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THE DEPARTMENT
OF TRANSPORT



FROM THE SECRETARY OF STATE

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The Rt Hon David Mellor QC MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

My Ref:

Your Ref:

Chonli

- 9 JAN 1991

Dear David,

THE GULF: WAR RISK INSURANCE FOR AIRLINES *att.*

Thank you for your letter of 8 January. My officials have now put to yours the draft for a set of agreements with insurers which should provide the basis for reinsurance for all United Kingdom airlines who may be flying to the Gulf area. If this text is acceptable to the Government side, it should provide the basis for an agreement that could be signed with BA's insurers tomorrow and the insurers of all airlines concerned by Friday.

Our intention will be to charge no premium before 15 January, but on 11 January to give the four days notice specified in the draft agreement that a premium will be charged from that date. At the same time we would issue a first "notice of rates and periods" setting the rates for a 7-day period from 15 January subject to review at 48 hours notice, which is the period standard in the market at the moment and would allow airlines a chance to make appropriate arrangements if they preferred not to pay the new rates.

While I plan to make a short announcement when the agreements (or the first of them) is signed, I see no need to say anything public about the issuing of the premium notice.

I hope this meets the concerns expressed in your letter.

I am copying this letter to the Prime Minister, Douglas Hurd, Tom King, Peter Lilley and to Sir Robin Butler.

*Yours ever
Malcolm Rifkind*

MALCOLM RIFKIND