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Brexit means a lot of work for the insurance industry

By George Worsley

On June 23, registered voters in the United Kingdom will decide whether the country remains in or leaves the European Union. Unsurprisingly, there are compelling arguments on both sides although many of the "facts" have been portrayed in such a way that both sides claim their interpretation is a decision-breaker.

What may deter some people from Brexit are the efforts which will be required (A) to de-link the UK from many aspects of intertwined economies and (B) creating new agreements ranging from trade to the right to live in the UK. Some people are saying that Lloyd's will suffer long-term from Brexit. Don't tell that to an underwriter in the City seeking to expand his portfolio when a Dutch broker comes in with an enticing piece of business. Lloyd's biggest market is the US and that will not change. Europe was never going to overtake the US or the rest of the world as Lloyd's main provider of its business.

Unlike the Millennium Bug which did not strike, Brexit will take years to complete and during that period, measures will be devised to slot into place when the time comes. Some all-inclusive, some frighteningly narrow in nature. Here are some examples:

European Directives already enshrined in UK law may not change the way the UK works, but what about the way other EU members would treat the UK? The UK permits non-admitted insurance and as a result of the Freedom of Services Directive, so does France. But in French law, for non-EU countries, FoS does not apply. Therefore, a UK-based insurer with no representation in France will not be able to insure risks in France anymore and the Lloyd's and London market will lose out. Should London go to Paris, cap in hand and request special treatment, the renowned Gallic distaste for all things English may play a leading role. It was not for nothing, they would say, that the British Isles were created to unload the whining Brits from the European mainland.

It is not yet clear whether the UK would be able to cut a deal with the EU on behalf of the remaining 27 countries or would the UK need to cut 27 separate deals?

Capital relief under Solvency II regulations will need to be reviewed. Certain rules between the EU and EEA countries (European Economic Area: the 28 EU members and three of the four European Free Trade Agreement countries - Iceland, Liechtenstein and Norway) contain agreements on cessions to EEA reinsurers. These will no longer be automatic.

Not only will lazy, benefit-seeking individuals no longer be able to enter the country without visas and work permits but the influx of talent, work ethic

and fresh ideas will be restricted. It is a frustrating and costly business getting documentation from HM passport and visa administration services.

Apparently, there is a two-year notice period for countries to exit the EU. There is little history to draw experience from although Greenland, an autonomous territory within the Danish realm, did in 1985. It will take more than two years for the full divorce to be completed: it may even take the best part of two years just to work out what needs to be done and who will do it!

One thing is certain. Should Brexit be the decision of the nation, it will be the politicians who talk the talk while the insurance industry walks the walk.