



PRESS RELEASE

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“IFRS17 Insurance Contracts standard: CFO Forum comment on new IASB requirements

On 18 May the International Accounting Standards Board published a new accounting standard on insurance contracts, IFRS 17. The requirements of IFRS17 will apply from 1 January 2021 and will replace those of IFRS 4, the current standard, which was first applied from 2005 by European insurers when IFRS was adopted by the European Union. IFRS 17 represents as fundamental a change to financial reporting as that introduced by Solvency II to insurers’ capital reporting. The implementation effort and associated costs are expected to be significant.

The CFO Forum supports the need for high quality accounting standards. While the CFO Forum recognises the general benefits of introducing a consistent basis of accounting for insurance contracts, it is cautious as to whether, in practice, the new standard will provide appropriately relevant, reliable, consistent and understandable results. Whilst the IASB has recognised a number of the issues the CFO Forum has raised, there are still areas which we believe should be resolved.

With the publication of IFRS 17 all stakeholders will need to familiarise themselves with its complex requirements, undertake further analysis and consider its potential impact, including through the European Union endorsement process. To date there has been no comprehensive testing of the proposals and direct consultation with large investors in the sector has not been extensive. In order to deliver a high quality standard that is a clear step forward and one which carries the support of stakeholders, it is important that the process of endorsing the standard incorporates appropriately detailed testing, includes detailed consultation with the sector’s investor base and ultimately provides the opportunity to effect changes where these are deemed necessary.

The CFO Forum members intend to play a full part in assisting with this process to achieve the common goal of a high quality standard.

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About the CFO Forum and its work:

The European Insurance CFO Forum ‘(‘CFO Forum’) is a discussion and advocacy group formed and attended by the Chief Financial Officers of major European insurance companies). Its focus is issues relating to financial and regulatory reporting developments for their businesses which represent a significant part of the European insurance industry. The CFO Forum was created in 2002 and is currently chaired by Nic Nicandrou, Chief Financial Officer of Prudential plc. More information on the CFO Forum is available at www.cfoforum.eu.