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Clarifications on the validity of insurance contracts concluded by UK insurance undertakings in a post-Brexit context

Validity of insurance contracts concluded by UK insurance undertakings in a post-Brexit context – Clarifications by the Luxembourg legislator

The Luxembourg legislator recently amended the law of 27 July 1997 on insurance contracts, as amended (the “**1997 Law**”) in adopting the law of 19 December 2020 on the budget of State revenue and expenditure for the financial year 2021. In particular, this amendment clarifies the post-Brexit validity of insurance contracts concluded by UK insurance undertakings prior to the end of the Brexit transition period on 31 December 2020.

Specifically, a new paragraph has been inserted into Article 2 of the 1997 Law, which reads as follows:

“An insurance contract remains valid and its execution remains subject to the present law, in the event that an insurance undertaking from the European Economic Area or a third country loses its approval to carry out direct insurance operations in the Grand Duchy of Luxembourg while retaining its authorisation in its home State and that this contract has been validly issued or renewed by an undertaking authorised to work in the Grand Duchy of Luxembourg under the freedom of establishment or the freedom to provide services at the time of issue or renewal of this contract.

Such a contract may not, however, be renewed or be the subject of any direct insurance transaction giving rise to the issue of premiums after the loss of authorisation.”¹

With this amendment, the Luxembourg legislator confirms that insurance contracts entered into by UK insurance undertakings which did not decide to transfer to an EU carrier prior to the end of the Brexit transition period remain valid post-Brexit. However, such contracts may neither be renewed nor give rise to the payment of any premiums after the 31 December 2020 deadline.

For any questions, please contact our insurance experts.

¹ Translation published on the CAA's website.

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