Opening remarks to
Lloyd's Insurance Law & Regulation Conference
May 2008, London
Lord Levene, Chairman of Lloyd's

Good morning ladies and gentlemen. We are delighted that you could join us for this conference on insurance law and regulation this morning. Although we are holding it here at Lloyd's, we are honoured to be working in very close association with Queen Mary's Centre for Commercial Law Studies on this event. The Queen Mary Centre is recognised around the world as one of the leading and largest teaching and research centres for commercial law and we are grateful for the opportunity to partner with them.

Of course, when I found out that I would be addressing a large number of attorneys, it seemed the perfect opportunity to wheel out a few lawyer jokes. But the trouble with most lawyer jokes is that lawyers don't think they are funny, and other people don't think they are jokes! So I figured that it would be best for me to stick to opening the proceedings this morning.

We are privileged to bring together a number of heavyweight contributors from the national, European and international stages who are leading and introducing changes of major significance to the insurance industry. We are also pleased to have such a diverse audience: we have attendees from every part of the UK market including representatives from the Treasury, our regulator the FSA, the UK company market and from brokers in addition to the Lloyd's market itself.

In hosting this conference, our objective is clear. Lloyd's wants to help facilitate debate and discussion on the major legal and regulatory issues which will shape the insurance and reinsurance agenda for all of us over the coming years. In a rapidly changing business environment, it is critical that the industry is ready to understand, anticipate and respond to legal and regulatory developments which will also define our future.

In my capacity as Chairman, I have made it something of a personal crusade for more liberal, fair and harmonised regulation across the world, whether in Lloyd's largest market, the US, or in newer, developing markets.

As some of you may know, as well as being Chairman of Lloyd's I am also non-executive Chairman of International Financial Services London. I therefore see first-hand that not only insurance – but financial services in its entirety – is an industry which needs to trade freely across borders.

In the US, Lloyd's has been one of the key voices over the last five years lobbying US regulators and national officials to change the grossly anti-competitive collateral rules that require foreign insurers, regardless of their track record or ratings to post collateral equivalent to 100 percent of their gross liabilities.

Recently, we were pleased that the US Treasury has taken up the challenge to propose a new infrastructure in its Blueprint for a Modernized Financial Regulatory Structure. It announced that it proposes to establish the Office of Insurance Oversight which would move regulatory authority on issues like reinsurance collateral to the federal level, and out of the hands of the states.

This is a major breakthrough in a regulatory system that has been unwieldy and costly to navigate, to say the least. The ability for the US to speak with one voice on such issues and to ensure uniform implementation of US policy throughout the States is in the interests of both the US consumer and the nation's trading partners.

Some states are already showing signs they may be willing to support a less discriminatory approach, and we will continue to work tirelessly to present the case for an open and fair approach – indeed it was one of the key discussion points at my meeting with California's Governor Schwarzenegger a few weeks ago.

In Europe, we are in a happier position – with one of the most forward-thinking regulatory frameworks that we can see internationally at the moment.
At the heart of it is free market access. Through the 'passport' system, insurers can now gain access across the continent, while innovative providers get an opportunity to sell their products in new markets. This benefits both businesses and the national economies: where free trade reigns, prosperity is not far behind.

I'm not the only one who's a fan of this system. Recent research by Norton Rose indicated that 70 percent of respondents globally felt that the EU passport regime could be usefully replicated in other territories. Ultimately, financial services liberalisation and a common regulatory structure – like the type modelled in Europe – fosters innovation, reduces costs, and benefits industry and consumers alike. We must continue to sell its benefits.

Back home in the UK, the FSA is doing important work driving forward change in the international regulatory arena. Ultimately, it is very helpful to have a well-regarded and experienced supervisor calling for change internationally. At Lloyd's, we recognise that it enables our financial industry to capitalise on business opportunities in emerging markets and we want to see the UK's leadership role on the international stage being further developed and enhanced.

But here in Europe too, there is change. The implementation of Solvency II will bring further welcome harmonisation of regulation and convergence in supervisory requirements throughout the EU.

And while there is plenty going on in the regulatory sphere we should not take our eye off the very important changes that are going on with insurance law here in the UK, both in the courts and at a legislative level. Insurance is an area that is particularly sensitive to changes in the law. The Law Commission is currently consulting on its proposals in this area and there is no doubt that those changes could have a significant impact on our businesses. There is therefore no substitute for staying informed and taking part in the consultations which are ongoing to ensure that any changes are the right changes.

These are certainly turbulent times for financial services right now. But as the impact of the credit crunch unfolds, I believe that we should not indulge the craving for knee-jerk reactions. There will undoubtedly be a need for adjustments to supervision, systems and guidelines in response to this crisis. Instead, as we consider the issues, we need to formulate careful responses which work at an international level. Some suggest that our relatively open, integrated markets are the root of the current problems. In fact, I would argue the opposite – that we need a better harmonised, more integrated infrastructure with closer international co-operation. What's more, business itself has an important role to play. Change and reform should only happen after careful thought and proper consultation, including with industry.

For its part, London continues to be a premier global centre, in spite of the current turmoil in financial markets. London's infrastructure, its huge cluster of talent, its open and international outlook, and its breadth and depth of financial expertise makes it a premier international financial hub.

It is an enviable advantage to be operating in London, but we also have the responsibility to lead by example. We must encourage progressive change in the international regulatory environment, while doing our part to support best practice at home. It is in that spirit that I am delighted we could come together this morning to discuss these important issues.

Thank you.