory authorisation process |

DEAL - Withdrawal agreement

NO DEAL

No Temporary Permissions Regime

No orderly run off regime
Currently no uniform Temporary Permissions Regime approach, different countries providing different time frames

Temporary Permissions Regime

Under the UK Temporary Permissions Regime the current trading arrangements for EU Brokers can continue until 2022
EU brokers have 3 years to become Brexit compliant in the UK under the UK Temporary Permissions Regime
Currently no one EU wide comprehensive Temporary Permissions Regime, different countries providing different time frames
Orderly run off regime?

Oct 2022

This document has been prepared on the basis that Brexit takes place in October 2019.

