

Allianz Re Dublin dac - Allianz House, Elmpark, Merrion Road, Dublin 4, Ireland

Consultation Paper CP 104
Insurance Supervision
Central Bank of Ireland
PO Box 11517, Spencer Dock
North Wall Quay
Dublin 1
E-mail: CP104@centralbank.ie

From: Allianz Re Dublin dac
Phone: +3531 512 5400
Date: 29.07.2016

E-mail: azre-dublin-compliance@allianzre.com
Fax: +3531 512 5401

Our Ref.: Consultation Paper CP104 feedback

Dear Sir/Madam,

Allianz Re Dublin dac ("the Company") is hereby responding to the invitation put forward by the Central Bank of Ireland ("CBI"), to submit comments in regards to 'External Audit of Solvency II Regulatory Returns / Public Disclosures' Consultation Paper CP 104 ("CP 104").

The Company's comments are as follows:

Ref.	CP104 extract	Company comments
Section 1.3 (p1) and 4.4 (p4)	<p><i>"Under Solvency II, undertakings are required to prepare a Solvency and Financial Condition Report ("SFCR") on an annual basis... Regulation 37... enables the Central Bank,...to require that elements of the quantitative information submitted by insurance and reinsurance undertakings be audited, and that the audit report should include a reasonable assurance opinion on the elements of the SFCR relevant to the balance sheet, own funds and capital requirements ("the relevant elements")..."</i></p> <p><i>"Following the consultation period it is expected that external audit guidance, including the format of the audit report, will be developed by CAI in consultation with the Central Bank."</i></p>	<p>The Company asks that the CBI defines in more detail what a "reasonable assurance audit opinion" is in respect to the SFCR. Given the vast scope of the external audit on the SFCR (i.e. the balance sheet, own funds and capital requirements) different audit firms may have different approaches to the audit, which in turn could mean significantly more burden for companies to comply with the audit requirements in an already tight reporting period (which coincides with the period of the QRTs, NSTs, the actual SFCR, ORSA, HoAF opinion etc.).</p> <p>Clarification should also be made with respect to the responsibilities of the local Audit Committees and Boards in regards to the review of the external auditor reports.</p>
Section 3.4 (p3)	<p><i>"The European Insurance and Occupational Pensions Authority ("EIOPA") stated that</i></p>	<p>The Company interprets this section as saying that the CBI have taken the approach to seek</p>

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	<p><i>“EIOPA believes that to ensure high quality public disclosure for Solvency II purposes, external audit of that information can ... be a powerful tool. In order to make best use of external audit in the context of the SFCR, EIOPA is of the view that at individual and group level, the main elements of the SFCR (balance sheet, own funds and capital requirements) of all insurance and reinsurance undertakings could fall within the scope of an external audit.”</i></p>	<p>an audit opinion on all of the main elements of the SFCR even though EIOPA have a more flexible wording i.e. the main elements of the SFCR “could” fall within the scope...”.</p> <p>In the same context, the Company seeks clarification on how the audit of the technical provisions (“TPs”, part of the balance sheet) under CP104 ties in with the Peer Review of the TPs, as required in the Domestic Actuarial Regime. This approach appears to be significantly more demanding than other jurisdictions in Europe and therefore a significant burden to the local undertakings.</p>
Section 5.3 (p5)	<p><i>“The cost of an external audit of the relevant elements of the SFCR will be impacted by...”</i></p>	<p>The Company highlights the importance of clarifying exactly the scope of audit work expected in order for companies to be able to estimate and plan for the resource and financial costs expected to be incurred. It is important to mention that the requirements as specified in this paper could lead to significant costs for local undertakings both in terms of internal resourcing and actual fees paid to audit firms.</p>
Section 6.3 (p7) and 6.16 (p10)	<p><i>“It is proposed that the capital requirements templates, comprising the SCR and the Minimum Capital Requirement (“MCR”), of undertakings using approved full internal models will be excluded from this proposal, given the complexity of models, the high cost of audit, the limited additional value and that the internal model is already subject to an undertakings’....”</i></p> <p><i>“As set out in Regulation 37, a reasonable assurance opinion will be sought on the relevant elements of the SFCR. It is proposed that the QRTs relating to the balance sheet, technical provisions and claims, long term guarantees, own funds, the SCR (with the exception of those elements calculated using an approved internal model) and MCR, as set out in Appendices 2 and 3, shall be included in scope.”</i></p>	<p>The Company asks that the CBI confirm whether the MCR is in scope of the external audit requirements or not for full internal model undertakings.</p> <p>In case both the SCR and MCR are out of scope or in case only the SCR is out of scope for the purpose of audit work for full internal model undertakings, the Company asks that the CBI define what is the scope of the audit work when references are made to “capital requirements”.</p>
Section 6.5 (p8)	<p><i>“As part of their procedures to support a reasonable assurance opinion on the relevant</i></p>	<p>The Company asks that the CBI clarify exactly what the “certain audit procedures of the</p>

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	<i>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.</i>	opening balances " relate to so that the undertakings can estimate the workload and clear guidance can be given to the auditors in respect of the scope of the audit thus reducing the risk of significant additional work for local undertakings.
Section 6.10 p(9)	<i>"As part of their audit, auditors shall determine whether they should use the work of an auditor's expert, for example an actuarial expert....The Central Bank expects that auditors will obtain and pay due regard to advice from an independent actuarial expert as they deem necessary."</i>	The Company asks that the CBI clarify if it is sufficient that the auditors use their own experts (i.e. from the same firm) and that they are not required to employ an independent third party actuarial expert.
Section 6.12 (p9)	<i>"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 paid triangle 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 have decided to limit the "look back" period subject to audit in the first year to 2 years (i.e. the first period audited for the purposes of the claims paid triangle will be the period ended 31 December 2014)."</i>	The Company asks that the CBI confirm that the 2 year look back period as at 2016 (i.e. to Y/E Dec 2014) is the earliest year that will be audited in <u>any</u> year i.e. also 2017 onwards.

The Company is looking forward to the consideration of the comments made in this letter in the final policy paper expected to be issued in September 2016.

Thank you.

Yours faithfully,

Allianz Re Dublin dac