Deloitte.

Gaining momentum
Insurers' preparations for the new IFRS accounting rules

Global IFRS Insurance Survey 2013

Contents

About this report
In August and September 2013 The Economist Intelligence Unit, on behalf of Deloitte, surveyed 293 global insurers to investigate the views of insurance companies on the intricacies of the International Financial Reporting Standards (IFRS) and their level of preparation for implementation.

Respondents were drawn from the United Kingdom, France, Germany, Spain, Italy, Switzerland, the Netherlands, Canada and the United States, China, Korea and Japan. Insurers were grouped by net written premiums (NWP), with 47 very large insurers with more than $5bn NWP; 60 large insurers with $1bn-$5bn; 63 with $500m-$1bn; and 115 with NWP of less than $500m.

In addition, in-depth interviews were conducted with seven senior executives from insurance companies. Our thanks are due to the following for their time and insight
(listed alphabetically).

Kenneth Anderson, vice-president finance and treasurer at Intact Financial Corporation
John Hele, executive vice-president and chief financial officer at MetLife
Dr Susanne Kanngiesser, head of group accounting at Allianz
Nic Nicandrou, chief financial officer at Prudential
Jean-Michel Pinton, group accounting officer at CNP Assurances
Steve Roder, senior executive vice-president and chief financial officer at Manulife Financial
Massimo Romano, head of group integrated reporting at Generali Group

The report was written by Arthur Piper, and edited by Monica Woodley of The Economist Intelligence Unit.

Foreword

I am delighted to present the findings from the Global IFRS Insurance Survey 2013, an international and independent analysis of almost 300 insurers' preparations for the new accounting rules.

While the International Accounting Standards Board (IASB) were soliciting comments on their latest draft of the International Financial Reporting Standard (IFRS) on insurance contracts, Deloitte commissioned the Economist Intelligence Unit (EIU) to survey almost 300 senior executives from insurers operating across the globe to provide an 'industry view' on insurers' preparations for the new accounting rules.

The findings highlight a material change in attitude toward the preparation for the adoption of the new IFRS on insurance contracts and financial instruments compared to the findings of the first survey the EIU did for Deloitte 18 months ago. Many insurers' preparations have been initiated using internal resources that have been allocated to the study of the impacts of the new financial reporting regulations and the development of a more detailed understanding of how much it would cost the IFRS implementation. In addition, the views on the usefulness of this transformational regulation have also moved toward a more markedly positive view that these larger implementation costs would generate greater benefits in terms of transparency and improved relations with investors.

I am grateful to the EIU for their impartial and insightful analysis and to all participants for their contribution to this research.

Please do contact me or our IFRS Insurance leaders in your local market if you would like to discuss any aspect of this report.

Francesco Nagari

Francesco Nagari
Global IFRS Insurance Leader

Executive summary

IFRS 4 Phase II – transforms how insurers account for income and liabilities from insurance contracts that they sell, and creates a new financial language with which to inform investors about the performance of this complex global industry.

When the IASB issued its most recent exposure draft for the new accounting standard for insurance contracts in June 2013, insurers interpreted this as the sign to warm-up for a three-year race. Depending on when the IASB publishes its final version of the standard, that is how long the industry will have to prepare for radical changes to the way that it draws up and presents its financial statements. The standard – IFRS 4 Phase II – transforms how insurers account for income and liabilities from insurance contracts that they sell, and creates a new financial language with which to inform investors about the performance of this complex global industry.

This new financial language will be spoken by all insurers that adopt IFRS regulations, thereby delivering consistency in financial reporting for a sector that has never had it. In addition, it will introduce a significant degree of transparency that aims to open what many have considered an accounting and actuarial black box.

However, the project to create a single global accounting standard that applies to the whole sector has faltered. While the accounting standard setters, the IASB and its U.S. counterpart, the Financial Accounting Standards Board (FASB), have come close to converging their accounting rules on the subject, that dream has not come to fruition.

At the same time, the IASB has been working on new accounting rules for financial instruments, IFRS 9, and this has been dogged by similar delays and disagreements. The initiative originated in the G20 capital market reforms seeking to address issues in the banking sector that contributed to the financial crisis. Those reforms cascade into the insurance industry because insurers' corporate and government bond portfolios will be subject to the same accounting rules for credit losses, and will bring volatility to insurers' earnings unless the reforms capture the nuances of insurers' asset-liability management strategies.

Despite nearly a decade in development (the IASB published the first version of IFRS 4 in 2004) IFRS 4 Phase II is yet to be finalised and some important details of IFRS 9 are still to be ironed out. However, with the release of the new exposure draft on insurance contracts in June 2013, and more clarity over the date when the industry will need to adopt the rules, the majority of insurers have decided to begin the process of getting ready. This is in marked contrast with a year ago, when our report *Winning the waiting game?*[1] found few insurers willing to act.

Most expect the exercise to be wide-ranging, complex and costly. Preparation will entail large teams of people working around the globe retooling not just IT systems, but the way that parts of the business – and even some insurance products – are structured.

In August and September 2013, The Economist Intelligence Unit, on behalf of Deloitte, surveyed 293 senior insurance executives around the world to discover how they were preparing for these accounting changes, what their impact is likely to be and what challenges their businesses face in conducting this once-in-a-generation transformation. The report presents the highlights of the survey findings, along with additional insights from senior executives.

[1] Global IFRS Insurance Survey – Winning the waiting game?, http://www2.deloitte.com/global/en/pages/financial-services/articles/global-ifrs-insurance-survey.html

Key findings from the research are as follows:

- **The waiting game is over.** The IASB has given a clear indication that the mandatory effective dates for IFRS 4 and IFRS 9 are set within a narrow range. This has removed years of uncertainty for the industry and has given the green light to insurers to begin their preparations. Over half of respondents (58 percent) have started their projects. Some 86 percent say that they will complete the work within the expected three-year time line proposed by the IASB.

- **Cost is the key.** Since the adoption of the new standards rewrites the rules for financial reporting for the industry, the transition will be complex and expensive. Concerns over the cost of implementation dislodge previous concerns over uncertainty. Insurers now predict the average price of the changes will be between US$25M-50M, a sharp increase from 2012 when the most frequently selected estimate was up to €10m (US$14M).

- **Adoption heralds sweeping organisational change.** Insurers believe that implementing the standards will have a large impact on the way that they are structured. That will include integrating risk and financial operations (59 percent) and making significant changes to IT systems (60 percent).

- **Insurers see mixed benefits.** Confidence in the benefits of adopting the standards on insurance contracts is high, with 66 percent of respondents saying that they will outweigh implementation costs. Fewer than one-third believe similar benefits would arise from adopting the revised standards on financial instruments.

- **Boardroom understanding of change is low.** Fewer than one-third of boards are highly aware of the sweeping changes that will hit their businesses over the next three to four years.

- **Standards are better for investors.** One of the drivers for reform has been the financial crisis and the need for investors to better understand the information provided to them by insurers. Industry professionals have long complained that the old rules made valuing insurance businesses difficult given their fragmented nature. Over half of insurers (55 percent) believe that the new set of accounting standards should improve this situation.

- **Global framework proves elusive.** Since the FASB and IASB have issued their own rules for the accounting of both insurance contracts and financial instruments, the industry has been denied the holy grail of truly global standards. The majority in the industry would still like to see this goal achieved, even if it means reaching a compromise between the two approaches.

With the release of the new exposure draft on insurance contracts in June 2013, and more clarity over the date when the industry will need to adopt the rules, the majority of insurers have decided to begin the process of getting ready.

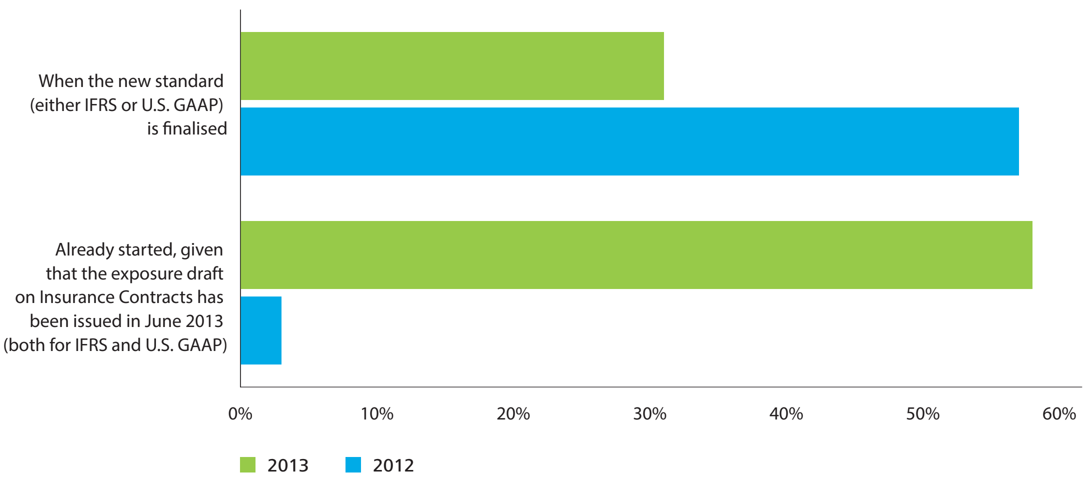
The waiting game is over

Although the IASB has been working on its accounting standard on insurance contracts for over a decade, its most recent exposure draft has sounded the starting pistol for insurers to get ready. It was published in June 2013, the same month that the FASB released its own *Proposed Accounting Standards Update* on insurance contracts, and although the standards differ in some key areas, they share much common ground.

This is in stark contrast with the situation a year ago, when Deloitte published the first survey on the subject, *Winning the waiting game?* As the title suggests, insurers then were waiting for the standard to be finalised before beginning the complex and lengthy process of complying with the new rules. In 2012 only 3 percent of insurers said that they had started implementation, and 57 percent said that they would wait for the IASB to issue the standard in completed form. This year, 58 percent of respondents say they have begun preparations, even though the IASB has not yet completed its deliberations. UK and Italian insurers are slightly behind their counterparts in the rest of Europe, with 38 percent and 52 percent, respectively, having begun preparations, while the Spanish and Germans lead the way with 93 percent and 79 percent, respectively, having already started.

“Insurance companies doing the upgrade too late will be under huge pressure. It will be too much ‘learning by doing’.”

Chart 1. When do you expect to start your IFRS Insurance Contracts project?



Source: The Economist Intelligence Unit

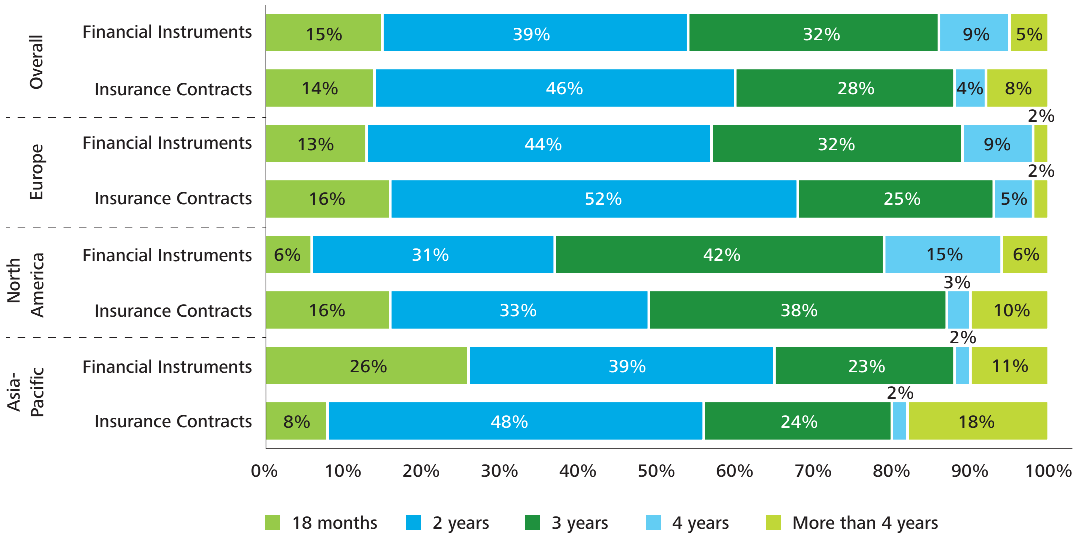
What has motivated insurers to act now? One reason is that the timeline has become much clearer. The revised draft does not give an effective start date for the new standard, but it does say that it will be around three years after the standard is finalised. The IASB has indicated that this is likely to be in early 2015, so insurers will need to have made the transition for accounting periods beginning January 1, 2018, although this may be January 1, 2017, if the IASB publishes the standard sooner than anticipated.

“We cannot afford to wait until the new standard is out,” says Dr Susanne Kanngiesser, head of group accounting at Allianz. “Three years may sound like a tremendous amount of time, but we expect to make very significant changes to the IT landscape and many changes to roles and responsibilities within our company.”

Given the scale and depth of work needed, few think that waiting for the final standard is wise. “The three years’ implementation time the IASB is proposing are a minimum,” says Massimo Romano, head of group integrated reporting at Generali Group. “Insurance companies doing the upgrade too late will be under huge pressure. It will be too much ‘learning by doing’.”

Perhaps surprisingly, 88 percent of survey respondents say that they will complete their projects within three years. Non-life insurers and reinsurers are slightly more confident than their life and composite counterparts about completing within three years (91 percent, 91 percent, 88 percent and 86 percent, respectively).

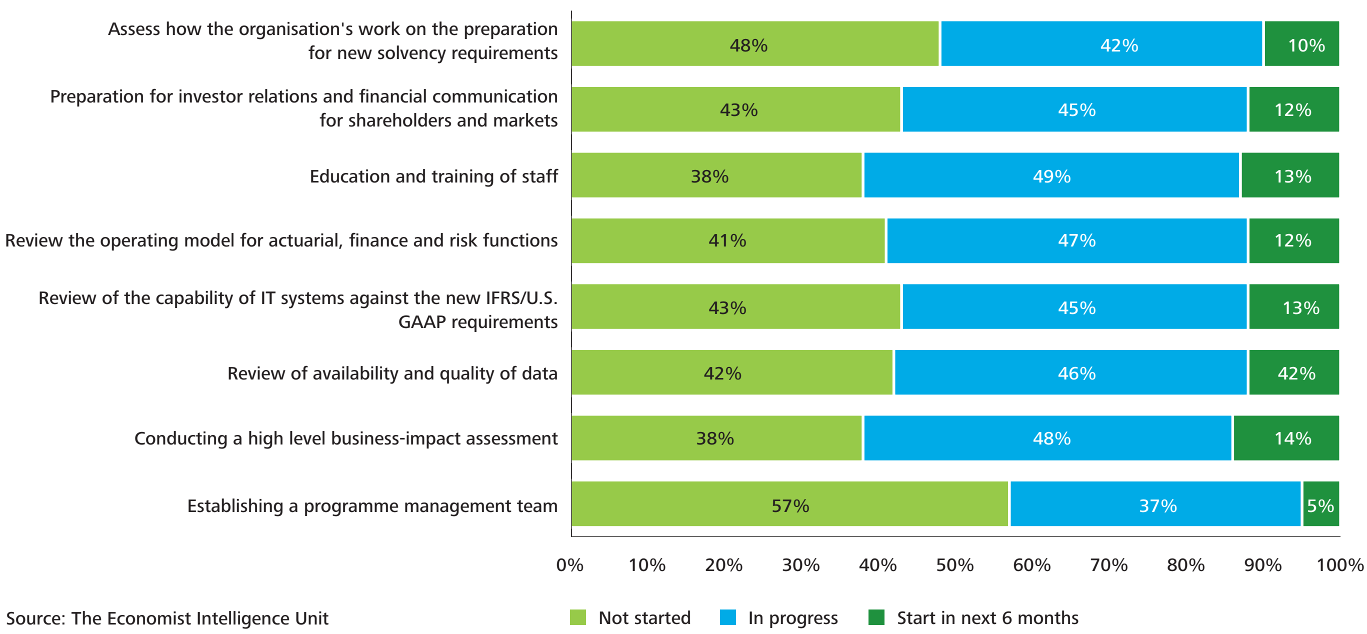
Chart 2. How long do you require between the new Insurance Contracts and Financial Instruments standards being published by the IASB and the required implementation date?



Source: The Economist Intelligence Unit

For those who have started their preparations, work has begun on the various different facets of the project, from educating and training staff, to conducting high-level business-impact assessments, and reviewing the operating models for actuarial, financial and risk functions.

Chart 3. What is the status of the following elements of your IFRS/U.S. GAAP Insurance Contracts implementation?



Source: The Economist Intelligence Unit

While there are still uncertainties over the final shape of both the IASB and FASB standards, there is little doubt that the waiting game is over.

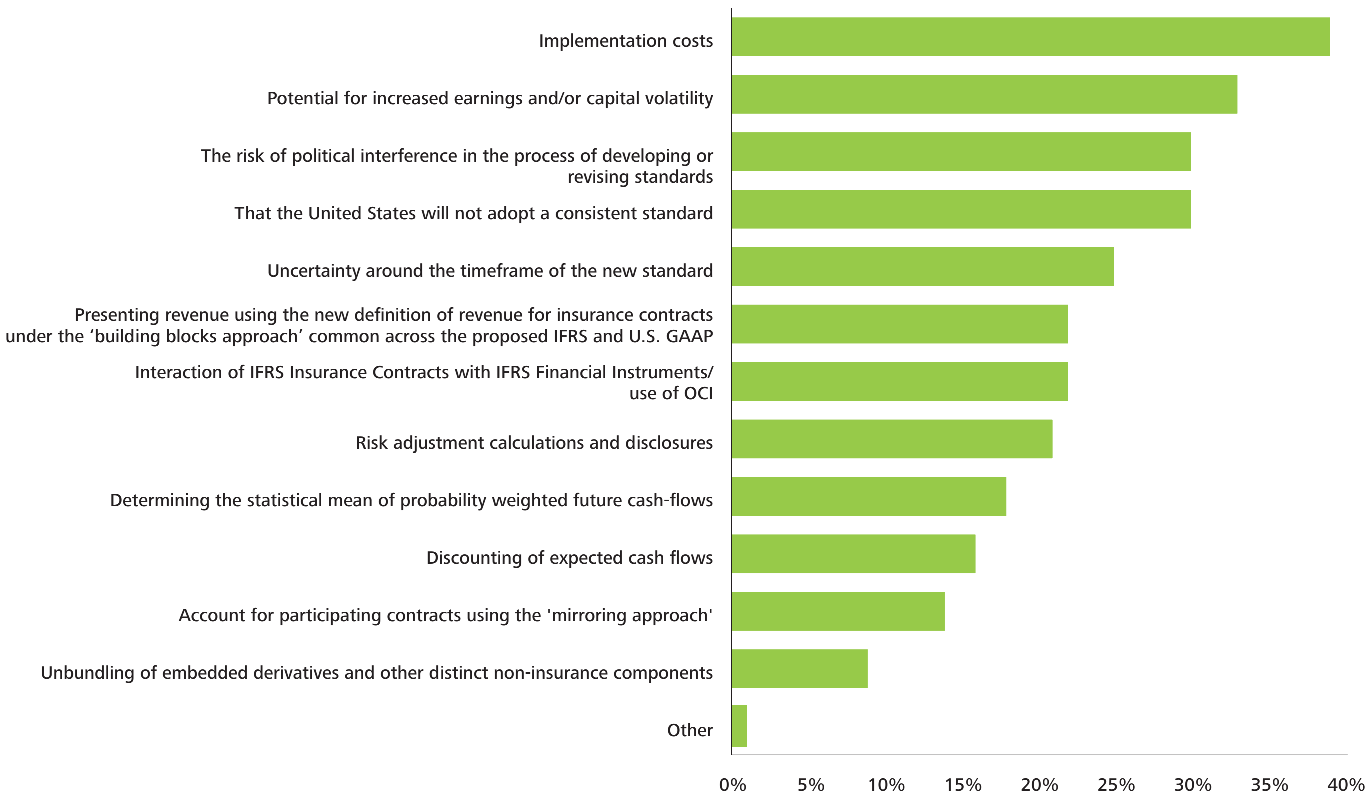
Facing the challenges

Now that the standard-setters have removed much of the uncertainty over the timing of the reforms to IFRS 4 and IFRS 9 – the main concern for over half of respondents in our 2012 survey – insurers face new challenges.

Cost is the most challenging aspect of IFRS Insurance Contracts and IFRS Financial Instruments, according to 39 percent and 35 percent of respondents, respectively. Last year, the issue barely registered.

Technical challenges and concerns about the potential for political interference are more evenly balanced in 2013, suggesting that senior executives and their teams are more focused on finding practical solutions to their IFRS implementations now that the uncertainty over the timing and content of the standards has diminished.

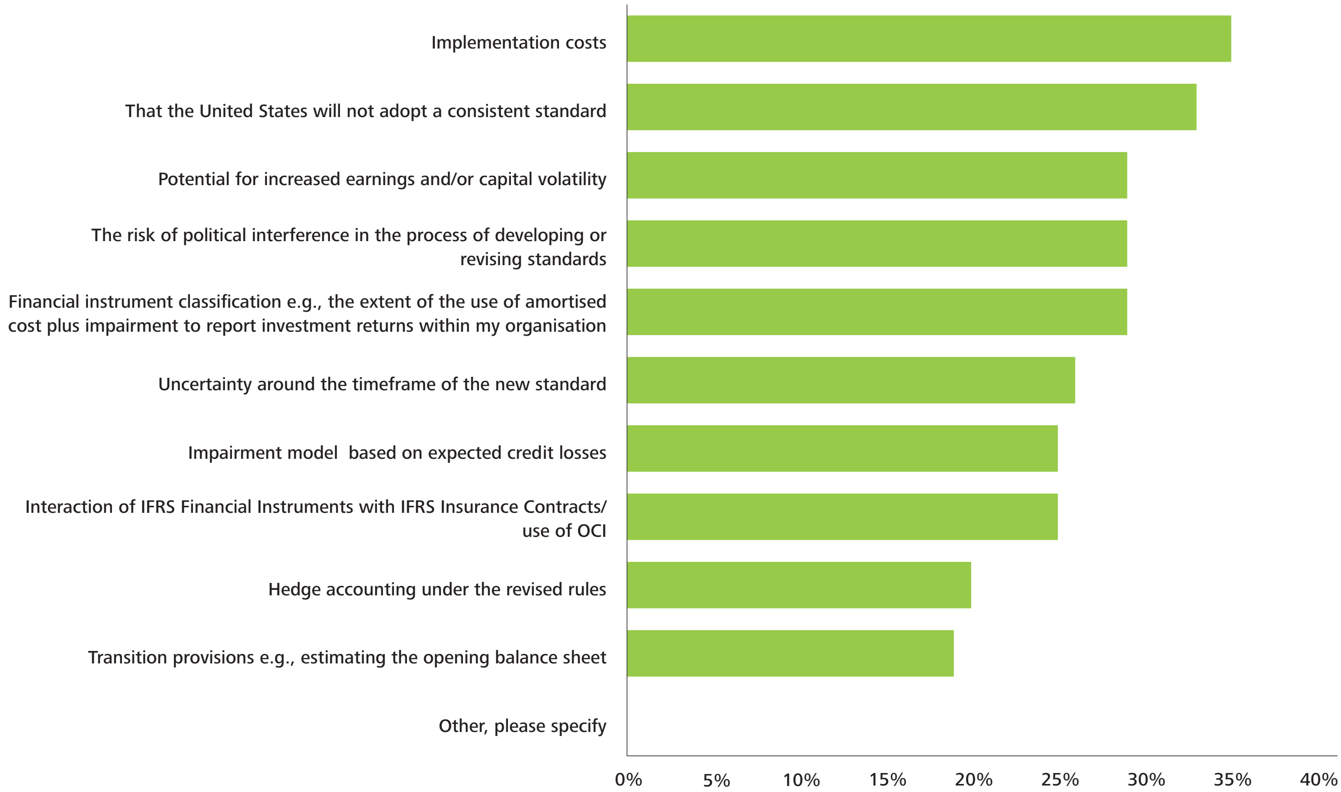
Chart 4. What do you think are the most challenging aspects of IFRS Insurance Contracts (IFRS 4)?



Source: The Economist Intelligence Unit

Cost is the most challenging aspect of IFRS Insurance Contracts and IFRS for financial instruments, according to 39 percent and 35 percent of respondents, respectively.

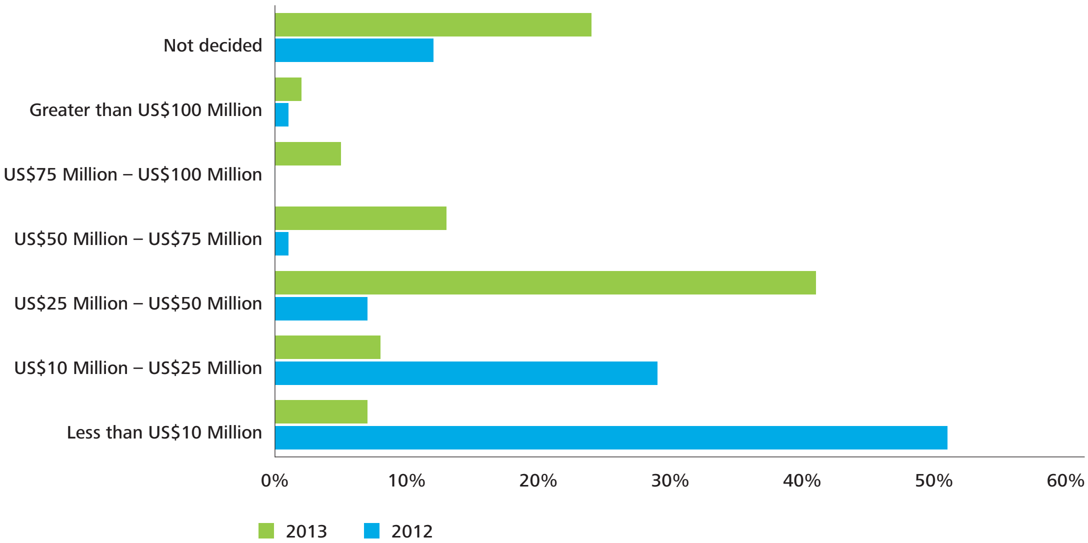
Chart 5. What do you think are the most challenging aspects of the new IFRS for Financial Instruments (IFRS 9)?



Source: The Economist Intelligence Unit

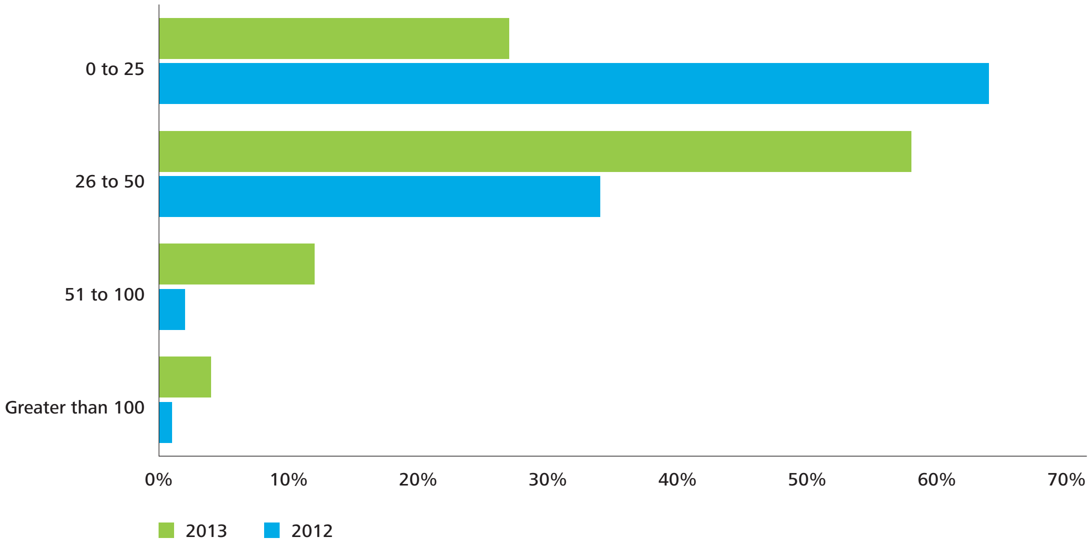
In addition, insurers now estimate that implementation is going to be much more expensive. In the 2012 survey, the majority of respondents said that their project could be completed for less than €10m (US$14M). However, the average expected expenditure in 2013 is between US$25M-50M (41 percent).

Chart 6. The adoption of the new IFRS is expected to take over three years from the publication of the final IFRS regulations. What is your estimated total global budget (including internal costs, new systems and external fees for professional services and new technology licences) to meet the new IFRS/U.S. GAAP Insurance Contracts and Financial Instruments requirements, approved or otherwise?



Source: The Economist Intelligence Unit

Chart 7. How many FTE (full-time employees) do you predict to be involved in delivery of your IFRS/U.S. GAAP Insurance Contracts and Financial Instruments project during implementation?



Source: The Economist Intelligence Unit

Dr Kanngiesser says that insurers are now in a better position to assess the costs more accurately because there is more certainty over the details contained in the current exposure drafts, and because there have been alterations to them that result in greater cost.

"If we are talking about accounting standards, you need to pay a lot of attention to control environment issues, and this is always accompanied by significant cost," she says. Dr Kanngiesser says that Allianz's consolidated financial statement will need to include information from more than 700 subsidiaries from around the world prepared in line with the standards. "I can easily imagine that the cost of doing that will be above €100m (US$140M)."

"Most global insurers understood how expensive this was going to be," says John Hele, executive vice-president and chief financial officer at MetLife. "Any major accounting change, especially one that is going to be dynamic on a quarterly basis, will be very expensive."

He says that major expense will be associated with products containing option costs, such as a life insurance product with a fixed interest rate guarantee. This will entail building either stochastic or option-pricing models for each product.

"It's one thing to have the actuaries do some calculations for you," Mr Hele says. "It's another thing to have it published and signed off by your auditors in a quarterly financial statement. That is what is going to have to happen, and that is going to be very costly."

> "I fear that we need to have two sets of IFRS 9 implementation; the first under the old regime of IFRS 4 and then two years later a reassessment of IFRS 9 under the new regime," says Dr Kanngiesser. "This will impact on the costs of implementing both standards."

A significant minority (10 percent) of life insurers are likely to face heavy implementation costs because they have large portfolios of products that require complex accounting procedures under the standards. This has raised concerns because large companies based in North America believe that the new rules add cost and complexity to their sector with little gain (see case study). Others, should be able to complete their projects with less expense.

"If I were to present and ask for a budget between €25m and €50m (US$35M and US$70M), it could not be explained in relation to the amounts spent for this project so far ," says Jean-Michel Pinton, group accounting officer at CNP Assurances. "I don't see how we could go over €10m (US$14M) and certainly not €20m (US$28M) – it's impossible."

European insurers who have upgraded their accounting and IT systems may enjoy some savings. Mr Pinton has been conducting quantitative modelling for IFRS 4 since 2010, presenting alternative implementation solutions to the IASB based on those computations. This has been possible, in part, because CNP Assurances' accounting group has been using the tools developed for Solvency II, the EU's Directive that sets minimum capital requirements for insurers. However, more investment is needed to prepare for accounting under IFRS. "I have got to upgrade the Solvency II modelling IT system common rules because it is not yet specified to manage the parameters of IFRS 4 Phase II," he says.

Nic Nicandrou, chief financial officer at Prudential, says that the company has been investing in its financial and IT infrastructures for some time "with half an eye to where IFRS 4 will go". While the firm will have to make further investment, he believes that some companies that have well-developed Solvency II programmes should have a better starting point when it comes to the overall cost of implementing IFRS 4, Phase II.

One of the industry's hopes was that the timetables for implementing IFRS 4 Phase II and IFRS 9 projects would be convergent. That would have offset some of the costs and reduced duplication.

As part of the Limited Amendments to IFRS 9 project, issued in July 2013, the IASB deferred the mandatory effective date of IFRS 9 from January 1, 2015. This date will be left open until the IASB finalises the standard's impairment, classification and measurement requirements. The IASB estimates that this will take place in the first or second quarter of 2014, making it unlikely that the projects could run concurrently.

"I fear that we need to have two sets of IFRS 9 implementation; the first under the old regime of IFRS 4 and then two years later a reassessment of IFRS 9 under the new regime," says Dr Kanngiesser. "This will impact on the costs of implementing both standards."

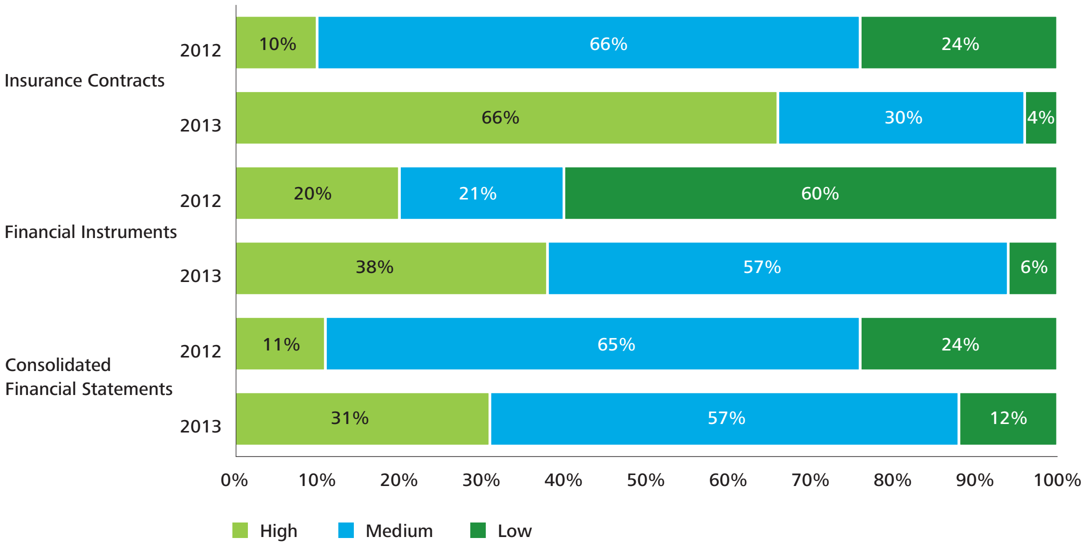
Almost 61 percent of survey respondents say that they do not plan to run a single integrated programme combining the IFRS and Solvency II projects to implement and manage the transition to the new accounting regimes, adding further pressure on budgets.

"Within most companies the challenge with these new accounting standards is when you come to implement them from a strategic point of view, it is difficult to justify the required spend because it is often seen as a compliance exercise," says Kenneth Anderson, vice-president finance and treasurer at Intact Financial Corporation. "Like it or not, budgets will be found, but there are going to be some difficult conversations before they are approved."

High impact, mixed blessings

It is not just the anticipated cost of implementing IFRS that has increased since 2012, but the expected overall impact as well. Last year, only 10 percent of respondents said that the impact of the accounting standard on insurance contracts would be “high” on their business – the majority (66 percent) thought it would be “medium” – but in 2013, 66 percent say that it will be “high.”

Chart 8. For each of the following accounting changes, do you believe the impact on your organisation will be high, medium or low?

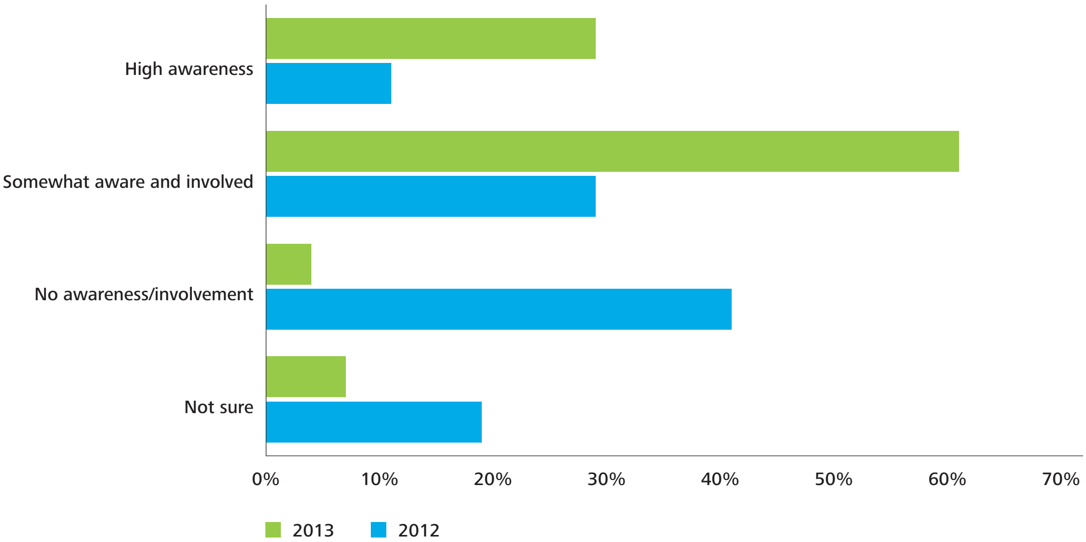


Source: The Economist Intelligence Unit

This perception of the increased impact that the standards will have on the business has been matched by only a moderate rise in awareness and involvement of the board: from 11 percent who said that company boards were highly aware in 2012, to 29 percent in 2013. On the other hand, there now seem to be few boards who are not aware at some level of the challenges facing their organisations.

It is not just the cost of implementing IFRS that has increased since 2012, but the overall impact as well.

Chart 9. What level of involvement/awareness of upcoming accounting change is there at your organisations' board level?



Source: The Economist Intelligence Unit

"Considering the level of maturity of this exposure draft," Mr Romano says, "the top executives should be updated on it as the implementation will be challenging and crucial for the market perception of the whole insurance industry." He estimates that many insurers are likely to have a firm grasp of the impact of the standard on their business within the next 12 months, at which time it will, he says, "make sense to really enter into the details with the board."

Mr Hele advises chief financial officers to communicate the changes to the board by running scenarios under the new standards going back at least five years, using the business' top three or four actual products. "The board needs to understand how the financial statements would have looked before the crisis, through the crisis and after, had the new standards been in force," he says.

But since insurance accounting can be difficult to grasp, even for the initiated, communicating the changes to the board is not going to be easy.

"Explaining the changes simply has been time consuming but possible to anyone from the Finance Department involved in the project. Explaining it simply to board members will require several educational sessions," says Mr Pinton. "Without adequate training and resources, it is impossible to do if you don't invest right now."

Structural changes

In 2012 many commentators did not believe that the IASB would issue a fresh IFRS 4 Phase II exposure draft in 2013. The fact that this happened is a sign, says Mr Romano, that the IASB is motivated to complete its deliberations, and this has encouraged insurers to begin their preparations. In looking at the details of the new draft, many have found additional complexity and have realised that implementation is likely to mean structural changes to the way that they organise their functions.

For over half of the businesses in this year's survey, the new IFRS and U.S. GAAP rules on insurance contracts and financial instruments are driving change in their business models. Integration work on the finance and risk functions is underway in 51 percent of businesses, with a further 8 percent saying that they intend to begin integration within the next six months.

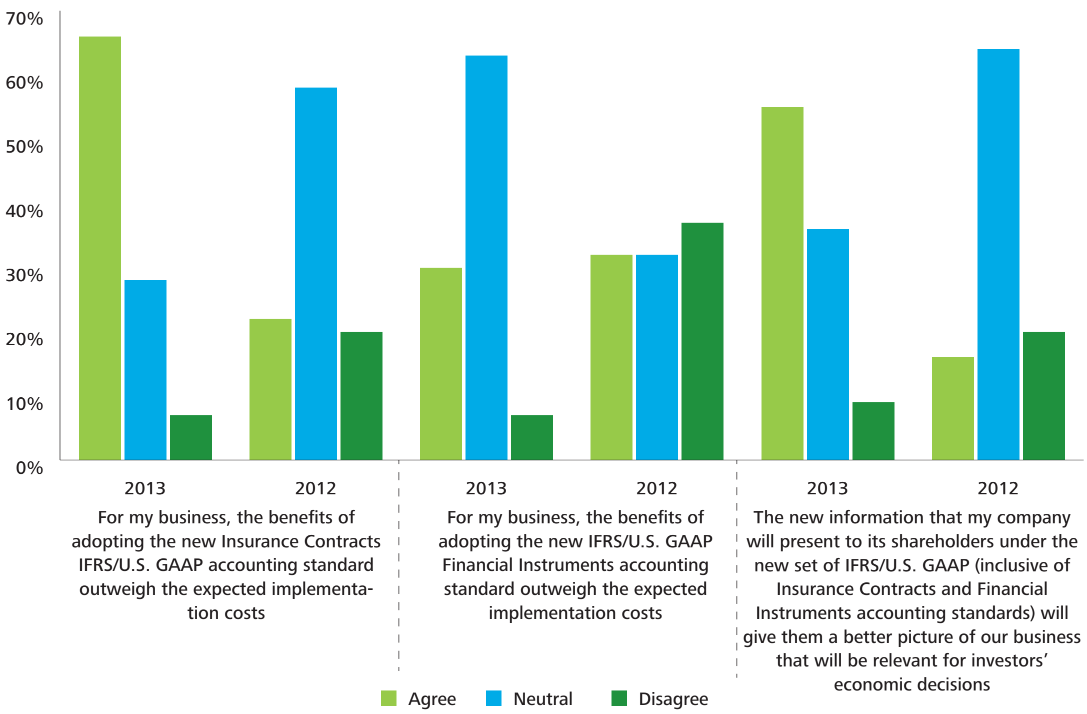
This intensifies a trend that has been introduced in the European Union by provisions in the Solvency II Directive, which aims to make solvency requirements more risk sensitive. It has been one of the central assumptions of regulators and policy makers since the crisis of 2007-08 that the financial sector did not pay adequate attention to risk management, or that risk functions were too divorced from the day-to-day activities of organisations. Both IFRS 4 Phase II and the new U.S. GAAP rules on insurance contracts make the link between risk management and business operation more concrete.

Over half (60 percent) of respondents plan to use the adoption of the standards to transform or replace their existing IT systems, with 14 percent of those planning a significant upgrade.

It is perhaps surprising that despite the added cost and complexity – and in the absence of complete agreement between the standard-setters on important details of their insurance contracts rules – 66 percent of respondents say that the business benefits of adopting the standards outweighed the expected implementation costs. However, many of the changes, even those that increase complexity, have been at the request of the industry, so their benefits are likely to be clear.

For over half of the businesses in this year's survey, the new IFRS and U.S. GAAP rules on insurance contracts and financial instruments are driving change in their business models.

Chart 10. Do you agree or disagree with the following statements?



Source: The Economist Intelligence Unit

Even an imperfect IFRS 4 Phase II standard will be the closest the industry has come to achieving a single global accounting standard on insurance contracts.

Even an imperfect IFRS 4 Phase II standard will be the closest the industry has come to achieving a single global accounting standard on insurance contracts. The IFRS model has been adopted by over 100 jurisdictions worldwide, but with the existing IFRS 4 framework, insurers have wide latitude over how it is implemented, substantially grandfathering pre-IFRS practices, their diversity and limited comparability.

"The only guidance that is given on how to account for insurance contracts is that you follow past practice," says Dr Kanngiesser. She says that this approach results in insurers following best practice in their own countries. A single international standard would allow the users of financial statements to make more accurate comparisons between insurance businesses operating in different regions. Even without a fully converged approach with the United States, the new IFRS is regarded by most to be a large improvement on the existing patchwork of approaches.

Some sound a note of caution if the proposals stay in their existing form. Mr Nicandrou says that Prudential's own modelling of the current provisions of the proposed standard on insurance contracts has led him to question whether it will provide investors with a picture of the company that is obscured by short-term market fluctuations and accounting mismatches, and is so complex that the outcomes are not intuitive to grasp and do not reflect the substance of the earnings profile of the products. He is hopeful that the IASB can tackle these issues, but says that there is still work to be done.

"My fear is that the IASB doesn't get those things right and we undertake an expensive exercise for something that moves the concerns that investors have, which are currently around inconsistency, to others, which are unpredictability and results that do not reflect earnings," he says.

Most insurers do not share the same levels of confidence in the proposed IFRS 9. Here, only 30 percent of insurers agreed that the implementation costs outweighed the benefits. The dissatisfaction is not just centred on uncertainty over how assets need to be categorised, but on the way that the standard moves away from a fair-value model for costing fixed-income securities towards one that adopts an amortised cost valuation with a brand new impairment model. Many argue that this approach has been designed for the banking industry, but it does not transfer effectively to the insurance sector.

Mr Anderson feels that IFRS 9 has been born out of a reaction to the financial crisis, rather than from the need to fix a system that was not working. He says that up until that point, the existing rules had served the insurance industry well and were understood clearly by investors.

"The question is, is a one in 100-year event, where normal rules break down, sufficient justification to throw out those rules and start writing new ones?" he asks. "I am not so sure it is."

Case study: speaking a different language?

Some large life insurers are unhappy with the mechanics of IFRS 4 Phase II as it is currently set out in the 2013 exposure draft. Four companies headquartered in North America – MetLife, Manulife Financial, New York Life and Prudential Financial – submitted a report in October 2013 to both the IASB and FASB setting out their concerns.

The document – Life insurance comments on field testing of FASB and IASB insurance contract proposals – describes how the group field-tested nine typical products and calculated the effects of the proposals on the financial statements of a hypothetical insurer.

Their concerns and recommendations fall into three main areas: discount rate, complexity and convergence.

The problem with the standard-setters' approach to discount rates, they argue, is that the practice of valuing both assets and liabilities at market value on long-term insurance contracts does not match the life assurance business model.

"If I've got liabilities that go out 60 years, the IASB is asking me to use today's interest rate to value that liability," says Steve Roder, senior executive vice-president and chief financial officer at Manulife Financial and one of the report's authors. "In practice, today's interest rate has no bearing whatsoever on my view of interest rates in 60 years' time. This approach makes no sense because it is completely out of whack with the life insurance business model."

He says that if the accounting standard is enacted in its present form, life insurers in particular will have massive volatility in their liabilities based on current market conditions.

The report also argues that the complexity of the accounting standard makes it difficult to explain the results to stakeholders in a meaningful way. For example, the standard means that insurers have to bifurcate the premium income between the insurance contract proportion and the investment-related proportion.

"Given that at any particular time, the in-force block of business of a life insurer basically includes business that could have been written 40 or 50 years previously, to go back in time and bifurcate your in-force block is a massive exercise," says Mr Roder. "Why is that thought to be necessary?" He says that some in the industry may move away from offering long-term products if the complexity and volatility issues cannot be resolved.

Finally, the report says that the different approaches in the FASB's and IASB's proposals add costs and confusion, with no apparent benefit to the industry.

"For all the nuances and what each board thinks about what is important, accounting standards are a language," says Mr Hele, another of the report's authors. "Why do we need two accounting languages that are just a little different?"

Some large life insurers are unhappy with the mechanics of IFRS 4 Phase II as it is currently set out in the 2013 exposure draft. Their concerns and recommendations fall into three main areas: discount rate, complexity and convergence.

Conclusion: an unfinished journey

Overwhelmingly, insurers want the FASB and the IASB to settle their differences and achieve a single set of rules for the accounting of both insurance contracts and financial instruments. Many insurers (42 percent) still believe that the main obstacle to achieving this goal is political, with the majority (64 percent) wishing for IFRS 4 Phase II to be adopted as the sole international standard on insurance contracts.

Not that the transition to a single standard would be without its own challenges. "For the last 20 years, we have been reporting results under a largely unchanged framework, which investors largely understand," Mr Anderson says. "There will be a period of pain in the transition and it is going to take a few years for people to get used to it."

Others are concerned that the IASB's preference for what they see as radical step changes to its standards creates too much discontinuity in reported trends in both companies and in the sector overall. "Where the U.S. framework has been a little bit smarter is that when they have made changes they have done it little and often, rather than stored them up and made a 'big bang' change," Mr Nicandrou says. He is concerned that if the IASB's transition to the new standards are too much of a shock and create discontinuity, investors will be unable to understand long-term trends. Some have also suggested that the IASB needs to give insurers a suitable period for testing the final proposals and to allow the market to prepare for the new regime the rules create.

However, with over half of respondents to the survey saying that the new standards give shareholders a better picture of the business upon which to make their investment decisions, the transition is seen by most to be worthwhile.

"Investors will gain more than the preparers of the accounts," says Mr Pinton, "because more information that was previously in the annexes will now be incorporated on the face of the income statement and of the balance sheet. Moreover, in the next two or three years, auditors and users will drive the preparers to harmonise their solutions."

Despite the remaining uncertainties, the industry's preparations for the new regime are now underway. That does not mean that it has given up on its desire to achieve the so-far elusive goal of a single global standard for the entire sector. The stakes are seen as too high for that.

"I will never give up on this," Mr Hele says. "I truly believe we would all trade at a better multiple globally if we could just get our language to be the same worldwide."

Overwhelmingly, insurers want the FASB and the IASB to settle their differences and achieve a single set of rules for the accounting of both insurance contracts and financial instruments.

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