

BREXIT

Should you include Brexit in your Risk Register?

The details of British politics are usually of little concern to most insurers across the EU. The upcoming referendum in the UK on June 23rd to determine whether the UK will leave the EU will almost certainly impact either directly or indirectly on your business.

1. Firstly if you sell your products into the UK, passporting from your home jurisdiction the impacts are obvious. You may no longer be able to easily passport in to the UK. This could mean that you may need to be regulated separately by the UK Prudential Regulator.
2. A Brexit may affect your balance sheet if you carry UK or sterling denominated assets. How these assets will perform post Brexit is not clear.
3. The impact of a Brexit could potentially affect any business relationship you have in the UK, such as procuring business services, raising capital or buying reinsurance. The new rules for the export of services from the UK to the EU, potentially including new tariffs, new standards and tax rates will all need to be determined post exit, so be prepared for a period of uncertainty.
4. There is no guarantee that the UK will adopt Solvency II post Brexit. This will mean that capital comparisons will be impossible between EU and UK insurers. This could also affect Solvency II equivalence for UK reinsurers or co-insurers.



Even if your business does not deal with the UK at all, it is still likely that at least some of your competitors do, especially the larger multinational insurers and their businesses may be impacted more than yours.

Betting platforms are assigning a 35-40% probability that the UK will vote to leave the EU. A potential Brexit is appearing on many Risk Registers across the EU.

Having a long term capital partner has always been a valuable relationship for any insurer. At Maiden we seek to work closely with selected clients by offering capital solutions that reduce risk and drive value for owners of insurers.

