

Commercial Risk Europe

Insurance & Risk Management News

Cologne mayor hails Newline's decision to use city as EU base

◆ BREXIT

Adrian Ladbury

aladbury@commercialriskonline.com

@COMRISKONLINE

COLOGNE'S LORD MAYOR Henriette Reker has welcomed the decision by international specialty insurance group Newline to set up its new European Union base in the city, and believes it is further proof that Cologne will become a leading insurance hub for international insurers keen to secure access to the EU post-Brexit.

Newline, the international specialty insurance and reinsurance company that is part of the Odyssey Re Group and Canadian Fairfax Holdings group, announced last week that it has already applied for approval from the German financial regulator, Bafin, to convert its existing Cologne office into a fully-capitalised and regulated German subsidiary.

Once approval has been obtained, the new operation will give Newline access to the massive German and wider European insurance and reinsurance markets under freedom of services.

The company has chosen the historic trading city of Cologne, which lies at the heart of the massive North-Rhein Westphalia economic region, rather than a low-tax specialist centre such as Luxembourg or Dublin because it believes it offers better direct access to brokers and customers.

As the UK prepares to leave the EU, the vast majority of international specialty insurers and reinsurers currently based in London will need to find a new base within the EU. The majority of London-based specialty insurers have so far chosen the apparently quick and relatively cheap



option of setting up subsidiaries in specialist centres such as Luxembourg, Dublin and, in the case of Lloyd's of London and most recently QBE, Belgium.

A number of market experts and customers have expressed concerns about the longevity of simply setting up shop in a centre such as Luxembourg and hoping that the business will continue to flow and simply be reinsured back to London.

In the longer run it is possible that the European Insurance and Occupational Pensions Authority will insist that these subsidiaries have to retain a minimum of at least 10% business locally, which will significantly increase staffing requirements and cost of operating in these centres.

The City of Cologne and its Chamber of Commerce have identified this medium- to longer-term opportunity.

The news that Newline has decided to base its European operations in Cologne has convinced the city's Mayor that the decision to promote Cologne as a new European insurance centre is right on track.

"The decision by Newline is a great signal for the insurance industry in Cologne. This news further strengthens my belief that the combined effort of our city and the Chamber of Commerce and Industry (IHK) in response to Brexit will gain further momentum over time. Cologne invites insurance companies from all over the world to consider our outstanding business environment. Our city is perfectly positioned as an insurance centre. With InsurLab Germany we have the future of the industry firmly in mind and, combined with the unrivalled technical education facilities provided by our two great universities, offer a highly attractive option for insurers and reinsurers that want to gain direct access to the German and wider European market," said Ms Reker.