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the department for Enterprise

The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and Industry

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The Rt Hon John Major MP
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Dear Chancellor

IRAQ AND KUWAIT SANCTIONS: INSURANCE

As you may know the London Insurance Market covers substantial Iraqi and Kuwaiti risks, including some risks which are presentationally sensitive, such as Iraqi aircraft, but are not caught by the UN Sanctions Resolution and the UK Order giving it effect.

I have been considering how to reduce the risk of embarrassment. At present any payments on insurance must under the Treasury directions (as qualified by permissions granted under them) be paid into a blocked account. It would in my view be highly desirable that any payment to meet the insurance claim of any Kuwaiti or Iraqi resident should be prohibited except with the consent of my Department. While the insurance contract would still be valid, the prohibition would remove the public appearance of meeting Iraqi claims, albeit in a frozen account, and make it also appear even more uncertain when and if they would receive any money. Such a prohibition would also be useful in answering American concern about whether there is any UK insurance cover on Iraqi ships. We would need to make exceptions to this general prohibition of payment from time to time because undoubtedly there would be claims which we would want to see met, for example claims on personal health or injury policies from ex-patriate residents in Iraq or on claims from UK detainees travelling in Iraqi aircraft. Annex A sets out the text of a draft amendment to the permissions being discussed between our officials in respect of Iraq. A corresponding amendment will be required for Kuwait.





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This proposal has been discussed without commitment with the ABI and Lloyd's. They would both welcome such a change. I do not see any enforcement problems or in giving them guidance.

My officials have also discussed with the industry whether insurers would welcome a request from the Government to cancel existing contracts of insurance with Iraq (ie those not in any event prohibited by the Sanctions Order) where this is feasible and to refrain from renewing existing contracts or from writing new business. Lloyd's will think about this further and come back to us soon. But consideration of this step should not delay making the prohibition direction and I hope that you will agree that it should be brought into force as soon as possible.

I am copying this letter to the Prime Minister, Foreign Secretary, the Secretary of State for Defence and Sir Robin Butler.

Yours sincerely

Rosalind Atkins

Approved by the Secretary of State
and signed in his Absence



Recycled Paper

DRAFT NOTICE

EMERGENCY LAWS (RE-ENACTMENTS AND REPEALS) ACT 1964

Bank of England Notice dated 7 August 1990: Iraq

Supplement No. 3

1990

Contracts of Insurance

The purpose of this Supplement, which is issued in accordance with the powers delegated by HM Treasury, is to withdraw the authority whereby payments under contracts of insurance may be met by payments to "Iraqi Accounts" in the United Kingdom. With effect from the date of this Supplement, such payments may only be made if permission for the payment ^{or the} class of payments within which the payment falls is given on behalf of HM Treasury by the Secretary of State for Trade and Industry. Applications for permission should be made to

2. Accordingly paragraph 9 of the Notice dated 7 August 1990 as amended by Supplement No. 1 dated 24 August 1990 is amended by the insertion after the first sentence of the following sentence:

"Any permission for payments or classes of payments under contracts of insurance will be given by the Secretary of State for Trade and Industry."

SOCIAL SECURITY: SPEAKING NOTE

Attention has been drawn to the effects of the crisis on people in this country who look, in one way or another, to a source of financial support based in Kuwait or Iraq and which has now been interrupted. There are broadly three groups. First, the families who have returned from the Gulf without funds, having had to leave not only their husbands but also their assets behind them. Second, people resident in the UK who depend on funds from a partner working in Kuwait or Iraq. And third, Kuwaiti nationals temporarily in the UK whose plans to return home have been thwarted by the Iraqi action.

My rt hon Friend the Secretary of State for Social Security has taken ^{steps to ensure} a close personal interest in ensuring that these people are receiving ^{effective} ~~all the~~ help ^{from} that the benefits system, ~~is~~ ^{able to provide}. I will not seek to detail now all the steps that have been taken, but the more important include: the establishment of an emergency team of officials to handle claims from people returning from the Gulf, which has so far operated successfully at Heathrow and Gatwick; instructions to all DSS local offices to treat claims with care and understanding; special guidance ^{is being issued} from the Office of the Chief Adjudication Officer to assist the determination of benefit claims locally ~~(is expected imminently)~~; ~~[other key developments before the debate]~~

A number of specific points have been raised, to which replies will be sent by my rt hon and hon Friends at the Department of Social Security.

SUPPLEMENTARY BACKGROUND BRIEFING: SOCIAL SECURITY1. Sources of help

- Social Fund Crisis Loans, for immediate help in an emergency (rules now being extended to cope with returnees from the Gulf)
- Income Support: an income-maintenance benefit to help with day-to-day living needs and housing costs for owner-occupiers

In addition:

- Housing Benefit, for help with accommodation costs; administered by local authorities, not DSS offices

2. Benefit decisions: adjudication

In Income Support, decisions are the responsibility of independent adjudication officers who take guidance down a line from the Chief Adjudication Officer, not from Ministers or HQ officials.

3. Further flexibilities

If genuine problems arise in providing help within the adjudication framework, DSS is ready to consider the possibility of further flexibilities.

4. DSS reception operation at Heathrow and Gatwick

A note is at Annex A.

5. Non-UK nationals

Home Office are granting exceptional leave to remain in the UK for 6 months to Kuwaiti nationals who would encounter difficulties if they returned home. The granting of exceptional leave enables anyone satisfying the basic entitlement tests to claim Income Support at the full rate .

6. Iraqi students

Iraqi students would be unable to support themselves from the benefit system, other than the possibility of receiving an Urgent Cases payment lasting no more than 42 days.

ANNEX A

2

PEOPLE RETURNING FROM THE GULF

Following information received on Friday afternoon about the expected arrival of an aircraft from Iraq, the Department made arrangements to deploy staff at Heathrow Airport in order to handle any claims to benefit from those returning from the Gulf.

The Department initially liaised with an organisation called Travelcare which co-ordinates activities of various social service agencies at Heathrow. Travelcare manned a desk within the arrivals lounge to which people who required welfare assistance were directed. Two experienced members of the Department's staff were deployed at the desk to give advice. Interviewing staff were situated nearby for those needing immediate financial assistance.

A total of four claims for fares home and contingency expenses were dealt with, which, including dependants, covered seven people. The total amount paid was £195. However, this flight included a high proportion of service personnel and British Airways staff for whom their organisations made travel arrangements. Future flights are likely to include more independent travellers who may need immediate help.

Yesterday 105 people arrived at Gatwick. Payments were made totalling £750 in respect of 14 people [there were distressing cases in this group of 14 - such as an elderly person and a girl with a young baby.]

Another Jumbo is expected early tomorrow morning.