
Title Brexit: changes to Lloyd's underwriters' reinsurance trading rights in the EEA

Purpose To remind the market of changes to underwriters' reinsurance trading rights in Europe, particularly Germany, ahead of the Part VII transfer

Type Event

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Deadline

Related links [Y5278 – Brexit: what happens next?](#)
[Lloyd's Part VII website](#)
[Crystal](#)

Background

On 31 January 2020, the UK left the European Union ("Brexit") and entered a transition period lasting until 31 December 2020 ("the Brexit transition period"). During the transition period, the UK and the EU are negotiating their future relationship and EU law continues to apply in and to the UK.

Following the end of the transition period, it is anticipated that Lloyd's members will no longer benefit from EU passporting provisions and will no longer have permission to underwrite European Economic Area (EEA) (re)insurance business.

As a result, all new EEA non-life direct insurance policies have been written by Lloyd's Insurance Company S.A. ("LIC"), rather than by Lloyd's syndicates, starting from 1 January 2019, with a few minor exceptions. LIC is an insurance company incorporated and regulated in Belgium and is a wholly owned subsidiary of Lloyd's.

In addition, Lloyd's is in the process of transferring all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1 January 1993 and 12 April 2019 (in respect of direct business) and 29 October 2020 (in respect of inwards German reinsurance) from the Members to LIC. This is being undertaken via an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000 (the Part VII transfer). If approved by the High Court of England and Wales on 18 November 2020, the proposed transfer is expected to take effect on 30 December 2020.

One aspect of the future relationship between the UK and the EU that continues to be unclear is whether the UK will be granted reinsurance equivalence under the Solvency II Directive (2009/138/EC), and vice versa. If the UK is granted equivalence for reinsurance, this would enhance the ability of Lloyd's underwriters in the UK to write reinsurance business in EEA territories. However, given the current uncertainty, this Market Bulletin is prepared on the basis that no equivalence decisions will be in place.

Reinsurance business

Following the end of the Brexit transition period, Lloyd's underwriters will be permitted to write reinsurance business originating from most EEA territories on a cross-border basis from the UK, provided relevant local requirements are complied with. Please refer to the "Authorisation" section for Lloyd's underwriters in [Crystal](#) for further information.

Germany

An important exception to the above is Germany. Unless the UK is granted Solvency II reinsurance equivalence, reinsurance customers in Germany will no longer have access to the Lloyd's market on a cross-border basis. Starting from 30 October 2020, all inwards Germany reinsurance business must be written through LIC. LIC is authorised to underwrite non-life reinsurance risks, and can process facultative reinsurance, non-proportional excess of loss treaty reinsurance, as well as proportional treaty reinsurance business, subject to a set of specific technical requirements being met.¹ While it would technically be possible to allow Lloyd's underwriters to underwrite cover for reinsurance clients in Germany until 29 December 2020, it would have implications for the scheme, the ongoing valuation work and operational implications. Accordingly, the cut-off date will remain as 29 October 2020.

As noted above, all inwards German reinsurance business written by the Lloyd's market between 1 January 1993 and 29 October 2020 is in scope of the Part VII transfer and will transfer to LIC.

¹ [Lloyd's Brussels bespoke solution for Proportional Treaty Reinsurance \(3 December 2018\)](#)

Poland

Lloyd's has previously advised that in a no-equivalence scenario, the Lloyd's market would not have access to cross-border reinsurance business emanating from Poland. Since then, The Polish Ministry of Finance officially informed the Polish Insurance Association that they interpret Solvency II as providing a legal basis for Polish cedants to conclude cross-border reinsurance agreements with reinsurers from third countries, including Lloyd's underwriters. Lloyd's communicated this update in a regulatory e-Alert (Poland: Update to Lloyd's underwriters reinsurance trading rights and Part VII scope), dated 29 January 2020. Polish reinsurance policies were therefore descoped from the Part VII transfer.

Further information

If you have any queries regarding this communication, then please contact:

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