

# Speech: Economic Secretary's speech to the Association of British Insurers

## **Introduction**

It is a pleasure to be making my first speech as City Minister here at the ABI.

Yesterday, a confidence and supply motion was agreed between the government and the Democratic Unionists. Taking into account the Sinn Féin MPs who do not take their seats, that gives the government a working majority of 13, once the deputy speakers are elected.

Understanding the implications for policy of parliamentary numbers in both the Commons and the Lords is an area in which I have experience as my previous government role was as The Treasury Whip.

It was my responsibility to get the government's economic and finance policies through Parliament and so I am already familiar with much that is important to you. I hope to use that experience to help frame our discussions.

Prior to becoming an MP, I worked in both the insurance and banking sectors, and at the City regulator. I plan to bring that industry focus to bear in discussions within Whitehall and beyond.

I know that my job will involve a great deal of listening to your concerns, and indeed your ideas for growth and investment. But it will also be about showing you that we're acting on what you tell us. And today I intend to show you a number of areas where, in my first two weeks in post, we've already done so.

Because everyone in this room knows how important financial services and in particular insurance, is to our economy:

- 112,000 directly employed in insurance, double that if you include those indirectly employed
- £35 billion contributed to the UK economy
- £12 billion of taxes paid

## **The government's priorities for financial services**

This was why a week ago at [Mansion House](#) the Chancellor set out further details of the government's priorities for financial services as we engage in our negotiations with the EU.

He spoke about access to talent; trade; regulation and reciprocity; and about the need for transitional arrangements.

## **Talent**

The City of London and our world leading financial services across the UK – and 2/3rds of those working in financial services are based outside London – have always been a magnet for global talent.

There are those who are suggesting that in voting to leave the EU, many were willing to put at risk the ability of firms to get the talent they need.

I believe that misunderstands my views and those of my parliamentary colleagues. It also misunderstands the views of the majority of my constituents, and millions of others, who voted to leave the EU.

The British people understand the importance of businesses being able to access global talent and to move individuals around their organisations.

The concerns on immigration expressed during last year's referendum were not about insurers bringing in the skills they need to keep their businesses at the cutting edge. Rather it focused on those who come, primarily to areas like my constituency, at a pace and scale not reflected in local services.

So, I believe the British people understand that while we should seek to manage migration, we should not seek to shut it down.

## **Trade**

In the case of trade, we want to agree a bold and ambitious free-trade agreement with our EU counterparts that covers both goods and services. Our economy is 80% services and insurance is a vital part of that – we sell £4 billion of insurance to people across the EU and over double that to EU businesses.

There are three essential components to a sustainable access agreement between the UK and EU for cross border trade in finance.

First, it requires an evidence-based, transparent system for setting the regulatory standards that apply to business – and those regulatory standards must themselves reflect international standards.

Second, cooperation arrangements between supervisors in each jurisdiction must be reciprocal, reliable, and prioritise financial stability.

Third, any system must be predictable and permanent so businesses and the markets are not troubled by the unexpected.

We are on a firm footing to achieve this. The Bank of England, the PRA and FCA are rightly respected around the world for the quality of their market oversight, their expertise and their willingness to lead on the setting of global standards. It is a role they will continue to play.

## **Transitional arrangements**

All of this requires that as well as the terms of the arrangements we finally

make with the EU for our future trade, we have to consider our transition to those arrangements. Firms in this industry and elsewhere in the financial sector have been clear with us that we should seek to avoid disruption and uncertainty as we leave the EU.

And so the Chancellor made clear that early agreement on transitional arrangements is a priority – avoiding a dangerous cliff edge and ensuring instead that firms can get on with investment, and trade in services and goods can continue uninterrupted.

## **Beyond the negotiations**

But it's not all about the Brexit negotiations.

There are a lot of other ways in which we can work with British insurers to tackle existing problems, seize new opportunities, and compete with the very best in the business.

Our track record of working shows this.

Look at Flood Re, which we worked with you to design and ensure all homeowners have access to affordable flood insurance.

Look at how we have been tackling fraud and the excesses of compensation culture head on.

You will have seen whiplash reform in last week's [Queen's Speech](#), alongside our intention to transfer regulation of claims management companies to the FCA.

But I know there is more to do. Like all MPs I am concerned about my constituents having access to good insurance at the right price. In arranging car cover, that can be a particular issue for young and old drivers alike.

Many of these consumers, as well as many of the companies represented in this room, will have been affected by the change in the personal injury discount rate.

That concerns me, and I know it will concern many of colleagues in Parliament.

That is why the government has been consulting on how the rate can be set in future in England and Wales. Scotland and Northern Ireland set their rate separately, which has an impact on the parliamentary arithmetic.

We are currently considering the responses to the consultation we've received and I would like to thank the industry for the constructive engagement on this issue.

We want to make sure that the way the rate is set is put on the firmest possible footing in future, so that we have a better and fairer system for claimants and defendants. In doing so, we will keep true to the 100% principle: that a claimant is paid no less than they should be, and no more.

In short, we have been consulting on moving away from a mechanism that has grown outdated and, with negative returns on interest-linked gilts, lost its connection with the way people invest in the real world.

## **Insurance Linked Securities**

The constructive engagement between industry and government which I've just mentioned has also been evident in the work over the last 18 months to design a whole new system for Insurance Linked Securities (ILS).

Up to now, without that kind of regulatory framework in place, London has been held back from becoming a leader in ILS, despite all the expertise we have to offer in the field of alternative risk transfer.

But this is about to change.

Yesterday I [wrote to the London Market Group](#) to confirm that I will shortly place regulations before Parliament to implement this new ILS framework and help London become global leaders in this field.

## **Going further**

But I want to see more advances like these – advances that are driven by a close and collaborative approach that spans both the government and the regulators and all of you in the industry itself.

There are clearly many more opportunities for us to pursue.

And I want us to keep developing and keep innovating.

One of the biggest areas of opportunity is clearly in InsurTech.

A lot of work has already been done to make sure we've got the right environment for FinTech and InsurTech to develop at pace – the FCA's innovation hub and regulatory sandbox are the most obvious examples of that, and it is welcome that four Insurance firms have already got involved in the next cohort of the Sandbox.

But where there's more to be done, I'm keen to look at that – particularly in terms of getting more investment into the InsurTech sector.

And there are lots of other areas we can look to develop too.

We'll want a regime that can keep pace with the development of new products, such as cyber insurance.

We'll want to look at whether Brexit gives us an opportunity to make changes to support the unique nature of the UK life insurance market.

We'll want to explore opportunities to deepen trade beyond the EU – particularly in the market for corporate and speciality insurance. It is these reasons that insurance continues to be one of the priority work streams of the Financial Services Trade and Investment Board.

And I want to thank the ABI for all the work they've done alongside Inga Beale [CEO of Lloyd's of London] in supporting our efforts to grow the market share of UK insurers in the high-growth economies of Asia and Latin America, and in attracting inward investment, both insurance capital and jobs, to the UK market.

So I know there are questions remaining about the political context and about Brexit. But there are opportunities too.

To take them, we need to keep the dialogue between industry and government open. That is my clear priority and I hope you will always work with me.

On my side, the work has already begun, including with the Chancellor to deliver a negotiated exit to the EU that delivers for Britain, its financial services and our vital insurance sector.

In doing so, we're recognising the importance of our financial services – that taken as a whole you contribute £71 billion to public funds, with insurance playing an important role within that.

That critical tax revenue must ensure that the insurance industry and the whole of financial services remain central to the discussions in Whitehall in the months ahead.

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## **Press release: Government commits to continue funding its share of Europe's flagship UK-based nuclear fusion research facility**

- government pledges to meet its fair share of funding for the JET project until the end of 2020
- payment assured if the EU extends the UK's contract to host the Oxfordshire-based facility beyond 2018
- announcement underlines government commitment to maintain high quality research in the UK and continued collaboration with EU partners

The government has signalled its willingness to maintain research collaboration with European partners after the UK leaves the EU by committing to underwrite UK funding for the Joint European Torus (JET) project, the Business and Energy Secretary Greg Clark has announced today (27 June 2017).

Subject to the EU extending the UK's contract to host the world-class nuclear fusion facility beyond 2018, the UK has agreed to underwrite its fair share of JET's running costs, which is based at the Culham Centre for Fusion Energy

in Oxfordshire.

The move supports the UK's ambition to be the go-to place for scientists and innovators across the world, and secure the right outcome for the UK's research base as we exit the EU.

Business Secretary Greg Clark said:

JET is a prized facility at the centre of the UK's global leadership in nuclear fusion research, which is why the government is taking every possible step to secure its future and to maintain highly-skilled jobs in the UK.

Combined with our Industrial Strategy and investment of £4.7 billion for research and development, today's funding commitment highlights the importance we place on this partnership and our desire for this valuable work to continue uninterrupted.

The JET project is home to the world's largest and most advanced nuclear fusion reactor and has led global efforts to develop a clean, safe energy source. It supports 1,300 jobs in the UK, 600 of which are highly skilled scientists and engineers.

Science Minister Jo Johnson said:

For nearly half a century, the UK has hosted national and international researchers who have brought us closer to realising one of science's greatest prizes – a clean, safe and virtually inexhaustible energy source.

Our exit from the EU has not altered our desire and willingness for the UK to continue playing a leading role in furthering our scientific understanding, and today's announcement aims to provide the necessary reassurance for us to continue this partnership.

The UK's contract to maintain and run the JET project is managed by the UK Atomic Energy Authority (UKAEA) and is due to end in December 2018. As part of this contract, the EU currently provides around £60 million of funding per year, which represents 88% of JET's running costs. The UK's commitment to continue funding the facility will apply should the EU approve extending the UK's contract to host the facility until 2020. A discussion will then take place on the appropriate funding split.

Professor Ian Chapman, CEO of UKAEA said:

International Thermonuclear Experimental Reactor (ITER) is the largest scientific endeavour mankind has ever undertaken and JET is undoubtedly the best place in the world to prepare for ITER's

successful operation. UKAEA are pleased that the UK Government is committed to exploiting JET as we prepare to break fusion records in the next few years.

Today's announcement follows previous UK commitments to continue European research collaboration. In 2016, the government announced UK businesses and universities should continue to bid for competitive EU funds, such as the EU's Horizon 2020 research programme, while the UK remains a member of the EU, and the government will work with the Commission to ensure payment when funds are awarded – even when specific projects continue beyond the UK's departure from the EU.

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## **Press release: PM: mental health training for teachers will “make a real difference to children's lives”**

The government's pledge to transform mental health services for young people has taken an important step forward with teachers and staff across the country starting training to identify and respond to early signs of mental health problems among pupils.

Delivered by the [social enterprise organisation Mental Health First Aid \(MHFA\) England](#), the training was originally announced by the Prime Minister in January as part of a series of measures to address the “hidden injustice” of poor mental health across society.

Around one in 10 children are believed to have a diagnosable mental health disorder, with half of all mental health conditions begin before the age of 14, making it vital that children with early symptoms receive the support they need.

However, research by the National Association of Schoolmasters Union of Women Teachers (NASUWT) found that 98% of teachers had come into contact with pupils who were experiencing mental health issues, but only 46% reported receiving training on children's mental health.

The programme, backed by £200,000 in government funding, will start with 3,000 staff covering every secondary school in England over the next three years and will be extended to primary schools by the end of this Parliament. They will receive practical advice on how to deal with issues such as depression and anxiety, suicide and psychosis, self-harm, and eating disorders.

Participants in the training programme will be invited to become a Youth

Mental Health First Aid Champion, and will help to share their knowledge and understanding of mental health across the school and wider community.

It is hoped that this will mean more young people will get fast and appropriate support for emerging mental health problems, and that all children will receive the highest quality pastoral care through their adolescence.

Prime Minister Theresa May said:

When I stood on the steps of Downing Street on my first day as Prime Minister, I said that the disparity in mental health services was one of the burning injustices our country faces.

Since then we have announced real progress in tackling this unfairness, and this training will make a real difference to children's lives by ensuring they have access to sensitive and swift support.

Tackling poor mental health is a huge challenge, and we will keep our promises and meet that challenge with the comprehensive cross-society response that is required.

Secretary of State for Health, Jeremy Hunt, said:

Teachers provide outstanding pastoral care and support for their pupils, but many have said that they would appreciate more formal training on how to understand and respond to acute mental distress.

We know that identifying symptoms of mental illness in their early stages can help put young people on the road to recovery. This initiative will mean more children can get the fast and sensitive support they need to stay well, and help build a society with far better understanding of mental ill health.

Education Secretary Justine Greening said:

Growing up in today's world is not always easy and for some young people the problems can be acute. That's why we are stepping up our support for children with mental illness to help them become resilient, confident adults who can go as far as their talents will take them.

This new training will give teachers more confidence in tackling mental health issues and build on the fantastic support we know they already give their pupils. It's great that so many schools are taking part and I'd encourage others to follow their lead.



Caroline Hounsell, MHFA England Director and lead of the Youth MHFA in Schools programme, commented, saying:

Mental ill health in young people is a growing health concern, with half of all lifetime cases of mental health issues starting by the age of 14. It's therefore vital that we put the right measures in place to ensure that young people get the help they need and at the earliest possible stage.

We are really pleased to be involved in this government-backed programme and supporting our instructors to deliver this important schools-focused training.

John McKee, Headteacher, Patcham High School, Brighton, commented:

We are delighted to be one of the first schools in the country to be involved in the Youth MHFA in Schools programme.

Around one in 10 children have a diagnosable mental health issue – roughly three children in every classroom – so upskilling frontline school staff to be able to support these children is crucially important.

Sarah Brennan, Chief Executive of YoungMinds, said:

Children and young people today are facing a huge range of pressures, from exam stress to online bullying, which inevitably take a toll on their mental health. Many of these pressures become particularly intense during secondary school so it is important and welcome that mental health first aid training will be available for secondary schools.

This training is a move in the right direction and will help give staff the opportunity to gain confidence and understand mental health better. We hope it will encourage more leadership teams to put student wellbeing at the heart of their school which will benefit both students and schools alike.

Young people need to learn about wellbeing and resilience from a young age, so when they leave school they are equipped to deal with problems and have the confidence to seek help. It is vital that this work is part of a whole-school approach to wellbeing, and that mental health is made a priority across the education system.

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## [News story: DVLA publishes new IT Strategy](#)

The DVLA published its IT strategy today outlining its focus and priorities for the next three years.

The agency, which has some of the government's flagship digital services, is committed to using advances in technology to make things simpler, better and safer for its customers.

The [IT strategy](#) will enable the DVLA to deliver its recently published [three year strategic plan](#), which focuses on uniting business, digital and technology with a goal to build dynamic online services with unrivalled safety and security.

Dave Perry, DVLA Chief Technology Officer, said:

Our aim is to become a hub for digital motoring. We are transforming our IT estate to deliver our digital transformation ambitions and create the best online services for customers.

Our services are at the forefront of technology and our organisation design will be optimised to deliver migration from our legacy IT platforms. Our IT strategy will ensure we continue to deliver systems that are fit for the digital age in which we live.

### **Keep up to date**

Subscribe to our DVLA Digital Services [blog](#) to keep up to date with the latest developments on our [IT strategy](#).

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## [News story: Justice for All? David Lammy MP to speak at Royal Society of Arts](#)

David Lammy MP to speak at Royal Society of Arts, Monday 3 July 2017 12:30pm to 1:30pm.

The Rt Hon David Lammy MP's pioneering review of racial disparity in the criminal justice system is exposing levels of potential bias that are cause for serious concerns.

The review's interim findings, published last November, came with in-depth analysis to help identify the stages of the system at which disproportionality is most pronounced. It also evidenced that black men and women continue to be sentenced more harshly than white men and women for committing the same type of crime; over 40% of prisoners under the age of 18 are BAME; and that the number of Muslim prisoners has almost doubled in the last decade.

Having illustrated the huge challenge government faces in tackling what could be institutionalised inequalities in the criminal justice system, David Lammy is now in the final stages of completing his report. He will be sharing some of the in-depth, real-life insights this review has uncovered; and setting the scene for a national, political debate on these issues.

[To register](#) please visit the RSA website.