

Political & Regulatory Outlook and Priorities for 2016

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Association of British Insurers

Aims of Lecture

- Analyse the UK and EU political environment and outlook for insurers in 2016
- Assess the regulatory challenges and how we might deal with them
- Update on the ABI's priorities for the year ahead in light of the above



What's changed since 2014?

- UK Government: Majority Conservative Government & Labour Opposition clearly divided
- EU: Juncker Commission focused on growth & deregulation. Centre-right stronger in Parliament
- Regulatory Environment: ICS momentum slowed/FCA leadership upheaval/Fewer UK Solvency II internal models
- And:
 - Climate change prominence & Paris agreement
 - Digital revolution relentless; further growth of 'on demand' economy & social media
 - Deteriorating geo-political stability



So why bother engaging?

- Impact on us
- We can help shape political and regulatory outcomes
- Insurance solutions remain critical to the fast-changing world



Political Outlook – 5 things that matter

1. EU Referendum: UK place in the world/UK Conservative party and leadership/Future of the UK itself
2. Labour internal divisions and impact on UK Government & Parliament
3. UK Elections; 3 national parliaments; 4 City Mayors, 125 Local Authorities
4. Conservative Party dynamics
5. Global geo-politics and economics



Regulatory Outlook – 5 things that matter

1. Post-Solvency II implementation
2. Changing FCA dynamics
3. International & EU agenda
4. Greater political & media scrutiny of regulators
5. Challenges posed by changing world: Technology; range of consumer behaviours; liquidity; growth v stability; alternative capital in reinsurance market



ABI Political Priorities (GI)

- Flooding; response and future policy
- Civil Justice & cost of insurance
- Tackling fraud
- Competitiveness & taxation
- Reputation & innovation



ABI Regulatory Priorities

- Work toward EU-wide Solv II level playing field and sensible 2nd order changes. Sensible outcomes on Equivalence (US and Bermuda) and US/EU covered agreement on RI collateral
- Develop further constructive FCA relationship at all levels
- Help drive coordinated and constructive regulatory positions between UK, EU and international regulators
- Build further focus on importance of competitiveness agenda with regulators
- Demonstrate highest standards of practice and consumer-centric outcomes, including transparency
- Developing responsibility for client outcomes in the commercial market



Variables & Challenges

1. Terror threat to UK/West and ongoing geopolitical & economic instability
2. Consequences of EU Referendum ,especially Brexit
3. Ongoing insurance market changes and consolidation
4. Reputational risks to industry posed by individual incidents or any perceived market failures
5. Events....



The Way Forward...

1. Engagement; leaning in
2. Reputation
3. Being fit for the future; Technology; Diversity/Innovation
4. Advocacy; telling our story
5. Resilience; it's a tough environment out there..



Conclusions

1. The future is fast-moving; but we are all determined to gain from it
2. Huge opportunity for us to play greater role as an industry
3. Two years from now; we could be further strengthened and in a better position all round – let's work towards that

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