

## Chartered Accountants Ireland or CCAB-I material

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### Technical Alerts

#### TA 01/2017 - Revision to Technical Release 13/2016: Illustrative Auditor's Report on the relevant elements of the Solvency and Financial Condition Report (SFCR)

May 2017

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#### Background

Section 3 of Technical Release 13/2016 *Guidance for auditors of insurance undertakings in Ireland* ("TR 13/2016") provides guidance to auditors engaged by an insurance undertakings within the scope of the European Union (Insurance and Reinsurance) Regulations 2015 (SI 485 of 2015) ("the 2015 Regulations") to provide a reasonable assurance opinion in relation to the relevant elements of the Solvency and Financial Condition Report (SFCR) of that undertaking. Appendix 2 to that Technical Release contains illustrative auditor reports for such engagements.

The purpose of this Technical Alert is to inform auditors that Chartered Accountants Ireland has added two illustrative auditor reports to those published at Appendix 2 of TR 13/2016. These additional auditor reports relevant for non-life insurance undertakings have been added as Illustration 1A and Illustration 2A. Illustration 1 and Illustration 2 have also been revised so as to relate to life insurance undertakings only.

The additional and revised illustrative auditor reports have been prepared to take account of paragraph 4 of Section 3 of the Central Bank of Ireland's *Feedback Statement to Consultation Paper CP104 – External Audit of Solvency II Regulatory Returns / Public Disclosures*<sup>1</sup> ("the Central Bank's Requirements") which provides that

*"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).”*

This Technical Alert presents the following illustrated auditor reports:

- [Illustration 1 \(Revised May 2017\) – solo entity using the standard formula: An auditor's report on relevant elements of the SFCR for the year ended 31 December 2016 \(life insurance undertaking\)](#)
- [Illustration 1A \(Inserted May 2017\) - solo entity using the standard formula: An auditor's report on relevant elements of the SFCR for the year ended 31 December 2016 \(non-life insurance undertaking\)](#)
- [Illustration 2 \(Revised May 2017\) - solo entity using the partial or full internal model: An auditor's report on relevant elements of the SFCR for the year ended 31 December 2016 \(life insurance undertaking\)](#)
- [Illustration 2A \(Inserted May 2017\) - solo entity using the partial or full internal model: An auditor's report on relevant elements of the SFCR for the year ended 31 December 2016 \(non-life insurance undertaking\)](#)

This Technical Alert should be read in conjunction with TR 13/2016. TR 13/2016 will be updated to reflect the amendments set out in this Technical Alert.

**Illustration 1 – (Revised May 2017 ) solo entity using the standard formula: An auditor's report on relevant elements of the SFCR for the year ended 31 December 2016 (life insurance undertaking)**

For the purpose of this illustrative report the following circumstances are assumed:

- The insurance entity is a solo insurance undertaking.
- The insurance entity is a life insurance undertaking.
- The auditor is responsible for the audit of the entity's statutory financial statements as well as of the relevant elements of the Solvency and Financial Condition Report.
- The audited entity has calculated the Solvency Capital Requirement using the Standard Formula.
- The auditor's report is submitted to the Central Bank together with the relevant elements of the SFCR and other accompanying information which consists only of
  - D.1 Assets
  - D.2 Technical provisions
  - D.3 Other liabilities
  - D.4 Alternative methods for valuation
  - D.5 Any other information
  - E.1 Own funds
  - E.2 Solvency Capital Requirement and Minimum 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
- The financial information has been prepared by the management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.
- The terms of the audit engagement reflect the description of directors' responsibility for the Solvency and Financial Condition Report.
- The auditor has concluded an unmodified (i.e. “clean”) opinion is appropriate based on the audit evidence obtained.
- The auditor's report is not published with the Solvency and Financial Condition Report.
- Only those elements of the SFCR which the Central Bank has identified in Appendix 2 to its Feedback Statement to Consultation Paper CP 104 are treated as 'other information' in accordance with the requirements of ISA (UK and Ireland) 720. The auditor has nothing to report in respect of 'other information'.
- Those responsible for oversight of the Solvency and Financial Condition Report differ from those responsible for the preparation of the Solvency and Financial Condition Report.

N.B. There may be circumstances where the audit opinion covers the QRTs of a solo insurance undertaking which form part of a *Group* Solvency and Financial Condition Report. Where this is the case, this should be defined upfront.

### **Report of the independent auditor of [Company Name] ('the Company') to the Central Bank of Ireland pursuant to Regulation 37 of the European Union (Insurance and Reinsurance) Regulations 2015 : Report on the Audit of the relevant elements of the Solvency and Financial Condition Report**

We have audited the following quantitative reporting templates prepared by the Company:

- [S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21, S.28.01.01, S.28.02.01] as at 31 December xx

(the 'relevant elements of the Solvency and Financial Condition Report').

The relevant elements of the Solvency and Financial Condition Report have been prepared by the Company in accordance with Solvency II Regulations, which consist of:

- European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015);
- European Commission Delegated Regulation (EU) 2015/35; and
- The 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 SFCR in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

[and waivers, approvals and other supervisory determinations issued by the Central Bank of Ireland – insert description as appropriate].

### **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the Solvency II Regulations.

In accordance with Regulation 57 of the European Union (Insurance and Reinsurance) Regulations 2015, the Directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the Solvency and Financial Condition Report and for the approval of the Solvency and Financial Condition Report.

The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The Directors are responsible for overseeing the Company's financial reporting process.

The Directors should be satisfied that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the Company. All Directors are required to sign a Compliance Statement, as required under Section 25 of the Central Bank Act 1997, for submission with the annual quantitative reporting templates.

Our responsibility is to audit and express an opinion on the relevant elements of the Solvency and Financial Condition Report in accordance with European Union (Insurance and Reinsurance) Regulations 2015 and International Standards on Auditing (UK and Ireland)<sup>2</sup>. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Relevant Elements of the Solvency and Financial Condition Report**

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the relevant elements of the Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the information accompanying the relevant elements of the Solvency and Financial Condition Report, to identify material inconsistencies with the relevant elements of the Solvency and Financial Condition Report and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of the audit

of the relevant elements of the Solvency and Financial Condition Report and also in the course of the audit of the statutory financial statements of the Company. The information accompanying the relevant elements of the Solvency and Financial Condition Report consists of:

- D.1 Assets
- D.2 Technical provisions
- D.3 Other liabilities
- D.4 Alternative methods for valuation
- D.5 Any other information
- E.1 Own funds
- E.2 Solvency Capital Requirement and Minimum 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

If we become aware of any apparent material misstatements or inconsistencies in the accompanying information we consider the implications for our report.

### **Opinion**

In our opinion, the information in the relevant elements of the Solvency and Financial Condition Report of the Company for the year ended 31 December 20XX is properly prepared, in all material respects, in accordance with the Solvency II Regulations.

### **Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use**

We draw attention to the ['Valuation for solvency purposes' and 'Capital Management'] sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared to assist the Company in complying with the financial reporting provisions of the Solvency II Regulations. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our report is intended solely for the Central Bank of Ireland and the Company in accordance with the terms of our engagement and should not be distributed to or used by parties other than the Central Bank of Ireland and the Company. Our opinion is not modified in respect of this matter.

*Signature in the name of the audit firm*

[Auditor Address]

[Date]

### **Illustration 1A – (Inserted May 2017 ) solo entity using the standard formula: An auditor's report on relevant elements of the SFCR for the year ended 31 December 2016 (non-life insurance undertaking)**

For the purpose of this illustrative report the following circumstances are assumed:

- The insurance entity is a solo insurance undertaking.
- The insurance entity is a non-life insurance undertaking.
- The auditor is responsible for the audit of the entity's statutory financial statements as well as of the relevant elements of the Solvency and Financial Condition Report.
- The audited entity has calculated the Solvency Capital Requirement using the Standard Formula.
- The auditor's report is submitted to the Central Bank together with the relevant elements of the SFCR and other accompanying information which consists only of
  - D.1 Assets
  - D.2 Technical provisions
  - D.3 Other liabilities
  - D.4 Alternative methods for valuation
  - D.5 Any other information
  - E.1 Own funds
  - E.2 Solvency Capital Requirement and Minimum 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
- The financial information has been prepared by the management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.

- The terms of the audit engagement reflect the description of directors' responsibility for the Solvency and Financial Condition Report.
- The auditor has concluded an unmodified (i.e. “clean”) opinion is appropriate based on the audit evidence obtained.
- The auditor's report is not published with the Solvency and Financial Condition Report.
- Only those elements of the SFCR which the Central Bank has identified in Appendix 2 to its Feedback Statement to Consultation Paper CP 104 are treated as 'other information' in accordance with the requirements of ISA (UK and Ireland) 720. The auditor has nothing to report in respect of 'other information'.
- Those responsible for oversight of the Solvency and Financial Condition Report differ from those responsible for the preparation of the Solvency and Financial Condition Report.

N.B. There may be circumstances where the audit opinion covers the QRTs of a solo insurance undertaking which form part of a *Group* Solvency and Financial Condition Report. Where this is the case, this should be defined upfront.

**Report of the independent auditor of [Company Name] ('the Company') to the Central Bank of Ireland pursuant to Regulation 37 of the European Union (Insurance and Reinsurance) Regulations 2015 : Report on the Audit of the relevant elements of the Solvency and Financial Condition Report**

We have audited the following quantitative reporting templates prepared by the Company:

- [S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01, S.28.02.01] as at 31 December xx; and
- [S.19.01.21] for the year ended 31 December xx except as indicated in the paragraph below (the 'forms subject to audit').

In respect of the information contained in S.19.01.21, the Central Bank of Ireland has limited the information on that form subject to audit to only that information which relates to the periods ended 31 December 2014, 31 December 2015 and 31 December 2016. We are not required to audit, nor have we audited and as a consequence do not express an opinion on, any information contained within this form which relates to a period preceding the period ended 31 December 2014.

The forms subject to audit, excluding those items identified above as outside the scope of our opinion, are hereafter defined as the 'relevant elements of the Solvency and Financial Condition Report'.

The relevant elements of the Solvency and Financial Condition Report have been prepared by the Company in accordance with Solvency II Regulations, which consist of:

- European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015);
- European Commission Delegated Regulation (EU) 2015/35; and
- The 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 SFCR in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

[and waivers, approvals and other supervisory determinations issued by the Central Bank of Ireland – insert description as appropriate].

**Respective Responsibilities of Directors and Auditors**

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the Solvency II Regulations. In accordance with Regulation 57 of the European Union (Insurance and Reinsurance) Regulations 2015, the Directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the Solvency and Financial Condition Report and for the approval of the Solvency and Financial Condition Report.

The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The Directors are responsible for overseeing the Company's financial reporting process.

The Directors should be satisfied that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the

Company. All Directors are required to sign a Compliance Statement, as required under Section 25 of the Central Bank Act 1997, for submission with the annual quantitative reporting templates.

Our responsibility is to audit and express an opinion on the relevant elements of the Solvency and Financial Condition Report in accordance with European Union (Insurance and Reinsurance) Regulations 2015 and International Standards on Auditing (UK and Ireland)<sup>3</sup>. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Relevant Elements of the Solvency and Financial Condition Report**

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the relevant elements of the Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the information accompanying the relevant elements of the Solvency and Financial Condition Report, to identify material inconsistencies with the relevant elements of the Solvency and Financial Condition Report and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of the audit of the relevant elements of the Solvency and Financial Condition Report and also in the course of the audit of the statutory financial statements of the Company. The information accompanying the relevant elements of the Solvency and Financial Condition Report consists of:

- D.1 Assets
- D.2 Technical provisions
- D.3 Other liabilities
- D.4 Alternative methods for valuation
- D.5 Any other information
- E.1 Own funds
- E.2 Solvency Capital Requirement and Minimum 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

If we become aware of any apparent material misstatements or inconsistencies in the accompanying information we consider the implications for our report.

### **Opinion**

In our opinion, the information in the relevant elements of the Solvency and Financial Condition Report of the Company for the year ended 31 December 20XX is properly prepared, in all material respects, in accordance with the Solvency II Regulations.

### **Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use**

We draw attention to the ['Valuation for solvency purposes' and 'Capital Management'] sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared to assist the Company in complying with the financial reporting provisions of the Solvency II Regulations. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our report is intended solely for the Central Bank of Ireland and the Company in accordance with the terms of our engagement and should not be distributed to or used by parties other than the Central Bank of Ireland and the Company. Our opinion is not modified in respect of this matter.

*Signature in the name of the audit firm*

[Auditor Address]

[Date]

**Illustration 2 – (Revised May 2017 ) solo entity using the partial or full internal model: An auditor's report on relevant elements of the SFCR for the year ended 31 December 2016 (life insurance undertaking)**

For the purpose of this illustrative report the following circumstances are assumed:

- The insurance entity is a solo insurance undertaking.
- The insurance entity is a life insurance undertaking.
- The auditor is responsible for the audit of the entity's statutory financial statements as well as of the relevant elements of the Solvency and Financial Condition Report.
- The audited entity has calculated the Solvency Capital Requirement using the Partial or Full Internal Model method.
- The auditor's report is submitted to the Central Bank together with the relevant elements of the SFCR and other accompanying information which consists only of
  - D.1 Assets
  - D.2 Technical provisions
  - D.3 Other liabilities
  - D.4 Alternative methods for valuation
  - D.5 Any other information
  - E.1 Own funds
  - E.6 Any other information
- The risk margin and any other quantitative elements of the SFCR that relate to or are dependent upon the SCR are all out of scope of the audit.
- The financial information has been prepared by the management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.
- The terms of the audit engagement reflect the description of directors' responsibility for the Solvency and Financial Condition Report.
- The auditor has concluded an unmodified (i.e. "clean") opinion is appropriate based on the audit evidence obtained.
- The auditor's report is not published with the Solvency and Financial Condition Report.
- Only those elements of the SFCR which the Central Bank has identified in Appendix 2 to its Feedback Statement to Consultation Paper CP 104 are treated as 'other information' in accordance with the requirements of ISA (UK and Ireland) 720. The auditor has nothing to report in respect of 'other information'.
- Those responsible for oversight of the Solvency and Financial Condition Report differ from those responsible for the preparation of the Solvency and Financial Condition Report.

N.B. There may be circumstances where the audit opinion covers the QRTs of a solo insurance undertaking which form part of a *Group* Solvency and Financial Condition Report. Where this is the case, this should be defined upfront.

**Report of the independent auditor of [Company Name] ('the Company') to the Central Bank of Ireland pursuant to Regulation 37 of the European Union (Insurance and Reinsurance) Regulations 2015 : Report on the Audit of the relevant elements of the Solvency and Financial Condition Report**

We have audited the following quantitative reporting templates prepared by the Company:

- [S.02.01.02, S.12.01.02, S.23.01.01] as at 31 December xx except as indicated in the paragraphs below

(the 'forms subject to audit').

We are not required to audit, nor have we audited and as a consequence do not express an opinion on, any information contained within the forms subject to audit set out above which are calculated using an approved internal or partial internal model.

Therefore, the following items as contained in the forms subject to audit are excluded from the scope of our opinion:

- [S.02.01.02: cells R0550, R0590, R0640, R0680, R0720]
- [S.12.01.02: cells R0100, R0130]
- [S.23.01.01: cells R0580, R0600, R0620, R0640, R0740]

The forms subject to audit, excluding those items identified above as outside the scope of our opinion, are hereafter defined as the 'relevant elements of the Solvency and Financial Condition Report'.

The relevant elements of the Solvency and Financial Condition Report have been prepared by the Company in accordance with Solvency II Regulations, which consist of:

- European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015);
- European Commission Delegated Regulation (EU) 2015/35; and
- The 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 SFCR in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

[and waivers, approvals and other supervisory determinations issued by the Central Bank of Ireland – insert description as appropriate].

### **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the Solvency II Regulations. In accordance with Regulation 57 of the European Union (Insurance and Reinsurance) Regulations 2015, the Directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the Solvency and Financial Condition Report and for the approval of the Solvency and Financial Condition Report.

The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The Directors are responsible for overseeing the Company's financial reporting process.

The Directors should be satisfied that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the Company. All Directors are required to sign a Compliance Statement, as required under Section 25 of the Central Bank Act 1997, for submission with the annual quantitative reporting templates.

Our responsibility is to audit and express an opinion on the relevant elements of the Solvency and Financial Condition Report in accordance with European Union (Insurance and Reinsurance) Regulations 2015 and International Standards on Auditing (UK and Ireland)<sup>4</sup>. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Relevant Elements of the Solvency and Financial Condition Report**

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the relevant elements of the Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the information accompanying the relevant elements of the Solvency and Financial Condition Report, to identify material inconsistencies with the relevant elements of the Solvency and Financial Condition Report and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of the audit of the relevant elements of the Solvency and Financial Condition Report and also in the course of the audit of the statutory financial statements of the Company. The information accompanying the relevant elements of the Solvency and Financial Condition Report consists of:

- D.1 Assets
- D.2 Technical provisions
- D.3 Other liabilities
- D.4 Alternative methods for valuation
- D.5 Any other information
- E.1 Own funds
- E.6 Any other information

If we become aware of any apparent material misstatements or inconsistencies in the accompanying information we consider the implications for our report.

### **Opinion**



In our opinion, the information in the relevant elements of the Solvency and Financial Condition Report of the Company for the year ended 31 December 20XX is properly prepared, in all material respects, in accordance with the Solvency II Regulations.

### **Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use**

We draw attention to the ['Valuation for solvency purposes' and 'Capital Management'] sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared to assist the Company in complying with the financial reporting provisions of the Solvency II Regulations. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our report is intended solely for the Central Bank of Ireland and the Company in accordance with the terms of our engagement and should not be distributed to or used by parties other than the Central Bank of Ireland and the Company. Our opinion is not modified in respect of this matter.

*Signature in the name of the audit firm*

[Auditor Address]

[Date]

### **Illustration 2A – (Inserted May 2017 ) solo entity using the partial or full internal model: An auditor's report on relevant elements of the SFCR for the year ended 31 December 2016 (non-life insurance undertaking)**

For the purpose of this illustrative report the following circumstances are assumed:

- The insurance entity is a solo insurance undertaking.
- The insurance entity is a non-life insurance undertaking.
- The auditor is responsible for the audit of the entity's statutory financial statements as well as of the relevant elements of the Solvency and Financial Condition Report.
- The audited entity has calculated the Solvency Capital Requirement using the Partial or Full Internal Model method.
- The auditor's report is submitted to the Central Bank together with the relevant elements of the SFCR and other accompanying information which consists only of
  - D.1 Assets
  - D.2 Technical provisions
  - D.3 Other liabilities
  - D.4 Alternative methods for valuation
  - D.5 Any other information
  - E.1 Own funds
  - E.6 Any other information
- The risk margin and any other quantitative elements of the SFCR that relate to or are dependent upon the SCR are all out of scope of the audit.
- The financial information has been prepared by the management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.
- The terms of the audit engagement reflect the description of directors' responsibility for the Solvency and Financial Condition Report.
- The auditor has concluded an unmodified (i.e. "clean") opinion is appropriate based on the audit evidence obtained.
- The auditor's report is not published with the Solvency and Financial Condition Report.
- Only those elements of the SFCR which the Central Bank has identified in Appendix 2 to its Feedback Statement to Consultation Paper CP 104 are treated as 'other information' in accordance with the requirements of ISA (UK and Ireland) 720. The auditor has nothing to report in respect of 'other information'.
- Those responsible for oversight of the Solvency and Financial Condition Report differ from those responsible for the preparation of the Solvency and Financial Condition Report.

N.B. There may be circumstances where the audit opinion covers the QRTs of a solo insurance undertaking which form part of a *Group* Solvency and Financial Condition Report. Where this is the case, this should be defined upfront.

## **Report of the independent auditor of [Company Name] ('the Company') to the Central Bank of Ireland pursuant to Regulation 37 of the European Union (Insurance and Reinsurance) Regulations 2015 : Report on the Audit of the relevant elements of the Solvency and Financial Condition Report**

We have audited the following quantitative reporting templates prepared by the Company:

- [S.02.01.02, S.17.01.02, S.23.01.01] as at 31 December xx; and
- [S.19.01.21] for the year ended 31 December xx except as indicated in the paragraphs below

(the 'forms subject to audit').

We are not required to audit, nor have we audited and as a consequence do not express an opinion on, any information contained within the forms subject to audit set out above which are calculated using an approved internal or partial internal model.

Therefore, the following items as contained in the forms subject to audit are excluded from the scope of our opinion:

- [S.02.01.02: cells R0550, R0590, R0640, R0680, R0720]
- [S.17.01.02: cells R0280, R0310]
- [S.23.01.01: cells R0580, R0600, R0620, R0640, R0740]

In respect of the information contained in S.19.01.21, the Central Bank of Ireland has limited the information on that form subject to audit to only that information which relates to the periods ended 31 December 2014, 31 December 2015 and 31 December 2016. We are not required to audit, nor have we audited and as a consequence do not express an opinion on, any information contained within this form which relates to a period preceding the period ended 31 December 2014.

The forms subject to audit, excluding those items identified above as outside the scope of our opinion, are hereafter defined as the 'relevant elements of the Solvency and Financial Condition Report'.

The relevant elements of the Solvency and Financial Condition Report have been prepared by the Company in accordance with Solvency II Regulations, which consist of:

- European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015);
- European Commission Delegated Regulation (EU) 2015/35; and
- The 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 SFCR in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

[and waivers, approvals and other supervisory determinations issued by the Central Bank of Ireland – insert description as appropriate].

### **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the Solvency II Regulations. In accordance with Regulation 57 of the European Union (Insurance and Reinsurance) Regulations 2015, the Directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the Solvency and Financial Condition Report and for the approval of the Solvency and Financial Condition Report.

The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The Directors are responsible for overseeing the Company's financial reporting process.

The Directors should be satisfied that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the Company. All Directors are required to sign a Compliance Statement, as required under Section 25 of the Central Bank Act 1997, for submission with the annual quantitative reporting templates.

Our responsibility is to audit and express an opinion on the relevant elements of the Solvency and Financial Condition Report in accordance with European Union (Insurance and Reinsurance)

Regulations 2015 and International Standards on Auditing (UK and Ireland)<sup>5</sup>. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Relevant Elements of the Solvency and Financial Condition Report**

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the relevant elements of the Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the information accompanying the relevant elements of the Solvency and Financial Condition Report, to identify material inconsistencies with the relevant elements of the Solvency and Financial Condition Report and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of the audit of the relevant elements of the Solvency and Financial Condition Report and also in the course of the audit of the statutory financial statements of the Company. The information accompanying the relevant elements of the Solvency and Financial Condition Report consists of:

- D.1 Assets
- D.2 Technical provisions
- D.3 Other liabilities
- D.4 Alternative methods for valuation
- D.5 Any other information
- E.1 Own funds
- E.6 Any other information

If we become aware of any apparent material misstatements or inconsistencies in the accompanying information we consider the implications for our report.

### **Opinion**

In our opinion, the information in the relevant elements of the Solvency and Financial Condition Report of the Company for the year ended 31 December 20XX is properly prepared, in all material respects, in accordance with the Solvency II Regulations.

### **Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use**

We draw attention to the ['Valuation for solvency purposes' and 'Capital Management'] sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared to assist the Company in complying with the financial reporting provisions of the Solvency II Regulations. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our report is intended solely for the Central Bank of Ireland and the Company in accordance with the terms of our engagement and should not be distributed to or used by parties other than the Central Bank of Ireland and the Company. Our opinion is not modified in respect of this matter.

*Signature in the name of the audit firm*

[Auditor Address]

[Date]

<sup>1</sup> Available from the Central Bank of Ireland's website at <https://www.centralbank.ie/docs/default-source/publications/Consultation-Papers/cp104/feedback-statement-to-consultation-paper-cp-104.pdf>

<sup>2</sup> ISAs (UK and Ireland) are the applicable auditing standards for financial periods commencing before 17 June 2016.

<sup>3</sup> ISAs (UK and Ireland) are the applicable auditing standards for financial periods commencing before 17 June 2016.

<sup>4</sup> ISAs (UK and Ireland) are the applicable auditing standards for financial periods commencing before 17 June 2016.

5 ISAs (UK and Ireland) are the applicable auditing standards for financial periods commencing before 17 June 2016.