



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

2016

The Central Bank's Requirement for External Audit of Solvency II Regulatory Returns / Public Disclosures



Contents

The Central Bank's Requirement for External Audit of Solvency II Regulatory Returns/Public Disclosures	2
Entities included in scope	2
Groups	2
Quantitative Reporting Templates (QRTs)	2
Undertakings using approved full or partial internal models	3
Who shall undertake the audit.....	4
General application and implementation	4
Level of assurance	5
Opening balances	5
Approvals, waivers and supervisory determinations	6
Timing & frequency of audit.....	6
Appendix 1: Regulation 37 of S.I. No. 485 of 2015 – European Union (Insurance and Reinsurance) Regulations 2015.....	7
Appendix 2: Proposed elements of the SFCR to be included in scope at solo level	8
Appendix 3: Proposed elements of the SFCR to be included in scope at group level ..	10

The Central Bank's Requirement for External Audit of Solvency II Regulatory Returns/Public Disclosures

Regulation 37 of S.I. No. 485 of 2015 - European Union (Insurance and Reinsurance) Regulations 2015 ("Regulation 37") is prescriptive in relation to the scope of the audit stating that a reasonable assurance audit opinion shall be sought, in a report made to the Central Bank, on "the elements of the report on the solvency and financial condition of the undertaking as referred to in Regulation 52 relevant to the balance sheet, own funds and capital requirements".

Entities included in scope

1. All insurance and reinsurance undertakings subject to Solvency II and regulated by the Central Bank are in scope.

Groups

2. With regard to Solvency II groups for which the Central Bank is Group Supervisor (at the level referred to in Regulation 216(3)(a) and (b) of S.I. No. 485 of 2015), the Solvency Capital Requirement ("SCR") and own funds Quantitative Reporting Templates ("QRTs") are included in scope.

Quantitative Reporting Templates (QRTs)

3. Under Solvency II an SFCR is required from solo undertakings and, where relevant, at group and sub group levels. Appendix 2 lists the QRTs to be audited where an SFCR is published at a solo level. Appendix 3 lists the QRTs to be audited in the case of those groups which are in scope.
4. In respect of QRT S19.01.21 (Information on non-life insurance claims in the format of development triangles for the total non-life business), the claims triangles in this QRT includes a 10 year "look back" period. In recognition of the cost and practicalities

associated with obtaining a reasonable assurance opinion on a 10 year "look back" period the Central Bank has decided to limit the "look back" period subject to audit in the first year to 2 years (i.e. for undertakings with a 31 December 2016-year end, the period ended 31 December 2014 will be the base reference period and as such will continue to be the first period audited for the purposes of the claims triangles for the following nine years).

5. In order to enable the auditors to obtain an understanding of the valuation basis used to calculate the relevant quantitative information and assess consistency between the quantitative and qualitative information on the same items, it is expected that the auditors will review relevant qualitative elements of the SFCR. These may, include, for example, elements of the SFCR sections relating to valuation for solvency purposes and capital management.
6. The auditors read the relevant qualitative elements of the SFCR to identify any material inconsistencies, if any, with information made available to the auditor in the course of the reasonable assurance engagement on the SFCR and, where applicable, in the course of the audit of the financial statements of the entity.
7. The publicly disclosed QRTs in scope will be subject to audit rather than the XBRL submissions to the Central Bank of the same templates. However, it is the expectation of the Central Bank that there shall be no differences between the figures reported in either format.

Undertakings using approved full or partial internal models

8. The capital requirements templates, comprising the SCR and the Minimum Capital Requirement ("MCR"), of undertakings using approved full and partial internal models will be excluded from this Requirement, given the complexity of models, the high cost of audit, the limited additional value and as the internal model is already subject to an undertakings' internal validation and the Central Bank's approval.

Who shall undertake the audit

9. In accordance with Regulation 37, elements of the quantitative information to be submitted to the Central Bank by insurance and reinsurance undertakings under financial services legislation and other laws applicable in the State shall be audited by a person duly qualified under the Companies Act of 2014 (“the Companies Act”).
10. A “statutory auditor” under the Companies Act, means an individual or a firm (within the meaning of those Regulations) that stands approved as a statutory auditor or statutory audit firm, as the case may be, under the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 (S.I. No. 220 of 2010).
11. The incumbent auditor will undertake the audit of Solvency II regulatory returns/public disclosures engagement.
12. As part of their audit, auditors shall determine whether they should use the work of an auditor’s expert, for example an actuarial expert. Auditors may rely on the work of an expert in accordance with applicable auditing standards and the Technical Guidance for auditors providing reasonable assurance opinions in accordance with Regulation 37.

General application and implementation

13. The Requirement takes effect for financial years ending on or after 31 December 2016.
14. For the purposes of this engagement auditors are expected to undertake the audit in accordance with applicable auditing standards and the Technical Guidance for auditors providing reasonable assurance opinions in accordance with Regulation 37 to be issued by Chartered Accountants Ireland.
15. The audit report will be solely addressed to the Central Bank of Ireland.

Level of assurance

16. As set out in Regulation 37, a reasonable assurance opinion is required on the relevant elements of the SFCR. The QRTs relating to the balance sheet, technical provisions and claims, own funds, the SCR and MCR, with the exception of those elements calculated using an approved internal model, as set out in Appendices 2 and 3, shall be included in scope.
17. The reasonable assurance audit opinion will opine on whether the specified QRTs of the SFCR have been properly prepared, in all material respects, in accordance with the Solvency II regulations¹. The exact wording of the audit opinion to be provided will be included in the Technical Guidance for auditors providing reasonable assurance opinions in accordance with Regulation 37.

Opening balances

18. As part of their procedures to support a reasonable assurance opinion on the relevant elements of the SFCR, it is expected that the auditors will perform certain audit procedures in respect of opening balances under Solvency II as required. A separate audit report will not be required in this regard.
19. Auditors will determine the appropriate audit procedures in respect of opening balances in accordance with applicable standards on auditing and the Technical Guidance for auditors providing reasonable assurance opinions in accordance with Regulation 37.

¹ European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) and Applicable European Commission Delegated Regulations and European Commission Implementing Regulations designated as designated enactments in section 2(2A) of the Central Bank Act 1942 in particular Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council

Approvals, waivers and supervisory determinations

20. The auditor is not expected to express an opinion on the validity of an approval, waiver or other supervisory determination. Instead, evidence that an approval, waiver or supervisory determination is in place should be obtained by the auditor (for example obtaining a copy of correspondence from the Central Bank) and, once obtained, approvals, waivers and supervisory determinations provided by the Central Bank should be considered as part of the framework against which the audit opinion is being given.

Timing & frequency of audit

21. The external audit of the relevant elements of the SFCR will be required on an annual basis given that the SFCR is required to be published, and submitted to the CBI at the same time, annually. The audit report shall be submitted in line with the deadlines for reporting to the Central Bank under Solvency II as follows:

Reference Year End	Deadline (Weeks)*	Deadline*
31/12/2016	20	20/05/2017
31/12/2017	18	06/05/2018
31/12/2018	16	22/04/2019
31/12/2019	14	08/04/2020

*The deadline will decrease by two weeks every year until it reaches 14 weeks as prescribed in Article 308b(5) of the Level 1 text².

22. Where an auditor qualifies their audit opinion, the insurance undertaking should notify the Central Bank prior to publication of the SFCR to determine the most appropriate course of action in light of the public disclosure requirements arising under Solvency II.
23. If an SFCR needs to be re-published and therefore re-submitted to the Central Bank, it is proposed that such reports will be re-audited.

² http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOL_2014_153_R_0001

Appendix 1: Regulation 37 of S.I. No. 485 of 2015 – European Union (Insurance and Reinsurance) Regulations 2015

Auditor's report

37. (1) Such elements of the quantitative information to be submitted by insurance undertakings and reinsurance undertakings under financial services legislation and other laws applicable in the State adopted pursuant to the Directive as may from time to time be specified by notice in writing by the Bank shall be audited by a person duly qualified under the Act of 2014 who shall make a report to the Bank in a form specified by the Bank from time to time.

(2) The report referred to in paragraph (1) shall include a reasonable assurance opinion on the elements of the report on the solvency and financial condition of the undertaking as referred to in Regulation 52 relevant to the balance sheet, own funds and capital requirements.

(3) Such elements of the quantitative information to be submitted by a participating insurance undertaking or participating reinsurance undertaking, an insurance holding company or a mixed financial holding company (as referred to in Regulation 216(3)(a) and (b)) under financial services legislation and other laws applicable in the State adopted pursuant to the Directive as may from time to time be specified by notice in writing by the Bank shall be audited by a person duly qualified under the Act of 2014 who shall make a report to the Bank in a form specified by the Bank from time to time.

(4) The report referred to in paragraph (3) shall include a reasonable assurance opinion on the elements of the report on the solvency and financial condition of the participating insurance undertaking or reinsurance undertaking, insurance holding company or mixed financial holding company as referred to in Regulation 258 relevant to the balance sheet, own funds and capital requirements.

Appendix 2: Proposed elements of the SFCR to be included in scope at solo level

<p>The quantitative reporting templates (QRTs) in scope as set out in the SFCR – COMMISSION IMPLEMENTING REGULATION (EU) 2015/2452 of 2 December 2015</p>	<p>Auditors may also wish to consider relevant qualitative information as set out in the following sections of the SFCR per Annex XX of the Delegated Regulation (EU) 2015/35</p>
<p>Article 4 (a) - balance Sheet information, as specified in template S.02.01.02 of Annex I, according to the instructions in S.02.01 of Annex II;</p> <p>Article 4 (d) - information on Life and Health SLT Technical Provisions, as specified in template S.12.01.02 of Annex I, according to the Instructions in S.12.01 of Annex II, regarding each line of business as defined in Annex I of the Implementing Measures;</p> <p>Article 4 (e) - information on Non-Life Technical Provisions, as specified in template S.17.01.02 of Annex I, according to the Instructions in S.17.01 of Annex II regarding each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;</p> <p>Article 4 (f) - information on non-life insurance claims in the format of development triangles for the total non-life business, as specified in template S.19.01.21 of Annex I, according to the Instructions in S.19.01 of Annex II.</p>	<p>D. Valuation for Solvency Purposes</p> <p>D.1 Assets</p> <p>D.2 Technical provisions</p> <p>D.3 Other liabilities</p> <p>D.4 Alternative methods for valuation</p> <p>D.5 Any other information</p>
<p>Article 4 (h) - information on own funds as specified in template S.23.01.01 of Annex I, according to the Instructions in S.23.01 of Annex II, including basic own funds and ancillary own funds.</p>	<p>E. Capital Management</p> <p>E.1 Own funds</p>
<p>Article 4 (i) - information on solvency capital requirement calculated using the standard formula, as specified in template S.25.01.21 of Annex I, according to the Instructions in S.25.01 of Annex II.</p>	<p>E. Capital Management</p> <p>E.2 Solvency Capital Requirement and Minimum Capital Requirement</p> <p>E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement</p> <p>E.6 Any other information</p>

<p>Article 4 paragraph 1 (l) - information on the minimum capital requirement for insurance and reinsurance undertakings that pursue only life or non-life activity and calculate their solvency capital requirement using the standard formula, as specified in template S.28.01.01 of Annex I, according to the Instructions in S.28.01 of Annex II;</p> <p>Article 4 paragraph 1 (m) - information on the minimum capital requirement for insurance and reinsurance undertakings that pursue both life and non-life insurance activity and calculate their solvency capital requirement using the standard formula, as specified in template S.28.02.01 of Annex I, according to the Instructions in S.28.02 of Annex II.</p>	<p>E. Capital Management</p> <p>E.2 Solvency Capital Requirement and Minimum Capital Requirement</p> <p>E.6 Any other information</p>
--	--

Appendix 3: Proposed elements of the SFCR to be included in scope at group level

<p>The quantitative reporting templates (QRTs) in scope as set out in the SFCR – COMMISSION IMPLEMENTING REGULATION (EU) 2015/2452 of 2 December 2015</p>	<p>Auditors may also wish to consider relevant qualitative information as set out in the following sections of the SFCR per Annex XX of the Delegated Regulation (EU) 2015/35</p>
<p>Article 5(f) - information on own funds as specified in template S.23.01.22 of Annex I, according to the Instructions in S.23.01 of Annex II including basic own funds and ancillary own funds;</p>	<p>E. Capital Management E.1 Own funds</p>
<p>Article 5(g) - information on solvency capital requirement calculated using the standard formula, as specified in template S.25.01.22 of Annex I, according to the Instructions in S.25.01 of Annex II;</p>	<p>E. Capital Management E.2 Solvency Capital Requirement E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement E.6 Any other information</p>

www.centralbank.ie



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem