



## The uncertainty gap

*Nadia Bagijn, of Travelers, discusses Brexit and the concerns the firm has received from its clients given the irresolute state of the UK's departure from the EU*

**Q** What problems and uncertainties is the prolonged Brexit process causing for your clients?

**A** On the non-insurance related side, the market has seen uncertainty for investors. This is something we have been monitoring. In particular, we have been watching out for signs of any significant redemption from clients due to the concern about Brexit and the possible impact of this on the UK economy (in particular but also more widely). Add into this mix the current global trade wars and the outlook for the industry is far from settled or showing signs of stabilising any time soon.



**Nadia Bagijn**  
Travelers

Nadia Bagijn is the head of financial institutions at Travelers. She joined Travelers in August 2016 having previously been an underwriting manager at Liberty for one and a half years. Prior to this, Bagijn spent 11 and a half years with AIG in Australia, UK and United States in various roles. She obtained a master's degree in corporate finance and banking from the University of Technology, Sydney.

Many of our clients are prepared and have had contingency plans in place for some time in readiness for Brexit: opening offices in Europe, particularly Dublin and Luxembourg, has provided a solution. They have been doing this so that they can continue to provide uninterrupted services to their European clients, regardless of a hard or a

soft Brexit. Whatever the eventual outcome, how it will affect the UK economy and how it will affect returns on investments needs to be considered.

While we have seen a number of clients who are, for the first time, looking for investment opportunities outside of the UK, the majority have decided to continue pursuing investment option in the UK and have seen opportunities generated from the uncertainty surrounding Brexit. Overall, the UK remains a very real and viable option for investment but some diversification has crept into investment strategy;



however, there has also been a 'wait and see' type of mentality.

In 2018, most hedge funds experienced difficult performance for various reasons – not just Brexit-related – including the unstable economy overall, increases in regulatory infrastructure and regional uncertainty have also been an issue and this is something we have seen across the board for most of our clients. So far in 2019, the funds we've looked at have seen improving returns, potentially due to the further Brexit delay, but it's always something we keep in touch with clients about, listening carefully to their concerns and

how Brexit and other global events are having an impact and informing their decision making.

As an insurance company, we look for any type of systematic issues if/when hard Brexit comes and deduce what the worst outcome could be following a hard Brexit. Obviously, we expect some impact on investments as a worst case scenario, just as our clients are expecting potential impact on their ROI. And this is something we keep an eye on.

**Q** What are the most common concerns you are hearing from clients at this time?

**A** Concerns have centred around the claims payments and the ability of London-based insurers to provide cover to clients with European exposures, with concerns as to whether we would still be able to pay/cover claims in the event of a hard Brexit and whether clients may have to speak to someone else for insurance. We have also received queries from ongoing clients we renewed earlier in the year, who want to know what's going to happen with their policy halfway through the year if a hard Brexit happens.

To ensure continuity for its clients, Travelers has set up a new insurance company in Ireland – Travelers Insurance Designated Activity Company (TIDAC) – and effectively this allows us to cover clients with EEA exposures using our TIDAC stamp. Clients will only ever have to deal with us in

the UK, because we are an approved branch of the Irish office and therefore we are allowed to quote and pay claims on that basis.

Furthermore, since 1 January, we have been using our syndicate capacity via Lloyd's of London and Lloyd's Brussels, ensuring that regardless of the Brexit outcome, our clients will continue to be covered globally. Communication to our clients has been key in providing the requisite comfort around continuity of cover – our clients know that Travelers is ready no matter what the eventual outcome.

*For some time now, from a general insurance and our clients' perspective, the common concerns [about Brexit] have largely been centred around the ability of insurers to pay claims and insurers' ability to handle EEA-based risks from London*

With Lloyd's, we started moving and processing everything on an EEA and non-EEA basis to make sure that we would still be licensed no matter the outcome.

From what we have seen, though, our clients are well-prepared and they tend to have offices set up to be able to service European investors. It has more or less been business as usual although once Brexit finally plays out, I think we will see more activity and the impact of it and how prepared our clients really were for it.

**Q** What coverage trends are you seeing from Brexit uncertainty?

**A** In reality we have not seen any material changes. For our line of business, broker wordings in the UK have for a long time been very broad, so even with Brexit on the horizon this has not led to any request for or changes to cover. Potential issues relating to licensing and whether or not we would have to cancel policies and reissue policies with a new stamp, have been addressed. HFM

## About Travelers Group

Travelers has operated in Europe for decades in the general insurance market and through Lloyd's. Travelers Insurance Company offers business insurance, bond and specialty insurance and risk management services. Travelers' Syndicate at Lloyd's underwrites specialist and complex business classes, including marine, global property, power and utilities, accident and special risks, aviation and energy. Visit [www.travelers.co.uk](http://www.travelers.co.uk) for more information.

The Travelers Companies is a leading provider of property casualty insurance for auto, home and business. A component of the Dow Jones Industrial Average, Travelers has approximately 30,000 employees and generated revenues of approximately \$30bn in 2018. For more information, visit [travelers.com](http://travelers.com).