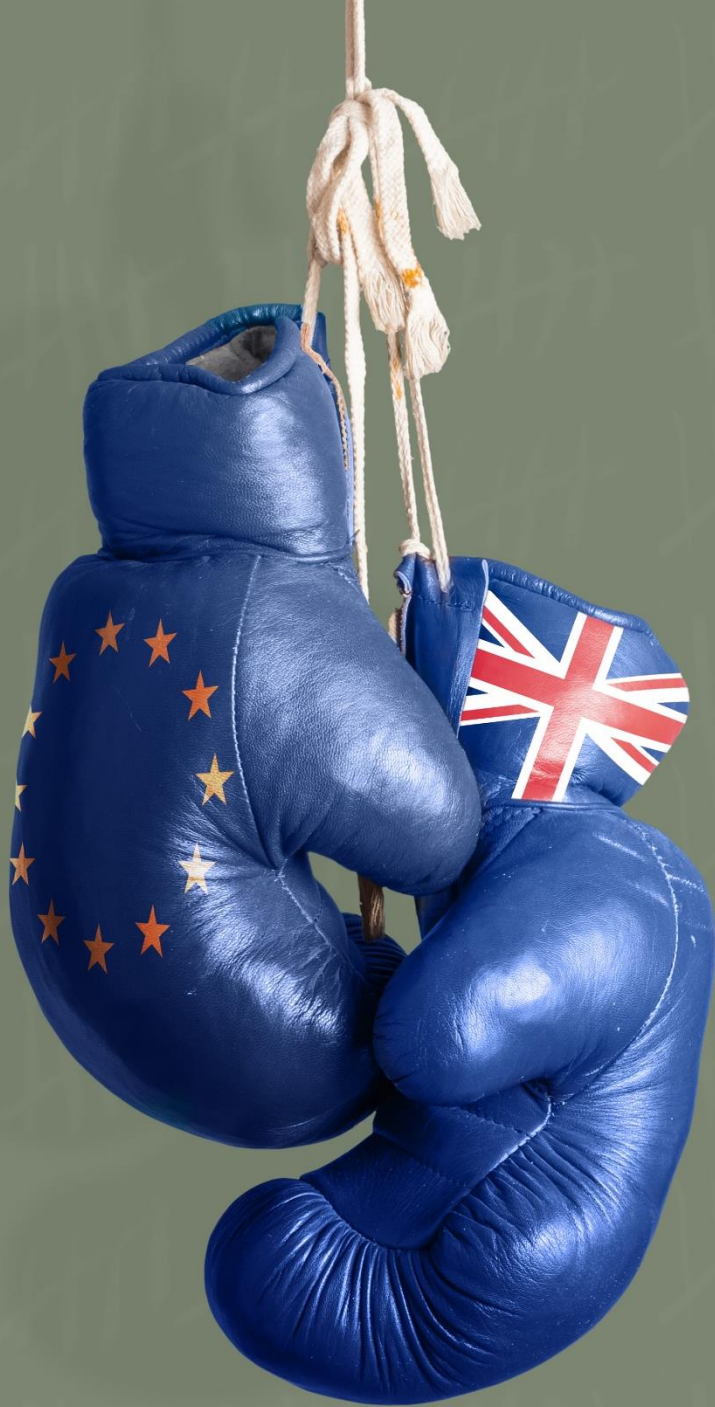




Deal or No Deal – Brexit for the Run-off sector

Wednesday 9th October, 2019

Matt Francis, Director, KPMG



The Brexit debate has changed over the summer



Brexit scenarios

Plausible paths to outcomes

	Deal	No Deal	Defer	Remain
By October 31 No path to an election	<ul style="list-style-type: none"> Ireland flexibility EU compromise MPs 4 a deal 	<ul style="list-style-type: none"> EU say no Number Ten surprise 	<ul style="list-style-type: none"> UK default AND EU agree 	<ul style="list-style-type: none"> No path
By the end of the extension (Jan 31?) Election assumed	<ul style="list-style-type: none"> Con majority + EU concession Con majority + EEA Con hung + MPs4 a deal 	<ul style="list-style-type: none"> Con majority EU declines lab request for further extension for referendum 	<ul style="list-style-type: none"> EU agree short extension for referendum Con hung + UK stalemate continues 	<ul style="list-style-type: none"> LD election victory = revoke A50
Beyond	<ul style="list-style-type: none"> Lab hung + referendum votes leave 		<ul style="list-style-type: none"> Con hung + UK stalemate continues 	<ul style="list-style-type: none"> Lab-led government 'wins' referendum of May's deal vs Remain

Deal v No Deal

Withdrawal Agreement ratified

Draft Withdrawal Agreement Article 127(6):

- “*Unless otherwise provided in this Agreement, during the transition period, any reference to Member States in the Union law ... shall be understood as including the United Kingdom.*”
- The transition period would expire on 31 December 2020 (Article 126)
- Joint Committee may, before 1 July 2020, extend transition period.

Implications

- Business as usual until the end of the transitional period, being 31 December 2020, to effect
 - new structural arrangements
 - portfolio transfers
 - asset restructuring

No Deal

EEA firms operating in the UK

- UK temporary permissions regime (TPR)
 - Continue to carry on existing regulated passported activities
 - Transition to full UK authorisation
 - Formal notification process before exit date







Transitional arrangements to enable BAU

UK firms operating in the EEA

- Onshoring of EU rules and guidance
- Continued lack of clarity regarding ability to service in force business BUT ...
 - ECB/Bank of England “technical working group” considering the issue
- Impact on SCR charges and solvency
- Policyholder communication





Temporary Permission Regime (TPR)

Temporary Permission Regime

	Aim	To ensure a smooth and orderly transition
	Purpose	Allows FoE and FoS passporting activities to continue for a maximum of 3 years
	Regulation	HMT have powers to extend in increments of 12 months
	Timeline	Statutory timelines to process authorisation applications have been extended
	Access	Can now only enter the TPR by submitting a full authorisation (Part 4A authorisation) to the PRA before Brexit day
	FSCR	leave TPR without a successful authorisation then the insurer falls into the FSCR mechanism

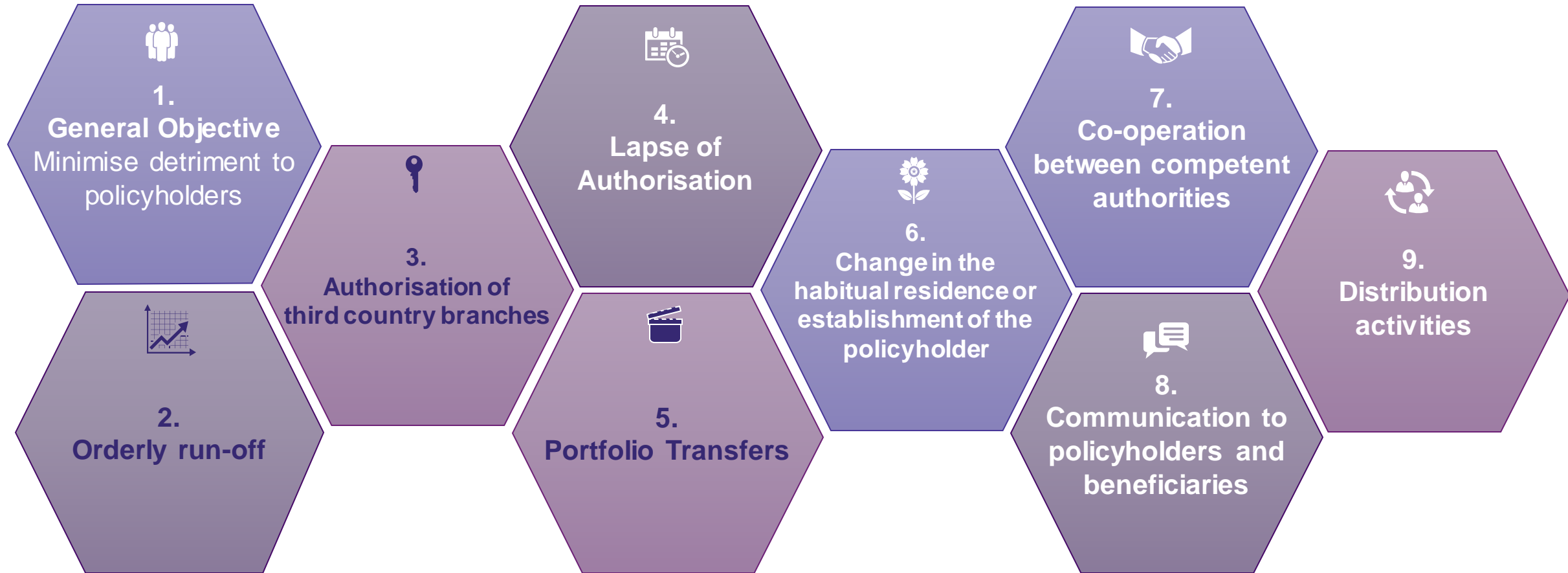
UK Financial Services Contract Regime

FSCR Regime establishes the SRO and CRO mechanisms. These will serve as a backstop to the TPR by allowing firms that do not enter TPR, or leave it without the necessary permissions, to service their pre-existing contracts for a limited period after Brexit.

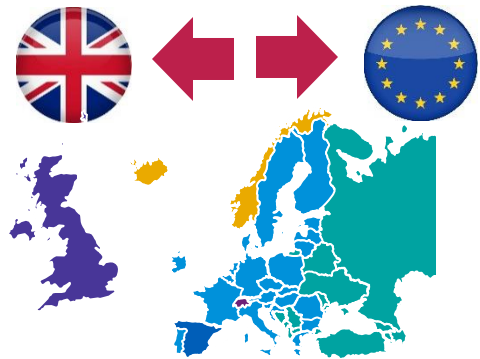
	Supervised run off (SRO)	Contractual run off (CRO)
 Applicable	<ul style="list-style-type: none"> • EEA firms with UK branches or top-up permissions in the UK • Firms who entered the TPR regime but did not secure a UK authorisation. 	For remaining incoming services firms
 Run off period	15 years for insurance contracts	15 years for insurance contracts
 Notification	Notify the PRA/FCA	No requirements to notify the PRA/FCA as home state regulated
 Authorisation	<ul style="list-style-type: none"> • Supervised by the UK authorities • 'Deemed' Part 4A authorisation • PRA authorised person – SMCR applicable 	<ul style="list-style-type: none"> • Home state authorisation is a condition of entry into the CRO • Not authorised by the UK authorities • Not a PRA authorised person

EIOPA Recommendations

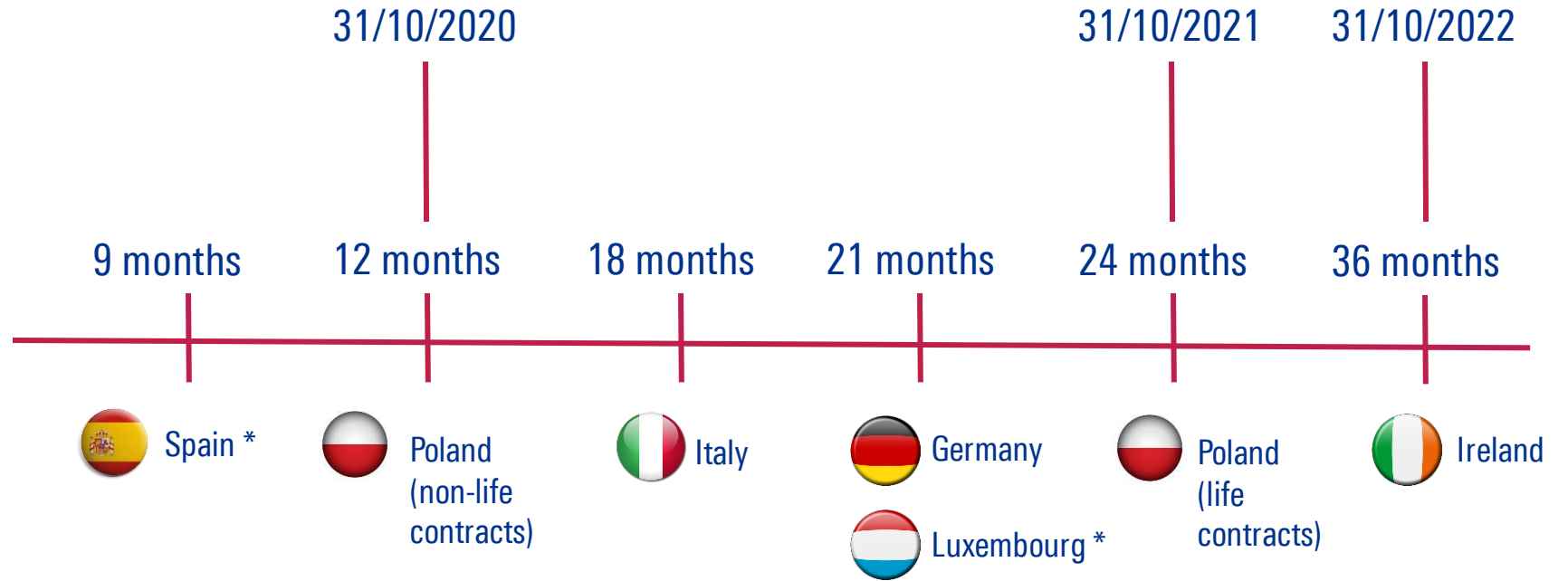
EIOPA Recommendations for the insurance sector in light of the UK withdrawing from the European Union



Run off period summary



UK leaves the EU



2020

Not specified



Denmark



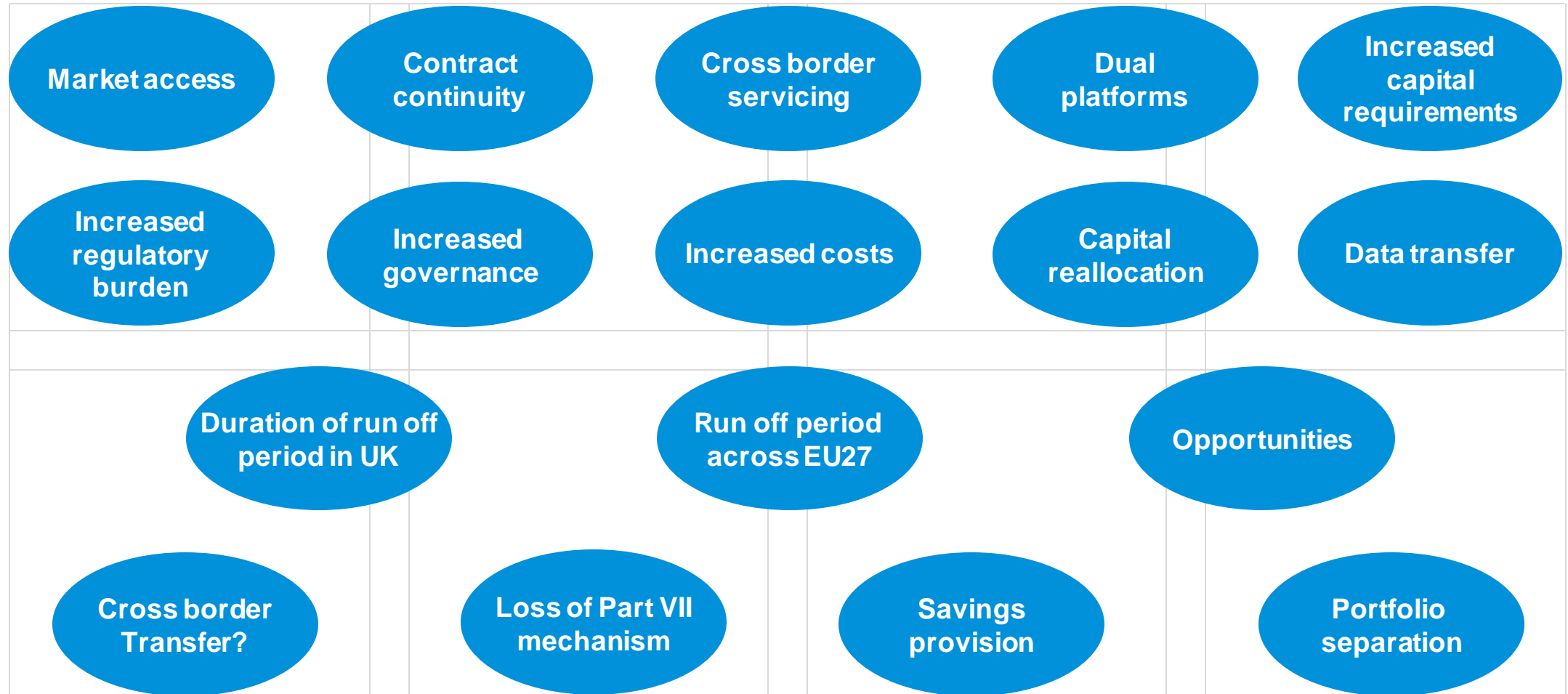
France



Belgium

* Subject to revocation

Brexit - Run Off acquirers issues



Speaker details

Matt Francis

Director

T: +44 (0)20 7311 5506

E: matthew.francis@kpmg.co.uk



kpmg.com/uk



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