

BREXIT UPDATE

AGCS SE BUSINESS UPDATE FOR CLIENTS AND PARTNERS

DECEMBER 2020

The Brexit transition period ends on 31 December 2020, after which EU/EEA rules will not apply in the UK. This document outlines what this change and the introduction of the UK Temporary Permission Regime means for Allianz Global Corporate & Specialty SE (AGCS) business and our clients and partners regardless of trade deal negotiations.

WHAT IMPACT WILL CUSTOMERS AND PARTNERS SEE FROM 1 JANUARY 2021?

Whatever the outcome of the UK and EU trade deal negotiations Brexit will have minimal impact on how AGCS SE provides UK and EU/EEA insurance to its clients and partners.

WHAT WILL BE THE LEGAL IMPLICATIONS FOR AGCS SE?

AGCS SE will remain the same legal entity across the UK and EU/EEA after 31 December 2020 irrespective of any trade deal or no deal so this provides certainty, but also flexibility, for clients and partners.

The current AGCS SE UK Branch is authorized via EU/EEA Freedom of Establishment (FOE) or "passporting" legislation which also allows the UK Branch to issue policies covering EU/EEA risks on a Freedom of Services (FOS) basis. Both FOE and FOS will cease for the UK after 31 December 2020.

At the same time AGCS SE (as a whole entity not just the UK Branch) will enter the UK Temporary Permission Regime (TPR).

The TPR has been created by the UK Regulators to allow inbound firms such as AGCS SE and its EU/EEA Branches to continue operating in the UK within the scope of their current passport/FOS permissions while seeking full UK authorization.

WHAT WILL THE TPR MEAN FOR AGCS SE?

While AGCS SE is in the TPR its EU/EEA Branches are permitted to cover EU/EEA and UK risks on an authorized basis in a single policy. The policy can be arranged via the AGCS UK Branch through current contacts. It is also possible to issue a policy covering UK/ROW risks and EU/EEA risks in separate schedules/sections but with a single aggregate of limits. In this case the AGCS SE UK Branch and an AGCS SE EU/EEA Branch would be insuring the respective risks.

The TPR is initially due to last 3 years until the end of 2023. However on an individual insurer basis, once full UK authorization is granted the temporary permission ceases. It is expected that full authorization will continue the current permissions allowing the single policy solution where needed.

WHAT WILL BE THE IMPACT ON AGCS UK'S PORTFOLIO?

Any policies issued by AGCS SE UK Branch before 31 December 2020 can be administered in the UK or EU/EEA as required with full regulatory authorization.

AGCS SE's home regulator BaFin have requested that relevant AGCS SE UK Branch policies that have EU/EEA exposure via FOS are moved before 31 December 2020 and given AGCS EU/EEA Branch policy references.

As AGCS SE remains a single legal entity it allows policies and claims to be moved by an internal accounting process while ensuring regulatory compliance. This means that current and future claims can be handled in the relevant jurisdictions for policies issued before 31 December 2020 without the need for formal portfolio transfers.

This flexibility provides certainty to AGCS SE's clients and partners with minimal impact on the way the AGCS SE UK Branch portfolio and its EU/EEA risks are administered.

HOW WILL GLOBAL PROGRAMS AND SINGLE EU/EEA POLICIES AT AGCS SE BE AFFECTED?

Currently a client can choose from different types of Allianz Multinational solutions to cover their risks worldwide, including stand-alone local policies, DIC/DIL above local policies, single EU/EEA policies (FOS), and centrally controlled master programs.

As explained above Brexit will have minimal impact on a client's choice as AGCS SE can continue to offer a single policy issued in the EU/EEA which can also cover the UK on an authorized basis under the TPR. Alternatively, a policy can be issued covering UK/ROW risks and EU/EEA risks in separate schedules/sections but with a single aggregate of limits.

WILL NON-ADMITTED INSURANCE BE ALLOWED?

The possibility of non-admitted insurance still remains for UK risks. For instance, the UK does not prohibit non-admitted insurance to be issued by a non-UK authorized insurer as long as it is self-procured by the UK-based customer and is not Motor or Employers' Liability. However the TPR avoids the need to do this.

Non-admitted insurance for EU/EEA risks will be subject to 27 different jurisdictions and local regulation, some of which do not allow non-admitted insurance and a case-by-case analysis is needed. Therefore, non-admitted insurance from the UK into the EU/EEA may be a solution depending on the local insurance supervisory laws and regulations in each EU/EEA country.

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