
Title Lloyd's market accounting framework and IFRS 17

Purpose To advise managing agents that syndicate returns and accounts and the Lloyd's Pro Forma Financial Statements ('PFFS') will continue to be prepared in accordance with UK GAAP, subject to ongoing monitoring of developments with respect to IFRS 17 'Insurance Contracts' and its potential incorporation into UK GAAP.

Type Scheduled

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Deadline -

Related links -

The Lloyd's market financial reporting (syndicate returns and accounts and the Lloyd's Pro Forma Financial Statements ('PFFS')) is currently prepared in accordance with UK GAAP. IFRS 17 'Insurance Contracts', issued by the IASB in May 2017, will have a significant impact on insurers' financial reporting and there is uncertainty about if and or when the requirements included in IFRS 17 may be incorporated into UK GAAP.

Given the PFFS are prepared so that the financial position and results of the Lloyd's market can be compared as closely as possible with those of general insurance companies, it is appropriate to consider whether the Lloyd's market reporting framework should be changed from UK GAAP to IFRS as adopted by the EU to facilitate the market's financial position and result being prepared and presented in accordance with the requirements of IFRS 17. A working group was set up to assist in Lloyd's consideration of whether the Lloyd's market reporting framework should be changed to IFRS as adopted by the EU.

The working group is comprised of representatives from 11 managing agents (a representative sample of the profile of the Lloyd's market by reference to size and major reporting frameworks under which managing agents are required to produce financial information), the LMA, the audit profession and Lloyd's.

The group's primary focus was to consider the implications for the Lloyd's market of adopting IFRS 17. IFRS 9 'Financial Instruments' would also be applicable to the Lloyd's market should the reporting basis be changed to IFRS as adopted by the EU, however the impact is not expected to be as significant as IFRS 17. The assessment of the implications of adopting IFRS 17 covered the following areas:

- Technical requirements, including those specific to the Lloyd's market.
- Operational impact upon Lloyd's and managing agents, particularly the systems for collection of policy level data and production of financial information.
- Comparability of the Lloyd's market financial position and performance with those of its peers.
- Planned changes to Lloyd's market reporting in the short term.
- Timeline and activities needed to enable a smooth transition for the Lloyd's market.

The majority of the managing agent representatives supported the retention of the UK GAAP reporting framework, addressing the requirements of IFRS 17 through its incorporation into UK accounting standards at a later date; the remainder supported either adoption of IFRS in the short term or after 2021 to benefit from the implementation experience of other insurers. These results, as well as the views expressed by the LMA Finance Committee, were considered in forming the conclusion which is set out below.

Outcome and next steps

The outcomes of this review are accordingly that:

- The Lloyd's market retains UK GAAP for financial reporting until there is greater understanding and experience of how IFRS 17 may impact financial statements, and the timescale for incorporation into UK GAAP becomes clearer;
- Lloyd's continues to monitor developments with regard to the potential incorporation and timing thereof of IFRS 17 into UK GAAP by the FRC; and
- The working group continues to meet on a periodic basis to, among other things, review the experience of those agents (belonging to an IFRS-reporting group) implementing IFRS 17 and to consider a potential future implementation plan for the Lloyd's market.

Please contact Paul Appleton (paul.appleton@lloyds.com) if you have any queries on this bulletin.

Steve Jules