

Written evidence submitted by ABI (TB02)

1. The Association of British Insurers (ABI) is the voice of the UK's world leading insurance and long-term savings industry. A productive, inclusive and thriving sector, we are an industry that provides peace of mind to households and businesses across the UK and powers the growth of local and regional economies by enabling trade, risk taking, investment and innovation.
2. The UK is an international hub for insurance and has a highly developed speciality insurance sector. In 2015, the insurance and pensions sector was the fifth largest trade in services exported, and had the second largest trade in service surplus of £12.8 billion. Further, insurance and pensions make up 6% of all UK service exports and so we believe that the UK is now presented with an opportunity to further support trade in this service going forward.
3. The ABI welcomes that the UK Government recognises the important contribution that trade in services makes to the UK economy. This was recently echoed by the Treasury Select Committee's report on '*The Solvency II Directive and its impact on the UK Insurance industry*', which stresses that **the UK's insurance industry should be treated as a priority sector during the Article 50 negotiations**.
4. We would ask for this to be extended to the UK's approach to formulating trade policy. Our world leading sector can help Britain thrive in its global role with a more innovative and balanced economy. The specialism and expertise of the UK insurance market attracts business and investment globally, and so is of vital importance to the national and regional economies.
5. The ABI supports the overall objective of the Trade Bill, which is to create a framework for an independent trade policy, however there are a number of areas that require further clarity and consultation:

Part 1 Implementation of International Trade Agreements

Clause 1: Implementation of the Agreement on Government Procurement

6. Whilst we recognise the UK Government's efforts to ensure continuity, through the implementation of the Agreement on Government Procurement, we would also support the UK Government in pursuing other plurilateral agreements and seeking their conclusion, such as the Trade in Services Agreement (TiSA), so that trade in services is not disrupted.
7. Similarly, we would encourage the UK Government to support international standards in financial services and frameworks that support mutual recognition.

Clause 2: Implementation of International Trade Agreements

8. We strongly support the grandfathering of existing EU Free Trade Agreements (FTAs). Although, to date, EU FTAs have secured little benefit for insurers, greater certainty and stability would be offered to UK businesses and the economy through this. Recent agreements, such as CETA and the EU FTA with South Korea, have made progress towards securing increased liberalisation for trade in services and we would hope to build upon those new opportunities in the future.
9. Clause 2 makes provisions to implement international trade agreements not meeting the definition of an FTA such as the General Agreement on Trade in Services (GATS), which we welcome. However,

we would be strongly supportive for the UK Government to advance the mandate provided by GATS, particularly with respect to insurance. We have recently seen protectionist and discriminatory measures being implemented in a number of WTO member countries which put foreign insurers at a competitive disadvantage. It will be important for the UK to vocalise the benefits of having open and liberal trade to all WTO members.

10. We would support the Government's approach of prioritising a robust and constructive relationship with the EU once we leave the EU, while exploring relationships outside of the EU. Good, open regulatory cooperation and dialogue is essential between the UK and key non-EU jurisdictions, particularly given the increased globalisation of the insurance and reinsurance markets. This is important for the Government but also for regulators. However, establishing regulatory dialogue with another jurisdiction can often be quicker, and more practical, in securing market opening and development compared to FTAs.

Part 2 The Trade Remedies Authority

11. The ABI is also supportive of the Government's approach to dispute resolution through the establishment of the Trade Remedies Authority (TRA). When considering new trade agreements and including provisions for a dispute settlement mechanism, we would suggest that the TRA include an individual who is an expert in the field of the dispute. For example, if the dispute concerned insurance, we would ask for an individual who was an expert in this field. This would be particularly important given the complexities of insurance and insurance regulation.
12. We would be interested to understand how the Government builds its own capacity in engagement with the WTO's dispute mechanism. For example, what would the UK's involvement be in on-going cases once we leave the EU. The UK Government could look to how other WTO members have established their own engagement since joining the WTO. Further to this, we would be interested in any assessment the Government may have made about the suitability and effectiveness of the WTO's dispute system in addressing barriers to trade in services.
13. We would welcome further detail on how the recommendations made by the TRA would be acted on by the Government and the role of the UK Parliament. We would also urge the Government to take advantage of this opportunity to establish a trade remedies framework to develop a methodology that reflects the sophisticated nature of modern trade, i.e. long product pipelines, the increased role of services and the ubiquity of data transfer.
14. We are very supportive of the online system to Report a Trade Barrier which the Department for International Trade is developing and the ABI has been involved in testing. This will be a vital tool for industry and individuals wishing to both understand and report trade barriers going forward. It will be equally important for the process by which a trade barrier reported will be considered to be actionable to be as clear as possible.