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Rt Hon Philip Hammond MP
The Chancellor of the Exchequer
1 Horse Guard Road
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14 July 2017

Dear Chancellor

IFRS 17 – New accounting standard for insurance contracts

We wanted to bring the Government's attention to impending regulation that will cost billions of pounds to implement and add risk to the UK during Brexit with little tangible benefit. The new accounting standard for insurance companies, IFRS 17 is the answer to the question nobody has asked, and the cost of implementation would ultimately be borne by the customer.

IFRS 17 has been conceived and developed over many years in an attempt to provide investors with consistent global accounting standards for insurance companies. However, there is no one global set of accounting standards and significant geographic areas, including China, implement their own that can vary widely, with other major economies, such as the US, having fundamentally rejected IFRS 17 as a concept.

For IFRS 17 to be implemented, it requires the European Commission's endorsement and the UK's exit from the European Union has provided us with an opportunity to retain the existing rules which are appropriate for the UK's insurance industry. In future this would enable the UK to select the most relevant components of global standards, including IFRS and US GAAP, whilst avoiding some of the most complex and expensive components of the IFRS 17 proposals.

Across Europe we have also just implemented Solvency II which, again, had a laudable objective of harmonising capital requirements. The UK implementation costs of approximately £3bn were unacceptable and the only people who have benefited were the army of consultants and accountants who implemented it. It is clear that each country in Europe has implemented Solvency II in a fundamentally different way. In addition IFRS 17 operates on a different basis to Solvency II, adding complexity and confusion for investors and regulators.

IFRS 17 is the latest initiative on the conveyor belt of complex regulation and standards. We are now in real danger of making the same mistakes as Solvency II in attempting to implement IFRS 17 after a decade or more of work by the developers. However, the insurance industry and investors remain perplexed as to what question IFRS 17 is trying to answer. We are not aware of any meaningful consultation having taken place with current large investors in our sector.

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The current IFRS system, whilst not perfect, is now widely understood by investors and insurance companies and the new IFRS standard on insurance adds no significant clarity or value. The implementation cost of IFRS 17 will run into the billions of pounds, again an unacceptable amount. Although there has been significant consultation, important aspects have not been resolved including the need for a comprehensive assessment of the proposals before finalisation and the real question which needs to be answered is why have IFRS 17 at all when we have reached a period of stability and understanding of the current IFRS regime. In its current form, IFRS 17 will add significant increased confusion, increased volatility, increased cost and increased complexity, hardly the ideal basis for an accounting standard which should provide understandable, relevant and reliable financial information. It is also likely to further restrict investment flexibility and may reduce product options and/or add to the cost for consumers.

Implementing IFRS 17 in the next couple of years is an unnecessary, costly and risky proposition which is against the interests of the UK. We believe implementation should be delayed until the UK Government is in a position post-Brexit to control its own destiny and assess the best approach for the UK. This would also enable Solvency II to bed down before introducing another significant change to the UK industry. We also understand that the vast majority of European Insurers believe IFRS 17 adds little value and would confuse rather than enlighten.

Accepting IFRS 17 as a proposition at all needs to be fully debated before it is implemented. As such, we the undersigned, which as a group represents a substantial proportion of the UK insurance industry, believe we must strongly resist the implementation at this stage in the best interests of consumers and the UK economy. We believe that the implementation should be deferred for five years and reassessed post Brexit.

We would welcome a discussion to ascertain the way forward.

Yours sincerely

Mark Wilson	**Nigel Wilson**	**Mike Wells**
CEO	**CEO**	**CEO**
Aviva	**Legal & General**	**Prudential**

cc: Sam Woods, Deputy Governor for Prudential Regulation & Chief Executive Officer of the Prudential Regulation Authority
Andrew Bailey, Chief Executive Officer of the Financial Conduct Authority
Mark Carney, Governor Bank of England