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12 March 2018

*Dear Andrew,*

### **EU Withdrawal and Insurance Communications**

We have been considering our members' duty to treat their customers fairly and other relevant regulatory requirements in the context of changes that may happen when the UK leaves the EU. We have outlined three areas that we believe are affected and would welcome your views on the appropriate approach for our members to take when communicating with their customers.

Firstly, we welcomed the December communications by HM Treasury and the Bank of England on **authorisation of EEA insurance branches**. Of course, these proposals, if required, have not yet been turned into law, but our members will in their communications with their customers assume that this will happen.

Secondly, **communications** for both new insurance contracts and renewals will soon start to cover policies that will still be in force when the Article 50 period ends. There are several Brexit-related areas that might affect policyholders. These include Motor and Fleet insurance and the Green Card system and Travel Insurance and the European Health Insurance Card. We do not believe that new business communications and renewal letters are the best way to communicate Brexit-related uncertainties to our customers. Insurers feel it would be in the interest of their customers and in accordance with FCA rules to do a bespoke communication when the position is clearer.

The final area relates to **new insurance contracts and renewals** sold by British insurers to EEA customers or multi-country contracts that cover EEA risks. Many of these contracts are serviced by insurers using Passporting rights and some of these insurers do not intend to establish in an EU27 jurisdiction after Brexit. Policyholders need to be informed that there is a risk that in this scenario insurers may be unable to pay a claim or otherwise service the contract after Brexit.

We would welcome your view on whether this feels like an appropriate approach to take that would meet existing regulatory requirements in this highly unusual situation.

*Yours, Huw,*

**Huw Evans**  
Director General

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13 March 2018

Dear Huw

## **EU Withdrawal and Insurance Communications**

Thank you for your letter of 12 March about the UK's withdrawal from the EU and what this means for insurers' customer communications. Your letter touches on a number of areas that I address in turn below.

### **Inbound passporting firms**

HM Treasury set out on 20 December 2017 plans to legislate for temporary permission for EEA passporting firms, if necessary. The FCA<sup>1</sup> and PRA<sup>2</sup> also made statements on the same day that confirmed their respective approaches. The PRA statement encourages inbound insurers to engage with the PRA to seek appropriate authorisation (to which the FCA would need to give its consent). The PRA's position is that they will consider use of the temporary permissions regime only as a fall-back. In the event HM Treasury bring forward contingent legislation on temporary permission, the FCA would expect firms solely regulated in the UK by the FCA to notify the FCA before exit day of their desire to benefit from the regime. This notification would not require the submission of an application for authorisation before exit day.

### **Changes to how cover for customers travelling to the EU may operate in the future**

Your letter raises a number of practical issues that we understand relate to what information should be communicated to customers where new insurance contracts and renewals over the next months will still be in force after the Article 50 period ends.

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<sup>1</sup> <https://www.fca.org.uk/news/statements/fca-statement-eu-withdrawal>

<sup>2</sup> <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2017/firms-preparations-for-uk-withdrawal-from-the-eu.pdf?la=en&hash=81F0EA1B1FC832D54B1497380249760FC3B34E69>

For these policies, we understand customers will continue to have cover but EU withdrawal may impact their operation. We welcome the ABI working with its members to ensure firms comply with their regulatory obligations and customers receive good outcomes including timely information on the impact of EU withdrawal.

Firms need to consider what impact withdrawal from the EU may have on their own customers and the operation of contracts they offer. Firms must also consider all the relevant requirements in our Handbook for their contracts, including those relating to the information firms are required to give to their customers. In relation to withdrawal from the EU, firms will need to keep under review what, if anything, needs to be brought to customers' attention when buying or renewing a policy. Where changes to how policies operate are dependent on the final legal agreement reached by the UK and EU, firms may wish to provide this information in good time, once it is available. Where the information is not currently available firms may wish to do this separately to new business and renewal communications.

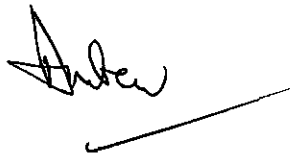
When reviewing firms' communications to customers in the future, the FCA will take into account the situation that exists at the time the statement is made, including any uncertainty over the final agreement between the UK and EU.

#### **Outbound passporting firms**

Firms should continue to make appropriate arrangements to service their clients in the EU and engage with their local EU regulatory authority for guidance.

A copy of your letter and this reply will be placed on the FCA's website for firms who are not members of the ABI and insurance brokers.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Andrew', with a long horizontal line extending to the right below it.

**Andrew Bailey**  
**Chief Executive**