Jonathan G. Katz
Secretary, Securities and Exchange Commission
450 Fifth Street
NW
Washington
DC 20549-0609

Dear sirs

Your reference: File No. S7-13-04
Proposed Rule: First-Time Application of International Financial Reporting Standards

We have pleasure in attaching our comments to the above.

Our responses to each of the questions posed in each of the sections I to IV inclusive are attached in the appendix to this letter. We have not responded to the questions posed in the remaining sections.

We are grateful to the SEC for considering the particular issues facing foreign private issuers when adopting IFRSs for the first time in the near future. We believe that there are particular difficulties for first time adopters of IFRSs not least arising from the high level of activity at the IASB during the run up to 2005. Most significantly for the Royal & Sun Alliance Group, the standards dealing with financial instruments and insurance contracts were published in March 2004 and we are continuing to evaluate the impact of these standards. The collection of current information in accordance with these standards is onerous and hence to apply the standards retrospectively would be burdensome. We are, therefore, generally supportive of the proposed changes.

We do however have two primary concerns in respect of the proposed changes.

Firstly, the rule changes are drafted on the assumption that the financial statements are prepared in accordance with IFRSs. Under IFRS 1 paragraph 14, an entity only complies with IFRSs if all IFRSs are adopted. In Europe the European Union has established an endorsement process that requires each IFRS to be adopted prior to it being applicable to listed companies within the EU. There is currently some uncertainty as to whether the EU will have adopted all IFRSs extant at 31 December 2004 for application in 2005. We would therefore be grateful for guidance as to the level of compliance necessary for an entity to be able to make use of the proposed amendments to the form. If full compliance were to be necessary then, each entity would need to consider whether it should, and is able to, adopt IFRSs in full whilst remaining in compliance with the relevant EU legislation dealing with the presentation of financial statements. It would be extremely unfortunate if a registrant was prevented from compliance with an existing IFRS due to European law and as a consequence was unable to apply the proposed accommodation.

We have particular concerns in respect of the insurance contracts standard (IFRS 4) as we believe that it may be impossible for a preparer to adopt the IFRS without adoption of the standard by the European Union. By way of example, IFRS 4 prohibits the recognition of equalisation reserves as liabilities which, (in certain circumstances) are required to be shown as liabilities under the relevant European directive. We have not undertaken a review to identify any other issues that may give rise to similar concerns.

A second issue surrounds the proposed changes to the instructions to item 5 within rules 4(B) and 4(C). In circumstances where the exceptions are permitted or required by IFRS1 it may be impossible to quantify the impact on the financial condition, changes in financial condition and results of operations thereby making a qualitative disclosure of the impact of little value when commenting upon the significance of the exception. By way of example the new accounting rules introduced by IFRS 3, (which outlaws all pooling

arrangements) would result in a need to explain the impact of any previous pooling arrangement undertaken; even where such an arrangement would have been in compliance with IAS 22. We believe that the proposals (in combination with the terms of IFRS 1 paragraph 9 that remove most transitional arrangements under extant IFRSs) are harsh.

I trust that you will find the responses to your consultation of assistance and if you require any further explanation or assistance, please do not hesitate to contact me.

Yours faithfully

D.R. Logan
Director, Group Technical Accounting

ROYAL & SUN ALLIANCE
Proposed Rule : First-Time Application of International Financial Reporting Standards
Responses to Questions in sections I to IV on which comments were invited

Will the conversion to IFRS for year 2005 make it difficult for issuers to recast year 2003 results accurately? What specific issues will be encountered and how difficult will they be to address? What additional information would first-time adopters need to provide IFRS financial statements for the third-year back that they would not already have in connection with their reconciliation to U.S. GAAP? What other difficulties might the application of IFRS create for first-time adopters? Will first-time adopters in earlier or later years face similar issues? Are the proposed amendments appropriate to address those challenges? If not, what issues are not addressed by the proposed amendments? Should they be addressed, and, if so, how?

There are particular difficulties for insurers in so far as the standard on accounting for insurance contracts was not published until 31 March 2004 causing difficulty in retrospective adoption of the standard. Furthermore, in the particular case of Royal & Sun Alliance, the Group's disposal programme during 2003 exacerbates the problem of data collection.

- *Will any first-time adopters be required by their home country to publish financial statements prepared in accordance with IFRS for the third year back? If so, should we require their inclusion in SEC filings? Why or why not? If a company publishes IFRS financial statements for the third year back but is not required to do so, should we require inclusion of those financial statements in SEC filings?*

In the United Kingdom, we are not required to publish comparative data for the third year back. We do not comment on those instances (if any) where such a requirement exists.

- *Is the proposed time frame, which provides the accommodation to companies that switch to IFRS for any financial year beginning no later than January 1, 2007, appropriate? Would this date create eligibility concerns for issuers that have a 52-week financial year? If so, how should we address those concerns?*

We have no comments as we find these proposals acceptable.

- *Should the proposed accommodation be extended to apply in any other circumstances, such as for issuers that, either voluntarily or pursuant to a home country or other requirement, adopt IFRS for the first time for years after year 2007? Should the accommodation apply for an indefinite period? Are there other circumstances in which the proposed exception to the requirement to present three years of financial statements on a consistent basis should be considered? What are they*?

We have no comments, as these circumstances would not apply to Royal & Sun Alliance

- *Would extending the proposed accommodation to apply to issuers that adopt IFRS for the first time later than year 2007 encourage a broader use of IFRS? Why or why not?*

We are unable to comment upon the possible impact on other issuers.

- *If first-time adopters of IFRS were not able to avail themselves of the proposed accommodation, would they be likely to continue to include in their SEC filings financial statements prepared in accordance with Previous GAAP rather than preparing financial statements prepared in accordance with IFRS for the third financial year? What are the advantages and disadvantages of each approach?*

We have no comment.

- *Is the proposed amendment to permit two years of IFRS financial statements for foreign private issuers adopting IFRS through year 2007, coupled with the permitted exclusion of financial statements prepared on the basis of Previous GAAP, consistent with the best interests of investors? Will investors receive adequate information on which to base investment decisions if two rather than three years of statements of income, changes in shareholders' equity and cash flows are presented on a consistent basis?*

We believe that such information would be adequate, not least because this is the information that will be available to investors in our home market.

- *Are there other alternatives that should be considered to address the challenges presented by the mandated use of IFRS? What are they?*

We are not aware of alternative solutions.

- *Would the presentation of three years of condensed U.S. GAAP financial information in a level of detail consistent with interim financial statements prepared under Article 10 of Regulation S-X create a significant burden to first-time adopters of IFRS? What would be the difficulties and costs of preparing that information? Would that level of information be useful to investors? What level of information would be useful to investors and not unduly burdensome to prepare?*

We do not have a problem with this requirement as we believe that this requirement is consistent with information is already presented in our 20-F.

- *If a filing does not contain Previous GAAP financial statements or IFRS financial statements for the third year back, would the proposed requirement for three years of condensed U.S. GAAP information adequately address issues related to the different starting points and reconciling items used in the reconciliations from Previous GAAP to U.S. GAAP and from IFRS to U.S. GAAP?*

In the absence of a starting point for such a reconciliation we believe the void to be unavoidable. We do not comment whether the lack of information would be a hindrance to users.

Do our proposals contain sufficient guidance on the form and content of the condensed U.S. GAAP financial information to be provided? Should we require financial information beyond income statements and balance sheets from companies that would be required to provide condensed U.S. GAAP information? If so, what further information? Should we require that they include notes to the financial information in addition to the required reconciliation?

We believe the guidance is adequate.

- *Should foreign private issuers that do not use U.S. GAAP to prepare their primary financial statements in their initial registration statements filed with the SEC be required to present the additional condensed U.S. GAAP financial information in addition to the two-year reconciliation to U.S. GAAP? Why or why not? Would this be unduly burdensome?*

We have no comments on this issue

- *Should issuers be prohibited from including Previous GAAP financial statements, financial information and textual discussions based thereon in a registration statement, prospectus or annual report prepared in accordance*.

We can appreciate the need to isolate the information provided under IFRS and under previous GAAP, but have no comment as to whether a prohibition or a more relaxed approach should apply.

- *If we were to prohibit issuers from including Previous GAAP financial statements and financial information in a document, should we require, permit or prohibit the issuer to make reference to other SEC filings or other documents that include such financial statements and information?*

See response above.

- *Is it appropriate to permit issuers to include, incorporate or refer to Previous GAAP financial information and, if so, for what periods and to what extent? If issuers elect to include or incorporate Previous GAAP financial information, should we require operating and financial review and prospects disclosure pursuant to Item 5 of Form 20-F related to that information?*

See response above.

- *Would Previous GAAP financial statements be useful to investors and should issuers be required to provide them? Should inclusion in previous annual reports filed with us on Form 20-F be sufficient in this regard? Would investors be likely to compare information based on IFRS with information based on Previous GAAP? If we require or permit financial statements and other information based on Previous GAAP, where should that information be located and how should it be formatted?*

We do not believe that it should be compulsory to include previous GAAP data, as this is already available on public record. As previously stated, if data is presented on an inconsistent basis we concur that adequate warning of the differences should be provided in order to avoid misinterpretation of the data.

- *Is inclusion of Previous GAAP financial information likely to cause investor confusion regarding the basis of accounting used in preparing financial information? How could any confusion or comparison be minimized? Should we provide more specific guidance on the location or substance of disclosure stating that a filing contains financial information based on Previous GAAP that is not comparable to financial information based on IFRS?*

See response above. We are not convinced that more specific guidance is required.

- *Should Previous GAAP financial information be presented in a "side-by-side" format with IFRS financial information? What additional disclosure would be necessary, if any? Should it be accompanied by a legend stating that the information is not comparable to financial information based on IFRS? If so, where should the legend be located? Would a "side-by-side" format present difficulties relating to disclosure contained in audit reports relating to the different bases of GAAP used? Similarly, how would the notes to the financial statements be presented in a clear manner if different GAAPs were presented therein?*

See response above.

- *If issuers include, incorporate or refer to Previous GAAP financial statements or financial information in a disclosure document, should we require specific legends or other language? Should any Previous GAAP information included be presented in a separate section of the disclosure document?*

See response above

- *Should five years of selected financial data based on U.S. GAAP be required in a separate section of the document, rather than with the IFRS selected data?*

We would not support an extension of US GAAP selected financial data to make up for any change to the local GAAP reporting

- *Should we require selected financial data based on Previous GAAP? If so, where should it be located? Should we expressly prohibit a "side-by-side" disclosure format for selected financial data based on Previous GAAP and IFRS? Conversely, should we permit or require such a disclosure format? Would inclusion of Previous GAAP selected financial data, whether presented in a "side-by-side" format or otherwise, be likely to cause investor confusion regarding the basis of accounting used? If so, how could any confusion or the likelihood of comparison be minimised.*

We have not concluded on our presentation of this data to our home market. We do not believe that the SEC should prescribe formats but permit the presentation on a consistent basis to that made in the local market so long as the principle of clear identification of the inconsistent presentation is followed.

- *Is there additional information that would be useful to investors that should be included in the disclosure of operating and financial review and prospects? If so, what is it?*

We make no comment on this

- *Should we require that disclosure of operating and financial review and prospects based on Previous GAAP financial information, if included, refer to the reconciliation to U.S. GAAP? If so, why? How is that information likely to benefit investors? Would requiring that information create undue burdens for issuers?*

We do not believe that this level of prescription is necessary.

- *To comply with these requirements, issuers may be required to maintain financial statements prepared in accordance with both Previous GAAP and IFRS for interim periods of the Transition Year. Would it be unduly burdensome to maintain books and records in accordance with both Previous GAAP and IFRS during this time? What costs and other burdens will this impose on issuers? Are companies that are mandated to switch to IFRS prohibited from continuing to publish financial statements prepared in accordance with Previous GAAP during their Transition Year? If so, who or what prohibits it?*

We make no comment on this, as we do not envisage the circumstances applying to Royal & Sun Alliance.

- *Will foreign issuers be likely to avoid registering securities under the Securities Act and the Exchange Act during the latter months of a Transition Year and early months of the year after in order to avoid being required to include interim financial statements in a disclosure document, and therefore be required to publish interim financial information in accordance with Previous GAAP? How can we reduce any impediment to foreign companies undertaking registered offerings during a Transition Year while ensuring that investors receive clear, sufficient, up-to-date information?*

We make no comment on this.

- *Are investors likely to be confused with the presentation of interim financial statements using two bases of accounting covering the same periods? If so, what steps could be taken to minimize this confusion?*

We make no comment on this.

- *As proposed, an issuer must include in its SEC filings both IFRS financial statements and Previous GAAP financial statements for current and prior year interim periods, when both are available. Should we provide issuers with a choice of whether to provide interim financial statements prepared under Previous GAAP or under IFRS, when both are available?*

We make no comment on this.

- *When the Transition Year is year 2004 or 2005, in lieu of requiring both Previous GAAP and available IFRS interim financial statements for two years, would it be preferable to require audited financial statements prepared in accordance with IFRS for the last full financial year, with unaudited IFRS financial statements for interim periods in both years? This approach would not be in technical compliance with IFRS 1, which requires that first-time adopters include one year of comparative information under IFRS. Should we permit audit reports that are qualified as to this provision of IFRS 1? Should we make similar accommodations when an issuer's Transition Year is later than year 2005? Why or why not?*

We make no comment on this.

- *When the Transition Year is year 2004 or 2005, would it be appropriate instead to require three years of audited financial statements prepared in accordance with Previous GAAP and unaudited financial statements prepared in accordance with IFRS for interim periods in two years with the same level of disclosure as in annual financial statements? Would issuers be likely to prepare full IFRS financial statements for interim periods? If not, why not? Should an issuer's first set of IFRS financial statements filed with the SEC be audited if they are for two years of interim periods? Why or why not? How would issuers assess and prepare disclosure of their operating and financial review and prospects? What other specific issues would companies face in presenting financial statements under both Previous GAAP and IFRS? How could those issues be addressed? Should we make similar accommodations when an issuer's Transition Year is later than year 2005?*

We make no comment on this other than to make the observation that the preparation of full IFRS financial statements for interim periods could be incrementally burdensome if the home supervisor did not require their preparation.

- *Should first-time adopters be required to provide the additional information proposed under Item 5 of Form 20-F? Will this information be useful for investors, and will it be unduly burdensome for issuers to provide? In either case, commenters should provide supporting information relating to the utility of the information (or lack thereof) and the costs and difficulties associated with disclosing this information.*

We believe that the provision of high quality date in these areas could be burdensome and of limited relevance to investors. Using an example given, under IFRS 3 (superseding IAS 22) the retrospective application would prohibit any pooling of interests but on first time adoption of IFRSs, a transaction accounted for as a pooling arrangement would not need to be restated. Whilst the nature of the non-restatement could be provided, the explanation of the significance to the Group's financial condition and to the changes of its financial condition and results of operation would be virtually impossible to quantify. Similar problems would arise in quantifying the impact for the other exemptions permitted. We appreciate that the wording is in terms of qualitative (as opposed quantitative) information but where the quantum is indeterminable the value of any disclosure would be minimal. The difficulty is exacerbated by the fact that IFRS 1 prohibits the first time adopter from making use of most transitional arrangements in IFRSs (IFRS 1 paragraph 9) which itself could preclude comparison between existing preparers under IFRSs and first time adopters.

- *Should issuers be required to disclose more information with respect to the mandatory or elective exceptions? If so, what information would that be, what usefulness would this information have to investors, and what burdens would be imposed on issuers to disclose this information?*

As explained in the previous question we believe that the proposed disclosures are problematic and any increase in such requirements would compound the problem.

- *Have we given sufficient guidance with respect to the information to be disclosed under the proposed amendment to Item 5? Should there be greater specificity relating to the required information? Are the proposals regarding the information to be provided in Item 5 and in the notes to the primary financial statements about IFRS exceptions sufficiently clear so as to avoid duplicative disclosure? If not, what further clarification is necessary?*

As explained above, we believe that disclosure in accordance with the proposed wording is unlikely to provide relevant information to investors and hence we would ask the SEC to reconsider the proposals.

- *Should we specify the form and content of the reconciliation from Previous GAAP to IFRS? For example, should we require that the information included in the reconciliation be similar in form and content to that in the example provided in IG63? Should we require a level of content different from that set out in IG63? If so, what level of information would be appropriate?*

We do not believe that the SEC should prescribe a format but should rely on the disclosures required in IFRS 1 paragraphs 38 to 43, which set out the requirement and the principles to be followed. Each entity will need to consider

the exact requirements according to its individual circumstance.

- *Would providing a reconciliation from Previous GAAP to IFRS that is substantially similar in form and content to the example set forth in IG63 as best practice be unduly burdensome to issuers? If so, what specific difficulties would issuers face in providing that level of information? How could they be addressed?*

As stated above, we consider that a reconciliation in undertaken in accordance with IFRS 1 will provide investors in the United States with the same information as that provided to an entity's investors in its local market and will be sufficient to satisfy their needs. There is a danger that prescribing a format could result in useful information being omitted.

- *Would investors find the reconciliation information as proposed more useful in comparing different registrants than information required under IFRS alone? If not, why not? What additional information should be required, if any?*

We do not comment on this as an investor

- *We request and encourage any interested persons to submit comments regarding:*
    - *the proposed changes that are the subject of this release,*
    - *additional or different changes, or*
    - *other matters that may have an effect on the proposals contained in this release.*

    We are particularly interested in commenter views on whether all or part of these rules should "sunset" after a particular period of time. Specifically, will General Instruction G be useful or relevant three years after the year 2007 transition to IFRS is complete If we were to automatically delete the provision, should the time period be longer or shorter?
    We request comment from the point of view of registrants, investors, accountants, and other market participants. In addition to the changes proposed in this release, we also solicit comments related to whether and how industry guide disclosure requirements should be revised for first-time adopters to whom the proposed accommodation would apply. With regard to any comments, we note that such comments are of greatest assistance to our rulemaking initiative if accompanied by supporting data

We should like to make one comment on the scope of the exemption. The proposal is drafted in the context of adoption of IRFSs. In Europe listed Groups are required to produce consolidated accounts in accordance with the IFRSs that have been adopted by the European Union. There is a possibility that the European Union will not have fully endorsed all the IFRSs and IASs prior to the 2005 deadline. It would be useful if the SEC would clarify whether the proposals would apply only to entities adopting IFRSs, or alternatively, to those also applying EU endorsed IFRSs.

If the former applies then it should be left to foreign private issuers to consider whether to apply IFRSs in full in order be in a position to make use of the SEC's

rules. A difficulty could however arise if there were any restrictions placed on entities in the European Union that would preclude such an approach. We are not aware of any such restriction currently (although were the EU to not endorse IFRS 4 – Insurance Contracts, we could envisage the possibility of such conflicts). It would be unfortunate if a foreign private issuer willing to comply with the spirit of the IFRSs and of the SEC's proposals was precluded from doing so as a result of an as yet unidentified problem arising from the EU's endorsement process and the existing legislation.