

RSA'S RESPONSE TO **BREXIT**

Frequently Asked Questions



BACKGROUND

On 23rd June 2016, the UK voted to leave the European Union (EU). On 29th March 2017, the UK triggered Article 50 of the Lisbon Treaty, which commenced the process of withdrawal from the EU, commonly referred to as Brexit. The negotiations over the terms of withdrawal are ongoing, but it is expected that the UK will cease to be a member of the EU on 29th March 2019, unless an extension to negotiations is mutually agreed by the UK and EU. Until that date, the UK is a member of the EU and there is no impact on insurance cover.

In the event of a so-called 'hard Brexit', it is likely that the UK will lose the ability to trade with the European Economic Area (EEA) when utilising the Freedom of Establishment (FofE) or Freedom of Services (FofS)¹.

As a response to this, RSA has triggered plans to ensure our customers' policies will be maintained and serviced at the same level as currently seen. A transitional period has been agreed in principle; however, this is not legally binding until all Brexit-related issues are agreed under the transitional period. As such, and with this continued uncertainty, RSA will continue to implement its plans.

Click on the buttons below
to find answers

Customers with UK exposures only



Customers with UK and non-EEA exposures



Customers with UK and EEA exposures



¹ FofS is the right to provide business services on a cross-border basis within the EEA. For insurance contracts, this means that the contract can be underwritten in an EEA member state that is different from the member state where the risk is located.

RSA'S RESPONSE TO BREXIT



CUSTOMERS WITH UK EXPOSURES ONLY

Brexit will have no impact on the service and level of cover currently received by RSA's customers who solely have UK exposures and policies.



RSA'S RESPONSE TO BREXIT



CUSTOMERS WITH UK AND NON-EEA EXPOSURES

RSA will continue to offer the same terms and conditions as seen today, as Brexit has no impact on either existing or future non-EEA covers. This is true whether policies are written on a non-admitted or admitted basis, utilising RSA Global Network or otherwise.



CUSTOMERS WITH UK AND EEA EXPOSURES

RSA is establishing a subsidiary entity in Luxembourg (RSAL) in order to ensure that our EU branches and UK based teams can continue to service their customers and meet their needs irrespective of whether there is a 'hard Brexit'. This entity will become the parent of the existing EU branches in Belgium, France, Germany, the Netherlands and Spain as well as processing the current UK FofS exposures. The current branches will transfer under the 'Part VII Transfer'² from RSA Insurance plc (RSAI) into RSAL.

We anticipate that post-Brexit we will not be permitted to administer UK placed FofS business from the UK. As such, the existing business written in the UK market, on a FofS basis only, into the EEA will be transferred to this new entity through the 'Part VII Transfer'.

The London market element of each cover will continue to be administered within the UK.

The FofS element of each policy will require an additional policy, written out of our RSAL business which will sit under its relevant master policy.

In reality there is very little change or impact to our customers. All of the transferring policyholders are intermediated through our brokers meaning that very little will change in practice in terms of claims administration, and the vast majority of these customers are large multinationals. Our customers are already familiar with having their claims administered locally in relation to non-UK, non-EU risks so the concept and process will not be new to them, merely the scope (i.e. local administration for EU risks). Also the capability to administer the claims to the same standards using the same controls and processes exists already in our EU branches.

FREQUENTLY ASKED QUESTIONS:

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²Part VII Transfer is a legal and regulatory process to transfer the assets, liabilities, reserves from one legal entity to another.

How does this impact customers' policies and how will claims be handled?

We know that there will need to be separate claims touch points for the customer in relation to the EU elements of split multinational policies. To ensure appropriate treatment going forward, RSA will have two options available to our customers.

Option 1

All new or renewed FofS policies will be written by RSAL (or its branch network) and multinational policies will be written as separate policies. Policies covering the UK and non-EEA risk will continue to be placed with RSAI and local papers, with a separate policy covering the European exposures insured by RSAL. The European FofS policy will be administered by RSAL including risk engineering, claims handling and customer contact. All of these services will follow existing processes, existing frameworks, oversight and governance, and conduct guidelines.

Option 2

To no longer have FofS policies, and instead to write the FofS business through RSA's Global Network, where each territory with exposure will have its own local policy. Each local policy will be administered locally by either RSA or one of our network partners.

From a policyholder perspective, either change would be in line with their current experience for non-EEA risks. In each instance the FofS policy/new EU local policy will sit under its relevant master policy, and, to the extent applicable, will sit alongside the other local policies (including UK policies).

Both options are underpinned by the principle that there are sufficient skills and capability in both the UK and Europe to service the UK and European exposures of these policies. The EU branches of RSAI currently contain sufficient skills and capability in order to service the transferring elements of the multinational policies and this will continue to be the case following the transfer of the branches to RSAL.

Will a policy taken out after 31st March 2018 be legal after 31st March 2019?

Yes. RSA is running a 'Part VII Transfer' for current policyholders, which will ensure continuity of contract. Current policyholders with EEA FofS exposures, insured by RSAI in the UK will see the FofS element of these policies transfer to RSAL through this transfer with the UK policy cover remaining within the UK.

All impacted policyholders and brokers will be formally communicated to, as part of the regulatory and court requirements of the 'Part VII Transfer'. These formal communications will state what is changing and why and include reference to timetables and our customers rights.

All existing RSA policies have a 'right to cancel' clause and the proposed transfer does not impact our customers' ability to call on this clause.

Will RSA agree to extend the current period of insurance to avoid the need to renew for a year before they can offer certainty over this?

RSA's timescale for the 'Part VII Transfer' means that all existing policyholders will transfer to RSAL prior to the Brexit deadline. The effective date of this transfer is expected to be 1st January 2019.

This will give customers the certainty they need in relation to their existing and future insurance cover requirements. All new business and renewals currently written for EEA exposures under FofS, from 1st January 2019, will be written on RSAL paper.

Should policies feature a 'Brexit continuity clause' stating the position post 31st March 2019?

RSA's position is that continuity clauses, in respect of our existing customers are not required. RSA is running a 'Part VII Transfer' for current policyholders, which will ensure continuity of contract. This transfer will only impact FofS exposures written out of the UK. All UK risks will continue to be written by RSAI.

All existing RSA policies have a 'right to cancel' clause and the proposed transfer does not impact our customers' ability to call on this clause. RSA will continue to monitor the requirement for Brexit continuity clauses.

What will be covered under multiple year contracts?

As with policies with standard durations, all policies with Long Term Agreements (LTAs) in place will be transferred under the 'Part VII Transfer'. All terms and conditions under those policies will be maintained until renewal.

Renewals will form part of the standard underwriting processes as they do today.

When will European FofS policies be issued and from where?

Local FofS policies will only be issued at renewal. One of the benefits of the 'Part VII Transfer' is that all terms and conditions remain the same; it is only the RSA carrier which is changing. Issuing of local policies will work in the same way for the FofS policies as they do today for our multinational programmes. From a policyholder perspective, this change would be in line with their current experience for non-EEA risks.

In each instance the FofS policy/new EU local policy will sit under its relevant master policy, and, to the extent applicable, will sit alongside the other local policies (including UK policies). This model is underpinned by the principle that there are sufficient skills and capability in both the UK and Europe to service the UK and European exposures of these policies.

Where will new European FofS policies be issued, in what language and subject to which legal jurisdiction?

Policies written on a FofS basis and placed within the EU will continue to be managed in the same way as they are today; Brexit has no impact here. The laws and regulations that currently apply will continue to do so and there is no requirement to issue papers on an admitted basis going forward.

Specifics will be available in due course, but as the majority of our policies are written through intermediaries, the overall process and contact points for our customers will remain the same.

Will customers face potential regulatory issues by insuring a policy covering European subsidiaries with RSA?

RSA's response to Brexit and the subsequent plans will ensure that our customers can continue to transfer their insurance risks to RSA. We will maintain current terms and conditions of cover wherever possible and continue to operate, from a customer experience and service perspective, as we do today.

Our customers will need to continue to monitor the regulatory frameworks which may impact on their trading models. RSA will continue to focus on insurance regulation in the appropriate countries and states to ensure continuity of cover and service.

Will customers face any additional cost?

RSA will continue to review the pricing mechanisms in place to ensure appropriate levels of cover are given, tailored to individual customers. There will not, as a direct consequence of RSA's Brexit plans, be any additional costs borne by our customers.

Are there any tax implications as a result of RSA's response to Brexit?

RSA currently runs a process to pay Insurance Premium Tax (IPT) in the country of exposure, regardless of where that risk is placed or written from. This process will be maintained post 31st March 2019 ensuring both RSA and its customers are paying the relevant IPT on each policy.



**If you need more information,
please email us at**

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or speak directly to your commercial
or underwriting contact.

rsagroup.com

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