

Friday 10 December 2021

As requested here is our feedback on IFRS 17 as M&G Investments, the asset manager (not as M&G plc the corporate) :

Overall, we are supportive of the major objectives of IFRS17, which is to provide greater transparency on the elements of insurance earnings, and to better align the reporting of profit with the period in which it is earned. We expect this to have more profound impacts for the Life insurance side of the sector, particularly for longer duration contracts which under IFRS4 may include significant day 1 profits. Fewer locked in assumptions should mean that the IFRS17 balance sheet stays closer to economic reality, which in practice may make it more useful as a measure of financial strength than it is today.

Our belief today is that Solvency II is currently seen as the more appropriate measure by both regulators and investors in Europe, and therefore for some companies the IFRS4 figures are rarely used. IFRS17 should help with this, but in practice we do still expect the Solvency II balance sheet to be the main driver of insurers strategic decision making and capital management. Outside of Europe we expect IFRS17 to result in greater international consistency, which should enable easier comparability across geographies – we also view this positively.

We do have a few concerns on IFRS17, which mainly relate to the costs implementation. The very granular level of internal reporting appears to have generated a significant administrative burden for many insurers, and we are hopeful that once the standard is set the cost begins to fall away. Similarly we are aware of the drag on management time over recent years as the standards have been finalised. We are hopeful therefore that the standard will have good longevity.

At this stage we see it as too early to comment on further specifics, given that no major insurers have given an indication of how their IFRS17 figures will look. HSBC & Lloyds are amongst the first to provide details but there are notable differences here versus insurers. We do therefore expect this topic to be an area of focus for many of the investor days in 2022 ahead of the implementation date on 1 Jan 2023.



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