

**Mansion House Lunch**

**Friday 24 March 2017**

**Address by The Rt Hon Sir Oliver Letwin MP**

**Guest Speaker**

Lord Mayor, Mr President, My Lords, Ladies and Gentlemen, I am delighted to be here, and – as a superannuated, second-rank politician – I am flattered that you have seen fit to invite me to speak to you.

During my six years in Downing Street, I had (amongst other things) the privilege (if you can call it that) to be the minister for crises. Quite a lot of these crises seemed to involve water, of which we as a country appear to have quite a lot – at least at times when we don't have too little of it.

The result of this was that I spent quite a number of Christmases wandering around in Wellington boots and hanging out of helicopters, looking at water being fended off from or pumped out of various places where it didn't ought to be.

And the result of *that* was that I became very interested in insurance and re-insurance – and, in particular, in Flood Re. I ended up having a very large number of meetings with a very large number of officials who said it couldn't be made to happen; and a very large number of meetings with people from the markets who were willing to help make it happen; and in the end I'm glad to say that even the most sceptical officials were won round and we did make it happen – not least because of a lot of help from Michael Wade who is here today.

In the course of this interesting, watery experience, I became aware of the extraordinary breadth and depth of the London insurance markets. It is a matter of some pride for a Brit to discover that we have, right here in London, the world's largest insurance market – the world-leader in marine and aviation insurance and a great global player in re-insurance.

I came to understand that this pre-eminence does not depend only on the multitude of brokers and underwriters and managing general agents, but also on London's leading role in the development of dynamic information technology and on the incredibly rich tapestry of specialist accounting, legal and actuarial services from which we benefit in modern-day London.

I also came to understand that, so far from sitting on their laurels, the London insurance markets are hugely innovative. And that, to innovate, the markets need to work cooperatively in many cases with government. This was true in the case of Flood Re, as it had been in the case of Pool Re, and as it will be increasingly in the case of longevity products -- which will surely be a more and more important part of the global scene as populations age.

We are now on the brink of another, even more important innovation that has been made possible through the action of government and Parliament in the Bank of England Act and the Finance Acts -- namely, the establishment in London of insurance-linked securities. I am told that this could, in time, as much as double the size of the London markets. What could be more important to our economy than that?

And what could make it more important that we don't ever stifle innovation or decrease the vibrancy of London's insurance markets with inappropriate domestic legislation -- for example, on capital provisioning?

Now, a little bird has whispered to me that there is a certain anxiety which has been expressed in some quarters about the question of whether all of this huge progress may in some way be jeopardised by Brexit. And I can see that this is a serious issue, given that some 15% of the wholesale insurance business in London is with counterparties in the rest of the EU -- divided, I gather, roughly equally between re-insurance and specialist items such as aviation.

I should at this point make an unfashionable admission to you: I voted and campaigned to remain in the EU. So I suppose I might have been tempted to sit back and say, "I told you so".

But actually, I don't think that's the right thing to do. I don't think it's the British thing to do.

The referendum has given us a clear majority decision from the voters -- and, as the Prime Minister (another 'remain' voter, by the way) rightly says, our job now is to make a success of it.

From the point of view of the insurance industry, I think it is pretty clear what success will look like. It will mean protecting our presence in the EU wholesale markets.

And I think it is pretty clear that our presence in those wholesale markets will be virtually unaffected by Brexit so long as the Prime Minister can negotiate just three crucial things:

1. the grand-fathering of regulatory permission for wholesale contracts already entered into;
2. a guarantee that the MFID2 rules on equivalence will continue to apply for the foreseeable future, with a long notice period for termination; and
3. a well-structured arrangement for independent arbitration in any case where the continued equivalence of the regulatory systems either side of the Channel is called into question.

There is absolutely no reason why an agreement along these lines should be unachievable.

On the contrary, it should be highly achievable. This is a two-way business. It's not just the UK that has an interest in it continuing unabated. That interest is shared by firms in France, Germany and Italy. And the matter is largely in the hands of the regulators rather than the member states.

To go back to my experience negotiating Flood Re with the ABI – or, indeed, my experience negotiating the coalition with our friends from the Liberal Democrat Party; or, indeed, my experience negotiating lots of things with lots of people from Beijing to Bogota – my whole experience is that you get a deal when it is in the interests of both parties to have a deal.

This is just such a case. Therefore, we can get a deal. Therefore, the London insurance markets can move forward and prosper post-Brexit.

The recent past has been a triumph for insurance in London. The present is rich with opportunity. The future can be better yet. Lord Mayor, Mr President, that is my message to you from Parliament today.