

CHECK AGAINST DELIVERY

**SPEECH – ARCHIE KANE, CHAIRMAN, ABI
ABI HOLYROOD RECEPTION, 18 MARCH 2010**

Good evening ladies and gentlemen – I'm delighted so many of you have been able to join us.

This is the ABI's second reception in Holyrood and we're grateful to Gavin Brown for sponsoring tonight's event, and I'm particularly pleased that the Cabinet Secretary, John Swinney has taken time to join us as well.

A lot has happened since last year's reception.

For a start, the ABI has a new Director General – Kerrie Kelly. We are delighted to have Kerrie leading the organisation at such a challenging time – bringing fresh insights and a wealth of experience.

The past 18 months have been the most challenging period of my career – and that includes appearing before 3 Parliamentary committees – 2 in Westminster and 1 in this fine building.

But we must now concentrate on the future.

I became Chairman of the ABI because I believe the insurance industry plays a vital role in society – both at a personal and a business level.

Our positive role is not only through the products we provide – but also as investors where we are responsible for a quarter of all capital invested in UK markets.

Without a strong insurance sector, we would be a less wealthy and more vulnerable society. I want the industry to remain a strong and successful part of our economy.

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We have every reason to be proud of the insurance industry – not least here in Edinburgh, which remains home to some of the world's best known life companies.

However we have a hill to climb.

The whole financial sector has to earn back the trust and confidence of our customers.

But politicians and policy-makers have to play their part too in how they treat financial services in the future.

Today's report from the Economy, Energy and Tourism Committee is to be welcomed – not least because it has taken a reasoned and balanced approach to the issues surrounding the crisis.

The report shows the industry in Scotland is much broader than banking, with world-class insurance and fund management sectors.

It also shows the importance of having a clear and coherent strategy to re-establish Scotland's place as a leading international financial centre.

There is already fierce global debate on regulation, competition and the future structure of the financial services sector.

But I would urge those in the Parliament and Government to focus on what specifically can be done within existing powers to ensure Scotland remains an attractive destination for financial services and business more widely.

Insurance firms were not at the centre of the financial crisis, but we understand the current environment and the desire to reform the financial services industry.

I cannot say this often enough. Insurance is not banking:

- We run long-term businesses;

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- We are not leveraged;
- We are not exposed to the same liquidity issues that banks face; &
- Regulation needs to be designed, implemented and enforced with that in mind.

Caution therefore needs to be applied.

There is a danger, that the response to the financial crisis could unintentionally squeeze the life out of the UK insurance industry.

We recognise scrutiny will increase. Regulation will intensify. And that we will face closer, more intrusive, supervision.

We must embrace this change.

However, there is a cost to increased regulation. And we accept that.

But we seek two things.

First – any new regulation should not be broad brush and needs to be targeted at risk in the financial system.

Second – we must remain in step with other countries.

If we don't, we risk undermining the competitiveness of the insurance sector here in the UK.

Tax is also a real issue affecting the industry's ability to remain globally competitive.

In the current economic scenario we are not naïve enough to begin asking for unaffordable changes to the tax system.

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But we do need to highlight the corrosive effect recent tax changes have had. This is a real issue.

Some insurers have already decided to move their operations overseas.

Regulation and tax are fundamental to the future competitiveness of the industry.

Capital is more mobile than ever before – and investors need confidence that they will get a decent and predictable return on their investment.

Changes to the regulatory and fiscal environment can and will deter investors from the UK – that is not good.

What we need is stability and a long term plan to ensure that we remain competitive.

But the future prospects of the industry do not lie solely in the hands of politicians. Far from it.

When I became Chairman in 2007, I said that the industry could – and should – be doing more to earn the trust and confidence of our customers.

The financial crisis has brought that into even sharper focus.

Our road to salvation requires us to focus relentlessly on our customers' needs:

- We must design simple and transparent products;
- We need to communicate clearly; &
- We need to deliver excellent service.

We have come a long way in recent years – but we need to do more.

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As investors we also need to be playing our role and demonstrating that we have learned lessons from recent events and ensure that we understand the risks associated with the investment we make.

The industry's future lies first and foremost in our own hands.

But we also want a strong and constructive relationship with all our external stakeholders – not least in the political world – to help secure the strong and competitive environment we need.

Let me say that the relationship with the Scottish Government is a healthy one and John plays a central role in this.

- It is conducted with a focus on the reality of the situation we find ourselves in;
- With a firm focus on the future; &
- It is conducted in a trusting and adult way.

And that is very good!

I'd like to thank you for all joining us this evening, and for your time and engagement over the course of the past year

And now I'd like to hand over to John Swinney to say a few words.

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