

**TO THE MEMBERS AND THEIR BROKERS**

Your ref  
Our ref 2018/04  
20 December 2018

**Preparations in anticipation of the United Kingdom leaving the European Union (Update 6)**

In August 2018 we issued Circular 2018/03 providing an update of the TT Club's plans to retain access to the European Union ("EU") single market after the United Kingdom ("UK") withdraws from the Union.

We had hoped that there would by now have been more clarity than there is about the arrangements to enable UK insurers such as the TT Club to continue to trade in the single market when the UK leaves the EU. At the time of writing this report, there is regrettably continuing uncertainty on this.

The importance of the single market is that financial services firms authorised in one member State can provide services across the EU without the need for further authorisations. This is known as the freedom to provide services. As TT Club is established in the UK (as well as Bermuda), in common with many international insurers, it is necessary to make arrangements for trading following the UK's exit from the EU in the event that the final arrangements for exit or any transitional arrangements put in place, do not permit adequate access to the single market.

We noted in earlier circulars, our hope that a mutually agreeable arrangement between the UK and the EU would be reached. If it can be, it is expected to include terms for a transitional period, including a continuation of the freedom to provide services provisions, until at least 31 December 2020. However, because the time for agreeing a deal is short, the Club is now finalising its plans to continue to service its European Members in the event of a 'no deal' Brexit. The purpose of this message is to reassure Members and their brokers that business will continue with as minimal disruption as is practical.

As notified in previous circulars, your Board decided that the most effective way to do this is for the Club to be fronted by a subsidiary of another insurance business managed by Thomas Miller, established for this purpose and based in Rotterdam in the Netherlands. Plans are in place, and well advanced, to ensure this arrangement is ready ahead of the 29 March 2019 deadline. Under these plans EU based business would be renewed into this new EU established entity. However the Club will not incur unnecessary cost on your behalf by using

this option until absolutely necessary. So if a transitional period does come into effect, the new EU entity will not be used until after the end of that period.

At the point that it is necessary to use the fronting arrangement described above, the TT Club brand would continue to appear on all policy documentation and correspondence alongside the trading name of the new EU Company. TT Club underwriting and claims staff would continue to handle Members' affairs, either from London or the Netherlands.

It is encouraging that the German government is moving to establish a framework that would allow UK insurers to service existing contracts and continue to pay claims on a temporary basis within Germany in the event of a 'no deal' Brexit. It is hoped that more, if not all EU states will follow suit. The Luxembourg regulator had, some time ago, put forward the view that, in EU law, the payment of claims is not an insurance operation necessitating the use of the EU's freedom to provide services. Irrespective of this, the Club has taken legal advice and identified ways to continue to pay Member's claims on policies written before the fronting device is used.

If it is the case that the Club is unable to write business directly after 29 March 2019 – a no deal Brexit – then the arrangements that have been identified to cope with this situation will be put in place to enable the Club to continue to provide its product and service to Members.

In summary, the Board of TT Club and its Managers, Thomas Miller, remain fully committed to ensuring that the Club's European Members continue to receive the high quality service to which they have become accustomed. This remains the case during any potential transitional period to the post-Brexit arrangements and thereafter. Your Board and its Managers, Thomas Miller, will continue to monitor closely the political developments that may impact our timetable.

I will write to you again with a further update nearer to the March deadline. If you have any questions or comments on this circular, please direct these to your usual TT Club contact.



Charles Fenton  
Chief Executive Officer