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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Lilley MP  
Secretary of State  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON SW1H 0ET

*CDR*

September 1990

*Dear Peter***IRAQ AND KUWAIT SANCTIONS: INSURANCE***attached*

I am replying to your letter of 6 September in the Chancellor's absence abroad.

Your letter proposes that a change should be made to the permissions issued by the Bank of England under the Treasury Direction. This would prohibit payments into blocked Iraqi and Kuwaiti accounts in the UK, in respect of claims made under insurance contracts issued in the London market where the insured is Kuwaiti or Iraqi, except with your agreement. I agree that payments under some of these contracts could be highly embarrassing, especially when we already have the legal power necessary to stop them, and when members of the ABI and Lloyd's have told you that they would welcome use of this power. I therefore agree that we should move ahead quickly on this.

Our officials have been in touch. It has been agreed that, as this is essentially an insurance matter, the DTI should issue a press notice announcing the prohibition to the insurance market and the public at large, and directing requests for (exceptional) permissions to the DTI. For its part, the Bank of England has agreed to issue Supplements to its Notices issued so far under the Kuwaiti and Iraqi Treasury Directions, to bring its guidance into line with your notice. DTI, Treasury and Bank of England officials will need to cross-clear the final texts of the relevant notices.

I take it that primary legislation permanently to cancel payments under some of the contracts remains a possibility, and note that you await a response from the insurance market to your suggestion that you might request them to cancel existing contracts with Iraqis, and to refrain from negotiating new business.

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A copy of this letter goes to the recipients of yours and to the Governor of the Bank of England.

Yours Ever

John

**JOHN MAPLES**

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