

Trudi Graham Capital Resources Policy Team Insurance Policy Division Insurance Policy Directorate Bank of England Threadneedle Street London EC2R 8AH

July 2015

Dear Trudi,

AFM Response to Consultation Paper CP16/15, Solvency 2: consistency of UK GAAP accounting principles with the Solvency 2 Directive

- 1. I am writing in response to this consultation paper, on behalf of the Association of Financial Mutuals. The objectives we seek from our response are to:
 - Respond to the consultation proposals.
- 2. The Association of Financial Mutuals (AFM) represents 50 member companies, and in most of our member companies, customers present and future are the owners of the business. Between them, mutual insurers manage the savings, pensions, protection and healthcare needs of over 30 million people in the UK and Ireland, collect annual premium income of £15.9 billion, and employ nearly 38,000 staff¹.
- 3. The nature of their ownership and the consequently lower prices, higher returns or better service that typically results, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion. particular, FCA and PRA are required to analyse whether new rules impose any significantly different consequences for mutual businesses.
- 4. We are pleased to see the efforts being made to ensure consistency between the principles of Solvency 2 and the accounting principles of

ICMIF, http://www.icmif.org/global-mutual-market-share-2013



UK GAAP. The vast majority of mutual insurers continue to use UK GAAP: whilst some of our members have converted to IFRS accounting, this had not been straightforward. Most mutual insurers prefer to maintain UK GAAP rather than switch to IFRS accounting because it is easier for their customer-members to understand, and less expensive to implement.

5. We would be pleased to discuss further any of the issues raised by our response.

Yours sincerely,

Chief Executive

Association of Financial Mutuals