Sea-change in UK boardrooms as women make up nearly 40% of FTSE 100 top table roles

- Almost 40% of UK FTSE 100 board positions are now held by women, putting the UK second in international rankings for board representation
- FTSE 100, 250 and 350 all improved the number of women in leadership roles in 2021, with government's voluntary, business-led approach paying dividends
- new review sets out bold recommendations to build on this progress, including increasing scope to capture ongoing efforts of 50 largest private companies

The UK has climbed to second in the international rankings for women's representation on boards at FTSE 100 level, with new data to be released today (22 February) showing nearly 40% of UK FTSE 100 board positions are now held by women, compared with 12.5% just 10 years ago.

The data has been published in a new report by the government-backed FTSE Women Leaders Review, which monitors women's representation in 24,000 positions on FTSE 350 Boards and in leadership teams of the UK's biggest companies, building on the success of the previous Hampton-Alexander and Davies Reviews.

Today's findings demonstrate a major sea-change in attitudes to getting women leaders to the top table of business in the UK, with women's board representation increasing in 2021 across the FTSE 100 (39.1%), FTSE 250 (36.8%) and FTSE 350 (37.6%).

The report highlights the success of the UK government's voluntary, business-led approach to setting targets for getting more women on boards, as the UK progressed from fifth to second in the international rankings at FTSE 100 level, leapfrogging countries such as Norway, which enforces a mandatory quota system on businesses.

Business Secretary Kwasi Kwarteng said:

> UK businesses have made enormous progress in recent years to ensure that everyone, whatever their background, can succeed on merit – and today's findings highlight this with more women at the top table of Britain's biggest companies than ever before.
>
> However, we should not rest on our laurels, and the FTSE Women Leaders Review will build on the success so far of our voluntary, business-led approach to increasing women's representation on boards and in leadership, without the need for mandatory quotas.

The number of women in Chair roles across the FTSE 350 rose to 48, up from 39 in 2020, and there has been a significant decrease in the number of 'One & Done' boards to just 6 this year, as British businesses take action to diversify their boardrooms.

UK businesses have also continued to drive progress in their leadership teams in 2021, despite challenges faced in responding to COVID-19. There are over 700 more women in Leadership roles in the FTSE 350 companies this year, increasing women's representation to 31.5%, an increase of 2% year-on-year.

While there has been remarkable progress at boardroom level, the report also shines a light on areas where there is still more to do. For example, only 1 in 3 leadership roles and around 25% of all executive committee roles are held by women and there are very few women in the CEO role. Equally, there are still many companies yet to hit the former 33% target set by the Hampton Alexander Review.

Minister for Women and Equalities, Liz Truss, said:

> It is excellent to see the progress being made, but we know there is more to be done.
>
> This government is committed to levelling up all parts of our country, working to tackle inequality and promoting equality of opportunity, including at senior level, so everyone can thrive.
>
> We will shortly put forward a range of measures to advance equality for women at work, increasing opportunity, and tackling the issues that are holding women back as we look to ensure that everyone can reach their full potential.

To ensure British companies continue to raise their game and open up opportunities to everyone, today's FTSE Women Leaders Review report has set out bold new recommendations, including:

- the voluntary target for FTSE 350 Boards and for leadership teams is increased to a minimum of 40% women's representation by the end of 2025
- FTSE 350 companies to have at least one woman in the Chair, Senior Independent Director role on the Board and/or one woman in the Chief Executive Officer or Finance Director role by the end of 2025
- extending the scope of the FTSE Women Leaders Review beyond FTSE 350 companies to include the largest 50 private companies in the UK by sales

These recommendations aim to increase gender balance further, bringing new focus to the appointment of women at the highest levels of British business, particularly in those companies that are still lagging behind.

Denise Wilson, Chief Executive, FTSE Women Leaders Review said:

> Today the FTSE Women Leaders Review announces 4 new recommendations

> for this next stage, which will embed the progress and hard-won gains of the last decade and take business further on the journey to gender balance in the boardroom and in leadership.
>
> We know there is much more work to do and no shortage of experienced, capable women, ambitious for themselves and their company across all sectors of business today. So while we continue to build on progress for women on boards, we need to firmly shift focus in this next phase to women in leadership roles at the top of the organisation.

The government is also announcing today that KPMG and Lloyds Banking Group will be the corporate sponsors for FTSE Women Leaders Review in this next phase, providing important support to increase the number of women at the top of British business.

Bina Mehta, Chair of KPMG in the UK, said:

> While the representation of women in leadership roles has continued to improve, the need to maintain momentum and continually challenge remains. Forty is the new 30 when it comes to women's representation targets on boards and in senior leadership roles. But beyond the numbers, it's just as important to ensure that the overflowing pipeline of well-qualified and capable women translates into more women Chairs, SIDs, CEOs and CFOs. I'm delighted KPMG UK is co-sponsoring the FTSE Women Leaders Review, helping to make truly inclusive leadership cultures a reality for all businesses.

Fiona Cannon, Group Sustainable Business Director, Lloyds Banking Group, said:

> Lloyds Banking Group is pleased to co-sponsor the FTSE Women Leaders Review. We firmly believe that gender equality provides a real competitive advantage and companies with diverse leadership teams see increased performance and make better decisions. We welcome the new target to achieve a minimum of 40% women on Boards and in leadership teams and are particularly pleased that there will be a strong focus in the Review on increasing the number of women in leadership positions. There is no shortage of talented women; we need to ensure the opportunities are there for them to succeed.

The government will appoint new Chairs to the FTSE Women Leaders Review shortly, to lead this next phase over its 4-year span.

The full report will be available online on 22 February.

The FTSE Women Leaders Review is an independent, business-led framework

supported by the government, which sets recommendations for Britain's largest companies to improve the representation of Women on FTSE 350 Boards and in FTSE 350 Leadership positions.

It tracks progress on 24,000 Board and leadership roles and builds on the excellent work of both the Hampton-Alexander and Davies Reviews over the last 10 years. The previous 33% target set in 2016, for Women on Boards was met in the aggregate for the FTSE 350 at the end of 2020, with the number of Women in Leadership just falling short of the target.

The new recommendations

1. There are 4 new recommendations announced today to fuel further progress in this next phase:

- the voluntary target for FTSE 350 Boards and for FTSE 350 Leadership teams is increased to a minimum of 40% women's representation by the end of 2025
- FTSE 350 companies should have at least one women in the Chair, Senior Independent Director role on the Board and/or one woman in the Chief Executive Officer or Finance Director role by the end of 2025
- key stakeholders should continue to set best practice guidelines or use alternative mechanisms to encourage any FTSE 350 Board that has not yet achieved the previous 33% target for the end of 2020, to do so
- the scope of the Review is extended beyond FTSE 350 companies to include the largest 50 private companies in the UK by sales

Women on Boards – 2021 Progress

2. Reported numbers for Women on Boards of FTSE 350, as at 10 January 2022 (source: BoardEx), show:

- FTSE 100 is at 39.1%, up from 36.2% in 2020
- FTSE 250 is at 36.8%, up from 33.2% in 2020
- FTSE 350 is at 37.6%, up from 34.3% in 2020

3. The number of women in the Chair role has increased to 48 across the FTSE 350, up from 39 in 2020.

- FTSE 100 – 16 women Chairs
- FTSE 250 – 32 women Chairs

4. The UK FTSE 100 is in 2nd place when compared internationally to 11 countries also working hard to improve the gender balance on the boards of public listed companies. This is up from 5th place in 2020 and the highest ranking since tracking began.

5. There are currently 4 companies in FTSE 350 with a women CEO and Chair duo, as at 10 January 2022:

- Admiral Group Plc
- Severn Trent Plc
- Pennon Group Plc

- Direct Line Insurance Group Plc

6. The number of FTSE 350 Boards that have met, or exceeded the previous 33% target has increased to 278 Boards, up from 220 in 2020.

7. The number of FTSE 350 Boards that have met, or exceeded the new 40% target is currently 140, 48 boards in the FTSE 100 and 92 in the FTSE 250.

Women in Leadership – 2021 Progress

8. Reported numbers for Women in Leadership (defined as the Executive Committee & Direct Reports to the Executive Committee on a combined basis), as at 31 October 2021 (source: FTSE Women Leaders data collection portal), show:

- FTSE 100 is at 32.5% up from 30.6% in 2020
- FTSE 250 is at 30.7% up from 28.5% in 2020
- FTSE 350 is at 31.5% up from in 29.4% in 2020

9. Reported numbers for women on Executive Committees, as at 31 October 2021 (source: FTSE Women Leaders data collection portal), show:

a. FTSE 100 is at 25.9% down from 26.5% in 2020.
b. FTSE 250 is at 24.4% up from 21.7% in 2020.
c. FTSE 350 is at 25% up from 23.6% in 2020.

10. There are 18 CEOs across the FTSE 350 as at 10 January 2022, (source: BoardEx and other public and/or statutory sources), split by:

d. FTSE 100 has 8 women CEOs.
e. FTSE 250 has 10 women CEOs.

11. The number of all-male Executive Committees in the FTSE 350 has decreased again this year to 16, down from 28 in 2020. (Source: FTSE Women Leaders data collection portal)

12. There are 49 women Chief Financial Officers in the FTSE 350 as at 10 January 2022. (Source: BoardEx and other public and/or statutory sources)

International table

Over the years the FTSE Women Leaders Review (formerly the Hampton Alexander and Davies Reviews) has tracked its progress in increasing the representation of women on boards of public listed companies against other countries internationally. In 2021 the UK FTSE 100 ranks in second place compared against 11 similar counties, up from fifth place last year when compared with 12 similar countries.

	Country	Index	% of board positions held by women 2021
1	France	CAC	43.80%
2	United Kingdom	FTSE 100	39.10%
3	Norway	OBX	38.20%

	Country	Index	% of board positions held by women 2021
4	Sweden	OMX Stockholm	36.90%
5	Netherlands	AEX	35.30%
6	Australia	S&P ASX	35.10%
7	Finland	OMX Helsinki	35.10%
8	Belgium	BEL Institutional	34.30%
9	Spain	IBEX	34.00%
10	Canada	S&P TSX	33.70%
11	California	S&P	32.30%
12	Germany	DAX	30.50%

Source: BoardEx and other public and/or statutory sources as of 10 January 2022.

For further information:

Contact us at:

PM call with President Zelenskyy of Ukraine: 21 February 2022

Press release

Prime Minister Boris Johnson spoke to Ukrainian President Volodymyr Zelenskyy this evening to discuss the deteriorating situation in and around Ukraine.

Prime Minister Boris Johnson spoke to Ukrainian President Volodymyr Zelenskyy this evening to discuss the deteriorating situation in and around Ukraine.

Outlining his grave concern at recent developments in the region, the Prime Minister told President Zelenskyy that he believed an invasion was a real possibility in the coming hours and days.

The Prime Minister strongly condemned the Kremlin's decision today to recognise Luhansk and Donetsk as independent states, and said the move made the Minsk agreements and process unworkable. He added that the UK was already engaging with partners on the issue and said the UK would raise it at the United Nations Security Council and Organization for Security and Co-operation in Europe in the coming days.

He told President Zelenskyy that the UK had already drawn up sanctions to target those complicit in the violation of Ukraine's territorial integrity, and that those measures would come into force tomorrow. The Prime Minister also said he would explore sending further defensive support to Ukraine, at the request of the Ukrainian Government.

The leaders agreed that the West needed to support Ukraine in the event of an invasion but should continue to pursue a diplomatic solution until the last possible second.

Regardless of President Putin's actions, the UK would be steadfast in its full support of Ukraine's sovereignty and territorial integrity, the Prime Minister said.

Published 21 February 2022

Statement from Business and Energy Secretary Kwasi Kwarteng on Storm Eunice

With your permission, Sir, I would like to make a statement on the electricity disruptions as a result of Storm Eunice, and set out exactly how we're working to ensure power is restored to people's homes as quickly as possible.

Storm Eunice, as everybody knows, brought severe weather, including wind gusts of up to 122mph – among the highest speeds ever recorded in England.

The Met Office took the unprecedented step of issuing a double red weather warning for Friday.

Ensuing hurricane-force winds have caused extensive damage to buildings and trees. They've also caused power outages, and widespread travel delays.

After a day of disruption caused by Storm Eunice on Friday, last night, Storm Franklin made landfall.

And it must be remembered that in this difficult time, four people have

tragically lost their lives in incidents related to storms. My thoughts – and, I'm sure, the thoughts of the whole House – are with the families and friends of those who have lost loved ones.

The Met Office estimates that further strong gusts today, though not on the same scale as Storm Eunice, will occur.

Some people – particularly in the South and East of England – have been without power for more than 72 hours.

I want to reassure them that we have dedicated teams of engineers working night and day to get them reconnected as soon as possible.

Continuing poor weather conditions have hampered those efforts, but I'm pleased to say that as of now, over 98% of those affected by storms – over 1.4 million customers – have had their power supply restored so far.

However, as of 16:00 today, there are still just under 30,000 households who are without power.

Today, my Right Honourable Friend, the member for Chelsea and Fulham, has been in Sevenoaks in Kent to see the impacts of the storm and observe repairs.

This weekend, I spoke directly with leaders at Scottish and Southern Energy Networks, and today I had conversations with leading managers at UK Power Networks and Western Power Distribution. They have given me assurances, Mr Speaker, that restoration is happening as fast as possible.

Mr Speaker, the UK has been particularly badly hit by storms this year.

But I am pleased to say that overall our network operators, government and our brave emergency services have learnt lessons about how we can improve our response, and will continue to learn those lessons.

When I commissioned the review into our response to Storm Arwen in November, I made clear that the very long delays some people faced to be reconnected were not acceptable.

I'm pleased to say that, where practical, network operators have already implemented improvements to their procedures.

Additionally, operators are sharing resources, and making sure engineers are sent to the worst affected areas.

Welfare provisions are in place for those who are most in need, particularly the vulnerable members of our community. Network operators are engaged with local partners to ensure that people are being supported.

Catering units are travelling to badly-hit areas, and smaller welfare units are providing hot water and other facilities to people who are worse affected.

I'm extremely grateful to the network operators and emergency responders who've been working very hard to keep people as comfortable as possible.

I am also very aware that in the Storm Arwen situation, we did have issues relating to the difficulty of communicating to the worst affected by the devastation.

And people are still experiencing issues today, but I am very pleased to say that if they call their network operator by dialling "105" from their mobile, there should be a speedy response.

This action will automatically route them to the right operator based on their particular physical location.

Mr Speaker, this is the first time in recorded history I believe that three named storms have come in such quick succession day after day since the storm naming convention was introduced little less than a decade ago.

It is a difficult time for many people.

But I have been reassured that operators are working extremely hard to make sure that people are reconnected as quickly as possible – and, at the latest, in the next couple of days.

And myself and my department will continue to provide that support – and apply the pressure where need be – to ensure this happens in a timely way.

UK slashes red tape through bold reforms to insurance sector regulation

- Proposed overhaul of insurance sector regulation will create a more tailored and dynamic regime, unlocking billions of pounds of in investment in UK infrastructure.
- Protection for policyholders will remain a top priority.

The UK will seize on its post-Brexit freedoms and unlock tens of billions of pounds of investment by slashing red tape through reforms to the regulation of the UK insurance sector, the Economic Secretary to the Treasury & City Minister said today.

Speaking at the Association of British Insurers Annual Dinner this evening (Monday 21 February), John Glen outlined plans to slash bureaucracy and relax regulation in a move that will unlock growth and unleash investment in UK

infrastructure. The plans set out today will further deliver the benefits of Brexit and ensure that businesses can spend more of their money investing, innovating and creating jobs.

It comes just weeks after the government published a policy paper setting out how the UK is using new freedoms to become one of the best regulated economies in the world and the Prime Minister announced he would be bringing forward a new a Brexit Freedoms Bill to end the special status of EU law in our legal framework.

The UK's insurance sector has been subject to the Solvency II rules since 2016 after they were introduced to harmonise insurance regulation across the EU.

But Mr Glen said the EU-focused, rules-driven and burdensome body of regulation would be reformed to become UK-focused, agile and easily adaptable. He said the new UK regime will facilitate rather than hinder market developments, support the entry of new and innovative firms and allow for the release of capital for productive investment.

The Economic Secretary to the Treasury & City Minister John Glen said: > EU regulation doesn't work for us anymore and the government is determined to fix that by tailoring the prudential regulation of insurers to our unique circumstances. > > We have a genuine opportunity to maintain and grow an innovative and vibrant insurance sector while protecting policyholders and making it easier for insurance firms to use long-term capital to unlock growth.

Mr Glen also reiterated that the reforms will safeguard policyholders with the overall level of policyholder protection remaining strong. The PRA already has extensive powers to address individual firm risks which provide an additional layer of protection against firm failure.

The proposed Solvency II reforms, developed by HM Treasury alongside Prudential Regulation Authority (PRA), include: * A substantial reduction in the risk margin, including a cut of around 60-70% for long-term life insurers.

- More sensitive treatment of credit risk in the matching adjustment.

- A significant increase in flexibility to allow insurers to invest in long-term assets such as infrastructure.

- A meaningful reduction in the current reporting and administrative burden on firms.

The reforms are expected to create an opportunity worth in the region of tens of billions of pounds for insurance firms to invest in long-term capital to unlock growth, unleashing greater investment in UK infrastructure.

In his speech, the Minister reiterated the government's vision– set out by the Chancellor at Manion House last year – for turning the UK into the most green, open and dynamic financial services sector on the planet.

Further information

- The Economic Secretary's speech will be published here shortly after delivery:

- Solvency II sets out the prudential regulatory requirements for insurance firms within the EU. This includes financial resources, governance and accountability, risk assessment and management, supervision, reporting and public disclosure. It was introduced to harmonise EU-wide insurance regulation and came into force in 2016.

- The Government will publish a full consultation document on proposed UK reforms to Solvency II in April 2022. This will be followed by more detailed technical consultation by the PRA later in the year.

- The government recently published a policy document setting out how the UK is capitalising on the benefits of Brexit and how the government will use its new freedoms to transform the UK into the best regulated economy in the world: The benefits of Brexit

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Speech by John Glen MP, Economic Secretary to the Treasury, to the Association of British Insurers Annual Dinner

Introduction

Good evening, everyone.

It's a pleasure as ever to be here with you all, and a privilege to be able to share some thoughts on the state of play in the industry… and, of course, I'm grateful to the ABI and KPMG for making that possible.

I also want to express my thanks for the consistently constructive role the ABI plays as a voice for the industry… on things like regulatory reform, cyber and 'insurtech', and sustainability.

You're a big part of the reason the UK remains a world leader in insurance…and financial services more widely.

I also want to thank the industry once again for what you've done in the last two years to support customers and businesses, through what has been a very challenging time.

However, it's time now to look to the future… and there's a number of questions that together we will need to answer.

For instance, what lessons can we learn from the pandemic, and take forward?

How do we deliver on the Chancellor's ambition to make the UK the world's first net zero-aligned financial centre?

How do we ensure that even the poorest in our society have access to the insurance products that they need?

How do we address the issue of high buildings insurance premiums for high rise residential buildings in need of remediation?

And how can the industry support the Government's pledge to deliver a world-leading health and social care system across the whole of the UK, developing new market propositions?

All of those are important, live questions.

Reform of Solvency II

But I'm not here to talk about any of that. Tonight, the focus of my remarks is Solvency II – something's that been mentioned to me every week of my almost 50-month tenure as Economic Secretary to the Treasury… the tram lines, if you like, within which you all have to operate… and which I know is a subject of keen interest to every single person in this room.

In the simplest terms, leaving the EU means that the UK can now tailor the prudential regulation of insurers to our unique circumstances.

Put even more bluntly, regulation developed to reconcile insurance markets for 28 different countries in the European Union never worked well for us. Now we're outside the EU, this Government is determined to fix that.

We have a genuine opportunity… to maintain and grow an innovative and vibrant insurance sector… while protecting policyholders and ensuring the safety and soundness of firms… and making it easier for insurance firms to use long-term capital to unlock growth, something the Prime Minister and Chancellor have rightly been outspoken about.

The Treasury has made excellent progress, in collaboration with the PRA, in developing reforms to Solvency II which we are certain will help do all of that.

And I am delighted, tonight, to be able to tell you more about those reforms…

and how we will make them a reality… thereby, we believe, supercharging the opportunities available to this, your industry, in this country.

The headline ambition is as follows: to replace what is an EU-focused, rules-driven, inflexible and burdensome body of regulation… with one that is UK-focused, agile and easily adaptable. A body of regulation which facilitates, not hinders, market developments… which encourages the emergence of new types of assets… which supports the entry of new and innovative firms… and which, importantly, allows the release of meaningful amounts of capital for productive investment.

It's important this is also understood as part of something much bigger.

As the Prime Minister said a few weeks ago, the UK has made huge strides 'to capitalise on our newfound freedoms and restore the UK's status as a sovereign, independent country that can determine its own future.'

There is a real opportunity to unleash what he described as 'the benefits of Brexit and ensure that businesses can spend more of their money investing, innovating and creating jobs.'

Our new Brexit Freedoms Bill will end the special status of EU law in our legal framework and ensure that we can more easily amend or remove outdated EU law in future. And the Treasury is developing specific proposals in relation to financial services through the Future Regulatory Framework Review.

The question I know you'll be asking is 'What do our proposed reforms mean in practice?'

Well, firstly, they will involve a substantial reduction in the risk margin… including a cut of around 60-70% for long-term life insurers.

Secondly, there will be a reassessment of the fundamental spread used to calculate the matching adjustment, in order to better reflect its sensitivity to credit risk.

Thirdly, we will introduce a significant increase in flexibility to allow more investment in long-term assets such as infrastructure, the hardware which makes economic growth possible.

And, fourthly, we want a major cut in the EU-derived regulations which make up the current reporting and administrative burden.

There's work still to be done to fully estimate the impact of these reforms. But I expect there to be a material capital release… possibly as much as 10% or even 15% of the capital currently held by life insurers… allowing them to put tens of billions of pounds into long-term productive assets, with multiple benefits country-wide.

Very importantly, we're also confident that these reforms will safeguard policyholder protection. The overall level of policyholder protection will remain very strong. Moreover, the PRA already has extensive powers to address

individual firm risks, which provide an additional layer of protection against firm failure.

Drilling into the detail of the reform package

I know that's quite a lot to digest. Particularly over dinner. So, let me take those four key reforms in turn and give you a bit more detail about our thinking.

You've told me that the risk margin held on your balance sheets is excessive and brings unnecessary volatility to your balance sheets.

We agree that it exceeds the level needed to properly protect policyholders, especially considering how the risk margin has increased as interest rates fell, whilst the fundamental risk drivers were unchanged. Other protections in Solvency II already ensure that insurers hold sufficient capital to cope with a 1 in 200 shock.

As I've said, we believe there should be a sizeable reduction in the risk margin for long-term life insurers… in the order of 60 to 70%.

Making the UK insurance sector even more dynamic, prosperous and internationally competitive.

At the same time, it'll help you stabilise your balance sheets by reducing pro-cyclicality, which is particularly pronounced in a low interest rate environment.

Finally, it will reduce incentives to reinsure longevity risk offshore.

At the same time, we need to look at alternative methodologies for the fundamental spread, to improve the treatment of credit risk and protect policyholders.

I agree with what the Governor of the Bank of England said in a speech in December… that 'our essential public policy objectives are the safety and soundness of insurers, and the protection of policyholders.'

I know you all also agree that policyholder protection is a top priority.

Despite the matching of long-term assets and liabilities, an insurance firm remains exposed to some long-term risks… principally the uncertain level of credit defaults over the lifetime of the assets. The fundamental spread measures these retained risks and sizes the value of the matching adjustment benefit accordingly.

Right now, however, according to Solvency II, the fundamental spread doesn't explicitly allow for uncertainty around defaults and downgrades… and is insufficiently sensitive to differences in risk across asset classes and quality ratings.

So, we're looking at that too… reviewing the methodology to address those concerns.

The reforms we want to make will help ensure that credit risk is better measured in the fundamental spread… so that its level, and sensitivity, genuinely reflect an asset's credit risk.

Many of you have been talking to my officials about all of this… and I cannot thank you enough for your engagement.

The things we do as a Government are always better and more effective when they are informed by your ideas and insights. To make this work we need all shoulders to the wheel, and that's exactly what I'm seeing.

It's time now to push ahead with this. The Government will publish a full consultation document in April, bringing forward detailed proposals, underpinned in turn by concrete supporting analysis.

What is clear is that any new methodology will need to do a number of things… including boosting incentives to invest in infrastructure and other long-term productive assets, which we think could be a gamechanger…. allowing investment capital to shift, for instance, from bonds to wind farms.

It's also important that we avoid introducing material volatility on to balance sheets. In particular, the fundamental spread should not be materially, if at all, impacted by short-term fluctuations in market spreads.

We think any new methodology should also mitigate incentives to reinsure credit risk offshore… that it should take into account other tools within the regime to protect policyholders, such as supervisory powers, the prudent person principle, and the ability to impose capital add-ons.… and that it should be phased in.

So, we believe there should be a sizeable reduction in the risk margin for long-term life insurers and a review of the methodology used to determine the fundamental spread.

Crucially, as I have said, the new regime will support firms' ability to invest in long-term productive assets whilst ensuring policyholders are protected…. benefiting firms and this country alike.

There will be other detailed changes too.

We will broaden the range of assets eligible for the matching adjustment portfolio to include assets with the option to change the redemption date.

For example, assets with construction phases and callable bonds will become eligible for matching adjustment portfolios.

We will also broaden the liabilities eligible for the matching adjustment to include income protection products and products that insure against morbidity risk.

We will remove the disproportionately severe treatment of assets whose ratings fall below BBB in matching adjustment portfolios. Although we would still expect firms to comply with the Prudent Person Principle on their

investments.

Finally, we want to speed up the assessment and approval of applications for assets to be eligible for the matching adjustment… providing greater flexibility for how assets without historical data are treated, such as new or innovative assets.

There’s clearly a lot more detail I could go into, but which I don’t have time to cover tonight.

But, as I’ve said, the Government will formally consult on the package in April.

Please share your thoughts as part of that consultation. There will also be a more detailed technical consultation by the PRA later in the year.

I hope you agree with me that adds up to an ambitious and innovative reform agenda… one which delivers ‘Solvency UK’… … a regulatory framework which meets the UK’s needs perfectly…supercharging the opportunities available to you and your industry in this country.

But, for all I’ve said about Solvency II, the message I really want you to hear is this: The Government and I care very much about this industry. We’re thinking and working very hard to do everything we can to support you… and we have no doubt that you’ll continue to go from strength to strength.

Thank you.

Full list of the proposed Solvency II reforms, including those mentioned in the speech:

Substantial reduction in the risk margin

- A cut of around 60-70% for long-term life insurers.

Reassessment of the fundamental spread used to calculate the matching adjustment

Introduce a significant increase in flexibility to allow more investment in long-term assets such as infrastructure, the hardware which makes economic growth possible

- Broadening the range of assets eligible for the matching adjustment portfolio to include assets with the option to change the redemption date. Such assets will include assets with construction phases and callable bonds.

- Broadening the liabilities eligible for the matching adjustment to include income protection products and products that insure against morbidity risk.

- Removing the disproportionately severe treatment of assets in matching adjustment portfolios whose ratings fall below BBB. Firms would still be expected to comply with the Prudent Person Principle.
- Speeding up matching adjustment eligibility decisions by disconnecting them from the review of valuation, rating and capital issues for less complex assets.
- Introducing a more proportionate approach to matching adjustment breaches.
- Providing greater flexibility for how assets without historical data are treated.

Major reduction in the EU-derived regulations which make up current reporting and administrative burden

- Reducing the number of internal model standards to speed up the approval process, with safeguards to enable the PRA to ensure approved models are still of an acceptable quality.
- Removing requirements for branches of foreign insurers to hold local assets and calculate local capital requirements.
- Doubling the thresholds for the size and complexity of insurers before the Solvency II regime applies, while giving small firms the option to opt in.
- Reforming reporting requirements such as providing reporting exemptions to new insurers and reducing the frequency of some reports and deleting others.
- Introducing a mobilisation regime for new insurers.
- Allowing more than one approach to calculating consolidated group capital requirements.
- Simplifying the calculation of the Solvency II transitional measures to reduce the administrative burden of maintaining legacy systems.