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Hard, soft or no Brexit?

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(IRL: In our ongoing coverage of Brexit, this piece is from our German PIA partner Versicherungswirtschaft which aids in understanding what Lloyd's will do when and if the UK Brexit divorce is consummated.)

Lloyd's strategies in an uncertain business environment

Since the 2016 Brexit referendum, we have worked tirelessly to ensure that the market's insurance and reinsurance customers can continue to access Lloyd's specialist policies and strong financial security regardless of the ongoing political Brexit negotiations. In November 2018 we launched Lloyd's Brussels, a fully authorized Solvency II insurer with approval to write business from the European Economic Area. In addition, we have worked closely with the industry and with our partners to reassure them of their ability to work with Lloyd's post Brexit. This work will continue until the political negotiations conclude. Finally, we have undertaken a vast amount of work to ensure we are ready for any eventuality arising from Brexit, including a nodeal scenario. Importantly, through Lloyd's Brussels, we will continue to underwrite business across the EU.

Lloyd's Brussels has been writing business since January 2019 and is ready to write reinsurance in the event the UK leaves the EU. We are transferring our current book of EEA business to Lloyd's Brussels, with the transfer finalised in October 2020. And we have been clear that whatever the scenario, our underwriters will continue to honour all contractual commitments on existing Lloyd's policies, including on the payment of valid claims. Our model has been recognised by regulators and credit agencies across Europe, and we have confirmation that Lloyd's credit ratings will continue to be recognised for regulatory purposes within the EU.

This will ensure that EU cedants can continue to include reinsurance cessions to Lloyd's in London in their solvency calculations, even if the UK leaves the EU on the 31st of October (IRL: it didn't') without a deal and without reinsurance equivalence. All the necessary conditions for endorsement have been put in place, with EU credit reference agencies like Standard & Poor's, A.M. Best and Moody's pledging to endorse our ratings as soon as the UK leaves the EU. This means that the ratings of Lloyd's of London will continue to be recognised for solvency purposes in the EU under Solvency II, as they are at present. The continued recognition of Lloyd's ratings means that cedants which have purchased reinsurance from the Lloyd's market in London in the past do not have to amend their solvency capital requirement calculations or their calculations of technical provisions.

In addition, in the event of a hard Brexit without reinsurance equivalence, Lloyd's Brussels, as an insurance company supervised by the

National Bank of Belgium and the Financial Services and Markets Authority, will be able to continue purchasing reinsurance from Lloyd's in London like other EU cedants. German cedants can place their facultative reinsurance and non-proportional excess of loss treaty reinsurance through Lloyd's Brussels, and proportional treaty reinsurance subject to specific operational requirements being met.

While so much about the UK's departure from the EU remains uncertain, our commitment to Europe is unwavering, and we are confident of being ready for any Brexit scenario. Since 2016, we've continued to invest in the European market, notably with the launch of Lloyd's Brussels, with a 1 DO-strong team working with over 400 cover holders and 40 Lloyd's brokers across the continent. Today the EEA comprises nearly fifteen percent of the business that comes to Lloyd's overall. In Europe, we're seeing increased demand for the types of specialist insurance that Lloyd's is a pioneer in as well as a marked trend amongst customers to access Lloyd's innovative products locally, in the local language and with local services, with the security of Lloyd's behind it.

In any Brexit eventuality, it is paramount that customers are treated fairly and provided with the certainty they need around contract continuity. Lloyd's trusted reputation is built on our promise to pay all valid claims, and we will continue to work tirelessly to ensure that all our contractual commitments, including claims payments, are met in full after Brexit With the same robust capital structure of the Lloyd's chain of security, the advent of Lloyd's Brussels means that, under all Brexit scenarios, we will continue doing business with both our insurance and reinsurance partners across the EEA. (Courtesy *Versicherungswirtschaft*, October 2019)