

By email: [CP104@centralbank.ie](mailto:CP104@centralbank.ie)

29<sup>th</sup> July 2016

**Re: Consultation Paper CP 104 – External Audit of Solvency II Regulatory Returns / Public Disclosures**

MetLife EU Holding Company Limited, MetLife Europe d.a.c. and MetLife Insurance Europe d.a.c (“MetLife”) are grateful for the opportunity to respond to the Central Bank of Ireland (“CBI”) on its Consultation on External Audit of Solvency II Regulatory Returns / Public Disclosures (“CP 104”).

We would like to make the following comments:

**1. Peer Review**

The interaction of peer review and the external audit is unclear. We recommend the external auditor rely on the peer review in the current year and for the external auditor to be able to rely on peer review from the previous year, subject to additional external audit review on any material changes arising. The external auditor can then focus on process and controls, leaving peer review to focus on methodology and results.

**2. Audit Firm**

CP 104 states that the proposed audit requirements shall be audited by a statutory auditor under the Companies Act, and *“in practice, a firm of auditors will usually be appointed to act as auditors to a company”*.

We recommend that companies have the flexibility to choose a suitable auditor that is not necessarily the incumbent auditor of the International Financial Reporting Standards (IFRS) statements. This flexibility assists an undertaking in managing the impact and timing of required external audit rotation.

**3. Non regulated Group Holding Companies**

We recommend that group holding companies, which are not insurance undertakings, are excluded from the scope of the proposed audit requirements.

The requirement to include group holding companies that are not insurance undertakings in the scope of the proposed audit requirements does not add any additional value. This is because insurance subsidiaries of non-insurance group undertakings are already subjected to high quality supervision and external audit reviews in other European Economic Area (EEA) jurisdictions. In addition, non-insurance subsidiaries of group undertakings are audited in accordance to their statutory requirements.

**4. Scope Restriction of Group Solvency Capital Requirement**

As noted above, we recommend that group holding companies which are not insurance undertakings, are excluded from the scope of the proposed audit requirements.

For group undertakings that are in scope, the expected depth of review for the group Solvency Capital Requirement (SCR) calculation is unclear. We recommend that oversight should be marginal with individual entities of the group providing appropriate national oversight, including external audit and peer review requirements at individual entity level. We recommend the external audit scope is limited to the methodology and aggregation techniques for the group from the individual entities .

#### **5. Partial Internal Models**

We acknowledge the Partial Internal Models (PIM) and other Internal Models are subject to external validation and we recommend that that the external audit should be limited to the aggregation between the already reviewed PIM and other Standard Formula businesses.

#### **6. Reasonable Assurance Audit Opinion**

We recommend that a “reasonable assurance” audit opinion be specifically limited to the quantitative templates that are associated with Regulation 37 of S.I. No. 485 of 2015 (regarding the Auditor’s Report) (“Regulation 37”), and its requirements for the Solvency & Financial Condition Report (“SFCR”) audit scope. The scope of the reasonable assurance audit should not require consideration, or encompass other elements, of the SFCR which are outside the scope of the Regulation 37 audit engagement.

#### **7. Claims Triangle Look Back**

It is unclear as to whether the limit on the look back period subject to audit is a one year derogation only. We recommend and seek confirmation that it is intended that the limitation shall extend beyond the initial year of reporting such that the period ended 31 December 2014 will continue to be the first period audited for the purposes of the claims paid triangle in subsequent years of audit.

#### **8. Long Term Guarantees**

We note that at paragraph 6.16 of CP 104 reference is made to the inclusion of the Quantitative Reporting Templates (QRTs) relating to Long Term Guarantees within the engagement scope. However that QRT is not included in Appendix 2. We therefore ask for clarification as to whether or not it is intended to bring this QRT within the scope of the engagement.

#### **Concluding Remarks**

Once again, we would like to extend our gratitude for the opportunity to share our views and experiences towards helping to shape the future of external auditing under Solvency II.

In the event that you have any questions, we would be pleased to discuss our comments with you in further detail at your convenience.